



CRUISE STUDY SVALBARD

An examination of the economical impact of cruise tourism
(expedition- and conventional cruise) in Svalbard

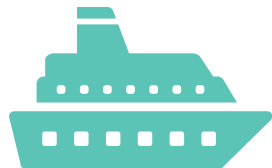
Visit Svalbard & Association of Arctic Expedition Cruise Operators (AECO)

Report | August 2019



INTRODUCTION

The total picture of economical impact of both conventional and expedition cruise tourism in Svalbard is now available



Tourism creates employment and income and stimulates economic and social development. However, when considering the current tourism climate many concerns arise talking about the development of sustainable tourism. It's therefore important to base the discussions and policies on solid facts. In 2017 a study was conducted that showed expedition cruise passengers spend more money while in Svalbard than overseas cruise passengers. However, a large piece of the puzzle was missing because a substantial part of the economical impact stems not from the passengers own spending but from the shipping companies: While on Svalbard they must pay to use facilities and services, buy goods and supplies etc.

This study aims to fill out this missing part of the equation by estimating the business to business spending of the shipping companies while operating on Svalbard thus giving a more complete picture of the economic impact of the two types of cruise tourism on Svalbard in 2018.

This report lays out the findings as well as documentation of definitions and methodology.

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DEFINITION

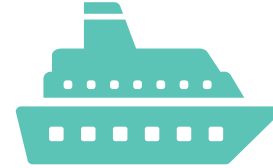
DATA COLLECTION

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DEFINITIONS

Here, the study's definition of conventional cruise operators and expedition cruise operators are presented.



CONVENTIONAL CRUISE OPERATORS*

For the purpose of this survey we define a Conventional Cruise Operator as **“a cruise operator on transit call in Longyearbyen where Svalbard is one of many destinations in an international cruise itinerary”**.

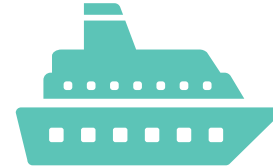
The following companies in 2018 fits the given definition above: AIDA, Fred.Olsen, Holland America Line, MSC, Phoenix, Princess Cruises, Pullmantur, Resideces at Sea, Rivages du Monde, TUI. The companies have a total of 16 ships.

EXPEDITION CRUISE OPERATORS

For the purpose of this survey we define an Expedition Cruise Operator as **“a cruise operator that is a member of the Arctic Expedition Cruise Operators (AECO) that operates in the Arctic and others with interest in the industry”**.

AECO organizes the vast majority of expedition cruise operators in Svalbard. In 2018, 40 expedition cruise operators and vessel owners were connected to AECO, operating 55 vessels. Approx. 10 of these were yachts carrying 12 passengers or less, the rest carried between 12-300 passengers.

DATA COLLECTION AND OVERALL METHODOLOGY



Here, a detailed description of the study's data collection is presented.

CONVENTIONAL CRUISE OPERATORS

- Data was collected through a quantitative web-survey. Epinion have received data from the three major local suppliers on Svalbard, Pole Position, European Cruise Services and Longyearbyen Harbour respectively. The data was collected by Visit Svalbard between May 27th and July 25th.
- Afterwards, the collected data have been checked and analysed.
- The suppliers were asked about their revenue from conventional cruise operators within port products and services, shipping agent products and/or services as well as other products or services that have not been included elsewhere. The questionnaire was drafted in close cooperation with Visit Svalbard.

EXPEDITION CRUISE OPERATORS

- Data was collected through a quantitative web-survey sent out via e-mail. Epinion received a total of 21 completes in the period between May 8th and June 28th.
- The collected data has been qualified and cleared for any operators that did not have any activity on Svalbard. The sample covers approx. 17,000 out of the 17,500 passengers in total in 2019 carried by the members of AECO.
- The questions in the web-survey evolved around numbers of passengers that have sailed with them in 2018, if they flew passengers to/from Svalbard by charter flights, total costs for port products and services, shipping agent services, general services and supplies shore excursions, entrance fees, accommodation, dining and other shore-based activities and finally an estimate of what the average private individual spends in Longyearbyen per crew and staff member in 2019 in Svalbard. In general, when asked about costs, the expedition cruise operators are stating their answers based on the year of 2018.

