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Dear Dr Hawke

The following is a submission from the Accommodation Association of Australia (the Accommodation Association) to be considered as part of the Independent Review of Enhanced Cruise Ship Access to Garden Island.

By way of introduction, the Accommodation Association is the national industry body for the Australian accommodation industry. Members of the Accommodation Association include major hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and time-share establishments in metropolitan, regional and rural Australia across all states and territories. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms. Members include major international hotel chains, including Accor Hotels, Mirvac Hotels and Resorts, Hilton Hotels, Toga Hospitality, Mantra Group, InterContinental Hotels Group and Quest Serviced Apartments.

Accommodation businesses are one of a number of businesses that derive significant economic benefits from the cruising industry. When large cruise ships berth at Australian ports, it often results in more than a thousand visitors coming onshore. This influx of visitors – who are invariably consumers with a high level of disposable income – directly results in increased business for many members of the Accommodation Association. Predominantly, cruise ship passengers are attracted to signature restaurants in major hotels and/or other food-and-beverage outlets within these businesses. As well, there is often a need for cruise ship passengers to book accommodation in hotels or other accommodation businesses either leading up to the day they embark on a cruise or immediately after their cruise finishes.

Given the enormous recent growth and future projected growth of the cruising industry – more than one million Australians will take a cruise in 2020 by which time the industry will inject \$3 billion annually into the economy from local and international ship visits – the benefits for accommodation businesses will be even greater.

A Deloitte Access Economics report has found that in 2010-11, the economic contribution of the cruise ship sector to Sydney was \$399.9 million. By the year 2019-20, this contribution is forecast to rise to \$1,283.9 million. More broadly, a report commissioned by Tourism Australia and Cruise Down Under by



AECgroup found that direct expenditure associated with the cruise shipping industry in Australia in 2010-11 was estimated to be \$789.6 million.

The economic benefits for accommodation businesses and other sections of the economy that receive direct benefits when mega-liners visit Australia are now in jeopardy due to infrastructure constraints in Sydney Harbour. Specifically, by 2015, approximately 85 per cent of cruise ships will be too large to fit under the Sydney Harbour Bridge. The only permanent berth for cruise ships in Sydney east of the Harbour Bridge is the Overseas Passenger Terminal, but this facility will not cater for the projected growth of the cruising industry. For example, in 2012, Sydney Harbour will host eight ships that cannot be berthed west of the Harbour Bridge nor at the Overseas Passenger Terminal, while by 2016, this "overflow number" will be closer to 40. Other arrangements, such as anchoring in the harbour and using smaller boats to transport passengers to shore, are not sustainable and equate to passengers spending far less time (and money) in local businesses.

Therefore, to ensure that major cruise ships continue to visit Sydney, indeed continue to visit Australia, the cruising industry will require enhanced access to a berth at the Royal Australian Navy's Garden Island facility. While the Navy has permitted large cruise ships to berth at Garden Island on an ad hoc basis in the past, it has refused to guarantee the cruising industry any degree of certainty about future access to Garden Island. On this basis, the Accommodation Association is calling for cruise ships to have clearly defined permanent shared access to Garden Island.

If permanent shared access for cruise ships at Garden Island is not granted, then there is a distinct possibility that the number of cruise ships visiting Australia will stagnate. If cruise ships are not able to berth in Sydney Harbour – one of the world's most spectacular waterways – then they will not visit Australia at all. Such a scenario would see a significant drop in economic benefits for operators of accommodation businesses that are located in close proximity to other major Australian ports.

Any stagnation in the number of mega-liners berthing in Australia will negatively influence the number of inbound (international) visitors at a time when these figures are demonstrating minimal levels of growth. For both primary (locations where cruise ships berth) and secondary (locations where international visitors to Australia on cruise ships travel to after berthing) destinations, this equates to a likely drop in revenue for the tourism industry, including the accommodation sector.

Therefore, to preserve and promote economic benefits from visiting cruise ships for accommodation businesses, permanent shared access for these vessels at Garden Island must be approved.

The Accommodation Association is more than happy to provide further information about this issue through a face-to-face consultation. Please advise our office if you wish to take up this offer.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Munro', is written over a light blue circular watermark.

RICHARD MUNRO
Chief Executive Officer