

Port Vancouver Economic Impact Study

Excerpt – Cruise Chapter

**Prepared for
Vancouver Port Authority**



**By
InterVISTAS Consulting Inc.**



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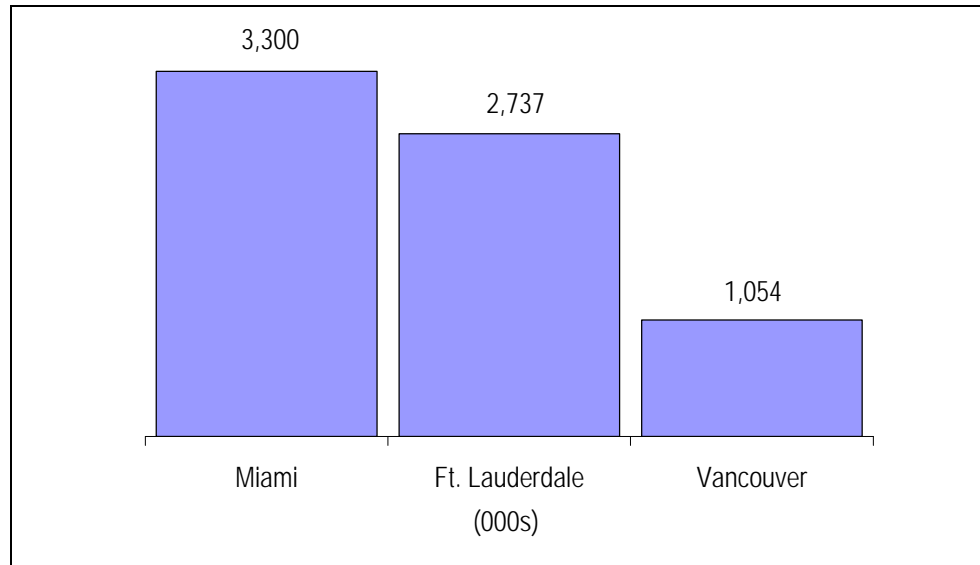
1.0 Economic Impacts of the Vancouver-Alaska Cruise

1.1 Introduction

Port Vancouver is North America's third business cruise port.

The Vancouver-Alaska cruise operates during a 5-month season extending from May to September every year. Vancouver is the home port for most of the cruise lines operating in this region. Berths are provided at Port Vancouver at two terminals, Canada Place and Ballantyne Pier. Due to the popularity of this cruise itinerary, Vancouver is now the North American port with the third highest cruise passenger traffic. Occupying the first and second places are Miami and Ft. Lauderdale as shown in **Figure 1**.

Figure 1: Embarked/Debarked Passengers at Top North American Cruise Ports in 2000



Source: Cruise Line International Association (CLIA) site statistics.

As with cargo traffic at Port Vancouver, the Vancouver-Alaska cruise passenger traffic creates significant employment and stimulates economic output and value-added. In 2000, the North West CruiseShip Association commissioned a major study of the economic impact of Canada's cruise ship industry which is the basis of the analysis in this chapter.¹ The 2000

¹ *An Analysis of the Economic Impact of the Cruise Line Industry in Canada* (May 2000). Used with kind permission from the North West CruiseShip Association, Tourism B.C., Tourism Vancouver, the

study used data for 1999, which were scaled here to estimate economic impacts in 2001 so as to be comparable to results for maritime cargo.

