15 MAY 2017

The Honourable Darren Chester MP
Minister for Infrastructure and Transport
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Minister [Signature]

Queensland Government Submission to Coastal Shipping Reforms

The Queensland Government would like to thank you for the opportunity to make a submission in response to the Commonwealth Department of Infrastructure and Transport’s Coastal Shipping Reforms Discussion Paper.

The superyacht sector is an important growth sector that has strong potential to generate economic activity and employment in Australia. The sector generates hundreds of millions of dollars annually in terms of visitor spending, which includes a range of activities such as spending by crew and guests on goods and services. The sector also provides ongoing opportunities for highly skilled workers involved with the maintenance of the fleet.

Global trends indicate the sector is poised for growth in coming years and appropriate policy settings would enable Australia and Queensland to capitalise on these opportunities.

The Queensland Government is committed to supporting the superyacht sector and recently contributed $20,000 towards the cost of an economic impact study into the superyacht sector. The study found the superyacht sector in Cairns and Whitsundays alone directly supports more than 1,100 jobs and directly contributes more than $100 million to economic activity in the region.
The Government also supports the Australian Marine Export and Superyacht Conference and co-hosts an industry attraction networking event on superyachts at the Sanctuary Cove International Boat Show. The Government is also providing support to Superyacht Australia to deliver a one-day seminar in Far North Queensland to highlight industry opportunities and issues in the region.

The majority of the policy and legislative constraints identified by the superyacht sector are within the Australian Government’s remit including issues related to taxation, regulation, border control and infrastructure. I have previously urged the Australian Government to work with the Queensland Government and the superyacht sector to address specific issues which are within the Australian Government’s policy responsibilities to help promote growth in the sector.

The Queensland Government recommends the Federal Government reviews the restrictions and regulatory impediments it places on superyachts visiting Australia, as outlined in the attached submission, and I look forward to working with the Australian Government to help support and grow this lucrative industry.

The Queensland Government’s submission is enclosed for your consideration. If you require further information, your officers can contact [Redacted].

Yours sincerely

[Redacted]

Encl.
Queensland Government Response

2017 Commonwealth Coastal Shipping Reforms Discussion Paper
Executive Summary

The Queensland Government is committed to building on the State’s comparative strengths in traditional industries, as well as new and emerging sectors, to create sustainable employment opportunities and ensure Queensland remains an attractive location in which to live and invest.

Since January 2015, the Queensland Government has implemented more than $4.2 billion in new initiatives and programs focussed on growing short, medium and longer-term jobs. A primary focus of many of the Government’s initiatives and programs has been providing support and stimulating economic activity in areas of regional Queensland facing transitional challenges.

The Government has also identified a number of priority sectors to promote more diversified economic growth, as well as developing comprehensive strategies to promote existing and new opportunities in more traditional industries, including tourism.

International and domestic tourists spent more than $27 billion in Queensland in 2014-15, contributing $11.2 billion to gross state product. Tourism is also a major employer, directly employing more than 135,000 persons throughout Queensland.

A key element of the Government’s commitment to support and grow tourism is the Advancing Tourism 2016-2020 Strategy, which identifies four key areas of focus: quality products, events and experiences; investment in infrastructure and access; building a skilled workforce and business capabilities; and seizing opportunities in Asia. The Strategy promotes growth of existing and new opportunities in Queensland, including promoting economic and employment opportunities in regional areas which have comparative strengths in tourism markets, including superyachts.

Importantly, the Advancing Tourism 2016-2020 Strategy includes a range of measures to promote better Greater Barrier Reef outcomes, including the Great Barrier Reef Innovation Fund to develop and implement new technologies and approaches to improve water quality. The reef is a key driver of tourism in Queensland and Australia, generating significant economic activity and supporting thousands of jobs in regional areas, including jobs related to, or resulting from, the operations of superyachts along Australia’s east coast.

Importance of the superyacht sector

A recent study commissioned by Superyacht Australia highlights the importance of this sector to the Australian economy, estimating that the superyacht sector directly contributes $589.1 million to Australia’s gross domestic product and directly supports 5,978 full-time equivalent jobs.

The sector has a significant presence in Queensland and supports thousands of jobs in north Queensland, particularly in the Cairns and Whitsunday regions. The sector generates hundreds of millions of dollars annually in visitor spending and also provides ongoing opportunities for skilled workers involved with the maintenance of the superyacht fleet.

