



SUMMARY REPORT

ECONOMIC IMPACT OF THE
2015–2016 CRUISE SECTOR IN NEW ZEALAND
AND FORECASTS TO 2018

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EXECUTIVE SUMMARY

New Zealand delivered its largest ever season on record in the 2015-2016 cruise season.

New Zealand welcomed not only nine ships new to New Zealand in the 2015-2016 season, but also received 254,409 passengers and 91,900 crew who visited New Zealand across 138 voyages making a total of 703 port visits. The economic activity generated by passengers, crew and ship totalled a direct spend of NZD 645 million which contributed NZD 484 million to New Zealand's GDP and supported 8,748 jobs.

This represented a growth of 26% in passenger arrivals and 22% in crew arrivals, with a corresponding growth of 18% in passenger port days and 7% in crew port days, which collectively generated an increase of 11% in value added from the season before.

The 2016-2017 cruise season will welcome eleven ships new to New Zealand but will contract by 8% in passenger numbers, albeit with minimal impact on value added (+1%). This is due to the exit of *Pacific Pearl's* winter cruising programme, which has traditionally carried New Zealanders, who have a comparatively low spend profile.

At the time of analysis, the 2017-2018 season was scheduled to welcome another four ships new to New Zealand, and rise to a new record, with 11% growth in passenger numbers and 11% growth in value added, on the 2015-2016 season.

Forecasts to 2018 do illustrate good growth but the rate of growth is slowing. Previously accounting for a growth rate of 5 times over the last ten years, it is now growing at a rate of 4 times over the last ten years. Despite the record forecasts for the 2017-2018 cruise season, the rate of growth will reduce to three times over the previous ten years.

Continuing to be a good story for New Zealand is that cruise is not only the third largest holiday arrivals market to New Zealand, behind Australia and China (IVA YE June 2016¹) generating a direct spend that supersedes that of the German market (IVS YE June 2016²), but also distributes the economic impact well throughout New Zealand's regions. A typical cruise itinerary around New Zealand calls into at least six ports and facilitates regional dispersal to smaller, less frequented regions by tourists, allowing a passenger to see the length of New Zealand in a week.

Currently, there are 17 cruise regions that contribute to 16 Regional Tourism Organisation (RTO) territories (including inland RTOs of Rotorua, Hamilton & Waikato and Queenstown). Cruise New Zealand works with the regions to entice cruise lines to explore new destinations, and this will come to fruition in the 2016-2017 season with small ship visits scheduled to Kapiti Island and Whitianga, New Plymouth and Whangaroa in the 2017-2018 season.

Tourism 2025³, New Zealand's tourism growth framework, identified cruise as a sector of value that should be endorsed, especially when looking through the lens of the regions.

¹ <http://www.stats.govt.nz/iva> (accessed 17 August 2016)

² http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/ivs/documents-image-library/key-data-files/2016Q2-Key_data_table.pdf (accessed 17 August 2016)

³ <http://www.tourism2025.org.nz/tourism-2025-background/target-for-value-2/> (accessed 17 August 2016)

A summary of the cruise activity and its economic impacts in the 2015–2016 cruise season compared to the previous cruise season, and forecasts for the subsequent two seasons are summarised in Table ES below.

Season	Voyages	Vessel Port Days	Unique Passengers	Passenger Port Days	Total Direct Expenditure (NZ\$m)	Value Added (NZ\$m)
2014-15	127	716	201,370	1,125,100	\$572	\$436
2015-16	138	703	254,409	1,332,100	\$645	\$484
2016-17f	140	791	233,356	1,338,800	\$648	\$490
2017-18f	147	753	282,538	1,426,900	\$723	\$536

Source: Cruise New Zealand and Market Economics, 2016

Table ES: Summary of cruise activity and economic impact in the 2015–2016 cruise season, compared to the previous cruise season and forecasts for the subsequent two seasons.

2015–2016 CRUISE ACTIVITY AND ECONOMIC IMPACT

Highlights from the 2015-2016 cruise season:

- Grew by 26% in passenger arrivals from the season before.
- Created a new record in terms of passenger arrivals (254,409 passengers).
- Grew by 11% in value added from the season before.
- A 2% drop in vessel port days, a likely result of some cruise lines trialling shorter itineraries.

Refer to Table 1 below.

