

Cruise Lines International Association Australasia Pre-budget Submission 2022-23

January 2022

The importance of cruising to the Australian economy



CRUISING CONTRIBUTES
>\$5.2 billion
A YEAR TO THE AUSTRALIAN
ECONOMY



MORE THAN
18,000 AUSTRALIAN
JOBS
ARE DEPENDENT ON CRUISE
- NOW AT RISK



MORE THAN
\$10 billion
LOSS TO THE AUSTRALIAN
ECONOMY SINCE MARCH 2020



AFTER
2 years
CRUISING IS THE ONLY
SECTOR STILL SUBJECT TO
A FEDERAL BAN

Executive Summary

CLIA is calling for:

- The phased resumption of cruising in Australia by the second quarter of 2022, initially on the basis of local cruises for eligible fully vaccinated guests only, in order to provide a positive impact on the 2022/23 budget
- The extension of financial support to the network of Australian businesses that rely on the cruise sector for their livelihoods and remain heavily impacted by the cruise shutdown, while the shutdown continues
- The removal of the Passenger Movement Charge in order to attract international visitors once borders are fully open.

Recommendation 1

Allow the phased return of cruising to provide a positive impact on the 2022/23 budget

Before the pandemic, Australia was one of the world's top cruise markets. Up to 1.3 million Australians took an ocean cruise each year. Cruise tourism was worth \$5.2 billion a year to the Australian economy and sustained more than 18,000 Australian jobs (CLIA Economic Impact Report, 2018-19) including travel agents, tour operators, transport workers, food and produce suppliers, farmers, entertainers, port workers and technical support providers.

CLIA and our cruise line members have proposed a phased resumption of cruising in Australia with extensive new health protocols in place, beginning initially with limited domestic cruises for local eligible fully vaccinated passengers only while international tourism remains restricted.

However, despite CLIA's extensive representations to government over the past two years, and vaccination rates now exceeding the National Plan targets for the reopening of the border and inbound tourism, there are currently no finalised plans for a cruise restart in Australia.

Australia is now one of the only major cruise markets in the world with no clear plan for a cruise restart. Overseas, more than 80 countries have resumed cruising and around 72 per cent of the world's cruise ship fleet is back in operation. Almost 5 million people have already sailed successfully in countries where cruising has resumed under stringent new health measures put in place by the industry.

These new health measures include testing and vaccination requirements for passengers and crew as well as extensive protocols covering crew quarantine, distancing, sanitation, ventilation, health monitoring and response procedures. In the US, the Federal Maritime Commissioner recently lauded the global cruise sector for the changes it introduced in response to the Covid-19 pandemic. Commissioner Louis E. Sola said "Ports and cruise lines have aggressively pursued creating the standards and infrastructure that allows ships to sail and be prepared to manage any health contingency that manifests itself... COVID is here to stay, and we must learn to live with it. The system in place that allows cruise ships to operate is working to mitigate shipboard spread of COVID-19."

The government cannot continue to extend the cruise ban indefinitely. Allowing a return to cruise could significantly and positively impact the 2022/23 budget, particularly in the following areas:

- *Economic activity – cruise stimulates a significant range and volume of direct expenditure and indirect activity, arising both from passenger spend and ship operations. In a typical year, spending by cruise lines, cruise passengers and crew injects over \$2.5bn directly into the many communities that cruise ships visit, with cruise's overall economic contribution exceeding \$5.2bn per year. Numerous industry sectors benefit from the impact of this contribution. Allied hospitality and tourism businesses such as hotel accommodation (used for pre and post cruise stays by cruise*

visitors¹), airlines (used by fly-cruise cruise passengers as well as regional passengers), transport providers, museums, tour operators, tourism attractions, cafes, restaurants and retailers all benefit from the additional visitor numbers provided by cruise, as well as related industries such as ports and maritime service providers.

