



coralexpeditions
AUSTRALIA'S PIONEERING CRUISE LINE



A LEVEL PLAYING FIELD FOR THE AUSTRALIAN FLAGGED EXPEDITION FLEET

Submission for Coastal Trading Reform



RECOGNISING THE IMPORTANCE OF THE AUSTRALIAN EXPEDITION CRUISE FLEET

- The Australian-flagged expedition cruise sector is small but has a disproportionate impact on sustainable regional tourism and the development and maintenance of Australian seafaring and maritime capabilities.
- Yet, the contributions of this sector are largely unrecognised because it is overshadowed by the mass-market international cruise ships.
- The international cruise operators have structural advantages in the form of cheaper labour, lax home regulation and big PR budgets in Australia.
- In the past two years, there have been eight new foreign-flagged expedition vessels that have commenced operations along Australia's sensitive expedition coastlines, effectively over-saturating the market. All are primarily selling to domestic customers and are undoubtedly participating in the domestic economy.
- This has been facilitated by an easily-gamed regulatory environment in Australia, in particular, the ad-hoc ministerial dispensation of exemptions to the Australian Coastal Trading Act.
- This paper presents the strategic, economic and environmental arguments for creating a level playing field for the Australian-flagged expedition cruise sector. We argue for:

- Calibrated access to areas that have environmental or indigenous sensitivities
- An end to ad-hoc ministerial exemptions to the Australian Coastal Trading Act
- Change the existing definition of what constitutes a large cruise ship for exemptions and a requirement for smaller vessels trading in coastal Australian routes to register in the Australian General Register.

ABOUT CORAL EXPEDITIONS



Coral Expeditions

Now in our 41st year of operations, Coral Expeditions is Australia's pioneering cruise line. From humble beginnings in 1983 with the first Coral Princess Cruises vessel, a converted Fairmile class submarine chaser, our founders forged our product on the Great Barrier Reef. We grew steadily over the decades with new ships built in Australia and abroad. The fleet we currently operate comprises the vessels *Coral Discoverer*, *Coral Adventurer* and *Coral Geographer*. We have won numerous Australian Tourism Awards and built a loyal database of intrepid explorers from Australia and abroad who share a common interest of nature-based travel and conservation that respects and promotes the sensitive natural and cultural communities where we operate.

Over the decades we have had a single purpose - to take small groups of like-minded explorers to the most remote natural places with expert guidance and warm Australian hospitality.

We host over 7000 guests onboard each year and we have a growing and sustainable business model. We have invested over \$200 million in our fleet over the past years. With support from our Australian bank and our ownership entity, the NRMA, we intend to continue that expansion. We offer a product and experience that is uniquely Australian and one which cannot be replicated as it is built around local knowledge and relationships with the Australian coastal environments and its communities.

We employ over 250 FTE employees including a team of 45 staff in our Cairns headquarters along with over 200 professional seafarers who are based across the country. We are the largest employer and trainer of Australian seafarers, and our current employees and alumni form a pillar of the Australian maritime sector.

Australian Expedition Cruise Fleet

The Australian expedition cruise fleet is a growing sector in the marine industry and we specialise in providing high quality experiential travel options in remote sensitive areas of Australia's coastline including the Kimberley, Cape York, Arnhem Land, Torres Straits and Great Barrier Reef and also Tasmania. This style of travel is suited to these wild natural environments and is respectful and sustainable to create value for the small communities which we visit. At present there are over 20 operators with most being in operation for decades. The highest concentration exists in the Kimberley and it is this group at greatest threat from the rush of less suitable foreign ships.



