Tourism & Transport Forum (TTF)

SUBMISSION TO THE NATIONAL PORTS STRATEGY

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Tourism & Transport Forum (TTF) is a national, member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian tourism, transport, aviation & investment sectors.

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FOR FURTHER INFORMATION PLEASE CONTACT:

CAROLINE WILKIE
NATIONAL MANAGER, TRANSPORT AND AVIATION
TOURISM & TRANSPORT FORUM (TTF)
P | 02 9240 2016
M | 0419 777 338
E | cwilkie@ttf.org.au
www.ttf.org.au

Tourism & Transport Forum

The Tourism & Transport Forum (TTF) is a national member-funded CEO forum, advocating the public policy interests of the 200 leading corporations and institutions in the Australian tourism, transport, aviation and investment sectors.

TTF is committed to improving the quality of tourism and transport across the country. TTF's members include cruise ship operators, ports, airports, airlines and associated air services, hotels and accommodation providers, tourism marketing agencies, attractions, major events bodies, professional services, transport operators, infrastructure developers and other tourism and transport service providers with an interest in improving these industries in Australia.

Introduction

TTF welcomes the opportunity to provide input to the National Ports Strategy. As international gateways for goods, ports are critical to the economic prosperity of Australia, facilitating trade and investment. TTF supports the National Ports Strategy as a means to overcome challenges relating to regulation, access and infrastructure and as a long term plan to support future growth.

Notwithstanding this support, TTF has identified a notable omission from the Strategy - adequate assessment of the current and future role of the cruise industry. Cruise shipping is the fastest growing sector in the tourism industry. In 2007-08 the sector's contribution to gross domestic product grew by 54 per cent on the previous year, at a time when the rest of the tourism industry realised modest growth.[1]

The growth in the sector has brought significant challenges, particularly with port infrastructure, noting the different infrastructure requirements of a port that facilitates 'destination calls' (or port of call) and turnaround calls.[2] For turnaround calls, the increasing size of ships, growth in passenger numbers, and frequency of stops will require the upgrade of existing terminals and/or instigate the search for new terminal sites. In Sydney and Brisbane, the existing terminals are inadequate to meet the projected growth of the industry. In regional areas primarily catering for destination calls, port infrastructure will be critical to tap into new cruise markets and to maximise the local economic benefit of a cruise ship arrival.

Beyond the lack of infrastructure capacity, cruise ship operators face a range of other challenges, most notably the current booking system for port calls, which prioritises trade vessels over cruise ships in those locations where there are no dedicated cruise terminals; the administrative burden of customs processing at non-proclaimed ports; and the lack of co-ordination between state and federal maritime regulations. Each of these issues restricts the sector's ability to grow and limits its product offering.

Given the importance of Australian ports as gateways to international trade, it is imperative that port infrastructure plays the dual roles of both facilitating trade and providing a valuable tourism product, especially in regional towns where access to and from ports needs to meet the competing priorities of both freight and passengers. While significant investment has focused on the former, the latter requires further investment to ensure ease of access to tourism products to maximise the economic value of cruise ship arrivals.

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[1] Access Economics, *The Australian Cruise Sector*, December 2009, pi.

[2] Turnaround calls are usually serviced by terminals, have close proximity to airports and transport links. Destination calls, which are more prevalent at regional ports, do not require the same level of facilities.

TTF calls on Infrastructure Australia and the National Transport Commission to consider the size and growth of the cruising task in the development of the National Ports Strategy, paying particular attention to the number of ship movements, their economic benefit and the sector's growing challenges.

