AUCKLAND

Auckland Tourism, Events and Economic Development
An Auckland Council Organisation

Cruise Action Plan for Auckland

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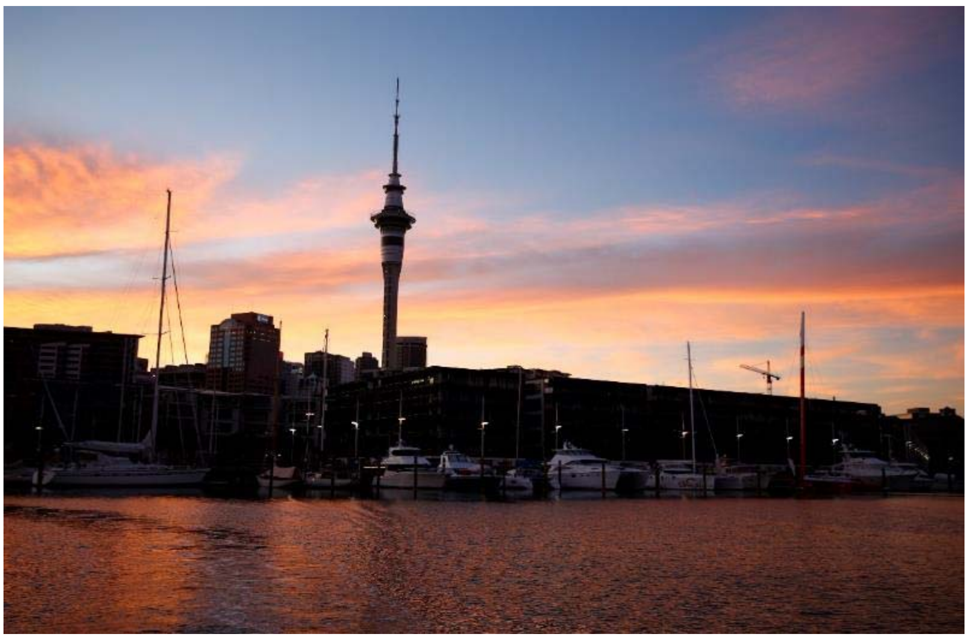
Introduction

Auckland Tourism, Events and Economic Development (ATEED) is a council-controlled organisation (CCO) established to lift Auckland's economic well-being and enhance the region's performance as the growth engine of New Zealand's economy.

The Auckland Visitor Plan *has an aspiration to expand the visitor economy from $4.83 billion in 2012 to $7.23 billion in 2021.*



ATEED has been tasked with developing tourism, delivering events and improving the economic performance of the region and international awareness of Auckland as a desirable place to visit, live, work, invest and do business.

ATEED champions a coordinated approach to all aspects of business sector development across the region, working with central government and private sector organisations to maximise benefits for Auckland.

Tourism 2025[1] includes cruise as one of the key opportunities for New Zealand's tourism sector and includes initiatives which will assist in developing additional benefits from the sector.

[1] Tourism Industry Association New Zealand, March 2014

The *Auckland Visitor Plan* has an aspiration to expand the visitor economy from $4.83 billion in 2012 to $7.23 billion in 2021, representing growth of 50 per cent or 4.6 per cent per annum and to use the benefits of this growth to transform Auckland as a highly attractive place to residents and visitors alike.

Increasing cruise ship exchange visits and attracting vessels carrying higher value passengers are identified in the plan as components which will deliver high value returns to the Auckland economy.

The visitor plan acknowledges that to meet this aspiration, ATEED will play a leading role in growing demand for Auckland through proactive interventions. This will include direct investment in brand management, destination marketing, major events, business events, and other specific initiatives.

Increasing cruise ship exchange visits and attracting vessels carrying higher value passengers are identified in the plan as components which will deliver high-value returns to the Auckland economy.

In recognition of these opportunities, ATEED commissioned an independent report on the cruise industry in Auckland and this action plan is a result of that work.

This action plan identifies opportunities to increase the regional economic benefits from the cruise industry and its contribution to the visitor economy by:

- Identifying growth and industry development trends and opportunities;
- Ensuring that opportunities to develop the cruise industry integrate with other key initiatives, including the *Major Events Strategy*, and initiatives to improve and develop visitor attractions across the region;
- Identifying opportunities to develop the value chain associated with the cruise industry, with visitor attractions and provisioning a key focus; and
- Identifying the potential partners for a range of cruise-specific initiatives with key industry players including Waterfront Auckland (WA), Ports of Auckland Limited (POAL) and the cruise industry.

Background to the cruise industry

Growth of cruising

The long-term prospects for cruise activity in New Zealand are positive. But continued growth is dependent on sufficient investment in cruise infrastructure.

"Globally the cruise industry is experiencing huge growth, with the amount of passengers carried more than doubling in the past decade to more than 20 million in 2012. At present there are no signs of this growth slowing down. New ships being built have passenger capacities of more than 4200 and are now more like small cities than hotels, with a wide range of facilities and activities on board. This means the industry is able to cater for a diverse range of tourists on a range of budgets, taking them around the world to visit different ports and cities."

- ***Economic Impact of the New Zealand Cruise Sector*** [2]

The cruise industry is the fastest growing segment of the travel sector.

In 2013 there were more than 400 cruise ships carrying more than 20 million passengers on the world's oceans and rivers. A further 20 cruise ships will enter service by 2018, estimated to generate an additional US$3.4 billion in annual revenues.

The worldwide cruise market is valued at around US$37 billion with three cruise companies, Carnival Corporation, Royal Caribbean and Genting Hong Kong, accounting for nearly 80 per cent of passengers and more than 70 per cent of revenues. Total spend in New Zealand was estimated at more than $575 million in 2013/14 with economic benefits to New Zealand of more than $365 million.

There are expected to be more than 24 million cruise passengers worldwide by 2018 of which 59 per cent (14 million) will originate from the USA and a further 27 per cent (6.5 million) from Europe. There will be about 1.6m cruise passengers from China by this time.

Australia has recorded double-digit growth year-on-year for the past decade with one million Australians expected to be cruising by 2016. New Zealand's growth was 23 per cent in 2013 (higher than Australia's growth of 20 per cent for that year), with more people per capita cruising than France and Spain.

[2] Market Economics (ME) for Cruise New Zealand, August 2013

The role of Auckland

Auckland provides cruise terminal facilities at Queens Wharf east (the primary terminal), at Princes Wharf (secondary terminal), with a small third berth on Queens Wharf west. These facilities cater for two types of visits:

- Exchange (turnaround) visits – where passengers and crew disembark the vessel having reached their final destination, or embark the vessel for the beginning of their cruise; and
- Transit visits – where passengers and crew are visiting Auckland for the day and return to the vessel to journey on to their next destination.

Auckland is New Zealand's passenger exchange port due to the international air links and hotel capacity for pre/post cruise stopovers. Along with Sydney, it is a key cruise hub for the Oceania region (Australia, New Zealand and the South Pacific).

Auckland's current position as the key hub on the trans-Tasman swing (which operates back and forward between Australia and New Zealand) means that it captures a significant share of cruise visits nationally. Auckland is also the base for trips to the Pacific Islands with P&O's Pacific Pearl using Auckland as its home port for several months of the year.