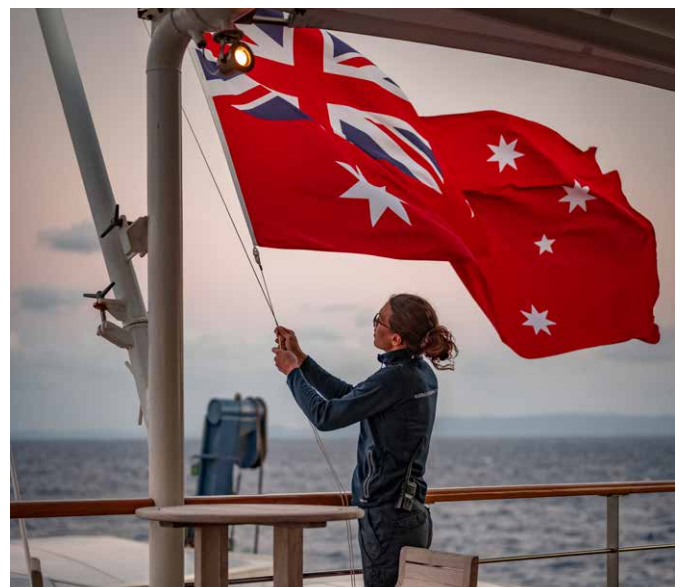
LEVEL THE PLAYING FIELD FOR AUSTRALIAN OPERATORS THROUGH POLICY

- The Coastal Trading Act should provide a level playing field for Australian flagged vessels and encourage the growth of the operators in this sector.
- The act should be amended to be able to differentiate between the carriage of cargo/freight and passengers and recognise that passengers are not a perishable product that can only be carried from certain ports on certain dates.
- The act is outdated and needs to redefine the classification of large cruise ship exemptions in section 11 to reflect the modern size of the Australian ships and the prevalence of smaller ship builds from foreign expedition lines now trading on our shores.
- The Australian industry seek that the ship gross tonnage level for the exemption be raised to 25,000 gross tonne which is a modern reflection of the separation between expedition ships and large cruise ships.
- Authorities and agencies need to be aware and acknowledge that the Australian Expedition fleet exists and has the potential to grow rapidly in a fair setting.
- Taxation, regulatory and permit regimes for foreign operators should be the same as they are for Australian flagged vessels.
- Federal and state governments must align on policy and work with each other to enforce regulations and compliance. We see amendments at a federal level as the pathway to achieving this.
- No minister or their delegate should have sole authority to issue any ad hoc temporary coastal trading licenses to foreign operators that have any potential to disadvantage the Australian Expedition fleet.
- Gaining access to trade on remote and sensitive coastal routes through environmental and conservation agencies should follow the same process as is required by local operators and is best managed by an overarching federal instrument. A temporary license should never be issued where more localized licenses and permits are not in place and on record.
- Foreign operators should not be allowed to deviate from published routes and their presence should never restrict the operation of a local operator from having priority access to home shores or anchorages.

- Authorities should set penalties at such a level as to be a true deterrent and should actively police the practices of foreign vessels in remote regions.

Current shortcomings in the licensing regime include;

- Inadequate recognition of the contribution of Australian flagged operators to the broad and strategic marine skills development in Australia
- Foreign flagged vessels operate on a significantly lower costs base due to cheap labour, tax minimisation practices and a lower bar for regulatory and safety standards. They cherry pick profitable seasons and as they do so, they dilute the returns for local operators. They also have a history of abandoning plans at the last-minute leaving paying passengers stranded and hard fought destination reputations in tatters
- There is no regulatory recourse with weight in the event of any safety or environmental violation. International flags of convenience are deliberately preferred as no laws apply once on the high seas
- Little recognition of the long term and enduring benefits of local operators to:
 1. Marine leadership and technical skills in rural areas
 2. Procurement
 3. Tourism economy contribution.



WHAT WE PROVIDE



Employment and Training

There exists a skills shortage in the maritime industry in Australia.

