Economic Impact Assessment of the Cruise Shipping Industry in Australia, 2011-12

Cruise Down Under

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Client:	Cruise Down Under
Client Contact:	Jill Abel
Project Manager:	Alex Stuart
Email:	alex.stuart@aecgroupltd.com
Telephone:	02 9283 8400
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Executive Summary

Purpose of the Study

This study represents an economic impact assessment of the cruise shipping industry in Australia for the 2011-12 financial year. The information and analysis presented in the report ensures a better understanding of the size, growth and economic significance of the industry to the Australian economy to assist with future planning and strategy. The study has been undertaken on behalf of Cruise Down Under (CDU) and Tourism Australia. The 2011-12 study is the eighth consecutive year that AEC Group Limited (AEC*group)* has undertaken the economic impact assessment of the cruise shipping industry with slight improvements being made to the methodology each year. This provides a consistent approach that allows the change in economic impacts to be accurately assessed.

Research Methodology

The 2011-12 economic impact assessment for the cruise shipping industry is an update of the previous study completed in 2010-11 and uses a similar methodology as the previous study. The availability of data relating to corporate services (including marketing and sales commissions) has been incorporated into the study. The 2011-12 economic impact assessment also incorporates data from surveys undertaken during the year in Queensland, Victoria and Western Australia. The 2010-11 results have been revised accordingly to provide an accurate growth comparison.

Size & Growth of the Cruise Shipping Industry

The Australian cruise shipping industry recorded significant growth of 29.6% in the number of cruise ships visits, with strong growth in both international transit ships and ships that based themselves in Australia for part of the year. The strong growth is primarily attributed to the growth in port visits recorded by capital cities of Sydney (34.9%), Brisbane (36.5%), Melbourne (55.6%), Fremantle (37.9%) and Geraldton (325%), jointly accounting for nearly two thirds of the total increase in the total number of port visits during 2011-12.

The cruise shipping industry's growth trends in 2011-12 year are summarised as:

- 42 visiting cruise ships in 2011-12 which was on par with 2010-11;
- An increase in cruise ship passenger capacity on these ships from 49,254 to 54,063;
- An increase in crew capacity on these ships from 21,786 to 22,997;
- An increase in cruise ship visits to Australian ports from 573 to 736;
- 31 ports recording a cruise ship visit, an increase from 2010-11;
- An increase in total passenger days at port from 1,081,665 to 1,463,013;
- An increase in total crew days at port from 237,386 to 324,660;
- An increase in total passenger expenditure from $302.9 million to $443.1 million;
- An increase in total crew expenditure from $43.5 million to $60.3 million;
- An increase in total port-related expenditure from $440.6 million to $733.2 million; and
- Corporate expenditure of $157.2 million in 2011-12.

Table E.1: Comparison of Australian Cruise Ship Industry Demand Indicators

	2010-11	2011-12	Actual Change	% Change
Number of Australian ports visited by cruise ships	29	31	2	6.9%
Cruise Ship Characteristics				
Number of visiting cruise ships	42	42	0	0.0%
Passenger capacity of the cruise ships	49,254	54,063	4,809	9.8%
Number of crew on the cruise ships	21,786	22,997	1,211	5.6%
Cruise Ship Visits				
Number of cruise ship visits to ports	573	736	163	28.4%
Passengers and Crew				
Total passenger days at port	1,081,665	1,463,013	381,348	35.3%
Total crew days at port	237,386	324,660	87,274	36.8%
Expenditure				
Passengers ($m)[(a)]	$302.9	$443.1	$140.2	46.3%
Crew ($m) [(a)]	$43.5	$60.3	$16.8	38.6%
Port-related by operators ($m)	$440.6	$733.2	$292.6	66.4%
Corporate ($m)	$154.1	157.2	$3.1	2.0%

Note: (a) Includes both domestic and international expenditure. Some totals may not add up due to rounding issues.
Source: CDU, Individual Ports, AEC*group*

Expenditure Associated with the Cruise Shipping Industry

The direct expenditure (including both domestic and international passenger, crew, operator and corporate expenditure) by the cruise shipping industry in Australia in 2011-12 was estimated at $1.39 billion, compared with $941.1 million in 2010-11 (see **Table E.2**). This equates to a 48.1% increase in the year, with the increase explained by a higher number of base port visits which resulted in higher passenger and crew expenditure as well as significantly higher port related expenditure

Table E.2: Summary of Direct Expenditure associated with the Cruise Shipping Industry in Australia, 2011-12