The study highlights the importance of the sector to the Queensland, New South Wales and Western Australia economies, while the sector also contributes, although to a lesser extent, to economic growth and employment in other jurisdictions such as Victoria and Tasmania.

Given the importance of the superyacht sector, the Queensland Government continues to focus on the potential growth and job opportunities associated with the superyacht sector and remains committed to building on the State’s tourism advantages to grow the Queensland superyacht sector’s capacity and capability, including enhancing the attractiveness of Queensland as a destination for superyacht visitors.

Global trends indicate the sector is poised for growth in coming years. However, removing impediments to growth in this sector are critical to deliver the potentially significant economic and employment benefits, not just in Queensland but across the nation.

Therefore, within the context of promoting ongoing tourism-related employment and investment opportunities, the Queensland Government seeks a commitment from the Australian Government that, in considering coastal shipping reforms, specific consideration is given to addressing any constraints inhibiting the growth of the superyacht sector in Australia.
Recommended areas of reform as part of review of coastal shipping regulation

In undertaking the review of coastal shipping regulation, there are two key areas of reform that have specific relevance to the superyacht sector: reducing the regulatory burden on foreign-flagged charter superyachts; and clarifying regulatory requirements related to the dry-docking, maintenance and refit of superyachts.

Reducing regulatory burden on foreign-flagged charter vessels

Issue
Presently, when foreign-flagged vessels are chartered in Australian waters, the owner must either:

- pay GST on the full value of the vessel (as they have “imported” it); or
- hold a temporary coastal trading licence (which carries requirements ill-suited to charter vessels).

Both of these options present significant cost and administrative burden. Superyacht Australia believes that foreign-flagged vessels do not operate charters in Australian waters as a result.

Recommended reform
To reduce the regulatory burden on superyachts, it would be beneficial if foreign-flagged charter superyachts operating in Australian waters:

- did not attract GST on their purchase price when they enter Australian waters; and
- were subject to less stringent trip pre-registration and minimum trip requirements under the Coastal Trading Act.

Therefore, reforms to the Coastal Trading Act and other relevant Federal legislation should be considered to achieve this aim, including consideration of exempting superyachts from the Coastal Trading Act or creating a new special licence class for superyachts with more appropriate conditions.

Clarifying regulatory requirements related to dry-docking, maintenance and refits

Issue
It is currently ambiguous whether foreign-flagged superyachts which are dry-docked or put in for maintenance must be imported and subject to GST on their full purchase price. This discourages foreign-flagged superyacht visits and impacts negatively on Australian maintenance firms.

Recommended reform
Federal legislation should be amended to clarify that GST need not be paid on the purchase price of these vessels.

Other areas of reform for consideration by the Australian Government

There are a range of other key areas of reforms that could help facilitate growth in Australia’s superyacht sector and, therefore, support the growth in resulting tourism-related jobs. It is acknowledged that these suggestions may lie outside the scope of this particular review but the Queensland Government strongly encourages the Australian Government to consider reforms or take appropriate actions to address these issues.

Superyacht crew visas

Issue
The present immigration arrangements for foreign superyacht crew can be time-consuming, administratively burdensome and costly.

Recommended reform/action
Legislative and administrative provisions for superyacht crews should be reviewed to identify options to streamline and expedite the application process and reduce costs. Consideration should be given to re-introducing the conditions and arrangements that applied under the former subclass 488 visa.
Border Force and Quarantine Services

Issue

Industry stakeholders have indicated that, while the intent of Border Force legislation and quarantine rules and regulations are clear, there is ongoing concern over the extent to which they are interpreted and/or applied consistently.

Recommended reform/action

The Queensland Government recommends that the Australian Government promotes, as appropriate, enhanced consistency in the application and administration of laws applied to the entry of superyachts into Australia.
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1. Introduction

The superyacht sector is an important growth sector with strong potential to generate economic activity and employment in Australia. The sector has a significant presence in Queensland, particularly in the tourism areas of the Gold Coast, Cairns and the Whitsundays. Queensland currently attracts the majority of all foreign superyachts visiting Australia, lured by the natural beauty of the Great Barrier Reef and the availability of major supply and repair facilities in centres along the State’s east coast.

