CRUISE LINES INTERNATIONAL ASSOCIATION
AUSTRALASIA

CRUISE TOURISM'S CONTRIBUTION TO THE AUSTRALIAN ECONOMY

2016-17

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INTRODUCTION

Cruise Lines International Association (CLIA) Australasia has commissioned its fourth report on the contribution of the cruise industry to the Australian economy, covering the fiscal period 2016/17. The research has been undertaken by an independent business research organisation, Business Research & Economic Advisors (BREA), and is based on a methodology that is used in similar impact studies for the United States, Europe, Canada and the Caribbean.

These economic impact reports are recognised by all the major cruising nations around the world and form the basis for engagement on key industry-related developments and issues. The consistency of methodology and approach also facilitates comparisons with the impact of the industry in other major cruise markets around the world.

CLIA acknowledges the support of the Australian Cruise Association (ACA) in the gathering of data and the delivery of a single economic impact report.

The report is based on:

- Cruise line expenditure data provided by CLIA's cruise line members representing over 95% of the industry.
- Data from a comprehensive cruise passenger and crew survey process during 2016/17 at Australian destinations across a representative range of cruise brands that operate in or visit Australia. Economic data for Australia, including consumer prices, employment and wages by industry and the input/output accounts, were obtained from the Australian Bureau of Statistics.
- Port data provided by ACA member ports.

Glossary:

- **Compensation** – the overall value of remuneration generated through the employment activity.
- **Domestic ship** – a vessel based permanently or seasonally in Australia.
- **Homeport** – a port where a vessel is permanently or seasonally based, and the majority of passengers disembark and new passengers embark during each turnaround visit.
- **Output** – the value of goods and services produced, both direct and indirect.
- **Passenger and crew port days** – the number of passengers and crew arriving by ship at local ports.
- **Passenger and crew visit days** – the number of passengers and crew that disembark to visit local ports.
- **Transit port –** a port where a significant number of passengers disembark to visit and then re-embark to continue their cruise.
- **Value-Added** – the value to the economy (such as wages, taxes etc) that is generated as a result of the output activity.

KEY HIGHLIGHTS

> "Cruise continues to be the success story of Australian tourism"

The Australian cruise industry continues to be the success story of Australian tourism, with a 12-year run of double digit passenger growth contributing significant economic benefits at both the national and regional levels.

2016/17 saw the industry's total national economic contribution in Australia grow by an impressive **15.4%** to reach a record **A$5.3 billion**.

Other highlights of the year include:

- Cruise ship calls at Australian ports generated **1,401** cruise ship visit days, a **19%** increase
- Combined, passenger and crew visit days increased by **21%** to **3.4 million** days.
- Sydney, Brisbane and Melbourne accounted for **65%** of total passenger onshore visit days and **90%** of the home port passenger onshore visit days.
- Direct expenditures generated by cruise lines, passengers and crew totalled almost **A$2.7 billion**, an increase of **15%** from 2015/16.
- Cruise passengers spent almost **A$1.2 billion** in local ports, an increase of **20%**.
- **21,260** Australian full-time equivalent (FTE) jobs directly and indirectly attributable to the cruise industry, up **14.5%**.

CLIA's most recent source market research reported that the number of Australian's taking an ocean cruise reached a new record of almost **1.3 million** passengers. As the pace of growth continues, the number of Australian ocean cruise passengers has more than quadrupled since 2008, and almost doubled in the last 5 years.

The industry forecasts that demand for ocean cruising in this region continues to grow, and notwithstanding infrastructure constraints would reach 2 million ocean cruise passengers by 2020, ensuring further contributions to the Australian economy.

There are currently **81** new cruise ships on order for delivery between 2018-2026, a **US$51 billion** investment by the industry. Little more than a decade ago, **70,000 grt** was considered a very large ship. Now as the industry continues to invest in larger ships, **60%** of the ships currently on order will measure more than **100,000 grt**.

Australia will only benefit from these new generation ships being deployed in our region if steps are urgently taken to ensure that infrastructure is available to support the continued demand.

