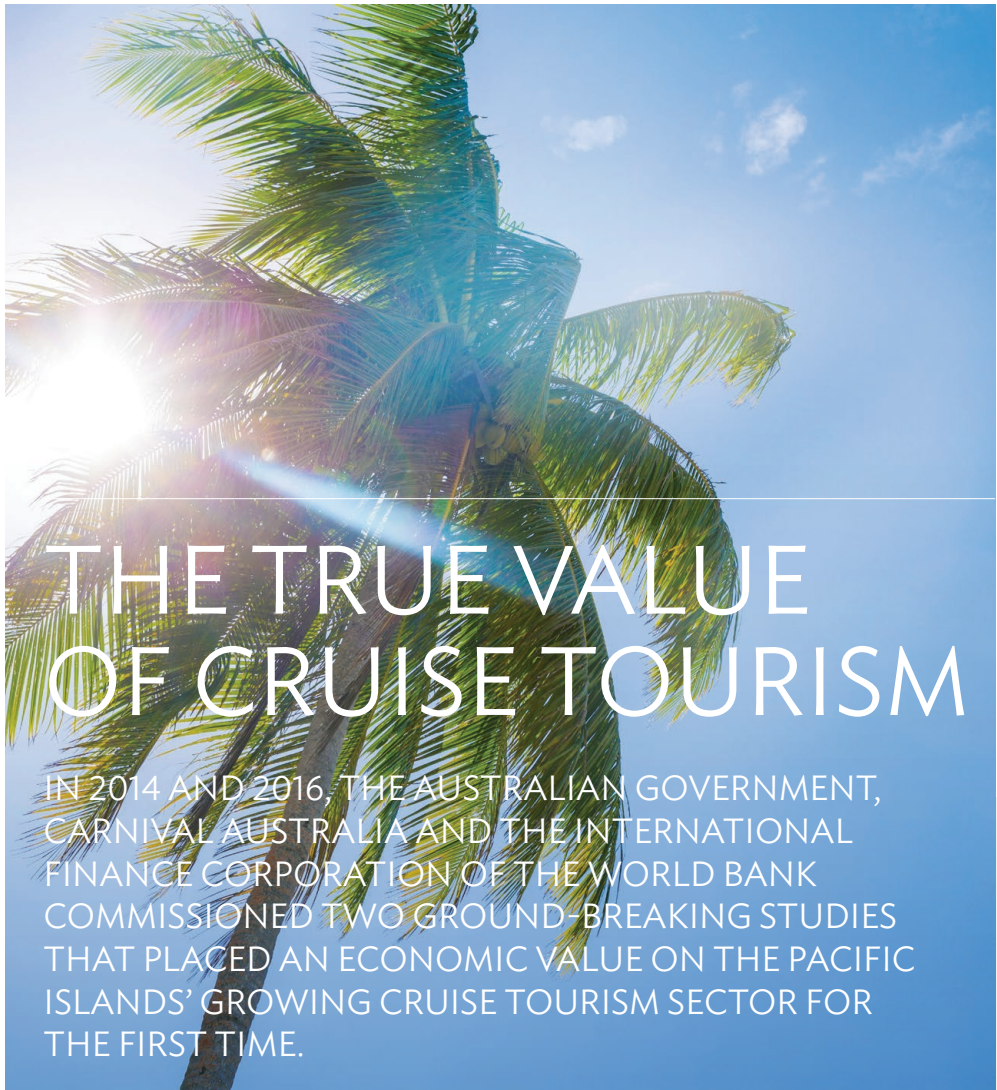


THE TRUE VALUE OF CRUISE TOURISM





THE TRUE VALUE OF CRUISE TOURISM

IN 2014 AND 2016, THE AUSTRALIAN GOVERNMENT, CARNIVAL AUSTRALIA AND THE INTERNATIONAL FINANCE CORPORATION OF THE WORLD BANK COMMISSIONED TWO GROUND-BREAKING STUDIES THAT PLACED AN ECONOMIC VALUE ON THE PACIFIC ISLANDS' GROWING CRUISE TOURISM SECTOR FOR THE FIRST TIME.

Identifying potential growth and income-earning opportunities, the studies have also provided the framework for business and infrastructure investment in Papua New Guinea, Solomon Islands and Vanuatu.

