Economic Impact of the New Zealand Cruise Sector

2014 Summary Report

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Context of Cruise in New Zealand

The cruise sector has firmly established itself throughout New Zealand as a major component of the tourism industry and contributor of economic value. If cruise was a country, it would be New Zealand's fourth largest inbound market, behind Australia, China and the United States (Statistics NZ, YE 30 June 2014).

Globally the cruise industry has experienced huge growth in recent years, with the number of passengers carried more than doubling in the last decade to 21.3 million in 2013. There are currently 410 ships in operation, with 16 new ships due to be launched in 2014. Over the years, the ships have become larger, with the current new builds averaging around 4,000 passengers at double occupancy.

Cruise ships have the unique ability to provide a town or city with thousands of visitors for a day (or more) in one visit. Many of these visitors come ashore with the intent to explore and experience the attractions, shopping and culture of that town or city, and are prepared to pay to do so. Many of these visitors have also been known to use a cruise as a reconnaissance for a more in-depth visit at a later stage.

Asia-Pacific, which currently accounts for around 8.4% of the global market, is the fastest growing cruise region and presents a huge opportunity for New Zealand. Understanding the economic impact of this growing sector is imperative to helping New Zealand not only ensure the needs of the cruise industry are met, but also to continue to maximise the value of this unique form of tourism as identified in Tourism 2025, New Zealand's tourism growth framework.

This paper provides a summary of the 2014 "Economic Impact of the New Zealand Cruise Sector" report, which is available through Cruise New Zealand. This report looks in detail at the impacts of the most recent 2013-14 cruise season and forecasts the impacts of the upcoming 2014-15 and 2015-16 seasons.

Cruise Activity in New Zealand

Highlights of the New Zealand cruise sector, at a national level, for the recent 2013-14 season and upcoming 2014-15 and 2015-16 seasons are:

- The 2013-2014 cruise season generated around $365.3m in Value-Added (VA) and supported 6,818 jobs.
- The 2013-2014 cruise season was made up of 119 voyages recorded from 33 unique vessels, accounting for 699 port days across New Zealand.
- The cruise sector is expected to grow dramatically over the next two seasons to generate $421.5m in VA and support 7,899 jobs in 2015-2016.
- The current outlook for 2015-16 suggests that 119 voyages will spend 652 port days in New Zealand. It is important to note that the average vessel passenger capacity per voyage is set to increase from just over 1,600 passengers to almost 2,000 passengers.
- The passenger numbers forecast for the 2015-2016 cruise season is 246,800, a growth of 21.7% from the 2013-2014 cruise season.

Season	Voyages	Unique Ships	Vessel Port Days	Total Passengers	Total Crew	Value Added ($m)[1]	Total Employment
2013-14	119	33	699	202,700	69,300	$365.3	6,818
2014-15[f]	124	32	712	205,700	72,300	$373.4	6,977
2015-16[f]	119	33	652	246,800	83,200	$421.5	7,899

[1] Values reported in $2007, as per the latest available regional Input-Output economic data from Statistics NZ.

Passenger Activity in New Zealand

There are two distinct passenger types, those who exchange in New Zealand (i.e. embark or disembark their voyage), and those who transit (i.e. arrive into and depart New Zealand on the same cruise). It is important to understand the type of passenger movements in an economic assessment as they exhibit different spending patterns. While in port passengers have the ability to spend money in a wide range of retail stores, cafes and restaurants, attractions and entertainment. Exchange passengers, while having the opportunity to spend on the day of arrival or departure, also have the potential to stay in New Zealand for a period of time before or after the cruise, contributing additional spend on accommodation, hospitality, ground transportation, retail, entertainment, etc. With that in mind, the number of passenger port days (a port day refers to one passenger being in one port for one day) will have a strong influence on the economic impact. The number of international passenger exchanges, due to their relatively high value per movement, will have a much greater influence on the economic impact.

Season*	Passenger Type	Embark	Disembark	Total Exchange	Transit	Total Passengers	Total Port Days
2013-14	International	32,500	31,600	64,100	118,400	182,500	1,026,700
	Domestic	13,200	5,700	18,900	1,400	20,200	57,300
	Total	**45,700**	**37,300**	**83,000**	**119,800**	**202,700**	**1,084,000**
2014-15[f]	International	31,300	29,100	60,500	124,500	185,000	1,077,000
	Domestic	15,500	3,700	19,200	1,500	20,700	56,800
	Total	**46,800**	**32,900**	**79,700**	**126,000**	**205,700**	**1,133,900**
2015-16[f]	International	35,400	35,200	70,700	154,200	224,900	1,230,100
	Domestic	13,700	6,100	19,900	2,000	21,900	55,300
	Total	**49,200**	**41,400**	**90,600**	**156,300**	**246,800**	**1,285,400**

*All passenger activity figures have been rounded to the nearest 100th, so in some cases the total figure shown may not equal the exact sum of its components.