- *Employment* – in a normal year, cruise sustains over 18,000 Australian jobs across a wide variety of industries. The phased resumption of cruise, with an initial focus on domestic itineraries only, will provide further opportunities to increase local workforce participation.
- *Travel agents* – the return of cruise will provide significant revenue-generating opportunities for this sector that is struggling to survive, and which is vital to the long-term recovery of Australia’s tourism sector. The commission earning structure of cruise provides an invaluable source of revenue for travel agents.
- *Tax revenue* – A phased return of cruise that focusses on Australia-only itineraries will provide a boost to local tax revenue (for example, increased GST revenue).

Recommendation 2

Provide support measures to Australian businesses that rely on the cruise industry for their livelihoods and remain negatively impacted as a result of the shutdown, while the shutdown continues

More than \$10 billion has been lost to the Australian economy since cruising was suspended in March 2020, putting more than 18,000 local jobs in jeopardy. These include thousands of workers in the many local businesses that help support cruise operations, such as travel agents, tour operators, entertainers, transport companies, farmers and food producers, beverage providers, port workers and technical support providers. Cruising is essential to businesses like these in locations around the country, including in many regional destinations and remote communities where tourism has been devastated by travel restrictions.

As we start 2022, the cruise industry in Australia is facing its third year of being unable to operate due to the Covid-19 pandemic and multiple extensions of the federal cruise ban. The government’s decision to continually extend the cruise ban without a clear restart plan has left these businesses in a state of limbo and unable to plan for their future.

Travel agents are a key cruise industry partner, with an estimated 70% of cruise bookings made through local travel agents before the pandemic. Cruise bookings are a vital source of revenue for Australian 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 a recent survey by the Australian Federation of Travel

¹ In passenger surveys, almost one-third of homeport passengers reported having had a pre- and/or post-cruise overnight stay in the homeport city and spent an average of 3.2 nights there.

Agents (AFTA)² 50% of respondents reported they are not confident of surviving FY22 without government support. CLIA supports AFTA's proposals for ongoing support to be provided to the travel agent sector to ensure their survival through this unprecedented time.

“

“Cruising is a huge part of our business and the financial impact of the cruise shutdown has reverberated through the whole industry. Operators like my business will take many years to recover financially. Sadly some of our suppliers that relied heavily on our cruise guests and the revenue generated by them have not been able to stay open. Stringent Covid-safe practices and lessons learnt from international cruising mean there should be no real barriers to reinstate domestic cruising immediately.”

- Roderic Rees, Director, Cairns Adventure Group, Cairns, QLD

Similarly, tour operators, entertainers and transport providers are key cruise industry partners that are heavily reliant on cruise for their viability and have been devastated by the extended cruise shutdown. Many tour operators and transport businesses (such as coach operators) have built up their operations during the growth trajectory of cruise tourism and have invested heavily in additional assets specifically to cater to cruise passengers. For some, the cruise shutdown has resulted in a loss of 80% of their business or worse, with no ability to replace it. These losses are also affecting some Indigenous communities that rely on the cruise industry (as an example, Wijingarra Tours in the Kimberley relies on international expedition cruise operators to support 90% of its business). The survival of these businesses, with their wealth of local knowledge and the means to attract passenger and cruise line spend into local economies, is vital to the revival of the Australian tourism sector in the future and the return of cruise operations.

Cruise ships have a long and high value supply chain, with cruise lines spending hundreds of millions of dollars each year on 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 are 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. The loss of orders of these volumes due to the cruise shutdown is affecting the vast network of farmers and producers around the country who supply the cruise industry, with regional producers believed to be impacted the most.

² AFTA Recovery survey n=411 as of 18 November 2021

“

“The loss of cruise business has had a devastating effect, not just on our own business but also for our growers, transport workers and other suppliers. We’ve had to cut staff and sub-lease our warehouse. Without any certainty from government on a plan to move forward, we’ve got no way to work towards rebuilding and our growers have no ability to plan their crops.”

