



Whitsunday Charter Boat Industry Association
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The Hon Michael Sukkar MP
Assistant Treasurer, Minister for Housing, and
Minister for Homelessness, Social and Community Housing
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Via online portal and email to prebudgetsubs@treasury.gov.au

CC George Christensen, MP

2020-2021 Pre-Budget Submission

Dear Minister Sukkar,

Thank you for the opportunity to contribute to the 2020-2021 Pre-Budget Submission process.

This submission is made for and on behalf of the Whitsunday Charter Boat Industry Association (WCBIA). The WCBIA is the peak industry body representing a multi-million-dollar marine tourism sector in the Whitsunday region of the Great Barrier Reef Marine Park.

Overall, our industry contributes approximately \$367 million in Federal Government taxes, with a further \$152 million to the Queensland Government and \$22 million in other taxes, charges and fees. It invests \$2.5 billion in global marketing, according to estimates by Ernst and Young.

Our region - Airlie Beach - is Australia's second most tourism-dependant town; one in three people are either directly, or indirectly employed through tourism. In 2018-19 tourism contributed an estimated \$625 million to the Whitsundays regional economy (22.7% of Whitsundays gross regional product) and supported 5,800 jobs (30.9% of employment in the Whitsundays). Total tourism consumption in the Whitsundays was worth \$1 billion (source: Tourism Research Australia). Our Whitsunday operators account for over 40% of all visitation to the Great Barrier Reef (approximately one million people per annum).

Our sector and this region continue to be among the most heavily impacted from the ongoing effects of Covid-19. Since March 2020, the broader Whitsunday tourism trade has endured a shutdown costing \$75 million per month in business loss (source: Tourism Whitsundays).



This has been followed by subsequent months of severely restricted trade. Throughout this time, social distancing requirements and border closures have reduced capacities from anywhere between 30-70%. A survey of just 20 operators from the association I represent has uncovered combined losses of around \$1.2 million per week in lost revenue and additional Covid-related costs.

While other tourism-dependent regions within Queensland have benefitted from significant State Government support, the Whitsundays has received minimal assistance. This week, Queensland Premier, Annastacia Palaszczuk, announced \$64 million in supports to the Cairns tourism sector to date, while the equivalent Whitsundays figure would be less than one twentieth of that. The main, tangible form of support for our operators has been the Federal Government's JobKeeper program, which has literally kept the Great Barrier Reef industry afloat.

To that end, we respectfully request you give serious and urgent consideration to the below recommendations within the 2020-21 budget plan, noting these will make the difference between whether our Whitsunday businesses ultimately survive the pandemic or not.

1. Extension of a targeted, modified JobKeeper program;

Without JobKeeper, our members' businesses will not have the financial ability to retain staff or run anything but skeleton operations in even the best-case-scenarios. This situation will prevail while international borders remain closed and domestic confidence remains low, due to continued interstate travel restrictions and State Government-imposed capacity reductions.

Quite simply, the JobKeeper scheme is essential for this industry and must continue beyond March 28 if Great Barrier Reef tourism is to survive. The program does however need to be modified to reflect the further downturn and loss of staff over the past 12 months since March 2020. Our location in a regional and somewhat remote part of northern Australia, is a contributing factor to ongoing issues with a transient and seasonal workforce. This situation has been worsened by the pandemic. Many staff, including those formerly on JobKeeper, have left the area over the past 12 months, to pursue jobs in other industries and regions where there appears to be more certainty. The solution to this worsening crisis is to 're-set the clock', allowing operators to access an extended JobKeeper scheme covering the employees they have now, as opposed to just those on the books in March 2020.

Worth noting from the perspective of overall cost to the Federal Government is that this support does not need to extend nation-wide or even industry-wide, but is urgently needed for specific sectors such as the one I represent, and will no doubt equate to less spend overall than the equivalent unemployment and business/industry closure costs.



2. Expansion of the JobMaker scheme to run in parallel with JobKeeper

As we look to a future beyond these current impacts of Covid-19, industry must retain hope of a return one day to pre-Covid trading conditions and even future growth. Re-staffing operations to pre-Covid levels and beyond will not be possible without the JobMaker subsidy to support the ongoing employment of new staff. In industry sectors such as ours, there is a proven need for operators who have staff on JobKeeper (everyone), to also have access to the JobMaker scheme. Currently they do not, and we respectfully request this as an important lifeline measure.

3. Implementation of industry sector-specific subsidised recruitment and training programs

The marine tourism sector is a feeder to other industries such as ports and mining in terms of training and supplying crew. Many of our staff attain their qualifications and sea time within this industry but over the years, progress to jobs in these other sectors. This means that if we lose crew, so, ultimately, do these associated industries, and as our crew pool shrinks, so does theirs. The Federal Government has recently pioneered a successful program within the agriculture industry to address pandemic-related shortages of fruit picking staff. A similar program including relocation, training, and wage subsidies to attract the next new waves of marine tourism crew, is needed in our Great Barrier Reef region of the Whitsundays.