- In 2013-14 there were 32,500 and 31,600 international embark and disembark passengers respectively, leading to a total of over 64,100 international passenger exchanges.
- With New Zealand passengers included there were a total of 45,700 embark passengers and 37,300 disembark passengers, providing an overall passenger exchange count of close to 83,000.
- In 2013-14 there were a total of 202,700 passengers who spent a total of 1,084,000 port days on cruise in New Zealand.
- In 2014-15, slightly less exchange activity is forecasted with close to 60,500 international passenger exchanges and a further 19,200 New Zealand passenger exchanges, for a total of 79,700 exchanges.

- Total passenger and port day numbers are forecasted to increase in 2014-15, with 205,700 passengers spending 1,133,900 port days on cruise in New Zealand.
- The longer term outlook to 2015-16 suggests there will be more international exchange activity than has been seen before. It is anticipated there will be almost 70,700 international passenger exchanges and 19,900 New Zealand passenger exchanges, a total of over 90,600 exchanges.
- Total passenger and port day numbers are forecast to be at their highest ever level in 2015-16, with 246,800 passengers spending over 1,284,400 port days on cruise in New Zealand.

Crew Activity in New Zealand

Crew members typically travel through New Zealand on transit, with a few joining or leaving a ship in New Zealand. Like passengers, crew members undertake activities in New Zealand, either on a day off while in port or before and/or after they begin work on a cruise.

Season	Embark	Disembark	Total Exchange	Transit	Unique Crew	Total Port Days
2013-14	2,000	2,200	4,200	77,800	69,300	455,100
2014-15[f]	2,100	2,200	4,300	80,100	72,300	473,200
2015-16[f]	2,300	2,700	5,000	90,200	83,200	519,000

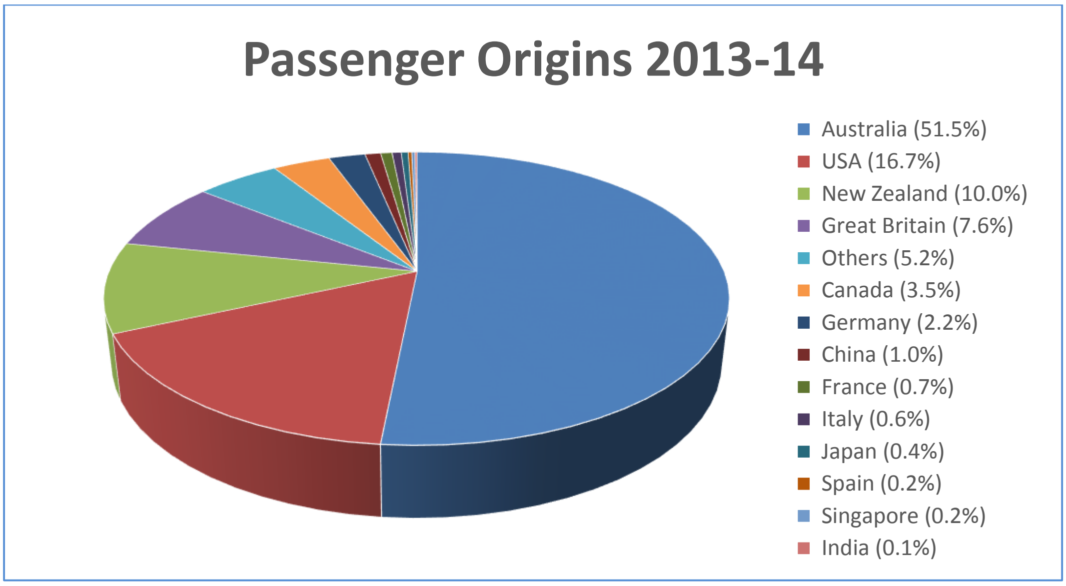
*All crew activity figures have been rounded to the nearest 100th.