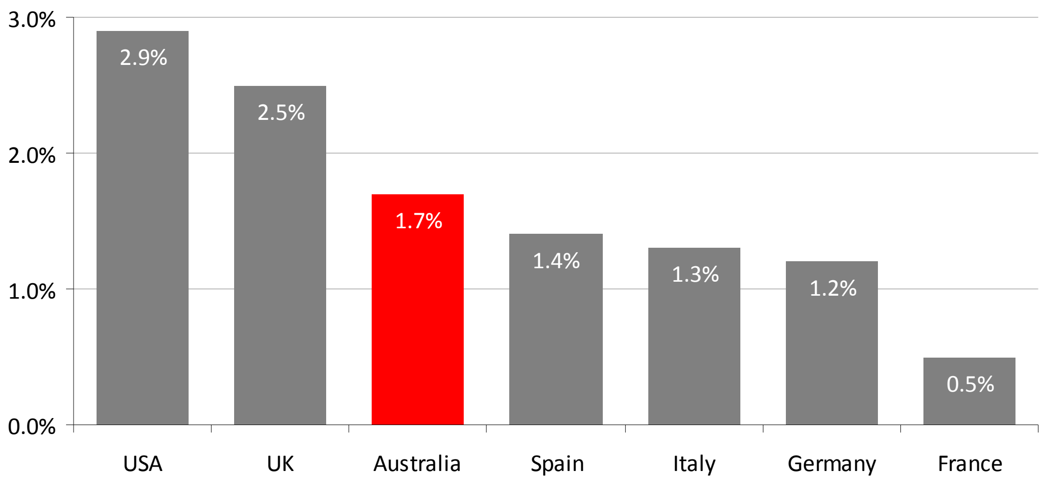
The Cruise industry

Cruise shipping remains one of the most lucrative and fastest growing sectors in the tourism industry. In 2007-08 the sector contributed $1.2 billion to the national economy.[3] The sector employs more than 5,000 full-time equivalent (FTE) employees with an estimated additional 2,300 FTE employees employed in related sectors.[4] 38 ships with a passenger capacity of 42,291 visited Australian ports throughout the 2008-09 cruise season.[5]

In 2008-09, 521 visits were made to 28 Australian ports by cruise ships, accruing a total of 863,351 passenger days and 393,216 crew days at these ports.[6] The majority of cruise shipping activity in Australia is concentrated on the east coast, with 76 per cent of all port calls in the four eastern states. Sydney (23 per cent), Brisbane (12 per cent) and Melbourne (11 per cent) ports experience the majority of total port calls. Rapid growth is also occurring in the remaining states and the Northern Territory, most predominantly in Western Australia which now caters for 74 port calls each year.[7] The value of each port call varies, depending on the size of the ships and the destination, but the Port of Melbourne estimates that each cruise ship visit contributes, on average, $1 million to Victoria's economy.[8]

In 2009, 366,721 Australians embarked on a cruising holiday. The graph below shows the percentage of Australians cruising as a proportion of the total population, compared with those in the other major cruising markets around the world.[9]

Percentage of population cruising in 2009



The percentage of Australians cruising each year now represents 1.7 per cent of our total population. This is less than the United States (2.9 per cent) and the United Kingdom (2.5 per

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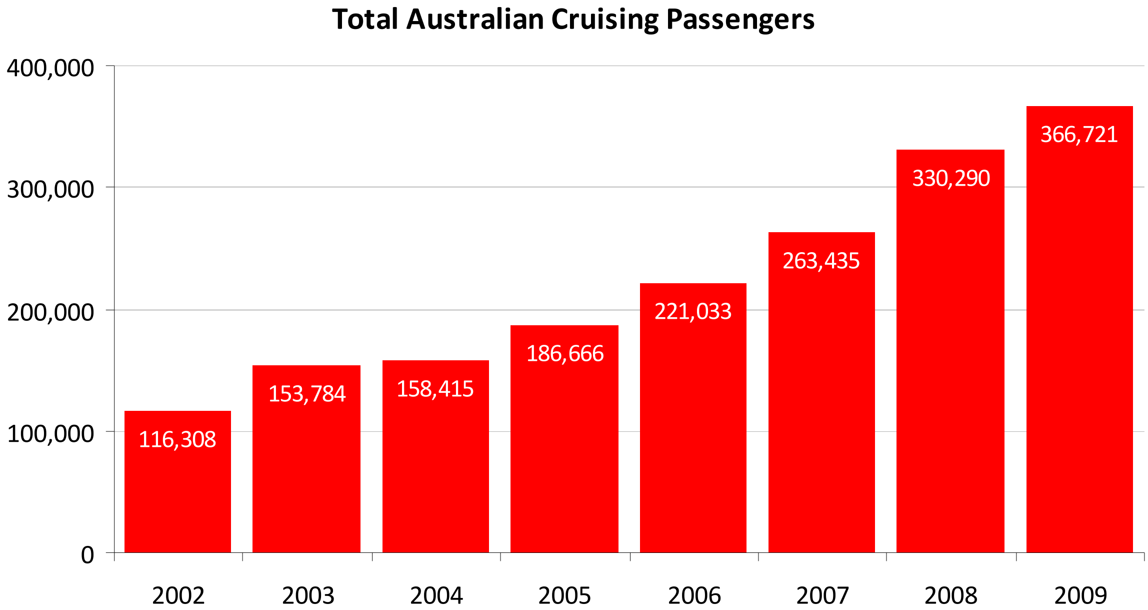
[3] Ibid.
[4] Ibid.
[5] Cruise Down Under, *Economic Impact Assessment of the Cruise Shipping Industry in Australia, 2008-09*, September 2009, pii.
[6] Ibid.
[7] Ibid, pp6-7.
[8] Port of Melbourne, *About station pier*, retrieved 21 May 2010 at http://www.portofmelbourne.com/cruiseshipping/stationpier.asp
[9] International Cruise Council Australasia, *Australian Cruise Industry Report 2009*, p10.

