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## SUBMISSION FROM PROVIDENTIAL MAGIC PTY LTD

### **Independent Review of Domestic Commercial Vessel Safety Legislation and Costs and Charging Arrangements — Phase 2 Consultation Aid**

We are the husband-and-wife owner of two vessels in the Whitsundays Providence V, a traditional tallship and MiLady a Jeanneau 54DS.

The region is known as the sailing capital of Australia given its easy access to 74 islands and large contingency of vessels. In that way the region can be compared with eg the Ionian Sea in Greece. As such sailing is a large drawcard for tourists visiting the region. According to the most recent figures from Tourism Events Queensland (TEQ), the statutory body for the Queensland government:

- Over the three years to September 2022 there were 97,000 visitors to the Whitsundays which rode a charter boat/cruise or ferry.
- This is the equivalent of 13.5% of visitors to the region.
- This is up from the pre COVID period. There were 54,000 visitors which rode a charter boat/ cruise / ferry over the three years to December 2019.
- This was the equivalent of 9.0% of visitors to the region.

Traditional sailing vessels are also a unique drawcard for tourists coming to the Whitsundays. Providence V, a replica of Grand Banks fishing boat, starred in a Hollywood movie in 1992 featuring Ali McGraw. Providence V has been based in the Whitsundays most of her life. As such it is part of the cultural heritage of the region. She was built in 1988 and has taken part in bicentennial tallship voyages and is built solely from North Queensland timber.

We are appalled by the potential of this review, specifically of the reviewing the grandfather clause, to derail and close down our business. We are an active committee member of the Whitsunday Charter Boat Industry Association (WCBIA) and pride ourselves of keeping abreast of what is going on in our industry. We are also active members of Tourism Whitsundays and regularly undertake surveys of our region with Tourism Events Queensland (TEQ).

While the Independent Review of Australia's Domestic Commercial Vessel Safety Legislation and Costs and Charging Arrangements has been seeking stakeholder feedback by conducting consultations, we need to make you aware of how ineffective and poorly advertised this consulting process has been. And would also challenge the panel to justify exactly how many tourism operators were consulted. While this process is continuing, the Whitsundays appears to have been one of the first places to be visited. You may be relying on facts that are not representative of the industry.

There was an apparent consultation with the review panel in our region in October. As we understand it, the proposed grandfather clause was either buried or not even included in the background briefing about the consultation. Virtually no tourism operators attended as far as we are aware, having checked with WCBIA members and no executive representation from WCBIA, for example.

Further, many vessels affected are not members of any industry association. Having spoken, and compiled a database of vessels in the Whitsundays (at our expense), most were unaware of this review.

## **IMPACT ON TOURISM**

The impact on tourists visiting the region will be catastrophic. Tourism, along with mining and agriculture is a key industry sector for our region. The regional economy is heavily reliant on tourism with approximately 3,000 people being directly employed in the industry. (The Whitsundays Destination Tourism Plan 2019-2024 Whitsunday Regional Council).

Visiting the Great Barrier Reef and fringing reefs, as outlined an important focus for the tourism industry. As we understand it, from the WCBIA the revenue from vessels operating in the region is \$242,189,000.00

Over the recent festive season, the current fleet in the Whitsundays was unable to service demand. We personally heard from many visitors who had flown to the region for several weeks without forward bookings unable to get out on the water.

Having conducted a survey of our region around 80-90% of the vessels in the Whitsundays are likely to be affected by the grandfather clause.

Further, there is little evidence of any erosion of safety with those vessels, which appears to have sparked concern. From what we understand, even if tourist operators prove that they have an impeccable safety record, they may have to pay for the privilege to be exempt.

Now, while there are lots of caveats around – this won't be happening immediately, if it all – and it will be phased in and plenty of time to adjust, we have limped out of Covid, clawed our way back to a market and proud to have survived. Many boat operators in the Whitsundays have gone under. Now we face a cloud around our future that could permanently close us down as a small business operator.

Operating a vessel is not for the faint hearted and requires considerable maintenance, survey costs (we took our second vessel MiLady from Europe and paid around \$35,000 to get her into survey and \$60,000 to transport her from Europe). We are extremely diligent about safety and have had no major incidents.

Question 1: What is the nature of the costs that you (or your DCV sector) incur? This can include for example charges recovered by AMSA for fee-based activity, any relevant jurisdiction-specific fees and charges, accredited marine surveyor costs, etc and can include one-off and regular costs.

- It would be useful if you could provide an indicative estimate of the current annual costs of a DCV operator within your subsector in your jurisdiction.

\$25,000

- It would also be useful if you could provide an indicative estimate of the percentage increase or decrease in these costs since 2017–2018.

Increase of 25%

- The Panel is also interested in understanding the annual cost for the same/similar services incurred by you (or your DCV sector) under the pre-National regulator state-based system
- COSTS Annually per vessel approximately \$7800.

Question 2: What are the considerations that you believe should be taken into account in determining whether full or partial recovery of the costs of the National System is appropriate, and to determine the level of cost recovery? Please provide examples to support/illustrate your response. See above. Tourism fared worse in COVID than almost any other sector. We need support from the government not undermining our existence as an operator.

