

Western Cape Cruise Liner Industry
Economic Contribution 2023-24 Season

Prepared for Wesgro



Prepared by:
Antony Boting

6 August 2024

Headline Findings

The contribution to the Western Cape and national economies of the 2023-24 Western Cape cruising season is presented in Table ES1.

Table ES1: 2023-24 Western Cape Cruise Season

<u>Vessel Numbers</u>	67
World Cruise	35
Expedition	5
International Coastal	22
Domestic Coastal	5
<u>Unique Passengers</u>	81 790
World Cruise	37 405
Expedition	716
International Coastal	23 035
Domestic Coastal	20 634
<u>Crew</u>	42 771
International Cruises	36 239
Domestic Cruises	6 532
<u>Total Expenditure</u>	R1 509m
International Passengers	R713m
Domestic Passengers	R40m
Crew	R40m
Cruise Lines	R715m
<u>Macroeconomic Contribution</u>	
Western Cape GDP-R	R1 320m
South African GDP	R1 692m
Direct Jobs	1 096
Total Western Cape Jobs	1 965
Total South African Jobs	2 397
Fiscus	R188m
Household Income	R660m
Foreign Exchange	R985m

67 vessels called at the Cape, carrying 82 000 'unique' passengers¹. Over 38 000 were on world and expedition cruises and 23 000 on international coastal voyages. There were almost 21 000

¹ Unique passengers are those passengers who made a single journey. They are disembarking and transit passengers as well as embarking passengers on the final journey from Cape Town. They are different to the passenger movements reported by the V&A Waterfront.

passengers on domestic coastal voyages. These vessels and passengers generated R1.5bn in expenditure. The bulk was from cruise liner operators and international passengers and is an increase of 8.0% over the R1.4bn expenditure of the 2022-23 season.

This R1.5bn expenditure resulted in:

- A R1.32bn contribution to Western Cape GDP-R and R1.69bn to South African GDP.
- Over 1 000 people in the Western Cape owed their employment directly to the cruise industry. Multiplier effects increased this to almost 2 000 in the province and 2 400 in the country. One job was created by every 36 passengers.
- The season made a R188m contribution to the fiscus, R660m to household income and almost R1bn to foreign exchange.

There were 20 vessels rerouted to the Cape because of the conflict in the Middle East. These Red Sea reroutes contributed between 20% and 25% to the macroeconomic indicators.

Executive Summary

Cruise vessels have been calling at the Cape for some years. This industry was given impetus with the opening of the Cape Town Cruise Liner Terminal in the V&A Waterfront in 2020. It has gathered momentum post covid.

There is a need to monitor the economic health of industries, including cruise liners. StratEcon was appointed last year to determine the baseline economic contribution of the 2022-23 Western Cape cruise industry. The appointment was extended for three years and this report measures the economic contribution to the Western Cape and South Africa from the 2023-24 Cape Town cruising season.

Estimating the industry economic contribution is not a simple task. The cruise liner contribution is not just the vessels, it is also the spending by passengers and crew. Vessels call in at the Cape and then sail away. Others start at the Cape and sail on a voyage 'to nowhere' or cruise along the coast making multiple port visits. Some vessels carry mostly South Africans while others are mostly international. Some international visitors disembark just for a day in Cape Town while others fly into South Africa, travel to the Cape for a cruise and then probably continue their stay for a week or so. The South African – international passenger distinction is important because they stay for different lengths and spend differently. Then there is the crew, some of whom are South African, and the extent of their shore leave. Finally, is vessel expenditure for which there was very limited information. The details of these complexities are available in the main report.

The 2023-24 Western Cape Cruise Season

A total of 67 cruise vessels visited Cape Town between November 2023 and June 2024. Of these 67 vessels, 20 were rerouted to the Cape because of the conflict in the Middle East. World cruises formed the bulk, with 35 visits. These were followed by 22 international coastal voyages (which use Cape Town as a home port and cruise up and down the coast with mostly international passengers on board), five expedition vessels and five domestic coastal vessels (which are like the international coastal vessels but are aimed primarily at the domestic market). Vessel numbers were 4% less than the 70 of the 2022-23 season. There were more international vessels than last season but less domestic.

There were 82 000 unique passengers this season, 3% less than the 84 000 of 2022-23. The composition is different though, with substantially more international passengers this season but

only half the domestic passengers. The increase in international passengers are transit passengers, however, who visit the sights of Cape Town only while the vessel is in port.

Serving the passengers were 42 800 crew. Most of the crew were considered 'in transit', meaning they remained with the vessel on its voyage but some of whom were given shore leave to explore Cape Town. There were 2 100 crew members who disembarked and 2 300 who embarked in Cape Town. These crew members usually spend two extra days in the city and are treated like international tourists in the analysis.

Table ES2: Total Expenditure excluding Displacement

Type of Vessel	Number of Visits	Tourist Expenditure		Crew	Vessels	Total	% of Total
		International	Domestic				
World Cruise Expedition	35	R320m	R2m	R23m	R346m	R691m	46%
International Coastal	5	R11m	R0m	R1m	R10m	R22m	1%
Domestic Coastal	22	R382m	R1m	R15m	R240m	R638m	42%
	5	R0m	R38m	R2m	R119m	R159m	11%
Total	67	R713m	R40m	R40m	R715m	R1 509m	
% of Total		47%	3%	3%	47%		

The 2023-24 Western Cape cruise season expenditure is summarised in Table ES2. This is before considering displacement effects. Total expenditure amounted to an estimated R1.51bn, with the cruise lines and international passengers contributing the bulk at R715m and R713m respectively. Crew and domestic passengers contributed the remaining 6% of total expenditure, with R40m each. Displacement at a provincial and national level needs to be considered and the R1.51bn reduces to R1.35bn nationally and R1.24bn provincially.

Western Cape Economic Contribution

Economic contribution is typically measured as increases in income and jobs. Income is typically measured, at a national level, as contribution to Gross Domestic Product (GDP). The provincial equivalent is Gross Domestic Product – Regional (GDP-R). This is the broadest measure of economic contribution. It is the total value of all final goods and services, which is fundamental to the economic quality of life of people.

The cruise season contributed R1.32bn to Western Cape GDP-R. This is composed of R670m in direct and R650m in multiplied contribution. The contributors were vessel expenditure at 49%, international passengers at 46%, crew at 3% and domestic passengers with 2%.

Jobs are important. Over the season there were 1 096 direct (full-time equivalent) jobs provincially. Multiplier effects increased this to 1 965 jobs. It is of some value to know where these jobs were created. Shops, markets and souvenir sellers had a 47% share, followed by hotels and restaurants with 31%. Various business services like tour agencies received 6%, while fuel bunkering had 5%. The remaining 12% was distributed between port fees & other government services, transport, recycling and water provision.

South African Economic Contribution

At a national level economic contribution is typically measured as increases in GDP. Jobs are also important. It is also possible, at a national level, to estimate the contribution to foreign exchange, taxes and household incomes.

GDP is the broadest national measure of economic contribution. The 2023-24 cruise liner season contributed R1.69bn to the South African GDP. This is an increase of R372m on Western Cape GDP-R.

Nationally, there were 2 397 jobs. International passengers made the largest contribution. Their expenditure created 1 243 full-time jobs across the country, 52% of the total. Spending by vessels added 36%.

South Africa has historically had a major current account deficit and any contribution to growing foreign exchange is welcome. Over the cruise season a total of R1.35bn foreign exchange came into the country and R366m flowed out (on fuel, for example). This gives a net R985m foreign exchange inflow. In this instance international visitors accounted for 56% and expenditure by vessels brought in a further 41%.

The season generated R188m for the national fiscus of which 59% was from international visitors. Vessel expenditure added a further 38%.

The season added R660m to household incomes, again with the lion's share of 55% coming from international passengers. Vessel expenditure added 42%.

Local and International Comparisons

Numbers are all very well, but it often helps to see these relative to other metrics and compared to the previous season. Table ES3 compares the economic contribution of this season to that of the last while Table ES4 compares the Western Cape to selected emerging markets.

Table ES3: Comparison between 2022-23 and 2023-24 Seasons

Macroeconomic Comparisons	2022/23	2023/24	Difference
WC GDP-R	R1 234m	R1 320m	R85m
WC Jobs	1 864	1 965	101
Net Foreign Exchange	R731m	R985m	R254m
Taxes	R144m	R188m	R44m
SA GDP	R1 288m	R1 692m	R403m
SA Jobs	1 889	2 397	507

All macroeconomic indicators shown in Table ES3 are higher for the 2023-24 season compared to 2022-23. This is due to the increased expenditure in 2023-24. However, the proportional increase in national macroeconomic indicators surpasses that of the provincial ones. This discrepancy is due to the nature of the spending and the smaller domestic cruise industry that limits the provincial contribution.

There were 20 vessels rerouted to the Cape because of the conflict in the Middle East. These Red Sea reroutes contributed R326m in expenditure and the economic contribution of the 2023-24 Western Cape cruise season would have been between 20% and 25% lower had these vessels not called at the Cape.

Table ES4 gives the details of the size of the cruise line industry in some emerging markets. In Brazil the industry contributed 0.03% to both GDP and jobs in 2019 (latest data). Mexico's comparators at 0.1% and 0.02% are possibly the result of its location next to the US.

The Western Cape cruise industry can hold its head high. Nationally the industry made a 0.03% contribution to GDP and a 0.01% contribution to job creation. It is comparable to Brazil and lags Mexico. However, it must be recognised that these are national and not provincial statistics. The results are even more spectacular from a Western Cape perspective. The 2023-24 season contributed 0.13% to the Western Cape economy and 0.07% to employment. There was one full time provincial job for every 36 passengers.

Table ES4: Cruise Line Economic Contribution – Selected Emerging Markets

	Cruise line industry as percent of:	
	Total GDP	Total jobs
Brazil 2019	0.03%	0.03%
Mexico	0.10%	0.02%
South Africa	0.03%	0.01%
	Provincial GDP-R	Provincial Jobs
Western Cape	0.13%	0.07%

Sources:

Brazil - Cruise Lines International Association (CLIA)

Mexico - OpenAI

WC: This analysis and Wesgro & SARB

The final and more direct comparators are against direct national spending by international holiday makers, on the one hand, and tourist spending in the Western Cape. These expenditure amounts were sourced directly from Tourism SA. The first comparison is between direct onshore expenditure by international passengers and direct spending by all international holiday makers. In 2023 international holiday makers spent R95bn in the country. At the same time the cruise season international passengers spent R0.8bn. This is a 0.79% equivalent.

The second comparison is to the Western Cape directly. In this instance, the available data was for all visitors to the Western Cape (domestic and international) for all purposes (holidays, visiting friends and family, business, etc.). In 2023 these visitors spent R39bn. In the 2023-24 cruise season international and 'out of province' passengers spent R0.6bn. This is a 1.59% equivalent. This is an understatement because a better comparator would be only holiday makers to the Western Cape rather than all visitors. Nevertheless, the contribution is approximately 80% of the 2% global norm reported by the Cruise Lines Industry Association.

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Abbreviations

CLIA	Cruise Lines International Association
Forex	Foreign Exchange
GDP	Gross Domestic Product
GDP-R	Gross Geographic Product – Regional
SIC	Standard Industrial Classification of all Economic Activity
SAM	Social Accounting Matrix

Introduction

Cruise vessels have been calling at the Cape for some years. This industry was given impetus with the opening of the Cape Town Cruise Liner Terminal in the V&A Waterfront in 2020. It has gathered momentum post covid.