	Visit Days	Passenger	Crew	Direct Expenditure ($m)				
Port		Days At Port	Days At Port	Passenger[(a)]	Crew	Operator	Corporate	Total
NSW:								
Eden	2	382	218	$0.1	$0.0	$0.1	$0.0	$0.2
Newcastle	12	28,543	5,979	$9.5	$1.1	$4.6	$1.8	$17.0
Sydney Harbour	197	613,949	131,735	$222.2	$32.2	$344.5	$126.7	$725.6
Total	*211*	*642,874*	*137,932*	*$231.8*	*$33.3*	*$349.2*	*$128.5*	*$742.7*
VIC:								
Geelong	2	823	306	$0.2	$0.0	$0.1	$0.0	$0.3
Melbourne	56	94,229	23,531	$23.5	$2.9	$92.0	$3.1	$121.6
Total	*58*	*95,052*	*23,837*	*$23.7*	*$2.9*	*$92.1*	*$3.1*	*$121.9*
QLD:								
Brisbane	101	292,284	57,263	$101.6	$12.5	$168.0	$19.2	$301.2
Cairns/Yorkeys Knob	47	48,188	12,963	$9.6	$0.9	$2.2	$0.0	$12.7
Cooktown	1	97	0	$0.02	$0.00	$0.00	$0.00	$0.03
Mackay/Whitsundays*	47	64,786	15,278	$12.4	$1.0	$1.4	$0.0	$14.8
Port Douglas	25	31,869	0	$6.0	$0.0	$0.1	$0.0	$6.1

	Visit Days	Passenger	Crew	Direct Expenditure ($m)				
Port		**Days At Port**	**Days At Port**	**Passenger[(a)]**	**Crew**	**Operator**	**Corporate**	**Total**
Thursday Island	8	1,475	197	$0.3	$0.0	$0.0	$0.0	$0.4
Townsville	10	3,555	2,585	$0.7	$0.2	$0.6	$0.0	$1.5
Total	*239*	*442,253*	*88,286*	*$130.7*	*$14.5*	*$172.3*	*$19.2*	*$336.7*
SA:								
Adelaide	18	21,789	6,203	$6.9	$1.0	$3.0	$0.4	$11.4
Penneshaw	1	417	116	$0.08	$0.01	$0.01	$0.00	$0.09
Port Lincoln	3	959	374	$0.18	$0.02	$0.03	$0.00	$0.23
Total	*22*	*23,165*	*6,693*	*$7.1*	*$1.1*	*$3.1*	*$0.4*	*$11.7*
WA:								
Albany	8	10,062	2,564	$0.5	$0.2	$0.5	$0.0	$1.2
Broome	22	24,594	5,782	$2.0	$0.4	$1.3	$0.0	$3.7
Bunbury	3	1,969	1,192	$0.1	$0.1	$0.2	$0.0	$0.4
Esperance	4	2,623	821	$0.1	$0.1	$0.2	$0.0	$0.4
Exmouth	7	13,544	3,132	$4.1	$0.6	$0.4	$0.0	$5.0
Fremantle	40	82,988	19,629	$27.4	$4.4	$53.9	$5.8	$91.5
Geraldton	16	19,418	5,866	$0.6	$0.4	$2.3	$0.0	$3.3
Port Hedland	2	3,492	895	$0.3	$0.1	$0.1	$0.0	$0.5
Total	*102*	*158,691*	*39,881*	*$35.1*	*$6.1*	*$58.9*	*$5.8*	*$105.9*
TAS:								
Burnie	17	19,263	4,969	$2.0	$0.5	$0.8	$0.0	$3.4
Devonport	1	289	87	$0.03	$0.01	$0.01	$0.00	$0.05
Hobart	29	31,236	8,168	$3.4	$0.9	$1.3	$0.0	$5.6
Launceston	2	119	71	$0.01	$0.01	$0.01	$0.00	$0.03
Port Arthur	8	5,945	1,516	$0.6	$0.2	$0.2	$0.0	$1.0
Total	*57*	*56,852*	*14,811*	*$6.1*	*$1.6*	*$2.3*	*$0.0*	*$10.1*
NT:								
Darwin	43	42,436	12,576	$8.1	$0.8	$55.3	$0.2	$64.4
Total	*43*	*42,436*	*12,576*	*$8.1*	*$0.8*	*$55.3*	*$0.2*	*$64.4*
Territories:								
Norfolk Island	4	2,108	644	$0.4	$0.0	$0.0	$0.0	$0.4
Total	*4*	*2,108*	*644*	*$0.4*	*$0.0*	*$0.0*	*$0.0*	*$0.4*
Total	**736**	**1,463,430**	**324,660**	**$443.1**	**$60.3**	**$733.2**	**$157.2**	**$1,393.8**

Note: (a) Includes both domestic and international expenditure. * Includes Hamilton Island. Some totals may not add up due to rounding issues.
Source: CDU, Individual Ports, Deloitte Access Economics (2012), AEC*group*

Economic Impact of the Cruise Shipping Industry

Economic impact analysis can be used to trace the flows of spending associated with specific activities in a region to identify changes in output, jobs, income and value added. The economic impact analysis of the cruise shipping industry requires a carefully structured approach. The approach used in this study provides separate estimates of the direct and indirect impact of the industry. The direct economic impact of the cruise shipping industry includes the output, jobs, income and value added created by operator expenditure, crew expenditure whilst at port and passenger expenditure whilst at base and transit ports, and pre- and post-cruise. On top of this, there is also the direct employment of Australians on cruise ships, primarily those based in Australia.