- Is one of the largest employers of Australian seafarers
- We currently employ close to 250 staff, of whom over 200 are seafarers
- Management are based in provincial Australian cities
- Creating much needed skills & employment in these rural areas such as Cairns, Broome and Darwin
- Operations have created a viable pipeline for training skilled seafarers to support the broader Australian maritime industry
- Have invested significantly in crew training and qualifications
- We supported 107 crew members in obtaining formal qualifications required by AMSA
- We also employ apprentices and trainees under various community employment programmes

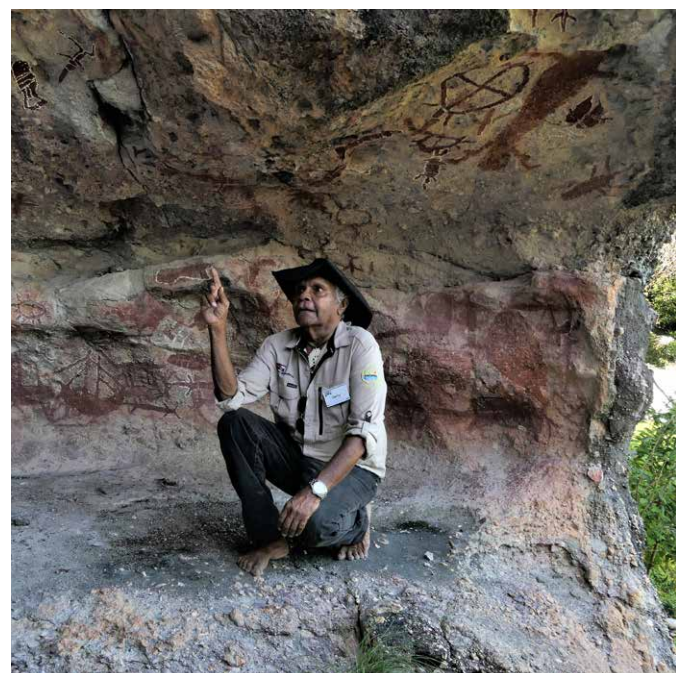
Local Procurement

Unlike the foreign flagged operators which often source bulk on-board supplies overseas:

- We support the broader shipping and ship chandlery industries in Australia
- We procure marine, hospitality and food and beverage supplies locally in each port
- The majority of our repair and maintenance work is done domestically
- This financial year, we will collectively spend approximately A\$50 million on procurement of goods and services and we generate an approximate value of A\$125 million to the domestic visitor economy within Australia.

Indigenous and Sustainable Tourism

- Our Australian cruises have a strong focus on indigenous Australian culture.
- We work closely with various indigenous communities and support indigenous traditions, employing local guides and experts and creating real economic opportunity.
- Our guests come to us because they recognise our commitment to sustainable tourism and true cultural values.
- We not only respect local communities, but we sensitively incorporate their traditions into our product.
- We meet the highest of operating standards and work closely with environmental management agencies and traditional owners in all of our destinations to ensure global best practice in sustainable marine operations.



THE CURRENT STATE OF PLAY IN THE KIMBERLEY

For almost all the Australian flagged expedition fleet, the Kimberley is the cornerstone of their business, and most have been developing this destination over many decades. Both Coral Expeditions and True North started regular expedition voyage series in the region 30 years ago. The combination of our efforts and the fact that this is a wilderness destination comparable to anything on offer in the world make it a great success story. It rivals the Antarctic and the Galapagos in the richness and depth of its natural and cultural significance. All Australian operators have done the required work and can work well together and in tandem with traditional owners and conservation agencies professionally and respectfully.

The Kimberley is a sensitive area of natural and cultural significance. It is one of the most remote places on earth and contains ancient cultural sites and rock art, magnificent geology with escarpments and rock formations and is a sanctuary for marine life, birds, and reptiles. It also experiences extreme tidal phenomenon making it suitable for only the most experienced of navigators. It is a place worthy of protection to preserve it for eternity.

