Brussels, 10 February 2025

Board of Directors
Isafjordur
Iceland

Amending the infrastructure fee applied on international cruise voyages

Dear Members of the Board of Directors,

I write to you on behalf of the Cruise Lines International Association (CLIA), the world's largest cruise industry trade association, and its ocean-going member cruise lines to seek your support in convincing Members of Parliament and the current Government to amend the law imposing an infrastructure fee on cruise passengers in international voyages.

The decision by the previous Government to rush a Budget proposal for 2025 within a timeframe of two weeks, resulted in the introduction of an infrastructure fee on passengers in international cruise voyages. The application of this fee – five times higher than the previous accommodation tax and enforced with immediate effect – and the allocation of the revenue to the central Government budget are highly problematic for the cruise ecosystem, which includes international and Icelandic operators, ports, port communities and local businesses in Reykjavik and in rural areas.

CLIA is aware of the high number of cancellations mainly attributed to the sudden application of this excruciatingly high fee. Following the equally abrupt application of an accommodation tax last year and the attempted immediate abolition of the duty-free regime for domestic voyages, the image cultivated about Iceland – also in international media – is one of instability and insecurity in conducting international business.

According to the figures published by the Icelandic Tourism Research Centre for 2023 the total economic contribution of the cruise industry in Iceland was ISK 52 Billion excluding VAT[1]. Out of this amount, 20 Billion is the direct spending of the industry (10 Billion in activities and recreation and 3,4 Billion on accommodation). Revenues for airlines from cruise activity amount to an additional 4 Billion; for the harbour to 3 Billion; for oil companies to 15 Billion; and, for tour operators to 11 Billion (all amounts excluding VAT).

[1] Revenues of the state from taxes and fees levied on the business are NOT included, such as VAT, lighthouse fees and revenues from small businesses providing catering, food, activities, souvenirs etc.

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In 2023, turnaround passengers spent on average ISK 98,000 in each stop (of which ISK 41,000 went towards hotel accommodation) while transit passengers spent on average ISK 28,000 in each stop. This income for Iceland comes on top of the port fees and dues paid by passengers, which, for example, in the case of the Port of Reykjavik range between ISK 19.5-22 Million for a single call of a 3,000-passenger vessel (or ISK 6,500 – ISK 7,333 per passenger, per call). According to CLIA statistics, the cruise industry generates one FTE job for every 24 cruise passengers in the cruise industry, transportation, trade, and hospitality sectors. Also, 6 out of 10 cruise passengers on average returned for land-based holidays to the destination they first visited with a cruise ship.

However, the development of cruise tourism in Iceland is highly dependent on maintaining competitive conditions for tourism operations and safeguarding the international reputation of the country as a stable place in which to conduct international business.

General comment

By international and EU law, cruise qualifies as international maritime passenger transport. The selling of transportation titles by cruise ship carriers is subject to the EU Consumer Rights Directive and Package Travel Directive. Cruise itineraries are planned three years in advance of the season and marketed to the public at least 18 months in advance. Meaning that the majority of cruises for 2025 have already been sold, while operations for 2026 (and partially, 2027) have already been planned and agreed with ports and local businesses.

a. During preparation time (2-3 years in advance), cruise ship carriers conclude agreements with hotels, importers, tour operators, transport companies and all other service and product providers in Iceland.

b. According to EU legislation, charges/fees/taxes must be known and applied at the time of purchase and should not be added at a later date. Thus, passengers who already bought their transport titles for 2025 cannot be retrospectively charged.

On amending the law applying an infrastructure fee on cruise passengers in international voyages

1. The level of the accommodation tax for cruise passengers in 2024 was roughly ISK 500 per passenger per day (assuming double occupancy for ISK 1,000 per cabin).
2. As mentioned above, according to the EU Package Travel Directive, and the EU Consumer Rights Directive, passengers need to be informed about the charges/taxes/fees at the time of purchasing their transport title.
3. In cruise transport, carriers market the itineraries two (2) years in advance and sell the majority of transport titles 1-2 years in advance.

