



Royal Caribbean Group

REPRESENTATION TO NORWEGIAN GOVERNMENT HEARING ON PROPOSALS FOR A LAW ON NORWEGIAN WAGE AND WORKING CONDITIONS ON SHIPS IN NORWEGIAN WATERS AND ON THE NORWEGIAN CONTINENTAL SHELF

30 AUGUST 2022

Introduction

Royal Caribbean Group welcomes the opportunity to contribute to the Norwegian Government's hearing on proposals for a law on Norwegian wage and working conditions on ships in Norwegian waters and on the Norwegian continental shelf. In addition to this response, Royal Caribbean Group supports the representation made by our trade body, the Cruise Lines International Association (CLIA).

Royal Caribbean Group is one of the leading cruise companies in the world with a global fleet of 62 ships traveling to more than 1,000 destinations. Royal Caribbean Group is the owner and operator of three award-winning cruise brands: Royal Caribbean International, Celebrity Cruises, and Silversea Cruises, and it is also a 50% owner of a joint venture that operates TUI Cruises and Hapag-Lloyd Cruises. Together, the brands have an additional 11 ships on order as of 31 March 2022.

Royal Caribbean Group employs 84,700 people globally, of which 77,000 are crew members and 6,000 being shoreside employees.

Summary of our representation

Our representation as part of this hearing looks to set out the priorities, policies, and practices we as Royal Caribbean Group implement as a proactive and responsible cruise line operator in support of our employees and people, as well as providing our views on the proposed legislation related to wages and working conditions, which is the focus of this hearing. The headlines of our response are summarised below:

- Royal Caribbean Group is a people-first organisation, supporting our employees and providing a safe and secure workplace in which our colleagues can thrive and develop. We are committed to ensuring our remuneration and rewards packages are as attractive as possible. Rates of pay for our crew are agreed internationally through a process which is governed and underpinned by international maritime law. Most of our crew members are represented by a union, with many benefits included in their collective bargaining agreement.
- It is important to maintain a global approach that upholds internationally recognised welfare standards for crew, supports the international operations of the cruise sector and maintains the attractiveness of Norway as a cruise destination and market. We therefore recommend the exclusion of international cruise from the scope of the proposed legislation and contend that the regulation of wages and working conditions for international shipping continue to be led by the relevant international organisations.
- The proposals would lead to a potentially significant reduction of cruise calls in Norway impacting local coastal communities and economies, particularly in Northern Norway and fjord destinations.

Our people

At Royal Caribbean Group we live our values to put people first, lead with integrity, grow with purpose, achieve excellence, and be a force for good.

Taking care of our people is essential to running a good business, which is why we champion a strong, inclusive, employee-focused culture. To build the best possible team, we nurture a diverse, dynamic culture that reinforces collaboration, passion, and innovation.

Our workplace priorities include building a safe and inclusive environment for all employees, as well as enhancing our world-class benefits and workforce protections.

Across the Royal Caribbean Group fleet we have an average of 60 nationalities on board. Royal Caribbean Group is proud to employ a diversity of nationalities and backgrounds and we are incredibly proud that after the pandemic, 98% of all Royal Caribbean Group crew chose to return to work with us. As an organisation we provided \$21 million in emergency funding for our employees who were severely impacted by COVID-19. Over 33,000 employees from 78 countries have received financial support through this relief fund.

The welfare and safety of our crew and seafarers is our number one priority. We are committed to respecting human rights and maintaining ethical labour practices in our business operations and throughout our value chain.

Rates of pay for our crew are agreed internationally through a process which is governed and underpinned by international maritime law. The International Labour Organisation (ILO) established global minimum wages for the international shipping sector in order to protect seafarers worldwide.

The ILO convened the latest bipartite round of negotiations between shipowners and seafarers' unions from across the world to update this minimum wage, coordinated by the International Chamber of Shipping (ICS) and the International Transport Workers' Federation (ITF). At the latest round of negotiations, these two social partners agreed in May 2022 to structure a new three-year deal through annual increases.

As the cost of living increases in many of our communities, wages don't always follow. We believe that every employee should earn enough to live comfortably, which is why we are working on new minimum hourly wage policies for our global shipboard and shoreside employees. In addition to being the right thing to do, we believe the policy will pay dividends in recruiting and retention.

Our competitive Total Rewards package includes pay, housing, meals, health care, savings programs, employee assistance programs, educational opportunities, and more. Most of our crew members are represented by a union, with many benefits included in their collective bargaining agreement. These programs are frequently reviewed to ensure we are the employer of choice. 100% of our shipboard employees have guaranteed overtime included as part of their pay.

Working and rest hours are closely monitored and regulated under the Maritime Labour Convention 2006 (MLC), an international labour convention adopted by the ILO that sets out seafarers' rights to minimum working and living conditions.

