Economic Impact Assessment of the Cruise Shipping Industry in Australia, 2009-10

Cruise Down Under

Final Report

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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 2009-10 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 2009-10 study is the sixth consecutive year that AEC*group* has undertaken the economic impact assessment of the cruise shipping industry only 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 2009-10 economic impact assessment for the cruise shipping industry is an update of the previous study completed in 2008-09 and assumes the same methodology as the previous study. Some assumptions in relation to base port expenditure and passenger nationality have been adjusted for this study and the 2008-09 results have been revised accordingly to provide an accurate growth comparison. A new passenger and crew survey has not been conducted by AEC*group* with expenditure estimates taken from the 2006-07 study and adjusted for inflation to 2009-10 prices and used in conjunction with recent surveys undertaken by Tourism Victoria, Tourism Tasmania and Tourism NT. Tourism Victoria/Port of Melbourne utilises AEC*group*'s methodology.

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 visits to port and the number of different ports visited. While there were less visiting ships in 2009-10, locally based ships took more cruises. This translated into growth in passenger and crew days at port and expenditure.

The cruise shipping industry's growth trends in 2009-10 year are summarised as:

- An increase in the number of ports recording a cruise ship visit from 28 to 30;
- A decrease in visiting cruise ships from 38 to 34;
- A decrease in cruise ship passenger capacity on these ships from 42,251 to 41,803;
- A decrease in crew capacity on these ships from 19,758 to 18,335;
- An increase in cruise ship visits to Australian ports from 521 to 583;
- An increase in total passenger days at port from 891,967 to 1,072,239;
- An increase in total crew days at port from 213,264 to 241,918;
- An increase in total passenger expenditure from $221.8 million to $262.6 million;
- An increase in total crew expenditure from $36.0 million to $38.4 million; and
- An increase in total port-related expenditure from $310.2 million to $361.8 million.

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

	2008-09	2009-10	Change	% Change
Number of Australian ports visited by cruise ships	28	30	2	7.1%
Cruise Ship Characteristics				
Number of visiting cruise ships	38	34	-4	-10.5%
Passenger capacity of the cruise ships	42,251	41,803	-448	-1.1%
Number of crew on the cruise ships	19,758	18,335	-1,423	-7.2%
Cruise Ship Visits				
Number of cruise ship visits to ports	521	583	62	11.9%
Passengers and Crew				
Total passenger days at port	891,967	1,072,239	180,272	20.2%
Total crew days at port	213,264	241,918	28,654	13.4%
Expenditure				
Passengers ($m)[(a)]	$221.8	$262.6	$40.8	18.4%
Crew ($m) [(a)]	$36.0	$38.4	$2.3	6.5%
Port-related by operators ($m)	$310.2	$361.8	$51.6	16.6%

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

Visitors and Expenditure of the Cruise Shipping Industry

The direct expenditure (including domestic and international passenger and crew and operator expenditure) by the cruise shipping industry in Australia in 2009-10 was estimated at $662.7 million, compared with $568.0 million in 2008-09 (see **Table E.2**). This equates to a 16.7% increase in the year, with the increase explained by higher passenger and crew number days spent at port as well as significantly higher port related expenditure.

Table E.2: Summary of Direct Expenditure by the Cruise Shipping Industry in Australia, 2008-09 (includes both Domestic and International Passenger and Crew Expenditure)

	Visit Days	Passenger	Crew	Direct Expenditure ($m) (a)			
Port		Days At Port	Days At Port	Passengers	Crew	Operator	Total
NSW:							
Eden	4	2,949	821	$0.3	$0.1	$0.4	$0.8
Newcastle	5	6,532	1,600	$0.5	$0.1	$0.6	$1.2
Sydney Harbour	116	375,211	75,637	$133.6	$17.9	$144.4	$295.9
Total	*125*	*384,692*	*78,058*	*$134.4*	*$18.0*	*$145.4*	*$297.9*
VIC:							
Melbourne	48	107,975	24,671	$32.5	$4.4	$56.9	$93.8
Phillip Island	1	2,545	540	$0.2	$0.0	$0.1	$0.3
Total	*49*	*110,521*	*25,211*	*$32.8*	*$4.4*	*$57.0*	*$94.2*
QLD:							
Brisbane	69	162,608	33,398	$45.9	$6.8	$74.3	$126.9
Cairns/Yorkeys Knob	36	39,805	10,153	$3.7	$0.7	$2.6	$7.0
Cooktown	3	3,450	829	$0.3	$0.1	$0.1	$0.5
Hamilton Island	8	7,805	2,419	$0.7	$0.2	$0.6	$1.5

