Economic Impact Assessment of the Cruise Shipping Industry in Australia, 2013-14

Executive Summary

Cruise Down Under

September, 2014

AECgroup

Outcome Driven

Executive Summary

Purpose of the Study

This study represents an economic impact assessment of the cruise shipping industry in Australia for the 2013-14 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 definitive national and regional independent study has become an authoritative report relied upon by governments, industry, academia and the media. The report has captured the history of a sector that has delivered outstanding growth in the tourism industry and benefited both capital city and regional destinations.

The study has been undertaken on behalf of Cruise Down Under (CDU) with the support of Tourism Australia. The 2013-14 study is the tenth consecutive year that AEC Group (AEC) has undertaken the economic impact assessment of the cruise shipping industry with improvements being made to the methodology each year.

Research Methodology

The 2013-14 economic impact assessment for the cruise shipping industry is an update of the previous study completed in 2012-13 and uses a similar methodology. The 2013-14 economic impact assessment also incorporates data from passenger and crew surveys undertaken during the year in Sydney.

The Sydney passenger and crew surveys, undertaken from December 2013 to April 2014, were possibly the most comprehensive cruise shipping survey project undertaken in Australia. It comprised 1,950 surveys with passengers and 221 with crew from 42 ships at two cruise terminals in Sydney.

Size & Growth of the Cruise Shipping Industry

The Australian cruise shipping industry recorded an increase of 13.4% in the number of cruise ships visits in 2013-14 with growth spread across all states and territories (except Offshore Territories).

The cruise shipping industry’s growth trends in the 2013-14 year are summarised as:

- 45 cruise ships, 4 higher than 2012-13.
- 63,263 passenger capacity, up from 62,051.
- 28,061 crew capacity, up from 27,032.
- 773 port visits, up from to 692. 339 of these were base visits, up from 317.
- 32 ports visited, 2 more than 2012-13.
- 1,956,194 passenger days in port, an increase from 1,814,478.
- 434,058 crew days in port, up from 373,104.
- Estimated $676 million in passenger expenditure, up from $573 million.
- Estimated $71 million in crew expenditure, up from $69 million.
- Estimated $941 million in total port-related expenditure up from a revised $826 million.
- Estimated corporate expenditure of $167 million.
- Overall estimated cruise industry expenditure of $1.854 billion.

Table E.1: Australian Cruise Ship Industry Indicators

	2012-13	2013-14	Actual Change	% Change
Number of Australian ports visited by cruise ships	30	32	2	6.7%
Cruise Ship Characteristics				
Number of visiting cruise ships	43	45	2	4.7%
Passenger capacity of the cruise ships	62,051	63,263	1,212	2.0%
Number of crew on the cruise ships	27,032	28,061	1,029	3.8%
Cruise Ship Visits				
Number of cruise ship visits to ports	692	773	81	11.7%
Number of base visits	317	347	30	9.5%
Number of transit visits	375	426	51	13.6%
Passengers and Crew				
Total passenger days at port	1,814,581	1,956,194	141,613	7.8%
Total crew days at port	374,160	434,058	59,898	16.0%
Expenditure				
Passengers ($M) (a)	$572.7	$675.6	$102.9	18.0%
Crew ($M) (a)	$69.8	$71.0	$1.2	1.7%
Port-related by operators ($M)	$826.0	$940.6	$114.6	13.9%
Corporate ($M)	$160.3	$166.8	$6.4	4.0%
Total	**$1,628.9**	**$1,854.0**	**$225.2**	**13.8%**

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

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 2013-14 was estimated at $1.854 billion, compared with $1.629 billion in 2012-13 (see **Table E.1**). This equates to a 13.8% increase over the past year, with the increase explained by a higher number of cruise ship visits, passenger and crew days in port.

Table E.2: Summary of Direct Expenditure associated with the Cruise Shipping Industry in Australia, 2013-14