The Palaszczuk Government contributed to a recent economic impact study commissioned by Superyacht Australia to investigate and identify potential economic opportunities, especially for key destinations like the Gold Coast, Airlie Beach and Cairns. The study, *Economic Impact of the Superyacht Sector on the Australian Economy* (Superyacht Australia study) estimated the sector directly contributes $103.7 million to the Cairns and Whitsundays Gross Regional Product, while directly supporting more than 1,100 jobs in those regions.

The sector also provides flow-on economic impacts and support for employment in other related industries, including in areas such as Airlie Beach where stimulating and supporting economic activity is critical given the recent damage caused by Tropical Cyclone Debbie. Unlocking this industry’s potential will help create jobs along Queensland and Australia’s eastern seaboard for engineers, tradespeople, suppliers, slipway operators and more.

However, the Superyacht Australia study identified a range of restrictions at the national level that are inhibiting growth in the sector, especially the lack of flexibility in chartering arrangements.

In particular, some of the regulatory impediments of particular concern to the Queensland Government are the lack of flexibility in chartering arrangements impacting on the superyacht sector.

Under the Customs Act, Foreign flagged superyachts that come to Australia and wish to charter must generally be entered for home consumption at which point their owner must pay 10 per cent GST on the purchase price of the vessel. While there are accounting mechanisms to reduce the actual incidence of this taxation by a charterer, stakeholders claim it presents a significant impediment to attracting foreign superyachts to Australia.

The alternative is for the vessel’s owner to hold and comply with a temporary coastal shipping licence. Such a license requires its holder to engage in at least five port to port trips and to pre-register these trips with the Department – an awkward condition for vessels which are usually hired for round trips, often only a few times a season.

There is also ambiguity in the customs treatment of vessels in dry docks or otherwise undergoing maintenance. In particular, it is unclear whether such vessels must be entered for home consumption and their owners pay GST on their full purchase price. This is a discouragement to foreign-flagged superyacht visits and reduced potential business to Australian maintenance firms.

To address these issues, the Queensland Government believes that foreign-flagged charter superyachts operating in Australian waters should not attract GST on their purchase price when they enter Australian waters and should not be subject to trip pre-registration and minimum trip requirements. Reform to the Coastal Trading Act and other Federal legislation should be considered to this end including consideration of exempting superyachts from the Coastal Trading Act or creating a new special licence class with more appropriate conditions.
The Queensland Government further recommends that Federal legislation be amended to clarify that foreign-flagged vessels which are not remaining in Australia indefinitely need not be entered for home consumption when they are put in for maintenance or a refit.

The Queensland Government also encourages the Australian Government to consider possible reforms in several other areas where regulatory issues potentially inhibit growth in Australia’s superyacht sector and, therefore, constrain the growth in resulting tourism-related jobs.

A more detailed discussion of the issues and Queensland Government’s recommended reforms/actions is outlined in sections six and seven of this submission.

This submission is focused at unlocking the economic benefits of a more appropriate model of regulation for the super yacht industry. The Queensland Government’s prime economic objective is the generation of local jobs.

Based on the information currently available, the proposed changes to the Coastal Shipping regulatory regime set out in the Coastal Shipping Reforms Discussion Paper do not defend current jobs in Australian shipping nor do they generate new local jobs at Australian conditions.
2. The Superyacht Sector

Superyachts in Australian waters

In 2016, the global fleet of superyachts numbered 5,796\(^1\). Traditionally attracted to the waters of the Mediterranean and Caribbean, the ultra-high-net-worth owners and charterers of superyachts can afford the best food, entertainment and experiences wherever they make port.

The Superyacht Australia study indicates that in the 2015-2016 Australian superyacht season, it is estimated there were approximately 200 superyachts (less than 4% of the global fleet) operating in local waters. Of these vessels, approximately:

- 135 were domestic superyachts with a typical average length of between 30-35 metres. This includes all vessels which are domiciled in Australia, and can include Australian flagged vessels as well as foreign flagged vessels that have been imported for domestic use. Of this number:
  - 50 are regularly available for charter (ranging from multi-day cruising charters to day cruises corporate events and functions)
  - 38 are exclusively for private use
  - 47 are used for a mix of sporadic chartering activity and private use.

