CRUISE TOURISM'S CONTRIBUTION TO THE NEW ZEALAND ECONOMY 2017

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Executive Summary

The purpose of this report is to quantify cruise tourism in New Zealand in the last season (2016-17) and the coming two seasons (2017-18 and 2018-19), specifically focusing on cruise tourism activity and the associated value that is contributed to the economy.

Nationally, cruise tourism has been growing rapidly since the late 90s. The number of passengers undertaking a cruise in New Zealand has grown by around 13% per annum, which is much faster than the rate of growth in the industry globally.[1] Since 2010, cruise tourism passengers visiting New Zealand has more than doubled, from approximately 100,000 to nearly 250,000 in the last two seasons. In the coming two seasons, cruise tourism in New Zealand is expected to grow even faster, reaching almost 350,000.

In summary, this report shows the following results for cruise tourism,

Vessels

- The 2016-17 cruise season saw 42 different vessels visit New Zealand over 138 different voyages. There were a total of 747 port days across New Zealand. The bookings for the two upcoming cruise seasons anticipates greater numbers of voyages and port days than the 2016-17 cruise season.

Passengers

- During the 2016-17 season there were 235,900 passengers that undertook a cruise in New Zealand. Over the coming two seasons it is expected that the number of passengers could increase to over 344,000, which is equivalent to a growth rate of 21% per annum. Of the passengers that visited New Zealand in 2016-17 season 95,800 exchanged. Over the coming two seasons the number of passengers exchanging may reach 147,100 by 2018-19.
- The number of days that passengers spend in port is expected to increase from 1.4 million in the last season, to 1.9 million in 2018-19, which is equivalent to a growth rate of 18% per annum.

Crew

- The number of crew that work on cruise voyages in New Zealand is expected to increase from 101,600 in the last season to 150,400 in 2018-19, which is a growth rate of 22% per annum.

Economic Contribution

- The total value added (synonymous with GDP) to the economy by cruise tourism for the 2016-17 season, was $447 million, which is expected to increase to $640 million by 2018-19.
- The level of employment supported by the cruise tourism activity, was around 8,000 in the 2016-17 season. In the coming seasons, the cruise tourism activity is expected to support over three thousand additional jobs, reaching 11,400 in total by 2018-19 season.

[1] Market Economics (2002-2017) Cruise Tourism Studies for Cruise New Zealand and McDermott Fairgray (1997-2001) Cruise Tourism Studies for Tourism Board.

1 Introduction

Over the past two decades, New Zealand Cruise Association (NZCA)[2] and other tourism organisations have commissioned research on the contribution of cruise tourism to the New Zealand economy. Market Economics (M.E) has conducted the bulk of this research over the past decade and a half, either annually or biennially.

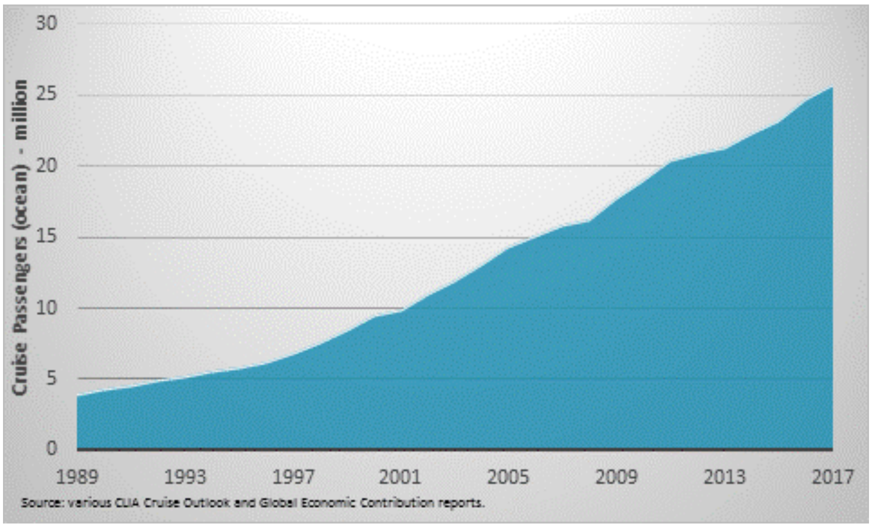
This report builds on the previous research, to provide results for the recently completed season (2016-17) and the coming two seasons (2017-18 and 2018-19). In the following report the cruise tourism activity (section 2) and cruise tourism economy (section 3) are discussed at the national level. There are sub-national results provided in Appendix A: Regional Cruise Tourism.