Cruise Activity	2015-16	2014-15	% change
Unique Ships	35	32	9%
Voyages	138	127	9%
Vessel Port Days	703	716	-2%
Unique Passengers	254,409	201,370	26%
Passenger Port Days	1,332,100	1,125,100	18%
Unique Crew	91,900	75,400	22%
Crew Port Days	449,500	420,632	7%
Economic Impact	2015-16	2014-15	% change
Total Direct Expenditure	\$644.70	\$572.20	13%
Net Additional Expenditure	\$389.40	\$340.30	14%
Value Added	\$483.50	\$436.10	11%
Total Employment	8,748	8,365	5%

Source: Cruise New Zealand and Market Economics, 2016

Table 1: Changes in cruise activity and economic impact between the 2015-2016 and 2014-2015 cruise seasons.

- A 75% increase in New Zealand passenger arrivals, most likely a result of the *Pacific Pearl*, a ship that is popular with the Kiwis, having doubled their visits this season.
- A 3% decline in American passengers, most likely a result of the absence of Crystal Cruises, which had both ships here last season.
- Recorded a 16% increase in exchange activity principally because of the New Zealand winter cruise market. The growth in New Zealanders homeporting out of Auckland was so great (+77%), it offset the 6% decline in international exchange activity.

Refer to Table 2 below.

Exchange	2015-16		2014-2015		% change in total exchange	% change in total arrivals
	Total exchange	Total arrivals	Total exchange	Total arrivals		
Australia	12,979	132,807	15,304	103,352	-15%	28%
USA	18,510	32,146	22,252	33,249	-17%	-3%
Canada	3,898	7,042	3,876	6,604	1%	7%
Great Britain	8,118	18,320	5,943	14,813	37%	24%
Germany	2,502	5,481	2,514	4,551	0%	20%
China	2,093	3,835	1,229	2,467	70%	55%
others	6,441	16,262	6,652	14,310	-3%	14%
International	54,541	215,893	57,770	179,346	-6%	20%
New Zealand	36,506	38,516	20,612	22,024	77%	75%
Total	91,047	254,409	78,382	201,370	16%	26%
% international exchange of total arrivals	21%		29%			

Source: Cruise New Zealand and Market Economics, 2016

Table 2: Changes in source markets and passenger movement between the 2015-2016 and 2014-2015 cruise seasons.

- Within the regions, Gisborne experienced the highest growth in passenger arrivals, at close to fifty times more than what they experienced in 2014-2015. This is singularly the result of *Golden Princess* choosing to call into Gisborne regularly for its New Zealand itineraries, instead of Napier, which was used previously.

Refer to Table 3 below.

2015-16 vs 2014-15	Voyage Calls			Unique Passenger Visits		
	2015-16	2014-15	% change	2015-16	2014-15	% change
Northland	54	40	35%	101,300	59,000	72%
Auckland	122	115	6%	230,800	188,500	22%
Waikato	0	0	0	0	0	0
Bay of Plenty	78	84	-7%	164,300	148,800	10%
Gisborne	10	1	900%	23,800	500	4660%
Hawke's Bay	45	57	-21%	77,800	96,900	-20%
Taranaki	0	1	-100%	0	0	0%
Wellington	77	80	-4%	164,800	144,800	14%
West Coast	2	1	100%	200	0	NA
Canterbury	69	75	-8%	122,000	127,400	-4%
Otago	71	77	-8%	139,100	130,800	6%
Southland	74	74	0%	143,100	120,100	19%
Tasman	3	1	200%	200	0	NA
Nelson	3	5	-40%	200	800	-75%
Marlborough	41	43	-5%	74,800	53,300	40%
Other	5	7	-29%	100	100	0%
Total	138	127	9%	254,409	201,370	26%

Source: Cruise New Zealand and Market Economics, 2016

Table 3: Regional changes between the 2015-2016 and 2014-2015 cruise seasons.

- Gisborne recorded the highest change in value added (+239%) at the loss of Hawke's Bay (-17%) because of a change in itinerary. This exemplifies how easily cruise lines can move their assets to the detriment of a destination (Table 4).