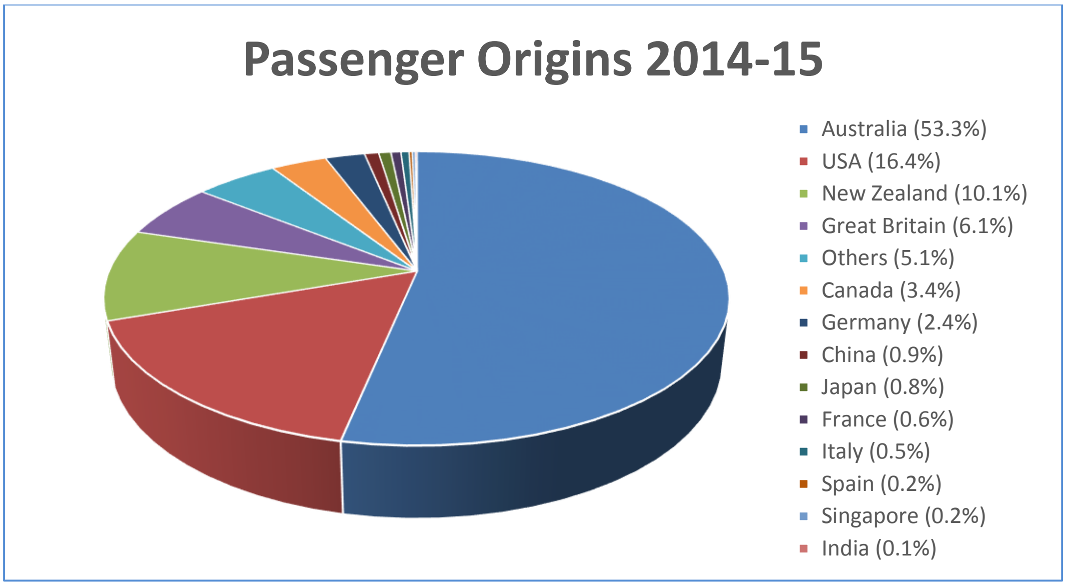
- In 2013-14 there were almost 4,200 crew exchanges and 77,800 crew transit. This resulted in 455,100 crew port days throughout New Zealand.
- For 2014-15 it is expected that there will be close to 4,300 crew exchanges, 80,100 crew transit and over 473,200 crew port days.
- The forecast for 2015-16 is for over 5,000 crew exchanges and over 90,200 crew transit and 519,000 crew port days.

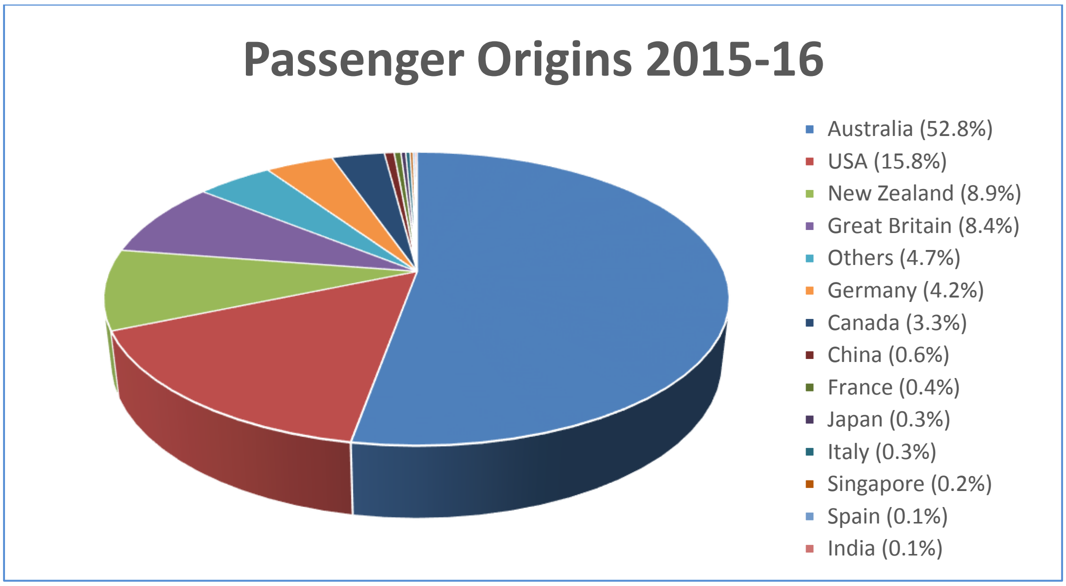
Passenger Source Markets

The nationality of cruise passengers predominant on any given voyage is a function of three things: Where the voyage has come from or is going to, where the ship is based, and where the marketing of that voyage was targeted. Most of the Australian round-trip cruises are predominantly occupied by Australians. Conversely, the "open-jaw" cruises which start in Australia and finish in New Zealand, or vice versa, attract more North Americans. Round-the-world cruises typically consists of a more diverse range of passenger nationalities. The following graphs describe this breakdown at a national level.

- Australians make up the majority of cruise passengers that visit New Zealand, accounting for around 52% of the market. This is consistent with previous seasons and looks set to continue for the upcoming seasons.
- Americans are the second biggest market, consistently accounting for around 17% of passengers. This is followed by New Zealanders who account for 10% of the market. This is consistent with its growth in 2013 as the highest growing market for cruises, ahead of traditional markets like the United States and Australia (CLIA, New Zealand, 2013). British citizens account for around 8% of cruise passengers.
- Americans are the biggest passenger exchange market, with over 23,600 total exchanges recorded last season and a similar number expected in the upcoming seasons, with a fairly even split between both embarking and disembarking passengers. This is higher than the exchange numbers by New Zealanders and Australians, although New Zealanders make up the highest number of embarking passengers. This is influenced by the winter outbound cruises to the Pacific Islands.