	Visit Days	Passenger	Crew	Direct Expenditure ($m) (a)			
Port		Days At Port	Days At Port	Passengers	Crew	Operator	Total
Mackay/Whitsundays	27	39,296	9,305	$3.5	$0.6	$2.4	$6.5
Port Douglas	19	34,535	7,258	$2.9	$0.5	$1.8	$5.1
Thursday Island	8	2,357	884	$0.3	$0.1	$0.4	$0.7
Townsville	12	10,463	3,319	$1.0	$0.2	$0.9	$2.1
Total	*182*	*300,317*	*67,565*	*$58.2*	*$9.0*	*$83.2*	*$150.4*
SA:							
Adelaide	21	24,829	7,030	$5.2	$1.2	$2.7	$9.1
Kingscote	3	797	364	$0.0	$0.0	$0.1	$0.1
Port Lincoln	3	1,175	358	$0.0	$0.0	$0.1	$0.1
Total	*27*	*26,800*	*7,752*	*$5.2*	*$1.3*	*$2.9*	*$9.4*
WA:							
Albany	11	12,262	3,537	$1.1	$0.2	$0.8	$2.2
Broome	19	25,474	5,739	$2.3	$0.4	$1.0	$3.6
Bunbury	9	11,014	2,972	$0.9	$0.2	$0.6	$1.7
Esperance	4	2,438	660	$0.2	$0.0	$0.1	$0.4
Exmouth	6	6,208	1,793	$0.5	$0.1	$0.4	$1.0
Fremantle	39	52,586	13,043	$9.4	$2.3	$36.9	$48.5
Geraldton	18	28,714	6,618	$2.4	$0.4	$2.8	$5.7
Total	*106*	*138,695*	*34,362*	*$16.9*	*$3.6*	*$42.5*	*$63.0*
TAS:							
Burnie	18	23,939	6,073	$2.7	$0.4	$1.0	$4.2
Coles Bay	2	3,298	726	$0.4	$0.1	$0.1	$0.6
Hobart	29	36,598	9,811	$4.1	$0.7	$2.1	$6.9
Port Arthur	6	4,676	1,600	$0.5	$0.1	$0.3	$0.9
Total	*55*	*68,511*	*18,210*	*$7.7*	*$1.3*	*$3.5*	*$12.5*
NT:							
Darwin	33	33,854	9,018	$6.6	$0.6	$27.1	$34.3
Total	*33*	*33,854*	*9,018*	*$6.6*	*$0.6*	*$27.1*	*$34.3*
Offshore Territories:							
Christmas Island	1	1,640	352	*$0.1*	*$0.0*	*$0.1*	$0.2
Norfolk Island	5	7,209	1,390	*$0.6*	*$0.1*	*$0.1*	$0.7
Total	*6*	*8,849*	*1,742*	*$0.7*	*$0.1*	*$0.1*	*$1.0*
Total	**583**	**1,072,239**	**241,918**	**$262.6**	**$38.4**	**$361.8**	**$662.7**

Note: (a) Includes both domestic and international expenditure.
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 2009-10 is the aggregation of all international passenger and crew expenditure, and cruise ship operator expenditure at each port visited by a cruise ship in 2009-10. 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 2009-10 compared with 2008-09. They are:

- Estimated total expenditure of $815.1 million in 2009-10, including direct expenditure of $420.4 million. This was a 11.7% increase from 2008-09 when total expenditure was estimated at $729.9 million. When domestic passengers and crew are included, the estimated total expenditure is $1,281.6 million in 2009-10.
- Estimated total wages income of $213.3 million, including $119.9 million in direct income and $93.4 million in indirect or flow on wages income. This was a 11.7% increase from 2008-09 when total wages income was estimated at $190.9 million. When domestic passengers and crew are included, the estimated wage income is $333.1 million in 2009-10.
- Estimated employment impacts of 3,599 full time equivalent positions (FTEs), including 1,979 direct positions and 1,619 indirect positions. This was a 10.3% increase from 2008-09 when total employment was estimated at 3,261 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 is 5,781 FTE positions in 2009-10.
- Estimated total value added impact of $378.8 million, including a direct impact of $200.1 million. This was a 12.1% increase from 2008-09 when total value added was estimated at $338.0 million. When domestic passengers and crew are included, the estimated value add is $597.1 million in 2009-10.

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

	International only (a)			International & Domestic (b)		
Impact	**2008-09**	**2009-10**	**% Change**	**2008-09**	**2009-10**	**% Change**
Output ($m)						
Direct	$375.3	$420.4	12.0%	$567.9	$662.6	16.7%
Indirect	$354.6	$394.7	11.3%	$532.8	$619.0	16.2%
Total	**$729.9**	**$815.1**	**11.7%**	**$1,100.7**	**$1,281.6**	**16.4%**
Wages Income ($m)						
Direct	$107.1	$119.9	11.9%	$161.4	$188.2	16.7%
Indirect	$83.8	$93.4	11.5%	$124.6	$144.9	16.2%
Total	**$190.9**	**$213.3**	**11.7%**	**$286.0**	**$333.1**	**16.5%**
Employment (FTEs)						
Direct	1,806	1,979	9.6%	2,787	3,230	15.9%
Indirect	1,455	1,619	11.2%	2,195	2,551	16.2%
Total	**3,261**	**3,599**	**10.3%**	**4,981**	**5,781**	**16.1%**
Value Added ($m)						
Direct	$177.8	$200.1	12.5%	$273.2	$320.1	17.2%
Indirect	$160.2	$178.7	11.5%	$238.3	$276.9	16.2%
Total	**$338.0**	**$378.8**	**12.1%**	**$511.5**	**$597.1**	**16.7%**

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

If the estimated expenditure of domestic passengers is added back in the economic impacts of the cruise shipping industry for 2009-10 would be estimated at:

- Total expenditure of $1,281.6 million;
- Total wage income of $333.1 million;
- Total employment impacts of 5,781 FTEs; and
- Total value added impact of $597.1 million.

Growth Potential of the Cruise Shipping Industry

After recording strong growth in 2009-10, cruise ship visits to Australian ports are expected to increase by 50-60 visits to an estimated 630-640 in 2010-11. Ports expected to record strong increases in 2010-11 include Sydney, Brisbane, Cairns, Darwin, Hobart, Norfolk Island and Albany. More ships are likely to base themselves in Australia for the summer season with P&O Cruises' Pacific Pearl to begin cruising from Sydney in December 2010 and be based in Sydney year-round offering cruises to the South Pacific. Royal Caribbean Cruises has also announced that Radiance of the Seas will join Rhapsody of the Seas in Sydney from October 2011. This expected increase will likely lead to an increase in passenger and crew expenditure in Australia and associated economic impact.