To provide some context to the cruise season results in this report, the following subsections outline a brief summary of the trends in cruise tourism over the past three decades, both at the global and national levels.

1.1 Global Cruise Tourism

Internationally, cruise tourism has been growing consistently since the early 90s, at approximately 7% per annum from 4 million passengers in 1989 to 26 million passengers in 2017 (see Figure 1-1).[3] Since 2010, global cruise tourism has grown more rapidly, with passenger growth exceeding 1 million per annum.[4]

Figure 1-1: Global Cruise Tourism Passengers, 1989 to 2017



[2] Previously known as Cruise New Zealand (CNZ).

[3] Spalburg, J. (2009) Cruise Market Study.

BERA (2013-2015) The Global Economic Contribution of Cruise Tourism.

[4] Cruise Lines International Association (2016) 2017 Cruise Industry Outlook.

Over the last three decades the bulk of the growth in passengers has been from North American and European markets.[5] However, these markets have begun to mature with growth in passenger numbers slowing over the past decade, while emerging markets have started to grow rapidly.

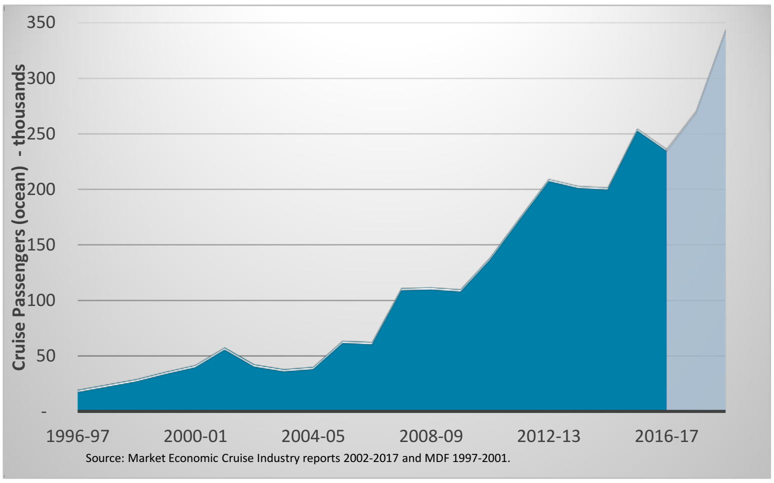
Importantly for New Zealand, passenger growth is strongest in markets around the Asia-Pacific region. Specifically, in the last season the three fastest growing passenger markets in the world were the Chinese (89% growth), New Zealanders (36% growth) and Australians (21% growth).[6]

Also of importance, is the changing configuration of the international fleet of cruise vessels. Over the last decade, newly constructed cruise vessels are larger, while older small ships have been retired – the capacity of the cruise fleet has increased from an average of around 700 passenger per vessel in 1990 to over 1,800 passengers per vessel in 2017.[7] This trend is likely to continue, with orders for new ships mostly having a capacity of more than 4,000 passengers.[8]

1.2 National Cruise Tourism

Nationally, cruise tourism has also been growing rapidly since the late 90s. The number of passengers undertaking a cruise in New Zealand, has grown by around 13% per annum, which is much faster than the global rate of growth.[9] Since 2010, cruise tourism passengers visiting New Zealand has more than doubled, from approximately 100,000 to around 250,000. Vessel bookings for the coming two seasons suggest that passenger numbers could grow rapidly, to almost 350,000 by 2018-19.

Figure 1-2: National Cruise Tourism Passengers, 1996-2017 and forecasts 2017-2019



[5] According to CLIA data, in 1989 approximately 95% of passengers were from North America or Europe. By 2017 these two areas still accounted for 70% of passengers.

[6] Cruise Lines International Association (2017) Cruise Industry Source Market Report Ocean Cruise Passengers New Zealand 2016.

[7] Institute of Shipping Economics and Logistics (2012) Shipping Statistics and Market Review Volume 56 No 8 – 2012,
Cruise Lines International Association (2013-2017) Year in Review.

[8] ATEED (2017) Global Ship Orders data.

[9] Market Economics (2002-2017) Cruise Tourism Studies for Cruise New Zealand and McDermott Fairgray (1997-2001) Cruise Tourism Studies for Tourism Board.

