
ECONOMIC IMPACT ASSESSMENT OF THE CRUISE INDUSTRY IN AUSTRALIA, 2015-16

AUSTRALIAN CRUISE ASSOCIATION
AUGUST 2016



aecgroup.com.au



DOCUMENT CONTROL

Job ID: 18569BNE
Job Name: Economic Impact of the Cruise Industry in Australia, 2015-16
Client: Australian Cruise Association
Client Contact: Jill Abel
Project Manager: Simon Smith
Email: simon.smith@aecgrouppltd.com
Telephone: 0419 664 774
Document Name: ACA Cruise EIA 2015-16 Dv05.docx
Last Saved: 5/10/2016 10:43 AM

Version	Date	Reviewed	Approved
Working Draft v01	19/08/16		
Draft v02	31/08/16		
Draft v03	05/09/16		
Draft v04	27/09/16		
Draft v05	27/09/16	SS	SS

Disclaimer:

Whilst all care and diligence have been exercised in the preparation of this report, AEC Group Pty Ltd does not warrant the accuracy of the information contained within and accepts no liability for any loss or damage that may be suffered as a result of reliance on this information, whether or not there has been any error, omission or negligence on the part of AEC Group Pty Ltd or their employees. Any forecasts or projections used in the analysis can be affected by a number of unforeseen variables, and as such no warranty is given that a particular set of results will in fact be achieved.

EXECUTIVE SUMMARY

PURPOSE OF THE STUDY

This study represents an economic impact assessment of the cruise industry in Australia for the 2015-16 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 Australian Cruise Association (ACA) with the support of Tourism Australia. The 2015-16 study is the twelfth consecutive year the study has been undertaken.

RESEARCH METHODOLOGY

The 2015-16 economic impact assessment for the cruise industry is an update of the previous study completed in 2014-15. The 2015-16 study incorporates data from passenger and crew surveys undertaken during the year in the Whitsundays. A number of major changes have been incorporated in the 2015-16 study, including:

- Partial turnarounds are now included.
- Crew going ashore when anchoring has been changed to 10%.
- Some regional ports/destinations passenger and crew expenditure proxy changed from Cairns to Bunbury.
- Bunker purchasing has been changed from 0.03t/GRT in 2004-05 to 0.01t/GRT in 2014-15. The price of bunker has fallen considerably over the last few years reducing expenditure on bunkering.
- Cruise line corporate expenditure has been revised using BREA (2014).

SIZE & GROWTH OF THE CRUISE INDUSTRY

The Australian cruise industry recorded an increase of 15.9% in the number of cruise ships visits in 2015-16. The cruise industry's growth trends in the 2015-16 year are summarised as:

Table E.1 Australian Cruise Industry Statistics

Statistic	2014-15	2015-16	Actual Change	% Change
Australian ports/destinations visited	31	40	9	29.0%
Visiting Cruise Ship Characteristics				
Number	46	46	0	0.0%
Passenger capacity	68,134	72,951	4,817	7.1%
Number of crew	29,582	31,230	1,648	5.6%
Cruise Ship Visits				
Number	876	1,015	139	15.9%
Number of turnarounds	427	521	94	22.0%
Number of transits	449	494	45	10.0%
Passengers & Crew				
Passenger days at port	2,424,067	2,762,145	338,078	13.9%
Crew days at port	489,791	548,136	58,345	11.9%
Direct Expenditure				
Passengers (\$M) ^(a)	\$903.7	\$1,071.4	\$167.7	18.6%
Crew (\$M) ^(a)	\$86.8	\$103.3	\$16.5	19.0%
Operations (\$M)	\$104.5	\$125.6	\$21.1	20.2%
Bunker (\$M) ^(b)	\$229.9	\$150.8	-\$79.1	-34.4%
Corporate (\$M)	\$246.6	\$285.8	\$39.1	15.9%
Total	\$1,571.6	\$1,737.0	\$165.4	10.5%

Note: (a) Includes both domestic and international expenditure. (b) Decrease due to fall in bunker price. Some totals may not add up due to rounding issues. Source: ACA, Individual Ports, BREA (2014), AEC

EXPENDITURE ASSOCIATED WITH THE CRUISE INDUSTRY

The direct expenditure (including both domestic and international passenger, crew, operator and corporate) by the cruise industry in Australia in 2015-16 was estimated at \$1.734 billion, compared with \$2.030 billion in 2014-15 (see **Table E.2**). This equates to a 14.6% decrease over the past year, with the decrease in bunker expenditure (due to price) offsetting growth in crew and passenger expenditure of 18%.

