

**FEDERAL MARITIME COMMISSION**

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**FACT FINDING INVESTIGATION NO. 30**

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**COVID-19 IMPACT ON CRUISE INDUSTRY**

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**INTERIM REPORT: ECONOMIC IMPACT OF COVID-19 ON THE CRUISE  
INDUSTRY ON CALIFORNIA, HAWAII, AND THE PACIFIC**

**March 17, 2021**

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## I. Executive Summary

In April 2020, the Federal Maritime Commission (Commission) initiated a fact-finding investigation (Fact Finding 30 or FF30). The Order of Investigation<sup>1</sup> directed Commissioner Louis E. Sola to investigate and respond to the current challenges impacting the cruise industry and the U.S. ports that rely on it. Commissioner Sola, as the Fact-Finding Officer, has been engaging cruise industry stakeholders, including passenger vessel operators (PVOs), cruise passengers, and marine terminal operators, in public and non-public discussions to identify possible solutions to COVID-19-related issues that interfere with the operation of the cruise industry. Commissioner Sola also established consultative panels comprised of representatives from various port authorities, marine terminal operators, cruise lines, trade associations, consumer advocates, and the financial industry. The culmination of this process will be a series of reports with each report dedicated to either a particular concern or to the ports of a designated region. This report will focus on California, Hawaii, and U.S. territories in the Pacific, and will examine the economic impact of the COVID-19 pandemic and the Centers for Disease Control and Prevention's (CDC) orders and advisories. As per the Commission's Fact Finding 30 Order, this report will focus on the economic impact of the inability of the cruise lines to sail. This report will not address such items as crew member repatriation or the environmental impact of the cessation of passenger vessel sailings; nor will it address the various health related issues which must be attended to prior to the resumption of travel.

On March 13, 2020, members of the Cruise Lines International Association (CLIA) announced a pause in the operations of its members to assess and address the risks posed by the COVID-19 pandemic. On March 14, 2020, the CDC issued a No Sail Order and Suspension of Further Embarkation applicable to PVOs whose vessels carry 250 or more individuals (passengers and crew) with an itinerary anticipating an overnight stay onboard or a 24 hour stay onboard for either passengers or crew.<sup>2</sup> Both voluntary suspension of operation by CLIA and cruise lines, and extensions of the CDC No Sail Order continued through most of 2020.<sup>3</sup> Although the CDC's No Sail Order was not extended at the end of October 2020, the CDC has released on October 30, 2020 a Framework for Conditional Sailing Order which the cruise lines must comply with before they will be permitted to sail. In addition, the CDC has issued a Level 4 Travel Health Notice<sup>4</sup> recommending that the public avoid travel on cruise ships. Currently, most cruise lines have announced that no cruise will embark from the United States until at least April or May of

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<sup>1</sup> Order of Investigation, Fact Finding Investigation No. 30, COVID-19 Impact on Cruise Industry (FMC April 30, 2020), [https://www2.fmc.gov/readingroom/docs/FFno30/ffno30\\_ord.pdf/](https://www2.fmc.gov/readingroom/docs/FFno30/ffno30_ord.pdf/).

<sup>2</sup> The CDC's No Sail Order applies to vessels with a capacity to carry 250 passengers and crew anticipating to stay overnight or for over 24 hours. The Commission's requirements apply to vessels with berth/stateroom capacity to carry 50 or more passengers. So, there could be small PVOs the Commission regulates that are not subject to the CDC's No Sail Order (with vessels carrying more than 50 passengers but less than 250 passengers and crew).

<sup>3</sup> On April 9, 2020, the CDC extended the termination date of the order to July 24, 2020. On June 19, 2020, CLIA announced that the major cruise lines have agreed to voluntarily extend a suspension of operations out of U.S. ports until September 15, 2020. On July 16, 2020, the CDC extended the termination date of its order to September 30, 2020. On August 5, 2020, CLIA voluntarily extended its suspension of operations until October 31, 2020. (<https://cruising.org/en/news-and-research/press-room/2020/august/clia-announces-third-voluntary-suspension-of-us-cruise-operations>). On September 30, the CDC extended again the order until October 31, 2020.

<sup>4</sup> Centers for Disease Control and Prevention, COVID-19 and Cruise Ship Travel, <https://wwwnc.cdc.gov/travel/notices/covid-4/coronavirus-cruise-ship> (last visited Feb. 9, 2021).

2021. However, it is unclear what impact the recent surge in cases experienced in December 2020 and January 2021, the appearance of viral variants, or the development and initial roll out of new vaccines may have on the anticipated resumption by the cruise lines or the public's comfort in sailing. It should be noted that limited cruise operations are taking place outside of North American waters and are being monitored to determine the efficacy of their safety protocols.

To understand the effect of these events on the regional economy, Commissioner Sola examined the fiscal impact of the cruise industry on local and state economies and included those figures in this report.

## II. Fact Finding Method

### **Meetings with Government, Port, and Industry Leaders**

Commissioner Sola communicated with port directors, government officials, cruise industry leaders, business executives, and labor leaders in the region examined in this report. The Commissioner appreciates all those who contributed their valuable insight to this review.

