



31 May 2010

Michael Deegan
The Infrastructure Coordinator
Infrastructure Australia
GPO Box 594
CANBERRA ACT 2601

Dear Mr Deegan,

Please find attached a submission from Carnival Australia on the draft National Ports Strategy, which details the infrastructure challenges facing the growing cruise industry. Carnival Australia appreciates the opportunity to contribute to the development of this important policy, which is both of national and regional significance.

The cruise industry has experienced tremendous growth over the past five years. The cruise sector is by far the fastest growing segment of the tourism industry, having grown by an average 18 per cent annually over the past five years. Its economic contribution – some \$1.2 billion in 2007-08 – is expected to exceed \$3 billion, on the most conservative estimates, in less than 10 years with passenger numbers topping one million.

However, many of Australia's major ports are already struggling to keep pace and unless decisions are taken in the short term, the infrastructure will seriously curb this growth trajectory – and the economic benefit.

Carnival Australia urges Infrastructure Australia and the National Transport Commission to use the National Port Strategy process to ensure the cruise sector is considered in planning decisions around our ports to ensure the national economy experiences the long term benefits that the cruise sector can deliver.

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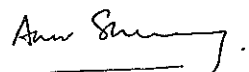
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I would be pleased to meet with Infrastructure Australia and the National Transport Commission to discuss the issues raised in the attached submission further.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ann Sherry", with a horizontal line underneath the name.

Ann Sherry AO
Chief Executive Officer

CARNIVAL AUSTRALIA

National Ports Strategy Submission

May 2010

Cruise Industry and Carnival Australia

Carnival Australia welcomes the development of a National Ports Strategy and thanks Infrastructure Australia (IA) and the National Transport Commission (NTC) for the opportunity to contribute to this important policy.

Carnival Australia was formed in 2004 and represents six of the international cruise brands in the local market: P&O Cruises, P&O World Voyages, Cunard, Princess Cruises, Costa Cruises and Seabourn. Carnival Australia currently has five ships operating in Australian waters year round, with a sixth to be added to fleet in December 2010. We also have an additional four ships over the summer (November to March) and a further 10 visiting ships stopping at multiple ports around the country.

Carnival Australia's tremendous growth over the past five years has reflected that of the industry more broadly, which contributed \$1.2 billion to the Australian economy in 2007-08¹. This represents an increase of 54 per cent from the previous year, which is a remarkable achievement given prevailing economic conditions and the subsequent anaemic trends seen in other parts of the tourism industry.

With the introduction of new ships and a rise in market penetration, Carnival Australia expects this contribution to exceed \$3 billion in economic value by 2023. In Sydney alone, passenger numbers are expected to triple to reach one million passengers by 2020.

Carnival Australia recognises the economic dominance of bulk and liner freight shipping and its focus in the development of a National Ports Strategy, and we concur with the four priority areas identified by the draft paper. However, it would be a missed opportunity if the needs of the cruise industry – namely the provision of adequate berths, passenger processing facilities and supply access networks - were not considered.

¹ 'The Australian Cruise Sector – December 2009', Report by Access Economics

Not only is the cruise industry one which makes a significant and growing economic contribution to Australia's major and regional ports, and it is an industry that Australians support. Record numbers of Australians are choosing to take a cruise holiday, and Australia is fast becoming one of the most popular destinations for international cruise ships. Recent figures from the International Cruise Council Australasia (ICCA Australian Cruise Industry Report, 2009 Statistics) found that despite the global economic crisis, an unprecedented 367,000 Australians were choosing to take a cruise holiday, up 11 per cent on the previous year. It was the fifth consecutive year of double digit growth confirming the cruise industry's position as the standout success of the tourism sector.

Quite simply, many of Australia's major ports are already struggling to cope with ship demand, and Carnival Australia urges the NTC and IA to consider how the needs of this growing industry can be addressed in the long term planning for and operations of our ports. Carnival Australia is committed to working with other industry participants and the State and Federal Governments in developing a long term strategy for the cruise sector. We welcome the development of a National Ports Strategy as an important first step to ensure that industry needs are not neglected or decisions made that will impede or prevent further growth and development of the cruise sector.

Economic Impact of the Cruise Industry

According to a recently released Access Economics report (attached to this submission) on the Australian cruise industry, the sector has experienced five years of sustained, double digit growth. Passenger days at port have increased by 58 per cent in 2007-08 on the previous year, and on average, the industry has grown by 18 per cent over the past five years.

Cruise industry growth has surged ahead of other tourism sectors, which experienced modest growth of 3.9 per cent in international tourism and a contraction in domestic tourism of 2.4 per cent in the same period.

To give a better idea of local impacts, the economic contribution of local cruise ships is around \$500,000 for each turnaround, while international ships contribute upwards of \$1 million per visit. This is money that goes into the pockets of taxi drivers, tourism operators,

cafe owners, proveedores and the vast number of other small and medium businesses who win every time a cruise ship cruises into town.

The cruise industry is also a significant employer, with around 5,000 people employed in the sector in 2007-08 and a further 2,300 people employed in other related sectors such as transport, logistics and supply.