ECONOMIC IMPACT

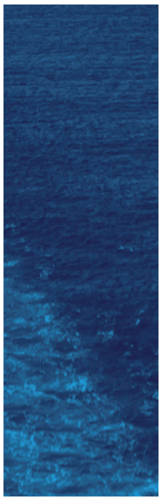
In 2016/17 the Australian cruise industry's contribution to the national economy once again grew at a significant rate, rising by **15.4%** to reach **A$5.3 billion**. This was driven by a **19%** increase in cruise ship visit days, and reflects Australia's continued appeal as a key market for the major global cruise brands to base their ships, either full time or seasonally in Australia.

Total National Contribution of Cruise Tourism in Australia, 2016/17

Sector	Output (A$ Mil)	Value-Added (A$ Mil)	Compensation* (A$ Mil)	Employment* (FTEs)
Direct	2,658.5	1,297.7	907.3	12,235
Indirect and Induced	2,621.8	1,429.4	606.8	9,024
Total 2016/2017	**5,280.3**	**2,727.1**	**1,514.1**	**21,260**
Total 2015/2016	**4,576.5**	**2,365.5**	**1,326.7**	**18,669**
Change	**15.4%**	**15.3%**	**14.1%**	**14.5%**

*Includes the direct wages and employment of the cruise lines in Australia.

- The direct economic contribution of cruise tourism in Australia consisted of the **A$2.7 billion** in direct expenditures, **A$1.3 billion** in value-added and **12,235 FTE** jobs paying **A$907 million** in employee compensation.
- Three sectors of the Australian economy - Transport, Services & Government and Wholesale Trade - were the primary direct beneficiaries of cruise tourism spending. Combined, these three sectors accounted for approximately **72%** of the national direct impacts with **A$1.9 billion** in direct expenditures, **A$933.7 million** in value-added and **7,366 FTE** jobs paying **A$677.5 million** in employee compensation.
- The indirect and induced economic contribution is generated by the spending of the directly impacted businesses and their employees. Thus, these impacts spread throughout the corporate and consumer sectors of the Australian economy. These impacts totalled **A$2.6 billion** in output, **A$1.4 billion** in value-added and **9,024 FTE** jobs paying **A$606.8 million** in employee compensation.
- Combining the direct, indirect and induced contributions, the total national economic contribution of cruise tourism in Australia amounted to **A$5.3 billion** in output, **A$2.7 billion** in value-added and **21,260 FTE** jobs paying **A$1.5billion** in employee compensation. Overall, the total economic impact rose by about **16%** from 2015/16.



EXPENDITURE

Direct expenditures generated by cruise lines and their passengers and crew totalled **A$2.7 billion** among all Australian cruise destinations, an increase of **15%** from 2015/16.

The continued growth in the number of cruise ships homeported and transiting through Australia continues to drive the increase in direct expenditure.

With **1.9 million** passenger onshore visit days, Sydney, Brisbane and Melbourne accounted for **65%** of total passenger onshore visit days and **90%** of the homeport passenger onshore visit days.

With Sydney home to Australia's principal home port and administrative offices, New South Wales accounted for about **58%** of the national economic contribution with **A$3.1 billion** in output, **A$1.6 billion** in value-added and **12,841 FTE** jobs paying **A$889.3 million** in employee compensation. Overall, the total economic impact in New South Wales only rose by about **6%** from 2015/16, compared to almost **20%** growth the prior year.

With the majority of the cruise industry's economic contribution attributable to Sydney, this report again reinforces how critical it is to ensure that the infrastructure and facilities are in place to support capacity growth in the State. Sydney is Australia's cruise gateway and needs to be able to accommodate homeported and transiting ships of all sizes to deliver continued growth.