### **Open Source Information**

A variety of open source information is used in this report. These include annual reports by ports and studies by various research firms.<sup>5</sup> Port websites, industry association websites, industry-related magazines and news sources were also considered.

### **Individual Port Analysis**

This report presents brief observations related to individual cruise ports in the region examined and attempts to provide a consistent format for each individual port review. Due to the unique nature of each port and the variety of source material available from one port to another, each segment will vary to some degree.

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<sup>5</sup> More information on methodology used for the studies can be found in the studies, provided in footnotes or text.

## Terminology

This report discusses direct, indirect, and induced impact as found in various documents, especially in job and wage numbers. In general, these terms can be defined as follows:

***Direct jobs*** are those that would not exist if activity at the Port's cargo and cruise facilities were to cease... Direct employees created by the cruise operations include the jobs with the firms providing the direct vessel services – chandlers, pilots, longshoremen, line handlers, local advertising firms, caterers, liquor wholesalers, linen companies, security firms, waste disposal firms, parking, local transportation -- as well as the firms providing services to the passengers on the vessels.<sup>6</sup>

***Indirect jobs*** are created throughout the state as the result of purchases for goods and services by the firms directly impacted by the port activity, including the tenants, terminal operators and the firms providing services to cargo – which includes...cruise passenger operations.<sup>7</sup>

***Induced jobs*** are jobs created in the state by the purchases of goods and services by those individuals directly employed by each of the lines of business at each port...The induced jobs are jobs with grocery stores, restaurants, health care providers, retail stores, local housing/construction industry, and transportation services, as well as with wholesalers providing the goods to the retailers.<sup>8</sup>

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<sup>6</sup> Florida Seaport Transportation and Economic Development Council, The Statewide Economic Impacts of Florida Seaports (Dec. 2016) at 2, <http://scdn.flaports.org/wp-content/uploads/EconomicImpactsofFloridaSeaports.pdf> (last visited Aug. 17, 2020).

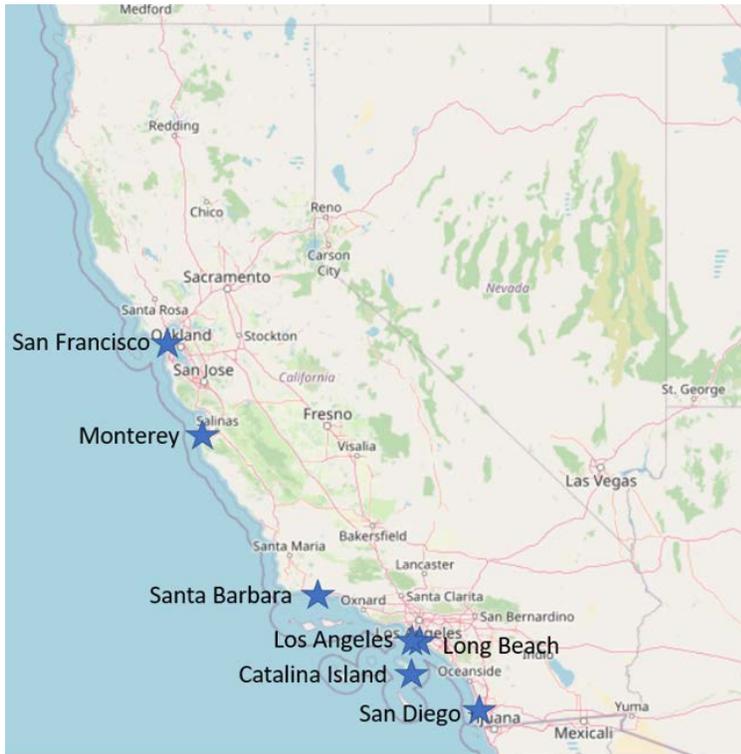
<sup>7</sup> *Id.* at 3.

<sup>8</sup> *Id.* at 3.

### III. Observations

#### A. California

California has both home ports and in-transit ports for many major cruise lines. According to CLIA's 2019 report on Economic Contribution of the International Cruise Industry to the United States (2019 Cruise Industry Economic Report),<sup>9</sup> cruises out of California primarily go to Mexico, but some go to the Panama Canal, Hawaii, or Alaska. Several cruise lines have offices in California, and 6% of cruise line employees in the U.S. are employed in California.



Source: © OpenStreetMap contributors, <https://www.openstreetmap.org/#map=6/37.481/-121.830> (San Francisco, Monterey, Santa Barbara, Los Angeles, Long Beach, Catalina Island and San Diego added).

According to CLIA's 2019 report on Economic Contribution of the International Cruise Industry to the United States (2019 Cruise Industry Economic Report),<sup>9</sup> cruises out of California primarily go to Mexico, but some go to the Panama Canal, Hawaii, or Alaska. Several cruise lines have offices in California, and 6% of cruise line employees in the U.S. are employed in California.

The 2019 Cruise Industry Economic Report provides that the number of cruise passengers sailing out of California has been increasing. From 2018 to 2019, passengers embarking from Long Beach, Los Angeles, San Diego, and San Francisco increased by 12% to almost 1.3 million passenger embarkations. This totaled 9.1% of embarkations in the U.S. Including passengers embarking at other ports, cruise visitor and crew onshore visits in California totaled over 1.8 million in 2019.