METHOD BEHIND IMPACTS

The economic contribution from cruise ships consists of two parts: The operators purchases and expenses while in port and the cruise passengers purchases ashore in Svalbard.

The Cruise Passenger expenditures are covered by the questionnaire amongst Conventional- and Expedition Cruise Tourist in 2017. Thus, we are building on top of the previous study regarding said passengers expenditures. To avoid any double counting of expenditures, the pre-paid expenditures on activities are excluded, which leaves the individual spending made ashore in Svalbard on e.g. dining, accommodation, shopping, activities etc.

To cover the cruise operator's purchases made ashore, two separate data sources are used: An expenditure survey amongst AECO cruise members that had cruise ships going to Svalbard in 2018, and a survey amongst the local suppliers to Conventional Cruise Operators (for whom a questionnaire was deemed unfeasible).

Limitation of the study:

Does not cover purchases made ashore by the crew.

Excludes any purchases made by Conventional Cruise Operators that does not go through Pole Position, European Cruise Services or the harbour.

Some Expedition Cruise Operators are not members of AECO and are therefore not covered by the analysis.

Many of the AECO members charter their ships, which means that not all operators can answer comprehensively on all types of expenditures, if they are covered by the ship owner. Therefore, a part of the expenditures are unexplored.

OVERVIEW OF SOURCES AND ECONOMIC CONTRIBUTION MODEL

SURVEY OF EXPEDITION CRUISE OPERATORS (AECO MEMBERS)

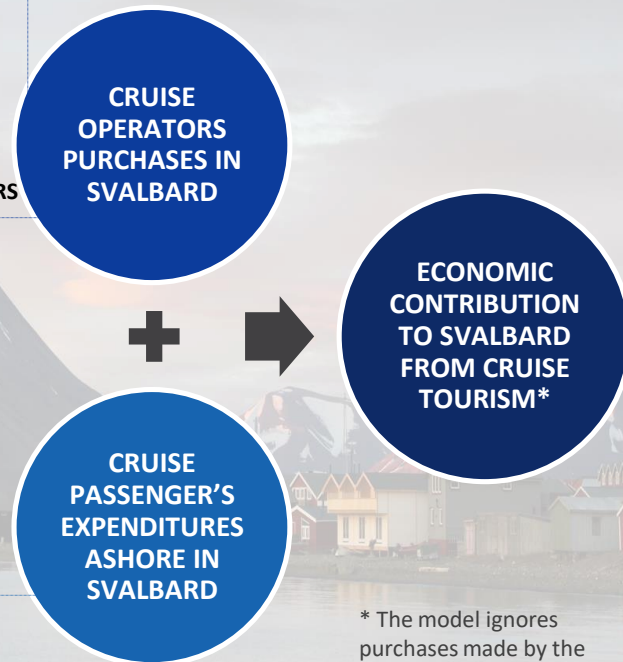
- Covers all purchases made ashore in Svalbard in 2018. I.e. Port products and services, shipping agents, services and supplies and flight fees.

SURVEY OF LOCAL SUPPLIERS TO CONVENTIONAL CRUISE OPERATORS

- Covers all revenue streams from Oversea Cruise Ships through Pole Position, European Cruise Services and the harbour, in 2018.

QUESTIONNAIRE AMONGST CRUISE- AND EXPEDITIONS TOURISTS ON SVALBARD, 2017

- Cruise passenger expenditures converted to 2018-prices.



* The model ignores purchases made by the crew while in the port.



Economical Impacts

EXPEDITION OPERATORS AND PASSENGERS SPENT 5,2 TIMES MORE IN TOTAL PER PASSENGER

On the right, the total purchases made in Svalbard per passenger is displayed by the type of cruise.