	2015/16	2016/17	Change
Direct Expenditures (A$ Million)			
Home Passengers	820.9	975.8	18.9%
Transit Passengers	138.2	173.7	25.6%
Total Passenger Spend	**959.2**	**1,149.5**	**19.8%**
Crew	37.0	39.5	6.8%
Cruise Lines	1,310.1	1,469.5	12.2%
Total	**2,306.3**	**2,658.5**	**15.3%**

- In 2016/17 cruise lines spent **A$1.5 billion** in operating and administrative expenses (excluding employee wages and salaries). This accounted for **55%** of total direct cruise tourism expenditures in Australia. Spending by cruise lines rose by **12.2%** from 2015/16.
- Operating expenses accounted for **91%** of cruise line expenditures with port charges and fees, food and beverages, and fuel, accounting for most of the changes.
- Cruise passengers spent a total of **A$1.2 billion** at Australian cruise ports, an increase of **20%** over 2015/16, and accounted for **43%** of total direct expenditure.
- Homeport passengers spent an estimated **A$976 million** to account for **85%** of total passenger expenditures, while transit passengers spent nearly **A$174 million**. Home port passenger expenditure rose by **19%** from 2015/16, while transit passenger spending increased by **26%**.
- Homeport passengers spent an average of **A$527** per visit day, up from **A$508** last year, while transit passengers spent an average of **A$153** per visit day, down from **A$159** last year.
- Domestic cruise passengers spent **A$758 million** in Australian port cities, **66%** of total passenger expenditures, with international passengers spending **A$392 million**.
- Accommodations, transport, shore excursions, and food and beverages accounted for **79%** of total passenger onshore spending, totalling **A$902 million**.
- Crew spent **A$39.5 million** at Australian cruise ports with an average expenditure of **A$95** per crew visit. In aggregate crew expenditures increased by **6.8%** over 2015/16.

VOLUME

Ships visiting Australian ports generated almost **3 million** passenger onshore visit days during 2016/17, an increase of more than half a million visit days from 2015/16.

Most (**75%**) of the passenger visit days were generated by domestic passengers, however, international passengers accounted for **72.4%** of the total increase in passenger onshore visit days during 2016/17.

Combined, there was a **21%** increase in total passenger and crew visit days, which was driven by the inaugural visits of several new vessels to the Australian market, as well as increased local deployment from P&O Cruises (Australia), Holland America, Carnival Cruise Line, Crystal Cruises, CMV, and Princess Cruises.

New entrants in 2015/16 included Royal Caribbean's Ovation of the Seas, Princess Cruises' Emerald Princess, Seabourn Cruise Line's Seabourn Encore, Azamara Club Cruises' Azamara Journey, Norwegian Cruise Lines' Norwegian Star, Hapag Lloyd Cruises' Europa2, and Oceania Cruises' Sirena.

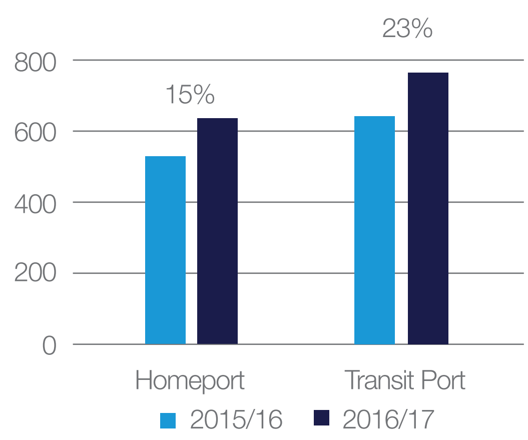
VISIT DAYS	2015/16	2016/17	CHANGE
Passenger and Crew Visit Days			
Home Passengers	1,614,888	1,851,266	14.6%
Transit Passen-gers	868,342	1,134,170	30.6%
Total Passenger Visit Days	**2,483,230**	**2,985,436**	**20.2%**
Crew (mill)	**336,437**	**416,786**	**23.9%**
Total Pax & Crew Visit Days	**2,819,577**	**3,402,222**	**20.66%**

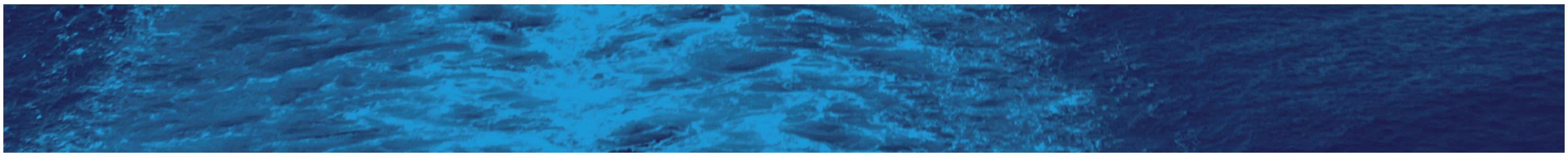
CRUISE SHIP VISIT DAYS

There were **1401** cruise ship visit days to Australian ports during 2016/17, an increase of **224** visit days on the **1,177** visit days in 2015/16.