#### Economic Impact

The economic impact of the cruise industry results in over 50,000 jobs in the state of California.<sup>10</sup>

Looking beyond the impact of individual ports, the state as a whole benefits from the international cruise industry. Indeed, thanks to the cruise industry, California is estimated to bring in over \$2.5 billion in direct expenditures annually, and generate 50,000 jobs in the state, thereby producing over \$3.3 billion in income throughout the California economy according to

<sup>9</sup> Cruise Lines International Association, The Economic Contribution of the International Cruise Industry in the United States in 2019 (Nov. 2020), <https://cruising.org/-/media/research-updates/research/2019-usa-cruise-eis.ashx> (last visited Jan. 2, 2021).

<sup>10</sup> *Id.*

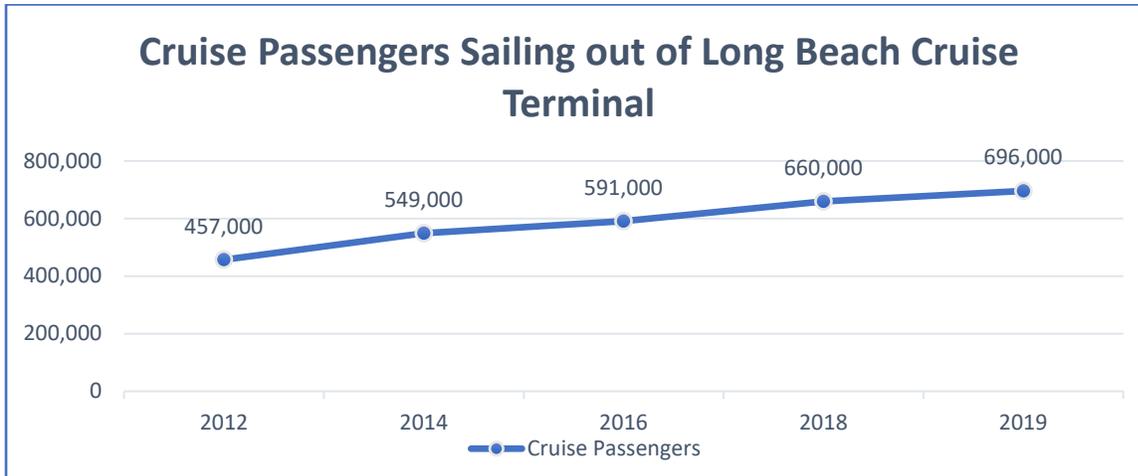
the 2019 Cruise Industry Economic Report. This includes industries such as food processing, legal and professional services, tourism/travel services, computer services, apparel manufacturing, and entertainment. Of the total direct expenditures, \$923 million was spent in tourism-related businesses and \$551 million related to the area of food processors, petroleum refiners, and advertising. Passenger and crew spending in California in 2019 was estimated to be \$161 million.

## B. Long Beach

The Long Beach Cruise Terminal is not administered by the Port of Long Beach.<sup>11</sup> It is owned and operated by Carnival Corporation.<sup>12</sup> Under normal conditions, the cruise port has ships sailing year-round.<sup>13</sup> Locations and length of itineraries vary, from 3-day cruises to Catalina Island and Ensenada to 14-day cruises to Alaska or Hawaii.<sup>14</sup>

Long Beach has the fifth-most passenger embarkations in the United States.<sup>15</sup>

Per the 2019 Cruise Industry Economic Report, Long Beach has the fifth-most passenger embarkations in the U.S., only behind three large ports in Florida and Galveston, Texas. As seen on the chart, cruise passenger embarkations have been increasing. In 2019, 696,000 passengers embarked on a cruise at the Long Beach Cruise Terminal. This is over 50% higher than the 457,000 passengers who sailed out of the terminal in 2012.



<sup>11</sup> Port of Long Beach, Tourism & Cruise Information, <https://polb.com/port-info/tourism-and-cruise-information#tourism-and-cruise-overview> (last visited Dec. 11, 2020).

<sup>12</sup> Long Beach California, Cruise Terminal Information, <https://www.visitlongbeach.com/plan-your-trip/cruise-terminal-information/> (last visited Dec. 11, 2020).

<sup>13</sup> Pierce Nahigyan, Long Beach Business Journal, Long Beach Hospitality And Tourism Businesses Report Steady Sales, High Optimism In 2018 (Dec. 3, 2018), <https://lbbusinessjournal.com/long-beach-hospitality-and-tourism-businesses-report-steady-sales-high-optimism-in-2018> (last visited Dec. 28, 2020).

<sup>14</sup> *Id.*

<sup>15</sup> Cruise Lines International Association, The Economic Contribution of the International Cruise Industry in the United States in 2019 (Nov. 2020), <https://cruising.org/-/media/research-updates/research/2019-usa-cruise-eis.ashx> (last visited Jan. 2, 2021).

## Economic Impact

According to a recent Port of Long Beach Economic Impact Study (Long Beach Economic Study),<sup>16</sup> tourism from cruise ships bring in both day visitors and overnight visitors and supports hotels, restaurants, and other tourism businesses in the city. The cruise industry at Long Beach resulted in over \$124 million in direct purchases by visitors in 2017. This does not include local goods and services the cruise company purchased.