There is a need to monitor the economic health of industries, including cruise liners. StratEcon was appointed last year to determine the baseline economic contribution of the 2022-23 Western Cape cruise industry. The appointment was extended for three years and this report measures the economic contribution to the Western Cape and South Africa from the 2023-24 Cape Town cruising season.

There are seven parts to this report. First is a description of international experiences, the economic contribution made by cruise liners globally and how this has changed over the last year. The second paints a picture of the Cape Town industry with a view to making the economic estimates. Comparisons regarding vessel arrivals, passenger and crew numbers are made to the 2022-23 season where appropriate. The third section gives the estimated economic contribution of the 2023-24 Cape Town cruise liner season. Section four compares this year's economic contribution to that of last year and to national and international experiences. Section five summarises the results and section six lists the literature references. The final section is an appendix that describes the methodological approach for this macroeconomic assessment.

1 International Cruise Line Industry

This section paints a brief picture of the international economic contribution of the cruise liner industry and the main changes to the industry over the last year. The main source is the Cruise Lines International Association (CLIA). The CLIA publishes regular information on cruises, passenger numbers and economic analyses.

The global cruise industry is estimated to have generated \$62.2bn of direct spending, which in turn resulted in \$137.6bn of productive output worldwide in 2022, the year of latest economic assessment. This in turn contributed \$68.9bn to global Gross Domestic Product (GDP) and created employment for 1 211 000 people, earning \$42.8bn in salaries and wages (CLIA, 2023b, p. 7). The United States and Canada benefitted the most in terms of contribution to GDP, with \$29.1bn out of the \$68.9bn (42%). This was closely followed by Europe, at \$26.9bn (39%). The remaining \$12.9bn (19%) was distributed throughout the rest of the world. The employment distribution was different and here it was the rest of the world where most of the employment was concentrated, with 594 000 jobs out of the 1 211 000 (49%). Europe was next with 370 000 jobs, or 31% of the total. The United States and Canada, despite having the lion's share of GDP, only employed 19% of the cruise industry workforce.

Cruise passengers spend on average \$750 in port cities over the course of a typical seven-day cruise. This is more than \$100 daily and it therefore comes as no surprise that globally every 24 cruise passengers create one full-time job equivalent (CLIA, 2023a, p. 41). This underscores the importance of this industry to a country such as South Africa, with its high unemployment rate. These jobs are not only confined to those directly employed by the industry but also through the supply chain effects and induced impacts when these employees spend their salaries and wages.

The contribution can be even broader. It has been shown that worldwide 63% of cruise passengers have returned to a destination they first visited on a cruise ship (CLIA, 2023a, p. 41). This is important for the Western Cape. This repeat tourism can increase incrementally over time as international visitors are introduced to the Western Cape and become regular visitors.

Cruise tourism is outpacing growth in tourism overall and in 2023 exceeded pre-pandemic levels by 7% (CLIA, 2024, p. 8). In contrast, international tourism arrivals in 2023 were forecast at 80% to 95% of pre-covid levels. Direct expenditure associated with the cruise industry almost doubled from \$35bn in 2021 to \$64bn in 2022. Cruise tourism is further forecast to grow at an annual 6%

from 31.7m passengers in 2023 to 39.7m in 2027. Despite this growth, cruise currently represents only 2% of the travel and tourism sector (CLIA, 2024, pp. 8, 13).

Cruise tourism is becoming a model for responsible tourism and most cruise lines actively collaborate with ports and destinations to maximise the benefits of tourism for communities (CLIA, 2024, p. 16). This year saw similar endeavours in South Africa, with some vessels stopping off at the smaller ports of Hermanus, Saldanha Bay and Mossel Bay. Most passengers participate in shore excursions organized by the cruise lines with local providers. Some excursions in Mossel Bay, Hermanus and Saldanha include visits to game lodges (where free roaming wildlife can be viewed), hiking, scenic mountain passes, archaeological sites, wine and gin tasting, historic landmarks and quaint town centres. This accords with international trends, where passengers are becoming younger and seek immersive, responsible, bucket-list travel experiences (CLIA, 2024, p. 26).

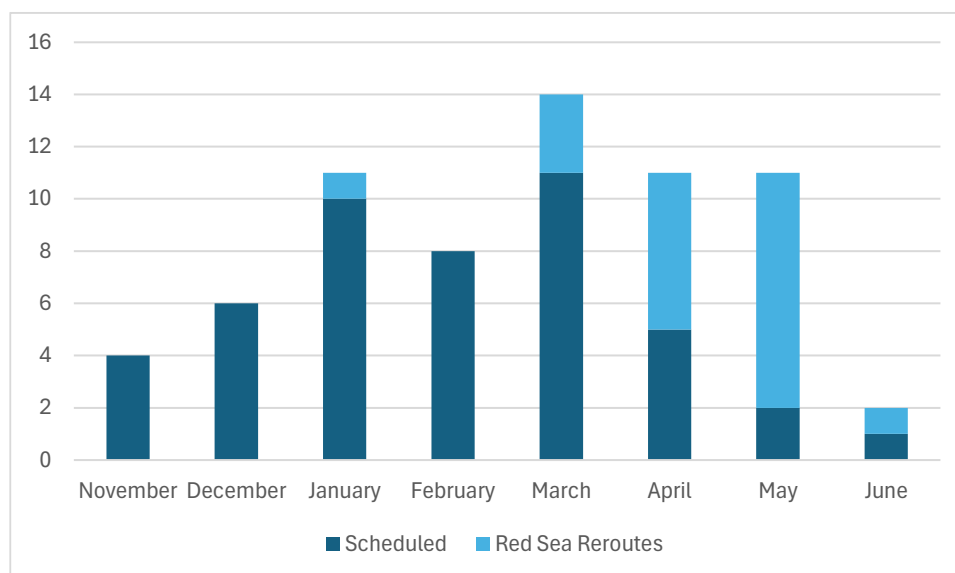
2 2023-24 Vessel Arrivals and Statistics

The section starts with a description of the vessels that arrived in the Cape over the 2023-24 season. This is followed by a description of the vessel types which is important because this allows a distinction between local and international passengers and length of stay. This leads into the expenditure data which forms the basis of the macroeconomic calculations. Comparisons are made to last year's season to illustrate changes.

2.1 Vessel Arrivals

The latest Cape cruising season stretched from November 2023 to June 2024, with 67 vessels visiting Cape Town. This is illustrated in Figure 1. There were fourteen visits in March, the maximum for the season, and eleven in each of January, April and May.

Figure 1: Vessel Arrivals - Monthly



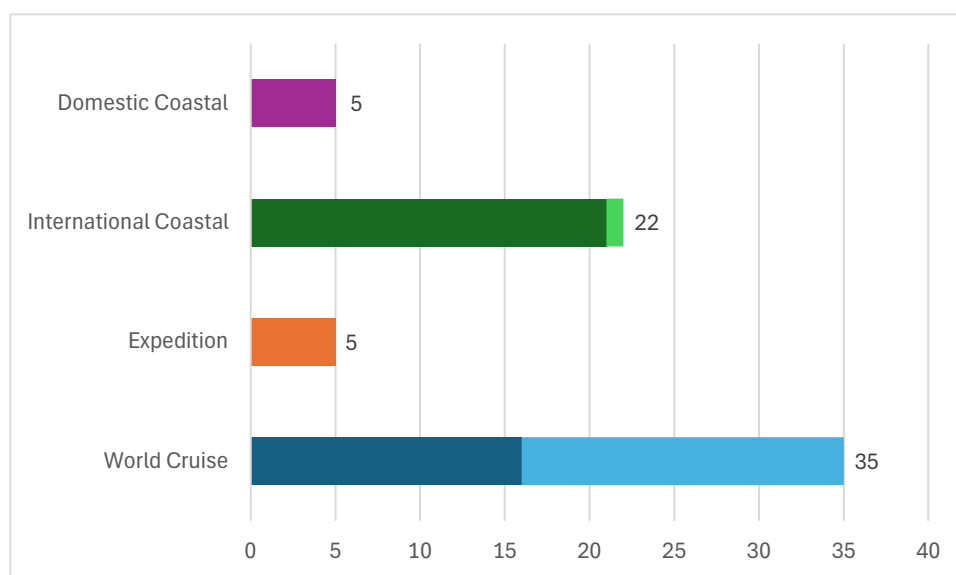
Source: (Wesgro - Cruise Cape Town, 2024)

A distinction is shown between the scheduled vessels calling at the Cape and those that were rerouted because of the conflict in the Middle East. The latter are shown by the light blue columns in the diagram. There were twenty such vessels and they had the effect of extending the peak season into May.

2.2 Vessel Type

Four types of cruise vessels docked in Cape Town. These were domestic coastal ships operating turnaround voyages for South Africans, international coastal ships also operating turnaround voyages but aimed almost exclusively at the international market, world cruises and international expedition ships. The latter two are similar in that they visit Cape Town as part of a broader international cruise but the size of vessel and purpose of voyage differs. These, and the number of arrivals, are illustrated in Figure 2.

Figure 2: Vessel Arrivals by Type



Source: (Wesgro - Cruise Cape Town, 2024).

There were 35 world cruises and five expedition visits. These vessels call at the Cape on a long voyage and depart. Passengers on visitor vessels generally see the sights of Cape Town when the vessel is in port, return to their vessel and sail away. Some do embark and disembark when the vessel is in Cape Town, but most are transit passengers. The distinction between a world cruise and an expedition is the size of the vessel and the purpose of voyage, with the latter being substantially smaller and emphasizing exploring remote locations rather than just visiting main ports.

Completing the international visits were the 22 international coastal vessels. These voyages are marketed almost exclusively at the international market. They sail the Southern African coast and make extensive port visits. The voyages start and end in Cape Town. Visitors on turnaround

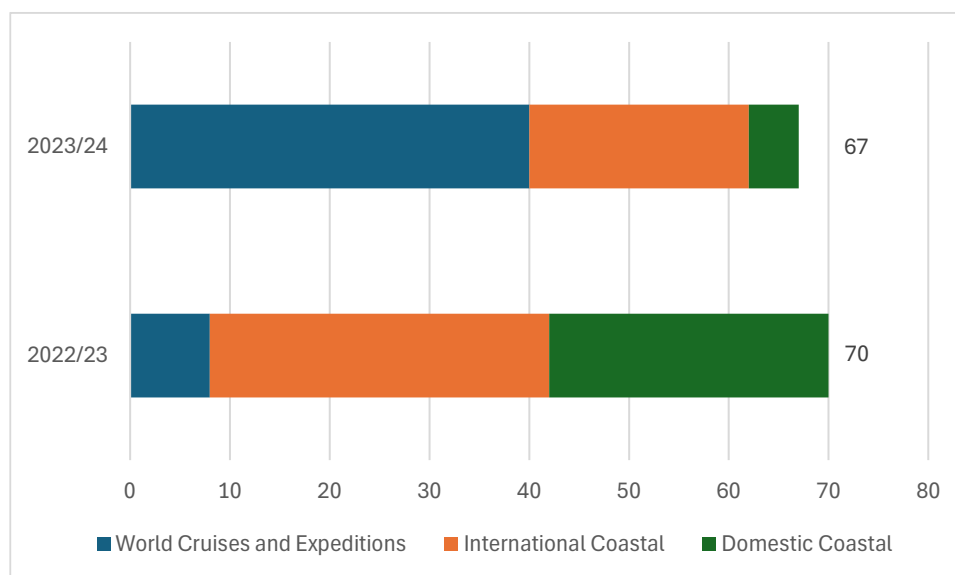
vessels embark and disembark in Cape Town. This means they must travel to Cape Town, probably stay in Cape Town and possibly visit other attractions in South Africa.

