

#### IV. ECONOMIC IMPACTS CREATED BY CRUISE ACTIVITY

In 2011, 152 cruise vessel calls were recorded at the Port of Galveston, carrying about 460,000 embarking passengers. It is important to note that these are all cruise calls by homeported vessels in contrast to in-transit calls. The key difference between an in-transit call and a homeport call is the fact that a vessel homeporting will take on passengers and supplies at the Port of Galveston, while a vessel making an intermediate in-transit call typically does not take on or discharge passengers and neither does the vessel take on supplies from local chandlers and caterers, as well as use local services such as advertising, maintenance and repair, linen services, etc. Hence, a call by a homeported vessel will generate a greater economic impact than an in-transit call.

To measure the economic impact of the cruise service, Martin Associates developed a cruise impact model. The model can be used to test the sensitivity of the impacts to changes in the percent of passengers flying into Galveston (air/sea passengers) versus the percent of passengers driving to the Port, the local expenditures by air/sea passengers while in hotels either before or after the cruise, and the local purchases by the cruise lines for food, liquor, and other supplies and services. The impact of changes in the mix of the size of vessels and the number of cruises by size of vessel can also be evaluated using the model.

##### 1. ECONOMIC IMPACT STRUCTURE OF CRUISE ACTIVITY

Cruise service related to the homeporting of a vessel contributes to the local and regional economies by providing employment and income to individuals, tax revenues to local and state governments, and revenue to businesses engaged in providing operational services and supplies to the vessels and passengers. The flow of cruise industry-generated economic impacts throughout an economy creates four separate and non-additive types of impacts. These four types of impacts are:

- ***Employment Impact*** – represents the number of full-time equivalent jobs generated by cruise activity at the Port of Galveston. This consists of jobs directly generated by the homeporting of cruise vessels as well as induced jobs, or jobs created in the Galveston area due to the purchase of goods and services by those individuals directly dependent upon cruise activity.
- ***Income Impact*** - the level of earnings associated with the jobs created by cruise activity, and adjusted to reflect respending throughout the economy.

THE LOCAL & REGIONAL ECONOMIC IMPACTS OF MARINE CARGO & PASSENGER  
ACTIVITY AT THE PORT OF GALVESTON, 2011

---

- **Revenue Impact** - the sales generated by firms engaged in supplying services and materials to the vessels while in port, as well as firms in the Galveston area visitor industry that supply services to cruise passengers staying in hotels before and after the cruise. The value of the cruise tickets is not included as a revenue impact for purposes of this analysis.
- **Tax Impacts** – includes the state and local tax revenues generated by cruise activity. These are taxes paid by individuals and firms directly dependent upon the cruise activity.

## 2. CRUISE IMPACT CATEGORIES

The impacts are generated in firms throughout many sectors of the local and regional economy. Separate impacts are estimated for each of the various economic categories supplying goods and services to the cruise ships and passengers. A discussion of each of the impact categories is provided below.

The typical expenditure profile of a cruise line while in port provides an understanding of the types of firms involved in providing goods and services to the vessel and its passengers. These expenditure categories are:

- **Food and Beverage** - This category includes wholesale food and liquor distributors. It is to be emphasized that in some cases the non-perishable food brought on board at the beginning of a cruise is not necessarily purchased locally, but based on contractual relationships and is trucked in from out of the area such as from Miami. Similarly, in some cases, liquor is purchased from in-bound warehouses, and not from local distributors. Interviews with the cruise operators identified the amount spent locally.
- **Logo Items** - These items are typically purchased under contract and are trucked into the port of embarkation. Therefore, no local impact is estimated.
- **Flowers** - Local wholesale flower distributors supply flowers for each cruise.
- **Public Relations and Advertising** - Contracts are usually developed with local advertising firms to promote the cruise.
- **Parking** - Local parking management companies provide parking services for the passengers.
- **Taxis/buses** - Local taxis and buses provide transportation between the airport and the ship or between the hotel and the ship for air/sea passengers.

