



The Economic Contribution of the Cruise Industry in Victoria, Canada

A Survey-based Analysis of the Impacts of Passenger, Crew and Cruise Line Spending



Prepared for:

The Greater Victoria Harbour Authority

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*Business Research & Economic Advisors
201 Strykers Rd, - Suite 19-132
Phillipsburg, NJ 08865*

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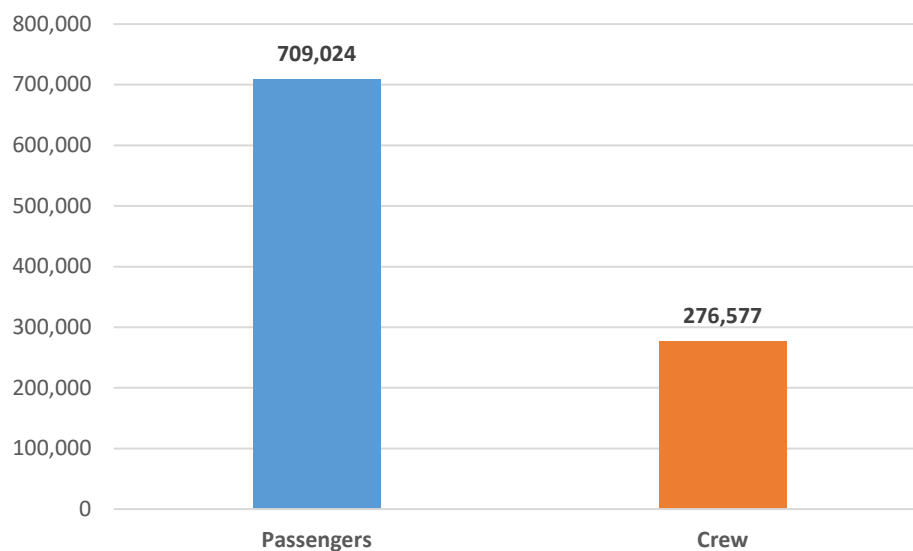
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I. BACKGROUND

Business Research and Economic Advisors (BREA) was engaged by The Greater Victoria Harbour Authority (GVHA) to estimate the economic contribution of the international cruise industry specific to Victoria, BC in 2019. Cruise line spending was estimated using a combination of Victoria's port survey, surveys returned by the major cruise lines, as well as estimates for the non-reporting cruise lines serving the port. Passenger and crew spending was based on a 2016 study conducted by the GVHA with 1,273 passengers and 927 crew members and adjusted for inflation. All data contained herein has been derived from the previously published 2019 study, 'The Economic Contribution of the International Cruise Industry in Canada.'

During 2019, approximately 256 port-of-call cruise ship calls were made at Victoria. These, coupled with 3,180 embarking and disembarking passengers generated slightly more than 709,000 passenger arrivals at the port. Victoria also saw 276,600 crew arrivals in 2019.

Figure 1 – Cruise Passenger and Crew Throughput at Victoria



Source: GVHA

II. DIRECT EXPENDITURES

There are three primary sources of cruise-related spending: i) cruise lines; ii) cruise passengers and iii) crew members. The cruise lines purchase a variety of goods and services supporting their cruises, including food and beverages, hotel supplies, bunker fuels, utilities while in port and other port services to name a few. Passengers typically purchase food and beverages at local establishments, tours and excursions, souvenirs and other retail goods; while crew members will purchase a similar set of goods and services with a heavier concentration on retail goods.

Table 1 – Direct Cruise-Related Expenditures in Victoria, 2019
Millions of Dollars

<i>Sources</i>	<i>Spending</i>	<i>Share</i>
Cruise Lines	\$84.1	59%
Passengers	\$48.0	33%
Crew	\$11.4	8%
Total	\$143.5	

Note: Components may not sum to totals due to rounding.

During 2019, cruise-related spending in Victoria were estimated to be \$143.5 million. As indicated in **Table 1**, the cruise lines' expenditures accounted for 59 percent of the total spending, passengers accounted for 33 percent and crew the remaining 8 percent. The industry impacts, which are discussed in the following sections, vary significantly across the three sources.

III. EXPENDITURES BY CRUISE LINES

Based on expense data collected through surveys with the various port authorities and CLIA member cruise lines, we estimate that the cruise lines spent \$84.1 million with businesses in Victoria during 2019. Spending was made in categories such as advertising and promotion, and other professional consulting services. In addition, the cruises lines had expenditures for services such as transportation and warehousing, costs of port fees; payments to ship agents; stevedores; passenger and crew transportation paid by the cruise lines, excluding shore excursions; and storage and warehousing.