In recent years, a small number of credible foreign operators have commenced operations in the Kimberley with the arrival of the French operations of Ponant and the UK operations of the Caledonian Sky. While we welcome fair competition, congestion has started to occur at key sites such as the King George Falls, Talbot Bay and the Horizontal Falls, and Montgomery Reef. Congestion is not something to take lightly in the Kimberley. Its tidal flows mean that key sites are only visible during short 2 - 3-hour tidal windows during each days

daylight, and the rapid tidal movement and tight geography mean that ship navigation and safety are compromised if crowded. The Kimberley has reached what is widely acknowledged to be an optimal level of visitation.

Pressure now exists on current anchorages which have been booked 2 years in advance by large vessels and as a result of lack of coordination, we now have local operators being declined access despite their 3 decades of effort building the industry

In 2024, there has been the entry of 8 new international operators who have used the "Large Cruise Ship Exemption" to their advantage to gain access. Many do not have WA Government conservation permits and licenses in place and there is no existing regional anchorage plan or body coordinating their movement. Almost all will arrive for a condensed 4 - 6 voyage season around June - July as this suits their global focus on driving profits. A small number are under the 5000 Gross Tonne size which require a Temporary Coastal Trading License. Australian flagged operators have expressed concern for the past 3 years about the situation with a general recognition that it is concerning, however neither federal or state governments seeming know what to do about it or where to start. **The current Coastal Trading Act is void of appropriate definitions, clarity or power to stop these practices which is threatening the local fleet.**



Vessels parked in front of key sites does not convey an image of pristine wilderness

Case Study - Island Escape Bankruptcy:



In 2022, Coral Expeditions raised with the Shipping Business Unit and other authorities, that a new foreign vessel "Island Escape" had published to sail the Kimberley between Darwin and Broome. It was identified that they did not have the required license. Despite this, they entered Australia and commenced operations and they were not stopped or prosecuted by either federal or local authorities. They had no Australian experience or operating credentials. They had sold over \$4.5 million in bookings to mostly Australian consumers. At the completion of the second voyage, they abruptly ceased operations. Subsequently, the vessel was detained in a high-profile media story and sold off in the bankruptcy process, presumably with all customer monies lost in the process. This vessel was acquired by Paspaley and Ponant and now operates under a temporary coastal trading licence as the Paspaley Pearl. The coastal trading licence it is using is the same one that was approved for Le Ponant Yacht, a situation that was incorrectly allowed by the Shipping Business Unit as licences do not permit vessels to be swapped.

In years past, a condition for foreign flags to operate was that they needed to have an international port stop included if they sought to operate across interstate border e.g. Darwin>Timor>Broome for the Kimberley. Recent relaxations mean this is no longer enforced although the law remains the same. Also a temporary permission seems to have been allowed for visit to Ashmore Reef which concerns us greatly should it become the new normal.

Most Australian flagged operators are holding booking levels between 15 - 40% below their traditional business levels across the peak season as foreign operators arrive under international flags and flood the domestic travel market with discount offers. We cannot compete on price and we are held to a higher standard of labour practices, safety and compliance.

With such a pronounced increase in traffic in the Kimberley, we have raised concerns about potential damage to the environment through inexperienced operations and poor practices, along with visual overcrowding at key sites. Most government stakeholders have indicated a shared concern; however, they cite that the Coastal Trading Act is the critical piece of legislation which effectively opens the region up to this level of visitation. They have few controls beyond that and no resources to manage the overcrowding or permitting influx.

What are the risks in the Kimberley:

The Australian flagged operators see their commercial returns erode and reduce or cease operations.

Visitors arrive at pristine wilderness areas which are crowded with ships and the wilderness reputation is lost forever.

Lack of experience causes a major accident that causes environmental disaster or worse.

High numbers of unsupervised guests at art sites which can be irreparably damaged.

Traditional owner sensitivities are triggered due to rampant tourism in sensitive locations.

Operators cancel seasons late leaving passengers stranded and out of pocket.