Both homeport (turnaround) visit days (up **15%**) and transit visit days (up **23%**) grew, reflecting the increase in local itineraries and deployments around the Australian coast.

In all, **45%** of cruise ship visit days stemmed from homeport calls while transit port calls made up the remaining **55%**.



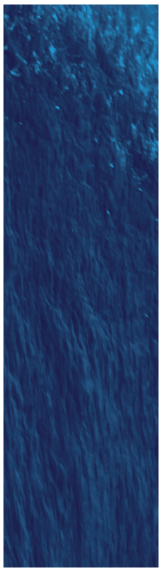


PASSENGER SOURCE

Domestic ships, i.e., ships with Australia homeports, accounted for **92%** of the total passenger port days with **2.8 million** days. Passenger port days generated by these domestic ships increased by **33%**. International ships accounted for around **9%** of passenger port days, a drop of **45%**, as a number of ships were reclassified to domestic due to an increase in their regular turnarounds in Australia.

The nearly **88%** growth in international passenger port days was as a result of an increase in international passengers, nearly twice as many international passengers reporting that they extended their stay in the turnaround port, and those who did extend reported staying approximately one night longer than in the previous study (4.11 vs 3.26 days)

	2015/16	2016/17	Change
Passenger Port Days: Domestic Ships			
Domestic	1,936,411	2,241,469	15.8%
International	169,787	563,764	232.0%
Total	**2,106,198**	**2,805,234**	**33.2%**
Passenger Port Days: International Ships			
Domestic	241,766	65,894	-72.7%
International	233,566	194,203	-16.9%
Total	**475,332**	**260,096**	**-45.3%**



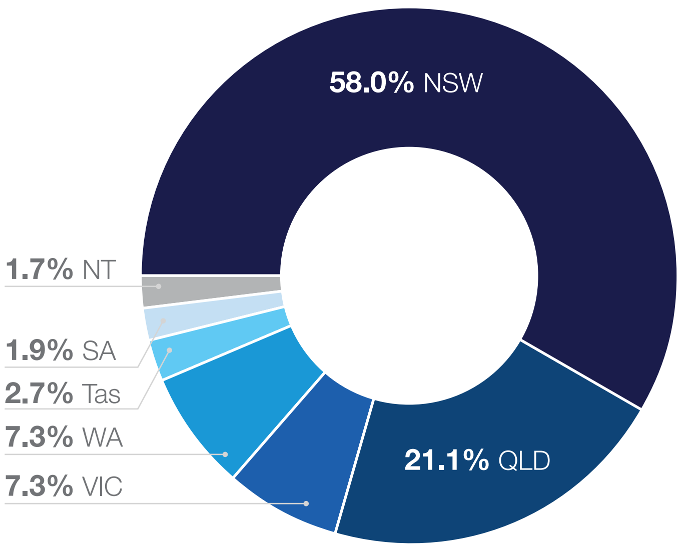
REGIONAL PERSPECTIVE

On a regional basis, the economic contribution of cruise tourism was concentrated in four states - New South Wales, Queensland, Victoria and Western Australia - which accounted for **94%** of economic output.

While NSW accounted for most of the national economic contribution overall, the State's total economic impact rose by only **6%**, the lowest out of all the states, and a substantial decrease on the almost **20%** growth in 2015/16. This drop can be directly attributed to Sydney reaching its cruise capacity with the Overseas Passenger Terminal unable to accommodate any more cruise ships during the peak cruising season.