Table 2 –Cruise Lines’ Expenditures in Victoria by Category, 2019
Millions of Dollars

<i>Category</i>	<i>Spending</i>	<i>Share</i>
Operational Expenses	\$84.1	100%
Transportation & Storage	\$71.2	18%
Travel Agent Commissions	\$3.4	1%
Machinery & Equipment	\$9.5	2%
Other Operating Expenses	\$0.1	0%
Total	\$84.1	

Note: Components may not sum to totals due to rounding.

It is estimated that about 18,300 residents of Victoria purchased cruises during 2019, which, in turn, generated an estimated \$3.4 million in travel agent commissions paid by the cruise lines.

IV. EXPENDITURES BY PASSENGERS

As shown in **Table 3**, of the 709,000 individual cruise passengers that arrived at the port of Victoria. Based upon GVHA survey data, it is estimated that 73 percent, or 515,600, disembarked and visited the port. These visits resulted in \$45 million in purchases for goods and services in 2019, for an average expenditure of just over \$87 per passenger onshore visit.

Expenditures for tours and local transportation accounted for \$23.7 million, or 53 percent of passenger expenditures. Retail goods, such as clothing and souvenirs, absorbed 32 percent of passenger expenditures and totalled \$14.6 million during 2019, while food and beverage purchases accounted for the remaining \$6.7 million in passenger spending.

Table 3 – Passenger Expenditures in Victoria by Category, 2019
Millions of Dollars

	<i>Victoria</i>
Passenger Arrivals	709,024
Passenger Onshore Visits	515,593
Tours and Transportation	\$23.7
Food and Beverages	\$6.7
Other Retail	\$14.6
Total Spending	\$45.0
Average per Passenger onshore visit	\$87.36

Note: Components may not sum to totals due to rounding.

V. OTHER PASSENGER EXPENDITURES

Other passenger expenditures consist of the airfare and travel insurance costs of cruise passengers that impact the Victoria economic. This activity was estimated to be \$3.0 million (see **Table 4**). Based upon sourced passenger data provided by CLIA, it is estimated that 18,300 residents of Victoria travelled for cruises within and outside of British Columbia. BRE estimates that the air travel and travel insurance related to these cruises generated \$3.0 million in expenditures that impacted the Victoria economy. Added to the \$45.0 million in direct passenger spending above, this \$3.0 million in additional passenger spending leads to a total spending by cruise passengers in Victoria to be \$48.0 million.

Table 4 – Other Direct Passenger Expenditures in Victoria, 2019
Millions of Dollars

<i>Category</i>	<i>Expenditures</i>
Airfares Impacting the Victoria, BC Economy	\$2.9
Cruise-Related Travel Insurance in Victoria, BC	\$0.1
Total	\$3.0

VI. EXPENDITURES BY CREW

It is estimated that 96,800 crew, or about 35 percent of the nearly 277,000 who arrived at Victoria's port made an onshore visit and spent \$11.4 million in 2019 (see **Table 5**). While tours and transportation absorbed 53 percent of passenger expenditures, this category only accounted for \$0.9 million, or 8 percent of crew expenditures. Crew were estimated to have spent \$6.9 million for retail goods, which accounted for 61 percent of their total spend in Victoria.

Table 5 – Crew Expenditures in Victoria by Category, 2019
Millions of Dollars

	<i>Victoria</i>
Crew Arrivals	276,577
Crew Onshore Visits	96,802
Tours and Transportation	\$0.9
Food and Beverages	\$3.6
Other Retail	\$6.9
Total Spending	\$11.4
Average per Crew Member	\$117.77

Note: Components may not sum to totals due to rounding.

VII. DIRECT EXPENDITURES BY INDUSTRY

For purposes of the economic impact analysis, the \$143.5 million in direct cruise industry expenditures in Victoria were allocated to the appropriate industries. These are shown in **Table 6**, below.

Table 6 – Direct Cruise Industry Expenditures in Victoria, 2019
Millions of Dollars

<i>Sectors</i>	<i>Expenditures</i>	<i>Share</i>
Goods Producing Sector	\$45.4	32%
Agriculture, Utilities & Construction	\$1.1	1%
Manufacturing	\$44.3	31%
Service Producing Sector	\$95.5	67%
Wholesale & Retail Trade	\$8.7	6%
Transportation and Warehousing	\$60.7	42%
Financial Services	\$0.1	0%
Professional & Technical Services	\$3.8	3%
Accommodation and Food Services	\$13.7	10%
Other Services & Government	\$8.4	6%
Spending by Sector	\$140.9	
Indirect Business Taxes (Less Subsidies)	\$2.7	2%
Direct Spending	\$143.5	

Note: Components may not sum to totals due to rounding.