What happens in Auckland has an impact on the future of the cruise industry in New Zealand and visitors' exchange experiences can impact on their first and last impressions of New Zealand as a destination. "Our analysis suggests that a significant share of the GDP impact generated by the cruise ship industry in New Zealand depends on Auckland's role as a transfer port."[3] Covec 2008.

[3] Understanding the New Zealand Cruise Ship Industry, COVEC for Guido, Septemer 2008

Number of cruise ships visiting Auckland

The number of cruise ship visits to Auckland has grown over the past 20 years. Ship visits have grown from 35 in 2002/3 to 100 in 2012/13, and the number of passengers has grown from 56,000 annually to more than 200,000. During the same period the number of crew members visiting Auckland has grown from 17,000 to about 70,000.

Fig 1 Total cruise ship visits to Auckland 1998 – 2014

Exchange visits provide a 40 per cent higher contribution to the regional economy than transit visits. The number of exchange visits has increased in the past two seasons but the proportion of exchange visits has declined over the past 15-year period.

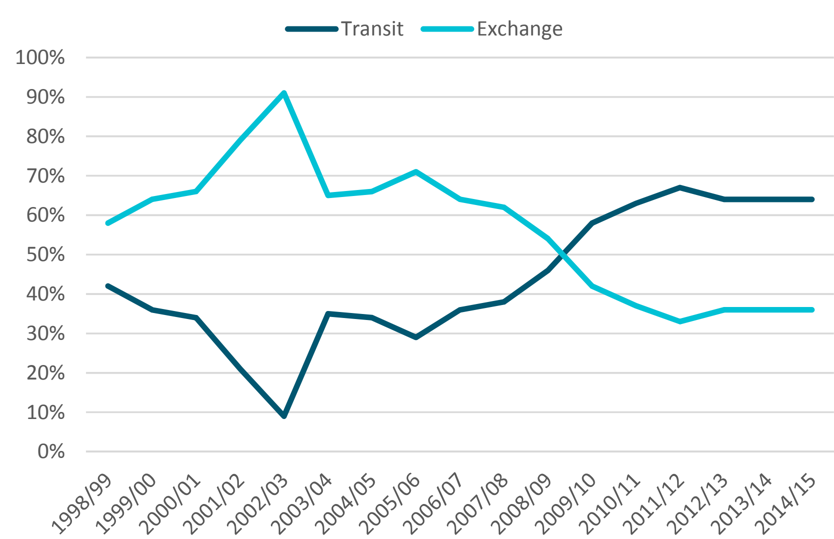


Fig 2 Exchange and transit visits to Auckland 1998 – 2014

There are 92 ship visits booked in Auckland for the 2014/15 season, an increase from the 88 in 2013/14. These visits will be made by 32 separate ships. Cruise ship visits are seasonal and the visits vary year by year. There is a concentration of ship visits in January, February and March.

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Aug
2014/15	4	11	11	16	26	9	8	4	1	2
2013/14	3	10	12	14	17	18	3	5	3	1

Fig 3 Number of cruise ships visiting Auckland each month for 2013/14 and 2014/15

The next cruise season (2015/16) is expected to be another record season for cruise ship visits to Auckland with more than 100 ship visits and new ships visiting, including Explorer of the Seas (a 320m, 3100-passenger vessel), Golden Princess (a new addition to the Princess fleet in Oceania), and luxury cruise ships Le'Soleal and Azamara Quest.

Number of passengers and crew

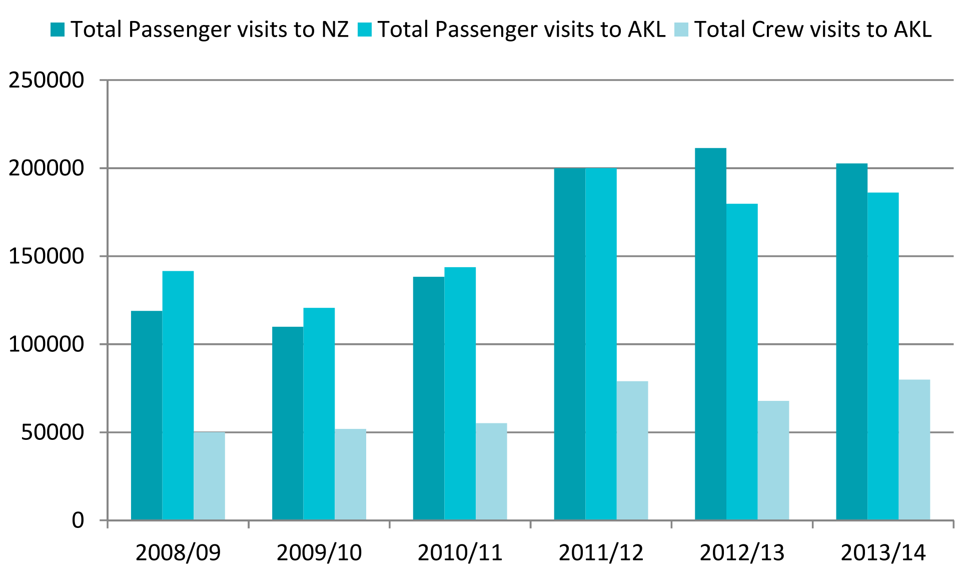


Fig 4 Cruise passengers and crew – NZ and Auckland 2008/9 - 2013/14

New Zealand's cruise industry has grown dramatically since the early days of the mid-1990s, from 27 cruises catering for 19,400 passengers in the 1996/97 season, to 81 cruises catering for 109,951 passengers in 2009/10 and more than 100 cruises with more than 200,000 passengers in 2012/13.

As the size of cruise vessels increases, the number of crews visiting Auckland also increases, and more of them use Auckland as their exchange port. Crew member numbers have grown from less than 20,000 in 1999 to more than 70,000 in 2013 and a large number of crew members leaving their ship in Auckland will spend time here before heading home.

Cruise passengers

Australia is among the world's fastest growing cruise sources

North America is the world's largest source of cruise passengers (about 11.5 million North Americans a year go on cruises), and it is one of New Zealand's largest source markets for this type of tourism.

The number of American cruise ship passengers in New Zealand has continued to increase. The 34,000 US cruise visitors who visited New Zealand in 2013/14 equate to 32 per cent of the 110,000 US holiday arrivals to New Zealand during that year.

However, Australia has become an increasingly important market for New Zealand. Australia is among the world's fastest growing cruise source markets with the number of Australians taking cruise holidays rising from 35,000 in 2008/9 to 102,000 in 2012/13. In 2008, Australia overtook America as New Zealand's largest market of cruise passengers. For the 2013/14 season, 51 per cent of cruise visitors to New Zealand were Australian.

