



## **Submission – Independent Review of the Coastal Trading Act 2012**

Cruise Lines International Association (CLIA) Australasia is the regional office of CLIA, the global peak 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.

CLIA member cruise lines represent over 97% of the cruise passenger arrivals in Australia in a normal year and has both Australian and internationally flagged vessels within its membership.

This submission addresses the treatment of passengers under the Coastal Trading Act, with a particular focus on questions 9-11 from the consultation document. These answers will also be uploaded through the online form.

In summary, CLIA's submission argues that the current provisions of the Act are not fit-for-purpose as they relate to the cruise industry. Cruise ships, as defined under the current temporary exemption, should be added to the list of Section 10 vessel exemptions. This adjustment will provide long-term certainty for operators and communities and foster continued sustainable growth for both local and international cruise lines.

### **9. Do you think that passenger travel (cruise ships and ferries) should be treated separately in the legislation to other coastal trades? Why/why not?**

Yes.

It is clearly apparent that the current Act is designed for the movement of cargo and not passengers. While this submission will not speak to ferry passengers, cruise passengers are not cargo to be transported from one port to another.

The discussion document itself highlights this point eloquently:

*Cruise operators provide forward looking schedules to secure bookings from customers who may want to know what specific vessel they will be sailing on. Unlike cargo owners, many cruise passengers are unlikely to be 'vessel agnostic' and are willing and able to pay what is required to ensure they get the experience they are looking for from a vessel.*

More to the point, it would in fact be fair to say that vessel choice is critical to customers decision to book a cruise. Factors include:

**Vessel-Specific Passenger Preferences:** Unlike cargo operators, cruise passengers make highly individualized decisions based not only on itinerary and ports of call, but

also on the specific ship they will travel on. For many passengers, the choice of ship is as crucial as the destination itself. They consider factors like the ship's size, category (luxury, contemporary, expedition), and specific onboard amenities when making booking decisions. This contrasts with cargo shippers, who are more focused on the logistics of moving goods rather than the vessel transporting them.

**Personalised Experience:** Cruise passengers seek a personalized experience that reflects their lifestyle, preferences, and specific needs. They may be willing to pay a premium to secure a spot on a particular vessel that offers the amenities, level of service, enrichment, and accommodations they desire. This personal investment makes the cruise industry unique in its customer dynamics compared to other sectors under the Coastal Trading Act.

**Forward-Looking Booking Model:** Cruise lines provide passengers with detailed information about their fleet, including the vessel's design, layout, onboard experiences, and services, far in advance to support their product selection. Passengers are rarely "vessel-agnostic"; they book based on the distinct features of specific ships, unlike cargo customers who prioritize efficient transport over the specific vessel used.

**Ship as a Key Selling Point:** The ship itself represents a critical element of the guests' holiday experience. Cruise lines invest heavily in branding their operation and their vessels to appeal to various market segments (families, luxury travellers, adventure seekers). Therefore, treating cruise ships as generic within coastal trading regulation misses the point that the vessel is integral to the passenger's overall experience and decision to book.

The actions of successive Governments to exempt cruise ships reflects a recognition of these differences and is a clear acknowledgment that such vessels should be treated separately to other coastal trades. The legislative framework already acknowledges that cruise ships play a distinct role in tourism and should not be lumped together with other commercial coastal trading activities, which focus on the transportation of goods.

## **10. How can coastal trading regulation be improved for passengers and the Australian tourism industry?**

The current policy setting to exempt certain cruise ships from the Coastal Trading Act, through a temporary Section 11 Ministerial Exemption, has underpinned a period of sustainable growth.

However, the need for ongoing renewals of temporary Ministerial Exemptions creates significant uncertainty for a sector that has long planning lead-times, as cruise itineraries are planned and published for sale two to three years into the future.

For example, international operators are already planning and publishing cruise itineraries for 2027 – beyond the life of the current exemption. This has been common practice since 2012 (and before) and relies on the assumption that the Government will continue to extend the exemption in support of the industry.

This is clearly a sub-optimal approach and one that exposes international cruise lines to significant financial and legal risk if the exemption were not to be renewed by the responsible Minister at the time.

It is therefore imperative that the Government adopt a longer-term focus to allow the industry to operate without the constant concern over the expiration of a temporary exemption. This would also enable local communities to confidently plan for long term cruise visitation and make informed investment decisions accordingly.

Currently infrastructure to support the cruise industry is being planned or constructed in Wyndham, Broome, Townsville, Eden, Sydney and Fremantle. Without long-term operational certainty these investment decisions by Governments and private operators carry substantial risk.

Such long-term certainty can be achieved by excluding cruise ships greater than 5000 gross tonnes (GT) from the scope of the Coastal Trading Act, by adding this category of vessel to Section 10 of the Act.

CLIA believes this change will bring two key benefits: it would facilitate the continued growth of cruise visitation in Australia driving significant tourism opportunities, economic benefits, and jobs, and it will support increased cruising to remote and regional ports and destinations, all while maintaining protections for small locally flagged vessels.

