
MISSING THE BOAT: COMPARATIVE ECONOMIC IMPACTS OF CRUISE & NON-CRUISE TOURISM IN GREATER VICTORIA, B.C.

Prepared for:

Stand.earth
VANCOUVER, BC

Prepared by:

Responsible Travel Consulting, LLC
RHINEBECK, NY

In conjunction with:

Thomas J. Murray & Associates, Inc.
BREVARD, NC

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EXECUTIVE SUMMARY

Victoria, the capital of British Columbia (B.C.), is a leading Canadian tourism destination. Its natural beauty, outdoor attractions, and British colonial heritage have been marketed to build Victoria's visitor economy³ into the city's second-largest industry and to give Victoria the highest ratio of tourists to residents of any city in Canada. Until the Covid-19 pandemic, Victoria was also Canada's busiest cruise port, the top port of call in B.C., and a mandatory stop within the Alaska cruise circuit. In 2019, tourism in Victoria peaked with over 5.4 million visitors, nearly 4.0 million of whom spent an average of three nights in Greater Victoria. The remaining 1.4 million visitors came for less than a day, arriving either via large cruise ship (611,000) or more commonly by car and sometimes by ferry, charter vessels, or small or pocket cruises (900,000) (Table 1).

Tourism in 2020 had been forecast to be even stronger. Instead, as happened around the globe, the pandemic stopped travel in its tracks. Then in early 2021, Canada announced it was extending its ban

TABLE ONE
Total Visitors, By Mode of Arrival, Victoria, 2019

| | |
|---|-----------------|
| Total Overnight Visitors | 3,962,000 |
| Total Day Visitors (non-cruise) | 900,000 |
| Total Cruise Passengers & Crew Disembarking | 611,800 |
| Total Visitors | 5,473,80 |

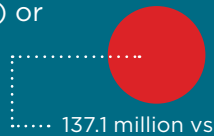
on cruise ships until February 2022, effectively shutting down the Alaska cruise market for another season. By late November 2021, the region's tourism across all sectors was still hobbled by the pandemic.

This hiatus presented an opportunity to assess and compare the overall economic value of Victoria's cruise sector to its visitor economy in terms of spending, employment, taxes, and other economic indicators. In reality, **the relative strength and economic contributions of the cruise and visitor tourism to Victoria appears to have gone largely unreported and unexamined in government and tourism industry publications, in part because of a lack of regular and independent economic analysis of the cruise sector and a failure to compare the economic impacts of the cruise and visitor economies.**

³The term "visitor economy" or "visitor sector" is used to refer to both overnight visitors and day visitors or day trippers, but not cruise passengers.

BASED ON 2019 DATA, THIS STUDY OFFERS AN INDEPENDENT ASSESSMENT WITH THE FOLLOWING KEY FINDINGS:

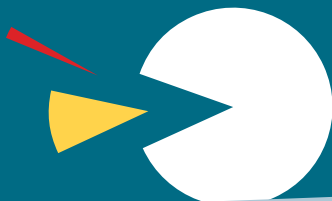
Cruise tourism spending totalled CA\$ 137.1 million, while non-cruise tourism expended nearly CA\$ 3 billion (CA\$ 2.936.7 billion) or **over 20 times more.**



3 Billion

Cruise tourism in Victoria constituted nearly 12% of the total number of visitors, but **cruise-related tourists were responsible for less than 2 percent of tourism spending in the region.**

12% of tourists
2% of spending

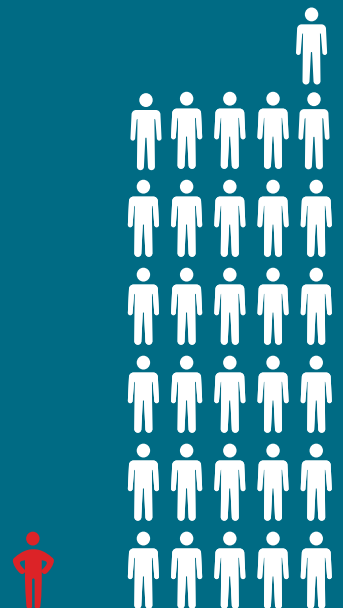


Cruise passenger onshore spending is relatively low compared with overnight tourism. In Victoria, **cruise passengers are estimated to have spent CA\$ 87.36 per visit, while stayover visitors spend seven times more (CA\$ 710) per visit** and 2.7 times (CA\$ 237) more per day. In addition, non-cruise “day trippers” are estimated to have spent 1.6 times more (CA\$ 137.46.) per person than the average cruise passenger.