The Long Beach Economic Study estimates that taxes brought in from the port's tourism sector in Long Beach city are \$19 million for the federal government and \$16 million for state and local governments. For Los Angeles county, tourism resulting from the Long Beach cruise industry results in \$22 million in federal taxes and \$17 million in state and local taxes. State-wide, tourism resulting from the Long Beach cruise industry results in \$25 million in federal taxes and \$19 million in state and local taxes. Nationwide, \$28 million in federal taxes and \$21 million in state and local taxes are brought in as a result of the Long Beach cruise industry.

### C. Los Angeles

The Port of Los Angeles is primarily a cargo port and is considered the “busiest seaport in the Western Hemisphere” and is the second largest cruise port in California with 311,000 passenger embarkations.<sup>17</sup> As explained on the port's website,<sup>18</sup> it is part of the City of Los Angeles, but does not receive city taxes. The port operates on revenue generated by leasing and shipping service fees. The cruise terminal, known as the World Cruise Center, at the Port of Los Angeles, is operated by Ports America.<sup>19</sup> Almost a dozen unique cruise lines call on the port.<sup>20</sup> According to statistics information on the port's website (Los Angeles Cruise Statistics),<sup>21</sup> it had over 650,000 cruise visitors in 2019.

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<sup>16</sup> Port of Long Beach, Port of Long Beach: Economic Impact Study (Jan. 31, 2019), <https://thehelm.polb.com/download/275/master-plan-update/4609/2019-polb-economic-impact-report.pdf> (last visited Dec. 16, 2020).

<sup>17</sup> Port of Los Angeles, About the Port of Los Angeles, <https://www.portoflosangeles.org/about> (last visited Dec. 22, 2020).

<sup>18</sup> *Id.*

<sup>19</sup> Port of Los Angeles, World Cruise Center, <https://www.portoflosangeles.org/business/terminals/passenger/cruise> (last visited Dec. 21, 2020).

<sup>20</sup> Waterfront Los Angeles, Cruise FAQs, <https://www.lawaterfront.org/cruise/cruise-faqs> (last visited Dec. 22, 2020).

<sup>21</sup> The Port of Los Angeles, Cruise Statistics, <https://www.portoflosangeles.org/business/statistics/cruise-statistics> (last visited Dec. 21, 2020).

The port decided, in September 2019, to explore adding two additional cruise terminals capable of servicing large cruise ships with over 5,000 passengers.<sup>22</sup> The presence of this new cruise terminal area will benefit the port and local economy beyond cruise lines and passengers through the possibility of conferences, filming, and other events.<sup>23</sup> The project is on hold due to the pandemic.<sup>24</sup>

The number of cruise ship calls over the past five years has been fairly steady, as seen on the chart, and in 2019, the port had 124 cruise ship calls, according to the Los Angeles Cruise Statistics. The port was expecting around 125 cruise ship calls in 2020.<sup>25</sup>



From 2001 to 2009, the number of cruise ship calls decreased from 319 to 162;<sup>26</sup> this is possibly due in part to the new Long Beach Cruise Terminal built in 2003.

#### **Direct economic impact**

The cruise industry impacts a wide range of industries in the Los Angeles area, including food and beverage, flowers, public relations and advertising, transportation, security, tourism, linen services, and maritime-related services such as pilots and tugs.<sup>27</sup> As Los Angeles is a homeport for several ships, the impact is increased as crew do the shopping in the area, travel to/from the area, and

<sup>22</sup> Port of Los Angeles, 2020/2021 Adopted Annual Budget, [https://kentico.portoflosangeles.org/getmedia/2edba01c-97f8-4add-a594-d57f897339b3/Adopted\\_Annual\\_Budget\\_FY2020-2021](https://kentico.portoflosangeles.org/getmedia/2edba01c-97f8-4add-a594-d57f897339b3/Adopted_Annual_Budget_FY2020-2021) (last visited Dec. 22, 2020).

<sup>23</sup> Port of Los Angeles, Outer Harbor Cruise Terminal Development Opportunity, <https://kentico.lawaterfront.org/getmedia/4471287b-3485-4f85-98c3-ea23a91e4633/outer-harbor-cruise-terminal-prospectus> (last visited Dec. 22, 2020).

<sup>24</sup> Port of Los Angeles, 2020/2021 Adopted Annual Budget, [https://kentico.portoflosangeles.org/getmedia/2edba01c-97f8-4add-a594-d57f897339b3/Adopted\\_Annual\\_Budget\\_FY2020-2021](https://kentico.portoflosangeles.org/getmedia/2edba01c-97f8-4add-a594-d57f897339b3/Adopted_Annual_Budget_FY2020-2021) (last visited Dec. 22, 2020).

<sup>25</sup> *Id.*

<sup>26</sup> The Port of Los Angeles, Cruise Statistics, <https://www.portoflosangeles.org/business/statistics/cruise-statistics> (last visited Dec. 21, 2020).