Expedition Cruises has an average economic contribution of 4,235 NOK per passenger, while Conventional Cruises has an economic contribution of 810 NOK per passenger.

Generally, Expedition Cruises have a much larger – specifically 5,2 times larger – economic contribution to Svalbard than Conventional Cruises per cruise passenger.

However, the sheer volume of Conventional Cruise passengers in part makes up for the low per passenger economic contribution.

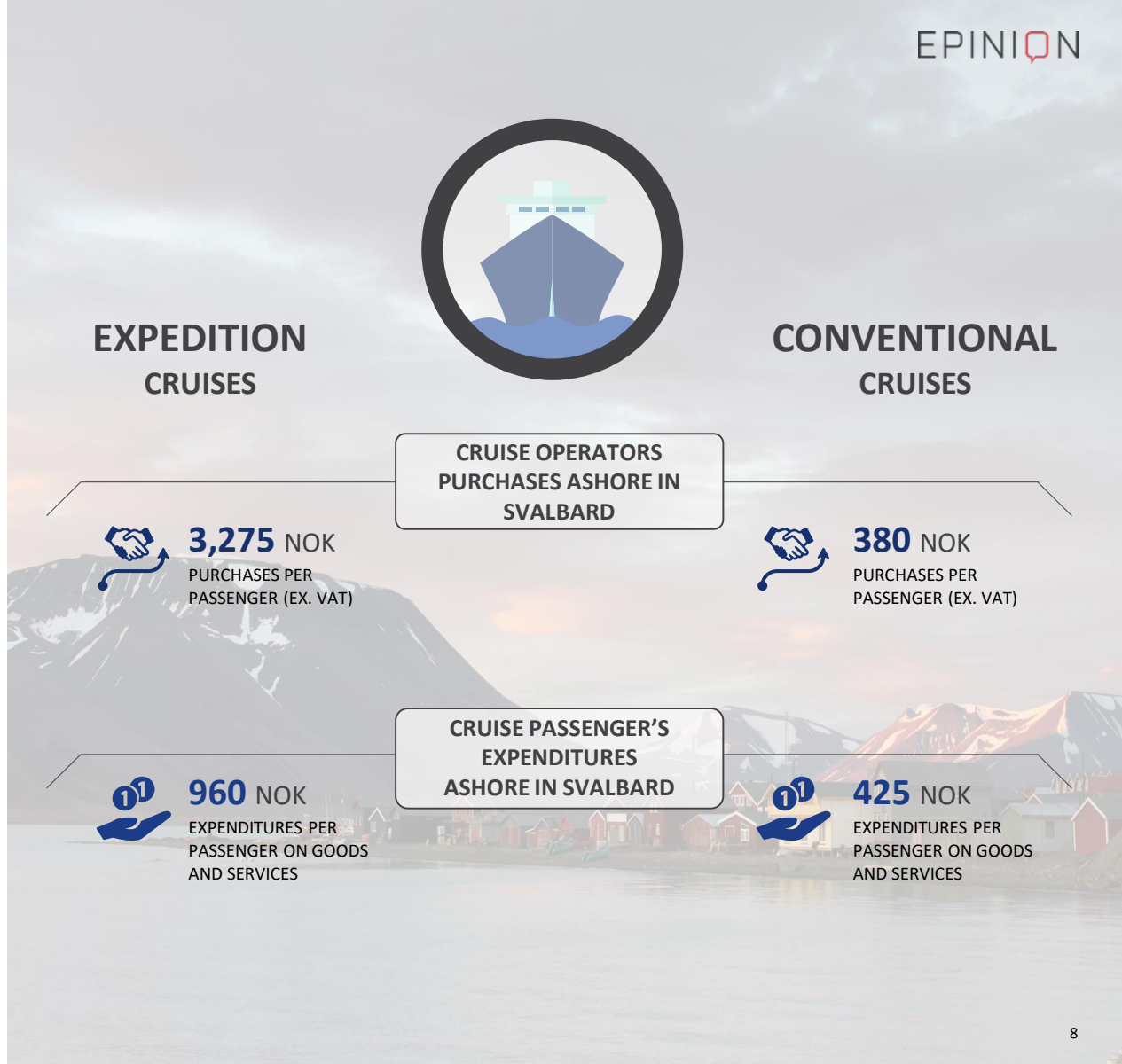


EXPEDITION OPERATORS SPENT 10 TIMES MORE ASHORE IN SVALBARD

Looking at the composition of the economic contribution, it is apparent that the Cruise Operators purchases made ashore in Svalbard covers a substantial amount of the economic contribution.

Expedition Cruise Operators make a lot of their purchases locally in Svalbard, which creates a high economic contribution per passenger. In contrast, Conventional Cruise Operators make very few purchases in Svalbard and Longyearbyen, which is also reflected in the 380 NOK per overseas cruise passenger.

The individual expenditures ashore in Svalbard, are twice as high for Expedition Cruise passengers than for Conventional Cruise passengers. This in turn also adds to expedition cruises overall higher economic contribution per passenger.





A CLOSER LOOK AT THE PURCHASES MADE BY EXPEDITION CRUISE OPERATORS