THE LOCAL & REGIONAL ECONOMIC IMPACTS OF MARINE CARGO & PASSENGER  
ACTIVITY AT THE PORT OF GALVESTON, 2011

---

- Security - Security services are hired while the ship is in port.
- Linen services - Contracts are developed with local laundries for linen and laundry services.
- Pilots - Guide the cruise ships into the terminal.
- Tugs - Tug services are required for certain cruise ships to assist in docking and undocking. However, most cruise vessels require minimal, if any, tug assists.
- Stevedoring and Line Handling - Are required in loading and unloading baggage and ship stores and in securing and unsecuring the ship at dock.
- Local Travel Agencies - Local travel agencies will receive a commission from ticket sales to area residents.
- Garbage Disposal - Solid waste and other refuse that cannot be discharged at sea will be disposed by local refuse collectors.
- Bunkers - Fuel will be purchased from local bunkering companies.
- Water - Most cruise ships manufacture water at sea, but will still purchase some water locally prior to departure.
- Visitor Industry - In addition to the impacts generated by direct vessel purchases, passengers from areas not within driving distance will likely stay in hotels either before or after the cruise. These individuals will typically purchase incidental retail items before or after the cruise and eat in local hotel restaurants while in the Galveston area. Also, these air/sea passengers will take cabs from the airport to the hotel or ship, as well as taxis between the hotel and the ship and throughout the city. In addition to passengers impacting the local visitor industry, the ship's crew will also impact the local industry. For example, the crew will likely purchase personal incidentals while in port. Also, a portion of the crew could be rotated on each sailing. The new crew could stay in a local hotel upon arrival, while the departing crew could also stay in a hotel prior to leaving the area.

The economic impact analysis of cruise service at Galveston is based on a telephone survey of cruise lines including Royal Caribbean International and Carnival Cruise Lines. The interviews focused on typical expenditure profiles of a vessel while in port, as well as the percent of passengers that are air/sea versus the local passengers. The price of the land-side portion of the air/sea package was determined from the interviews to estimate local visitor industry impacts, as was the percent of

**THE LOCAL & REGIONAL ECONOMIC IMPACTS OF MARINE CARGO & PASSENGER  
ACTIVITY AT THE PORT OF GALVESTON, 2011**

---

crew that are rotated on each sailing. Incidental expenses by crew while in port were also estimated from the interviews.

**3. IMPACT SUMMARY- CRUISE ACTIVITY**

During the 2011 cruise season, 152 cruises left the Port carrying about 460,000 individual passengers. The economic impact of the cruise vessel calls at the Port of Galveston is presented in Exhibit IV-1.

Exhibit IV-1  
Economic Impact of Cruise Operations at the Port of Galveston

	CRUISE
<b>JOB</b>	
Direct	645
Induced	371
Indirect	<u>437</u>
<b>TOTAL</b>	1,453
<b>PERSONAL INCOME (\$ Millions)</b>	
Direct	\$19.2
Re-spending/Local Consumption	\$32.0
Indirect	<u>\$14.4</u>
<b>TOTAL</b>	\$65.6
<b>REVENUE/ECONOMIC OUTPUT (\$ Millions)</b>	
Direct Business Revenue	\$312.8
Local Purchases	<u>\$23.6</u>
<b>TOTAL</b>	\$336.5
<b>STATE AND LOCAL TAXES (\$ Millions)</b>	
Direct	\$1.5
Re-spending/Local Consumption	\$2.5
Indirect	<u>\$1.1</u>
<b>TOTAL</b>	\$5.2

THE LOCAL & REGIONAL ECONOMIC IMPACTS OF MARINE CARGO & PASSENGER  
ACTIVITY AT THE PORT OF GALVESTON, 2011

---

**3.1 Job Impacts**

The cruise activity at the Port of Galveston created 1,453 total jobs for Galveston area residents. Of these 1,453 jobs, 645 were direct jobs, 371 jobs were supported in the Galveston area as the result of the purchases of the 645 direct jobs holders, while another 437 indirect jobs were supported in local industries that supply services and goods to the tourism industry catering to the passengers as well as to the chandlers and other firms supplying services and goods to the vessels while in port.

**3.2 Personal Income Impact**

The 645 direct job holders received \$19.2 million of direct wages and salaries, for an annual salary of \$29,825. As the result of the purchases made locally with this income, (which supported the 371 induced jobs in the Galveston area) an additional \$32.0 million of local income and consumption expenditures were created in the Galveston area. The 437 indirectly employed workers were paid \$14.4 million, for a total wage and salary income impact of \$65.6 million, including the consumption impact.

**3.3 Business Revenue**

Local businesses supplying food, beverages, and services to the cruise lines received \$312.8 million of business revenue. In addition, in order to support the services and goods supplied to the cruise lines by these firms, another \$23.6 million of local purchases in the Galveston area were made by those firms providing direct services to the cruise lines. These local purchases supported the 437 indirect jobs in the local economy.

**3.4 Tax Revenue**

Finally, as the result of cruise activity at the Port of Galveston during the 2011 cruise season, \$5.2 million of state and local tax revenue was collected.