Passenger Origins 2014-15
Australia (53.3%)
USA (16.4%)
New Zealand (10.1%)
Great Britain (6.1%)
Others (5.1%)
Canada (3.4%)
Germany (2.4%)
China (0.9%)
Japan (0.8%)
France (0.6%)
Italy (0.5%)
Spain (0.2%)
Singapore (0.2%)
India (0.1%)


Passenger Origins 2015-16
Australia (52.8%)
USA (15.8%)
New Zealand (8.9%)
Great Britain (8.4%)
Others (4.7%)
Germany (4.2%)
Canada (3.3%)
China (0.6%)
France (0.4%)
Japan (0.3%)
Italy (0.3%)
Singapore (0.2%)
Spain (0.1%)
India (0.1%)

Regional Activity

Most of the cruises to New Zealand typically visit at least six ports. This has the effect of distributing the economic impact of cruise well into the regions throughout New Zealand. Passenger activity has the biggest influence on the economic impact of cruise. It needs to be noted however that not all regions have equal opportunity for passengers to spend, due to the nature of the port. Vessel-related spend predominantly occurs in Auckland as New Zealand's key exchange port. Presented below is a summary of regional activity for the previous 2013-14 season and forecasted activity for the upcoming 2014-15 and 2015-16 seasons.

Regional Cruise Activity of the 2013-14 Cruise Season

- Reflecting its role as New Zealand's key exchange port and a marquee port call, Auckland was the busiest cruise region with the most voyage calls (107), passenger port days (192,200), and crew port days (79,900).
- Southland (which includes Fiordland, a cruise-around call) had the most vessel port days (109), ahead of Auckland (102), due to a number of ships overnighting for multiple days.
- Bay of Plenty, Wellington, Canterbury and Otago all had similar levels of activity. Voyage calls ranged from 76 to 85, port days ranged from 79 to 90 and passenger port days ranged from 126,000 to 149,400. This is consistent with the more common itinerary of Auckland-Tauranga-Wellington-Akaroa-Port Chalmlers-Fiordland.
- Hawke's Bay and Northland experienced similar activity levels with 47 and 43 voyage calls, 49 and 45 port days and 81,900 and 68,500 passenger port days respectively. Marlborough followed with 28 voyage calls, 29 port days and over 27,100 passenger port days. This is consistent with their status as New Zealand's secondary ports.
- Emerging ports, Gisborne and Nelson also recorded small amounts of activity.

2013-14	Voyage Calls	Vessels	Port Days	Unique Passengers	Passenger Port Days	Unique Crew Visits	Crew Port Days
Northland	43	20	45	68,300	68,500	25,300	27,900
Auckland	107	33	102	186,200	192,200	63,900	79,900
Bay of Plenty	83	25	83	149,100	149,400	52,200	63,300
Gisborne	8	2	8	11,300	11,300	3,400	4,200
Hawke's Bay	47	18	49	81,700	81,900	32,400	34,300
Wellington	76	22	82	142,000	147,000	50,700	60,500
Nelson	3	3	4	800	900	500	500
Marlborough	28	13	29	27,200	27,100	10,100	11,400
Canterbury	85	21	90	122,900	126,000	40,600	53,700
Otago	78	23	79	133,800	135,800	44,700	56,700
Southland	94	22	109	137,200	142,500	47,100	61,100
Other	8	3	19	600	1,300	500	1,500
Total	**119**	**33**	**699**	**202,700**	**1,084,000**	**69,300**	**455,100**

*All activity figures have been rounded to the nearest 100th, so where relevant the total NZ figure may not equal the exact sum of the regions.

Regional Cruise Activity Forecast for 2014-15 Cruise Season

- Compared to the 2013-14 season most regions (except for Northland, Gisborne and Southland) are expected to see an increase in passenger activity.
- Auckland will remain the busiest cruise region with 113 voyage calls, 102 port days and total passenger port days increasing from the previous season up to 199,200.
- The next biggest regions will be Bay of Plenty, Wellington, Canterbury, Otago and Southland which are forecast to have between 136,300 and 154,500 passenger port days.
- Marlborough, Hawke's Bay and Canterbury are expected to see the biggest increase in passenger activity with increases in total passenger port days of approximately 19,100, 15,500 and 14,800 each respectively.
- Gisborne and Northland can expect a decrease in total passenger port days of almost 11,300 and 5,900 each respectively. Gisborne has received no bookings for the 2014-15 season which explains its decline. However this is set to change dramatically in 2015-16. Southland can expect a marginal decrease in activity of around 50 passenger port days.

2014-15[f]	Voyage Calls	Vessels	Port Days	Unique Passengers	Passenger Port Days	Unique Crew Visits	Crew Port Days
Northland	41	22	42	62,500	62,600	22,500	26,000
Auckland	113	32	102	190,800	199,200	66,400	82,600
Bay of Plenty	91	26	92	152,000	154,500	53,400	64,800
Gisborne	0	0	0	0	0	0	0
Hawke's Bay	57	17	58	97,300	97,400	38,300	39,900
Wellington	82	21	81	149,700	149,700	53,100	61,500
Nelson	7	5	8	1,600	1,600	700	1000
Marlborough	40	13	40	46,900	46,200	17,500	18,900
Canterbury	89	21	89	137,200	140,800	48,300	60,100
Otago	76	20	76	136,300	136,300	47,500	56,400
Southland	94	23	101	138,600	142,500	48,200	60,200
Other	8	2	23	700	3,000	400	1,700
Total	**124**	**32**	**712**	**205,700**	**1,133,900**	**72,300**	**473,200**

*All activity figures have been rounded to the nearest 100th, so where relevant the total NZ figure may not equal the exact sum of the regions.