Growth Projections

The cruise industry expects to build on momentum created over the past five years to reach a greater proportion of people in the Australian market. With the addition of new and larger ships and increased international tourism, the cruise industry's contribution to the Australian economy is likely to exceed \$3 billion by 2020.

Over the longer term, Access Economics forecasts annual growth to moderate to a still robust seven per cent. Carnival Australia is expecting significant growth of around 15 per cent to occur in 2009-10 due to two additional ships in the Carnival fleet. During the 2011-12 season, Carnival Australia will have an unprecedented nine ships based in Australian waters.

Market penetration figures also present the best guide to how industry is performing compared to other more mature markets and the potential for further expansion. According to figures recently released by the ICCA, market penetration here has increased from 0.6 per cent of the population in 2002 to 1.7 per cent in 2009. Australia is now beginning to compare favourably with more markets in the United Kingdom and the United States with their market penetration of 2.5 per cent and 3 per cent respectively. It also demonstrates that the Australian market has some way to go before we can expect growth to plateau.

National Infrastructure Challenges Confronting the Cruise Industry

The cruise industry faces a real infrastructure challenge in Australia, with some major ports already at capacity. It was not unusual for three ships to be in Sydney Harbour simultaneously during the cruise season, which means all available berths are occupied. International ships on world voyages are forced to extend stays in other countries to ensure availability in Australia, which is a direct loss to the national economy.

There are two factors driving this pressure:

1. **Passenger Growth:** As has already been detailed, the cruise industry has experienced very strong passenger growth over the past five years, which means more ships trying to access a limited number of berths; and
2. **Larger Ships:** Ships are steadily getting bigger and by 2023, it is expected that 85 per cent will be too big to sail beneath the Sydney Harbour Bridge and, by 2013, will be too big to berth at the Portside facility in Brisbane.

Meeting the infrastructure challenge in Australia means having additional berths in the right location, and Sydney is key to this, especially in relation to the international ships wishing to come to Australia. As the iconic gateway to Australia, if ships like the Queen Mary 2 cannot berth in Sydney Harbour, they will not come to Australia at all.

The NSW Government has made significant progress in resolving issues west of the Sydney Harbour Bridge. However, the need for eastern Sydney Harbour berths is of most concern. Currently, there is one berth available at the Overseas Passenger Terminal (OPT) at Circular Quay. In addition, the Navy has generously provided use of Garden Island on an ad hoc basis when larger ships such as the Queen Mary 2 visit Sydney. It is clear that the OPT will be insufficient to market needs and Carnival Australia estimates that by 2017/18, one additional east side berth will be critically important to meet demand. A further east side berth will be needed by 2022/23.

In Brisbane, the capacity of the cruise terminal at Portside will be severely impacted by the projected increase in vessel size where manoeuvrability is an issue. Unless a second facility can be provided within the next five to 10 years closer to the mouth of the Brisbane River, the number of cruise ships visiting this port will be reduced. Based on the size of cruise ships being built now around the world, Carnival Australia expects two-thirds of visiting cruise ships to Brisbane will be unable to dock at Portside by 2020. As the fastest growing market in terms of penetration rate and significantly growing market share in Australia, Brisbane has much to lose from failing to plan now.

In relation to Melbourne, Carnival Australia has been unable to secure additional capacity and the existing facility is fast approaching capacity during the cruise season.

Finally, when considering the future of regional ports in the national network, the potential for cruise shipping should also be considered. As cruising grows, we have also expanded our operations, calling into smaller regional ports such as Albany, Geraldton, Broome, Cooktown, Townsville, Burnie and new destinations such as Norfolk Island and Christmas Island – all of which have experienced the real benefits that a cruise industry can bring to their local economies. Carnival Australia believes greater consideration should be given to ways cruising could be incorporated into new or existing shipping infrastructure to deliver long term economic benefits to other regional ports around the Australian coastline.

The local businesses in these regional coastal towns are the biggest beneficiaries of when a ship – the equivalent of about 12 aeroplanes of tourists – visits in one day. From September this year, we will also be home-porting from Newcastle to see how the market responds.

Conclusion

Carnival Australia supports the important work being undertaken by IA and the NTC in developing a National Ports Strategy, which is essential in underpinning Australian economic growth into the future.

However, we strongly urge IA and the NTC to consider the needs of smaller users such as the cruise industry. While the sector may appear ‘small’ in relation to bulk and liner freight, in reality its impact is far greater than its relative size given its position at the nexus of all modes of transport – air, road and port, and includes both people and goods. To use a colloquial term, the cruising industry “punches above its weight” in terms of economic value when you take all elements into account. And has already been detailed in this submission, the cruise industry is a rapidly growing sector and will continue to deliver significant economic benefits at both a national and local level. Australians are embracing cruising like never before, while our tremendous tourism assets are drawing visitors from around the world.

Cruising is not an economic bubble that is going to burst one day. It is here for the long term. The economic data illustrates that the demand is there. The challenge is to ensure that Australia can provide the infrastructure needed to realise this growth. The planning and development of infrastructure to meet the cruise industry's long terms needs must considered a priority as part of a broader ports strategy.

Attachments

Access Economics Report: The Australian Cruise Sector (December 2009)