- 65 were foreign superyachts, with an average length between 45-50 metres. This includes all vessels visiting Australian waters which are not domiciled in Australia.\(^2\)

There are two primary sources of income for charter superyachts – term charters and event charters.

The duration of term charters can vary considerably, but typically average between 3-10 days, with between 5 to 12 guests.

Approximately 1,000 day cruises/events were held on high use chartering vessels in 2015-16, with an average of between 30 and 60 guests per event though this can vary greatly based on size of the vessel.\(^3\)

Berthing, operation and maintenance – economic benefits

In addition to the provision of the vessels for charter, the Australian superyacht sector includes the provision of berthing, operating and maintenance services.

Berthing for a superyacht requires high-capacity refuelling, power and waste removal facilities as well as the additional space required for such large vessels. Compared to other superyacht destinations, especially those in Europe, Australia’s berthing facilities are relatively low cost and the marinas they reside in experience less traffic and lower congestion.

Superyachts employ large numbers of staff to operate and maintain the vessel and serve, entertain and clean up after its guests. Most vessels carry a similar number of crew to the number of

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\(^1\) Superyacht Intelligence, 2017
\(^2\) Economic Impact of the Superyacht Sector on the Australian Economy
\(^3\) Economic Impact of the Superyacht Sector on the Australian Economy
passengers. In addition to staffing, other operational costs include fuel and the food and drinks passengers will consume. Both operation of the superyachts and the expenditure by staff and guests provide significant opportunities to stimulate consumption and economic activity more broadly in regions frequented by superyachts.

Australia has highly skilled and respected maintenance and refit capabilities and personnel with skills that are transferrable to, and able to be leveraged by, the military and merchant navies. Maintenance is often carried out where a vessel charters, so attracting foreign superyachts for charter drives growth in the domestic maintenance sector.

Short-term charter of foreign-flagged vessels

Owning and operating a superyacht involves significant ongoing expense. Staff, insurance, maintenance, berthing and fuel add up to a cost of ownership in the millions of dollars per year. To mitigate the cost of ownership, many private superyacht owners offer their vessel for charter in the regions they plan to visit.4

The corollary of this is that these owners are more likely to visit ports in jurisdictions where such charter is relatively inexpensive and hassle-free. There is a double benefit from attracting occasionally chartered superyachts – not only is there an increase spending and employment from the charter activity, the host nation captures that resulting from the owner’s private use. Superyacht Australia believes that virtually none of the foreign-flagged vessels that visit Australian waters are engaged in occasional chartering because of various regulatory obstacles at the national level, as discussed later in this submission.

The Australian superyacht season

The core season for superyacht activity in Australian waters is typically between September and March. Of this, the peak cruising period occurs between September and December and is typically centred in Queensland, particularly around Northern Queensland. By November or early December, superyacht activity typically shifts south (primarily to Sydney) to avoid variable climatic conditions in Northern Australia.

While cruising remains a vital activity during this period in the southern parts of Australia, many vessels are also made available for corporate events and the day-cruise market. Some superyacht activity also occurs in Australia between April and September, however many vessels re-locate to the Pacific Islands over this period.5

Superyacht construction

Australia has a small, high quality superyacht manufacturing sector, with two superyacht construction firms based in Henderson (Perth, WA). These companies collectively will construct only a few vessels at a time, however the construction of a single superyacht can support many jobs for a period of up to two years.6

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4 The State of Wealth, Luxury and Yachting a report by Camper & Nicholsons and Wealth-X
5 Economic Impact of the Superyacht Sector on the Australian Economy
6 Economic Impact of the Superyacht Sector on the Australian Economy
Key points

- Of the 5,796 vessels in the global superyacht fleet, Australia attracted around 200 (less than 4 per cent) in the 2015-16 season.

- Only one-third of the superyachts in Australian waters in the 2015-16 season were foreign-flagged vessels. Most of the domestic vessels were available for charter for at least parts of the season.

- To mitigate the total cost-of-ownership, many private superyacht owners offer their vessel for charter in the regions they plan to visit. The corollary of this is that these owners are more likely to visit ports in jurisdictions where such charter is relatively inexpensive and hassle free.

- Superyacht Australia believes that virtually none of the foreign-flagged vessels that visit Australian waters are engaged in occasional chartering because of various regulatory obstacles at the national level.