Regional Cruise Activity Forecast for 2015-16 Cruise Season

- For the 2015-16 season, forecasts indicate passenger related activity will increase significantly compared to 2013-14 (and in most cases 2014-15 as well) in all regions except Hawke's Bay. This is due to an increase in the average vessel size undertaking cruise voyages in New Zealand.
- Auckland is expected to have 105 voyages, 101 vessel port days and almost 229,700 passenger port days.
- Bay of Plenty, Wellington, Canterbury, Otago and Southland are forecast to experience a drop in the number of voyage calls from 2013-14, although the increase in average ship size will see the number of passenger port days increase by 13,000 through to 18,500.
- Northland and Marlborough are both expected to see significant increases in passenger activity with an additional 29,000 and 42,000 passenger port days respectively. Gisborne will also see an increase of over 18,000 passenger port days from 2013-14.
- Hawke's Bay is the only region to expect a decrease in 2015-16 from 2013-14, with a significant decrease in number of voyage calls resulting in a decline of almost 12,700 passenger port days.

2015-16[f]	Voyage Calls	Vessels	Port Days	Unique Passengers	Passenger Port Days	Unique Crew Visits	Crew Port Days
Northland	47	22	47	97,600	97,600	33,700	39,100
Auckland	105	32	101	213,300	229,700	74,900	91,800
Bay of Plenty	79	25	82	160,100	162,100	55,200	65,600
Gisborne	12	3	12	29,700	29,700	11,300	12,000
Hawke's Bay	36	15	36	69,200	69,200	23,000	26,800
Wellington	74	21	75	168,200	168,900	55,700	64,700
Nelson	9	5	10	1,600	1,600	700	1000
Marlborough	41	13	41	70,400	69,100	23,900	27,600
Canterbury	70	20	71	138,800	139,100	48,600	58,200
Otago	71	19	71	154,400	154,400	54,400	63,200
Southland	86	23	90	157,900	160,200	56,000	66,600
Other	8	3	16	2,600	3,800	1,700	2,500
Total	**119**	**33**	**652**	**246,800**	**1,285,400**	**83,200**	**519,000**

*All activity figures have been rounded to the nearest 100th, so where relevant the total NZ figure may not equal the exact sum of the regions.

Economic Impacts of Cruise

The economic impact of the cruise sector is considered in three distinct categories: vessel-related, passenger-related and crew-related. These combine to form the total economic impact. All spend by cruise passengers and crew before and/or after a voyage are considered in this economic impact assessment as well. The most important economic measure to consider is value added (VA) (synonymous with an industry's contribution to GDP). Total employment and expenditure were also analysed.

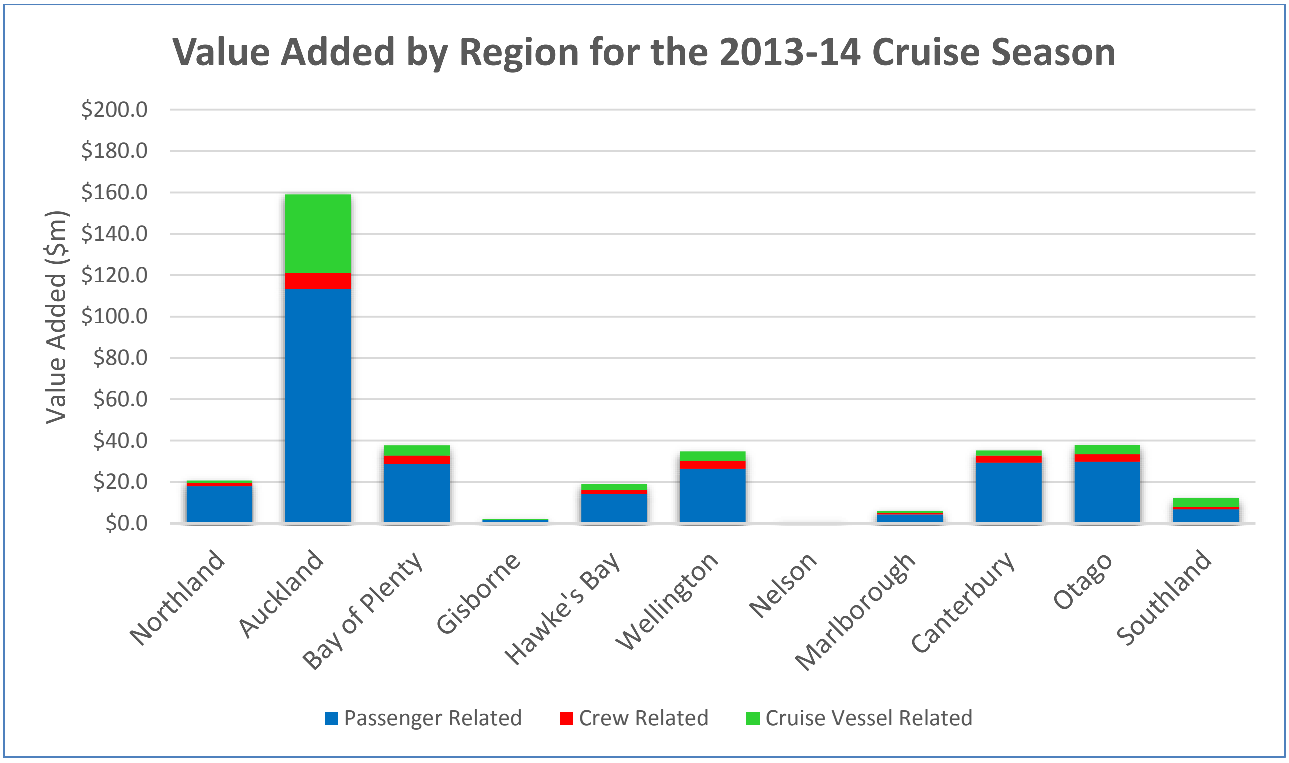
Economic Impacts of the 2013-14 Cruise Season