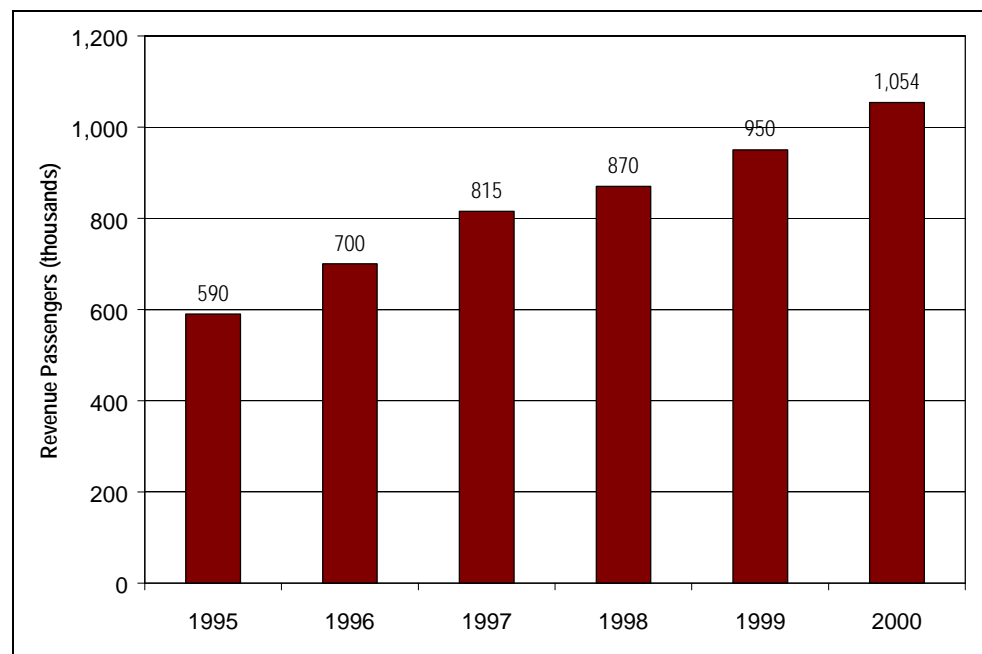
1.2 From 1999 benchmark to 2001

The economic impact of the cruise industry activity in Vancouver for 2001 is a projection based on the 1999 economic impact and the subsequent change in cruise passenger volumes.

Passenger traffic growth. As

Figure 2 shows, cruise traffic levels have been steadily increasing in recent years. Revenue passengers at Vancouver in 2000 totalled nearly 1.1 million, an 11% increase from 1999. The record number of passengers in 2000 marked the 18th consecutive year of growth in cruise traffic at the Port.

Figure 2: PV Revenue Cruise Passengers (1995 – 2000)



Vancouver International Airport Authority. Prepared by CCG Consulting Group Limited of Vancouver, B.C.

The revenue passengers and number of sailings for 1999 through 2001 (estimated) are reported in **Table 1**. Passenger traffic is expected to be down slightly from 2000, but greater than the 1999 benchmark year.

Table 1: Vancouver-Alaska Revenue Passengers and Sailings

	1999	2000	2001 ^e
Revenue Passengers	947,659	1,053,989	1,040,000
Sailings	309	336	325

Source: Port Vancouver site statistics.

^e VPA estimated revenue passengers.

1999 cruise industry expenditure. In 1999, an estimated \$428 million in industrial output was attributable to the Vancouver-Alaska cruise industry in Western Canada. British Columbia industry received the majority of cruise industry spending that year, nearly \$282 million. The balance, \$146 million, accrued to other Western Canadian businesses in 1999.

1999 cruise line expenditure. Cruise line expenditures made up over 60% of the total expenditures attributable to the Vancouver Alaska cruise and were allocated into three categories: operations expenditures, add-on expenditures, and shore excursion expenditures.

- Operations expenditures made up approximately 58% of total cruise line expenditures. These included outlays for the accommodation of passengers and crew as well as repair and maintenance, harbouring and pilotage of the vessels.
- Add-on expenditures represent 41% of cruise line spending. Add-on expenditures were incurred by the cruise lines on behalf of the passengers for travel pre/post cruise.
- Shore excursion expenditures made up the remaining 1% of cruise line expenditures. These were made on behalf of passengers for organised tours and the like. Passengers reimburse the cruise lines on-board or before the cruise.

Cruise ship passengers spend roughly \$140 million on local services before or after their voyage.

1999 passenger expenditure. It is estimated that cruise ship passengers departing from Vancouver spent a total of \$138 million in 1999. Expenditures included lodging, food and beverages, tours, retail shopping, transportation and attractions before the start of their journey and/or on their return. Among these expenditures is \$2.9 million in Airport Improvement Fees at Vancouver International Airport.

1999 crew expenditures. Crew spending totalled \$41 million with the majority accruing to British Columbia (\$32 million). Crews spent money on gifts, groceries, entertainment, personal expenses, transportation, and food and beverages.

In 2001, the cruise industry expenditures are expected to reflect the growth in passenger volumes and inflation. This resulted in a conservative scaling of the 1999 figures and the results are presented in **Table 2.**

Table 2: Estimated Direct Expenditures of Vancouver-Alaska Cruise Industry in Canada 2001 estimate (Millions)

Region	Passengers	Crew	Cruise Lines	Regional Total
British Columbia	\$138.0	\$41.0	\$147.0	\$326.0
Other Western Canada	-	-	\$169.0	\$169.0
Total	\$138.0	\$41.0	\$316.0	\$495.0

Source: Adapted from *An Analysis of the Economic Impact of the Cruise Line Industry in Canada*, 2000.

The Vancouver-Alaska cruise industry is expected to generate nearly \$500 million in economic output through spending in Western Canada spending.

The cruise industry presence in Vancouver is expected to generate some \$495 million in expenditures in Western Canada. Of the total, \$326 million are expected to be spent in British Columbia, the remaining \$169 million will be disbursed elsewhere in Western Canada.

1.3 Other economic impacts

The cruise industry supports an estimated 3,000 direct jobs in B.C. and another 1,500 elsewhere in Western Canada.

Here, we have used the 1999 employment impacts from *An Analysis of the Economic Impact of the Cruise Line Industry in Canada, 2000* to estimate the 2001 direct economic impacts. These figures are based on the estimated 2001 expenditures and reported in **Table 3**. Each sailing out of Vancouver is expected to create a total of 14 person years of employment in Western Canada and generate \$0.4 million in wages, \$0.7 million in GDP and \$1.5 million in economic output in 2001.