- The superyacht sector includes provision of vessel chartering; berthing, maintenance and operational services; and a small number of firms involved in superyacht construction. An increase in superyacht traffic in Australian waters presents a significant opportunity to stimulate consumption and investment in regions frequented by superyachts.
3. The importance of the superyacht sector

Queensland’s tourism industry

Tourism is a key sector of the Queensland economy, with tourists spending $27.7 billion in 2014-15 and contributing $11.2 billion to Queensland’s gross state product. The sector is also a major employer, directly employing over 135,000 persons.

The Queensland Government’s Advancing Tourism 2016-2020 Strategy (the Strategy) identifies four key areas of focus: quality products, events and experiences; investment in infrastructure and access; building a skilled workforce and business capabilities; and seizing the opportunity in Asia. The Strategy promotes growth of existing and new opportunities in Queensland, as well as promoting economic and employment opportunities in regional which have comparative strengths in tourism markets, including superyachts.

A key driver of tourism in Queensland and Australia is the Great Barrier Reef, which generates significant economic activity and supports thousands of jobs in regional areas. As part of the Strategy, the Queensland Government is implementing a range of measures to promote better reef outcomes, including the Great Barrier Reef Innovation Fund to develop and implement new technologies and approaches to improve water quality.

Queensland’s tourism industry, as well as the superyacht sector, will benefit through the implementation of the Strategy, which includes initiatives focussed on facilitating development of new products and experiences, improving access to quality infrastructure and developing a more skilled tourism-related workforce.

The Queensland Government’s Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB) and Tourism and Events Queensland’s (TEQ) work closely with key partners and stakeholders, like the Regional Tourism Organisations, to drive tourism growth across the State.

TEQ recently launched the Queensland Government’s ‘I know just the place’ campaign, which seeks to inspire the world to experience the best address on earth. TEQ’s role in promoting the State, growing visitation and expenditure is consumer led, experience focussed and destination delivered.

The contribution of superyachts to the Australian economy

The relatively small number of vessels that comprise the Australian superyacht sector belies the extent of its economic impact. The considerable expense of operating, staffing and berthing each vessel, combined with the outsized capacity for its passengers to consume luxury goods and services renders the industry a significant source of income for Australians.

According to the Superyacht Australia study, the direct impact of the superyacht sector on Australia’s gross domestic product is $589.1 million. The study also estimates that the industry directly supports 5,978 full-time equivalent jobs. The regional breakdown of these jobs is shown in the diagram below.

The study indicated the majority of the industry’s economic impact is on Australia’s manufacturing industry (just under $300 million), including activity from construction and maintenance of superyachts. Expenditure of superyacht owners, guests and crew also directly supports activity in transport and warehousing ($77 million), accommodation and food services ($50 million), professional services ($44 million), and retail trade ($42 million). This broad spread of direct impacts highlights the significant economic benefits derived from the superyacht sector nationally, especially given much of the spending is by foreign visitors.
The importance of the superyacht sector to regional Queensland

By its nature and due to the location of many of Queensland’s maritime attractions, the superyacht sector is of special importance to regional economies. In particular, the Superyacht Australia study found that:

- 1,149 full-time equivalent jobs in Cairns and the Whitsundays were supported by the sector and it directly added $103.7 million to the region’s gross regional product.
- 1,824 full-time equivalent jobs in South East Queensland were supported by the sector and it directly added $194.5 million to the region’s gross regional product.

Opportunities

The Superyacht Australia study indicates that, of the world’s estimated 5,796 superyachts, fewer than four per cent visited Australian waters during the 2015-16 season.

Attracting even a small additional share of global superyacht cruising could result in a significant proportional increase in the jobs and income the industry generates in Australia. The study highlights that the ‘raw materials’ needed to support this expansion already exist: idyllic cruising grounds including the Great Barrier Reef, the Coral Sea Islands and Sydney Harbour; Australia’s existing tourist infrastructure and attractions; and a mature repair and maintenance industry.

As detailed above, this expansion would provide significant opportunity for a range of industries, especially for construction and maintenance workers and firms. At a time when manufacturing jobs...
around the nation are threatened by automation and globalisation, expansion of the superyacht sector represents a unique opportunity to leverage Australia’s natural advantages and its well-developed tourism and services industries to generate significant income and employment in manufacturing trades that provide ship repair and maintenance.