Region	Passenger Related VA ($m)	Crew Related VA ($m)	Cruise Vessel Related VA ($m)	Total VA ($m)	Employment Supported
Northland	$17.9	$1.8	$1.0	$20.7	463
Auckland	$113.2	$7.9	$38.0	$159.1	2,680
Bay of Plenty	$28.8	$4.0	$5.0	$37.7	778
Gisborne	$1.5	$0.3	$0.2	$2.0	42
Hawke's Bay	$14.2	$2.1	$2.7	$19.0	392
Wellington	$26.5	$3.8	$4.5	$34.8	688
Nelson	$0.49	$0.02	$0.0	$0.52	11
Marlborough	$4.3	$0.7	$1.0	$6.0	120
Canterbury	$29.3	$3.4	$2.5	$35.3	712
Otago	$29.9	$3.6	$4.5	$38.0	701
Southland	$6.9	$1.2	$4.2	$12.3	228
Total	**$273.0**	**$28.7**	**$63.6**	**$365.3**	**6,818**

*Total values rounded to nearest $0.1m.

- At the national level, the total economic impact of cruise for the 2013-14 season was estimated to be $365.3m. Passenger-related spend was the biggest contributor at $273.0m of VA, vessel-related the next biggest with $63.6m of VA and crew-related spend at $28.7m of VA.
- Auckland captured the largest VA at $159.1m. This was made up by $113.2 of passenger-related spend, $7.9m of crew-related spend and $38.0m of vessel-related spend. This is not unexpected as New Zealand's key exchange port.
- Bay of Plenty, Wellington, Canterbury and Otago all had a total VA ranging from $35m to $38m, of which $25m to $30m was related to passenger spend.
- Northland and Hawke's Bay both contributed around $20m of VA.
- Southland contributed only $6.9m despite accounting for a high proportion of the port days. This is consistent with Fiordland, a cruise-by region with minimal landings, making up the bulk of Southland's calls.

- The forecast economic impacts suggest that nationally 6,818 full-time equivalent jobs were supported by the cruise sector.