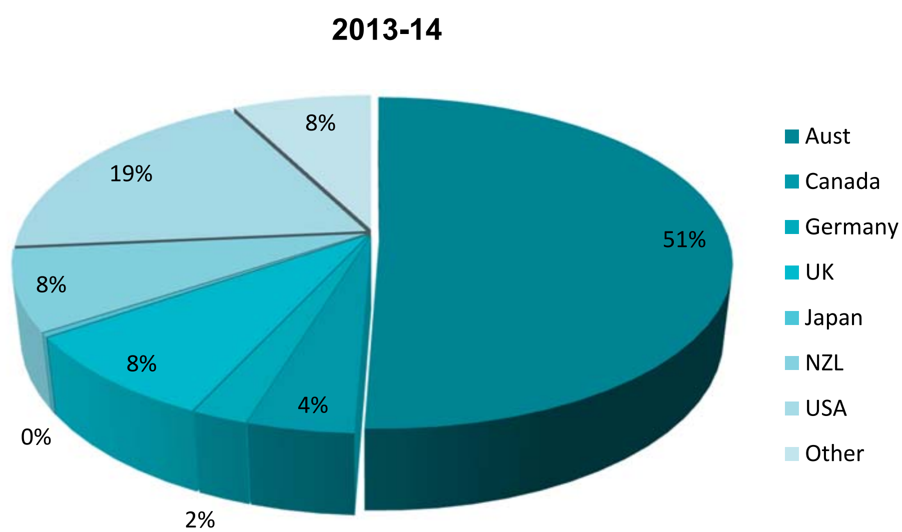


Fig 5 Origin of cruise passengers 2013/14

Cruise lines are diversifying the range of experiences and attractions available on their ships in an endeavour to capture a younger and more family-oriented holiday market. In 2013 less than one third of cruise passengers worldwide were over 60 years old, indicating that cruising is becoming a holiday of choice for a much wider range of people.

The growth in the cruise market in the Oceania region is attracting a number of new cruise lines to base ships in the region and to include Auckland on round the world itineraries.

Larger ships and new markets

As the number of cruise ships visiting Auckland has grown so has their size. The average capacity of cruise ships visiting is now about 2000 passengers with 800 crew members. The largest vessels visiting Auckland presently can accommodate about 3200 passengers.

A significant proportion of the new ships on order are larger (4000-6000 passengers) than those currently visiting New Zealand. As these larger ships enter service around the world, existing ships are being redeployed to the Oceania region to join or replace older ships currently based here.

There are a number of cruise ships based in the Oceania region year-round. Some others are based in the region only during the southern summer, mostly December to March and are generally drawn from the Alaska cruise region, arriving here via the Pacific Islands in our spring and returning in our autumn.

The soon-to-be completed expansion of the Panama Canal and the rapid growth of the cruise market in Asia will change which cruise ships will be based in Oceania. Two 4000+ and a number of 3000+ passenger ships will be based in Asia by 2018 and Ovation of the Seas (4200 passengers) will be in New Zealand in 2016-17.

The long-term prospects for cruise activity in New Zealand are positive. But continued growth is dependent on sufficient investment in cruise infrastructure, including not only port-side infrastructure (the wharf and the terminal) but supporting land-side infrastructure (hotel beds, transport, attractions, activities, and events).

Cruise infrastructure in Auckland

The Cruise NZ economic impact report indicates that from 2009/10 to 2012/13, the economic benefits for New Zealand have grown from $190.9 million to $310 million (63 per cent), while Auckland has seen growth of 82 per cent in the same five years.

Auckland completed the refurbishment of Shed 10 on Queens Wharf in time for it to be Auckland's primary cruise terminal for the 2013/14 cruise season. The refurbishment was undertaken in recognition that cruise infrastructure had not kept pace with the growth in the number of ship visits and the growth in the size of cruise ships.

Princes Wharf is used as a secondary berth for cruise ships when more than one vessel is berthed in Auckland, and for longer ships unable to berth at Queens Wharf. When there are three cruise ships in port, the third ship is accommodated on Queens Wharf west.

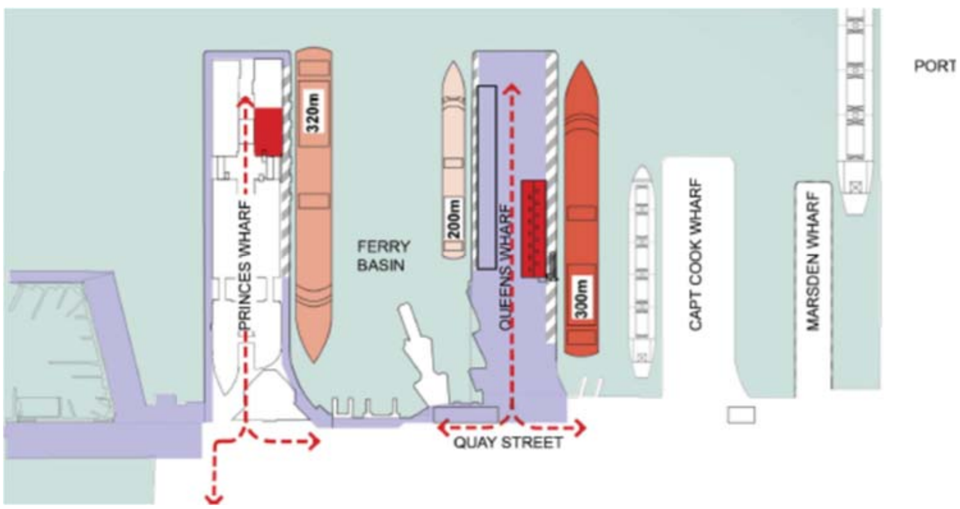


Fig 6 Existing cruise facilities in Auckland

Queens Wharf east can moor ships up to 294m in length, which includes most of the ships which visit Auckland but the newer and longer ships need to berth elsewhere. Voyager of the Seas and Celebrity Solstice (320m), which visited Auckland a combined total of 12 times in the 2013/14 season, berth on Princes Wharf despite the terminal facilities being constrained for the five exchange visits they undertook. In addition Cunard's Queen Mary 2, which visits New Zealand once every two years, berths at Jellicoe Wharf in the port because of its length.

Sydney has completed a programme of works to increase the capacity for larger ships to be accommodated at the Overseas Passenger Terminal at Circular Quay (vessels up to 350m), and created a new purpose-built cruise terminal at White Bay, able to accommodate two ships.

Understanding the economic benefits of cruise for Auckland

The annual economic impact study produced for Cruise New Zealand confirms that the cruise sector is an important part of the tourism industry in New Zealand and that the sector brings in significant foreign expenditure which impacts positively on the New Zealand economy.

As the number and size of cruise vessels visiting New Zealand grow, the economic benefits to the national and regional economies also grow.

When a cruise vessel arrives in New Zealand it begins a long chain of economic transactions that add employment and value to the New Zealand economy. Expenditure occurs well before a vessel docks, and continues after it leaves. Cruise vessels, their crews and passengers spend money on a wide range of goods and services in the New Zealand economy.

- Cruise vessel spend: this covers all expenditure related to the cruise and the operation of the cruise vessel. It includes expenses such as port costs, marine expenses, fuel and maintenance, as well as passenger flights to join the cruise, pre- and post-cruise packages booked with the cruise, re-provisioning costs, and various crew-related expenses such as crew exchanges, crew accommodation and re-positioning flights.
- Cruise passenger spend: this covers all incidental expenditure that occurs as a result of a cruise but is not necessarily part of the cruise itself. It includes items such as all retail expenditure on shore, all café and restaurant expenditure, sightseeing day trips while in port (shore excursions) and other services such as visits to doctors.
- Cruise crew spend: this includes all staff spending while in port, except crew change costs that are paid for by the cruise lines. It includes spend on retail goods, personal services, entertainment, recreational activities and transport.