Table E.2 Summary of Total Expenditure associated with the Cruise Industry in Australia, 2015-16

Port / Destination	Visits	Passenger	Crew	Direct Expenditure (\$M)					
		Days at Port	Days at Port	Pax ^(a)	Crew ^(a)	Operations	Bunker	Corporate	Total
New South Wales									
Eden	7	7,027	436	\$0.398	\$0.020	\$0.341	\$0.000	\$0.000	\$0.759
Newcastle	10	14,727	3,593	\$2.865	\$0.390	\$1.308	\$0.000	\$0.000	\$4.563
Sydney	308	1,290,813	260,874	\$574.4	\$51.4	\$68.4	\$77.9	\$228.1	\$1,000.2
<i>Total</i>	325	1,312,567	264,903	\$577.7	\$51.8	\$70.0	\$77.9	\$228.1	\$1,005.5
Victoria									
Geelong	1	857	78	\$0.049	\$0.003	\$0.009	\$0.000	\$0.000	\$0.060
Phillip Is (Cowes)	1	1,896	110	\$0.107	\$0.004	\$0.011	\$0.000	\$0.000	\$0.122
Melbourne	84	214,719	49,610	\$64.2	\$3.9	\$6.4	\$21.0	\$8.7	\$104.1
Mornington Peninsula	3	3,346	196	\$0.190	\$0.007	\$0.000	\$0.000	\$0.000	\$0.197
Portland	3	4,178	980	\$0.237	\$0.036	\$0.176	\$0.000	\$0.000	\$0.449
<i>Total</i>	92	224,995	50,974	\$64.8	\$4.0	\$6.6	\$21.0	\$8.7	\$105.0
Queensland									
Brisbane	148	565,710	110,312	\$223.6	\$28.0	\$23.6	\$31.8	\$38.0	\$345.0
Cairns	50	59,958	9,117	\$12.238	\$0.997	\$1.602	\$0.005	\$0.007	\$14.849
Cooktown	3	1,259	122	\$0.310	\$0.013	\$0.012	\$0.000	\$0.000	\$0.336
Fraser Coast	2	300	29	\$0.017	\$0.001	\$0.030	\$0.000	\$0.000	\$0.049
Gladstone	4	5,404	286	\$0.306	\$0.014	\$0.307	\$0.000	\$0.000	\$0.627
Mooloolaba	7	8,236	450	\$0.466	\$0.021	\$0.178	\$0.000	\$0.000	\$0.665
Moreton Is	33	41,381	2,310	\$2.344	\$0.109	\$0.387	\$0.000	\$0.000	\$2.840
Port Douglas	29	37,461	2,246	\$7.042	\$0.388	\$0.185	\$0.000	\$0.000	\$7.616
Thursday Is	7	2,582	210	\$0.146	\$0.008	\$0.028	\$0.000	\$0.000	\$0.182
Townsville	3	1,670	704	\$0.411	\$0.077	\$0.211	\$0.000	\$0.000	\$0.699
Whitsundays	43	52,284	3,215	\$18.707	\$0.298	\$0.301	\$0.000	\$0.000	\$19.306
<i>Total</i>	329	776,244	129,001	\$265.6	\$29.9	\$26.9	\$31.8	\$38.0	\$392.2
South Australia									
Adelaide	23	52,319	11,127	\$16.2	\$2.4	\$2.1	\$1.0	\$1.7	\$23.4
Kangaroo Is (Penneshaw)	10	9,421	635	\$1.798	\$0.109	\$0.121	\$0.000	\$0.000	\$2.028
Port Lincoln	4	5,440	1,300	\$0.990	\$0.224	\$0.278	\$0.000	\$0.000	\$1.493
<i>Total</i>	37	67,179	13,062	\$19.0	\$2.8	\$2.5	\$1.0	\$1.7	\$26.9
Western Australia									
Albany	11	10,562	3,080	\$0.598	\$0.143	\$0.626	\$0.000	\$0.000	\$1.367
Broome	13	17,149	5,096	\$1.508	\$0.553	\$1.944	\$0.000	\$0.000	\$4.005
Bunbury	2	1,040	280	\$0.059	\$0.030	\$0.124	\$0.000	\$0.000	\$0.214
Busselton	7	8,690	560	\$1.154	\$0.061	\$0.081	\$0.000	\$0.000	\$1.295
Esperance	13	12,881	3,116	\$0.730	\$0.338	\$0.864	\$0.000	\$0.000	\$1.932
Exmouth	2	1,564	126	\$0.054	\$0.014	\$0.000	\$0.000	\$0.000	\$0.067
Fremantle	58	151,074	35,951	\$111.7	\$9.4	\$3.6	\$10.7	\$9.2	\$144.6
Geraldton	12	16,085	4,990	\$0.553	\$0.542	\$3.431	\$0.000	\$0.000	\$4.525
Port Hedland	3	5,366	1,275	\$0.304	\$0.139	\$0.236	\$0.000	\$0.000	\$0.678
<i>Total</i>	121	224,409	54,474	\$116.6	\$11.2	\$10.9	\$10.7	\$9.2	\$158.7