This season there were only five domestic coastal vessels. These are marketed almost entirely at the South African market. They are 'out and back' voyages that start and end in Cape Town.

The lighter shaded bars in Figure 2 are those that were rerouted because of the conflict in the Middle East. Nineteen out of the twenty vessels rerouted were world cruises and the remaining one an international coastal vessel.

Figure 3 compares this season's visits to those of last year and indicates that there were three less vessel calls, a 4% reduction. This would have been a 33% reduction had the 20 Red Sea reroutes not called at the Cape.

Figure 3: Season Vessel Comparison



There is a substantial difference in the type of vessels that visited the Cape. There were 40 world cruises and expedition vessels this season compared to the eight of last season. While there was an increase in the world cruises and expeditions, both the international and domestic coastal voyages were down on last season. This season there were 22 international and five domestic coastal voyages, compared to the 34 and 28 of last season.

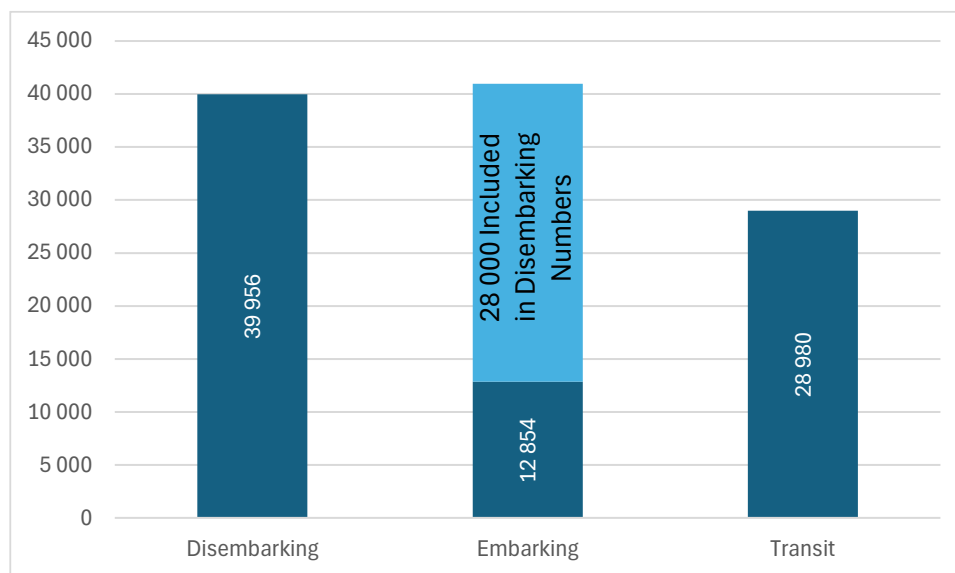
2.3 Passenger Information

The analysis makes a distinction between three types of passengers – international, those from the Western Cape and ‘out of province’ South Africans.

2.3.1 Numbers

Passenger numbers were calculated from those embarking, disembarking or in transit. These numbers are shown in Figure 4. It is obviously incorrect to sum embarking and disembarking passengers on turnaround voyages because they are largely the same people. The number of disembarking passengers was used in the passenger calculations. Embarking passengers were included on the last voyage because they had been in Cape Town and were on the last voyage out of the country. For want of a better term they are called ‘unique’ passengers².

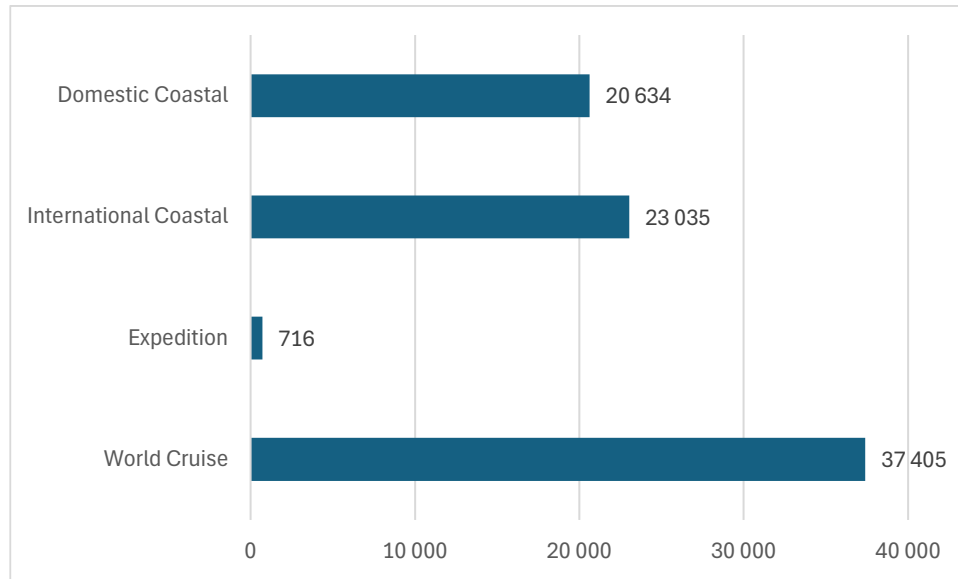
Figure 4: Disembarking, Embarking and Transit Passengers



There were 109 994 embarking, disembarking and transit passengers but these reduce to 81 790 unique passengers when eliminating the 28 094 embarking passengers already included in the disembarking numbers. Included in these numbers were 28 980 transit passengers. Many, if not all, transit passengers leave the vessel to tour the Western Cape but return to the vessel in the evening. These unique passengers, by type of vessel, are shown in Figure 5.

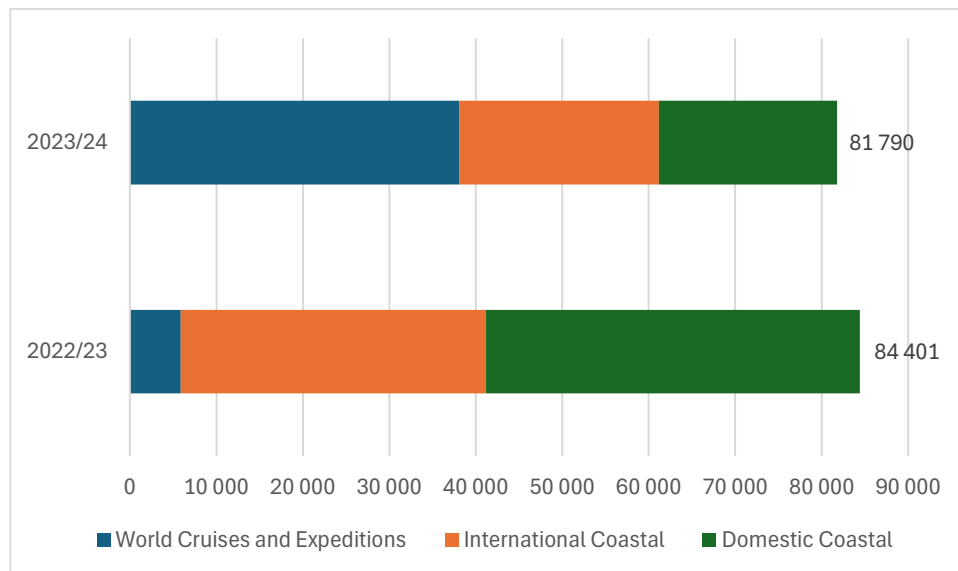
² Unique passengers are different to the passenger movements reported by the V&A Waterfront

Figure 5: Unique Passengers by Vessel



World cruises make up the bulk of the unique passengers at 37 405 passengers. This is 46% of the total. There were 23 035 international coastal passengers, accounting for a further 28%. There were 20 634 domestic coastal passengers (25%) and 716 expedition passengers, making up the final 1%.

Figure 6: Season Passenger Comparison



There were 82 000 unique passengers this season compared to the 84 000 of last year. Although there were less unique passengers this season than last, Figure 6 shows that the international

numbers were up substantially. This can be seen by the sum of the blue and orange bars in the graph. There were 61 000 unique international passengers in 2023-24 compared to the 41 000 of last season. In contrast, there were fewer domestic passengers at almost 21 000 this season, compared to the 43 000 of last season.

Figure 7: Comparison of International Unique Passengers

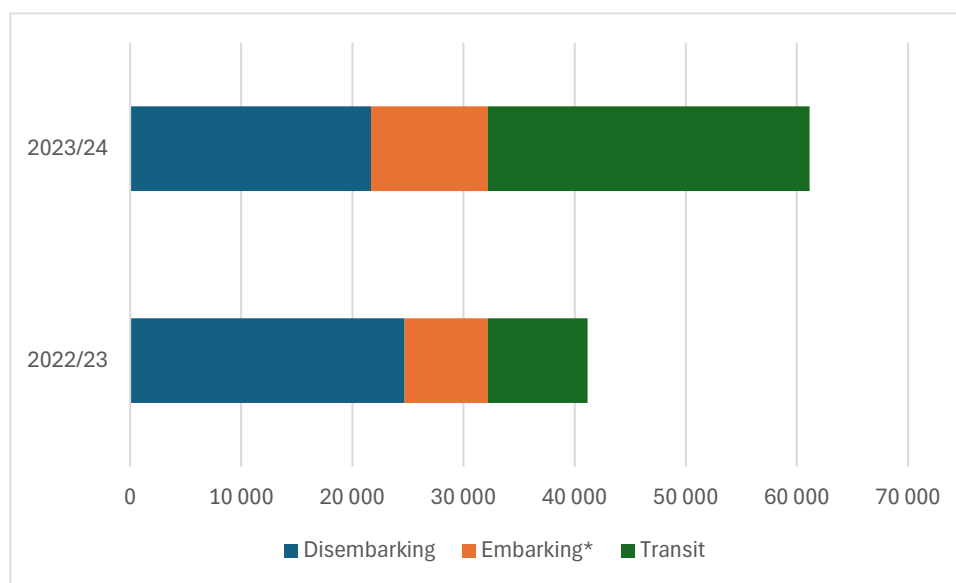


Figure 7 compares only the international unique passengers and the total number of disembarking and embarking passengers (the blue and the orange bars in the diagram) are similar over the two seasons. However, there is a substantial increase in the number of transit passengers in 2023-24. While this is welcomed, these passengers sleep onboard and only explore Cape Town for the time that the vessel is in port. They do not have the high expenditure profile of longer-term visitors.

2.3.2 National and International Passengers

It is important to differentiate between national and international passengers because they have different onshore spending patterns. It is expected that the bulk of passengers on domestic volume vessels are South African. This follows from the fact that these voyages are marketed in South Africa and make few port calls while on a voyage. A 100% South African passenger composition was assumed in the absence of better information.

Table 1: South African Passengers

	% SA	Rationale
Domestic Coastal	100%	Domestic Coastal targets local markets with limited SA Port visits
International Coastal	98.6%	International Coastal targets international markets. Manifest has 1.4% SA
World Cruise	97.2%	Targets mostly international market. Manifest has 2.8% SA
Expedition	97.2%	Assumed as above

The proportion of South Africans on board international vessels is based on passenger manifestos that were provided by some cruise liners. There were 2.8% South Africans on world cruises and 1.4% on international coastal vessels. No information was available for expedition vessels and it was assumed that these would be the same as world cruises. These assumptions are summarised in Table 1.