As the number and size of cruise vessels visiting New Zealand grow, the economic benefits to the national and regional economies also grow. The Cruise NZ economic impact report indicates that from 2009/10 to 2012/13, the economic benefits for New Zealand have grown from $190.9 million to $310 million (63 per cent), while Auckland has seen growth of 82 per cent in the same five years.

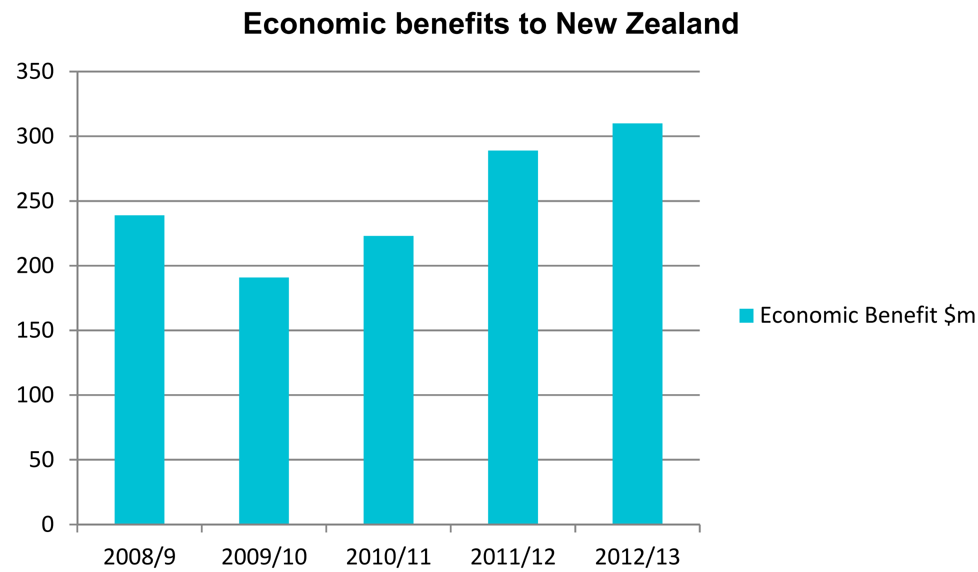


Fig 7 Economic benefits to New Zealand from the cruise sector

The total direct and indirect employment supported by the cruise industry across New Zealand has also risen over the same period from about 3100 to more than 6800. Employment in Auckland related to cruises was estimated at 2700 in 2013/14.

The Cruise New Zealand report for 2014 includes additional and more robust data which is able to identify cruise passenger spending by tracking credit card use. Utilising this data source for the 2013/14 season shows that passenger spending averages about $170 per passenger compared to $130, which was used in previous reports.

This means that the actual economic benefit to Auckland for the 2013/14 season was $159.5 million compared to the estimate in the previous year's report (using the lower passenger spend average) of $115.5 million.

The economic benefit from the cruise sector finds its way into a number of different areas of the Auckland economy. A study by Covec[4] illustrates the expenditure channels for the cruise sector (see below) and indicates that an exchange passenger spends 44 per cent more on goods and services than a transit passenger ($1128 v $782).

Covec estimated that for the 2007/8 season, 64 per cent of New Zealand's GDP impact from the cruise industry was directly related to Auckland's role as an exchange port.

[4] Understanding the value created by Cruise Tourism – Covec Ltd, 2012

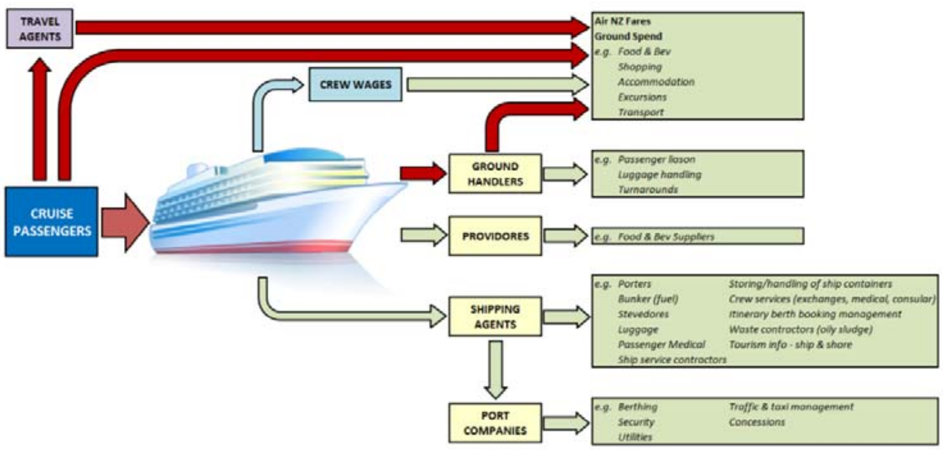


Fig 8 Cruise expenditure channels (Covec)

Cruise lines: an integrated business

The cruise industry is one of the most centralised of all global businesses. Decisions on the deployment of ships and their itineraries relate to the availability of a source market, the viability of the itinerary and the potential yield.

The yield for a cruise line relates not only to the fare paid by the passenger but also to spending by the passenger on board the ship and the shore excursions booked through and arranged by the cruise line.

Opportunities for Auckland

Faster growth in higher yielding regions such as Asia will provide an opportunity for more ships to be based in this region.

With the continued investment in new and larger ships, the growing popularity of cruising as a holiday of choice for a wide range of people, and the anticipated growth of cruising in Asia, New Zealand will continue to be attractive as a cruise destination.

A scan of the strengths, weaknesses and opportunities for New Zealand and Auckland to grow the cruise market suggests that while Auckland is well-placed to develop its role as the key New Zealand cruise destination, there are ongoing challenges as the cruise market grows and changes:

- Growth trends and changing cruise demographics favour more adventurous travel;
- Growing wealth in Asia is encouraging more ships to be based in this region;
- Auckland is a well-established cruise hub which is rated highly for its visitor experience;
- Distance from source markets and the relative high cost of air travel, are perceived as barriers to the growth of cruise exchange visits;
- Competing priorities for scarce capital investment will mean that infrastructure upgrades and new attractions may not keep pace with the growth of ships and the number of passengers;
- Competition for scarce space on the waterfront for events, open space, development and for cruise ship visits could reduce the industry efficiency that is one of Auckland's strengths;
- Faster growth in higher yielding regions such as Asia will provide an opportunity for more ships to be based in this region but a delay in local cruise infrastructure investment may encourage cruise companies to deploy those ships in other regions;
- Cruise lines are keen for consistent supply of healthy food products. The availability of quality food and drink is a significant opportunity for the New Zealand food and beverage (F&B) industry. There is an opportunity to target very specific markets including supply of premium, gourmet and boutique products to the growing Asian region.