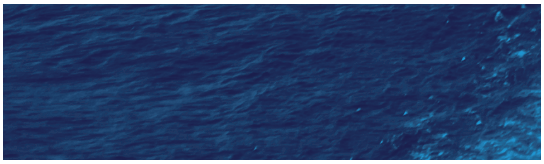
The other states have benefited as a result of this shift in capacity, with Queensland up **14%** to now represent about a fifth (**21%**) of the national economic contribution, more than **A$1.1 billion**. Victoria experiences a **12%** increase to take **7%** of the national contribution, securing around **A$390 million**. Similarly, with increased deployments to Western Australia and Tasmania in 2016/17, both these states experienced substantial growth. A **104%** increase in Western Australia brought the State's share of the national contribution in line with that of Victoria at **7%**. While Tasmania grew **138%** in total output growth to up its share to almost **3%**.

2016/17 Contribution by State



	Output (A$ millions)			State Share	
	2015/16	2016/17	% Growth	2015/16	2016/17
NSW	2,892.2	$3,060.9	5.8%	63.2%	58.0%
QLD	975.5	$1,115.6	14.3%	21.3%	21.1%
VIC	346.3	$387.7	12.1%	7.6%	7.3%
WA	189.5	$387.4	103.9%	4.2%	7.3%
TAS	60.1	$142.8	138.0%	1.3%	2.7%
SA	50.9	$98.5	93.1%	1.1%	1.9%
NT	62.0	$87.6	41.3%	1.4%	1.7%
Total	**4,576.5**	**5,280.3**	**15.4%**	**100.0%**	**100.0%**

FUTURE OUTLOOK



CLIA recently announced that the cruise industry is estimated to carry **25.7 million** passengers worldwide this year, an average increase of almost **1 million** guests each year for the past 10 years. Based off current projections, there will be **35 million** cruise passengers by 2026 and **40 million** by 2030.

Australia has played a significant part in the industry's growth, increasing by around **20%** year on year for the past 10 years, to reach almost **1.3million** annual ocean cruise passengers.

Australia is currently the fifth largest source market for cruise passengers in the world. With the equivalent of **5.3%** of the Australian population taking a cruise, Australia leads the world in terms of market penetration.

The world's largest cruise market, the United States, recorded just **2%** growth last year.

The emerging markets of Asia provide a significant growth opportunity for the Australian cruise industry. China grew by an unprecedented **99%** last year, making it the fastest growing cruise market in the world, and Australia is well placed to benefit from this emerging market as it offers alternate seasonal deployment during the northern hemisphere winter.

Local demand for cruising continues to grow. A record number of Australians are cruising as a result of the incredible range of cruise ships and itineraries now available both from our doorstep and around the world. While an ever increasing number of Australian are realising that cruising is a great value, relaxing and stress-free way to travel.

In 2016/17, a record **58** cruise ships sailed local waters, either based in Australia or visiting our shores. The growth in passenger visit days can be attributed to the fact that more than half of these ships offer local itineraries.

However, the substantial decline in the growth of New South Wales' economic contribution from almost **20%** to **6%** must signal a warning that the cruise industry has hit a crisis point.

While Australia's overall economic contribution continues to increase, NSW's share has dropped 10% over the past two years.

It is critical that Sydney is equipped to support future capacity growth. Continuing economic growth at a national, state and regional level, will only be realized if long-term Federal and State government planning supports the current and future growth potential.

ONE INDUSTRY, ONE VOICE

Cruise Lines International Association (CLIA) is the world's largest cruise industry trade association, providing a unified voice and leading authority of the global cruise community. The association has 15 offices globally with representation in North and South America, Europe, Asia and Australasia.

CLIA supports policies and practices that foster a safe, secure, healthy and sustainable cruise ship environment for the more than 23 million passengers who cruise annually and is dedicated to promote the cruise travel experience. Members are comprised of the world's most prestigious ocean, river and specialty cruise lines; a highly trained and certified travel agent community; and cruise line suppliers and partners, including ports & destinations, ship development, suppliers and business services.

The organization's mission is to be the unified global organization that helps its members succeed by advocating, educating and promoting for the common interests of the cruise community.

CLIA
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