Value Added	2015-16 (NZ\$m)	2014-15 (NZ\$m)	% change
Northland	\$20	\$13	53%
Auckland	\$220	\$191	15%
Waikato	\$11	\$11	6%
Bay of Plenty	\$39	\$35	12%
Gisborne	\$3	\$1	239%
Hawke's Bay	\$17	\$21	-17%
Taranaki	\$4	\$4	1%
Manawatu	\$4	\$4	2%
Wellington	\$58	\$53	9%
West Coast	\$1	\$1	5%
Canterbury	\$47	\$49	-5%
Otago	\$37	\$36	2%
Southland	\$8	\$7	16%
Nelson	\$2	\$2	2%
Marlborough	\$11	\$8	33%
Other	\$0	\$0	12%
Total	\$484	\$436	11%

Source: Cruise New Zealand and Market Economics, 2016

Table 4: Regional changes in value added between the 2015-2016 and 2014-2015 cruise seasons.

FORECASTS FOR 2016-2017

Highlights of New Zealand's 2016-2017 cruise season include:

- New Zealand to welcome eleven ships new to New Zealand including largest to the region, *Ovation of the Seas* and brand new *Seabourn Encore* (to be officially named in January 2017).
- Pacific Pearl will exit⁴ P&O Australia in March 2017, i.e. New Zealand will have no winter cruises in the 2016-2017 season.
- Royal Caribbean's high passenger volume Voyager-class ships, the *Explorer of the Seas* and *Voyager of the Seas*, which collectively made 15 voyages in the 2015-2016 season, will not be visiting New Zealand.

Highlights of forecasts for the 2016-2017 cruise season include:

- A dip of 8% in passenger arrivals, mostly as a result of the exit of *Pacific Pearl*.
- Huge increase of 13% in port calls.
- Minimal impact on value added despite significant decline in passenger arrivals.

⁴ <http://www.cruiseindustrynews.com/cruise-news/13918-p-o-cruises-australia-prepares-to-farewell-pacific-pearl.html> (accessed 17 August 2016)

Refer to Table 5 below.

Forecast Cruise Activity	2015-16	2016-17f	% change
Unique Ships	35	42	20%
Voyages	138	140	1%
Vessel Port Days	703	791	13%
Unique Passengers	254,409	233,356	-8%
Unique Crew	91,900	89,900	-2%
Forecast Economic Impact	2015-16 (NZ\$m)	2016-17f (NZ\$m)	% change
Total Direct Expenditure	\$644.70	\$647.52	0%
Net Additional Expenditure	\$389.40	\$393.72	1%
Value Added	\$483.50	\$489.54	1%
Total Employment	8,748	8,878	1%

Source: Cruise New Zealand and Market Economics, 2016

Table 5: Forecasts for 2016-2017 and projected changes from 2015-2016.

- A 6% increase in international exchange activity. The German ships (+54%), as well as that by the North American market (USA by +18% and Canada by +7%) are projected to drive this growth.
- The exit of *Pacific Pearl's* winter cruises, which was popular with Kiwis, is projected to contract the New Zealand exchange market by 41%.
- Total exchange activity for 2016-2017 is forecast to contract by 12%.

Refer to Table 6 below.

Exchange	2015-16		2016-17f		% change in total exchange	% change in total arrivals
	Total exchange	Total arrivals	Total exchange	Total arrivals		
Australia	12,979	132,807	12,454	118,273	-4%	-11%
USA	18,510	32,146	21,761	37,167	18%	16%
Canada	3,898	7,042	4,152	7,869	7%	12%
Great Britain	8,118	18,320	8,046	20,570	-1%	12%
Germany	2,502	5,481	3,855	7,692	54%	40%
China	2,093	3,835	1,450	2,578	-31%	-33%
others	6,441	16,262	6,339	15,697	-2%	-3%
International	54,541	215,893	58,056	209,847	6%	-3%
New Zealand	36,506	38,516	21,630	23,509	-41%	-39%
Total	91,047	254,409	79,686	233,356	-12%	-8%
% international exchange of total arrivals	21%		25%			

Source: Cruise New Zealand and Market Economics, 2016

Table 6: Exchange forecasts for 2016-2017 and projected changes from 2015-2016.