BACKGROUND

In 2013, the Australian Government's Department of Foreign Affairs and Trade (DFAT) and Carnival Australia signed a Memorandum of Understanding (MoU) for a partnership to identify joint opportunities for improving development results against the priorities of the Australia aid program in the Pacific Islands.

As part of the MoU, DFAT and Carnival Australia agreed to work together to analyse and quantify the economic impact of the cruise industry on the Vanuatu economy.

Buoyed by its proximity to Australia, its varied destination offering centered on Port Vila and consistently positive passenger feedback, Vanuatu's cruise arrivals had grown by 15 per cent per annum over the past decade. However, data on tourism, and by extension on the country's cruise tourism industry, was not readily available.

To this end, in 2014 DFAT and Carnival Australia partnered with the International Finance Corporation (IFC) of the World Bank Group to conduct an 'Assessment of the Economic Impact of Cruise Ships to Vanuatu' with the purpose of capturing initial

"The reports confirm the long value chain of cruising, which reaches deep into the Pacific Islands to deliver economic benefit. Importantly, it also paints a picture of opportunities for destinations."

ANN SHERRY AO,
EXECUTIVE CHAIRMAN, CARNIVAL AUSTRALIA

economic information about Vanuatu's cruise industry and providing a point of reference for additional research into the economic, social and environmental impacts of the cruise sector.

In 2016, a second study on the 'Assessment of the Economic Impact of Cruise Tourism in Papua New Guinea & Solomon Islands' was conducted.

DATES

2014-2016

LOCATIONS

PAPUA NEW GUINEA, SOLOMON ISLANDS, VANUATU

KEY STAKEHOLDERS

AUSTRALIAN GOVERNMENT DEPARTMENT OF FOREIGN AFFAIRS AND TRADE (DFAT), CARNIVAL AUSTRALIA, INTERNATIONAL FINANCE CORPORATION (IFC), A MEMBER OF THE WORLD BANK GROUP

PROJECT OVERVIEW

PURPOSE

The goal of both studies was to quantify the economic impacts of cruise tourism and provide data on the sector's effect on economic activity in the respective countries.

Both studies then identified a set of investment opportunities to help increase the economic benefits of cruise tourism – providing a platform that can be used by government, the private sector and donor partners to support further strategic, targeted development of cruising in PNG, Solomon Islands and Vanuatu.

APPROACH

Using similar methodology to studies regularly undertaken in Australia and the Caribbean, independent research companies were appointed to conduct data capture and analysis on the researched ports in PNG (Alotau, Rabaul, Kiriwina, Kitava and Doini Island), Solomon Islands (Honiara) and Vanuatu (Port Vila, Luganville and Mystery Island).

Using data captured from passenger surveys aboard Carnival Australia-operated P&O Cruises, administrative data from Carnival Australia and shipping agents handling cruises in the three countries, and industry data gathered from interviews with in-country businesses and experts, the studies were structured to assess:

- The direct economic impact of cruise ships – based on cruise passengers' expenditure;
- The indirect economic impact – based on the redistribution of cruise ship expenditure through the economy via the tourism supply chain;
- Direct employment impact;
- A list of opportunities to develop cruise tourism in PNG, Solomon Islands and Vanuatu; and
- A cost benefit analysis (CBA) of a shortlist of opportunities to help prioritise future actions to improve the impact of cruise tourism in the relevant economies.



JULY 2013

DFAT and Carnival Australia sign a three-year Memorandum of Understanding (MoU) for a partnership to progress areas of collaboration to enhance economic development in the Pacific region.

AUGUST 2014

'Assessment of the Economic Impact of Cruise Ships to Vanuatu' Report published by the International Finance Corporation (IFC).

SEPTEMBER 2015

IFC undertook a 'Fly-Cruise in the Pacific Islands Feasibility study' in partnership with Carnival Australia. The feasibility study developed a business case for a pilot deployment of a fly-cruise ship model for Carnival Australia and participating Pacific Island countries.

JUNE 2016

'Assessment of the Economic Impact of Cruise Tourism in Papua New Guinea & Solomon Islands' Report published by IFC.