- Steven Biviano, Group General Manager,
Select Fresh Providores, St Peters, NSW

CLIA acknowledges the support provided by the Australian government to Covid-impacted businesses in the past. However, we are approaching the 12 month anniversary since the JobKeeper program ended and many cruise industry suppliers have been without financial support since then. For cruise suppliers, who are without a roadmap for a cruise restart and often have little to no opportunity to replace lost cruise business, this lack of support is especially difficult. Providing ongoing support directly to local businesses that remain heavily impacted by Covid is a feature of many overseas government programs. By way of example, in the US, targeted assistance is still provided to some businesses under the Coronavirus Aid, Relief & Economic Security (CARES) Act. For clarity, CLIA is not proposing that financial support be provided to international cruise lines, rather to those Australian businesses that rely on cruise as a vital source of economic activity.

The livelihoods of 18,000 Australians depend on cruise tourism. Many of these businesses have made a significant investment in people and assets in reliance on cruise ships being able to operate. Through no fault of their own they are still heavily impacted by the ongoing ban. The Omicron variant raises a new question mark over when cruising will resume in Australia and adds to the uncertainty faced by cruise suppliers. When cruising resumes, these local businesses will return to making a significant contribution to the Australian economy, providing valuable employment opportunities and spend in many coastal and regional communities. However, they need government support to survive until cruise restarts.

The opportunity cost of closing down the cruise tourism ecosystem for over two years is the loss of Australian cruise-dependent businesses that are a crucial part of cruising in Australia. CLIA and our cruise line members are cognisant that the longer the shutdown continues, the greater the structural damage to the industry as a result of the closure of businesses that form part of cruise’s critical partner and supplier network. Financial support will assist in helping businesses stay in business until cruising resumes.

Recommendation 3

Remove the Passenger Movement Charge to stimulate inbound tourism once borders are fully open

CLIA is aligned with the proposal by the Australian Chamber - Tourism to remove the Passenger Movement Charge (PMC).

Before the pandemic, cruising was estimated as the 7th largest source of inbound international tourists to Australia. In a typical year, cruise brings over 200,000 international cruise visitors to the Australasia region.

Given the extended period that Australia has closed its borders to international visitors, support will be needed to revive Australia's attractiveness as a destination for international tourists. Australia has long been a high cost travel destination relative to other countries in terms of ticket taxes and passenger levies and ranks poorly for tourism price competitiveness³.

Just as the federal government has decided to rebate visa fees to international students and backpackers, we recommend the government remove the PMC as a stimulation measure to help get inbound tourism back on its feet. As the government would be aware, the PMC represents a significant overcollection proportionate to the actual costs of processing inbound travellers. The significant economic injection international travellers bring to local Australian economies justifies a reprieve from this charge until pre-pandemic levels of inbound tourism are achieved. The cruise sector, with a large and diversified international customer base, is in a good position to attract high numbers of international visitors to Australia and to help revive Australia's share of the high end holiday market.

However, competition for international tourists will be intense and every attempt needs to be made to remove disincentives for inbound tourism, such as the PMC.

About Cruise Lines International Association (CLIA)

CLIA Australasia is the regional office of Cruise Lines International Association, the world's largest cruise industry trade association. CLIA provides a unified voice and is the leading authority of the global cruise community. On behalf of its members, affiliates and partners, the organization supports policies and practices that foster a secure, healthy, and sustainable cruise ship environment, promoting positive travel experiences for the more than 30 million passengers who have cruised annually. The CLIA community includes the world's most prestigious ocean, river, and specialty cruise lines; a highly trained and certified travel agent community; and a widespread network of stakeholders, including ports & destinations, ship development, suppliers, and business services. CLIA represents 95% of the world's ocean-going cruise capacity, as well as 54,000 travel agents, and 15,000 of the largest travel agencies in the world. The organization's global headquarters are in Washington, DC, with regional offices located in North and South America, Europe, Asia, and Australasia. For more information, please visit cruising.org.au or follow @CLIAAustralasia on [Facebook](#), [Twitter](#), and [LinkedIn](#).

³ In the 2019 Travel and Tourism Competitiveness Report Australia ranked 130th out of 140 countries for price competitiveness.