Question 3: What funding approach or mix of approaches do you believe would best achieve secure and stable resourcing of the National System.

A mix of approaches should consider the turnover from operators when considering costs through passenger numbers, not simply tonnage.

Question 4: What are the aspects of a vessel or its operation that could form a suitable basis for levy-based cost recovery? Passenger numbers. Would suggest rather than tonnage, the authority looks at levies based on turnover rather than vessel category.

Question 5: Having regard to Finding 1 and Recommendation 1 of the draft Report, how could a potential levy be structured to better reflect the level of regulatory effort and resources directed towards sectors of the DCV industry differentiated on the basis of risk? Are there sectors, or part of sectors, that should be exempted from any future levy; if so why should they be exempt? Research vessels and those being used for public benefit eg vessels used for scientific expeditions

Question 6: What are the industry subsectors most likely to be affected by the proposed winding back of grandfathering arrangements?

Tourism sector specifically older vessels offering bespoke cruises (eg classic racing yachts) on classic traditional vessels, one of the biggest drawcards for visitors visiting the Whitsundays seeking a sailing experience. Given that so many of the vessels are in this category, winding back the grandfather arrangements would wipe out almost the entire fleet when it is already

struggling to service demand. The nature of these vessels and their traditional layout and sails are exactly what attracts tourists to the region. They represent an environmentally and sustainable option of choice for tourists interested in conservation (eg they are not belching carbon emissions with large engines and rely on sails for energy with some motorised support). Vessels burning large amounts of carbon are far more likely to be 'modern' vessels and not affected by the grandfather clause.

Question 7: What is the nature of the impacts that these subsectors are likely to experience?

For example, survey costs, costs of upgrades to vessels, costs of upgrading crew competencies, difficulties finding crew with requisite competencies, etc.

Loss of classic vessels from the Whitsunday fleet as costs will be unsupportable. Costs to upgrade vessels will be too great for many operators fleet to support and they will simply close down.

Costs to be factored in should include lay up times to do upgrades with no income. Laying off crew due to lengthy maintenance times with potential major overhaul of vessels.

Crew are an ongoing problem to source with correct competencies. Finding suitable crew has been the worst aspect of surviving Covid and lockdowns and relying on domestic market without international youth to draw upon.

If these design changes are mandatory the government should be funding these and supporting a sub sector of the boat charter industry given what it provides to tourists and therefore the economy as well as being a business taxpayer.

As it is, we already collect government taxes for GBRMPA from visitors to the Great Barrier Reef Marine Park. The marine park should be treated like national parks and have a collection point on Whitsunday Island which sees the bulk of the visitors. Instead, tour operators are forced to incorporate this in their own prices in a competitive market which forces up prices and reduces supply. Now there's a suggestion that the majority of small business tourism operators – virtually all run by people like us – husband and wife – pay for major outfitting to vessels with no safety incidents to justify the expenditure of this review.

Specifically, we would be looking at potentially \$105,000-\$150,000 which would include potential upgrades to the vessel. This is exceptionally difficult, however, as we have no template to guide us. The cost of surveyor; naval architect as well as loss of income, slipping costs and paying crew on contracts (which we have had to introduce to retain crew) when the vessel is out of the water. This amount of money would clearly threaten the ongoing viability of our business as well as any ability to attract a buyer. Providence V could end up on the hard, like so many other traditional vessels, and its cultural heritage lost forever.

- Question 8: What form/s of targeted support do you consider would be effective in assisting the DCV fleet impacted by the phased withdrawal of grandfathering arrangements?

The Australian Government should establish and fund an Industry Assistance Package with a suite of incentives to assist attaining these standards. If such a proposal goes ahead, cash for transition', where the Government offers to fully compensate owners who retire older vessels

unable to meet modern standards. At the least, considerable subsidisation of the cost of new vessels, or major upgrades to existing vessels or survey costs should be paid by the government in recognition of these vessels as a valuable sub sector of the boat charter industry.

This should include financial support to keep staff employed whilst undergoing changes. The government should consider funding, if deemed necessary to pay for any mandatory changes to vessels, particularly as these could be cost prohibitive to most small business owners. If this is not provided there will be a massive depletion in fleet as operators go broke or shut down. This could support the continued operation of unique vessels with traditional value ie cultural heritage.

The government should offer exemption for vessels currently under the grandfather clause who have shown exemplary safety records and whose structure of the vessels may be deemed to be different from modern standards yet still operate safely and are traditional vessels. Otherwise, there is no recognition of the cultural value of vessels such as traditional sailing vessels whose historical construction may differ from modern construction techniques. Such support would demonstrate an equitable solution and avoid being potentially discriminatory.

**Question 9: What are the relevant economic impacts and/or costs or resourcing implications (positive or negative) of any of the recommendations in the draft Report that the Panel should consider? Given that the majority of the vessels in the Whitsundays (conservatively estimated to be around 30 vessels) lead to a vast majority of operators closing down due to the high financial burden to bring vessels into new standards.**