RESULTS



For the first time ever, the IFC studies quantified the economic value of the cruise industry on the surveyed countries. The studies have also identified significant potential for expansion of the industry and income-earning opportunities for local communities, providing the framework to advocate to national governments for business investment in supportive infrastructure to facilitate industry expansion in Pacific Island countries. The IFC studies also developed a multiplier rate/effect to calculate indirect expenditure relating to cruise tourism in the three countries.

The initial 2014 study found that cruise tourism to Vanuatu generates AU\$53.2 million in economic benefits annually. This amounted to 10 per cent of the value of exports. The study also identified a potential additional economic benefit of AU\$30 million over 10 years through destination development and access to the cruise market for local businesses.

The 2016 study found that cruise tourism generates AU\$5.9 million economic benefits annually for PNG and AU\$0.64 million annually for Solomon Islands.

Contributing to anecdotal evidence on the tourism sector in the Pacific Islands, the findings of the 2014 and 2016 studies are qualifying previously held assumptions to build on the strategies and initiatives of national governments to support future growth.

The findings have supported the development of new cruise destinations for P&O Cruises, identified key drivers of passengers spending habits and highlighted areas for improving the passenger experience – all of which have the potential to create new business and employment opportunities for Pacific Island communities.

The studies have also provided a framework under which specific support has been provided to tourism product packaging and wharf-based markets in PNG and Vanuatu including the hosting of a trade show for local businesses in Vanuatu interested in understanding the standards required to supply products to P&O Cruises fleet.

Importantly, as the first major partnership between DFAT and corporate Australia, the success of the MoU with Carnival Australia was instrumental in the launch of Australia's new aid policy in August 2015².

“The economic impact studies identify a strong alignment between the business goals of Carnival Australia and those of national governments to increase tourism revenues.”

PACIFIC REGIONAL MANAGER –
THOMAS JACOBS

REFERENCES

'Creating Shared Value Through Partnership' Ministerial Statement on Engaging the private Sector in Aid and Development, Department of Foreign Affairs and Trade, August 2015
<http://dfat.gov.au/about-us/publications/aid/Pages/creating-shared-value-through-partnership.aspx>

'Assessment of the Economic Impact of Cruise Ships to Vanuatu' Report published by the International Finance Corporation, August 2014. http://www.ifc.org/wps/wcm/connect/region_ext_content/ifc_external_corporate_site/east+asia+and+the+pacific/resources/assessment+of+the+economic+impact+of+cruise+ships+to+vanuatu

PARTNERS

THE AUSTRALIAN AID PROGRAM

Australia's aid program promotes Australia's national interests by contributing to sustainable economic growth and poverty reduction. The aid program focuses on two development outcomes: supporting private sector development and strengthening human development. On 31 August 2015, Australia's Minister for Foreign Affairs launched the Ministerial Statement on engaging the private sector in aid and development - Creating shared value through partnership which invites businesses to work with the Australian Government to help solve our region's development challenges. The Strategy recognises the private sector as a driver of economic growth, incomes and jobs, and as a partner for government to achieve more effective and sustainable aid outcomes.

FOR MORE INFORMATION,
VISIT WWW.DFAT.GOV.AU.

CARNIVAL AUSTRALIA

Carnival Australia was formed in July 2004 to meet the growing demand for cruising and the number of Carnival Corporation & plc cruise companies homeporting ships from Australia and New Zealand. Since then, Carnival Australia has led the rapid expansion of the industry, which has tripled in the past five years alone and now sees well over 700,000 Australians take a cruise holiday each year. Today, Carnival Australia represents three homeported brands in Australia – Carnival Cruise Lines, P&O Cruises and Princess Cruises – as well as another four international cruise brands that visit the region annually – Cunard Line, Holland America Line, P&O Cruises World Cruising and Seabourn.

FOR MORE INFORMATION,
VISIT WWW.CARNIVALAUSTRALIA.COM.

INTERNATIONAL FINANCE CORPORATION (IFC)

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. Working with more than 2,000 businesses worldwide, we use our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In FY16, we delivered a record \$19 billion in long-term financing for developing countries, leveraging the power of the private sector to help end poverty and boost shared prosperity.

IFC's work in the Pacific is guided by the Pacific Partnership. Australia, New Zealand and IFC are working together through the Pacific Partnership to reduce poverty in the Pacific by stimulating private sector development.

FOR MORE INFORMATION,
VISIT WWW.IFC.ORG.