Table 2: Passengers by Origin

Type of Vessel	Source	Europe	North America	South America	Asia	Middle East	Oceania	Africa	South Africa
Domestic Coastal	Assumed								100%
International Coastal	Manifest	40.9%	50.8%	0.2%	0.6%	3.0%	2.9%	0.2%	1.4%
World Cruise	Manifest	66.5%	13.5%	0.1%	0.9%	0.0%	14.2%	2.0%	2.8%
Expedition	As Above	66.5%	13.5%	0.1%	0.9%	0.0%	14.2%	2.0%	2.8%

The final important piece of information in this section is the origin of passengers by vessel which is given in Table 2. Apart from South Africans on domestic volume vessels, the bulk of passengers on international vessels are from Europe. The only difference is with international coastal vessels where there are more North Americans. There is a sprinkling of visitors from other areas, most notably Australian and New Zealand passengers on world cruises.

2.3.3 South African and Western Cape

Just as it is important to differentiate between South African and International passengers it is equally important to differentiate between Western Cape and 'out of province' passengers.

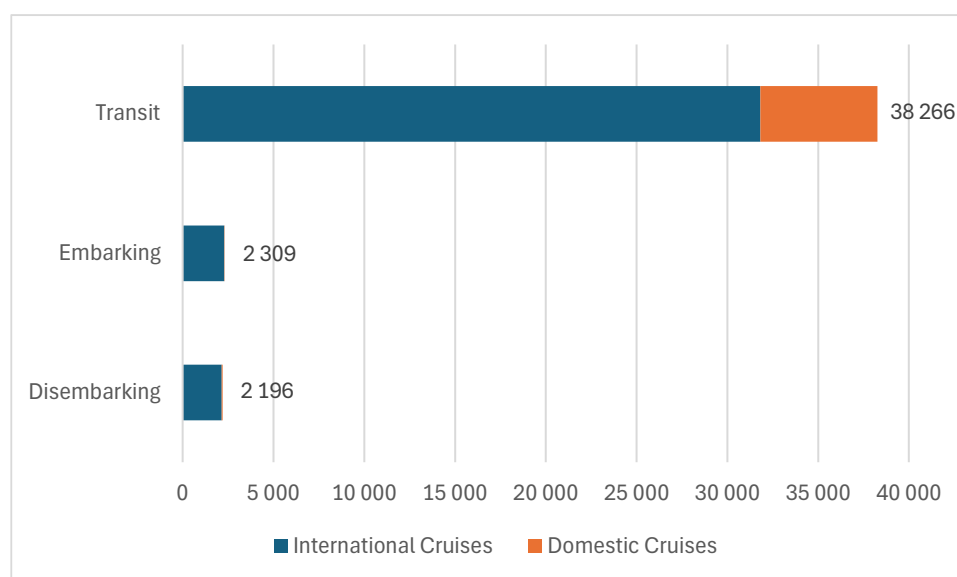
It can be expected that the expenditure of people from the Western Cape on a cruise is likely to be at the expense of some other type of expenditure, typically other leisure activities. This is a displacement effect. As a result, it was necessary to remove all Western Cape passengers from the economic estimates because their expenditure would be at the expense of other expenditure in the province. This was done by excluding passenger related costs like food, water, etc. Costs like fuel and harbour fees were included because they are incurred irrespective of passenger numbers.

The challenge is that the proportion of Western Cape passengers is not known. So, the proportion was estimated by deduction using the following approach. MSC operates from both Cape Town and Durban. The more populated and richer parts of South Africa are closer to Durban than Cape Town. It can therefore be expected that Durban would be the port of choice for a cruise for those South Africans. This means that while the Western Cape only makes up a small part of the total population it will make up a far larger part of cruise passengers. The proportion is not known and 50% was assumed.

2.4 Crew Information

The number of crew is shown in Figure 8. The bulk are in transit but there are an almost equal amount disembarking and embarking the vessels in Cape Town. This distinction is important. Some transit crew are given shore leave for the day and they are treated like tourists visiting Cape Town. The embarking and disembarking crew are usually accommodated in a hotel for two days³ and the analysis also treats them like international tourists. The embarking and disembarking crew spending two days in the city is a new component to the analysis and was not included in last year's report.

Figure 8: Disembarking, Embarking and Transit Crew



³ Pers. Comm. Meeting with V&A 8 July 2024

Also as important is to differentiate between the crew numbers on the different types of vessels and their origin. There were 6 500 crew visits on domestic and 36 200 on international vessels giving a total of 42 800. Crew manifests for international vessels showed that 1.5% were South African. It could not be determined how many South Africans crewed domestic vessels and a 25% proportion was assumed.

2.5 Direct Expenditure

There are three types of expenditure. First is passenger onshore spending. Second is onshore crew expenditure. Third is expenditure by the cruise vessels.

2.5.1 Passenger Expenditure

Passenger expenditure is a function of length of stay and onshore spending. These were modelled on the typical behaviour of domestic and international tourists. These data sources are given in Table 3. Western Cape residents were excluded because of displacement effects.

Table 3: Length of Stay and Expenditure Data Sources

International passengers	SA Tourism (2024): Tourism Performance Annual Report Jan - Dec 2023
International transit passengers (per day)	SA Tourism (2024): Tourism Performance Annual Report Jan - Dec 2023
South African 'out of province' passengers	SA Tourism (2024): Tourism Performance Annual Report Jan - Dec 2023
Western Cape excluded	Displacement

For international passengers it was assumed that their onshore stay would be the same as an international tourist less time on board. For example, the average European tourist visits South Africa for 15.9 days. So, this passenger would stay in the country for ten days if the voyage was 5.9 days. It is possible that some international passengers may not stay and a 25% allowance was made for this possibility.

Table 4: Passenger Length of Stay

Domestic Coastal - South African 'out of province' passengers	Half of national tourist length of stay (2 days before / after voyage)
Domestic Coastal - Western cape passenger	Displacement therefore excluded
International Coastal	Embarking & disembarking: International tourist length of stay less time on board
World Cruise and Expedition Voyages	Embarking & disembarking: International tourists for length of 'visit'
International transit passengers	Duration of vessel visit in port
International passengers	25% leave immediately after voyage

Domestic trips to the Western Cape are 3.8 days, which is marginally shorter than the average duration of the domestic turnaround voyages (South African Tourism, 2024, p. 86). 'Out of province' passengers would need to travel to and from Cape Town and would possibly spend

some time in the city. It was assumed that these passengers would spend an extra two days in Cape Town. Western Cape residents' length of stay is immaterial because of displacement effects. These assumptions are summarised in Table 4.

Table 5: Passenger Expenditure by Origin

	Europe	North America	South America	Asia	Middle East	Oceania	Africa (Air)	South Africa
International passengers (per visit)	R28 300	R31 800	R30 200	R24 600	R27 600	R25 700	R24 300	
International transit passengers (per day)	R1 780	R2 052	R1 798	R1 218	R1 211	R1 521	R1 501	
South African 'out of province' (per visit)								R4 499

Passenger expenditure differs by place of origin and type of passenger and is given in Table 5. For example, average tourist expenditure varies between R24 300 for African air arrivals and R31 800 for North American visitors. This expenditure was pro-rated by length of stay to convert tourist stay to passenger stay. The same pro-rata was done for transit passengers. South African tourists typically spend R4 500 on a two-day visit.

Table 6: Passenger Expenditure by Type

	Shopping	Food	Accomm.	Leisure	Transport	Medical	Other
International passengers	32.7%	18.5%	14.1%	12.3%	10.2%	0.1%	12.1%
International transit passengers	38.0%	21.6%		14.4%	11.9%		14.1%
South African 'out of province' passengers	11.0%	32.0%	14.0%	2.0%	41.0%		0.0%

The final piece of information is the distribution of expenditure for different passengers, shown in Table 6. This is important for the macroeconomic calculations. It can be expected that transit passengers will sleep on board and have no accommodation expenditure. They will typically not have substantial medical expenditure. A South African tourist spends less on shopping and more on transport.

2.5.2 Crew

Transit crew length of stay was treated the same as transit passengers. They visit Cape Town while the vessel is in port. Some shipping agents provided the number of crew who were granted shore leave. For those that didn't it was assumed that 20% of the crew are given shore-leave at any one time⁴, which is in line with the assumption from last year's analysis. For those crew who disembarked or embarked in Cape Town it was assumed that they spent two additional days in the city.

⁴ Pers. Comm – email from Wesgro dated 2023/06/06

Table 7: Crew Composition

	Assumptions	
Domestic Coastal	25% South African	Advised by Shipping Agents
International Coastal	98.5% international crew	Based on crew manifest
World Cruises and Expeditions	98.5% international crew	Based on crew manifest

Crew composition is provided in Table 7. Shipping agents advised that a quarter of crew onboard domestic coastal vessels were South African. Crew manifests for international coastal and world cruises indicated that 98.5% of crew were international.

Table 8: Crew Expenditure

International transit crew	As per International transit passengers
International change-overs	As per International visitors but limited to two days.
South African crew	Assumed 10% of international crew (cost of a single meal ashore)

Transit crew expenditure is based on the average daily expenditure of international visitors, excluding accommodation and medical. This amounts to R1 328 per crew member per day. Spending by South African crew was not known and this was assumed to be 10% of international crew – the equivalent of a modest meal. Crew members disembarking and embarking in Cape Town were allocated the daily expenditure of international visitors of R1 549 per day for two days.

2.5.3 Vessel Expenditure

Vessel related costs are port fees, refuelling, fresh water, sludge and recycling offloading, stores including food and beverages and passenger related services. These, for this study, were based either on known fees or international experiences as shown in Table 9.

Table 9: Vessel Expenditure

<i>Type</i>	<i>Data Source</i>
Port fees	Calculated
Liner passenger expenditure	International Data Transfers
<i>Fuel</i>	
<i>Food & Beverage</i>	
<i>Stores</i>	
<i>Other</i>	

Port fees were based on the Transnet National Ports Authority Tariff Handbook (TNPA, 2022). These include light dues, South African Maritime Safety Authority (SAMSA) levies, vessel traffic service (VTS) charges, pilotage services, tug assistance and attendance, berthing services,

running of vessel lines, port dues, berth dues, refuse collection, the V&A Waterfront passenger levy, port passenger fees, baggage handling fees and security. Port fees were calculated for every vessel and compared to known port fees of some cruise vessels. The total value and distribution of the fees is given in Table 10.

Table 10: Western Cape Cruise Liner Port Fees

Category	Amount	%
Light Dues	R2 963 383	6%
SAMSA	R4 089 412	8%
VTS	R2 254 580	4%
Pilotage	R1 668 414	3%
Tug Assistance	R8 123 104	16%
Berthing	R1 629 963	3%
Lines	R308 500	1%
Port Dues	R7 290 478	14%
Berth Dues	R990 137	2%
Refuse	R1 489 417	3%
V&A Fee	R5 545 362	11%
Passenger Fee	R7 550 853	15%
Baggage Handling Fee	R5 019 648	10%
Security	R3 038 608	6%
Total	R51 961 858	100%

The cruise liner industry generated over R50m in port fees, which is an average of approximately R775 000 per vessel. The largest items are the tug assistance, passenger fees and port dues.

No updated information was provided for fuel costs and consequently the rates used in the 2022-23 report were assumed. This was R175 per gross ton last season. This was adjusted to R159 per gross ton based on the price of diesel in the 2023-24 season compared to one year previously.