The attraction of ultra-high-net-worth individuals on superyachts also represents an opportunity for the broader tourism sector. High-income tourists add disproportionately to local incomes as a result of their increased expenditure per visit. As economies of scale are realised and Australia becomes increasingly known as a destination for luxury experiences, the more high-net-worth individuals will be attracted. Appropriate reforms to help attract foreign superyachts present an opportunity to accelerate this growth.

For example, superyacht visitation has a ‘market leading’ effect in that having more superyachts seen in our market may generate new additional demand from visitors. Encouraging superyacht visitation could also support diversification of the tourism industry particularly in the Whitsundays following Tropical Cyclone Debbie.

Key points

- The Australian superyacht sector makes a significant contribution to the Australian economy – Superyacht Australia’s study estimated it directly contributes $589.1 million to Australia’s GDP and directly supports 5,978 full-time equivalent jobs.
- The study indicates Australia presently attracts only a small proportion (less than 4%) of the global superyacht fleet. Increasing this share modestly represents an opportunity to add significantly to the jobs and income generated by the sector.
- Expansion of the superyacht sector also represents a unique opportunity to leverage Australia’s natural advantages and its well-developed tourism and services industries to generate significant income and employment in manufacturing.
4. Queensland Government support for superyacht sector

As it has done in the past, the Queensland Government will continue to support growth in the superyacht industry. The potential economic and employment impacts, especially for regional Queensland, are substantive.

The previous Queensland Labor Government recognised the growth potential of the superyacht sector in the mid-2000s, and developed and released a Superyacht Strategy in close collaboration with maritime and tourism industry stakeholders. The Superyacht Strategy guided government and industry objectives between 2008 and 2013.

The current Queensland Government continues to focus on the potential growth and job opportunities associated with the superyacht sector, in line with the goals and aims outlined in the previous superyacht strategy, including:

- supporting the industry to help ensure Queensland is recognised as a premier superyacht destination, building on the State’s tourism advantages;
- enhancing the sector’s capacity and capability to attract new business in areas such as manufacturing, maintenance, refit and visitation of vessels to Queensland;
- collaborating with industry, state, territory and Commonwealth agencies to resolve regulatory impediments for the superyacht sector; and
- facilitating the development of world-class marine infrastructure.

Consistent with these objectives, the Queensland Government remains committed to increasing the:

- international and domestic recognition of the Queensland’s superyacht sector
- Queensland’s share of the international refit and maintenance market
- number of superyachts manufactured in Queensland
- level of investment made in the local industry by international firms
- number of Queenslanders employed by and undertaking training in the superyacht sector
- awareness of the vessel entry and facilitate continuous improvement of the efficiency of associated regulations
- standard of Queensland superyacht infrastructure and facilities
- economic contribution the superyacht sector makes to Queensland’s gross state product
- Queensland’s share of the international cruising visitation market
- profile of regional tourism destinations
- awareness of the industry’s environmental, social and cultural impacts
- potential to leverage opportunities for major events such as the Commonwealth Games and offer them itineraries to cruise the Great Barrier Reef before and after such events.

Initiatives implemented by the Queensland Government

The Government has implemented a range of initiatives to assist the advancement of the superyacht sector in Queensland.

Economic Impact of the Superyacht Sector on the Australian Economy (December 2016)

The Queensland Government contributed $20,000 towards the cost of an economic impact study commissioned by Superyacht Australia into the superyacht sector’s current and potential future contribution to the Australian economy.
Looking at extending support to host annual superyacht conference on the Gold Coast

The Department of State Development (DSD) supports the annual Australian Marine Export and Superyacht Conference, contributing $7,500 towards the event and also running the International Business Lounge that indicatively generated more than $2 million in sales in 2016. This year’s superyacht conference takes place at the Gold Coast on 23 May 2017.

Support to co-host an industry attraction networking event at the Sanctuary Cove International Boat Show

DSD supports this networking event as part of the Sanctuary Cove International Boat Show. The event will highlight the benefits of doing business in Queensland to industry stakeholders, including boat builders, marine accessory manufacturers and companies that service and maintain superyachts internationally and domestically.