Furthermore, to provide further long-term operational certainty to cruise ships, consideration should be given to extending the provisions within Section 112 of the Act to cruise vessels. S112 provides ships holding a Temporary Licence with specific treatment under the Customs Act 1901. This would provide further certainty and clarity for cruise vessels operating in our region.

#### Temporary License Applications for Ships Under 5000 GT

For vessels smaller than 5000 GT, which are not exempt from the Coastal Trading Act, the same principles should apply when considering temporary license applications. These ships, often part of expedition or luxury cruising segments, should not be assessed through a cargo-centric lens. Unlike cargo ships, cruise vessels from different brands are not interchangeable—passengers choose cruises based on the specific ship and brand experience, not just the itinerary or ports of call.

The capacity of local cruise operators to carry passengers from an international vessel under 5000 GT should not be a relevant detail to any license application. As stated in

our response to question nine, cruise passengers should not be treated as cargo to be moved from one point to another. If an application was to be unsuccessful, such passengers would not simply rebook with a local operator – they would likely pursue a cruise on the same or similar ship in another part of the world.

In assessing temporary license applications for these smaller vessels, the primary consideration should be the tourism benefits, including the economic impact, job creation, and opportunities to support Closing the Gap initiatives. This includes engaging Indigenous communities in the design and delivery of tourism products, which aligns with national and state-level goals of empowering Aboriginal and Torres Strait Islander people.

Furthermore, the Minister should be guided predominantly by advice from state governments and local communities directly benefiting from the planned visitation. This would ensure a more balanced and tourism-focused approach, aligning with government strategies to grow the cruise sector and support regional development.

#### The growth of cruise in Australia

Since the temporary exemption to the Coastal Trading Act came into force, the industry has seen steady, sustainable growth.

In 2012-13, Australia saw visits by 43 cruise ships, who visited 30 ports around Australia. This had an estimated total economic impact of \$2.4 billion, supporting more than 11,000 jobs around the country.

11 years later, 2023-24 saw visits by 75 cruise ships, who visited 49 ports around Australia. The estimated economic impact of this activity was more than \$8.43 billion, an increase of 284 per cent over the previous eleven 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 been exponential growth at ports in regional areas, such as Geraldton, Burnie, Eden, Broome, and Port Augusta, specifically due to the facilitation of increased domestic cruising by the Exemption.

This impact is clearly important to local economies and as such the growth of the cruise industry is supported by all levels of government in Australia.

#### THRIVE 2030

The Federal Government's THRIVE 2030 plan lists two key goals relating to the cruise industry, with Priority 5.12 aiming to:

- *Grow the cruise market in Australia with the goal of converting cruise participation into domestic spend, including through the tripartite MOU between TA, Cruise Lines International Association (CLIA) and Australian Cruise Association (ACA).*
- *Increase benefit to regional communities from cruise visitation.<sup>1</sup>*

At a State Government level, the growth of the cruise industry is considered a key priority by every State Government, and the Northern Territory. New South Wales, Western Australia, South Australia, Victoria, the Northern Territory and Tasmania have developed or are developing bespoke Cruise Strategies to deliver this growth as well as investing in supporting infrastructure.

### Remote destinations

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 expedition vessels are by their nature smaller, the positive impact the industry has on regional communities is significant – creating much needed economic impact and supporting local employment. In the Kimberley, a recent CLIA study showed the industry had a total impact of \$162m, supporting 478 local jobs, many of these directly supporting indigenous communities.

### Closing the Gap

Expedition cruising in remote and regional Australia plays a vital role in supporting the Australian Government’s Closing the Gap initiative, which emphasizes that better life outcomes are achieved when Aboriginal and Torres Strait Islander communities have a genuine say in the design and delivery of policies, programs, and services that affect them.

Cruising aligns with these goals by creating economic opportunities and fostering cultural exchange, where Indigenous communities have an active role in shaping and delivering authentic tourism experiences. Many cruise operators collaborate with Aboriginal and Torres Strait Islander communities to co-create sustainable tourism products that showcase their rich cultural heritage while respecting their deep connections to land and sea. This approach not only promotes a more meaningful and immersive experience for visitors but also ensures that Indigenous communities are determining and owning the outcomes of such tourism ventures.

Through continued partnerships with Indigenous communities, expedition cruising not only provides economic benefits but also aligns with the National Agreement on Closing

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<sup>1</sup> <https://austrade.gov.au/en/news-and-analysis/publications-and-reports/thrive-2030-revised-the-re-imagined-visitor-economy-strategy>

the Gap, empowering Aboriginal and Torres Strait Islander people to drive the outcomes they desire, with the support of federal and state governments.

### Conclusion

In summary, there is clear impetus at all levels of government to support the growth of the cruise industry. The current system of temporary exemptions is at odds with this support, creating long-term uncertainty for both the industry and the communities that rely on cruise visitation.

Therefore, CLIA believes that cruise ships greater than 5000 GT should be excluded from the scope of the Coastal Trading Act and formally added to Section 10 of the Act.

Similarly, temporary license applications for smaller ships should prioritize the tourism and community benefits, ensuring that cruise operations can continue to grow sustainably while supporting Australia's broader economic and social goals.