Strengths

- New Zealand has key attractors and well-located ports
- NZ is cruise-friendly and rates highly with cruise passengers
- Auckland is an established and recognized cruise hub port for the Oceania and South Pacific region
- A new multi-purpose cruise terminal located in the centre of the city
- Well-developed tourist infrastructure and attractions
- Friendly host city
- Capable and well-respected cruise industry
- Quality food production and provisioning capability
- Lower cost structures than Australia and USA
- Effective supply chain

Weaknesses

- Distance from source markets
- Perceived shortage of air capacity and high travel costs
- Recognition of NZ compared with Asia or Australia
- Attractions not cruise-focused and limited
- Access to capital to develop infrastructure and attractions
- Lack of sector cohesion / collaboration beyond operational requirements
- 97 per cent of F&B companies are small scale
- Less than 5 per cent of F&B businesses undertake R&D

Opportunities

- Focus on development of city region as a vibrant destination
- China and SE Asia – growing affluent middle class and growing cruise market
- Connections to future source markets improving
- Cruise demographic changing to more active, more adventurous and more affluent
- Increase foreign direct and local investment
- Increased demand for healthy and fresh ready-to-eat products, sources of protein, fresh drinking water
- Congestion in Sydney
- Industry works together to offer a competitive option for cruise lines to base a ship in Auckland

Threats

- International competition with growth of Asian cruise market
- Infrastructure limitations in Auckland and other NZ ports
- Environmental concerns – travel distances, food, miles, traceability
- Issues with food safety compliance
- Exchange rates
- Attraction and tour capacity
- Fuel costs
- Queens Wharf is a multiple-use space
- Capital works in the vicinity of Queens Wharf for four or five years starting in 2016
- Australian ports preferred to Auckland as an alternative to Sydney

Fig 9 SWOT analysis of the Auckland cruise industry

There are a number of areas where Auckland can increase the benefits to the region from the growth of the cruise sector:

Growth of cruise ship visits

In 2013 however, New Zealand cruise passenger numbers soared to an all-time high of 59,316, a growth rate of 23 per cent, one of the largest growth rates for cruisers worldwide.

In addition to the growth occurring in the region there are distinct opportunities to increase cruise visits to Auckland which will provide additional economic benefits. They include:

- Encouraging new cruise lines to visit Auckland and base ships in this region. There are a number of cruise lines which do not visit or base ships in the Oceania region. These include Norwegian, MSC and Star, all of which have ships accommodating more than 3000 passengers on order, as well as small ship luxury lines such as Windstar;

- Encouraging round the world and other cruises to stay overnight in Auckland. A number of cruise lines now cater for stays in port of more than one day to allow passengers to fully explore a city or region. These overnight stays are particularly popular on round the world cruises;

- Developing new itineraries targeted at specific markets, including the south-eastern Pacific. South Pacific itineraries are generally focused on the islands of New Caledonia, Vanuatu and Fiji which have established infrastructure and are readily accessible from the east coast of Australia. Tonga, Samoa and the Cook Islands could offer alternative South Pacific island destinations which are accessible from New Zealand;

- Increasing the number of luxury, adventure and round the world cruises to visit Auckland more frequently. These cruises tend to attract high-yield passengers who stay longer in Auckland and are more willing to pay a premium for high-end activities and experiences. New Zealand's diverse wild- and sealife and its extensive islands, fiords and coastlines provide opportunity for growth of this style of cruising.

There is scope to intervene and influence the deployment decisions of cruise lines and to increase the number of ship visits to Auckland. This will require a coordinated effort on the part of Auckland Council, Ports of Auckland, the regional tourism industry, cruise industry, Auckland Airport, and Air New Zealand. ATEED will lead this work.

Growth of exchange visits

There is further opportunity to promote Auckland as an exchange port which would substantially increase the economic benefit from the cruise ship visit and the passenger spend.

A higher number of exchange visits will result in:

- a higher number of overseas cruise passengers, predominantly from the USA and Australia with potential to increase the number of cruise passengers from Asia;

- higher passenger and ship spend;
- the opportunity to encourage passengers to spend extra time in Auckland and New Zealand;
- an increase in ship provisioning.

As the deployment of cruise ships is related to the number of 'cruisers' in those markets, a higher number of exchange visits will also provide opportunities for cruise lines to grow the cruise market among New Zealand residents.

While cruise lines have indicated that Sydney is constrained by congestion and that Auckland is an attractive alternative, there is a need to overcome perceived constraints relating to air capacity, pricing and the attractiveness of Auckland to international travellers. ATEED will lead this work with Auckland Airport, Air New Zealand and the cruise industry.

Growth in the size of ships

Cruise lines are responding to the growth in popularity of cruising in the Oceania and Asian regions by increasing the number and size of ships based in these regions. Royal Caribbean's Quantum of the Seas and Ovation of the Seas (both 4200 passengers) will be based in China in coming seasons and other cruise lines have announced plans to deploy new large ships in Asia. Ovation of the Seas will visit New Zealand in 2016/17.

There is scope to intervene and influence the deployment decisions of cruise lines and to grow the number of ship visits to Auckland

The next generation of cruise ships based in Asia from this year will be unable to berth at either Queens or Princes Wharves when they are deployed in Oceania. They will be able to berth at some but not all of New Zealand's other cruise destinations.

This provides some imperative for investment in additional infrastructure to enable these ships to berth in Auckland, especially now that the Sydney Ports Corporation has extended the Circular Quay berth to accommodate some of these ships.

Cruise Infrastructure

Auckland's *Waterfront Plan* and *Downtown Framework* recognise the need to continue to improve Auckland's cruise infrastructure to respond to the growth in cruise ship visits and the increasing size of cruise ships. A number of potential locations for larger ships are being considered as part of a review of the progressive cruise strategy including options to enable longer ships to berth on Queens Wharf, Captain Cook Wharf or a longer term option to utilise Wynyard Wharf.