<sup>27</sup> Port of Los Angeles, Economic Impacts of the Port of Los Angeles (Aug. 20, 2007), [https://kentico.portoflosangeles.org/getmedia/3f3d6df9-cecb-4a15-8dd3-ad511eb4babc/REPORT\\_2007\\_Economic\\_Impacts](https://kentico.portoflosangeles.org/getmedia/3f3d6df9-cecb-4a15-8dd3-ad511eb4babc/REPORT_2007_Economic_Impacts) (last visited Dec. 21, 2020).

stay in hotels before and/or after rotating on and off ships.<sup>28</sup> Some cruise visitors stay as well. In 2006, around 15% of cruise passengers stayed in a hotel before or after their cruise.<sup>29</sup>

The most recent economic impact review available is the Port of Los Angeles's Economic Impacts of the Port of Los Angeles (Los Angeles Economic Impacts Report)<sup>30</sup> in 2007, explaining the economic impact during 2006. In 2006, the port had 228 cruise ship calls and 590,000 passenger embarkations, nearly double the 2019 numbers. As mentioned above, part of this may be due to having two cruise terminals close together instead of just one, rather than due to a declining demand in the area.

Per the Los Angeles Economic Impacts Report, in 2006, an estimated 1,254 direct jobs, paying \$44.6 million in wages, resulted from the cruise industry at the Port of Los Angeles. Business services revenue totaled \$240.5 million, \$41.4 million was made in local purchases, and \$11.2 million was brought in through state and local taxes.

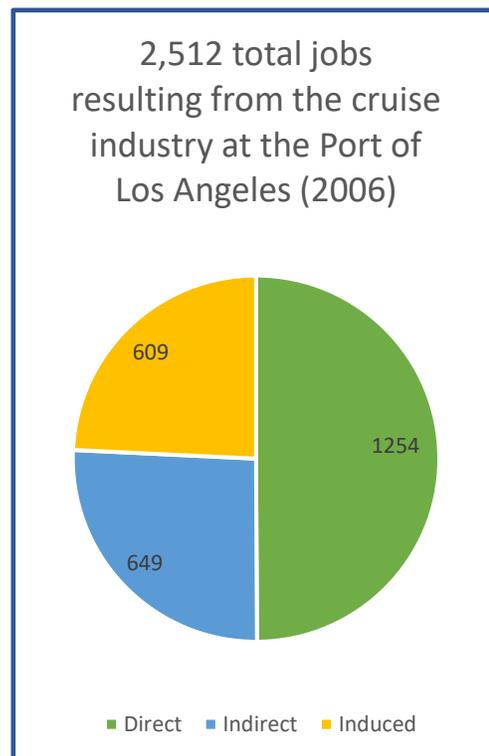
The immediate San Pedro area benefits from the cruise industry at the Port of Los Angeles. According to the Los Angeles Economic Impacts Report, around half of the direct wages and income from Los Angeles cruise industry was in the San Pedro area, with an estimated 665 direct jobs and \$28.3 million in wages. Business services revenue was under half of the total, at \$102.2 million, and direct purchases in the San Pedro area was \$18.1 million. Around half of the state and local taxes from Los Angeles cruise industry were in the San Pedro area, at \$6.5 million.

### Indirect economic impact

Additional indirect and induced jobs and wages resulted from the cruise industry at the Port of Los Angeles. The Los Angeles Economic Impacts Report estimates that in addition to the 1,254 direct jobs, 649 indirect jobs and 609 induced jobs resulted from the cruise industry at the port. Direct, indirect, and induced wages total \$99.4 million, with \$22.7 million in indirect wages and \$32.1 million in wages from re-spending/consumption.

### Current status

The latest data from the Port of Los Angeles,<sup>31</sup> reveals that there are currently 14 cruise ships, as of January 28, 2021, in the waters of Southern California. These ships are calling at the Port of Los Angeles, Port of Long Beach, and Port of San Diego as needed for supplies, fuel, maintenance, and crew changes. This is



<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> Report from the Port of Los Angeles, emailed to FF30 (Jan. 28, 2020).

being done as the ships follow the CDC guidelines for returning to service. Currently, ships are either at anchor or drifting off the coast between Los Angeles and Mexico.

### **Preparing for reopening**

Based upon current open-source information the Port of Los Angeles<sup>32</sup> is working with the both the cruise lines and their terminal operators to follow the CDC guidelines for returning to service. The Port has draft plans to process passengers with social distancing. Space has been identified for medical screening and related health processing; however, the final plans require additional CDC feedback on technical details. Depending on the technical details from the CDC will determine the types and cost of changes to the cruise terminal facilities. Preliminary estimates based on the information available will be that each terminal will require \$1 million worth of modifications to safely have the terminals ready for return to service.

#### **D. San Diego**

The Unified Port District of San Diego (the Port of San Diego) was established by the California State Legislature in 1962 and manages 34 miles of waterfront.<sup>33</sup> The port is self-funded,<sup>34</sup> and is a public benefit corporation and regional government agency with five member cities.<sup>35</sup> The port includes cargo and cruise terminals as well as tenant and subtenant businesses such as hotels, retail centers, and museums.<sup>36</sup>

The Port of San Diego is both a homeport and in-transit port and was expecting 104 ship calls during its 2019-2020 season.<sup>37</sup> According to the port's 2019/2020 cruise schedule,<sup>38</sup> most cruises from San Diego go to the Mexican Riviera, Pacific Coast, and/or the Panama Canal. A few go to South America, Hawaii, and/or the South Pacific. Its season is from September through April, with occasional ship calls during other parts of the year (in 2020, two ships calls were originally scheduled in June).