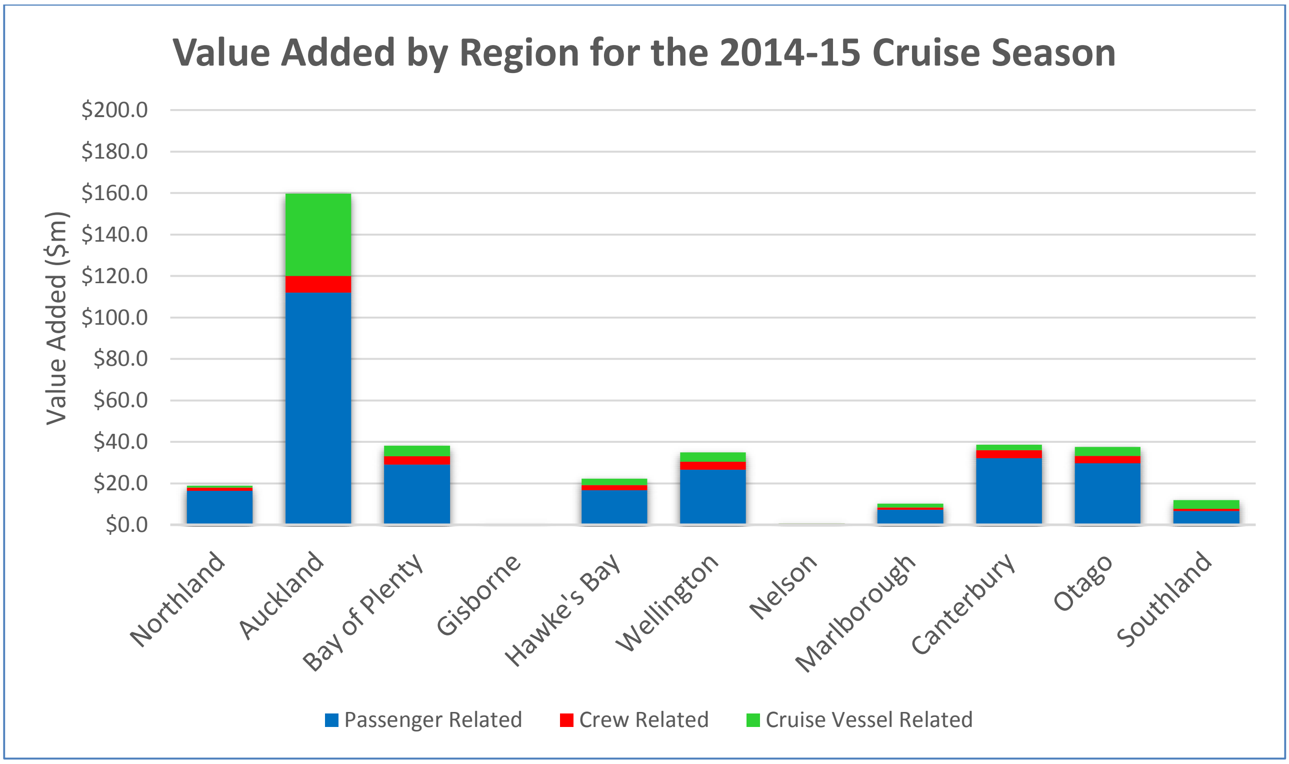


Forecast Economic Impacts for the 2014-15 Cruise Season

Region	Passenger Related VA ($m)	Crew Related VA ($m)	Cruise Vessel Related VA ($m)	Total VA ($m)	Employment Supported
Northland	$16.4	$1.6	$0.9	$18.9	423
Auckland	$112.0	$8.1	$39.7	$159.8	2,696
Bay of Plenty	$29.1	$4.0	$5.1	$38.1	786
Gisborne	$0.1	$0.0	$0.0	$0.1	1
Hawke's Bay	$16.7	$2.5	$3.1	$22.3	460
Wellington	$26.7	$3.9	$4.5	$35.0	693
Nelson	$0.51	$0.05	$0.01	$0.6	12
Marlborough	$7.3	$1.2	$1.8	$10.2	203
Canterbury	$32.2	$3.8	$2.7	$38.7	785
Otago	$29.7	$3.6	$4.4	$37.6	695
Southland	$6.6	$1.1	$4.2	$12.0	222
Total	**$277.3**	**$29.7**	**$66.4**	**$373.4**	**6,977**

*Total values rounded to nearest $0.1m.

- At the national level, the total economic impact of cruise for the 2014-15 season is projected to be $373.4m. This is a small increase on the 2013-14 season where the increase in vessel arrivals and passenger port days (with its associated spend) offsets the slight decline in total exchanges by international visitors.
- Nationally passenger-related spend is expected to be the biggest contributor with $277.3m in VA, vessel-related the next biggest with a slight increase from 2013-14 to $66.4m in VA and crew-related spend also with a slight increase to $29.7m in VA.
- Auckland is forecast to capture the largest VA component, a small boost of $0.7m over 2013-14 to $159.8m. This is made up by $112.0m of passenger-related spend, $8.1m of crew-related and $39.7m of vessel-related spend.
- Bay of Plenty, Wellington, Canterbury and Otago are forecast to have slight increases with each region expecting a VA of between $35m and $39m, of which approximately $27m to $32m will be related to passenger spend.
- Gisborne will see minimal impact of cruise this season due to nil voyage calls to the region, with the only impact coming from passenger-related pre/post spend.
- The forecast economic impacts suggest that nationally 6,977 full-time equivalent jobs will be supported by the cruise sector.