Non-cruise tourism in Greater Victoria is responsible for generating nearly **20 times more in government taxes** than cruise tourism.

At the municipal level, the difference is even greater: non-cruise tourism generated CA\$ 12.5 million in taxes compared to just CA\$ 500,000 by cruise tourism. This means that **25 times more in tax revenue flowed to the Greater Victoria government from overnight and day visitors than from cruise ship arrivals.**

Non-cruise tourism created nearly **31 times more jobs** (37,411 vs. 1210) than cruise operations in Greater Victoria.



Overall, by any statistical measure, the economic benefits of non-cruise tourism in Victoria dwarf the financial contributions of cruise-related tourism. Even considering that Victoria received nearly eight times more overnight and day visitors (4.86 million) than onshore cruise visitors (611,800), non-cruise-related tourism is the centrepiece of Victoria's tourism economy with strong local roots and financial and employment benefits widely spread throughout Greater Victoria and the province. Victoria's high-value overnight tourism was robust and growing through 2019, its international reputation remains strong, and prospects for its post-pandemic recovery look bright.

practices directed by economic and political decisions in the U.S. Ultimately, Victoria's cruise sector is closely intertwined with the U.S. cruise market, meaning its fate lies largely with American businesses, laws, and policies largely beyond Victoria's control.

In addition, the cruise industry's business model, with major cruise lines headquartered in one place but registered in other countries ("flags of convenience"), helps ships avoid taxes, environmental regulations, and labour laws and wages. This, together with other cruise line practices such as not paying sales tax and simultaneously

charging significant commissions on its shore excursions, helps ensure that the cruise industry, while highly profitable, provides relatively scant economic benefits to Victoria. However, although the economic contribution of cruise tourism is modest compared to other day and overnight visitors, cruise tourism in Victoria is economically important to a small number of specific businesses in the region.

Victoria's cruise sector offers a different picture. Unlike overnight visitors, **cruise passengers are not choosing to visit Victoria; they have chosen to go to Alaska, with Victoria as a sideshow. The scope and scale of activities that take place at Victoria's cruise terminal are largely subservient to the U.S., particularly the Seattle-based cruise ship industry.**

This helps dictate not only the schedule of cruise ship arrivals and departures and typically short length of stays but also the operation of the cruise ship terminal and the U.S. ownership of a number of businesses involved in Victoria's cruise sector.

Cruise tourism's economic benefits to the city remain relatively modest, and Victoria's cruise tourism is largely a product of U.S. maritime laws and

RECOMMENDATIONS

Going forward, as Victoria's tourism sector reemerges from the Covid-19 pandemic, it would seem prudent to focus on rebuilding and strengthening overnight tourism rather than the less economically valuable cruise tourism. More than any time in the past, the cruise industry is under public pressure to reform. We recommend the following:

- 1 Focus most efforts on rebuilding and strengthening Victoria's high-value overnight tourism,** which dwarfs the economic contributions of the cruise sector.
- 2 Regularly assess and compare the economic costs and benefits of Victoria's cruise and visitor sectors** using a common methodology and the same research firm.
- 3 Ensure the cruise industry pays its fair share in taxes and fees and is more transparent in its financial arrangements** with the Greater Victoria Harbour Authority (GVHA) and local businesses.
- 4 Mitigate negative impacts on the quality of life of Victoria residents, particularly in the James Bay neighbourhood.**
- 5 Halt Victoria's acceptance of international waste from cruise ships and the dumping of vessel waste in B.C. waters.**



There is an opportunity now to carefully consider what Victoria's post-Covid-19 'new normal' might look like. If the U.S. permanently nullifies the maritime act requiring cruise ships on the Alaska circuit to stop in a Canadian port, Victoria's cruise sector would almost certainly be cut in half or more. But this move may contain a silver lining: reducing and rationalizing Victoria's cruise sector with smaller vessels that stay in port longer could have beneficial long-term effects. As Paul Servos, former CEO of the GVHA, concludes in an opinion piece, **"The new reality might be a preferred future."**²