4. Therefore, for cruises already sold by 31 December 2024, passengers were informed and accordingly charged for an accommodation tax at the level of c. ISK 500, as prescribed by law at the time of purchase.
5. As referenced above, cruise ship passengers pay a hefty amount of charges/fees to all ports they visit. Profit generated by ports should be re-invested in infrastructure development.

With the above in mind, CLIA addressed a letter to the Ministers of Finance, Industries and Transport, urging them to consider the two scenarios below:

Scenario 1

i. **Limit the infrastructure fee to ISK 500 per passenger, per 24h for 2025;**
ii. **Introduce a 5-year system of gradual increases** which will provide the cruise industry with a stable and predictable business environment to operate in;
iii. **Allocate the revenue to the communities (mostly in rural areas)** where the cruise ship calls take place, enabling them to invest in infrastructure and improve guest services.

Scenario 2

i. **In consultation with the cruise industry stakeholders, reduce the amount of the infrastructure fee to a level acceptable by the current Government;**
ii. **Exempt passengers who have booked their transport titles before 1 January 2025.** Following a similar 'temporary provision' as the one adopted for the introduction of the accommodation tax in 2023;
iii. **Introduce a 5-year system of gradual increases** which will provide the cruise industry with a stable and predictable business environment to operate in;
iv. **Allocate the revenue to the communities (mostly in rural areas)** where the cruise ship calls take place, enabling them to invest in infrastructure and improve guest services.

Furthermore, referring to the justification by the Ministry of Finance in the draft law proposal, and the recommendations of the Althingi on the Tourism Action Plan 2030, CLIA unequivocally rejects any notion of competition between international cruise lines and local hotel businesses. Specifically,

1. Cruise ship carriers are not in competition with any part of the domestic, land-based, tourism industry. As proven by research mentioned above, various parts of the domestic economy rather draw important financial benefits from the cruise activity. Cruise ship carriers almost exclusively employ the services of domestic tourism businesses when ships visit Iceland, while cruise passengers support the domestic tourism businesses through their activities.
2. Cruise ship carriers place a large part of their activities in transporting passengers to/from Reykjavik. In those operations, the hotel industry in Reykjavik draws important financial benefits from the cruise business, since both passengers and crew members spend several nights in hotels.
3. All businesses in the cruise business ecosystem pay all taxes imposed by national jurisdictions. In the case of cruise lines and their suppliers, all taxes that to the purchasing of services and supplies and on all taxable activities, as defined by Icelandic law, are being paid to the Icelandic tax services. In addition, international carriers in all modes of transport pay a number of different taxes in their home jurisdictions and should not be compared with domestic businesses in that regard. Cruise ship carriers follow the same model as do international cargo carriers operating in Icelandic ports, and international air carriers operating in Icelandic airports.

4. Finally, from a legal view-point according to international and European law, cruise qualifies as 'international maritime passenger transport', not as hotel accommodation.

In view of the above, we would like to invite you to address this matter in writing with your local Members of Parliament, and members of the Government.

We remain at your disposal should further clarifications are needed.

Yours sincerely,

Nikos Mertzanidis
Vice-President Ports & Destinations and Taxation
Cruise Lines International Association

About the Cruise Lines International Association (CLIA)

CLIA is the world's largest cruise industry trade association, providing a unified voice for the industry as the leading authority of the global cruise community. On behalf of its members, affiliates and partners, the organization supports policies and practices that foster a secure, healthy, and sustainable cruise ship environment, promoting positive travel experiences for millions of travelers who cruise annually. This year, CLIA forecasts that the annual number of passengers will reach 35.7 million passengers— surpassing 2019 levels. The CLIA community includes the world's most prestigious ocean, river and specialty cruise lines; as well as a widespread network of stakeholders, including ports and destinations, ship development, suppliers, and business services; and highly trained and certified travel agent members that represent the largest network of travel professionals specializing in cruise travel. Today, the CLIA-member fleet includes 303 ships and total capacity of 635,000 lower berths operated by 45 cruise line brands representing 90% of the world's cruise passenger capacity. The organization's global headquarters are in Washington, DC, with regional offices located in North and South America, Europe and Australasia.
For further information, please visit cruising.org or europe.cruising.org