Businesses in the manufacturing sector received \$44.3 million in cruise industry expenditures, 31 percent of direct expenditures. These expenditures consist primarily of cruise lines' expenditures for their cruise ship operations.

As indicated in the table, the Transportation & Warehousing industry accounted for 42 percent of the cruise industry's direct expenditures in the region. This included expenditures for cruise lines' purchases of port services, such as stevedoring, piloting and port agents, and trucking and warehousing. It also included passenger and crew expenditures for air transportation, tours and other ground transportation and the wages and salaries of shore-side employees of the cruise lines who work at facilities in the province.

Passenger and crew expenditures were primarily allocated to three industries, Transportation & Warehousing, which we have already discussed, Wholesale & Retail Trade and Accommodation & Food Services. These later two sectors accounted for 16 percent of direct expenditures and totalled \$22.4 million combined.

VIII. DIRECT EMPLOYMENT, WAGE AND TAX IMPACTS

The \$143.5 million in direct cruise industry expenditures in Victoria generated direct employment of 807 annualized full- and part-time employees¹ paying \$40.4 million in wage income (see **Table 7**). Combining business and income taxes, the direct cruise-related spending in Victoria generated \$11.2 million in governmental tax payments.

The Goods Producing Sector accounted for 32 percent of direct expenditures, 20 percent of the direct jobs and 24 percent of wage income. The Service Producing Sector accounted for 67 percent of the direct spending, 80 percent of the direct jobs and 76 percent of the wage income.

Table 7 – Direct Cruise Industry Economic Impacts in Victoria, 2019
Millions of Dollars

<i>Sectors</i>	<i>Direct Spend</i>	<i>Jobs</i>	<i>Income</i>
Goods Producing Sector	\$45.4	162	\$9.5
Agriculture, Utilities & Construction	\$1.1	6	\$0.2
Manufacturing	\$44.3	156	\$9.2
Service Producing Sector	\$95.5	645	\$30.9
Wholesale & Retail Trade	\$8.7	12	\$0.7
Transportation and Warehousing	\$60.7	320	\$19.5
Financial & Business Services	\$3.9	25	\$1.9
Accommodation and Food Services	\$13.7	173	\$3.9
Other Services & Government	\$8.4	115	\$5.0
Spending by Sector	\$140.9		
Indirect Business Taxes (Less Subsidies)	\$2.7		
Direct Impacts	\$143.5	807	\$40.4
Personal Income Taxes			\$8.5

Note: Components may not sum to totals due to rounding.

¹ The economic impacts generated by the models are average annual impacts and include part-time (including seasonal) and full-time employees. Since these expenditures typically occur over a 6-month period of May through October, the peak employment impacts will actually be higher than those reported. It should be noted that there may be a few calls in April and November. Because many of the seasonal workers will incur significant overtime, the six-month impacts, while larger than the average annual impacts, are not necessarily twice as large. Adjusting the employment figures for part-time employees, the direct employment impact is equivalent to approximately 610 full-time employees.

IX. TOTAL EMPLOYMENT, WAGE AND TAX IMPACTS

The total economic impacts of the cruise industry are the sum of the direct impacts described above and the indirect and induced impacts. The indirect economic benefits derived from the cruise industry result in part from the additional spending by the suppliers to the cruise industry. For example, food processors must purchase raw foodstuffs for processing; utility services, such as, electricity and water, to run equipment and process raw materials; transportation services to deliver finished products to the cruise lines or wholesalers; and insurance for property and employees.

An input-output model specific to British Columbia was used to estimate the indirect and induced impacts.² This input-output table reflects the inter-industry links among industries in the Victoria economy. This input-output table-permits the estimation of the additional economic impacts that the direct spending by the cruise industry, its passengers and its suppliers has on all other industries in the province's economy. The direct expenditures were adjusted for transportation and trade margins and business taxes before estimating the indirect and induced impacts.

As shown in **Table 8**, the input-output analysis indicated that the \$143.5 million in direct cruise industry expenditures generated \$331.8 million in total (direct plus indirect and induced) output, 1,619 annualized full- and part-time jobs³ and nearly \$90 million in income impact. In addition, the industry generated an estimated \$6.5 million in business taxes and \$18.8 million in income taxes.

² Statistics Canada, Industry Accounts Division, 2016.

³ Adjusting the employment figures for part-time employees, the direct employment impact is equivalent to approximately 1,225 full-time employees.