Much of the growth in cruise tourism since 2010 has been driven by strong growth in emerging markets, Australia and New Zealand have grown by around 15% per annum.[10] In addition, the mature markets have also shown growth, with both North American (9% per annum) and European (11% per annum) passenger numbers growing consistently.

In the last season two important events occurred. First, the brand new cruise vessel the Ovation of the Seas visited New Zealand on multiple voyages. This vessel is much larger than existing vessels that visit New Zealand, which caused issues in terms of handling in some ports (in Auckland passengers were tendered ashore). Second, during the season, there were days when Auckland facilities were fully utilised (i.e. four cruise vessels berthed). Auckland is a key port for cruise tourism as most voyages undertake a port call and many of the exchanges occur at this port.

These two instances are important, as they show that current facilities in New Zealand are starting to struggle with the scale and quantum of cruise tourism. The rapid growth observed in the cruise tourism, regionally and nationally, could be constrained by current facilities.

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[10] Note in 2016-17 season the Pacific Pearl which undertakes most of the winter voyages to the Pacific islands was retired, which meant that the number of New Zealanders undertaking cruise was much lower than normal. The number of New Zealand passengers is likely to grow markedly in 2017-18 when the replacement ship (Pacific Jewel) enters the market.

2 Cruise Tourism Activity

This section discusses cruise tourism **activity** that has occurred in the past season 2016-17[11] and the potential activity that could occur in the coming two seasons 2017-18 and 2018-19[12]. This section focuses on three key activity types – Vessels (voyages, port days), Passengers (exchange, port days, source market) and Crew (exchange, port days).

These activity types are important metrics because they indicate the level of activity, both physical and economic, which has implications for businesses that serve the cruise industry[13] and other stakeholders[14]. These businesses and stakeholders will make decisions about future investments or policies based on the existing and potential future level of cruise tourism activity.

The purpose of this report is to provide a concise understanding of cruise tourism at the national level. However, from a practical point of view, many businesses and stakeholders in the cruise industry operate at a sub-national level. To match the needs of the businesses and stakeholders in the cruise industry, this report provides sub-national cruise tourism information (see Appendix A: Regional Cruise Tourism), with no commentary.

2.1 Vessels

The 2016-17 cruise season saw 42 different vessels visit New Zealand on over 138 different voyages. The vessels spent a total of 747 days in port across New Zealand, see Figure 2-1. During the 2016-17 cruise season the average vessel undertook three voyages and spent an average of five days in port.

The bookings for the upcoming 2017-18 and 2018-19 cruise season indicate greater numbers of voyages and port days than the 2016-17 cruise season. The number of voyages visting New Zealand is expected to increase by 18% per annum over the coming two seasons. Over this period the number of ports days is expected to increase by 15% per annum. However, the bookings for 2018-19 are still subject to change, and could be expected to increase over the numbers used in this study.

Figure 2-1: Cruise Tourism Activity – Vessel, 2016-17, 2017-18 and 2018-19

Cruise Tourism Activity Type	2016-17	2017-18[f]	2018-19[f]
Vessels	42	37	39
Voyages*	138	162	191
Port Days	747	809	984

**includes voyages that do not leave New Zealand territorial waters (i.e. domestic).*

[11] Based on port calls that occurred in 2016-17 and manifest of passenger/crew recorded by New Zealand Customs.

[12] Based on the current schedule of bookings and estimates of passengers/crew developed from the 2016-17 manifest data.

[13] Including ports, shipping agents, ground handlers, onshore tourist operators, accommodation, retailers and airports etc.

[14] Local and Central Government, including New Zealand Customs, MBIE and Statistics New Zealand as well as Council Controlled Organisation (Economic Development Agencies, Transport etc).

2.2 Passengers

During the 2016-17 season there were 235,900 passengers that undertook a cruise in New Zealand, of which 95,800 exchanged in New Zealand, see Figure 2-2. Over the coming two seasons it is expected that the number of passengers could increase to over 344,000, which is equivalent to a growth rate of 21% per annum. The number of passengers exchanging may reach 147,100 by 2018-19.

The number of days that passengers spend in port is expected to increase from 1.4 million in the last season to 1.9 million in 2018-19, which is equivalent to a growth rate of 18% per annum. During the 2016-17 cruise season the average passenger spent six days in port.

