

Independent Review of the Coastal Trading (Revitalising Australian Shipping) Act 2012

Submission to the Department of Infrastructure,
Transport, Regional Development, Communications
and the Arts
October 2024

Introduction

Australian Chamber – Tourism welcomes the opportunity to comment on the review of the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (the Act).

Our submission takes a narrow focus, specifically on the issue of how coastal trading regulation can be improved for passengers and Australian travel and tourism.

This submission outlines the importance of the cruising industry to the visitor economy and the need to ensure that appropriate measures are adopted to support it. We strongly recommend that one such measure will be to eliminate the need for an exemption under section 11 of the Act and, more specifically, the need to extend the exemption on an ongoing basis.

Importance of the cruising industry

Australia is an expensive destination due to the distance from other countries and our tourism destinations which are geographically disparate. Consequently, travellers who arrive in Australia via international means, such as a cruise, will often stay in Australia for some time – for example, in 2023, the median duration of stay for international travellers was 14 days. In doing so, these travellers make important contributions to accommodation and hospitality operators, as well as the aviation and land transport sectors to reach various locations throughout Australia. Further, many tour operators and transport businesses have built up their operations to cater to cruise tourism and have invested heavily in additional assets specifically to cater to cruise passengers.

Noting these contributions, it is unsurprising that Australia was one of the world's top cruise markets prior to the pandemic. Cruise tourism was worth \$5.2 billion a year to the Australian economy, and sustained more than 18,000 Australian jobs including travel agents, tour operators, transport workers, food and produce suppliers, farmers, entertainers, port workers and technical support providers.

In the 2022-23 financial year, immediately off the back of onerous and prolonged COVID-19 restrictions which effectively shut down the Australian cruising industry, cruising delivered a record economic impact worth \$5.6 billion to the national economy. Figures for 2023 show the number of Australians who took an ocean cruise during the calendar year reached 1.25 million, slightly above the 1.24 million who sailed in 2019. This swift recovery reflects the strong interest shared by international tourists and Australians alike in cruising.

In the 2023-24 period, 75 cruise ships came to Australia, visiting 49 ports around the country. The estimated economic impact of this activity was more than \$8.43 billion, an increase of 284 per cent over the previous 11 years. The industry supported more than 26,000 jobs in that time, an increase of 136 per cent.

While major ports have seen significant growth, there has also been exponential growth at ports in regional areas, such as Geraldton, Burnie and Eden, specifically due to the facilitation of increased domestic cruising by the exemption.

Australia has also seen significant growth in expedition cruising, which takes visitors on smaller ships to remote and regional areas such as the Kimberley or Tasmania. While the vessels themselves are smaller, the positive impact the industry has on regional communities is substantial. In the Kimberley alone, international expeditions ships contributed \$139 million to the local economy in 2022-23, supporting more than 400 local jobs. Any change to the current regulatory settings to limit the broader expedition sector would risk this economic benefit and investment in remote and regional ports and destinations.

Exemption regulation

History

Since the passage of the *Navigation Act* in 1912, shipping in Australia has been regulated by the Federal Government. Since 1912, all vessels have been required to hold a license or permit to engage in coastal trading in Australian territorial waters.

As the cruise industry developed in the latter half of the 20th century, the operation of the industry was captured by these regulations despite them being wholly designed for the movement of cargo – not passengers.

Since the late 1990s, as the industry continued to grow, larger cruise ships over 5000GT have been exempt from regulations to facilitate the growth of cruise tourism. This exemption process has allowed cruise lines to operate domestic itineraries with internationally flagged vessels without the need for a coastal trading license.

The Act, introduced in 2012, continues the ongoing practice of regulating coastal trading in Australia by imposing restrictions on the movement of goods and passengers between Australian ports by foreign flagged vessels. Unfortunately, despite being designed for the movement of cargo, the Act also captured the cruise industry.

Recognising the potential ramifications and acknowledging the significant positive impact arising from the cruise ship exemption, the Government continued the practice of exempting cruise ships over 5000GT via Ministerial Exemption to the Act.

Current arrangements

The cruising industry is currently subject to a time-limited Ministerial Exemption under the Act which allows them to operate. The current exemption under Section 11 of the Act allows international cruise lines to operate within Australian waters, contributing significantly to tourism, job creation, and regional development.

We acknowledge and welcome the Government's extension of this exemption for another two years to 31 December 2026. However, continually extending the temporary Ministerial Exemption should not remain the norm.

To enable the cruise industry to undertake appropriate planning activities and to enable compliance with other Government requirements, removing the uncertainty of a temporary Ministerial Exemption is crucial.

Cruise lines plan their deployments well in advance. For example, it is not uncommon for deployments through to the end of the decade to be planned now. Noting the flow on to other industries, this planning means that ports, destinations, travel agents and the supply chain are strategizing their resources to mirror these arrangements. Further, states and territories are aligning their cruise strategies with the Government's *THRIVE 2030* Strategy to grow cruise visitation, the sector's economic impact, and jobs.

With the Ministerial Exemption arrangement in place, the cruise industry faces significant regulatory uncertainty, which potentially impacts on future cruise deployments, port infrastructure planning, and the broader economic benefits associated with cruise tourism and travel. As outlined above, this would have far-reaching ramifications for other sectors within travel and tourism, also.

Proposed change

The current policy settings under the Ministerial Exemption have underpinned a period of sustainable growth and should be retained.

However, the Government must consider a longer-term focus to allow the industry to operate without fearing the expiration of a temporary Ministerial Exemption. This would also enable local communities to confidently plan for long term cruise visitation and make investment decisions accordingly.

This certainty can be achieved by removing cruise ships greater than 5000GT from the scope of the Act and by adding this category of vessel to Section 10 of the Act.

This shift will facilitate the continued growth of cruise visitation in Australia, support increased cruising to remote and regional ports and destinations, and continue to underpin significant tourism and travel opportunities, economic benefits, and jobs, while ensuring current protections for small locally flagged vessels continue.

Implementing this change will strike the right balance and will ensure long-term sustainable growth for both local and international operators.

Next steps

As travel and tourism continues to recover from the restrictions implemented during the COVID-19 pandemic, we urge the implantation of measures to foster growth as opposed to further uncertainty. Accordingly, we encourage the Act be reformed to remove the need for an exemption for the cruising industry.



About Australian Chamber – Tourism

Australian Chamber – Tourism (the Chamber) is a peak body representing Australian businesses engaged in the visitor economy. It brings together key participants in the tourism and travel sector to advocate better policies, including tax, regulation, tourism marketing, research, labour supply, visas and infrastructure. The Chamber is a part of the Australian Chamber of Commerce and Industry (ACCI), Australia's largest and most representative business network.

ACCI facilitates meaningful conversations between our members and federal government – combining the benefits of our expansive network with deep policy and advocacy knowledge. It's our aim to make Australia the best place in the world to do business. ACCI membership list can be viewed at www.australianchamber.com.au/membership/current-members/

Telephone 02 6270 8000 | Email info@acci.com.au | Website www.acci.com.au
Media enquiries: Telephone 02 6270 8020 | Email media@acci.com.au

ABN 85 008 391 795 © Australian Chamber of Commerce and Industry 2024