The substantial economic contribution from Expedition Cruise Operators warrants a closer look at the composition of their purchases. Looking at the distribution below, Services and Supplies and Purchases made through shipping agents are the largest contributors closely followed by the activities and excursions. The Port products and services along with the flight fees are the lowest contributors.



3,275 NOK
PURCHASES BY EXPEDITION CRUISE OPERATORS PER PASSENGER (EX. VAT)

PURCHASES MADE THROUGH SHIPPING AGENTS

Purchases include, pilots, transfers, visa and immigrations services, luggage transport and handling, hospital, dentist and medical expenses, provisions, ship's chandlery, deck and engine/spare parts, repair services, bunker/lubrication oil, gasoline for excursions vessels, shooting training and ammo, polar bears guards, accommodation and restaurants, general and various services, agency fees.

ACTIVITIES AND EXCURSIONS

Shore and sea-based excursions, entrance fees (e.g. to museums and galleries), overnight accommodation, shore-based dining, and other Shore based activities

465 NOK

795 NOK

1.030 NOK

760 NOK

225 NOK

PORT PRODUCTS AND SERVICES IN LONGYEARBYEN

Port product and services include docking fees, pier fees, fees for rental of space, harbor passenger fees, waste fees, ISPS fees, processing fees, freshwater electricity mooring assistance, manpower, rental of equipment and harbor vessels.

SERVICES AND SUPPLIES BOUGHT IN LONGYEARBYEN

Pilot services, transportation (e.g. airport and town shuttles), bunker and fuel*, spare parts, repair services, hospital, dentists, medical expenses, provisioning and other local goods and services.

