

Coastal Trading Act Review 2024

Submission from Carnival Corporation & plc

1 November 2024

About Carnival

Carnival Corporation & plc (Carnival) is the world's largest cruise line, with a portfolio of nine cruise brands, P&O Cruises Australia, Carnival Cruise Line, Seabourn, Holland America Line, Princess Cruises, Cunard, P&O Cruises UK, Costa and Aida. Both P&O Cruises Australia and Carnival Cruise Line have cruise ships sailing year-round from Australia and will merge in 2025 with Carnival Cruise Line taking over the operation of the P&O Cruises ships operating from Australia.

P&O Cruises Australia has a proud 92-year history sailing in Australia, and alongside sister brand Cunard, who this year celebrates 100 years of sailing to Australia, have been instrumental in the development of Australia, bringing migrants and mail from Europe thus ending the Australia's isolation and connecting the region to the rest of the world.

Carnival is dedicated to delivering unforgettable happiness to our guests by providing extraordinary cruise holidays, while honouring the integrity of every ocean we sail, place we visit and life we touch.

In the 2023-24 period Carnival contributed approximately AUD5billion¹ to the Australian economy, including sourcing 100 per cent local produce for local cruises; local service providers; port fees; etc.

Carnival is proud of our contribution to Australia and remains committed to the region, creating and delivering shared value across the Australia-Pacific region.

Consultation Questions

1. *Of the 3 proposed options for the Object of the Act, with which do you agree most? Please explain why.*

The proposed 'Simplified Option 1', would appear to provide the function required.

2. *Is there anything else that should be considered for inclusion in the Object of the Act? Please explain why.*

If cruise remains within the scope of the Act, an additional point that accounts for the tourism connection would be appropriate, such as: Ensures passenger choice is facilitated and promotes tourism benefits for the nation.

¹ Carnival share of the whole of industry \$8.43Bn contribution. Economic Impact Assessment of Cruise Tourism in Australia 2023/24, AEC Group Ltd.

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?

We do not address the issue of treatment of ferry passengers and confine our comments to cruise ships only.

Passenger travel should be treated separately to cargo in the legislation. Passenger travel is not substitutable between operators in the same way that cargo movements are. Cruise ship guests can and will make choices around their means of travel to move between locations in Australia (including travelling by air).

Cruise ship guests are not 'travelling'. They are holidaying. The point of embarkation is often also the port of disembarkation. The visiting ports in-between are part of the experience but are not essential parts of the service operated. The contracts cruise guests enter into when booking a cruise holiday specify that port calls are not guaranteed and that they can be missed or substituted. The port-to-port nature of the Coastal Trading Act function does not fit with the cruise operating model.

Cruise ship guests choose their holiday experience based on a number of factors, chief amongst them, which ship they would like to sail on to engage with the experience offered onboard. Cruise lines go to great lengths to differentiate their offering in the cruise market to attract guests to their product. Two ships sailing on the same day from the same port does not equal the same experience.

Cruise ship guests chose their travel dates to suit their arrangements.

In summary, the mechanisms within the Act, such as port-to-port call; 3 day windows around sailing dates; carrying capacity of ships are not factors that 'work' for cruise ships.

National benefit of cruise activity

The cruise industry plays a critical role in the Australian tourism economy. The latest industry statistics² show an economic contribution of some AUD8.43billion, the vast majority of which was from foreign-flagged large cruise ship activity.

Further, the cruise industry—in particular, large foreign-flagged ship operators such as Carnival —supports the Australian Government's policy to build a stronger and more united Pacific family through:

- delivering economic benefit and prosperity;
- direct investment in:
 - infrastructure,
 - safety equipment,
 - medical services and resources,
 - educational support
 - and more;
- employment; and
- a continuous presence of Australian and foreign tourists.

² Economic Impact Assessment of Cruise Tourism in Australia 2023/24, AEC Group Ltd.

Such a contribution and commitment to our Pacific Island neighbours assists them to build resilience and capacity to address security challenges, particularly our shared effort of border management.

While supporting the growth of Australian-flagged ships is essential, we note that the cruise ship sector has not been included within the strategic fleet.

Any changes by way of increased restrictions to the operating environment for foreign-flagged ships could reduce overall economic benefit of their activity to the local economy and harm communities that rely on these visits. It could also impact presence across the Pacific and result in creating gaps in investment and support for island nations that are not in Australia's, or the regions, strategic interests.

