

Memo from stakeholder meetings in Iceland with the attendance of CLIA and Cruise Iceland

Attendance:

CLIA members; Stewart Inglis, Sandi Weir, Jonathan Hawkings, Sandra Bratland, Nikos Mertzaniadis

Cruise Iceland; Sigurður Jökull Ólafsson, Ingvar Örn Ingvarsson, Íris Hrunð Jóhannsdóttir. Harbour Masters, marketing etc.; Aðalheiður Borgþórsdóttir, Hilmar Lyngmo, Pétur Ólafsson and Jóhanna Tryggvadóttir, Dóra Björk Gunnarsdóttir, Emma Kjartansdóttir, Anna B. Gunnarsdóttir.

Stakeholders met; Mayors; Björg Ágústsdóttir, Dagmar Ýr Stefánsdóttir, Ásthildur Sturludóttir, Sigríður Júlía, Íris Róbertsdóttir. Jóhannes Þór Skúlason (SAF). Sigmundur Ernir Rúnarsson (MP), Ragnar Sigurðardóttir (MP), Arna Lára Jónsdóttir (MP), Hanna Katrín Friðriksson (MP/Minister of Infrastructure), Ingvi Már Pálsson (official). Arnar Már Ólafsson (The Icelandic Tourist Board). Auður H. Ingólfssdóttir and Gestur Pétursson (The Icelandic Environment and Emergency Agency).

A meeting with mayors and harbour masters was convened to address concerns regarding the recent infrastructure fee implemented by the interim government shortly before January 1st, 2025.

The consensus among attendees was that the infrastructure fee exemplifies poor governance (on the part of the interim government), comprising the Independence Party and the Progressive Party. The fee is deemed excessively high, with a typical example being 247 Euros per average German family on a standard cruise to Iceland. This infrastructure fee marks the third sudden alteration to Iceland's cruise tax/fee structure under the preceding government, following the introduction of an accommodation tax with minimal warning, the abolition of VAT exemption with minimal warning which is especially harmful to expedition cruise, and now the implementation of this infrastructure fee.

Cruise itineraries are typically planned at least two years in advance, meaning that most trips have already been paid for by the time they take place. Despite this, the aforementioned political parties chose to implement the fee, aware that cruise lines would ultimately bear the costs which in some cases would lead to cancellations as the fee cannot be incorporated into trips that have already been sold.

The meeting attendees agreed that while they do not oppose incremental cost increases of this nature, all taxes or fees must be introduced with a minimum two-year notice period and in gradual stages allow for absorption into pricing and without discrimination based on the mode of travel.

Moreover, it can be argued that this infrastructure tax constitutes a form of rural taxation, as it disproportionately affects rural municipalities and businesses that rely heavily on cruise revenue. The municipalities do not benefit from the fee in any way as it goes into the state budget which in effect means it is a retroactive taxation. In fact the taxation is particularly damaging to areas that are heavily reliant on cruise.

Attendees expressed concern that the sudden and substantial infrastructure fee will ultimately result in significantly reduced state revenues. It is anticipated that by 2027, the full impact of these actions will become apparent.

In 2023 cruise had an economic impact of 52 billion ISK excluding VAT. In 2024 harbour revenues from cruise were 4 billion ISK.

There is already evidence of a decline in scheduled port calls – up to 50% in some harbours. However, it is expected that by 2027, the effect will become more pronounced as itineraries have already been planned through 2026. To mitigate this risk and ensure fair treatment for cruises relative to land-based tourism in Iceland's tourism industry as a whole, the infrastructure fee would have to be exempt on trips sold prior to January 1st 2025, thus ensuring equal terms within Icelandic Tourism

The meeting agrees that the implementation of the infrastructure fee as it currently stands, and the insight into how Icelandic governance has operated up until now in relation to predictability, has harmed the cruise industry and cause instability in Iceland in the long term and dramatically decrease the economic footprint of the industry after 2027, as well as state budget and harbour revenues.

A meeting with the Social Democratic Alliance (Samfylkingin) was promising. MPs shared concerns over the implications for rural destinations such as Ísafjörður which has relied heavily on revenues from cruise as the destination has very few hotel rooms to accommodate tourists (around 80 rooms). There were some concerns about how cruise affects health infrastructure from Ragna. Cruise Iceland needs to address this better as this is most likely based on a misunderstanding as cruise ships are normally less than 6 hours in harbour and under such a tight schedule passengers are unlikely to risk waiting in an emergency room when there is already a medical facility aboard with healthcare professionals. Most likely tourists who are flown in and on their own schedule are straining hospitals as they are both far more numerous and have more flexibility in their schedules (no ship leaving in a few hours). The train of thought however seems to be between the presence of tourists in a hospital and a cruise ship in harbour. CLIA members were also alerted to the fact that healthcare institutions do not always issue invoices for services to insured individual. This is a general problem for tourism in Iceland and we should seek to address this through SAF to limit unnecessary spending by healthcare institutions.

A meeting with Hanna Katrín Friðriksson, the minister of infrastructure was also a positive one. The minister was well informed beforehand on the issue and attended the meeting with the key official Ingvi Már Pálsson (skrifstofustjóri). The minister has publicly stated she will look into the matter and a meeting with the minister of finance and minister of transport and municipalities was scheduled for today. The ministry had asked Cruise Iceland and CLIA for data which was provided today, Friday, too.

Meetings with SAF, The Icelandic Tourist Board and The Icelandic Environment and Energy Agency were all organised and fruitful.

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