- Nelson (+133%), Gisborne (+30%), Canterbury (+23%), Southland (+23%), Otago (+23%) and Hawke's Bay (+20%) will stand to receive significant increased cruise calls in the 2016-2017 season. This will consequently project an increase in passenger arrivals for these regions.
- Northland (-10%), Auckland (-9%) and Bay of Plenty (-7%) are forecast to experience dips in passenger arrivals. This is more than likely a result of the absence of the Voyager-class ships which were regular callers to these regions, although offset by the proposed *Ovation of the Seas* visits.

Refer to Table 7 below.

2015-2016 vs 2016-2017	Voyage Calls			Unique Passenger Visits		
	2015-16	2016-17f	% change	2015-16	2016-17f	% change
Northland	54	51	-6%	101,300	90,700	-10%
Auckland	122	127	4%	230,800	209,000	-9%
Waikato	0	1	NA	0	100	NA
Bay of Plenty	78	84	8%	164,300	153,000	-7%
Gisborne	10	13	30%	23,800	28,700	21%
Hawke's Bay	45	54	20%	77,800	88,400	14%
Taranaki	0	3	NA	0	1,200	NA
Wellington	77	89	16%	164,800	162,500	-1%
West Coast	2	0	-100%	200	0	-100%
Canterbury	69	85	23%	122,000	147,200	21%
Otago	71	87	23%	139,100	166,000	19%
Southland	74	91	23%	143,100	168,800	18%
Tasman	3	3	0%	200	600	200%
Nelson	3	7	133%	200	2,100	950%
Marlborough	41	43	5%	74,800	74,400	-1%
Other	5	3	-40%	100	400	300%
Total	138	140	1%	254,409	233,356	-8%

Source: Cruise New Zealand and Market Economics, 2016

Table 7: Regional cruise activity forecasts for 2016-2017 and projected changes from 2015-2016.

- Consequently, Northland (-9%), Auckland (-8%) and Bay of Plenty (-2%) are projected to see a drop in value added.

Value Added	2015-16 (NZ\$m)	2016-17f (NZ\$m)	% change
Northland	\$20	\$19	-9%
Auckland	\$220	\$204	-8%
Waikato	\$11	\$11	-1%
Bay of Plenty	\$39	\$38	-2%
Gisborne	\$3	\$4	17%
Hawke's Bay	\$17	\$20	17%
Taranaki	\$4	\$4	6%
Manawatu	\$4	\$4	4%
Wellington	\$58	\$60	4%
West Coast	\$1	\$1	3%
Canterbury	\$47	\$57	21%
Otago	\$37	\$44	19%
Southland	\$8	\$10	19%
Nelson	\$2	\$2	15%
Marlborough	\$11	\$12	5%
Other	\$0	\$0	0%
Total	\$484	\$490	1%

Source: Cruise New Zealand and Market Economics, 2016

Table 8: Regional economic forecasts for 2016-2017 and projected changes from 2015-2016.

FORECASTS FOR 2017-2018

Forecasts to 2017-2018 were made based on bookings as at June 2016, and are subject to change. Because of the constant changes to the 2017-2018 schedule, it is too volatile to report on changes at a regional level. Forecasts to 2018 will only be reported at a national level.

Highlights of New Zealand's 2017-2018 cruise season include:

- New Zealand to welcome four ships new to New Zealand including *Viking Sun* (not built yet), which will visit New Zealand on a world cruise (first for the company) on its maiden season.
- P&O Australia will return to winter cruising in New Zealand with not only a larger capacity ship, but also with more voyages than it has ever done in New Zealand before.

Highlights of forecasts for the 2017-2018 cruise season include:

- A new passenger arrivals record (282,538 passengers).
- A projected increase of 11% in passenger arrivals (from 2015-2016).
- A projected increase of 11% in value added (from 2015-2016).

Refer to Table 9 below.

Forecast Cruise Activity	2015-16	2017-18f	% change from 15/16
Unique Ships	35	36	3%
Voyages	138	147	7%
Vessel Port Days	703	753	7%
Unique Passengers	254,409	282,538	11%
Unique Crew	91,900	102,700	12%
Forecast Economic Impact	2015-16	2017-18f	% change from 15/16
Total Direct Expenditure	\$644.66	\$723.30	12%
Net Additional Expenditure	\$389.39	\$432.80	11%
Value Added	\$483.50	\$536.00	11%
Total Employment	8,748	9,663	10%

Source: Cruise New Zealand and Market Economics, 2016

Table 9: Forecasts for 2017-2018 and projected changes from 2015-2016.