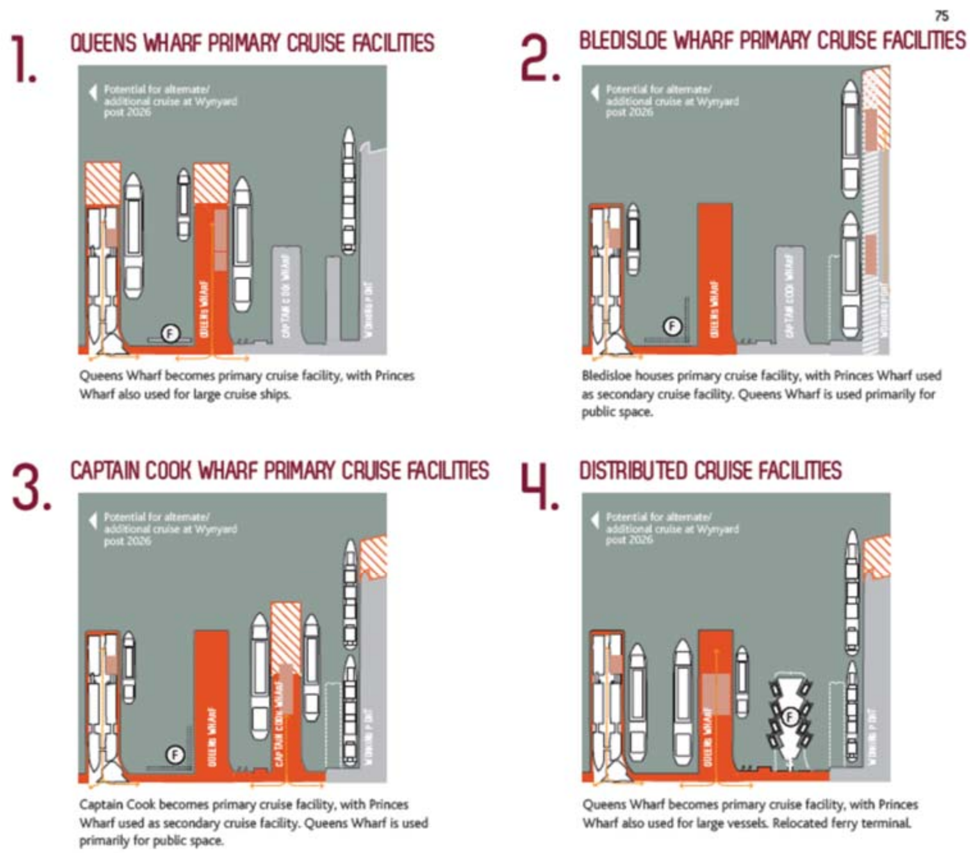


Fig 10 Options for additional and extended cruise facilities in Auckland

The cruise industry is anticipating that larger ships (350m) will be visiting Auckland regularly within the next five years.

When larger ships come to Auckland will be dependent on a number of factors including growth in Asia, the availability of infrastructure and the ability of other ports in New Zealand to accommodate visits by these vessels. The ability of Auckland as a hub port to accommodate these larger ships is critical.

The cruise industry is anticipating that larger ships (350m) will be visiting Auckland regularly within the next five years. It is likely that the visits will be infrequent in the first few seasons but will grow once these ships are regularly based in Asia and once the necessary infrastructure is in place in this region.

ATEED, as the council's lead agency for cruise, will play a key role in coordinating action to ensure that funding will be available, and that there is a plan to capture the additional benefits from this investment.

Quality experience encourages return visits

When cruise lines consider their forward cruise itineraries they will strongly favour destinations which are attractive for visitors, which are cruise-friendly and which passengers rate highly. The strength of the local cruising market is also a factor in ship deployment.

Around 30 per cent of passengers take the opportunity to join a shore excursion through the cruise line.

A quality passenger experience in Auckland is vital to encourage passengers to rate Auckland highly, to make a return visit to Auckland, and to influence future decisions of cruise lines to increase the number and type of ship visits.

New Zealand is recognised as a cruise-friendly destination and Auckland consistently scores highly in passenger surveys, wins awards, and is reviewed favourably by travel commentators for its facilities, efficiency and friendliness.

Queens Wharf and Shed 10 provide an improved arrival experience for cruise passengers, and the location of a pop-up i-SITE on Queens Wharf providing visitor information and the opportunity to book local attractions has been well received.

The arrival experience, the coordination with the cruise lines in the provision of visitor information through a range of channels, shore excursions which reflect the broad range of visitor attractions, and a programme of promotions specifically recognising cruise passengers will be critical elements of improving the visitor experience and raising the potential of increased cruise ship visits and return visits by passengers.

Presenting quality choices to cruise passengers will need a focus on the information being up-to-date and appealing, the information being available through a variety of channels and the experience to be memorable.

Ensuring the planned programme of capital works in the Britomart and downtown waterfront areas is a positive rather than a negative experience for cruise ship visits and for passengers will be a significant challenge but one that is essential to maintain the momentum of cruise growth. Developing mitigation strategies and engaging as early as possible with the cruise industry will be essential.

There is an increasing expectation that the diverse history and culture of New Zealand will be reflected in Auckland, that cultural experiences will be readily accessible for visitors and that the experiences they have will be unique and not available elsewhere.

ATEED will work with both the inbound tour and destination management companies who contract to the cruise lines, local attractions and tour operators, and with local business associations to ensure that promoted attractions and destinations provide a welcoming approach to cruise ship passengers and experiences are unique and reflect the cultural diversity of Auckland.

Increasing New Zealand food and beverage (F&B) on board

Providing three meals a day on a cruise ship as well as associated snacks and beverages adds up to a vast quantity of provisions on a voyage.

Cruise lines engage in centralised buying and distribution of goods and services across their brands and their ship fleet, and the majority of foodstuffs are freighted into New Zealand in climate controlled containers and loaded aboard.

Cruise lines source considerable fresh produce for their ships when they visit New Zealand, but their centralised global buying policies, combined with a relatively high exchange rate, restricts the ability of New Zealand to supply a wider range of goods to cruise lines.

The worldwide trend to embrace healthier eating habits, a growing interest in food generally, and the proliferation of reality-based cooking shows and celebrity chefs has created a shift in dining expectations and can benefit the New Zealand F&B industry.

Provision of perishable fresh produce, particularly meat, fish, vegetables and dairy is an area that should grow as consumer interest in fresh and healthy food develops. Given the quality of produce and the innovative nature of the food industry in New Zealand, the ability to supply these products through all ports in this region (Australia and New Zealand) and targeted products to the Asian region, is worthy of investigation.

In addition there may be opportunities to promote New Zealand food products to cruise ship passengers through land-side food expos or on board while the ship is circumnavigating New Zealand. Special wine and artisan tastings for products that are available in their home countries, combined with information that is readily accessible worldwide, could provide passengers with a memorable New Zealand experience with sales and word of mouth follow-through.

ATEED is already working closely to develop and grow the F&B sector in Auckland and will extend this work to encompass the opportunity with the cruise industry.

Maritime qualifications

International education is one of New Zealand's largest export revenue earners, contributing more than NZ$2 billion annually to New Zealand's export economy. Cruise ships provide substantial job opportunities worldwide and are a large component of total employment in the maritime industry.

Auckland's Manukau Institute of Technology's (MIT) New Zealand Maritime School offers a broad range of qualifications in navigation and marine engineering. Further programmes relating to hospitality, logistics and requalification offered by MIT and other Auckland-based tertiary institutions are relevant to the cruise industry.

Auckland hosts 60 per cent (or about 56,000) of the total 93,500 international students studying in New Zealand. These students contribute about $1.45 billion per annum to the Auckland economy. Auckland has been ranked among the top cities in the world for students to pursue a university education.

Cruise ship visits to Auckland have grown from 34 in 2004 to 88 in 2014 and the number of passengers has risen from 50,000 to nearly 200000.

Maritime education provides a unique opportunity to build on Auckland's position in the marine sector and its recognition for specialist skills and services in boat design, build and related maritime activities. Building on the existing MIT infrastructure, Auckland has the potential to expand the maritime training, education and qualification offer in the Oceania and Asian region.

ATEED will prepare a plan to lead the growth of international education in Auckland. This plan will include consideration of opportunities to expand Auckland's role in maritime education. Further research into the potential need for marine qualifications for the cruise sector will be part of the development of the plan.

Implementation of the plan will require close collaboration with existing education providers to ensure that course content meets industry requirements and to develop new courses.

A possible scenario for cruise growth in Auckland

Cruise ship visits to Auckland have grown from 34 in 2004 to 92 in 2014 and the number of passengers has risen from 50,000 to nearly 200,000.