Figure 2-2: Cruise Tourism Activity – Passenger, 2016-17, 2017-18 and 2018-19

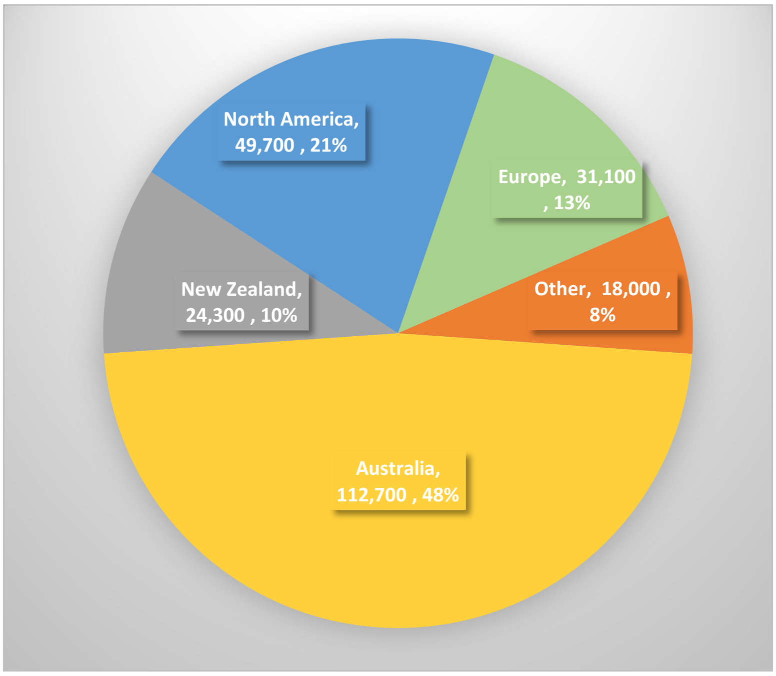
Cruise Tourism Activity Type	2016-17	2017-18[f]	2018-19[f]
Passengers*	235,900	270,500	344,000
Exchange	95,800	131,900	147,100
Port Days	1,363,200	1,445,600	1,905,800

**count of unique passengers, controls for passengers that undertake multiple voyages.*

The source market profile of cruise tourism passengers that visit New Zealand is expected to remain relatively constant over the next few cruise seasons. In terms of source market the following markets are important,

- Australians accounted for around half of New Zealand cruise passengers, with a total of 112,700 passengers in the last season. Of this total, most (around 80%) were transit passengers, who were on round-trip voyages from Australia.
- Domestic passengers made up 10% of the total passenger market, although the number of New Zealanders was low this season as a result of retirement of a vessel part way through the season. This vessel has been replaced by a larger vessel which is booked to undertake more voyages in the coming seasons, which will result in Domestic passenger numbers increasing dramatically.
- Americans now make up 21% of the total passenger market with a total of 49,700 passengers. Americans were also the largest international exchange market.
- Europeans (incl. UK) passengers were the third largest international market, making up over 13% of the total.
- The remaining 8% of passengers are from other source markets. Notably, the Chinese source market is growing rapidly, now at 1.4% of the passengers that cruise here.

Figure 2-3: Cruise Tourism Activity – Source Market 2016-17



2.3 Crew

During the 2016-17 season, there were 101,600 crew that worked on cruise voyages in New Zealand, of which 5,300 exchanged in New Zealand, see Figure 2-4: Cruise Tourism Activity – Crew, 2016-17, 2017-18 and 2018-19Figure 2-4. Over the coming two seasons it is expected that the number of crew could increase to over 150,400, which is a growth rate of 22% per annum. The number of crew exchanging, is also expected to grow at a similar rate over the next two seasons.

The number of days that crew spend in port, is expected to increase from 540,300 in the last season to more than 816,500 in 2018-19, which is a growth rate of 23% per annum.

Figure 2-4: Cruise Tourism Activity – Crew, 2016-17, 2017-18 and 2018-19

Cruise Tourism Activity Type	2016-17	2017-18[f]	2018-19[f]
Crew*	101,600	116,300	150,400
Exchange	5,300	6,000	7,800
Port Days	540,300	607,900	816,500

**some crew are counted multple times, as they serve on multiple voyages*

3 Cruise Tourism Economy

In the following section we estimate economic activity that could be associated with the cruise tourism activity. The past research of the industry shows that the cruise industry has a significant role in New Zealand's economy. In summary, significant volumes of income are gained from cruise tourism, which in turn generate direct and indirect economic activity and sustains employment.

The economic model applied in this report is the same model as that which was applied in the past studies of the New Zealand Cruise Industry.[15] Similar economic modelling methods are applied internationally for cruise industry and other tourism sectors.[16] Details of the model are not described within the body of this report. For further details, the reader should refer to one of the previous studies of the New Zealand cruise industry.