To ensure the economic and regional security benefit realised by Australia from cruise activity are retained, it is recommended that large cruise ships are not captured within the scope of the Act and are instead listed in s.10: *This Act does not apply to or in relation to the following kinds of vessels.*

It is suggested that this non-application apply to cruise ships of the same size as those currently subject to the exemption (ships greater than 5000GT, capable of 15 knots and or carrying 100 passengers).

Cruise ship operations that remain within the scope of the Act require a tailored regulatory approach that recognises the unique operational model of the cruise industry, balancing tourism economic benefits with the need for regulatory oversight. We would be happy to work through options of how this might work within the Coastal Trading Act or other legislation.

Cruise activity in Australia

Large cruise ships offer a holiday option that is not offered by any Australian-flagged operator.

There are both Australian and foreign-flagged operators in the expedition sector of the market, typically visiting remote areas, particularly the Kimberley Coast. The mix of local and international cruise brands offering holiday experiences is very diverse, with ships ranging from a dozen guests to close to 300. The experience and service between the brands is vastly different and as the offering has grown over recent years the overall market has lifted to the benefit of all, including Australian-flagged operators.³

Seabourn, part of the Carnival group, operates in this sector with an ultra-luxury vessel for a limited Australian season from May to August carrying 264 guests.

Providing increased protection to the Australian-flagged operators or increasing cost and complexity to the foreign-flagged operators, would likely have the effect of pushing the foreign-flagged ships out of the market. It simply would not be worth repositioning a ship to the Australia (and therefore the Pacific) region.

³ [Media Release | The Kimberley Expedition update from Coral Expeditions](#)

This would have the perverse outcome of lessening competition; reducing the economic contribution to Australia and importantly remote communities; and removing choice for travellers.

The guests carried by Seabourn in their inaugural season were 70 per cent foreign tourists (majority from the United States of America). Brand recognition has played a role in the attraction of these guests and encouraged them to travel to Australia to explore the Northern Territory and Western Australia's Kimberley coast. The value of prestige brands like Seabourn in the inbound tourism market is considerable when considering the overall economic impact of such visitation.

Contribution of Seabourn

The contribution made by Seabourn in their first year alone has been considerable.

In June of this year Seabourn announced the Wunambal Gaambera Traditional Owners as godparents of *Seabourn Pursuit*. Seabourn is the first cruise line to appoint Traditional Owners as godparents of a cruise / expedition ship.

As part of this relationship with the Wunambal Gaambera Traditional Owners, Seabourn made a donation to assist Wunambal Gaambera to develop a self-sustaining industry, producing authentic works of art and craft by Wunambal Gaambera artists to sell. In addition, Seabourn will also supply the Wunambal Gaambera Aboriginal Corporation with pearl shells and various art supplies and polishing materials to foster sustainable, commercial arts and craft initiatives year-round for Wunambal Gaambera artists and craft producers.

Seabourn also made a monetary contribution, along with funding already received from the State Tourism Authority, Tourism Western Australia, to assist Wunambal Gaambera Aboriginal Corporation's implementation of their Uunguu Visitor Management Plan to reconnect with their country. This will be done by the development of facilities for Traditional Owners to live on their country at Ngula Jar Island during the dry season when tourism operators can access the vast coastline of the Kimberley region to manage visitor access and to engage with water-based visitors who arrive on their land, thus participating in the value chain that operators like Seabourn offer.

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

Notwithstanding the review that took place resulting in the current Act being created, the genesis of including passengers in the Act is a product of a different era where passengers did use ships as transport. The idea that recreational time would be spent onboard ship was decades away.

The coastal trading regulation and the tourism industry have no natural connection in 2024 and an acknowledgement of this would be welcome by excluding cruise from coverage of the Act and allowing other legislation to regulate the sector, as required.

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

Carnival supports actions that lift the local Australian-flagged cruise ship operators rather than limiting foreign-flagged cruise ships. We suggest that this could be provided via support as per the strategic fleet vessels. The Australian-flagged cruise ship operators could also be supported via legislative change outside of the Coastal Trading Act. For instance, seafarer tax treatment to be more comparable with that of international crews would make a fundamental difference and would assist development of the maritime skills base for the nation.

As previously mentioned, any changes by way of increased restrictions to the operating environment for foreign-flagged ships could reduce overall economic benefit of their activity to the local economy and harm communities that rely on these visits. It could also impact presence across the Pacific and result in creating gaps in investment and support for island nations that are not in Australia's, or the regions, strategic interests.

Additional Comments

s.112 of the Act provides Temporary Licence ships with specific treatment under the Customs Act 1901.

Extending this treatment to cruise ships would provide clarity and certainty to these operations, assisting businesses to commit to operating in the Australia-Pacific region.

