Economic Impact Assessment of the Cruise Shipping Industry in Australia, 2010-11

Final Report

August, 2011

Cruise Down Under

Executive Summary

Purpose of the Study

This study represents an economic impact assessment of the cruise shipping industry in Australia for the 2010-11 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 2010-11 study is the seventh consecutive year that 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 2010-11 economic impact assessment for the cruise shipping industry is an update of the previous study completed in 2009-10 and assumes a similar methodology as the previous study. Some assumptions in relation to ships that anchor rather than berth (including port expenditure and the proportion of passengers and crew disembarking) have been adjusted for this study based on the availability of new information. The 2009-10 results have been revised accordingly to provide an accurate growth comparison.

A new passenger survey was conducted in Sydney[1] by AEC*group* with expenditure results included in the model. The most recent survey data from AEC*group*'s Cairns and Brisbane surveys as well as surveys undertaken by Tourism Victoria, Tourism Tasmania and Tourism NT were adjusted for inflation to 2010-11 prices.

As with previous studies the head office expenditure by cruise operators such as Carnival is not included due to data unavailability.

Size and Growth of the Cruise Shipping Industry

The Australian cruise shipping industry recorded growth in the number of cruise ships visiting or operating in Australia, though the majority of these vessels were international ships that spent limited time in Australia. The north and eastern region of Australia between Darwin and Sydney generally recorded strong growth in port visits at the expense of the remainder of the country that resulted in the total number of port visits declining for the year.

The cruise shipping industry's growth trends in 2010-11 are summarised as:

- An increase in visiting cruise ships from 34 to 42;
- An increase in cruise ship passenger capacity on these ships from 41,803 to 49,254;
- An increase in crew capacity on these ships from 18,335 to 21,786;
- A decrease in the number of ports recording a cruise ship visit from 30 to 29;
- A decrease in cruise ship visits to Australian ports from 582 to 568;
- A decrease in total passenger days at port from 1,091,596 to 1,081,665;
- An increase in total crew days at port from 235,128 to 237,386;
- An increase in total passenger expenditure from $278.4 million to $305.5 million;
- An increase in total crew expenditure from $39.7 million to $43.5 million; and
- An increase in total port-related expenditure from $364.5 million to $440.6 million.

[1] Commissioned by CDU, Commonwealth Department of Resources, Energy and Tourism, Tourism NSW and Sydney Ports.

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

	2009-10	2010-11	Actual Change	% Change
Number of Australian ports visited by cruise ships	30	29	-1	-3.3%
Cruise Ship Characteristics				
Number of visiting cruise ships	34	42	8	23.5%
Passenger capacity of the cruise ships	41,803	49,254	7,451	17.8%
Number of crew on the cruise ships	18,335	21,786	3,451	18.8%
Cruise Ship Visits				
Number of cruise ship visits to ports	582	568	-14	-2.4%
Passengers and Crew				
Total passenger days at port	1,091,596	1,081,665	-9,931	-0.9%
Total crew days at port	235,128	237,386	2,258	1.0%
Expenditure				
Passengers ($m)[(a)]	$278.4	$305.5	$27.0	9.7%
Crew ($m) [(a)]	$39.7	$43.5	$3.8	9.6%
Port-related by operators ($m)	$364.5	$440.6	$76.1	20.9%

Note: (a) Includes both domestic and international expenditure.
Source: CDU, Individual Ports, AEC*group*

Expenditure Associated with the Cruise Shipping Industry

The direct expenditure (including domestic and international passenger and crew and operator expenditure) associated with the cruise shipping industry in Australia in 2010-11 was estimated at $789.6 million, compared with $682.7 million in 2009-10 (see **Table E.2**). This equates to a 15.7% 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, 2010-11