PRACTICAL AMENDMENTS TO THE ACT FOR NOW AND THE FUTURE

Redefine the Classification of Large Cruise Ship for Exemption:

Section 11 Exemption should only apply to vessels;

- In excess of 25,000 Gross Tonnes
- Capable and/or surveyed to carry at least 250 passengers

The current definition is set at 5000 GT and 100 passengers and is outdated. It was written to encourage the operation of large cruise lines between major city ports decades ago. It does not reflect the modern-day cruise industry or the growth of Australian expedition cruising. It is due for renewal in December this year and is the most practical policy lever at the governments disposal to stop the unfettered and uncontrolled access of foreign expedition lines threatening the Australian flagged fleet.

Create Sensitive Areas Framework excluding large cruise ships under the exemption:

Create "sensitive coastal region zones" for coastal trading that are reserved for suitable expedition style itineraries including Kimberley, Cape York and Arnhem land, Tasmania's Southwest.

Set high operator standards for sustainability, environmental and cultural practices and resource policing and enforcement rules.

Implement a maximum cap on expedition ships and passengers at given seasons/times with Australian flagged vessels being given first right permits and any remaining capacity to be applied for and offered to credible foreign operators considering length of tenure in the area and operating credentials.

Limit any passage through these areas by classified "large cruise ships under the exemption" to be restricted to designated anchorages safe and away from protected zones.

Requirement to register on the Australian General Register:

A requirement to register as an Australian vessel is recommended to apply to vessels under 25,000 Gross Tonnage who seek to operate in Australia's Sensitive Areas. We recommend the removal of the mechanism of Temporary Coastal Trading licenses being considered for foreign passenger vessels.

- Foreign vessels that operate under an international flag of convenience do not comply with the requirements of the Australian Fair Work Act or other Australian safety and compliance standards or laws.
- Foreign flagged vessels operate on a cost base in the vicinity of 60% lower than local operators as they do not pay comparable wages, payroll tax, mandated training, superannuation, insurance, workers compensation, annual leave, penalties, or benefits.
- There is no other sovereign marine jurisdiction in the world that provides exemptions to coastal trading permits or cabotage. Permits are only considered where there is no local service provider.

WHY THE TEMPORARY COASTAL TRADING LICENCE PROCESS IS FAILING AUSTRALIAN FLAGGED VESSELS

The current process for issuing of Temporary Coastal Trading licenses is inadequate and disadvantages Australian General License holders. It is stacked against the Australian-flagged fleet and can be gamed by foreign vessels.

The following is a list of major failings of the current system;

- It treats cruises as point-to-point commutes, rather than an itinerary in a region.
 - Foreign flagged vessels are allowed to sell their product to the market for years without having any permits in place. They use their operating cost advantage to undercut local prices and pay double commissions to agents to win bookings for FIT, groups and charters from local operators.
 - Individual applications for temporary licenses are assessed individually and not against a broader context of the industry which contributes to the issues in the Kimberley right now.
 - The current system requires an Australian operator to make a notice in response and then undertake a “negotiation” with the new foreign-flagged applicant. The administrative burden is imbalanced and we have never seen a genuine negotiation take place; the foreign line has already banked the business.
 - The ultimate decision to grant or deny an application sits with a single person, being the delegate. We believe this is an untenable situation given the various forces and pressures involved with such important decisions.
- The following example outlines how the foreign lines game the regulatory environment.
A foreign line copies the itinerary of an Australian operator and publishes it with minor amendments to the dates, product and marketing. In doing so, they may even use the same images and marketing collateral of the locals. Then they poach a couple of expert guides from the local line to add credibility to their product. As the sailing date draws closer, they make their Temporary License application, crafting it to ensure the local operator cannot credibly object under the current regime. If a local line make a notice in response (objection) then a disingenuous negotiation follows. Inevitably, they are granted a license and then free to operate with any level of occupancy. To our knowledge, no authority in Australia ever audits the manifests of the passengers carried on a Temporary License.