Port / Destination	Visits	Passenger	Crew	Direct Expenditure (\$M)					
		Days at Port	Days at Port	Pax ^(a)	Crew ^(a)	Operations	Bunker	Corporate	Total
Tasmania									
Burnie	11	13,060	3,823	\$1.589	\$0.448	\$0.679	\$0.000	\$0.000	\$2.716
Coles Bay	3	5,970	324	\$0.699	\$0.038	\$0.027	\$0.000	\$0.000	\$0.764
Hobart	32	62,627	14,666	\$7.5	\$1.7	\$3.3	\$0.000	\$0.0	\$12.5
Port Arthur	10	15,336	850	\$1.800	\$0.100	\$0.090	\$0.000	\$0.000	\$1.989
<i>Total</i>	56	96,993	19,663	\$11.6	\$2.3	\$4.1	\$0.0	\$0.0	\$17.9
Northern Territory									
Darwin	45	57,444	15,578	\$16.0	\$1.4	\$4.7	\$8.5	\$0.1	\$30.7
Elcho Is	1	31	7	\$0.002	\$0.000	\$0.000	\$0.000	\$0.000	\$0.002
Tiwi Is	2	179	20	\$0.010	\$0.001	\$0.000	\$0.000	\$0.000	\$0.011
Yirrkala	2	396	42	\$0.022	\$0.002	\$0.000	\$0.000	\$0.000	\$0.024
<i>Total</i>	50	58,051	15,647	\$16.0	\$1.4	\$4.7	\$8.5	\$0.1	\$30.7
Offshore Territories									
Norfolk Is	5	1,708	412	\$0.097	\$0.019	\$0.000	\$0.000	\$0.000	\$0.116
<i>Total</i>	5	1,708	412	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1
Australia	1,015	2,762,145	548,136	\$1,071.4	\$103.3	\$125.6	\$150.8	\$285.8	\$1,737.0

Note: (a) Includes both domestic and international expenditure.
Source: ACA, Individual Ports, BREAA (2014), AEC

ECONOMIC IMPACT OF THE CRUISE 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 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 industry includes the output, jobs, income and value added created by passenger, crew, operator and corporate expenditure. 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 2015-16 is the aggregation of all international passenger and crew expenditure, cruise ship operator expenditure at each port and destination visited by a cruise ship in 2015-16 and corporate administrative and professional expenses including travel agent commissions. Expenditure by Australian passengers visiting Australian ports and destinations 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 industry in Australia in 2015-16 (all passengers) compared with 2014-15. They are:

- Estimated total output of \$2.893 billion in 2015-16, including direct expenditure of \$1.737 billion. This was a 10.2% increase from 2014-15 when total output was estimated at \$2,624 billion.
- Estimated total wages income of \$835 million, including \$565 million in direct income and \$270 million in indirect or flow on wages income. This was 10.2% higher than the corresponding 2014-15 figure when total wages income was estimated at \$757 million.
- Estimated employment impacts of 13,512 full time equivalent positions (FTEs), including 9,422 direct positions and 4,091 indirect positions. This was an 12.7% increase from 2014-15 when total employment was estimated at 11,992 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 \$1.377 billion, including a direct impact of \$874 million. This was a 10.3% increase from 2014-15 when total value added was estimated at \$1.248 billion.

Table E.3 National Economic Impacts of the Cruise Industry in Australia

Impact	Excluding Domestic Passengers ^(a)			All Passengers ^(b)		
	2014-15	2015-16	% change	2014-15	2015-16	% change
Output (\$M)						
Direct	\$779.7	\$861.9	10.5%	\$1,571.6	\$1,737.0	10.5%
Indirect	\$455.5	\$499.1	9.6%	\$1,052.8	\$1,156.0	9.8%
Total	\$1,235.2	\$1,361.0	10.2%	\$2,624.4	\$2,893.0	10.2%
Wages Income (\$M)						
Direct	\$302.2	\$334.7	10.8%	\$510.6	\$564.9	10.6%
Indirect	\$111.4	\$120.9	8.6%	\$246.8	\$269.8	9.3%
Total	\$413.6	\$455.6	10.2%	\$757.3	\$834.7	10.2%
Employment (FTEs)						
Direct	3,660	4,372	19.5%	8,241	9,422	14.3%
Indirect	1,599	1,758	10.0%	3,751	4,091	9.1%
Total	5,259	6,131	16.6%	11,992	13,512	12.7%
Value Added (\$M)						
Direct	\$439.6	\$486.2	10.6%	\$788.3	\$874.0	10.9%
Indirect	\$206.3	\$223.4	8.3%	\$459.9	\$503.3	9.4%
Total	\$645.9	\$709.5	9.9%	\$1,248.3	\$1,377.3	10.3%