Forward cruise ship bookings in Auckland for 2015/16 already total 104 and are likely to be higher. Taking into account the recent cruise trends it is anticipated that cruise ship visits will reach 120 by 2020 and with a continued increase in the size of ships, the number of passengers will exceed 250,000 by that date.

But the continued growth of cruise ship visits and of passenger numbers is dependent on the continued investment in infrastructure to cater for larger ships.

Without this infrastructure investment, the growth in ship visits and passengers will slow as these larger ships are deployed to replace older and smaller ships in the Oceania region but are unable to berth in Auckland. In this scenario ship visits may reach 130 with 300,000 passengers by 2030.

This action plan anticipates that there is infrastructure investment to enable these larger ships to visit. This will provide an opportunity to influence the deployment decisions of cruise lines and to favour Auckland as an exchange hub as an alternative to the congestion of Sydney and as a consequence of Auckland's infrastructure investment and coordinated actions.

In this scenario, the number of cruise ship visits would increase to 150 and the number of passengers increase to 375,000 by 2030. In addition, larger cruise ships are more likely to visit (up to 12 visits per year by 350m ships by 2030) and the proportion of exchange visits grows to 50 per cent.

Continued rapid growth of cruising in Asia combined with the impact of the expanded Panama Canal has the potential to accelerate the growth of the cruise industry in Auckland. In this scenario cruise ship visits would grow to 180 and the number of passengers to over 460,000 by 2030. The number of large ship visits would also grow to 24 by 2030.

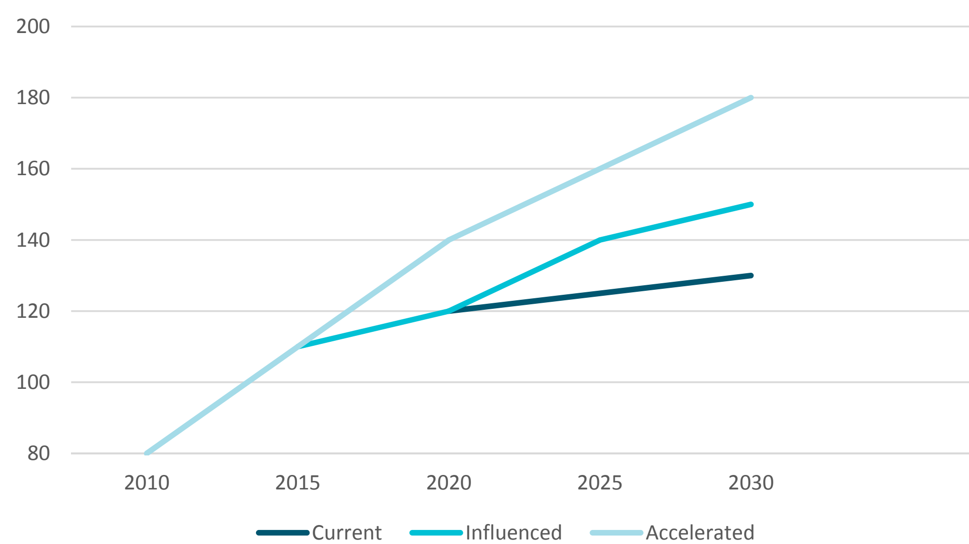


Fig 11 Scenarios for cruise ship visits to Auckland 2015-30

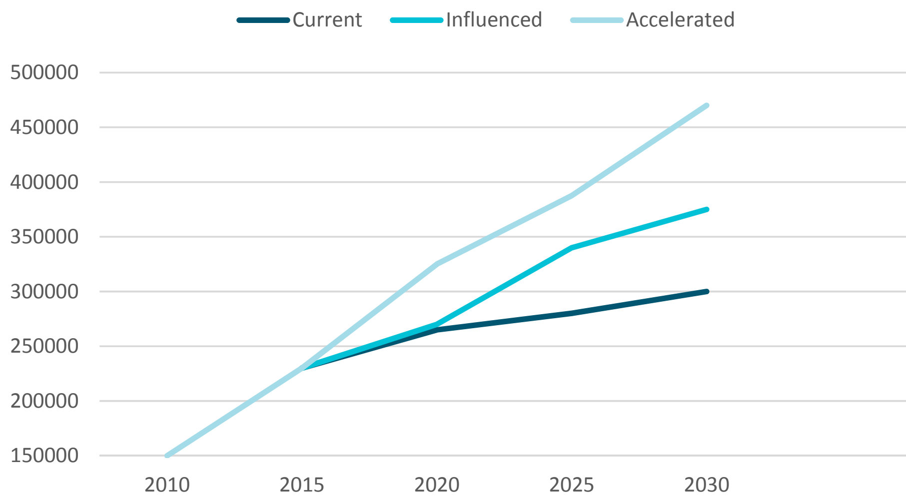


Fig 12 Scenarios for cruise passenger numbers 2015-30

The scenarios indicate that the growth of GDP benefits from the cruise industry to the Auckland economy will slow without investment in infrastructure for larger ships but has the potential to significantly increase when this investment is made.

Applying the passenger, crew and vessel spend ratios in the most recent Cruise New Zealand report[5] to the current, influenced and accelerated scenarios indicates that the potential GDP benefit to the Auckland economy could grow from $159 million in 2013/14 to between $300 million and $376 million by 2030.

An increase in the proportion of exchange visits, which add around 40 per cent more to the regional economy, further growth in passenger spend generated as a result of the development of Auckland's visitor attractiveness, and growth of provisioning in Auckland, will also greatly increase the economic benefits to Auckland's economy.

[5] Economic Impact of the New Zealand Cruise Sector 2014 – Market Economics Ltd for Cruise New Zealand, October 2014

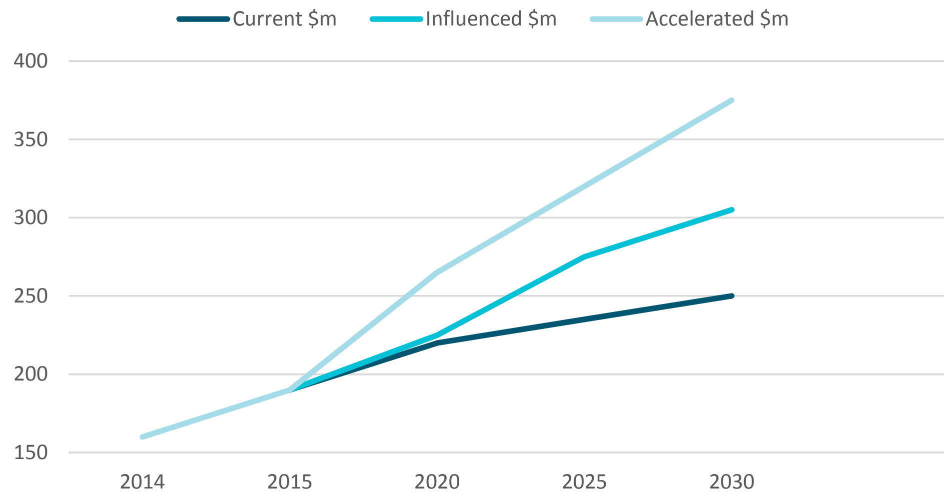


Fig 16 Scenarios for Value Add 2015-30

ATEED's priorities and actions

Cruising continues to grow internationally, cruise passengers are getting younger, traditional cruise markets have bounced back after the GFC and new markets are being developed. Australia, New Zealand's closest source market, is now the world's second highest cruising nation after the USA, and Asia is the fastest growing cruise market. River and expedition cruising are growing significantly, cruise lines are developing family-oriented on-board experiences with more discretionary on-board options, and new ship builds are focusing on larger ships. All of these trends have positive implications for Auckland.

