Association of Marine Park Tourism Operators

16th January 2023

Via email: dcvsafetyreview@infrastructure.gov.au.

Independent Review of Domestic Commercial Vessel Safety Legislation and Costs and Charging Arrangements — Phase 2

Please see below the Associations of Marine Park Tourism Operators ltd (AMPTO) responses to phase 2 of the referenced review.

Yours sincerely,

Gareth Phillips
Chief Executive Officer
Association of Marine Park Tourism Operators

AMPTO is a not-for-profit membership association that has been the peak industry body for marine park tourism since 1989. AMPTO members carry more than 2 million people each year, 95 per cent of all visitations, to the Great Barrier Reef (GBR). Members range from single vessel operations, small and large island resorts, to publicly listed multi-operational companies. Our members live and work on the reef every day and have a strong interest in protecting its unique environment and the sustainability of our industry. AMPTO's primary objective is to ensure the economic and ecological viability of marine tourism.

The Australian tourism industry is the fourth largest Australian export, contributing $166 billion in 2019 (Thrive 2030) annually to the Australian GDP. The GBR is the number one reason for nature-based travel and is in the top three reasons for all other visitors travelling to and within Australia. As a keystone industry in the fourth largest Australian export, the GBR tourism industry is an economic driver and amplifier, supporting +60,000 jobs directly and indirectly and generating over $6 billion per year (pre-COVID).

The GBR is part of Australia's national identity and is one of the world's 7 natural wonders. As a Natural World Heritage Site, it is Australia's obligation to showcase the GBR's Outstanding Universal Values (OUV) to the global public. The marine tourism industry is responsible for Australia fulfilling this obligation.

Tourism, including Marine Tourism Industry, is a market driven industry. This means business balance their cost of operating and what they can charge for their products. Therefore, the notion that businesses can keep passing on additional costs to the customer is false.

General Comments:
The Government, including their statutory bodies, role is to manage essential public services through the taxes collected from the public and businesses. Australia is an island nation that is heavily reliant on the maritime industry. The Australian Maritime Safety Authority (AMSA), as the Federal Government statutory agency, has a responsibility to govern the maritime industry, ensuring a safe industry, and so has a role in the overall public good.

When designing, implementing, and determining the quantum for a cost recovery framework, Government needs to consider the extent to which each regulatory body has in the overall public good and therefore ensure that no one industry or sector of an industry is disproportionately charged for regulations or governance that the whole country draws benefit.

Additionally, it must consider and account for what other Government departments/statutory government bodies charge DCV operators pay. This must include other charges outside the maritime industry's scope, for example, Environment and charges from State and local Governments. As an example: To go snorkelling at Green Island, each passenger will pay a ticket price that includes a port passenger levy (Qld Government), a Green Island Jetty Levy (Qld Government) when their step on the sand above the high tide watermark, they have a Queensland Parks and Wild Service fee and then when they snorkel there is a Federal Government Environmental Management Charge (EMC). So, each snorkeler to Green Island pays **4** government charges for one activity. This does not include all other costs the business needs to charge just to operate.

It is hard to comment without knowing what cost recovery model/s and quantum are being proposed. However, extreme care must be taken to ensure one sector/subsector of vessels is not inappropriately charged more for being incorrectly defined. Like previously, when attempts to make passenger vessels pay more as high-risk vessels when defining passenger vessels as high-risk is just not justified.

It is understood and accepted that fees would be payable for direct services related to operating a DCV under the National Law. However, asking DCVs to pay another levy on top of that when they are paying taxes and multiple other government fees and charges, and contributing to the national economy, will be financially burdensome and could lead to closures and job losses. Businesses are not bottomless pits of money.

Having an appropriately funded and resourced maritime regulator is critical and supported, but the industry alone can't be expected to wear that burden to ensure the regulator's viability.

Australia is known as an expensive destination compared to other countries. This is evidenced by more Australians travelling abroad than within Australia. There are many reasons for Australia being an expensive destination, one being the high level and the number of regulations, government standards, and code of practice that industry must adhere to. All of these do create a safe workplace and high standards, which are supported. On the other hand, these create financial and administrative costs which push up operating costs of doing business and, therefore, the cost of products or, in our case, ticket prices. The notion that industry can keep passing on the costs to the customer is flawed. Customers are price sensitive, and Australia has more competition from other countries; for example, a dive trip in Thailand can cost as little as $70 for a day trip per person with 2 dives included and on the Great Barrier Reef, the <u>average</u> day trip snorkelling is $230 per person with diving an additional charge. Recent data shows that visitors to the GBR are selecting island trips more than ever as they are cheaper trips (GBRMPA EMC data).