Among the most important expressions of our respect for human rights is how we manage our crew members. We employ a Safety & Quality Management system (SQM) to standardize operations on vessels across our Royal Caribbean International, Celebrity Cruises, and Silversea Cruises brands. SQM ensures continuous compliance with laws, regulations, requirements, and commitments applicable to the vessels and our shipboard workforce, including the MLC, and the laws and regulations of the vessel's flag state. SQM is audited at varying intervals to ensure the system is working and relevant and to identify system improvements.

Our global workforce is employed in compliance with the laws and regulations of the jurisdictions in which they work. As mentioned previously, our crew is largely represented by seafarers' unions and employed under union negotiated agreements that set forth comprehensive employment conditions consistent with and/or above the requirements of the MLC. These agreements are incorporated in part within our SQM.

As an organisation we endeavour to provide a high-quality work environment offering ongoing training and career advancement opportunities. Many of our crew progress with us throughout their careers, with high employee retention rates across the cruise industry of upwards of 80%.

We know that the happiness and motivation of our onboard crew has a direct impact on the levels of satisfaction and customer experience of our guests. It is therefore hugely important to our brands, our cruise products, and our customers that we look after and provide a world-class place of work for our crew. 95% of our shipboard and 86% of our shoreside employees say they are proud to work for Royal Caribbean Group. There is a commercial and market-driven incentive for Royal Caribbean Group and other cruise operators to treat crew well and to recruit and retain the best employees. We are very proud of the level of service and satisfaction our guests receive from our crew and believe that we, alongside our colleagues within the cruise sector, stand out as leaders within the shipping and maritime industry.

We have an unwavering commitment to diversity, equity, and inclusion (DEI) as part of our people-first approach, and believe it is the cornerstone of our success and future. We believe Royal Caribbean Group should accurately reflect the world we explore, so we strive to attract talented professionals from a diversity of backgrounds, experiences, and perspectives. Our DEI strategy has three areas of focus:

Increase the diversity of our employee base and leadership by sourcing from a wider, more diverse pool of talent. This includes increasing the transparency of our reporting and the impact of our recruiting and retention efforts.

Bolster our culture of inclusion by empowering each team member to bring their full and authentic self to work. Priorities include developing DEI accountability at the executive level, increasing our DEI learning opportunities, and championing employee resource groups.

Reflect the increasing diversity of our guests and partners with DEI initiatives they truly value. Proposed initiatives include accelerating our most promising DEI efforts to specific markets, developing a formal supplier diversity program, and continuing to evolve our social media strategy.

We celebrate progress within our organisation, such as Celebrity Cruises achieving almost a third (32%) of bridge officers across its fleet being women, compared to 2% of mariners in the industry worldwide. We know there is more to do and are committed to go further, but we hope that these successes can demonstrate the opportunity for everyone who wants to work in maritime and how we can be a leader within cruise in realising these important milestones.

Royal Caribbean Group is committed to regularly reporting on how we are making progress in supporting our employees and people. We published the latest edition of our annual sustainability report on 13 May 2022¹ which outlines the measures we have taken over the past year to further our environmental, social and governance (ESG) objectives. Our ESG framework is centred on our purpose to 'Deliver Great Vacation Experiences Responsibly' through providing unforgettable cruise experiences, championing communities and the environment, fostering human rights and being an employer of choice, advancing net zero innovation and governing responsibly.

Comments on the proposed legislation

Royal Caribbean Group recognises the Norwegian Government's intentions through proposed legislation and supports the principles of upholding and ensuring the rights, welfare and working conditions of seafarers. We would however contend that the regulation of wages and working conditions for international shipping should continue to be led by the relevant international organisations, the IMO and ILO. As such, we call on the Norwegian Government to exclude international cruise from the scope of the new requirements.

It is important for international cruise lines to be able to operate within an internationally negotiated, agreed and recognised legal and operational framework. We would not be able to operate a ship with multiple nationalities onboard if there were individual legal requirements issued by individual countries, which would result in us facing multiple legal issues at each port. The regimes, conventions and agreements under the ILO and IMO provide the international regulatory and legal basis that provides for fair conditions and remuneration for crew in the cruise sector. These international processes are built around the inclusion of social partners such as unions, which enables agreement for

¹ Royal Caribbean Group's Seastainability Report 2021: <https://www.royalcaribbeangroup.com/sustainability/>

comprehensive employment conditions consistent with and/or above the requirements of the Maritime Labour Convention.

We support the assessment made by CLIA that the proposed legislation conflicts with international and European law. CLIA outlines that all ships in international voyages are subject to international maritime law, as put forward by the IMO and ILO. It is this legal framework which governs the wages and working conditions applying to ships sailing in Norwegian waters and on the Norwegian continental shelf.