cent) but ahead of Spain, Italy, Germany and France.[10] While it is clear that cruising is popular among Australians, there is still significant opportunity for growth in the local market.

Over the past five years the cruise shipping industry has grown at an annual rate of 18 per cent. Total Australian passenger numbers have increased by 215 per cent since 2002. While last year the growth was below the five-year annual rate, at 11 per cent it was substantial when considering the impact of the global financial crisis on other tourism sectors. The graph below shows the number of Australian cruising passengers since 2002.[11]



It is worth noting that, the second most frequented destination for Australian passengers in 2009 was Australia. In 2009, the number of Australian passengers cruising in Australia grew by 51.5 per cent. Since 2006 it has grown by 149 per cent.[12]

Forecast growth

With the increasing popularity of cruising it is currently estimated that there is the potential for the Australian cruise market to more than double passenger numbers to 500,000 annually. Modest annual growth of 5 per cent would see this figure realised by 2020.

Cruise ship operators are responding to this growth by increasing the number of ships deployed to Australia and increasing the size of vessels to hold more passengers. In the 2008-09 season an extra 17 vessels visited Australian ports increasing number of port calls by a corresponding 6.7 per cent.[13]

The growing size of ships

Ten years ago the largest cruise ship calling regularly to Australian ports carried approximately 1,200 passengers and was 240 metres long. Today the size of cruise ships regularly exceeds 2,000 passengers, with the Diamond Princess and Sapphire Princess holding more than 2,600. Of the 38 ships that cruised Australia in 2008-09, 17 had a capacity of more than 1,000 passengers and, of

[10] Ibid, p10.
[11] Ibid, p2.
[12] Ibid, p7.
[13] Cruise Down Under, *Economic Impact Assessment of the Cruise Shipping Industry in Australia, 2008-09*, September 2009, p7.

these, five exceeded 2,000 passengers. In addition, there were 12 ships that exceeded 240 metres in length.[14]

There are currently 44 ships on order worldwide, of which 34 have a capacity in excess of 2,000 passengers. This trend towards larger vessels is already creating an enormous challenge for port authorities in providing adequate and suitable facilities to handle the large number of passengers, their baggage and the provision of support services for the vessels that call at their ports.

Current challenges for the cruise industry

The cruise industry continues to face multiple challenges that restrict its ability to grow and limit its product offering, including the lack of dedicated port infrastructure for cruise ships, the current booking system for port calls, the issue of non-proclaimed ports and the lack of co-ordination between regulatory agencies.

Dedicated cruise infrastructure

The key central challenge facing the cruise industry is the lack of dedicated port infrastructure for cruise ships. Cruise port and terminal infrastructure in Australia is predominantly multi-purpose, catering for freight, passengers, naval and/or other sectors. Even where there are dedicated berths for cruise shipping, there are limitations due to nearby residents, as in Brisbane, or problems that arise due to landside logistic constraints, as in Sydney.

The port infrastructure requirements of a large, modern cruise ship are significant. In addition to loading and unloading several thousand passengers and crew onto land-based transport, vessels need to be supplied with fuel, fresh food and water and to offload waste within a small window of time before scheduled departure. This landside heavy vehicle access challenge is an important aspect of planning for a cruise stopover. Larger ships, in particular, struggle with the current Australian port infrastructure. Some ships are too tall for the Sydney Harbour Bridge and the swing basin in Brisbane also presents challenges for ships over 270 metres in length. For regional port terminals, facilities are an ongoing issue and there is no co-ordinated strategy for identifying new ports of call and the infrastructure required to facilitate a cruise ship stop over.