### **11. How can coastal trading regulation be improved to support the Australian-flagged cruise industry?**

As noted in the previous answer, since the exemption to the Coastal Trading Act came into force the cruise industry – both locally and internationally flagged vessels - has seen steady, sustainable growth.

Local operators have thrived in this environment, with some launching new vessels and others refurbishing their fleets. These operators have publicly reported strong demand and unprecedented forward bookings, a clear indication of the growing broader interest in expedition cruising.

If the Australian Government seeks to support the growth of both the local and international cruise industries, as per the THRIVE 2030 goal, then it is logical to conclude that continuing to exclude ships greater than 5000 GRT from the Act is appropriate to maintain this momentum.

CLIA therefore believes the most effective way to support continued growth is to add cruise ships greater than 5000 GRT to Section 10 of the Act. This would provide long-term certainty for operators without disadvantaging locally flagged vessels.

The most appropriate and effective way of providing direct support to locally flagged vessels is via a range of tax and other measures to be detailed below.

### The growth of expedition cruising in Australia

It is important to acknowledge that the increased interest and global visibility of expedition cruising has benefited all operators. International cruise companies have played a pivotal role in promoting Australian expedition cruising to a broader market, both domestically and internationally, which has led to increased bookings across the

sector, including for local operators. For example, remote destinations like the Kimberley have gained significant attention, and this heightened visibility has led to a rise in visitation across the board. Restricting international operators—by, for instance, raising the tonnage limit—could stall this momentum, potentially reducing the benefits to the entire expedition cruising sector, including local operators.

Moreover, international vessels often offer unique experiences tailored to a specific clientele that may differ from those provided by local operators. As noted in the consultation document, "cruise passengers are unlikely to be 'vessel agnostic'" and are willing to pay for the particular experience, brand and level of service they seek.

It would be incorrect to assume that these customers would simply book with a local provider if such a vessel was to be prevented from operating in Australia.

Any reduction in visitation would impact the widespread benefits provided by international vessels to local communities. To take the Kimberley as an example, this economic activity is vital for remote regions, where tourism plays a crucial role in sustaining local livelihoods.

A recent CLIA study has shown international expedition ships have made a substantial economic contribution in the region, contributing \$139 million to the Kimberley local economy in 2022-23. They also supported more than 400 local jobs, including many within local Indigenous communities.

These figures represent 85% of the total investment by cruise ships in the region, and 85% of total jobs supported.

This investment includes significant support for Traditional Owners and Indigenous partners in the region. This is critical economic activity for such an isolated region.

CLIA must also note the ongoing work of the Western Australian Government to regulate the industry in the Kimberley, including the design and implementation of a booking system to ensure sustainable growth in the region. And while such matters are clearly not within the remit of the Act, it is relevant to the discussion of the Australian expedition sector.

If the Government wishes to provide further incentives to support the locally flagged cruise industry, CLIA believes that exploring targeted support measures—such as tax incentives, would be the most effective approach. This would strengthen local operators without restricting the broader benefits that international vessels bring to Australia's cruise sector and the communities they visit.

Specifically, CLIA believes the Government should consider two key tax support measures. Firstly, we recommend lowering the cost of owning and operating Australian ships by making shipping company income tax a genuine tax exemption. This can be done by altering the *Income Tax Assessment Act 1997*. Secondly, the Government

should remove income tax from seafarers working on ships. This will create more jobs for local seafarers across the shipping sector. Further detail on these recommendations can be provided upon request.

In addition to tax support, the Government should also consider targeted assistance to locally flagged vessels in the form of training and overhead support funding, marketing and trade development funding and offsets for cost of fuel, ports, licenses and fees from federal and state.

## Conclusion

In conclusion, the growth of the cruise sector has been a rising tide that has lifted all operators, both local and international. International vessels, with their global reach and distinct offerings, have not only brought in new passengers but also promoted Australian cruising on a scale that local operators alone could not achieve. The increased interest in remote destinations such as the Kimberley has driven economic benefits across the board, supporting local jobs, businesses, and Indigenous communities.

Restricting access for international vessels, whether by raising the tonnage limit or implementing other limitations, would risk stalling this momentum. Such a move would not only impact the international operators but would also undermine the broader cruise sector, reducing the promotional benefits, economic impact, and job creation that currently support local communities. Moreover, it would offer no significant long-term advantages to locally flagged operators, who have already demonstrated strong performance in this collaborative ecosystem.

If the Government wishes to further support locally flagged cruise operators, the most effective approach would be to explore targeted measures such as tax incentives. These initiatives would enhance the competitiveness of local operators while maintaining the critical role international vessels play in sustaining the broader cruise industry and the communities it serves.

Ultimately, any regulatory change that reduces competition would have serious economic consequences for local communities and the wider tourism sector, with little to no tangible benefit for local operators.

Therefore, the best way to support Australian flagged operators is to allow for the inclusion of both local and international vessels and remains the best path forward to ensure sustainable growth and continued benefits for all stakeholders.