The national economic impact of cruise ship visits to Australia in 2011-12 is the aggregation of all international passenger and crew expenditure, and cruise ship operator expenditure at each port visited by a cruise ship in 2011-12. Expenditure by Australian passengers visiting Australian ports as part of a cruise does not constitute a net impact; rather the expenditure is a transfer from one part of the economy to another. However estimates for these are also calculated and presented.

Table E.3 below summarises the estimated national economic impacts of the cruise shipping industry in Australia in 2011-12 compared with 2010-11. They are:

- Estimated total expenditure of $1.77 billion in 2011-12, including direct expenditure of $1.01 billion. This was 56.9% increase from 2010-11 when total expenditure was estimated at $1.13 billion. When domestic passengers and crew are included, the estimated total expenditure is $2.43 billion in 2011-12.
- Estimated total wages income of $508.9 million, including $316.3 million in direct income and $192.6 million in indirect or flow on wages income. This was 52.4% increase from 2010-11 when total wages income was estimated at $334.0 million. When domestic passengers and crew are included, the estimated wage income is $697.3 million in 2011-12.
- Estimated employment impacts of 6,234 full time equivalent positions (FTEs), including 3,648 direct positions and 2,586 indirect positions. This was a 53.1% increase from 2010-11 when total employment was estimated at 4,072 FTEs. In addition to employment generated by onshore spending when at port, it is estimated around 1,500-2,000 Australians are employed on cruise ships, mainly in the ports where cruise ships are based such as Sydney, Melbourne, Brisbane, Perth, Cairns and Darwin. When domestic passengers and crew are included, the estimated employment was 9,148 FTE positions in 2011-12.
- Estimated total value added impact of $846.7 million, including a direct impact of $488.6 million. This was a 54.4% increase from 2010-11 when total value added was estimated at $548.3 million. When domestic passengers and crew are included, the estimated value add is $1.16 billion in 2011-12.

Table E.3: National Economic Impacts of Cruise Shipping in Australia

	International only (a)			International & Domestic (b)		
Impact	**2010-11**	**2011-12**	**Change (%)**	**2010-11**	**2011-12**	**Change (%)**
Output ($m)						
Direct	$650.8	$1,009.9	55.2%	$941.1	$1,393.7	48.1%
Indirect	$480.1	$764.5	59.2%	$683.9	$1,034.1	51.2%
Total	*$1,130.9*	*$1,774.5*	56.9%	*$1,625.0*	*$2,427.8*	49.4%
Wages Income ($m)						
Direct	$212.0	$316.3	49.2%	$305.3	$438.4	43.6%
Indirect	$122.0	$192.6	57.8%	$172.5	$258.9	50.1%
Total	*$334.0*	*$508.9*	52.4%	*$477.8*	*$697.3*	45.9%
Employment (FTEs)						
Direct	2,435	3,648	49.8%	4,007	5,677	41.7%
Indirect	1,637	2,586	58.0%	2,312	3,471	50.1%
Total	*4,072*	*6,234*	53.1%	*6,319*	*9,148*	44.8%
Value Added ($m)						
Direct	$323.9	$490.0	51.3%	$475.4	$689.6	45.1%
Indirect	$224.4	$356.7	58.9%	$313.6	$474.2	51.2%
Total	*$548.3*	*$846.7*	54.4%	*$788.9*	*$1,163.8*	*47.5%*

Notes: (a) International passengers & crew, operators and corporate, (b) International & domestic passengers & crew, operators and corporate. Some totals may not add up due to rounding issues
Source: AEC*group*

If the estimated expenditure of domestic passengers is added back in the economic impacts of the cruise shipping industry for 2011-12 would be estimated at:

- Total expenditure of $2.43 billion;
- Total wage income of $697.3 million;
- Total employment impacts of 9,148 FTEs; and
- Total value added impact of $1.16 billion.

Growth Potential of the Cruise Shipping Industry

After recording an increase of almost 30% in 2011-12, cruise ship visits to Australian ports are expected to increase by approximately 95 visits (almost 13%) to an estimated 830-840 in 2012-13. Growth is projected to be primarily driven by the Eastern Seaboard capital cities of Sydney (+71 visits) and Brisbane (+30 visits). Other ports expected to record strong increases in 2012-13 include Darwin (+15), Hobart (+12), and Bunbury (+11). Several of the cruise ships will be based in Australia either permanently or for part of the year. This expected increase will likely lead to a significant increase in passenger and crew expenditure in Australia and associated economic impact.

According to the International Cruise Council of Australasia (ICCA) it is expected that a total of 16 large ships will be based locally for a minimum of four months by October 2012, equating to a daily capacity of 30,000 berths. A total of 11 new ships are expected to visit Australia for the first time in 2012-13, including the new Voyager of the Seas (with a capacity of 3,138 passengers) which will become the largest cruise ship ever to base itself in Australia. These developments will likely lead to a significant increase in passenger and crew expenditure in Australia and associated economic impacts.