



28 June 2021

Ms Liz Savage
Chair
Tourism Industry Reference Panel

By email: tourismrecovery@dtis.qld.gov.au

Dear Ms Savage

Submission – Queensland Action Plan for Tourism Recovery

Cruise Lines International Association (CLIA) Australasia welcomes the opportunity to make this submission on the development of Queensland's Action Plan for Tourism Recovery.

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.

1. Executive Summary

Cruise has been one of the fastest growing forms of tourism in Australia over the past decade. Queensland is the second largest Australian cruise market in terms of cruise activity and industry expenditure. In a normal year cruise contributes more than \$1bn to the Queensland economy and supports over 3,500 Queensland 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. In addition to Queensland's special appeal due to its many natural attractions and its location as the gateway to the South Pacific, the new Brisbane International Cruise Terminal gives Queensland a distinct advantage [over many other states] in terms of attracting more cruise visits.

With the right regulatory settings and infrastructure, the cruise sector can bring more interstate and international visitors to Queensland, allowing cruising to increase its contribution to Queensland's economy even further.

2. Snapshot of the cruise industry in Queensland

In the last full year pre-Covid (2018-19), there were 378 cruise ship¹ visits to Queensland destinations. The largest number of visits was to Brisbane (157), however regional ports and destinations also received a substantial proportion of visits including Cairns (71), the Whitsundays (58), Moreton Island (34), Port Douglas (15), Townsville (16), Gladstone (8), Thursday Island (6), Mooloolaba (5), Fraser Coast (3) as well as Bundaberg, Cooktown, Dunk Island and Great Keppel Island. In addition, there were 213 visits by smaller vessels with capacity of between 35 and 100 passengers. Overall, there were 774,000 passenger visit days spent in Queensland in 2018-19.

Cruise ships now visit over 14 recognised ports and anchorages in Queensland. The map below indicates ports and anchorages that had at least one cruise ship visit in 2018-19. New destinations are continually being sought and we encourage the Panel to support the industry's interest in identifying and developing new cruise destinations in Queensland.



3. The Economic Contribution of Cruise Tourism

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 economic contribution, including to many regional economies, also multiplied. In a normal year, cruise visits generate total value-add of \$570m from a total output of \$1.038bn to the Queensland economy, and support over 3,500 jobs² in Queensland.

¹ Defined as having the capacity for more than 100 passengers.

² Based on findings by AEC Group Pty Limited. AEC's Economic Impact Assessment of Cruise Tourism in Australia, available at www.cruising.org.au.

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, Australian passengers on a cruise ship that is homeported in Australia spend an average of \$435 per day, with international cruise visitors estimated to spend an average of \$548 per day³ in the ship's home port.

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 visitors), 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 air and hotel 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 local 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 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.

Queensland can increase its economic benefit from cruising by encouraging more cruise ships to base themselves (or homeport) in Brisbane either seasonally or year round. Queensland is well placed to do this given the completion of the new international cruise terminal. Homeported ships generate higher passenger, crew and cruise line spend, due (for example) to the need to reprovision the ship between cruises and the number of passengers who choose to extend their holiday and stay longer in Queensland.

4. Capturing the opportunities post-Covid

Key to Queensland's success in maximising the future opportunities from cruising is providing an environment that welcomes and supports a broad range of cruise ships and itineraries. In particular, we believe Queensland stands to benefit from the higher proportion of Australians who will look to holiday

³ Australian passengers spend an estimated average of \$170 per day in transit ports, and international passengers spend an estimated average of \$237 per day in transit ports.

locally in the post-Covid environment, while also benefiting from the strong international visitor base that cruising brings.

Together with supporting the industry to identify and develop new cruise destinations in Queensland and encouraging more cruise ships to homeport in Queensland, we need the support of the Queensland government in ensuring regulatory settings facilitate rather than hinder domestic cruising⁴ in Queensland. We expand on the obstacles to increasing domestic cruising in Queensland section 5.