It is also pertinent to highlight the effects of the COVID-19 global pandemic impact on our sector and the ongoing consequences. I might remind the review panellists that tourism is the 4th largest contributor to the Australian GDP annually, and the GBR is the number one reason for travel to and within Australia for nature-based travellers, and it is in the top three for all other travellers. The GBR tourism industry does support +60,000 jobs, but it does more than that; it is an economic amplifier and supports environmental protection of the World Heritage GBR.

COIVD completely shut the industry down in March 2020, as it did everyone; however, unlike other sectors of the economy that have or are showing strong recovery, our sector is still struggling. Even though tourism numbers are reported to be strong, the caveat is that it is domestic tourism which is stronger than pre-COVID; however, domestic tourism numbers don't make up for the lack of international visitors, and they are much lower yielding than international visitors. Data from Tourism and Events Queensland (TEQ) show that the average holiday expenditure of the international market is 2.5 times more per day than the domestic market. Our sector pre-COVID was, on average, 70% international and 30% domestic, with international making up to 85% of revenue verse domestic visitors 15% of revenue. At the end of last financial year, visitation across the GBR was still 41% (GBRMPA EMC data) down on pre-COVID numbers. That is not revenue; that is people through the door; revenue was down more than that.

From 1st July 2022 to early January 2023, visitation has improved, but it is estimated the industry is still down up to 50% as the international market has still not returned to the predicted levels and certainly not pre-COVID levels. Over the next few months, our industry is predicted to experience some of the worst times we have had. The domestic market has softened significantly due to Australians' returning to work and school and the increasing pressure of the rising cost of living. Of those Australians that are travelling, more are going overseas rather than within Australia. Too expensive in Australia is the reason given.

With increasing operating costs, inflation, workforce shortage and low demand, businesses will be under extreme financial, operational, and administrative pressure. As a key sector in the industry that is the fourth largest contributor to the national GDP, it is not hard to understand that putting added burden on our sector can potentially have a serious flow on effect to local, state and national economy and employment.

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

With such a diverse range of operations, the cost burdens are varied too. From experience and consultations with members, as an indication, all government fees, charges, levies, and taxes equate to 12-15% (possibly more) of a DCV operator's expenses. Wages themselves constitute +50% of running costs; therefore, if we look at the cost built into an average GBR snorkel trip cost of $230, the maths is

$230
$ 69 – average 30% commission payable to booking agents, including discounted fares for children, family rates, local discounts, local community group discounts etc
$115 – 50% wages
$ 28 – 12% Total government charges excluding Business tax; if that is included, the percentage will be higher
$ 18 – left for everything else fuel, insurance, maintenance, marketing, food etc.

This clearly demonstrates that there is no room for additional charges.

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

Question 2:
Once again, it is hard to comment without knowing AMSA's financial breakdown and how they allocate their funds to what activities etc. As previously stated, AMSA is a critical government regulator responsible for managing the maritime industry. Australia's economy relies on the maritime industry, so there is a greater public good to be considered. The pure User-pays principle puts unfair pressure on a sector that everyone benefits from. For DCVs, our customer base or pool is much smaller and cost sensitive than the international vessel market.

Undoubtedly, AMSA needs to be appropriately funded, and resources, but industry (DCVs) cannot be held responsible for that funding.

Question 3:
As an essential government service, a mixed funding approach must be considered. Government must fund the regulator, and an appropriate and fair fee for service can then be charged to DCV operators, considering DCV operators pay for surveys and other regulated requirements directly. International vessels can then be considered separately and therefore have their own cost to recover framework.

Question 4: What are the aspects of a vessel or its operation that could form a suitable basis for levy-based cost recovery?
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?