Far North Queensland industry seminar

Delivery of a one-day seminar in Far North Queensland to highlight superyacht industry opportunities and issues in the region.
5. Key Issues facing the industry

Industry stakeholders have raised concerns that the interaction of customs, immigration, taxation and cabotage regulation severely hampers the ability of foreign-flagged superyachts to charter in Australian waters.

Customs

Foreign-flagged superyachts that come to Australia and wish to charter must generally be entered for home consumption. This is similar to the treatment of a foreign-constructed vessel intended for local private use and requires the payment of 10% GST on the value of the superyacht. Given the purchase price of most superyachts is in the tens of millions of dollars, this is a considerable impost.

While there are accounting mechanisms to reduce the actual incidence of this taxation by a charterer, stakeholders claim it presents a significant impediment to attracting foreign superyachts to Australia. Alternatively, if the ship’s owner is a holder of a temporary coastal trading licence, this exempts the vessel from importation and mitigates the GST implications.

Temporary coastal trading licences

A foreign-flagged vessel with a temporary coastal trading licence is subject to several onerous requirements which significantly impede superyacht charter activity. The Coastal Trading Act requires vessels with a temporary licence to engage in at least five voyages and to pre-register these voyages with the Australian Government Department of Infrastructure and Regional Development at the time of application. This poses several key issues for foreign-flagged superyachts:

- Many superyachts make fewer than five voyages over the 12-month duration of the license. Given the seasonal nature of superyacht activity, the few months that vessels remain in Australian waters, the five-voyage requirement is quite prohibitive;
- In the Coastal Trading Act, “voyage” means the movement of a vessel from one port to another port. Most superyacht charters are round trips allowing the occupants to board and disembark from the same port – i.e. these trips do not count towards the five-voyage requirement; and
- Refit and maintenance on superyachts is an important subsector of the maritime industry and a temporary license does not clearly state that superyachts which would like to conduct yard and refit work can do so without being entered for home consumption.

Despite the common-sense description of most foreign-flagged charter superyachts as being temporarily engaged in coastal trade, the current conditions of a temporary coastal trading licence are wholly inappropriate for these vessels.

Termination of the 488 visa program

After significant consultation with the Queensland Government and the superyacht sector, the Commonwealth Government introduced the Superyacht Crew visa (subclass 488). This visa allowed superyacht crew the right to work in Australia for 12 months and was free of charge and simple to obtain.

On 19 November 2016, this visa was closed to new applications and was replaced by the Temporary Activity visa (subclass 408). Industry consultation by Superyachts Australia has suggested that the new Subclass 408 visas have been delivered under longer assessment timeframes and require more detailed information requirements. In addition, the current cost of applying for such a visa is $275, making Australia the most expensive country among the Pacific nations in which to obtain a superyacht crew visa.
International Competition

The Superyacht Australia study indicates many other nations in the South Pacific loom large as potential superyacht cruising grounds. New Zealand and Fiji in particular represent genuine competition to the development of the Australian superyacht sector.

In Fiji there are far fewer barriers to international superyacht cruising – vessels can stay in Fijian waters for up to 18 months (provided the owner has a valid immigration permit) and charter is supported with the simple payment of a 12.5 per cent fee. The Fijian Government has recently supported superyacht arrivals by making entering Fijian waters easier and by opening previously inaccessible areas.

New Zealand has also been cutting red tape for international superyacht visits. The New Zealand Customs Authority recently announced a Temporary Import Entry method for private vessels. Non-resident visitors on superyachts can remain in New Zealand waters for up to 24 months providing that chartering activities account for less than 65 per cent of their time in the country. 7

Implications of Tropical Cyclone Debbie

In April 2017, Tropical Cyclone Debbie caused considerable damage to homes, businesses and infrastructure on parts of the Queensland coast – one of Australia’s prime superyacht cruising grounds. Many tourism operators have suffered severe losses, with a number of superyacht cancellations from overseas.

In particular many operators are concerned that overseas perceptions of the extent of damage to North Queensland impacts negatively on superyacht visitation, which effects refit and maintenance businesses along the east coast, including those located as far south as Brisbane and the Gold Coast.