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

TWELVE YEARS OF GROWTH

Since the first economic impact of the cruise industry in Australia, compiled in 2004-05, there has been significant growth in the industry. From 2003-04 to 2015-16:

- The number of ports/destinations visited has more than doubled from 16 to 40.
- The number of cruise ships visiting has doubled from 23 to 46.
- The passenger capacity of visiting ships has doubled from 24,380 to 72,951.
- The number of cruise ship visits has grown from 325 to 1,015.
- The percentage of turnaround visits to transit visits has grown from a low of 32% in 2007-08 to a high of 105% in 2015-16.
- Total passenger days in port has grown more than six fold from 366,322 to 2.762 million.
- Estimated passenger expenditure has increased nearly twelve fold to reach \$1.071 billion.
- Total industry expenditure is estimated at \$1.737 billion, increasing from \$155 million in 2004-05.

GROWTH POTENTIAL OF THE CRUISE INDUSTRY

Ports and destinations around Australia continue to improve their facilities in response to increased frequency of visits and size of cruise ships. The biggest announcement was that for a \$100 million mega ship cruise facility at Luggage Point at the mouth of the Brisbane River. Newcastle and Melbourne also upgraded their facilities for larger ships.

Meanwhile ever larger ships will visit Australia including:

- *Pacific Explorer* (P&O Australia, 77,000GRT, 2,000pax).
- *Norwegian Star* (Norwegian Cruise Line, 91,740GRT, 2,348pax) will commence visits in 2016-17.
- New P&O Australia ship ordered for 2020 (135,500GRT, 4,200pax).

- *Norwegian Jewel* (Norwegian Cruise Line, 93,502GRT, 2,376pax) will commence visits in 2016-17.

After recording growth of 15.9% in 2015-16, cruise ship visits to major Australian ports are expected to increase by approximately 250 visits (24%) that will flow onto an estimated 1,260 ship visits in 2016-17, which is higher than the growth trend over the last decade. Preliminary estimates for 2017-18 at this stage indicates a further 10% growth.

GLOSSARY

Australian based ship	A cruise ship that undertakes a number of turnarounds in an Australian port.
Berth	Where a ship births to a wharf/pontoon and passengers can walk onto dry land.
Bunker	Fuel oil used in ships, generally IFO 380 (low sulphur).
Corporate expenditure	Expenditure by cruise ship operators on administration and professional expenses and travel agent commissions.
Crew days at port	Number of crew days spent in port. This will be less that the number of crew arriving on a cruise ship as they do not all go ashore.
Crew expenditure	Expenditure by crew onshore.
Direct expenditure	Expenditure by passengers, crew, and cruise line companies.
Employment	The number of full-time equivalent jobs (FTEs).
Full-time equivalent (FTE)	A person working full-time for one year.
Income	The employee compensation which includes total payroll costs, including wages and salary payments, as well as sales commissions and any other non-cash compensation.
Operations expenditure	Expenditure by cruise ship operator on port charges, pilotage, towage, stores, utilities, security charges and baggage handling
Output	The dollar volume of goods and services produced or sold, also referred to as gross output or sales.
Partial turnaround	A ship visit where a significant number of passengers terminate their cruise and new passengers commence.
Passenger days at port	Number of passenger days spent in port. This will be different from the number of passengers arriving on a cruise ship as for a turnaround (or partial turnaround) there are passengers terminating and new passengers commencing their cruise. For a transiting cruise ship not all passengers go ashore.
Passenger expenditure	Expenditure by passengers onshore. Does not include the cost of the cruise.
Tender	Where a ship anchors in a destination and passengers are transported by ship tender or servicing vessel to land.
Transit	A ship visit where a significant number of passengers disembark to go ashore and then get back on the ship.
Turnaround	A ship visit where almost all passengers terminate their cruise and new passengers commence. Also known as a base visit.
Value add	The change in consumption, investment and government expenditure, plus exports of goods and services, minus imports of goods and services due to the industry. It is the preferred measure for the assessment and contribution of a stimulus to the economy.