Table 11: Passenger Dependent Cruise Liner Expenditure

Passenger Expenditure	F&B	Stores
Brazil	\$708	\$85
Mexico	\$204	\$32
India	\$423	\$40
Weighted Average	\$268	\$36
Rand Value	R5 017	R664

Source: (OpenAI, 2023)

Typical passenger related costs are food & beverage; fresh water, sludge offload & recycling; and other stores. These are given in Table 11 for Brazil, Mexico and India and are based on the US\$

rates developed for the 2022-23 report but updated to Rand values using the latest exchange rate.

These international averages were converted to the total provincial cruise season and given in Table 12. Total vessel expenditure is R715m. Spending on food and beverages made up 56%, followed by fuel at 31%, port fees 7% and stores 6%.

Table 12: Total Vessel Expenditure

	Port Fees	Fuel	F&B	Stores	Total
Total Expenditure	R52m	R220m	R397m	R46m	R715m
Excluding Western Cape Pax	R52m	R220m	R339m	R42m	R653m
Excluding South African Pax	R52m	R220m	R288m	R38m	R597m

The table also takes account of Western Cape and 'out of province' displacement. Total expenditure was R715m. A provincial focus would exclude Western Cape passengers and reduce expenditure to a relevant R653m. A national focus would reduce this further to R597m.

2.6 Expenditure Summary

Total expenditure was R1.51bn with the detail given in Table 13. World cruises made up 46%, international coastal vessels 42%, domestic coastal 11% and expedition ships the remaining 8%.

Table 13: Total Expenditure excluding Displacement

Type of Vessel	Number of Visits	Tourist Expenditure		Crew	Vessels	Total	% of Total
		International	Domestic				
World Cruise	35	R320m	R2m	R23m	R346m	R691m	46%
Expedition	5	R11m	R0m	R1m	R10m	R22m	1%
International Coastal	22	R382m	R1m	R15m	R240m	R638m	42%
Domestic Coastal	5	R0m	R38m	R2m	R119m	R159m	11%
Total	67	R713m	R40m	R40m	R715m	R1 509m	
% of Total		47%	3%	3%	47%		

An alternative strategic focus is the components of expenditure illustrated in Figure 9. The largest contributions were from vessel replenishments and international passengers, both at 47%. Domestic tourism and crew expenditure make up the remaining 6%. The figure also shows whether the expenditure was from international, Western Cape or 'out of province' passengers. Most expenditure, at R1.35bn, is from international passengers. Out of province South Africans contributed R81m and Western Cape passengers R77m.

Figure 9: Composition of Total Expenditure Before Displacement

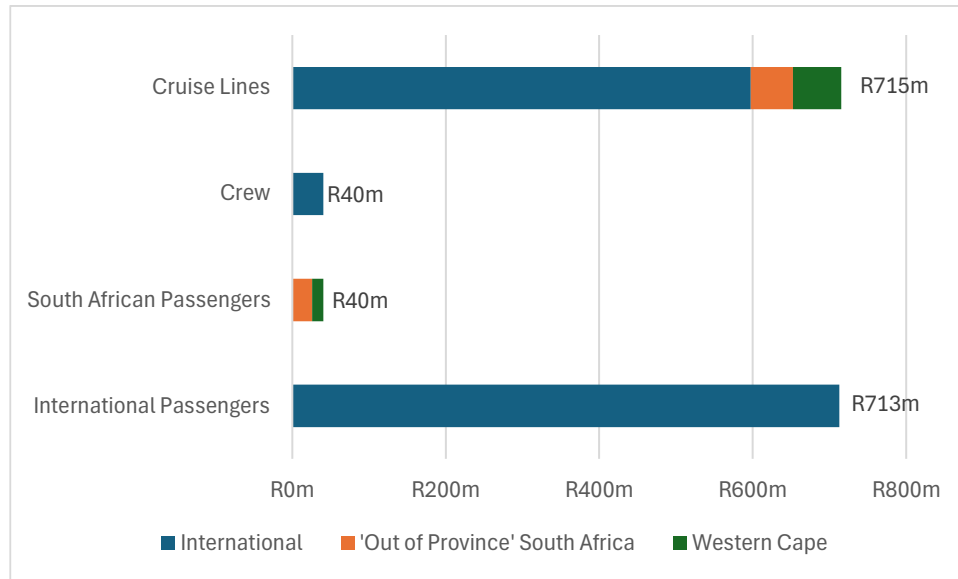
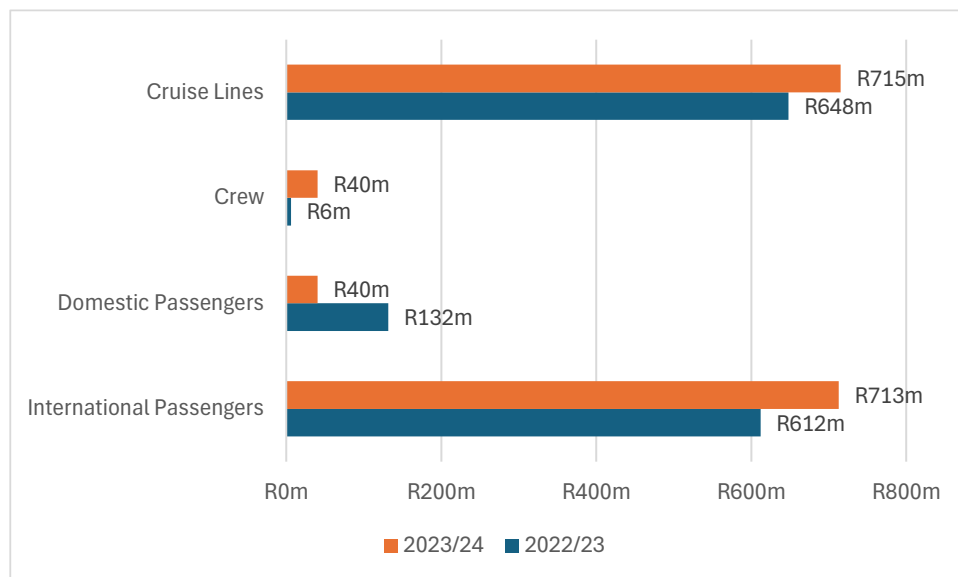


Figure 10 compared this season's expenditure to that of last year. There is an increase in three out of the four categories. It is only domestic passenger expenditure that is down on last year. Overall, the expenditure of R1.51m is up by 8.0% compared to last year.

Figure 10: Expenditure Comparison to 2022-23 Season



3 Economic Contribution

This section is the culmination of the report. It brings together the contribution to incomes, jobs, foreign exchange (forex), taxes and household incomes. It also makes a distinction between the Western Cape and South Africa.

Further it was explained in Section 2.3.3 why the Western Cape cannot just be treated as a subset of South Africa in this type of analysis. In brief there are two differences. The first is that international passengers would visit other sites outside of the Western Cape. This would make the international contribution larger in South Africa than in the Western Cape. The second is that there would be a contribution to the Western Cape from 'out of province' South Africans, whereas the same would not be true for national domestic tourism because it is a total displacement effect.

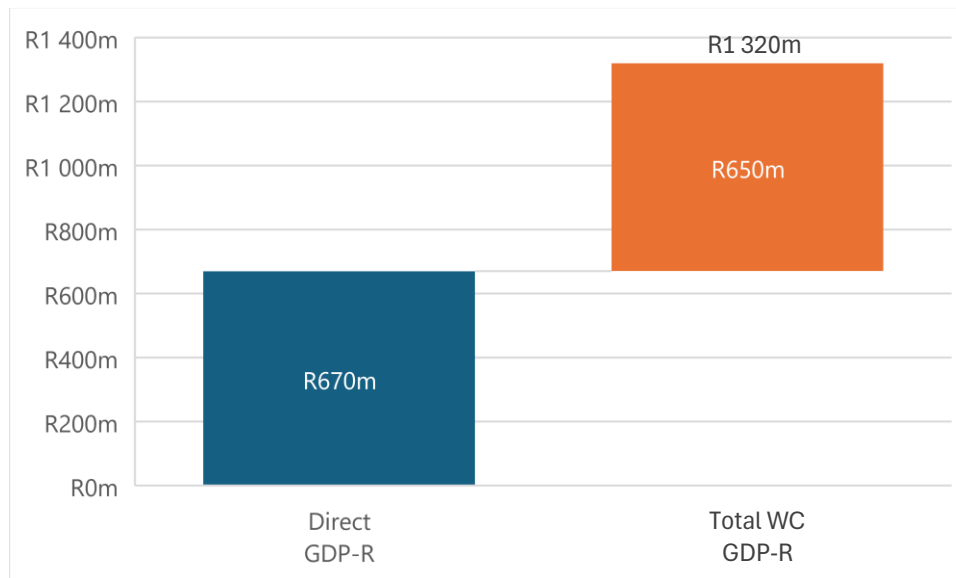
3.1 Western Cape Economic Contribution

The Western Cape equivalent of GDP is GDP-R. At a provincial level this is the broadest measure of economic contribution and is the total value of all final goods and services, which is fundamental to the economic quality of life of people. The second provincial macroeconomic indicator is employment.

3.1.1 Gross Domestic Product - Regional

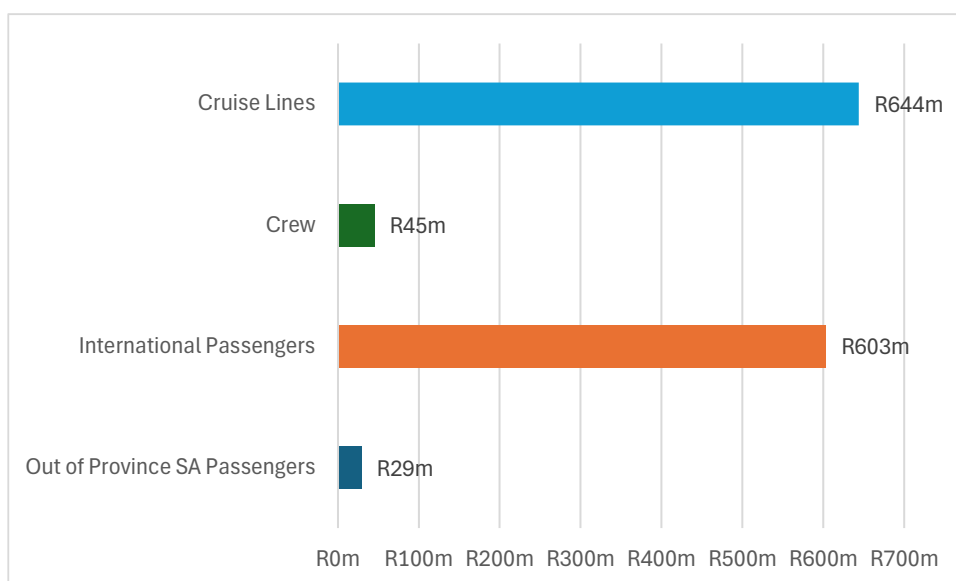
The 2023-24 cruise liner season contributed R1.32bn to Western Cape GDP-R, illustrated in Figure 16. This consists of a R670m direct contribution and a R650 indirect and induced contribution.