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<sup>32</sup> *Id.*

<sup>33</sup> Port of San Diego, About the Port of San Diego, <https://www.portofsandiego.org/about-port-san-diego> (last visited Dec. 29, 2020).

<sup>34</sup> *Id.*

<sup>35</sup> San Diego Unified Port District, Economic Impacts of the San Diego Unified Port District in 2017 (Feb. 2019), <https://pantheonstorage.blob.core.windows.net/administration/port-of-san-diego-economic-impact-report-2017.pdf> (last visited Dec. 28, 2020); The five member cities are Chula Vista, Coronado, Imperial Beach, National City, and San Diego. About the Port of San Diego, <https://www.portofsandiego.org/about-port-san-diego> (last visited Dec. 29, 2020).

<sup>36</sup> Port of San Diego, History, <https://www.portofsandiego.org/about-port-san-diego/history> (last visited Dec. 29, 2020).

<sup>37</sup> Mimi Elkalla, ABC 10 News San Diego, Port of San Diego welcomes 2019-2020 cruise season (Sept. 10, 2020), <https://www.10news.com/news/local-news/port-of-san-diego-welcomes-2019-2020-cruise-season> (last visited Dec. 28, 2020).

<sup>38</sup> Port of San Diego, 2019/2020 Cruise Schedule, <https://pantheonstorage.blob.core.windows.net/maritime/Port-of-San-Diego-Cruise-Schedule.pdf> (last visited Dec. 28, 2020).

Pursuant to the 2019 Cruise Industry Economic Report, in 2019, the Port of San Diego had 145,000 cruise passenger embarkations. As the port is also an in-transit port and is the end of some Panama Canal cruises originating from Florida, passengers at the port are not limited to those embarking on a cruise. In 2017, San Diego had 243,884 passengers,<sup>39</sup> and during the 2019-2020 season, the port was expecting 338,000 passengers.<sup>40</sup>

As one would expect, the cruise industry brings in visitors from other states and countries. According to the port's report of Economic Impacts of the San Diego United Port District in 2015 (San Diego Economic Impacts Report),<sup>41</sup> in 2015, a little over 13.2% of cruise passengers were international travelers, most from Canada. Around 43% of passengers were from other states.

### **Direct economic impact**

Each homeport ship call averages \$2 million in economic impact.<sup>42</sup> In 2017, it was estimated that the cruise terminal at the Port of San Diego provided around \$46 million in direct economic output and directly produced 463 jobs.<sup>43</sup> Industries that benefit include manufacturing, wholesale & retail trade, transportation & warehousing, financial & business services, lodging, food & beverage services, government, and other services industries.<sup>44</sup> Details for each job sector based on 2015 numbers can be seen on the chart in the next section.<sup>45</sup>

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<sup>39</sup> San Diego Unified Port District, Economic Impacts of the San Diego Unified Port District in 2017 (Feb. 2019), <https://pantheonstorage.blob.core.windows.net/administration/port-of-san-diego-economic-impact-report-2017.pdf> (last visited Dec. 28, 2020).

<sup>40</sup> Mimi Elkalla, ABC 10 News San Diego, Port of San Diego welcomes 2019-2020 cruise season (Sept. 10, 2020), <https://www.10news.com/news/local-news/port-of-san-diego-welcomes-2019-2020-cruise-season> (last visited Dec. 28, 2020).

<sup>41</sup> San Diego Unified Port District, Economic Impacts of the San Diego United Port District in 2015 (June 2016), <https://pantheonstorage.blob.core.windows.net/administration/Economic-Impact-Analysis-2015.pdf> (last visited Dec. 29, 2020).

<sup>42</sup> Mimi Elkalla, ABC 10 News San Diego, Port of San Diego welcomes 2019-2020 cruise season (Sept. 10, 2020), <https://www.10news.com/news/local-news/port-of-san-diego-welcomes-2019-2020-cruise-season> (last visited Dec. 28, 2020).