- A projected increase of 11% in passenger arrivals (from 2015-2016), driven by North Americans (31%) as well as New Zealanders (21%).
- A significant 18% increase in international exchange activity from 2015-2016.
- A significant 21% increase in New Zealand exchange activity from 2015-2016.
- A welcomed increase of 19% in total exchange activity from 2015-2016.

Refer to Table 10 below.

Exchange	2015-16		2017-18f		% change in total exchange from 15/16	% change in total arrivals from 15/16
	Total exchange	Total arrivals	Total exchange	Total arrivals		
Australia	12,979	132,807	14,241	139,354	10%	5%
USA	18,510	32,146	24,869	42,528	34%	32%
Canada	3,898	7,042	4,801	8,794	23%	25%
Great Britain	8,118	18,320	9,192	20,507	13%	12%
Germany	2,502	5,481	941	3,547	-62%	-35%
China	2,093	3,835	2,659	4,174	27%	9%
others	6,441	16,262	7,530	17,165	17%	6%
International	54,541	215,893	64,232	236,068	18%	9%
New Zealand	36,506	38,516	44,309	46,469	21%	21%
Total	91,047	254,409	108,541	282,538	19%	11%
% international exchange of total arrivals	21%		23%			

Source: Cruise New Zealand and Market Economics, 2016

Table 10: Exchange forecasts for 2017-2018 and projected changes from 2015-2016.

CONCLUSION

New Zealand is facing infrastructural constraints and rising costs of operation which have the potential to cap the growth the country had been experiencing over the last ten years. Compounding the issue of the potential to plateau growth is Sydney's continued congestion, which New Zealand remains dependent on for cruises that homeport out of.

However, these are not new issues, and the sector continues to show resilience against these obstacles to growth. Perhaps the wider growth experienced by the global cruise sector, especially the surging growth in the Asia Pacific region is exerting a stronger influence than anything that local challenges present.

Globally, the cruise sector is growing. Cruise Lines International Association⁵ is projecting 2016 to have 24.2 million ocean-going cruise passengers, another year of growth, up 4.3% from the year before. If shipbuilding orders are to be of any guidance, this growth is set to continue with 78 ships totalling 250,000 lower berths on order over the next ten years⁶.

The burgeoning middle class Chinese, who have responded well to the concept of cruising, and have continued to produce higher than average yields despite increasing supply, mostly drives this optimism.

New Zealand has and will continue to welcome ships that are new to New Zealand. Part of this influx of new capacity comes off the back of China, where Australasia is able to leverage off China's deployment when cruise lines opt for destinations nearby to shift their ships to, during the Chinese winter. This will be exemplified in December 2016 when the *Ovation of the Seas*, a ship specially built for the Chinese market, visits Australasia for the first time after its summer deployment in China.

Australia's strong rate of growth as a source market has been the main driver of New Zealand's growing cruise sector, and will continue to make up around half of the volumes into the country. However New Zealanders will also continue to play a growing significant role in the size of New Zealand's cruise sector, when given the chance.

Forecasts produced by Market Economics for Cruise New Zealand have always been based on forward cruise bookings and the cruise sector in New Zealand is headed for more growth over time where higher highs and lows will be recorded regardless of the rate of growth.

However, cruise's growth should not be taken for granted, as cruise lines will not visit New Zealand simply because of passenger demand. New Zealand is currently at a critical point where infrastructure in some areas is not catering to demand - New Zealand cruise regions need to provide safe berths that can accommodate the ships that are coming, and many of them are getting bigger. New Zealand's costs of operation need to make financial sense. Increasing levies and charges do not do New Zealand any favours. There is increased congestion in Sydney as a homeport, and competition as a destination is increasing especially in the South Pacific.

New Zealand cruise stakeholders cannot afford to assume cruise will continue to come regardless. Cruise stakeholders cannot stop marketing New Zealand as a cruise destination, and must continue to engage in discussions to find pragmatic solutions for any blocks to continued growth.

⁵ <http://www.marketwired.com/press-release/cruise-lines-international-association-releases-official-2015-global-passenger-numbers-2131056.htm> (accessed 17 August 2016)

⁶ <http://www.cruiseindustrynews.com/cruise-news/cruise-ship-orderbook.html> (accessed 17 August 2016)