Estimates of cruise tourism's economic contribution are reported in terms of Expenditure (direct spend), GDP (value added) and employment (job equivalents). All values are reported in 2017 dollar terms.

3.1 Expenditure

Total expenditure for 2016-17 was $624 million. This was comprised of $358 million from passenger spend, $31 million from crew spend and $234 million from vessel spend. Expenditure generated by cruise tourism is expected to grow by 21% per annum over the coming two seasons, reaching $911 million by 2018-19. The bulk of the growth in total expenditure will be generated by passenger activity (58%) and vessel activity (37%).

Figure 3-1: Cruise Tourism Expenditure, $ million 2016-17, 2017-18 and 2018-19

Cruise Tourism Expenditure	2016-17	2017-18[f]	2018-19[f]
Passenger	$ 358	$ 428	$ 524
Crew	$ 31	$ 34	$ 46
Vessel	$ 234	$ 281	$ 341
Total	**$ 624**	**$ 744**	**$ 911**

**includes total amount spent on ship fuel and International airfares*

It is important to note that expenditure reported in this section incorporates everything spent by passenger, crew and vessels. Some of this expenditure will be related to imports such as international airfares, fuel, airfares and other imports, which have very little impact on the New Zealand economy. The expenditure associated with imports typically does not 'stick' to the local economy and goes straight overseas (which is accounted for in the next section).

[15] Market Economics (2016) Economic Impact of 2015-16 Cruise in New Zealand.

[16] See Cruise Lines International Association (2016) 2017 Cruise Industry Outlook.
AEC Group (2016) Economic Impact of the Cruise Industry in Australia, 2015-16.

3.2 Economic Contribution

This section measures the economic contribution of cruise tourism in the past season and the coming two seasons. The economic contribution is measured using two commonly applied metrics in economic research, Value Added and Employment.

The first metric (value added) is broadly synonymous with GDP – which is the sum of compensation of employees (salary and wages), operating surplus (company profits), consumption of fixed capital (depreciation), and taxes less subsidies.[17] The second metric (employment) is measured in terms of Employment Count (EC) which is head count of salary and wage earners sourced from taxation data.[18]

The total value added to the economy by the cruise tourism for the 2016-17 season was $447 million. The economic contribution of cruise tourism is expected to grow by 20% per annum over the coming two seasons, reaching $640 million by 2018-19.

The level of employment supported by the cruise tourism activity was around 8,000 in the 2016-17 season. The cruise tourism activity is expected to support over three thousand additional jobs, reaching 11,400 in total by the 2018-19 season.

Figure 3-2: Cruise Tourism Economic Contribution, 2016-17, 2017-18 and 2018-19

Cruise Tourism Expenditure	2016-17	2017-18[f]	2018-19[f]
Value Added ($ million)	$ 447	$ 514	$ 640
Employment (EC)	8,000	9,100	11,400

[17] Value added is a measure of all payments to factors of production (land, labour and capital), and excludes all purchases of intermediate inputs. It broadly equates with gross domestic product (GDP) as a measure of economic activity at the national level, and gross regional product at the regional level.

[18] Employment Count is the official employment metric developed by Statistics New Zealand. The EC is usually higher than other metrics of employment, such as Full-Time Equivalent (FTE).

4 Conclusion

In the last season (2016-17) and the coming two seasons (2017-18 and 2018-19), cruise tourism in New Zealand has shown continued growth. In summary, this report shows the following results for cruise tourism,

Vessels

- The 2016-17 cruise season saw 42 different vessels visit New Zealand over 138 different voyages. There were a total of 747 port days across New Zealand. The bookings for the two upcoming cruise seasons anticipates greater numbers of voyages and port days than the 2016-17 cruise season.

Passengers

- During the 2016-17 season there were 235,900 passengers that undertook a cruise in New Zealand. Over the coming two seasons, it is expected that the number of passengers could increase to over 344,000, which is equivalent to a growth rate of 21% per annum. Of the passengers that visited New Zealand in 2016-17 season, 95,800 exchanged. Over the coming two seasons, the number of passengers exchanging, may reach 147,100 by 2018-19.

- The number of days that passengers spend in port is expected to increase from 1.4 million in the last season, to 1.9 million in 2018-19, which is equivalent to a growth rate of 18% per annum.