State/Port	Visits	Passenger	Crew	Direct Expenditure ($M)				
		Days At Port	Days At Port	Passenger(a)	Crew(a)	Operator	Corporate	Total
New South Wales								
Eden	2	936	317	$0.201	$0.021	$0.033	$0.000	$0.256
Newcastle	9	19,992	3,964	$3.791	$0.265	$4.668	$1.914	$10.638
Sydney (b)	256	1,017,188	222,202	$435.591	$43.795	$504.970	$134.368	$1,118.724
Total	*267*	*1,038,115*	*226,483*	*$439.583*	*$44.082*	*$509.671*	*$136.283*	*$1,129.618*
Victoria								
Geelong	5	1,575	717	$0.087	$0.026	$0.171	$0.000	$0.284
Melbourne	67	144,643	34,457	$33.083	$2.671	$130.242	$3.320	$169.315
Portland	1	293	146	$0.016	$0.005	$0.034	$0.000	$0.055
Total	*73*	*146,511*	*35,320*	*$33.186*	*$2.702*	*$130.447*	*$3.320*	*$169.654*
Queensland								
Brisbane	115	350,752	68,309	$128.491	$14.099	$200.969	$20.357	$363.917
Cairns	45	47,785	12,469	$10.195	$0.851	$1.510	$0.037	$12.592
Cooktown	4	1,330	643	$0.330	$0.043	$0.015	$0.000	$0.388
Moreton Is	3	5,245	880	$0.995	$0.059	$0.388	$0.000	$1.441
Port Douglas	23	30,505	8,512	$5.937	$0.567	$0.135	$0.000	$6.639
Thursday Is	6	1,319	429	$0.327	$0.029	$0.017	$0.000	$0.374
Townsville	9	6,770	1,888	$1.496	$0.127	$0.674	$0.000	$2.296
Whitsundays	33	61,424	13,068	$12.524	$0.874	$1.038	$0.000	$14.436

State/Port	Visits	Passenger Days At Port	Crew Days At Port	Direct Expenditure ($M) Passenger(a)	Crew(a)	Operator	Corporate	Total
Total	*238*	*505,130*	*106,198*	*$160.294*	*$16.648*	*$204.747*	*$20.394*	*$402.083*
South Australia								
Adelaide	17	28,213	6,747	$6.685	$1.104	$1.316	$0.409	$9.513
Kangaroo Is	7	5,108	1,295	$1.065	$0.087	$0.085	$0.000	$1.237
Port Lincoln	2	2,916	558	$0.553	$0.037	$0.031	$0.000	$0.621
Total	*26*	*36,238*	*8,600*	*$8.303*	*$1.227*	*$1.432*	*$0.409*	*$11.371*
Western Australia								
Albany	5	5,103	1,376	$0.282	$0.091	$0.282	$0.000	$0.655
Broome	14	9,455	2,598	$1.135	$0.199	$0.585	$0.000	$1.919
Bunbury	3	1,476	457	$0.081	$0.031	$0.118	$0.000	$0.230
Esperance	6	9,427	2,209	$0.520	$0.148	$0.394	$0.000	$1.062
Exmouth	2	945	307	$0.032	$0.021	$0.072	$0.000	$0.125
Fremantle	31	53,054	12,813	$11.596	$2.175	$43.133	$6.189	$63.093
Geraldton	3	3,197	737	$0.107	$0.050	$0.397	$0.000	$0.554
Port Hedland	4	9,893	2,199	$0.848	$0.147	$0.425	$0.000	$1.420
Total	*68*	*92,549*	*22,696*	*$14.601*	*$2.861*	*$45.407*	*$6.189*	*$69.059*
Tasmania								
Burnie	12	15,274	3,648	$1.770	$0.416	$0.627	$0.000	$2.813
Coles Bay	3	3,478	757	$0.398	$0.086	$0.145	$0.000	$0.629
Devonport	1	103	37	$0.013	$0.004	$0.000	$0.000	$0.017
Hobart	36	63,519	16,193	$7.310	$1.845	$2.652	$0.000	$11.807
Launceston	0	0	0	$0.000	$0.000	$0.000	$0.000	$0.000
Port Arthur	8	11,479	2,697	$1.327	$0.307	$0.487	$0.000	$2.122
Wineglass Bay	3	4,198	1,119	$0.480	$0.128	$0.220	$0.000	$0.828
Total	*63*	*98,050*	*24,451*	*$11.297*	*$2.787*	*$4.131*	*$0.000*	*$18.215*
Northern Territory								
Darwin	38	39,601	10,310	$8.378	$0.707	$44.808	$0.160	$54.053
Total	*38*	*39,601*	*10,310*	*$8.378*	*$0.707*	*$44.808*	*$0.160*	*$54.053*
Offshore Territories								
Christmas Is	0	0	0	$0.000	$0.000	$0.000	$0.000	$0.000
Norfolk Is	0	0	0	$0.000	$0.000	$0.000	$0.000	$0.000
Total	*0*	*0*	*0*	*$0.000*	*$0.000*	*$0.000*	*$0.000*	*$0.000*
Australia	**773**	**1,956,194**	**434,058**	**$675.629**	**$71.014**	**$940.643**	**$166.754**	**$1,854.041**

Note: (a) Includes both domestic and international expenditure. (b) Less than reported in Sydney Ports annual report due to Sydney Ports counting a period > 24 hours as additional port call. Some totals may not add up due to rounding issues.
Source: CDU, Individual Ports, Deloitte Access Economics (2012), AEC