Table 3: Estimated 2001 Direct Economic Impacts of the Vancouver-Alaska Cruise

		Per Sailing	2001 Cruise Season
Employment	B.C.	9	2,970
	Other Western Canada	5	1,540
Wages ²	B.C.	\$0.3 Million	\$99 Million
	Other Western Canada	\$0.1 Million	\$48 Million
GDP		\$0.7 Million	\$228 Million
Output		\$1.5 Million	\$495 Million

What is striking about is that one third of the direct employment impacts (1,500 out of a total 4,500) and one quarter of the wages of the cruise industry activity in *Vancouver* are generated in Western Canada *outside of B.C.*

² Wages were not reported in *An Analysis of the Economic Impact of the Cruise Line Industry in Canada, 2000*. We have applied the B.C. average wage for 2000 (\$35,500) to B.C. direct employment and the average wage rate of other Western provinces their direct employment (\$31,350). We expect that cruise related direct employment will include some high earners, such as longshore workers, and many lower scale earners, such as hospitality workers, and so we have adopted the average wage to be conservative.

The total economic impacts, including multiplier effects, of the cruise activity in Vancouver on the Canadian economy are presented **Table 4**. An estimated \$405 million in indirect and induced economic output may be generated on top of the \$495 million in direct expenditure. Across the entire Canadian economy, some 4,700 additional person years of employment may be attributed to the 4,500 directly related to the cruise industry in Port Vancouver.

Table 4: Multiplier Economic Impacts of Vancouver Cruise Industry

	Person Years of Employment	Wages (Millions)	GDP (Millions)	Economic Output (Millions)
Direct	4,510	\$147	\$228	\$495
Indirect	2,396	\$79	\$119	\$270
Direct + Indirect	6,906	\$226	\$347	\$765
Induced	2,301	\$75	\$79	\$135
<i>Total</i>	9,207	\$301	\$426	\$900

Glossary of Terms

Contract Work: Any work which is done for a company by an individual who is not on the payroll or work done for a company by another company. Generally speaking, firms will contract out work in areas in which they do not have expertise or when there are cost advantages to doing so.

Direct Employment: Direct employment is employment that can be directly attributable to the operations in an industry, firm, etc. It is literally a head count of those people who work in a sector of the economy. In the case of the Port, all of those people who work in a Port related capacity would be considered direct employment.

Economic Activity: (also Output, Production) The end product of transforming inputs into goods. The end product does not necessarily have to be a tangible good (for example, knowledge), nor does it have to create utility (for example, pollution). Or, more generally, the process of transforming the factors of production into goods and services desired for consumption.

Employment Impact: Employment impact analysis determines the economic impact of employment in terms of jobs created and salaries and wages paid out. In the case of the Port, the direct, indirect, induced and total number of jobs or person years created at the Port is examined to produce a snapshot of Port operations.

Full Time Equivalent: (also Person Year) One full time equivalent year of employment is equivalent to the number of hours that an individual would work on a full time basis for one year. Full time equivalent years are useful because part time and seasonal workers do not account for one full time job.³

GDP: (also Value Added) A measure of the money value of goods and services becoming available to the nation as a result of economic activity in the nation.

GNP: GNP is equal to GDP plus net property income from abroad.

Indirect Employment: Indirect employment is employment which results because of direct employment. For the Port, it would include that portion of employment in supplier industries which are dependent on sales to the

³ *The Dictionary of Modern Economics*, David W. Pearce, General Editor, The MIT Press, Cambridge Mass., 1984

shipping and Port sector. In some cases, contract work would be considered indirect employment.

Induced Employment: Induced employment is employment created because of expenditures by direct and indirect employees.

Multiplier Analysis: Analysis using economic multipliers in which indirect and induced economic impacts is quantified. Essentially, a multiplier number is applied to the "directly traceable economic impact" to produce indirect and total effects. (See Multiplier)

Multiplier: Economic multipliers are used to infer indirect and induced effects from a particular sector of the economy. They come in a variety of forms and differ in definition and application. A multiplier is a number which would be multiplied by direct effects in order to calculate indirect or induced effects. In the case of the Port, as in many other cases, multipliers can lead to illusive results, and thus must be used with great care.

Output: (also Economic Activity, Production) The end product of transforming inputs into goods. The end product does not necessarily have to be a tangible good (for example, knowledge), nor does it have to create utility (for example, pollution). Or, more generally, the process of transforming the factors of production into goods and services desired for consumption.

Supply Chain Management: (also SCM). The management discipline which analyses the movement of goods and materials from source to production facilities to the end consumer markets.

Value Added: (also GDP) A measure of the money value of goods and services becoming available to the nation as a result of economic activity in the nation.