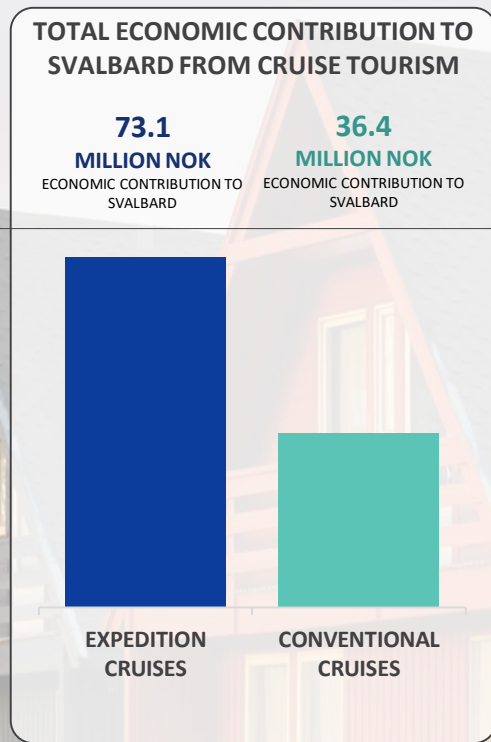
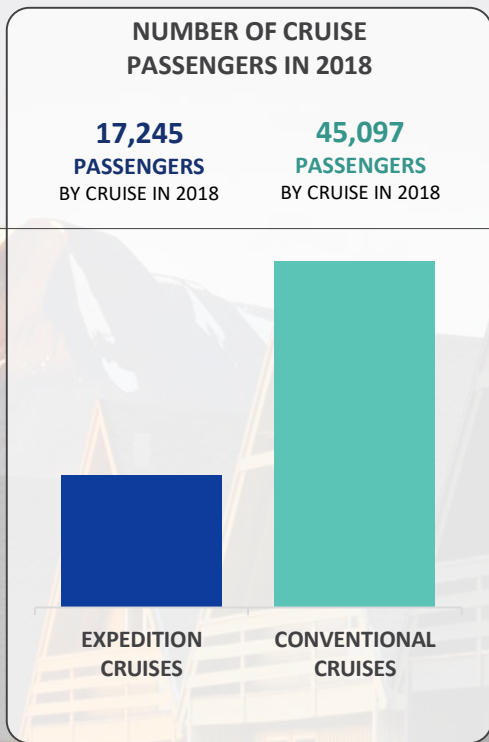
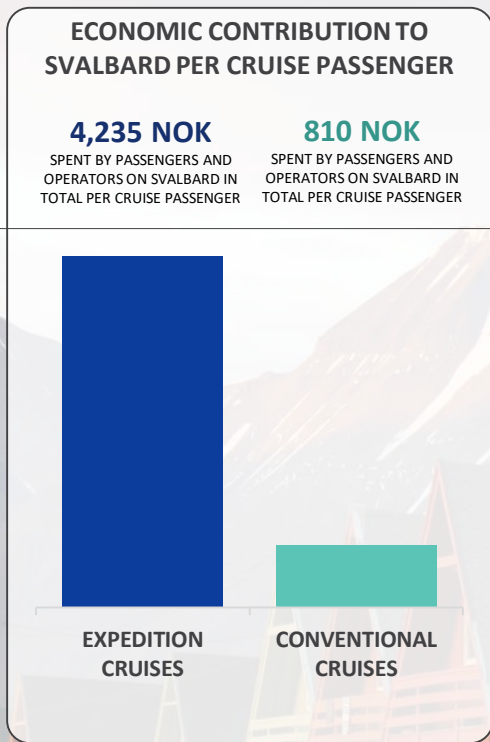
ENVIRONMENTAL FEE AND FLIGHT CHARGES

Each visitor in Svalbard contributes with 150 NOK to the Svalbard Environmental Protection Fund. This fee is managed by the operators. Cruise passengers departing by plane, also pay a passenger facility charge of 108 NOK to Svalbard Airport. Based on the questionnaire, 72% of the expedition cruise passengers depart through Svalbard Airport.

*Some cruise operators purchase bunker and fuel from non-local providers. The bunker and fuel is still bought in Svalbard and thus still has a contribution to the local economy. This contribution is assumed to be 10% of the purchasing sum. The reason this is included, is to cover any purchases and fees by the bunker ships and their crew in Svalbard.

THE ECONOMIC CONTRIBUTION OF CRUISE TOURISM IN SVALBARD IS 110 MILLION NOK

The economic contribution generated by cruise tourism in Svalbard in 2018 is estimated to be 110 million NOK. This accounts for both the cruise passengers spendings while ashore and the purchases made by the cruise lines. Expedition Cruises contribute with two thirds of the amount, while Conventional Cruises contribute with a third. The sheer volume of conventional cruise passengers mean that even though there is a low per passenger expenditure, they still make up a substantial amount of the economic impact.



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