



Economic Impact of Proposed ECA Regulations on Cruise Industry in the United States and Canada

The proposed requirement that cruise ships burn fuel with 0.1% sulphur content (MGO) while cruising within the 200-mile North America ECA boundary will have significant impacts on cruise itineraries in the Alaska, Canada/New England and Northeast/Bahamas/Caribbean markets, placing these markets at high risk for a significant contraction in cruise itineraries and the subsequent loss of productive output and employment.

Analyses of the required shift to MGO in 2015 show that the cost of fuel while cruising in the ECA zone will increase fuel costs by as much 140% with a base case estimate of an 80% increase. The base case analyses of the impacts on the Alaska (AK), Canada/New England (CNE) and Northeast/Bahamas/Caribbean (NBC) markets in both the U.S. and Canada include the following.

I. Impact on Cruise Operating Costs and Net Yield

- For ships cruising in the AK and CNE markets 100% of their itineraries will proceed within the ECA. For the NBC market 70% of the itineraries will take place within the ECA.
- As a result, fuel costs per APCD for ships cruising in the AK and CNE markets are projected to increase by \$19.46, or 80% above the average of \$24.32. In the NBC market the increase is \$13.62, or 56% above the average.
- This increase in fuel costs will result in an estimated 29% decrease in net cruise income in the Alaska and Canada/New England markets and a 20% decline in the NBC market.

II. Impact on Cruise Itineraries and Passenger Visits in the United States and Canada

- Based on analyses of the implementation of the \$50 passenger tax in Alaska, the 29% decline in net cruise income in the three markets is projected to result in the loss of 202 7-day itineraries in the three markets, 132 in Alaska, 36 in Canada/New England and 34 in Northeast/Bahamas/Caribbean market. This is the equivalent to the redeployment of nine cruise ships from the three markets.
- As a result of the loss cruise itineraries, total cruise passenger visits at U.S. and Canadian ports are projected to fall by 2.2 million visits, 1.5 million at U.S. ports and 661,000 among Canadian ports. U.S. and Canadian ports in the Alaska market account for 60% of the loss, U.S. and Canadian ports in the CNE market account for 32% of the lost visits and other U.S. ports account for the remaining 8% of lost visits.

III. Economic in the United States and Canada

- With the decline in passenger visits total cruise industry expenditures by passengers, crew and cruise lines are projected to decline by US\$728 million at U.S. and Canadian ports, US\$427 million in Alaska, US\$174 million in Canada/New England and \$127 million in other Northeast U.S. ports. Among U.S. ports the lost spending is projected to total US\$1.24 billion and C\$246.6 million at Canadian ports.
- As a result of the loss in cruise industry expenditures, an estimated US\$1.5 billion in total output and 13,787 jobs (direct plus indirect) are projected to be lost in the U.S. and Canada.
- In the Alaska market an estimated US\$886 million in output and 9,433 jobs are projected to be lost, primarily in the homeport cities of Seattle and Vancouver and the destination ports of Ketchikan, Juneau and Skagway in Alaska and Victoria in British Columbia.
- The loss in the Canada/New England market is projected to be \$360 million in output and 2,575 jobs primarily in New York, Baltimore, Boston and Portland in the U.S. and Halifax, Saint John and Quebec City in Canada.
- Finally, in the Northeast/Bahamas/Caribbean market the loss of \$267 million in output and 1,779 jobs is expected to be primarily located in New York and Baltimore.

Table 1 – Economic Impacts Among U.S. and Canadian Ports

| Category | United States | Canada | Total |
|--|----------------------|-------------------|--------------------------|
| Impact on Cruise Activity | | | |
| Passenger Visits | 1,541,600 | 661,000 | 2,202,600 |
| Alaska Market | 1,040,000 | 286,000 | 1,326,000 |
| Canada/New England Market | 330,000 | 375,000 | 705,000 |
| Other Northeast Market | 171,600 | -- | 171,600 |
| Cruise Industry Direct Expenditures (\$1,000s) | US\$601,548 | C\$125,590 | US\$727,980 ¹ |
| Alaska Market | \$351,160 | \$ 75,030 | \$426,693 |
| Canada/New England Market | \$123,331 | \$ 50,560 | \$174,230 |
| Other Northeast Market | \$127,057 | -- | \$127,057 |
| Total Output (\$1,000) | US\$1,264,218 | C\$246,576 | US\$1,512,445 |
| Alaska Market | \$738,001 | \$146,921 | \$885,906 |
| Canada/New England Market | \$259,193 | \$ 99,655 | \$359,515 |
| Other Northeast Market | \$267,024 | -- | \$267,024 |
| Total Employment | 11,885 | 1,902 | 13,787 |
| Alaska Market | 8,273 | 1,160 | 9,433 |
| Canada/New England Market | 1,833 | 742 | 2,575 |
| Other Northeast Market | 1,779 | -- | 1,779 |

¹ Figures in Canadian dollars have been converted to U.S. dollars at the current exchange rate, 1.0067 US\$ to \$C.