Crew

- The number of crew that work on cruise voyages in New Zealand is expected to increase from 101,600 in the last season to 150,400 in 2018-19, which is a growth rate of 22% per annum.

Economic Contribution

- The total value added (synonymous with GDP) to the economy by cruise tourism for the 2016-17 season, was $447 million, which is expected to increase to $640 million by 2018-19.

- The level of employment supported by the cruise tourism activity, was around 8,000 in the 2016-17 season. In the coming seasons, the cruise tourism activity is expected to support over three thousand additional jobs, reaching 11,400 in total by 2018-19 season.

Appendix A: Regional Cruise Tourism

Cruise Season / Region	Port days			Economic Contribution		
	Vessel*	Passenger*	Crew*	Expenditure ($m)	Value Added ($m)**	Employment (EC)**
2016-17 - Port Calls						
Northland	49	93,200	37,300	$ 15	$ 15	297
Auckland	142	244,500	96,200	$ 419	$ 197	3,165
Waikato	conf	conf	conf	$ 0	$ 10	143
Bay of Plenty	86	170,300	69,500	$ 39	$ 38	853
Gisborne	11	25,500	9,900	$ 3	$ 3	65
Hawke's Bay	54	99,400	37,100	$ 17	$ 17	419
Taranaki	conf	conf	conf	$ 0	$ 4	41
Wellington	87	169,000	66,000	$ 39	$ 55	808
West Coast	conf	conf	conf	$ -	$ 1	11
Canterbury	85	141,300	59,300	$ 37	$ 49	956
Otago	83	163,600	64,500	$ 32	$ 34	738
Southland	102	171,700	67,600	$ 11	$ 9	201
Nelson-Tasman	7	3,100	2,300	$ 1	$ 2	42
Marlborough	38	78,400	28,400	$ 12	$ 10	218
2017-18 - Bookings						
Northland	64	115,400	51,500	$ 19	$ 19	373
Auckland	179	306,800	114,900	$ 524	$ 245	3,983
Waikato	conf	conf	conf	$ -	$ 11	158
Bay of Plenty	83	146,900	65,500	$ 35	$ 35	775
Gisborne	6	13,400	5,200	$ 1	$ 2	45
Hawke's Bay	60	102,500	45,300	$ 18	$ 19	458
Taranaki	conf	conf	conf	$ 0	$ 5	42
Wellington	80	156,300	66,300	$ 48	$ 59	850
West Coast	conf	conf	conf	$ -	$ 1	12
Canterbury	92	151,400	66,300	$ 39	$ 53	1,035
Otago	90	179,200	75,200	$ 36	$ 38	829
Southland	109	190,300	80,600	$ 11	$ 10	226
Nelson-Tasman	conf	conf	conf	$ 0	$ 2	40
Marlborough	41	81,400	34,800	$ 13	$ 11	238
2018-19 - Bookings						
Northland	74	148,300	67,200	$ 24	$ 24	475
Auckland	185	338,300	137,400	$ 615	$ 281	4,485
Waikato	conf	conf	conf	$ -	$ 15	203
Bay of Plenty	116	235,500	102,100	$ 59	$ 54	1,224
Gisborne	16	30,900	12,200	$ 3	$ 4	82
Hawke's Bay	66	111,200	49,300	$ 20	$ 21	509
Taranaki	conf	conf	conf	$ 0	$ 6	51
Wellington	106	219,600	93,900	$ 55	$ 75	1,102
West Coast	conf	conf	conf	$ -	$ 1	15
Canterbury	110	209,100	91,500	$ 53	$ 71	1,398
Otago	120	261,600	110,600	$ 53	$ 55	1,191
Southland	141	261,200	111,700	$ 15	$ 13	299
Nelson-Tasman	7	3,600	2,600	$ 1	$ 3	60
Marlborough	42	85,400	36,400	$ 13	$ 12	254

**Data is rounded to nearst 100 passengers, less than 3 vessel days confidentialised.*

*** Some regions receive benefits indirectly even though a small (or no) vessels visit. See Waikato, Taranaki and West Coast receive very few vessel visits and no direct expenditure, however these regions receive positive Value Added and Employment benefits from cruise activity. These benefits are generated when directly impacted businesses purchase products from suppliers in these regions to meet the increased demand for goods and services. For example, providores in Auckland supply provisions to a visiting vessel, e.g. beef or dairy products. In order to supply the provisions the providores in turn purchase products from Waikato farms, which generates indirect economic value in Waikato Region (value added and employment).*