Cruise ship operators must be able to offer passengers top class terminal facilities with proximity to tourism precincts. International and domestic tourists need associated port and transport infrastructure allowing easy transition from the boat to other local tourism products, including retail outlets.

Major city ports

All of the three major cruise ports - Sydney, Brisbane, and Melbourne - have dedicated cruise terminal infrastructure. However, unique challenges are faced at each of the ports, in particular Sydney and Brisbane where the location of terminals will present future issues.

Sydney

Sydney is the most frequented port in Australia for cruise ships, accommodating almost one quarter of all cruise stop overs. Sydney has two dedicated cruise shipping berths: the Overseas

[14] Ibid, pp3-4.

Passenger Terminal (OPT) situated at Circular Quay that hosts the larger vessels visiting Sydney; and the berth at Darling Harbour. The Darling Harbour cruise terminal is set for relocation following the redevelopment of the Barangaroo precinct with a replacement facility proposed for construction at White Bay.

Both the OPT and current berth at Darling Harbour are at the heart of the city and close to Sydney's tourist attractions. However, there is limited landside, heavy vehicle access at the OPT which makes managing the movement of passengers, spectators and the logistics associated with a ship docking at port more difficult. The new White Bay facility will be located across the harbour from the city centre, which makes it more accessible for heavy vehicle access than terminals located in the heart of the city, but requires additional travel arrangements for passengers to access key tourism precincts.

In the long term, Sydney's cruise shipping infrastructure is constrained by the height of the Sydney Harbour Bridge. The increase in the number of superliners coming to Australia, which are too large to fit under the bridge, will place added pressure on the facilities at Circular Quay - already superliners, such as the Queen Mary 2, are docking at Garden Island. The new cruise terminal proposed for White Bay will accommodate the growing number of port calls in Sydney Harbour but in the longer term will not be sufficient to cater for the growing size of cruise ships.

Brisbane

The Portside wharf terminal in Brisbane has dramatically improved since the $750 million Multiplex redevelopment, however access costs to the terminal remain high. As testament to the improvement in cruise shipping infrastructure in Queensland, Brisbane won the 'Dream World Cruise Destinations' 2008 Award for 'Most Efficient Port Facilities' and Carnival Australia has made Portside Wharf the home base for the Pacific Dawn since December 2009. However, the growing size of cruise ships and the port's location along the river means ships over 270 metres in length are unable to manoeuvre in the swing basin. A new facility will be required at the mouth of the Brisbane River to overcome this issue.

Recommendation: Review the impact of the growing size of cruise ships on current and future port infrastructure in major centres.

Regional Ports

Regional ports are increasingly important for the cruise ship industry. Of the 521 port calls in 2008-09, almost 40 per cent were at non-capital city ports - with Cairns (QLD), Mackay/Whitsundays (QLD), and Burnie (TAS) the most frequented.[15] Good regional port infrastructure provides cruise ship operators with the ability to tap into new markets, enhancing their product offering, while maximising opportunity for economic stimulus for the local community each time a ship arrives.

This dual benefit has underpinned recent investment in cruise ship infrastructure in regional towns, such as the joint $90 million investment by the Queensland State Government, the Australian Defence Force and Townsville City Council to upgrade terminal facilities at Townsville port. A similar upgrade is taking place at Cairns port. However, this level of investment is the exception rather than the rule. Moreover, there are questions as to whether the Townsville and Cairns upgrades will be able to adequately cater for bigger cruise ships.

[15] Ibid, pp6-7.

For remote ports, primarily only used for destination calls, the significant cost of such facilities invariably means this level of investment is not necessary. What is essential for these ports is the ability to provide adequate access to local tourism products and services. That said, with operators seeking to provide diverse itineraries at destination call ports, the ability for regional communities to support a cruise ship arrival is often limited, to the detriment of local economies.

With this in mind, a long term strategy should be developed for assisting with necessary infrastructure for those potential cruise shipping ports in regional areas. The federal government recently identified Christmas Island as a new cruise destination but has stopped short of a national long term cruise shipping strategy.

Recommendation: Develop a long term cruise shipping strategy.