In light of the impacts of Tropical Cyclone Debbie on the superyacht sector and the North Queensland tourism industry more broadly, it is more important than ever that the Australian Government consider addressing any regulatory impediments that may inhibit recovery or ongoing growth in the superyacht sector.

Key points

- Industry stakeholders claim that foreign-flagged superyachts face significant regulatory barriers to chartering in Australian waters, which also discourages visits from vessel owners who offer their vessels for additional charter.

- In undertaking the review of coastal shipping regulation, there are two key areas of reform that have specific relevance to the superyacht sector: reducing the regulatory burden on foreign-flagged charter superyachts; and clarifying regulatory requirements related to the dry-docking, maintenance and refit of superyachts.

- In light of the impacts of Cyclone Debbie on the superyacht sector and the North Queensland tourism industry more broadly, it is more important than ever that the Australian Government consider addressing any regulatory impediments that may inhibit recovery or ongoing growth in the superyacht sector.

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7 Economic Impact of the Superyacht Sector on the Australian Economy
6. Reforms recommended in relation to coastal shipping regulation

Given the significant contribution the superyacht sector makes to Queensland and Australian tourism and economic activity more broadly, it is critical that all levels of Government identify opportunities to enhance and facilitate growth in the sector.

As such, there are some key areas of the Australian Government’s coastal shipping regulation that can be reformed to reduce constraints on and better support the Australian superyacht sector.

**Foreign-flagged charter vessels**

There is significant potential for a marked increase in visits to Australia from foreign-flagged superyachts. Among the world’s superyacht cruising grounds, Australia has many attractive features: the Great Barrier Reef and all the other attractions that make Australia a world-class tourist destination; the relative scarcity of other southern hemisphere destinations; and its possession of some of the best and least crowded cruising grounds in the world.

However, Superyacht Australia believes many foreign-flagged vessels are deterred from visiting Australia as a result of regulatory restrictions at the national level. Specific areas of coastal shipping, customs and taxation law, and the administrative arrangements supporting it, should be reviewed to ensure that Australia isn’t overlooked as a destination for foreign-flagged superyachts. In particular:

- Legislative or administrative arrangements governing the importation of superyachts engaging in seasonal charter should be altered so that it is clear that GST need not be paid on the value of the vessel and to clarify the application of this regulation to superyacht charter operators.
- Minimum voyage requirements and mandatory pre-registration of origin and destination ports for domestic trips required by the Coastal Trading Act should not apply to chartered superyachts.

To this end, consideration should be given to exempting superyachts from the Coastal Trading Act or creating a new licence class with these considerations in mind. While this is not a complete solution to the unnecessary regulatory impost faced by the industry, this would go some way to improving international access and attracting increased visitation by international superyachts.

**Dry-docking, maintenance and refits**

It is currently ambiguous whether a foreign-flagged superyacht which is dry-docked or otherwise put in for maintenance must be imported and its owner pay GST on its full purchase price. This is a discouragement to foreign-flagged superyacht visits and costs Australian maintenance firms business. Federal legislation should be amended to clarify that GST need not be paid on the purchase price of these vessels.
7. Other Australian Government reforms to be considered

Superyacht crew visas

The present immigration arrangements for foreign superyacht crew can be time-consuming and administratively burdensome. Furthermore, Australian visas for superyacht crewmembers are currently the most expensive among the Pacific nations where they are available. These issues are likely to act as a deterrent to superyacht visitation in Australia.

Legislative and administrative provisions for superyacht crews should be reviewed to streamline and hasten the application process and reduce the cost. Consideration should be given to the re-introduction of the conditions and arrangements that applied under the former subclass 488 visa.

Border Force and Quarantine Services administration issues

The Superyacht Australia study reported that engagement with a range of captains and other industry stakeholders highlighted that there might be room for improving the experience of interactions with Border Force and Quarantine services.

For many visitors, interactions with these staff will represent their first experience of Australia. While these services play a vital role in protecting Australia from a variety of threats, first impressions last and it is important the entry experience is a consistent, straightforward and welcoming one.

Industry stakeholders have indicated that, while the intent of Border Force legislation and quarantine rules and regulations are clear, there is ongoing concern over the extent to which they are interpreted and/or applied consistently.

The Queensland Government recommends that the Australian Government promotes, as appropriate, enhanced consistency in the application and administration of laws applied to the entry of superyachts into Australia.