Questions 4:
No levy fee chargeable to DCVs as they already contribute to the Government and the national economy in other ways. If the Government want to propose a levy, more detail is needed on AMSA funding, resources, and how they plan the spending; they need to analyse data collected on DCVs, so they know where the fleet stands and, therefore, to what degree of management is needed, for example, AMSA should consider having the State maritime bodies managing class 4 vessels. State Governments are better positioned to manage them, and it reduces the ask on AMSA resources and therefore cost recovery. AMSA or the department must then present a range of levy options showing how the levy will support their activities and what proportion of cost recovery it will fill. From there, sectors can evaluate and consult on the options.

Questions 5:
DCVs contribution to the national economy is substantial through many different avenues, so they should not pay a levy for operating.

"Start-up cost" related to many changes made to regulations or restructuring of the system should be excluded from any cost recovery model proposed. What does it cost to manage DCVs and within DCVs the different sectors and subsectors? Knowing that and what is included in regulating those subsectors needs to be known.

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

Questions 6, 7 & 8:
Marine Tourism will be hugely affected. This is because a large proportion of our fleet is grandfathered. In our previous submissions (by Projects Global).

Grandfathering: Marine Order 503 is being reviewed at the same time as the National Law is being reviewed. Which one is the cart, and which is the horse?? It should be noted that MO503 transitional arrangements or anything affecting them cannot be changed while the National Law review is ongoing. There is no evidence whatsoever to suggest that grandfathered vessels are less or more safe than newer vessels or transitional vessels. In saying that, ALL vessels should undergo some sort of survey) I have been promoting this since 2017 whilst sitting on the DVCIAC) and contrary to references made to me by the regulator this would NOT require a rewrite of the surveyor's manual. In simple terms the regulator can introduce a 'G' class survey for grandfathered vessels whereas an in-water survey is to be carried out annually, Grandfathered vessels are required to meet the National Law requirements anyway when it comes to safety equipment. This survey would have the same format as every other in-water survey that an accredited surveyor would conduct which one more addition – if an accredited surveyor suspects the condition of the vessel – regardless of construction etc is below standard then the form should have an option to tick a box recommending a further inspection by an MSI. The regulator can then make a determination on the future of the vessel from there. It sounds very simple, and it is but is gives the regulator proper oversight of what is happening in the grandfathered sector. Crewing arrangements should transition to comply with MO504 as soon as possible.

Question 7 – phase 1: Would removing, in whole or in part, current grandfathering provisions substantially improve safety outcomes? If so, how could industry be supported in making that transition?

What needs to be removed altogether is transitioning arrangements. It is a waste of time, money and resources. It is also very confusing for operators which makes many of them hesitant to progress down that path.

There is no evidence to suggest that a grandfathered vessel is less safe than a vessel constructed to current standards. What is missing, is the ability to maintain regular surveillance of grandfathered vessels. What I mean by that is that all grandfathered vessels should be simply issued a certificate of survey (they could be called Grandfathered or Existing Class vessels). At the end of the day, grandfathering arrangements should recognise **construction only**. By doing so, every Domestic Commercial vessel will have a certificate of survey.

Grandfathered / Existing vessels will still be required to meet all of the safety standards of the NSCV so they should be surveyed annually (an in-water survey only) to ensure those standards are being met. I believe all surveyors will be able to recognise what is USL and what is not – let's put some faith and trust in our accredited surveyors!

Should an Existing vessel make any changes to the recognised construction of that vessel then the Marine Order 503 trigger flow chart can be invoked. Once the operator has complied the vessel becomes recognised under current standards.

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?

As highlighted several times throughout this submission, DCVs contribute to the Australian economy in many ways, including financially, in services, supply chain, and socially. DCVs are intimately linked to our economy, from towing large international ships transporting imports and exports to fishing to the glass bottom boat that tourists travel all the way around the world for so that they can see the Great Barrier Reef. High operating costs and increased regulations all add to the complexities and costs of running a DCVs. Avoiding additional costs for a critical industry like DCVs will only help strengthen its position and our role in the economy.

Email: ceo@ampto.org Website: www.ampto.org
Mobile: 0411 194 804
Postal: PO Box 14031, Mount Sheridan, Cairns, Qld, 4868
Street Address: 85 Lake St, 2nd Floor Main Street Arcade, Cairns, Qld, 4870
ABN: 77 008 657 823