Figure 11: Western Cape GDP-R Distribution



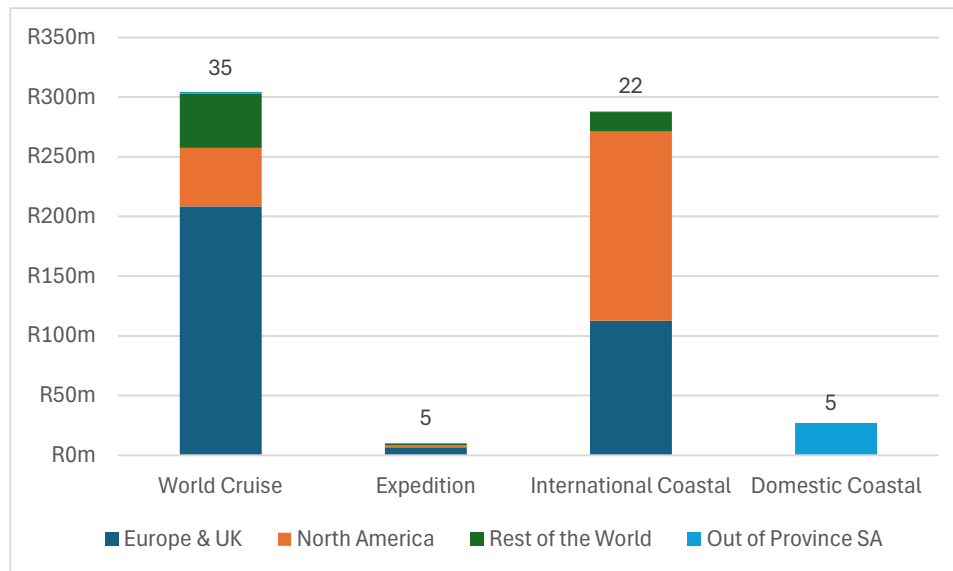
The industry has multiple contributing stakeholders and role players. The most important are the cruise lines themselves, followed by international passengers, crew and then ‘out of province’ passengers. Their respective contribution to GDP-R is illustrated in Figure 12. The cruise lines, at R644m, contributed 49%. This is followed by international passengers where their R603m contributed 46%. The contribution from crew was R45m (3%) and domestic passengers was R29m (2%).

Figure 12: Western Cape GDP-R Contributors



A strategic comparison of the contribution to GDP-R by passenger origin and type of cruise is provided in Figure 13. The vessel numbers for each cruise type are shown above the columns.

Figure 13: Passenger Expenditure Economic Contribution



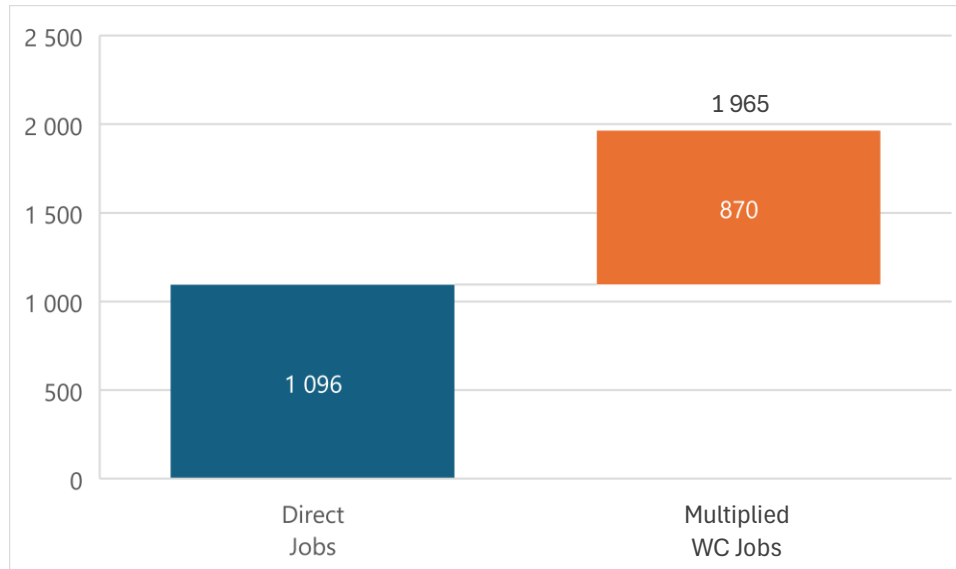
European and UK passengers overall contribute the most to GDP-R, with R208m on world cruises and R113m on international coastal vessels. Within this group it is the United Kingdom and Germany that provide the most passengers. European passengers are then followed by North American passengers, who contribute R158m on international coastal vessels and R49m on world cruises. World cruises contribute the most to GDP-R, at R304m, followed by international coastal vessels at R288m, despite the latter only having 22 visits compared to 35 world cruises. This underscores the value of a single international coastal vessel, because all the passengers embark and disembark in Cape Town and most then go on to visit other locations in the province and country. By contrast, most world cruise passengers are transit passengers, meaning they only visit Cape Town for the day and therefore on a per capita basis contribute relatively less than the international coastal vessels.

3.1.2 Provincial Employment

Jobs are important. This is the case both with direct jobs from the industry or indirect and induced jobs from multiplier effects. Clearly a seasonal industry cannot be expected to create permanent jobs. The convention is to report 'full-time annual job equivalents'. This means that, for example, there would be one full-year job equivalent from twelve one-month jobs.

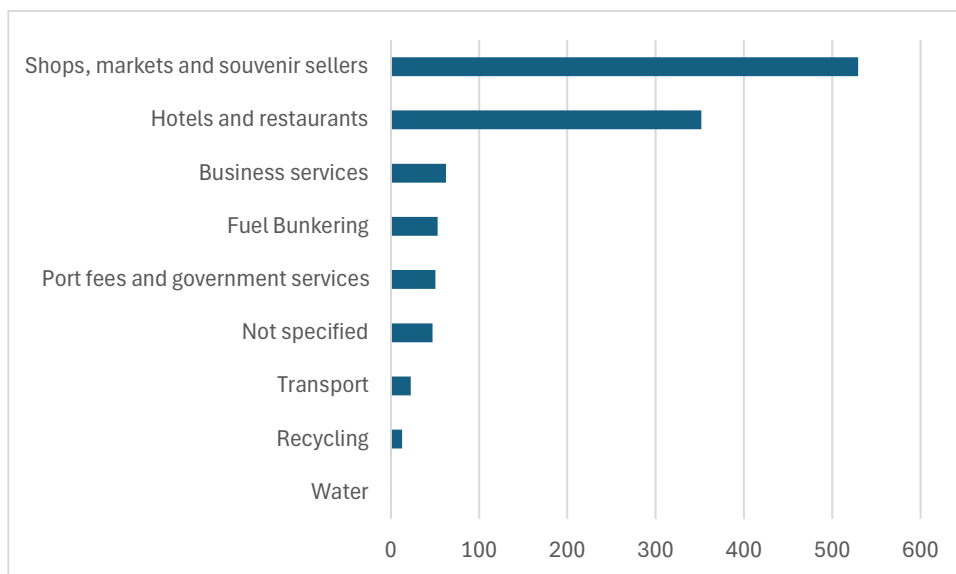
As with economic contribution, two perspectives are reported. These are the job distribution provincially and then by sector.

Figure 14: Direct and Total Jobs



The industry created 1 096 direct jobs in the Western Cape. The multiplier effects increased this to 1 965 total (direct, indirect and induced) jobs. This is illustrated in Figure 14.

Figure 15: Western Cape Direct Employment by Sector



The direct job distribution is shown in Figure 15. Here 47% were at shops, markets and souvenir sellers. This was followed by hotels and restaurants with 31%. Support services had 6%, while

fuel bunkering followed closely with 5%. The remaining 12% was distributed across port fees & government services, transport, etc.

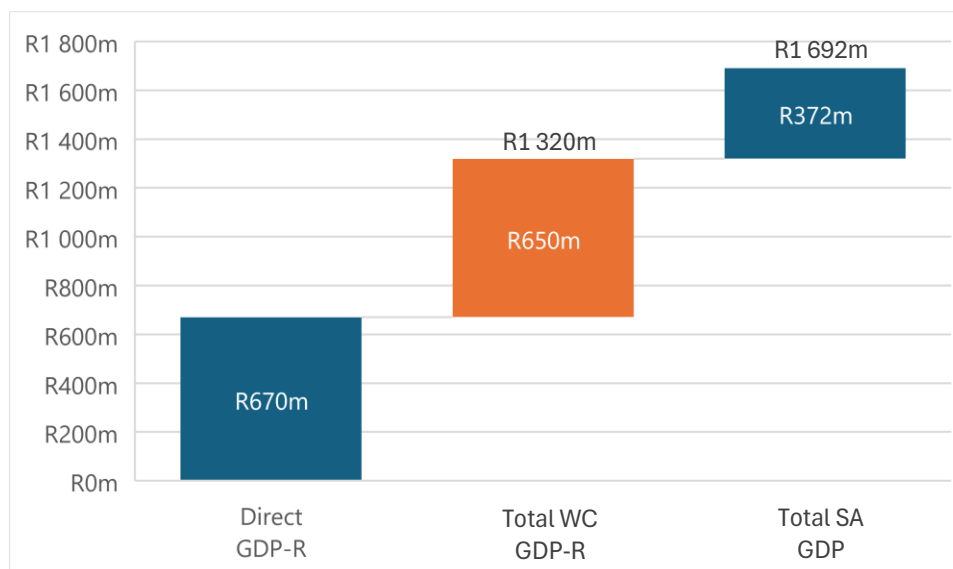
3.2 South African Economic Contribution

As with the contribution to the provincial economy, this section reports the contribution to national GDP and jobs. It then goes further to report the generation and usage of foreign exchange and the contribution to taxes and household incomes.

3.2.1 Gross Domestic Product

GDP is the broadest measure of economic contribution. This is the total value of all final goods and services and is fundamental to the economic quality of life of people. The 2023-24 cruise liner season contributed R1.69bn to South African GDP. This excludes 'out of province' South African passengers but includes international tourist expenditure outside the Western Cape.

Figure 16: GDP Distribution



The detail of the contribution by source and beneficiary is summarised in Table 14.

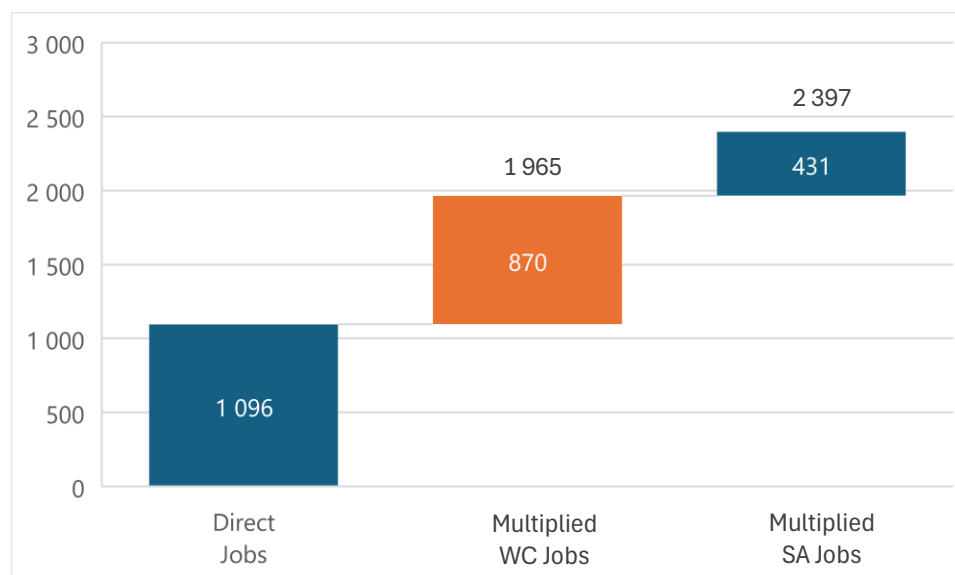
Table 14: Contribution to Gross Domestic Product

	Direct GDP-R	Total GDP	
		Western Cape	South Africa
Out of Province SA Passengers	R14m	R29m	
International Passengers	R282m	R603m	R947m
Crew	R21m	R45m	R54m
Cruise Lines	R354m	R644m	R691m
Total	R670m	R1 320m	R1 692m

International passengers, at R947m, contributed 56% to national GDP. This is followed by the cruise liners where their R691m contributed 41%. The contribution from crew was R54m (3%).