The cruise industry adds significantly to the Auckland economy from spending by cruise ship passengers and from the goods and services for the cruise ship.

Auckland is the hub port for New Zealand and is the key exchange port acting as a gateway for passengers starting or finishing their cruise. These visits generate larger economic benefit than a transit visit.

The cruise industry adds significantly to the Auckland economy from spending by cruise ship passengers, and from the goods and services for the cruise ship.

The growth and diversification of the New Zealand cruise market has occurred with key decisions being made by cruise lines head offices (mostly in the USA) and regional offices (mostly in Sydney).

The key question for Auckland is what actions and priorities are necessary to grow the economic benefit from the cruise sector above that which will occur through natural growth and change in the market. What interventions will be necessary to shape the cruise market for highest value growth and who is best placed to lead on these?

The *Auckland Economic Development Strategy*, the *Auckland Visitor Plan* and the *Business Competitiveness and Growth Strategy* all look to visitor growth as one means to build the regional economy.

Auckland is well-placed to grow the cruise sector. It has an established competitive advantage as a cruise hub, with new cruise infrastructure and an enhanced arrival experience, and it is developing a strategy for further infrastructure investment. The existing cooperative relationship between agencies involved in cruise infrastructure and services, the commitment to enhance natural, urban and cultural attractions, and Auckland's well-recognised hosting abilities, add to these strong foundations.

Priority Actions

Auckland has an aspiration to be the world's most liveable city and is tailoring its plans, place-making, investment and support for business to achieve this. Auckland is an attractive visitor destination and more New Zealanders are taking cruises.

ATEED will focus on specific key actions to grow the cruise sector:

- **Grow capacity and capability:** ensure that Auckland is cruise-ready, that cruise infrastructure keeps pace with growth in the number and size of cruise ships and is able to influence cruise ship deployment.

- **Target high-yield visitors:** increase the number of cruise ship visits with a focus on the growth of exchange visits, high-value cruise tourism and expedition cruises.

- **Be visitor-friendly:** enhance Auckland's cruise friendliness, further develop the arrival experience and visitor information for cruise passengers, leverage Auckland's natural advantages and destination goals, and coordinate the offer for cruise passengers with Auckland businesses.

- **Develop world-class attractors and experiences:** provide a memorable visitor experience that focuses on Auckland's natural, urban and cultural attractiveness.

To gain additional benefits from the growth of the cruise industry, ATEED will further develop its involvement in:

1. **Provisioning**: support companies that can increase the provisioning of high value New Zealand food and beverages on cruise ships and assist companies wanting to take advantage of the growing international F&B market, in particular for cruise ships in Asian markets.

2. **Qualifications:** identify opportunities to develop Auckland as a place for marine qualifications, specifically for the cruise ship market and work with established academic institutions with the capability to achieve this.

ATEED has a key role in economic leadership, in supporting sector growth and in promoting and showcasing Auckland. ATEED is best placed to be the lead player in shaping and influencing the cruise market in Auckland. ATEED's Tourism and Economic Growth teams have a range of personnel already working directly or indirectly in the cruise sector.

ATEED will work with the cruise and tourism industries to implement a range of actions to grow the cruise industry in Auckland and will take the lead in the sharing of information, improvement in cross-region linkages and collaboration and communication within the sector.

ATEED will continue to work in collaboration with key partners, including Auckland Council, Waterfront Auckland, and Ports of Auckland, as well as with Cruise New Zealand, the Ministry of Business, Innovation and Employment and other industry organisations and companies. ATEED will also facilitate improved linkages with the education sector around marine qualifications and with the F&B sector around opportunities for provisioning.

To complement and further these initiatives, Auckland has the opportunity to embrace an aspiration to be the:

"Best cruise destination in the Oceania region"

Actions	Partners	How – Actions for ATEED	Start Date
Establish, lead and resource a cruise forum (CF) consisting of the Council and CCOs to implement the actions	ATEED, iSITE, Ports of Auckland (PoAL), Waterfront Auckland (WA), Auckland Transport (AT) Auckland Council	• Commit resources to implement *Cruise Action Plan* (ATEED) • Establish work program and prioritise tasks (CF) • Use this forum to address issues and or opportunities that arise during the cruise season	Underway & ongoing
Finalise progressive cruise infrastructure strategy to ensure compatibility with Central Wharves project and other City Centre transport initiatives	WA, PoAL, cruise industry	• Review progressive cruise strategy and agree on capital investment strategy for cruise infrastructure to meet projected growth (CF)	2nd Qtr 2015 (underway)
Develop business case for infrastructure investment required and identify potential sources of funds for these	Auckland Council, WA and PoAL	• Examine funding opportunities and responsibilities in conjunction with the Council and CCI (CF) • Work with partners to prepare proposals for investment and funding (ATEED)	2nd Qtr 2015
Support cruise industry promotion of Auckland as a cruise hub, grow number of visits, and encourage new cruise lines to visit	Cruise industry	• Continue active membership of Cruise NZ (ATEED) • Develop marketing strategies to cruise lines (ATEED) • Support Cruise NZ promotion activities and provide Auckland collateral (ATEED)	Ongoing
Coordinate activity to grow exchange visits by addressing identified constraints and promoting to cruise lines	Cruise industry, Auckland Airport, airlines	• Establish a cruise working group (CWG) with key partners to develop business propositions for each cruise line (ATEED) • Identify constraints and develop a programme of action to resolve them • Establish consistent liaison with the cruise lines	2nd Qtr 2015 (underway)
Seek ways to extend the enhanced arrival experience through the city centre	City Centre Advisory Board, Heart of the City	• Review arrival graphics in gangway, Shed 10 and Princes Wharf each season to identify need to refresh (ATEED) • Investigate opportunity to continue graphics through city centre and at key attractions, including via visitor AT HOP card	2nd Qtr 2015
Develop marketing channels and visitor information for cruise passengers and coordinate with cruise ships	Cruise industry, tourism industry	• Develop visitor information package for cruise lines including maps, essential information and promotions of Major events taking place in Auckland (ATEED) • Work with cruise lines and others to ensure that destination information available on board to passengers is up-to-date, relevant and accurate (ATEED) • Update cruise section on AucklandNZ website (ATEED)	Underway
Develop a programme for cruise passengers to overcome construction impacts of City Rail Link and other downtown projects.	CCI, PoAL, CRL, Business Associations	• Work with CCI and CRL to identify construction work programmes for Downtown precinct and develop management plans with cruise industry to mitigate effects (ATEED)	3rd Qtr 2015
Assist NZ F&B suppliers to increase NZ product as part of general provisioning in Oceania and Asia	Cruise industry, F&B suppliers and providores	• Work with CWG and providores to identify opportunities (ATEED) • Establish a work programme to develop a proposition to increase NZ product penetration to cruise lines (ATEED)	3rd Qtr 2015