4. Expansion of the Federal Reinsurance Pool

Even pre-Covid, insurance costs and availability were becoming an increasingly urgent problem for the Great Barrier Reef marine tourism sector.

The Whitsundays' commercial fleet currently comprises around 350 vessels, divided into those that are skippered and crewed (including WCBIA members), and 'bareboats', which are essentially available for 'hire and drive', by members of the public. Both sectors are limited in their choice of insurers, as more withdraw from the North Queensland market, citing the region's occurrence of severe weather events. The result is an alarming trend towards a monopoly market, sky-rocketing premiums and increasing cyclone-related deductibles. This is despite the fact all commercial operators are actively mitigating their risk, and have documented cyclone plans as part of their Safety Management Systems.

The Whitsundays' marine tourism industry is impacted not only by limitations on the availability and coverage of commercial insurance, but also limitations on those vessels in the area that are privately owned. The Whitsundays has the highest level of private boat ownership in the state and is also a popular area for visiting pleasure craft. None of these vessel owners can now purchase insurance to keep their boats on swing moorings in the area.



Some are finding it difficult to purchase insurance that will let them traverse the area at all, regardless of whether they are on a swing mooring or in a marina. In many cases this is linked to the annual 'cyclone season' and 'named storms'.

The repercussions of this on the small business community in marine tourism are vast. When a named storm approaches the coast, a private vessel owner who cannot afford to keep their vessel in the marina long-term, was previously insured and could therefore retreat to the marina on a short-term basis for the duration of the storm. Marinas require proof of insurance as a condition of entry. This vessel owner's third-party policy was previously adequate. Now, if they cannot obtain insurance they are in a catch-22 of being barred entry to marinas and having to remain on the mooring grid at severe risk. Some of the moorings are potentially under-engineered; there are vessels in poor condition whose deck hardware gives way even when the mooring withstands the forces at play; and although ultimately our vessel owner may have done everything in his or her power to properly secure their asset, the domino effect from other vessels is unavoidable. Airlie Beach has many well documented cases of boats ending up on the rocks or beaches in cyclones, storms, and even just higher northerly winds. These images are broadcast globally, causing reputational damage to the commercial fleet and broader tourism industry. The entire area is then seen as high risk, all premiums go up, and insurers withdraw.

There is also the exacerbated financial impact of COVID-19 to consider. Costs are rising yet commercial operators' income has been slashed to around 10% due to the aforementioned ongoing border closures and capacity restrictions. Quite simply, our industry is in a cash negative trading position following months of zero income during lockdown. Of note is that premiums continued to be charged during this period of complete commercial inactivity, despite the fact there was arguably no risk. As the commercial operators literally run out of money, they – like the recreational vessel owner – can no longer afford the marina berthing fees. Their options are to keep the vessel on anchor or swing mooring, which then changes their cover. At present a commercial boat can be covered on a swing mooring where a recreational vessel cannot. There is no guarantee this proviso will remain, and in fact, we believe it is under significant threat.

The insurance industry urgently needs a catastrophe fund underwritten by the Federal and possibly State Governments, supported by a small levy on all products sold. This could be similar to the funds set up for terrorism events, and needs to cover cyclones, bush fires, floods and earthquakes, with clear definitions and excesses. Ideally this would bring down reinsurance costs, meaning premiums for postcodes in the tropics and fire-prone areas would not be out of line with other destinations - not to mention the fact residents in these areas would still be able to purchase cover. This needs to apply to land and marine products.



4. Adoption of a National Injury Insurance Public Liability Scheme

In addition to the basic insurance challenges outlined above, many of our members are now reporting escalating issues with public liability and professional indemnity policies. Without these policies and the necessary accident cover, businesses in the marine and adventure tourism sectors will cease to exist and we will lose an important segment of Australia's globally renowned tourism offering.

Operators are reporting sharp increases in premiums and difficulty even obtaining renewals of PL&I. Despite the fact our industry is already heavily regulated by the national body AMSA, and State authorities such as Workplace Health and Safety Queensland, there are now incidences where insurance companies are requiring additional submissions for these policies, and, I am told, placing further limitations on passenger numbers. Of note is that (notwithstanding current Covid-related restrictions) passenger numbers are already controlled by AMSA under the vessel's Survey regime, and any reduction from this figure has a profound financial implication to business models and viability.

We respectfully submit the Federal Government needs to budget for a no-fault National Injury Insurance Scheme (NIIS) as has been implemented in New Zealand. This would subject liability for personal injury to statutory caps, as well as providing certainty and restoring balance for both insurers and business operators.

In conclusion:

I trust that the above information is useful to the pre-budget process and hope we can look forward to the adoption of suggested solutions to the challenges now faced.

Please do not hesitate to contact me if I can be of any further assistance and thank you once again for the opportunity to make a submission to this important process.

Yours Faithfully,

Sharon Smallwood
Executive Secretary
For and on behalf of the Whitsunday Charter Boat Industry Association (WCBIA)