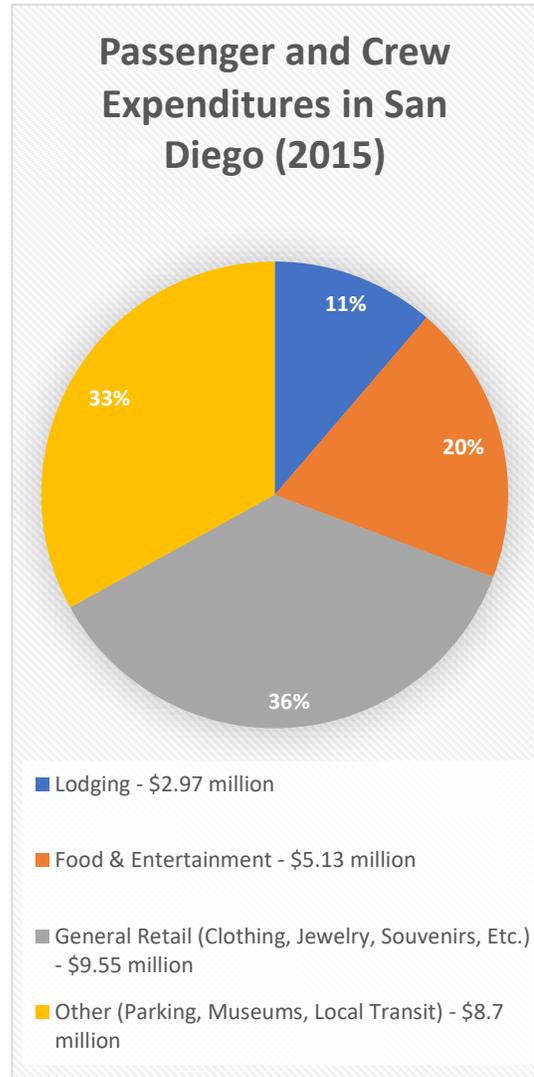
<sup>43</sup> San Diego Unified Port District, Economic Impacts of the San Diego Unified Port District in 2017 (Feb. 2019), <https://pantheonstorage.blob.core.windows.net/administration/port-of-san-diego-economic-impact-report-2017.pdf> (last visited Dec. 28, 2020).

<sup>44</sup> San Diego Unified Port District, Economic Impacts of the San Diego United Port District in 2015 (June 2016), <https://pantheonstorage.blob.core.windows.net/administration/Economic-Impact-Analysis-2015.pdf> (last visited Dec. 29, 2020).

<sup>45</sup> *Id.*

As one can see, the direct expenditures are not exclusively ship related such as ship repair and maintenance, but may also include passengers going ashore as tourists purchasing food and patronizing local businesses.<sup>46</sup> Relying yet again on the San Diego Economic Impacts Report, we discover that the local hospitality industry benefits from the cruise industry, as 20% of embarking cruise passengers stay at a hotel before and/or after their cruise, averaging a 2.1 night stay. In 2015, this resulted in 15,700 room nights being used during the year in the San Diego area. In addition, cruise line crew and passengers expended approximately \$26.36 million in total with local businesses in 2015. A breakdown can be seen on the chart. Average crew and passenger expenditure per cruise was \$342,303. The cruise lines spent \$20.47 million in the local area, including on food and beverages, linens, equipment, and supplies. Another \$5.71 million was paid by cruise lines for port fees, local transportation for passengers, and crew and navigation services. The total direct spending per cruise averages over \$608,000.

The Port of San Diego had 119 ship calls cancelled in 2020.<sup>47</sup> Cruise cancellations during that year have resulted in a loss of around \$200 million in economic activity to the area.<sup>48</sup>

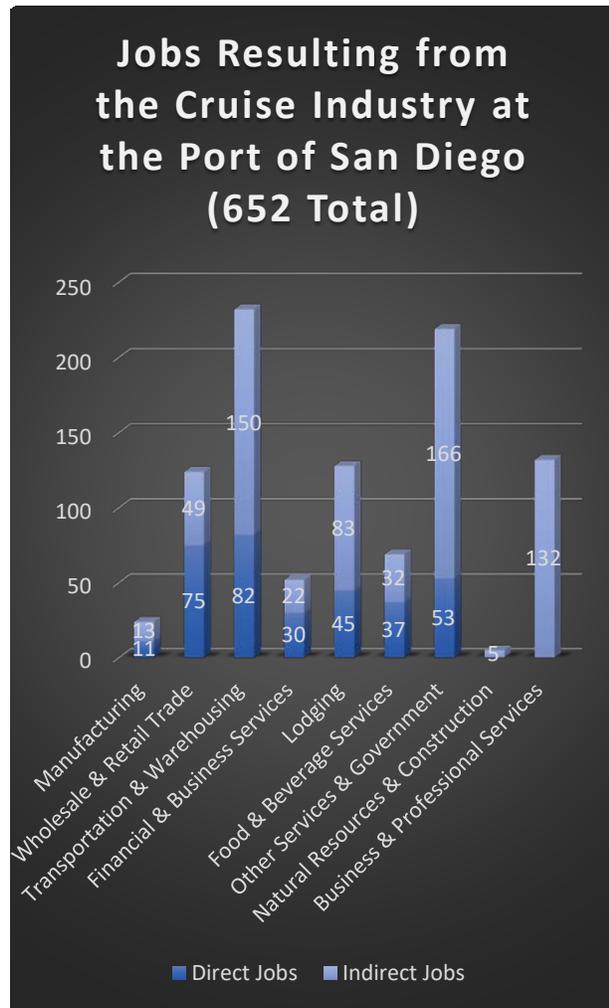


<sup>46</sup> Mimi Elkalla, ABC 10 News San Diego, Port of San Diego welcomes 2019-2020 cruise season (Sept. 10, 2020), <https://www.10news.com/news/local-news/port-of-san-diego-welcomes-2019-2020-cruise-season> (last visited Dec. 28, 2020).

<sup>47</sup> Managing Editor, Coronado Times, Port of San Diego to Support Cruise Ship Operations in Coming Weeks (Dec. 21, 2020), <https://coronadotimes.com/news/2020/12/21/port-of-san-diego-to-support-cruise-ship-operations-in-coming-weeks/> (last visited Dec. 22, 2020).