	Visit Days	Passenger	Crew	Direct Expenditure ($m)			
Port		**Days At Port**	**Days At Port**	**Passengers(a)**	**Crew**	**Operator**	**Total**
NSW:							
Eden	5	4,811	1,224	$0.4	$0.1	$0.2	$0.7
Newcastle	13	42,893	7,656	$14.4	$1.6	$7.1	$23.2
Sydney Harbour	146	467,826	101,594	$170.7	$24.2	$205.0	$400.0
Total	*164*	*515,529*	*110,474*	*$185.6*	*$25.9*	*$212.3*	*$423.9*
VIC:							
Geelong	2	589	338	$0.1	$0.0	$0.1	$0.2
Melbourne	36	68,302	15,887	$18.8	$2.4	$47.2	$68.5
Phillip Island	1	70	39	$0.0	$0.0	$0.0	$0.0
Total	*39*	*68,961*	*16,264*	*19*	*2*	*47*	*69*
QLD:							
Brisbane	74	203,387	41,239	$64.8	$8.7	$100.1	$173.7
Cairns/Yorkeys Knob	44	41,905	7,337	$3.9	$0.5	$2.0	$6.4
Cooktown	4	1,912	0	$0.2	$0.0	$0.0	$0.2
Mackay/Whitsundays*	41	51,692	13,686	$4.6	$0.9	$1.0	$6.5

	Visit Days	Passenger	Crew	Direct Expenditure ($m)			
Port		Days At Port	Days At Port	Passengers(a)	Crew	Operator	Total
Port Douglas	19	24,023	0	$2.0	$0.0	$0.1	$2.1
Thursday Island	4	920	0	$0.1	$0.0	$0.0	$0.1
Townsville	7	5,026	1,682	$0.5	$0.1	$0.5	$1.0
Total	*193*	*328,863*	*63,944*	*$76.1*	*$10.2*	*$103.7*	*$190.0*
SA:							
Adelaide	12	11,954	3,439	$2.1	$0.5	$0.7	$3.3
Kingscote	2	716	309	$0.1	$0.0	$0.0	$0.1
Port Lincoln	2	535	263	$0.0	$0.0	$0.0	$0.1
Total	*16*	*13,205*	*4,011*	*$2.2*	*$0.6*	*$0.7*	*$3.5*
WA:							
Albany	8	6,971	1,928	$0.6	$0.1	$0.4	$1.1
Broome	14	10,288	2,950	$0.9	$0.2	$0.5	$1.6
Bunbury	7	8,015	2,185	$0.7	$0.1	$0.4	$1.3
Esperance	3	1,315	374	$0.1	$0.0	$0.1	$0.2
Exmouth	3	2,327	697	$0.2	$0.0	$0.1	$0.4
Fremantle	29	32,774	9,187	$7.2	$1.7	$28.2	$37.1
Geraldton	4	5,895	1,464	$0.5	$0.1	$0.6	$1.2
Total	*68*	*67,586*	*18,785*	*$10.2*	*$2.3*	*$30.4*	*$42.9*
TAS:							
Burnie	11	16,108	3,843	$1.6	$0.4	$0.6	$2.6
Hobart	26	27,734	7,626	$2.8	$0.8	$1.2	$4.8
Port Arthur	3	1,840	441	$0.2	$0.0	$0.1	$0.3
Total	*40*	*45,681*	*11,910*	*$4.6*	*$1.3*	*$1.9*	*$7.8*
NT:							
Darwin	46	40,056	11,504	$7.7	$0.7	$44.4	$52.8
Total	*46*	*40,056*	*11,504*	*$7.7*	*$0.7*	*$44.4*	*$52.8*
Territories:							
Christmas Island	0	0	0	*$0.0*	*$0.0*	*$0.0*	$0.0
Norfolk Island	2	1,785	494	*$0.2*	*$0.0*	*$0.0*	$0.2
Total	*2*	*1,785*	*494*	*$0.2*	*$0.0*	*$0.0*	*$0.2*
Total	**568**	**1,081,665**	**237,386**	**$305.5**	**$43.5**	**$440.6**	**$789.6**