3.2.2 Employment

The industry created 2 397 jobs nationally and excludes domestic tourism. This is illustrated in Figure 17 and summarised in Table 15.

Figure 17: Direct and Total Jobs

International passengers are the largest job creator. Their expenditure created 1 243 full-time jobs, 52% of the total. Spending by the cruise liners added 868, 36%. The hiring of locals as crew and crew expenditure added a further 286, 12%.

Table 15: Jobs

	Direct Jobs	Total Jobs	
		Western Cape	South Africa
Domestic Passengers	13	33	
International Passengers	386	813	1 243
Crew	245	276	286
Cruise Lines	452	843	868
Total	1 096	1 965	2 397

3.2.3 Foreign Exchange

South Africa has a serious current account deficit problem and any contribution to growing foreign exchange is welcome. Over the cruise season a total of R1 351m forex came into the country and R366m was used (on fuel, for example). This means that there was a net R985m forex inflow. In this instance international visitors accounted for 56% and the cruise liners 41%. This is reported in Table 16.

Table 16: Foreign Exchange

	Foreign Exchange		
	Earnings	Use	Net
Domestic Passengers			
International Passengers	R713m	R162m	R551m
Crew	R40m	R8m	R33m
Cruise Lines	R597m	R196m*	R401m
Total	R1 351m	R366m	R985m

* Excludes domestic passenger profit repatriation

Any profit that was remitted internationally by domestically operating liners could not be included in the estimates.

3.2.4 Taxes and Household Income

Two additional macroeconomic benefits are reported. These are taxes and household income, listed in Table 17.

Table 17: Taxes and Household Income

	Taxes	Household Income
Domestic Passengers		
International Passengers	R111m	R364m
Crew	R6m	R21m
Cruise Lines	R71m	R276m
Total	R188m	R660m

The season generated R188m for the national fiscus of which R111m, 59%, had international origins. Taxes generated by the cruise lines, R71m, made up 38% of all taxes. Included in this is R9m from port fees. Crew accounted for the remaining 3%.

The season added R660m to household incomes, again with the lion's share of R364m coming from international passengers. International passengers contributed 55% and the cruise lines a further 42%. Crew accounted for the remaining 3%.

4 International and Local Comparators

Numbers are all very well in themselves, but it helps to see them against national and international comparators. This section commences by comparing this year's economic contribution to that of last year and then to selected national and international comparators.

4.1 Comparison to 2022-23 Macroeconomic Contribution

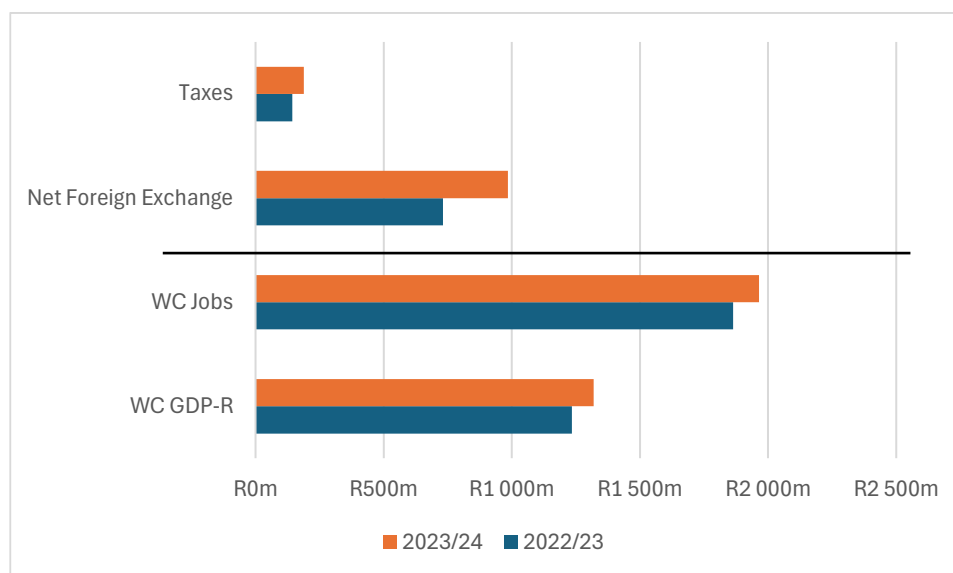
The economic contribution of this cruise season compared to that of last year is presented in Table 18 and selected indicators are illustrated in Figure 18.

Table 18: Economic Comparison to 2022-23 Season

Macroeconomic Comparisons	2022/23	2023/24	Difference
WC GDP-R	R1 234m	R1 320m	R85m
WC Jobs	1 864	1 965	101
Net Foreign Exchange	R731m	R985m	R254m
Taxes	R144m	R188m	R44m
SA GDP	R1 288m	R1 692m	R403m
SA Jobs	1 889	2 397	507

All macroeconomic indicators shown in Table 18 are higher for the 2023-24 season compared to 2022-23. This is due to the increased expenditure in 2023-24. However, the proportional increase in national macroeconomic indicators surpasses that of the provincial ones. The contribution to net foreign exchange, taxes, South African GDP and South Africa jobs is between 27% and 35% higher than last year. In contrast, the contribution to Western Cape GDP-R and Western Cape jobs are 5% to 7% higher. This discrepancy is due to the nature of the spending and the smaller domestic cruise industry that limits the provincial contribution. The domestic cruise industry only contributes to the provincial economy and not to the national economy, because of displacement effects. The fact that the domestic cruise industry in 2023-24 is smaller than that of last year therefore only impacts the provincial contribution, reducing the increased impact of the international voyages over last year.

This proportional change is illustrated in Figure 18, where the national economic indicators are shown above the line and the provincial indicators below.

Figure 18: Selected Economic indicators

This season the cruise industry contributed R44m more to taxes than last year and generated R254m more in foreign exchange. These are increases of 31% and 35% respectively. At the provincial level there were 101 more jobs created (an increase of 5%) and an R85m greater contribution to GDP-R (an increase of 7%).

4.1.1 Contribution of the Red Sea Reroutes

The economic contribution of the 2023-24 season was shown in the previous section to have surpassed that of the 2022-23 season. The vessels rerouted from the Red Sea to the Cape contributed to this success. This section examines the impact of these Red Sea reroutes and presents the economic impact if these vessels did not call at the Cape.

Table 19 illustrates the economic impact with and without the Red Sea reroutes. The difference, shown in the second last column, is the contribution of the Red Sea reroutes. Twenty vessels were rerouted that carried 19 600 unique passengers, 13 700 crew and added R326m in expenditure. There would have been 30% less vessels, 24% less passengers, 32% fewer crew and a 22% reduction in expenditure had the Red Sea vessels not called at the Cape.

Table 19: Economic Contribution of Red Sea Reroutes

	With Red Sea Reroutes	No Red Sea Reroutes	Red Sea Contribution	% Contribution
Vessel Numbers	67	47	20	30%
Unique Passengers	81 790	62 184	19 606	24%
Crew	42 771	29 081	13 690	32%
Total Expenditure	R1 509m	R1 183m	R326m	22%
Macroeconomic Contribution				
Western Cape GDP-R	R1 320m	R1 000m	R320m	24%
South African GDP	R1 692m	R1 282m	R410m	24%
Direct Jobs	1 096	875	220	20%
Total Western Cape Jobs	1 965	1 533	432	22%
Total South African Jobs	2 397	1 858	538	22%
Fiscus	R188m	R142m	R46m	24%
Foreign Exchange	R985m	R743m	R242m	25%

The economic contribution of the 2023-24 cruise season would have been between 20% and 25% lower had the Red Sea vessels not called at the Cape. Foreign exchange would have been most affected, at 25% less. Direct jobs would have been 20% less.

4.2 National Comparators

Two groups of national comparators were selected. The first gives the equivalent economic contribution to provincial and national income and jobs. The second compares this to spending by international holiday makers in the country and all visitors to the Western Cape. Income and job data is for 2023, the latest available data set.

The aggregated national comparators are given in Table 20 where the final column is the most important. The recent cruise season added R1.32bn to provincial GDP-R. This is the equivalent of a 0.13% contribution. It also added R1.69bn to national GDP which is a 0.03% contribution. The season created 1 965 provincial jobs which are 0.07% of total Western Cape jobs. It added 2 397 national jobs, 0.01% of South African jobs.

Table 20: Aggregate National Comparators

Contribution To:	Amount	Cruise Season	Relative Contribution
Western Cape GDP-R (2023)	R980bn	R1.32bn	0.13%
South African GDP (2023)	R6 176bn	R1.69bn	0.03%
Western Cape Jobs	2 756 714	1 965	0.07%
South African Jobs	16 723 195	2 397	0.01%

The final, and more direct comparators are against direct national spending by international holiday makers, on the one hand, and tourist spending in the Western Cape. Both were sourced directly from Tourism SA (South African Tourism, 2024, p. 96). These comparisons are shown in Table 21.

Table 21: Tourist Comparators

Spending by: (2023 Prices)	Amount	Cruise Direct Spending	Relative Contribution
International Holiday Makers in South Africa	R95bn	R0.8bn	0.79%
Western Cape International and Domestic Visitors	R39bn	R0.6bn	1.59%

The first comparison is between direct onshore expenditure by international passengers and direct spending by all international holiday makers. In 2023 international holiday makers spent R95bn in the country. In the 2023 cruise season international passengers spent R0.8bn. This is a 0.79% equivalent.

The second comparison is to Western Cape directly. In this instance, the available data was for all visitors to the Western Cape (domestic and international) for all purposes (holidays, visiting friends and family, business, etc.). In 2023 these visitors spent R39bn. In the 2023 cruise season international and 'out of province' passengers spent R0.6bn. This is a 1.59% equivalent. This is an understatement because a better comparator would be only holiday makers to the Western Cape rather than all visitors. Nevertheless, the contribution is approximately 80% of the 2% global norm reported by the Cruise Lines Industry Association and discussed in section 1 (CLIA, 2024, p. 13).

4.3 International Comparators

South Africa should be compared against other emerging markets like Mexico and Brazil. Table 22 gives this comparison.

In Brazil the industry contributed 0.03% to both GDP and jobs in 2019 – the latest available data. Mexico's comparators at 0.1% and 0.02% are possibly the result of its location next to a high cruising market from the US.

In all of this the Western Cape Cruising industry can hold its head high. Nationally the industry made a 0.03% contribution to GDP and a 0.01% contribution to job creation. This is comparable to Brazil and lags Mexico but it should be remembered that this is only the Western Cape cruise industry and excludes that of KwaZulu-Natal.