We note that the Holmefjord Committee report published in April 2021 recommended that ships in international cruises operations calling at Norwegian ports should not be included in such legislative proposals. The Committee reasoned that the tourism industry is built around international cruise traffic and there would be significant negative consequences if international cruise lines changed their destinations. We support these assertions from the Committee's report and would call on the Ministry to exclude international cruise operations from the prospective legislation.

The cruise industry provides significant value to Norway's economy and society, with CLIA figures demonstrating that the industry contributes approximately NOK 3 billion per year and supports around 17,000 jobs in Norway. Around one third of international tourists in Norway are cruise guests with 800,000 people visiting an average of 4-5 ports on each cruise. Should the proposed legislation reduce the viability or attractiveness of Norway as a cruise destination, the economic benefits that cruise brings would be at risk. This was experienced during the pandemic, with a loss of revenue and economic to many Norwegian coastal regions. CLIA estimates that in particular, Norway lost NOK 580 million, while 14 ports in western Norway had an estimated a loss of NOK 1.4 billion, with Bergen losing NOK 600 million. It is in the rural and coastal districts such as in the North of Norway where the value creation from cruise is of greatest importance.

Most of our cruises that visit Norway, start or end in a third country and entail significant passages in international waters. As outlined, we have an average of 60 nationalities on board our ships, with 84,700 global employees from over 130 countries. Given the international nature of our business, our operations should therefore be treated as such. The proposed legislation should reflect the relevant international legal and regulatory requirements and be consistent with the existing governance regime related to international maritime.

The introduction of increased and complex national legal requirements would lead to significant consequences. It would provide a disincentive for cruise calls. The administrative and regulatory burden of the proposed legislation would be a significant disincentive in itself, putting to one side the costs of compliance. It could ultimately make Norway a less competitive market for cruise due to additional complexity of the regulatory regime.

Shipping is an international industry and shipping companies need to be able to recruit many different nationalities to ensure we have the right people with the right skills doing the right jobs. This is why the shipping industry, including the cruise sector, recruits globally and why international regulations to protect seafarers are necessary.

We would argue that the proposed legislation does not sufficiently consider the international nature of our business and operational activities as an international cruise line. This is evident in the stipulations outlined for cruise within the text of the proposed legislation including the definitions and requirements for when cruise would be considered in scope of the proposed legislation. Our cruises and operations do not compete with coastal passenger ships. Any definitions and requirements must sufficiently reflect that international cruise voyages are included under the International Convention for the Safety of Life at Sea (SOLAS) and that under the IMO Facilitation Convention, cruise activity is defined as international operations.

A definition which calculates a cruise voyage only within Norwegian territorial waters would misrepresent the international nature of our cruise operations. This definition would also capture the majority of international cruises that call in Norway. Should this be the case, it is clear that cruises to Norway would become economically uncompetitive compared to other destinations and routes and would risk the significant reduction of cruise calls in Norway.

A further negative consequence would mean that the incentive to stay longer in Norwegian ports is diminished as the duration the ship is in port would count towards the overall time spent in Norwegian territorial waters. This could result in less time spent in each port, which would reduce the economic value created in destinations by cruise calls and visits.

Should the consequence of the proposed legislation result in fewer cruise calls in Norway, the impact on destinations and coastal communities would be significant. Not only would this result in less economic value creation for these communities and local economies but also impact the viability of public and private investments being made in local infrastructure, such as the installation of shore power or other community, quayside, or development projects.

We also foresee a potential distortive effect as between ports that are located in Northern Norway and inland, such as fjord destinations, and those which are located to the South or West of Norway. The proposed legislation may result in disincentivising voyages to ports or destinations where the time to sail there is significantly longer and largely accessible only through territorial waters. This could result in cruise lines being deterred from travelling further within territorial waters therefore putting ports in the North and inland at a competitive disadvantage. This issue must be addressed through this hearing to ensure that these ports remain viable for cruise calls.

For cruises that start and end at one Norwegian port or start at end at different Norwegian ports, we recommend that these cruises are treated the same as those starting and ending at ports in third countries. International maritime and labour regulation applies to these types of voyages as to voyages starting and ending outside of Norway, and therefore should be treated consistently and equally under international law.

Should cruises that sail exclusively between Norwegian ports face different rules, this could lead to unintended consequences in reducing the number of these cruises, again impacting the local communities and economies where the ships call. For example, cruises that have longer itineraries or operate in more remote regions, such as Northern Norway or Svalbard could be disproportionately affected by this element of the proposed legislation, further increasing the distortion between destinations within Norway.

In addition to the regulatory requirements and frameworks, this representation has set out Royal Caribbean Group's people-first approach which endeavours to make further provisions and provide further benefits for our employees wherever we can, including accommodation, meals and health care. We would welcome the opportunity to engage further with the Norwegian Government to discuss the steps we are taking to continuously improve our offering to our employees and potential future employees.

Contact

Jonathan Hawkings
Director, Government Relations UK & Nordics
Royal Caribbean Group
jhawkings@rccl.com