Note: (a) Includes both domestic and international expenditure. * Includes Hamilton Island
Source: CDU, Individual Ports, 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 2010-11 is the aggregation of all international passenger and crew expenditure, and cruise ship operator expenditure at each port visited by a cruise ship in 2010-11. 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 2010-11 compared with 2009-10. They are:

- Estimated total expenditure of $974.7 million in 2010-11, including direct expenditure of $499.2 million. This was an 18.6% increase from 2009-10 when total expenditure was estimated at $822.1 million. When domestic passengers and crew are included, the estimated total expenditure is $1,523.5 million in 2010-11.
- Estimated total wages income of $254.5 million, including $142.0 million in direct income and $112.5 million in indirect or flow on wages income. This was an 18.3% increase from 2009-10 when total wages income was estimated at $215.1 million. When domestic passengers and crew are included, the estimated wage income is $410.2 million in 2010-11.
- Estimated employment impacts of 4,270 full time equivalent positions (FTEs), including 2,326 direct positions and 1,944 indirect positions. This was a 17.6% increase from 2009-10 when total employment was estimated at 3,632 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 7,379 FTE positions in 2010-11.
- Estimated total value added impact of $449.1 million, including a direct impact of $234.1 million. This was a 17.4% increase from 2009-10 when total value added was estimated at $382.6 million. When domestic passengers and crew are included, the estimated value add is $709.2 million in 2010-11.

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

	International only (a)			International & Domestic (b)		
Impact	**2009-10**	**2010-11**	**% Change**	**2009-10**	**2010-11**	**% Change**
Output ($m)						
Direct	$424.5	$499.2	17.6%	$682.5	$789.5	15.7%
Indirect	$397.6	$475.5	19.6%	$636.5	$734.0	15.3%
Total	*$822.1*	*$974.7*	*18.6%*	*$1,319.1*	*$1,523.5*	*15.5%*
Wages Income ($m)						
Direct	$121.0	$142.0	17.4%	$193.6	$238.9	23.4%
Indirect	$94.1	$112.5	19.5%	$148.9	$171.2	15.0%
Total	*$215.1*	*$254.5*	*18.3%*	*$342.5*	*$410.2*	*19.8%*
Employment (FTEs)						
Direct	2,000	2,326	16.3%	3,313	4,332	30.8%
Indirect	1,632	1,944	19.1%	2,623	3,047	16.1%
Total	*3,632*	*4,270*	*17.6%*	*5,937*	*7,379*	*24.3%*
Value Added ($m)						
Direct	$202.5	$234.1	15.6%	$330.3	$381.1	15.4%
Indirect	$180.0	$215.0	19.4%	$284.7	$328.1	15.3%
Total	*$382.6*	*$449.1*	*17.4%*	*$615.0*	*$709.2*	*15.3%*

Notes: (a) International passengers & crew and operators, (b) International & domestic passengers & crew and operators.
Source: AEC*group*

If the estimated expenditure of domestic passengers is added back in the economic impacts of the cruise shipping industry for 2010-11 would be estimated at:

- Total expenditure of $1,523.5 million;
- Total wage income of $410.2 million;
- Total employment impacts of 7,379 FTEs; and
- Total value added impact of $709.2 million.

Growth Potential of the Cruise Shipping Industry

After recording a decline in 2010-11, cruise ship visits to Australian ports are expected to increase by approximately 180 visits to an estimated 740-750 in 2011-12. This projected strong growth for 2011-12 takes the number of port visits back to the historical trend and indicates that 2010-11 is likely to be an isolated year of negative growth.

Growth is projected to be driven by the eastern seaboard capital cities of Sydney (+74 visits), Brisbane (+39 visits) and Melbourne (+20 visits). Other ports expected to record strong increases in 2011-12 include Hobart, Broome, Burnie and Fremantle. This includes 12 new ships expected to visit Australia for the first time including Royal Caribbean Cruises' Radiance of the Seas which will join Rhapsody of the Seas in Sydney from October 2011 for the 2011-12 season and the new Voyager of the Seas in 2012-13 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.