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 2013-14 is the aggregation of all international passenger and crew expenditure, and cruise ship operator expenditure at each port visited by a cruise ship in 2013-14. 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 2013-14 compared with 2012-13. They are:

- Estimated total output of $3.16 billion in 2013-14, including direct expenditure of $1.85 billion. This was a 15.8% increase from 2012-13 when total output was estimated at $2.73 billion.
- Estimated total wages income of $901.2 million, including $588.5 million in direct income and $312.6 million in indirect or flow on wages income. This was 13.0% higher than the corresponding 2012-13 figure when total wages income was estimated at $797.8 million.
- Estimated employment impacts of 12,918 full time equivalent positions (FTEs), including 8,352 direct positions and 4,567 indirect positions. This was a 19.4% increase from 2012-13 when total employment was estimated at 10,815 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, Fremantle and Cairns.
- Estimated total value added impact of $1,500.7 million, including a direct impact of $913.9 million. This was a 14.2% increase from 2012-13 when total value added was estimated at $1,313.9 million.

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

	Excluding Domestic Passengers [(a)]			All Passengers [(b)]		
Impact	**2012-13**	**2013-14**	**% change**	**2012-13**	**2013-14**	**% change**
Output ($M)						
Direct	$1,133.0	$1,281.9	13.1%	$1,628.8	$1,854.0	13.8%
Indirect	$775.0	$878.7	13.4%	$1,102.7	$1,310.4	18.8%
Total	**$1,907.9**	**$2,160.7**	**13.2%**	**$2,731.5**	**$3,164.5**	**15.8%**
Wages Income ($M)						
Direct	$390.3	$436.8	11.9%	$533.2	$588.5	10.4%
Indirect	$189.6	$214.6	13.2%	$264.6	$312.6	18.1%
Total	**$579.9**	**$651.4**	**12.3%**	**$797.8**	**$901.2**	**13.0%**
Employment (FTEs)						
Direct	4,348	4,994	14.8%	6,857	8,352	21.8%
Indirect	2,677	3,007	12.3%	3,959	4,567	15.4%
Total	**7,025**	**8,001**	**13.9%**	**10,815**	**12,918**	**19.4%**
Value Added ($M)						
Direct	$589.6	$660.8	12.1%	$819.2	$913.9	11.6%
Indirect	$355.9	$403.5	13.4%	$494.7	$586.8	18.6%
Total	**$945.5**	**$1,064.3**	**12.6%**	**$1,313.9**	**$1,500.7**	**14.2%**

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

Ten Years of Growth

Since the first economic impact of the cruise shipping industry in Australia was compiled in 2004-05 there has been significant growth in the industry. For example from 2003-04 to 2013-14:

- The number of ports visited has doubled from 16 to 32.
- The number of cruise ships visiting has almost doubled from 23 to 45.
- The passenger capacity of visiting ships has increased by 11.2% per annum from 24,380 to 63,335.
- The number of cruise ship visits has grown by 10.1% per annum from 325 to 773.

- The percentage of base visits to total visits has grown from a low of 32% in 2007-08 to a high of 85% in 2012-13.
- Total passenger days in port has grown by 20.5% per annum from 366,322 to 1.956 million.
- Estimated passenger expenditure has increased by 26.3% per annum to reach $675.6 million.
- Total industry expenditure is estimated at $1.85 billion, increasing by almost 31.8% per annum from just under $155 million in 2004-05.

Growth Potential of the Cruise Shipping Industry

There is continual change and improvement to Australia's cruise shipping itinerary, which includes operators looking to base additional and larger ships in Australia during the Australian summer. Australia has witnessed a trend towards more local deployment of ships, rather than one-off port visits which has seen several operators bring mega cruise ships to Australia. Cruise operators are expected to focus on consolidating operations of these vessels with ships returning to Australia or visiting for the first time in the next few years including Carnival's *Carnival Legend,* Celebrity Cruises' *Celebrity Century* and P&O's *Pacific Aria* and *Pacific Eden* to be based in Australia for the first time in the coming seasons. This brings P&O's Australian based fleet to five.

After recording growth of 11.7% in 2013-14, cruise ship visits to major Australian ports are expected to increase by approximately 80 visits (10%) that will flow onto an estimated 850 visits in 2014-15, which is in line with the growth trend over the last decade. Preliminary estimates for 2015-16 at this stage indicate slightly lower growth of 6% but at this stage the itineraries of P&O's new domestic based ships *Pacific Aria* and *Pacific Eden* in 2015-16 are unknown.