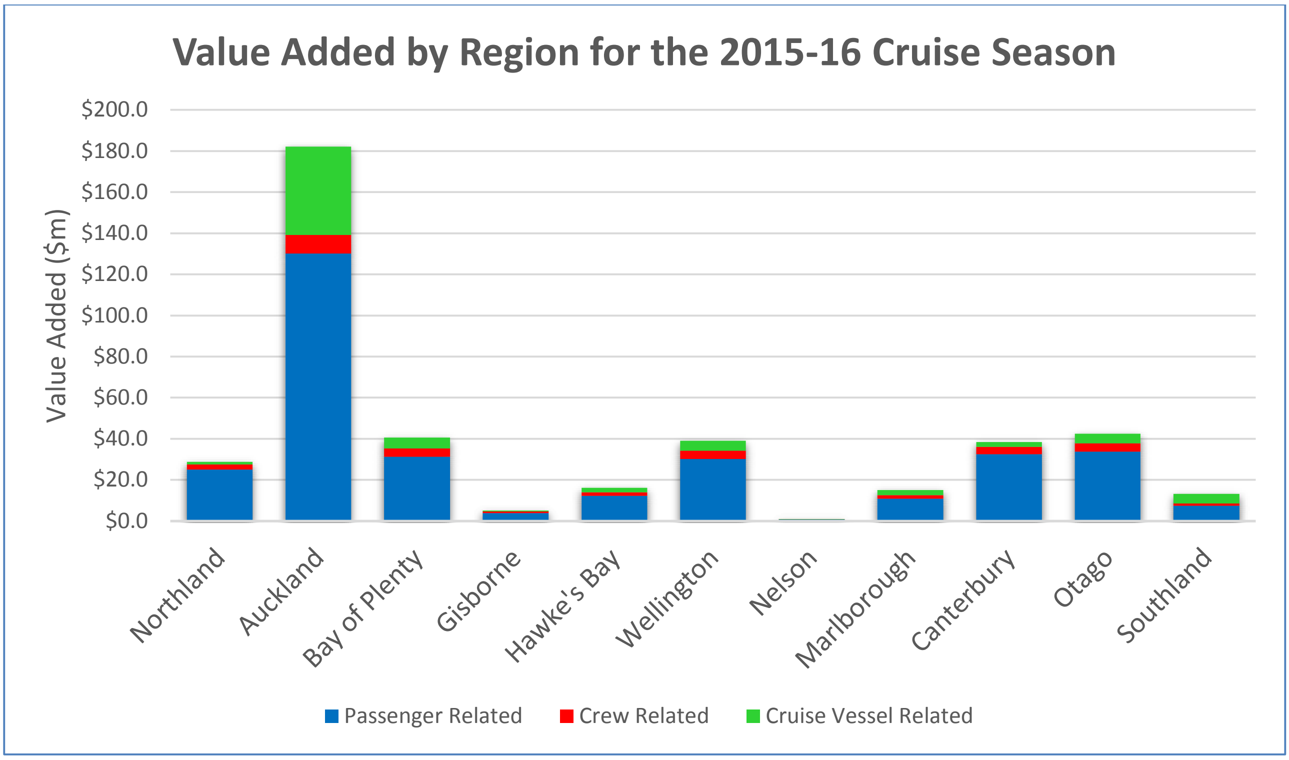


Forecast Economic Impacts for the 2015-16 Cruise Season

Region	Passenger Related VA ($m)	Crew Related VA ($m)	Cruise Vessel Related VA ($m)	Total VA ($m)	Employment Supported
Northland	$25.1	$2.5	$1.2	$28.7	647
Auckland	$130.1	$9.1	$42.9	$182.1	3,065
Bay of Plenty	$31.2	$4.1	$5.2	$40.5	837
Gisborne	$3.9	$0.7	$0.4	$5.0	110
Hawke's Bay	$12.2	$1.7	$2.2	$16.1	333
Wellington	$30.2	$4.0	$4.9	$39.1	778
Nelson	$0.69	$0.06	$0.01	$0.8	17
Marlborough	$10.8	$1.7	$2.5	$15.0	299
Canterbury	$32.4	$3.7	$2.4	$38.5	781
Otago	$33.8	$4.0	$4.7	$42.5	789
Southland	$7.4	$1.2	$4.6	$13.2	243
Total	**$317.8**	**$32.7**	**$71.0**	**$421.5**	**7,899**

*Total values rounded to nearest $0.1m.

- At the national level, the total economic impact of cruise for the 2015-16 season is forecast to be $421.5m, a significant increase over the 2013-14 season. This is primarily due to a large increase in passenger numbers resulting in more passenger activity and international exchanges.
- Nationally passenger-related spend will continue to provide the biggest contribution with $317.8m in VA, vessel-related the next biggest with $71.0m in VA and crew-related spend with $32.7m in VA.
- Auckland will capture the largest VA component with $182.1m, an increase of $23.0m over the 2013-14 season. This is made up by $130.1m of passenger-related spend, $9.1m crew-related and $42.9m vessel-related spend.
- As with the 2014-15 economic impact projections, all regions except Hawke’s Bay, are expected to see an increase in economic impact from cruise.
- It is expected that Bay of Plenty, Wellington, Canterbury and Otago will each see a total VA of between $38m and $43m, of which $30m to $34m is related to passenger spend.
- Northland ($28.7m), Marlborough ($15.0m) and Southland ($13.2m) are also expected to receive a significant economic impact from cruise in 2015-16. Hawke’s Bay is expected to receive $16.1m in VA.
- Gisborne rebounds from the previous season’s downturn with a total VA of $5.0m.
- The forecast economic impacts suggest that nationally 7,899 full-time equivalent jobs will be supported by the cruise sector.



For more details on the approach taken, and a more comprehensive assessment and interpretation of the economic impacts of the New Zealand cruise sector please refer to the full report, available through Cruise New Zealand as a membership benefit.