Table 8 – Total Cruise Industry Economic Impacts in Victoria, 2019
Millions of Dollars

<i>Sectors</i>	<i>Output</i>	<i>Jobs</i>	<i>Income</i>
Goods Producing Sector	\$145.9	515	\$31.2
Natural Resources, Utilities & Const.	\$34.7	134	\$8.7
Manufacturing	\$111.2	381	\$22.4
Durable Goods	\$50.5	215	\$13.0
Nondurable Goods	\$60.8	166	\$9.4
Service Producing Sector	\$179.4	1,104	\$58.6
Wholesale & Retail Trade	\$2.0	16	\$0.8
Transportation and Warehousing	\$111.3	424	\$25.8
Financial Services	\$17.0	145	\$10.1
Professional & Technical Services	\$13.5	115	\$8.8
Information, Culture and Recreation	\$11.4	54	\$1.8
Accommodation and Food Services	\$16.2	204	\$4.6
Other Services & Government	\$8.1	146	\$6.6
Spending by Sector	\$325.3		
Indirect Business Taxes (Less Subsidies)	\$6.5		
Total Impacts	\$331.8	1,619	\$89.8
Personal Income Taxes			\$18.8

The Goods Producing Sector accounted for 44 percent of the total output impacts but due to the relatively high productivity of this sector only 32 percent of the total jobs and 35 percent of the income impacts. The total economic impacts are more evenly distributed throughout the Goods Producing Sector than the direct impacts as the indirect and induced impacts spread throughout the economy, especially among the natural resource and construction industries.

Within the Services Producing sector, the Transportation & Warehousing industry remains the dominant industry, accounting for about 62 percent of the total economic impacts in this sector. This is due to the magnitude of the direct economic impacts as well as the strong linkages between the transportation sector and all other sectors of the economy.

X. SUMMARY

In summary, the 256-cruise ship calls at Victoria during 2019 generated more than 612,000 passenger and crew onshore visits. In addition, an estimated 18,300 Victoria residents purchased cruises embarking in Canada and elsewhere throughout the world. Passengers, crew and the cruise lines directly spent \$143.5 million in Victoria during the year generating over 800 annualized full- and part-time jobs paying \$40.4 million in wages and salaries. The direct spending also generated an estimated \$11.2 million in business and income taxes.

Table 9 – Summary of Cruise Industry Economic Impacts in Victoria, 2019

Individual Passenger and Crew Visits	612,395
Direct Economic Impacts	
Cruise Industry Direct Spending (\$ Millions)	\$143.5
Employment	807
Wage Income (\$ Millions)	\$40.4
Indirect Business and Income Taxes (\$ Millions)	\$11.2
Total Economic Impacts	
Total Output (\$ Millions)	\$331.8
Employment	1,619
Wage Income (\$ Millions)	\$89.8
Indirect Business and Income Taxes (\$ Millions)	\$25.4

As a result of the subsequent indirect and induced spending by businesses and their employees, the cruise industry was responsible for generating an estimated \$331.8 million in total output, over 1,600 jobs and nearly \$90 million in wage income in Victoria during 2019. Total business and income taxes were an estimated \$25.4 million.



BREA specializes in custom market analyses for clients throughout the private and public sectors. These unique market analyses integrate economic, financial, and demographic trends with primary market research, proprietary client data, and advanced statistical and modeling techniques. This approach results in comprehensive and actionable analysis, databases and models designed to support planning, sales and marketing, and public relations within client organizations.

BREA's principals each have more than twenty-five years of experience in consulting and forecasting with a wide range of international product and service companies, including consumer products, leisure, retailing, gaming, business services, telecommunications, utility and financial services. Their consulting assignments provide critical analysis and insight into market dynamics, product demand, economic trends, consumer behavior and public policy.

BREA's approach to market analysis focuses on determining market or product characteristics that can be summarized by three attributes: size, share, and growth. Since studies are designed to meet the specific needs of each client, they can incorporate many dimensions of the market and include a variety of ancillary services. To carry out this market analysis BREA provides the following services:

Market Research: design and implementation of primary market research instruments using telephone, mail, and intercept surveys. Test instruments are designed to collect information on product demand, attributes of consumers and users, perceived product attributes, and customer satisfaction.

Segmentation Analyses: segmenting demand attributes by product line, consumer demographics (age, income, region, etc.) and business characteristics using market research, government statistics and proprietary databases.

Statistical and Econometric Modeling: developing quantitative models relating market and product demand to key economic factors and demographic market/consumer attributes. Models can be used for forecasting, trend analysis and divergence/convergence analysis.

Market Studies and Trend Analyses: detailed descriptions of markets (defined as products, regions, industries, consumer segments, etc.) and comprehensive analyses of underlying market forces (such as economic and financial conditions, competitive environment, technology, etc.).

Economic Impact Studies: thorough analysis of industries and consumption behavior and their contribution to or impact on national and regional (state, metropolitan areas, counties, etc.) economies.