Port booking systems

Further challenges for the cruise sector arise from the port-specific 'first in, best dressed' booking systems currently used in Australia. The need to book individually at each port places Australia at an unnecessary disadvantage in attracting cruise ships looking to make multiple-port voyages around Australia, which in turn require the cruise operator to secure sequential port bookings. This impacts the ability of cruise operators to consistently accommodate the most popular itinerary and impedes the planning of related tourism operators and local communities.

In addition, without dedicated cruise infrastructure in the majority of Australian ports, the booking system is significantly impacted by the demands of other sectors - predominantly freight. While appreciating the need to balance these competing priorities, cruise itineraries are made up to two years prior to the voyage. TTF members have advised of being subject to last minute cancellations to accommodate other non-cruise ships, despite locking in bookings almost 24 months before. Such situations provide no assurance to cruise ship operators, cruising passengers and local tourism providers.

An alternative approach could be to create a national cruise terminal booking system, possibly modelled on that of Airport Coordination Australia, to reduce administration and to ensure the optimal allocation of slots at congested ports or at peak times. If such a booking system were to be developed, it would require input from industry with careful consideration given to potential difficulties that may arise with the implementation and operation of the system.

Recommendation: Investigate the development of a national cruise terminal booking system.

Co-ordination of regulatory agencies

Notwithstanding the recent federal and state initiative to establish a National Maritime Safety Regulator, the cruise industry remains subject to onerous regulatory requirements with operators required to deal with eight independent maritime and associated agencies. Evidence has shown a lack of clear lines of responsibility and adequate co-ordination of agency tasks, the most perverse recent example being the swine flu events on board a P&O cruise ship last year. Different health authorities, both state and federal, provided different advice, imposing different requirements for the operator, leading to confusion and additional costs.

TTF believes a harmonised approach to regulation in relation to cruise shipping will improve efficiency and allow the full economic potential of the cruise industry to be realised.

Recommendation: Harmonise state and federal maritime regulations relating to the cruise shipping industry.

Non-proclaimed ports

To support growth in the industry and to facilitate product innovation, cruise operators are increasingly tapping into new areas of Australia. Customs requires that people can only board a cruise ship in Australia from a proclaimed port (where customs has an established presence). This has given rise to an issue of non-proclaimed ports (where ships are unable to allow passengers to disembark or arrangements need to be made to transport customs officials to the port depending on the resources of the department). While appreciating the need for customs checks, transporting officials to particular ports to disembark is onerous and costly for operators and prevents local economies from maximising the economic arrival of a cruise ship.

It is worth noting that in northern Australia just five proclaimed ports exist in the 1,899 nautical miles between Cairns and Broome. While the National Sea Passenger Facilitation Committee is currently investigating this issue, TTF believes that any outcome will have implications for port authorities in regional areas and should be considered in the National Ports Strategy.

Recommendation: Consider the impact of the recommendations of the National Sea Passenger Facilitation Committee in respect of non-proclaimed ports.

Concluding remarks

Ports are critical to the economic prosperity of Australia and TTF supports Infrastructure Australia and the National Transport Commission in developing the National Ports Strategy and agrees with the four key priorities which are:

- Planning for relevant ports;
- Protection of the ability to execute plans;
- Improving landside efficiency and reliability, and
- Clarity, transparency and responsibilities in ports.

However, while appreciating the demands of port authorities to cater for both cargo and cruise ships, each with different needs and requirements, TTF believes the lack of consideration of cruise shipping in the Strategy underestimates the economic opportunity presented by the sector and delays necessary investment required to optimise this benefit.

The current port infrastructure challenges Australia faces, combined with the highly mobile nature of cruise ships, means that the consequence of poor planning will be significant lost economic opportunities for Australia. As such, TTF recommends the National Ports Strategy:

1. Reviews the impact of the growing size of cruise ships on current and future port infrastructure in major centres;
2. Develops a long term cruise shipping strategy;
3. Investigates the development of a national cruise terminal booking system;
4. Harmonises cruise shipping regulations; and

5. Considers the impact of the recommendations of the National Sea Passenger Facilitation Committee in respect of non-proclaimed ports.

TTF looks forward to working with the federal government and industry stakeholders in the ongoing development of the National Ports Strategy.

TOURISM & TRANSPORT FORUM (TTF)
8th FLOOR
8-10 LOFTUS STREET
SYDNEY NSW 2000
T | +61 2 9240 2000
F | +61 2 9240 2020
www.ttf.org.au