Table 22: Cruise Liner Economic Contribution – Selected Countries

	Cruise line industry as percent of:	
	Total GDP	Total jobs
Brazil 2019	0.03%	0.03%
Mexico	0.10%	0.02%
South Africa	0.03%	0.01%
	Provincial GDP-R	Provincial Jobs
Western Cape	0.13%	0.07%

Sources:

Brazil - Cruise Lines International Association (CLIA)

Mexico - OpenAI

WC: This analysis and Wesgro & SARB

When viewed from a Western Cape perspective the results are even more spectacular. The 2023-24 Cruise Season contributed 0.13% to the Western Cape economy and 0.07% to employment.

5 Summary

The contribution of the 2023-24 Western Cape cruise industry is presented in Table 23.

Table 23: 2023-24 WC Cruise Liner Season Summary

<u>Vessel Numbers</u>	67
World Cruise	35
Expedition	5
International Coastal	22
Domestic Coastal	5
<u>Unique Passengers</u>	81 790
World Cruise	37 405
Expedition	716
International Coastal	23 035
Domestic Coastal	20 634
<u>Crew</u>	42 771
International Cruises	36 239
Domestic Cruises	6 532
<u>Total Expenditure</u>	R1 509m
International Passengers	R713m
Domestic Passengers	R40m
Crew	R40m
Cruise Lines	R715m
<u>Macroeconomic Contribution</u>	
Western Cape GDP-R	R1 320m
South African GDP	R1 692m
Direct Jobs	1 096
Total Western Cape Jobs	1 965
Total South African Jobs	2 397
Fiscus	R188m
Household Income	R660m
Foreign Exchange	R985m

There were 67 vessels that called at the Cape, carrying 82 000 unique passengers. Over 38 000 were on world and expedition cruises and 23 000 on international coastal voyages. There were almost 21 000 passengers on domestic coastal voyages. These vessels and passengers generated R1.5bn in expenditure. The bulk was from cruise liner operators and international passengers and is an increase of 8.0% over the R1.4bn expenditure of the 2022-23 season.

This R1.5bn expenditure resulted in:

- A R1.32bn contribution to Western Cape GDP-R and R1.69bn to South African GDP.
- Over 1 000 people in the Western Cape owed their employment directly to the cruise industry. Multiplier effects increased this to almost 2 000 in the province and 2 400 in the country. One job was created by every 36 passengers.
- The season made a R188m contribution to the fiscus, R660m to household income and almost R1bn to foreign exchange.

There were 20 vessels rerouted to the Cape because of the conflict in the Middle East. These Red Sea reroutes contributed R326m in expenditure and the economic contribution of the 2023-24 Western Cape cruise season would have been between 20% and 25% lower had these vessels not called at the Cape.

6 References

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7 Appendix A: Methodology

An economic analysis of the cruise liner industry is complex not least because of data limitations. It requires that all expenditure in and around the industry be captured. It also requires that there is no double counting. This section sets the scene by describing what data is included, how this data was sourced or, when not available, estimated and how the macroeconomic calculations were made.

7.1 Conceptual Approach

This section gives a general description of the approach and is illustrated in Figure 19. The detail is given in the rest of the section. A macroeconomic analysis is done using expenditure relating to a project. There are three expenditure categories. The first is onshore passenger expenditure. The second is crew onshore expenditure and the third is expenditure on resupplying vessels.

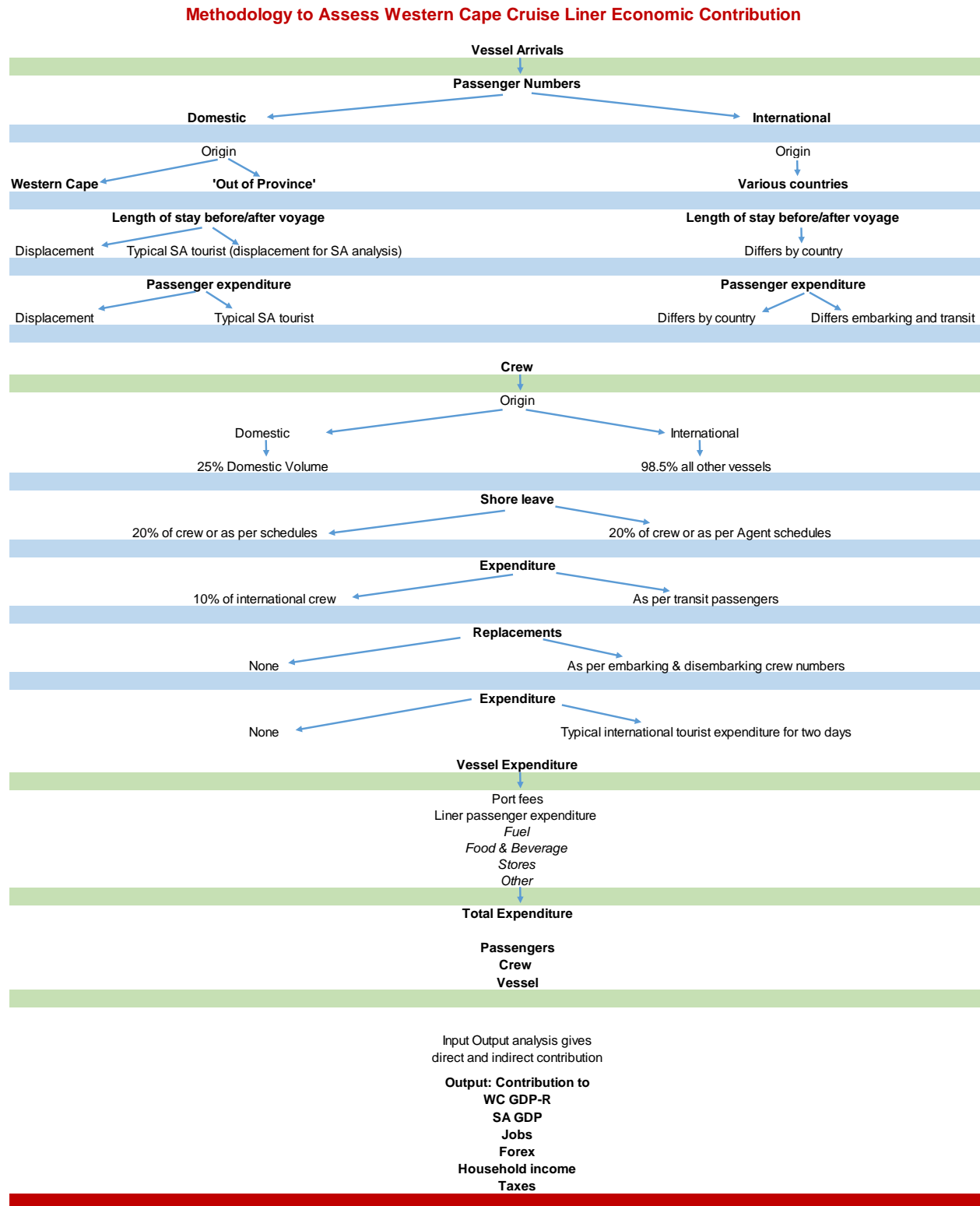
Several distinctions must be made between different passengers. The first is between domestic and international passengers because they have different spending patterns and stay for different periods before or after the voyage.

Two additional distinctions are necessary between international passengers. First by country of origin. Second between disembarking passengers and those in transit. These differences are important because of the different spending patterns and lengths of stay.

A distinction is needed between Western Cape and 'out of province' national passengers. It can be expected that any expenditure made by someone from the Western Cape would be at the expense of some other expenditure. Most typically tourist expenditure in Cape Town would simply displace a similar type of expenditure elsewhere in the province. Hence expenditure by people from the Western Cape is excluded. 'Out of province' South Africans must be treated differently. They would need to travel to Cape Town and possibly stay overnight. Their expenditure accrues to the Western Cape and is included in Western Cape income. However, at a national level their expenditure is also displacement and is excluded from South African income.

Crew also needed to be differentiated between national and international for similar reasons. They also need to be differentiated between those who remain with the vessel and those who are replaced. Replacements are typically put up in hotels for two days before or after leaving their vessel and are treated as international tourists visiting the city.

Figure 19: Conceptual Approach



Vessel related expenditure is straightforward and includes port fees, fuel, food & beverages and other supplies.

7.2 Macroeconomic Analysis

There are two parts to this section. The first describes the analytical process. The second explains the differences between the economic contribution to the South African economy and to the Western Cape.

7.2.1 Analytical Process

The actual task of calculating the macroeconomic impact of the season demanded a detailed and multifaceted approach not least because of the so-called multiplier effects. It is well recognised that the simple act of spending – hosting a cruise liner, for example - leads to other economic effects. Refuelling and taking on supplies can lead to increased production in those industries. Increased demand for fuel and food, in turn, leads to increased demand for processing which uses raw material, water, electricity and so on.

These are the so-called multiplier effects. While this process unfolds, each industry employs more people and pays more wages. Employees, in turn, spend their income and cause further multiplier effects through the economy. Measuring this is further complicated by the fact that different industries demand different skills. This leads to different wage structures across the various industries. People at different income levels have different spending patterns. Thus, the change in overall spending is dependent on which industries are affected.

Input-output analysis was used for the measurement of the macroeconomic impact of the cruise liner season. This meant that all expenditure in and around the season be identified, estimated and linked to the Standard Industrial Classification of all Economic Activity (SIC codes). In addition, estimates had to be made of the likely items of expenditure because of wage payments.

Measuring the economic contribution of the season was done in four stages. The first was to identify relevant expenditure. This was done in the previous section. Second was to assign an SIC code to the different expenditure types. Third was to decompose and apportion labour and profit into income categories and use this to estimate spending by income group. The final step was to bring all the SIC coded items together. The total multiplier effect is the aggregate SIC code spending on plant, material and consumption.

In a nutshell, the economic estimate includes the direct cost of the cruise season, and travel and related expenditure. The multiplier estimates include all the backward economic linkages for the season and forward economic linkages where, for example, people spend their salaries.

Direct jobs were calculated using the South African Social Accounting Matrix (SAM). The SAM gives average sector salaries and turnover. Direct jobs were calculated from these proportions given the calculated sectoral spending. Indirect jobs were calculated using the same principles as GDP calculations.

7.2.2 Differences between Western Cape and South African Contributions

The analysis made a distinction between three types of passengers – international, those from the Western Cape and those from the rest of South Africa. The macroeconomic analysis requires a distinction between Western Cape and South African passengers. This has been referred to above but is explained more fully here.

7.2.2.1 Estimating Western Cape Economic Contribution:

The spending of international passengers on the tourist offerings in the Western Cape is included in Western Cape Gross Domestic Product – Regional (GDP-R). The Western Cape economy will also benefit from the spending of 'out of province' South Africans. This therefore is also part of the Western Cape GDP-R.

It can be expected that the expenditure of people from the Western Cape will be at the expense of some other expenditure, typically leisure activities. This is a displacement effect. Therefore, Western Cape passengers are excluded from Western Cape GDP-R. This was done by excluding on board passenger related costs. This means vessel expenditure on food, water, etc.

7.2.2.2 Estimating South African Economic Contribution

The spending of international passengers on the tourist offerings in South Africa is larger than their spending in the Western Cape and is included in GDP.

The spending by South African passengers, irrespective of whether they are from the Western Cape, is excluded from South African GDP. This is because their expenditure would have been at the expense of other expenditure and is therefore a pure displacement effect. This was done by excluding domestic passenger related costs like food, water, etc.