The opportunity presented by bringing more interstate and international visitors to Queensland to cruise on either intrastate or interstate itineraries is substantial. Queensland's natural attractions, such as the Great Barrier Reef, provide a unique drawcard. The industry has the capacity to bring large numbers of people to visit and spend money in Queensland largely because of these attractions. Taking the Reef as an example, each cruise passenger transiting the Reef pays a levy⁵ of \$6 per visit, with passengers visiting multiple anchorages paying multiple charges. Local tourism operators benefit as they work hand in hand with many cruise lines to provide tourism experiences to cruise passengers, allowing local knowledge to be passed on. At virtually every destination along the Queensland coast, local operators supply tenders for bringing large numbers of passengers ashore, as well as tenders for pre-organised reef trips and specialised trips from the ship or shore. The cruise lines continually engage with launch and ferry operators, shore side tour operators, hotels for embarking and disembarking guests and crew, ship stores and engineering services and a myriad of destination experiences.

Over the past decade cruise lines have been increasing their domestic cruise offerings and want to expand them further. This has already benefited new regional areas in Queensland including Moreton Island, Gladstone, Mooloolaba and Fraser Island, which have in recent years welcomed their first cruise ship visits. This is in addition to established regional destinations including Cairns, Airlie Beach and Townsville.

National and regional events are also able to be supported by the cruise industry through providing additional attendance (and accommodation) capacity. For example, cruise ships provide additional attendance for major events such as the Melbourne Cup and the Australian Tennis Open and can provide similar support for major Queensland events, including supporting Queensland's accommodation needs as part of the state's Olympic bid.

The ability of expedition style cruise ships⁶ to enter smaller ports also means that cruise has the ability to take high value visitors to more regional communities in Queensland, including in remote areas where cruise visits represent an important economic opportunity. 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 the regulatory barriers to avoid Queensland losing the opportunity to benefit from the increased activity in this sector.

⁴ A domestic cruise is one that does not include an international port.

⁵ The Environmental Management Charge

⁶ These ships typically carry up to 300 passengers.

5. Obstacles to progress

The key obstacle the industry faces now is achieving a pathway for a phased, carefully managed return of cruising in Queensland. The second obstacle is current federal regulatory settings that constrain the growth of domestic cruising.

Cruise restart

While we understand it is not the Panel's remit to consider issues relating to current Covid restrictions, we note the Panel is looking for immediate action points.

The immediate action the industry needs from the Queensland government is to facilitate discussions between industry and the Chief Health Officer and Queensland Health to agree a pathway for a phased, carefully managed resumption of cruising in Queensland. This would involve beginning with intrastate cruising within Queensland only and carrying Australians only, and then moving to interstate cruising when the time is right. We are conscious of the long lead times involved in returning ships to service and want to start the planning process with government, including discussions with Queensland Health and the Chief Health Officer about the Covid management plans developed by the cruise lines and other required protocols.

Federal regulatory settings

The current regulatory settings relating to importation of international cruise ships under the Customs Act and uncertainty about the future direction of coastal trading legislation are the key issues to be resolved here.

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. 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.

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.

6. Conclusion

Australia's cruise industry has a track record of delivering significant economic benefits to the Queensland economy including direct economic benefit to the many regional Queensland communities that cruise lines visit.

With the right regulatory support, the industry has the potential to increase its economic contribution even further. Queensland has the benefit of unique natural attractions, a new cruise terminal and proximity to the South Pacific for those ships wishing to travel there. In turn, the cruise industry has the ability to bring large numbers of interstate and eventually international visitors to multiple destinations in Queensland to the benefit of many related tourism and hospitality businesses.

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

Your sincerely

A handwritten signature in black ink, appearing to read 'JK' or similar initials, with a stylized flourish at the end.

Joel Katz
Managing Director
CLIA Australasia