<sup>48</sup> *Id.*

## Indirect economic impact



As we have seen in preceding discussions, when considering the fiscal impact of an industry on a community one must take a wholistic approach and look to the indirect as well as the direct. A further review of the San Diego Economic Report revealed that in 2015, in addition to the \$46.8 million of direct economic impact, there was an additional \$35.2 million in indirect economic impact, totaling \$82 million in economic impact from the cruise industry at the Port of San Diego. The 319 indirect jobs added to the 333 jobs total 652 jobs, and a breakdown of sectors can be seen on the chart below. Indirect wages were estimated to be \$22.3 million, totaling \$35.9 million when added to direct wages.

### Preparing for reopening

An article in the Coronado Times<sup>49</sup> explains that during the end of December 2020 and early January 2021, several cruise ships are returning to the area to “reestablish the ships in U.S. waters as a prerequisite to meet the CDC Framework for Conditional Sailing order to resume cruising in the future.”<sup>50</sup> The ships will not be carrying passengers but will

occasionally be docking at the terminal for refueling and resupply. Crew members will only be going ashore in conjunction with crew changes following approved plans.

## E. San Francisco

The Port of San Francisco is a diverse port with cargo, historical districts, tourism attractions, a cruise terminal, and includes some of the city’s transportation and utilities.<sup>51</sup> It is a public enterprise agency of the city and county.<sup>52</sup>

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> Port of San Francisco, 2019-2023 Strategic Plan (June 2019), [https://sfport.com/sites/default/files/2019%20Strategic%20Plan\\_Online%20Version\\_Compress\\_0.pdf](https://sfport.com/sites/default/files/2019%20Strategic%20Plan_Online%20Version_Compress_0.pdf) (last visited Dec. 30, 2020).

<sup>52</sup> *Id.*

Cruise ships sail to Alaska, Hawaii, California, and Mexico.<sup>53</sup> A 2008 Port of San Francisco Economic Impact Study (San Francisco Economic Impact Report)<sup>54</sup> explains that as it is further from Mexico than San Diego, Los Angeles, and Long Beach, and further from Alaska than Seattle, ships tend to have longer itineraries than the other west coast ports. Some ships are part of world cruises or doing repositioning; of these, 20% of the ships remain in port overnight.<sup>55</sup>

As reported in the 2019 Cruise Industry Economic Report, San Francisco had 101,000 cruise passenger embarkations in that year. As with other ports in California, not all cruise passengers who visit the port embark there; some are in-transit passengers. Including non-embarkations, the port generally has over 80 cruise ship calls and 300,000 passengers each year.<sup>56</sup>

According to cruise information from the port’s website, in 2020, San Francisco was expecting 116 cruise ships and 400,000 passengers.<sup>57</sup>

### Direct economic impact

The San Francisco Economic Impact Report, the most recent economic impact study, was conducted using 2006 numbers, when the port had 262,000 passengers annually and 80 ship calls. At that time, 239 jobs in the San Francisco Bay Area were estimated to be a direct impact of the cruise industry at the Port of San Francisco with passenger, ship, and crew expenditures totaling over \$31.581 million. The breakdown of this spending can be seen on the graphic below.



Embarking and debarking passenger have a greater economic impact. The San Francisco Economic Impact Report explains that they tend to spend more than in-transit passengers, as they may be staying in the area overnight.

<sup>53</sup> Port of San Francisco, Cruise Shipping (Feb 2020), <https://sfport.com/sites/default/files/Maritime/Docs/Cruise%20Shipping.pdf> (last visited Dec. 29, 2020).

<sup>54</sup> Port of San Francisco, Economic Impact Study (July 18, 2008), [https://sfport.com/ftp/uploadedfiles/about\\_us/divisions/finance\\_admin/EconomicImpactReportSept2008.pdf](https://sfport.com/ftp/uploadedfiles/about_us/divisions/finance_admin/EconomicImpactReportSept2008.pdf) (last visited Dec. 29, 2020).

<sup>55</sup> Port of San Francisco, Cruise Shipping (Feb 2020), <https://sfport.com/sites/default/files/Maritime/Docs/Cruise%20Shipping.pdf> (last visited Dec. 29, 2020).

<sup>56</sup> Port of San Francisco, Cruise, <https://sfport.com/cruise> (last visited Dec. 29, 2020).

<sup>57</sup> Port of San Francisco, Cruise Shipping (Feb 2020), <https://sfport.com/sites/default/files/Maritime/Docs/Cruise%20Shipping.pdf> (last visited Dec. 29, 2020).

The state and city benefit from sales tax paid by cruise visitors. The San Francisco Economic Impact Report estimates that in 2006, \$1 million was collected in sales taxes from crew and passenger spending, with over \$118,000 going to San Francisco. The city also brings in around \$325,000 from transient occupancy taxes from cruise visitors staying overnight in the city, and over \$448,000 in parking tax revenue. In total, the city brought in around \$892,000 in taxes.

### Indirect economic impact

The indirect and induced economic impact of the cruise industry in the San Francisco Bay Area adds value to the industry in the area. The effect of passenger, crew, and ship expenditures, as well as jobs in the area, are expanded when the indirect and induced effects are added.

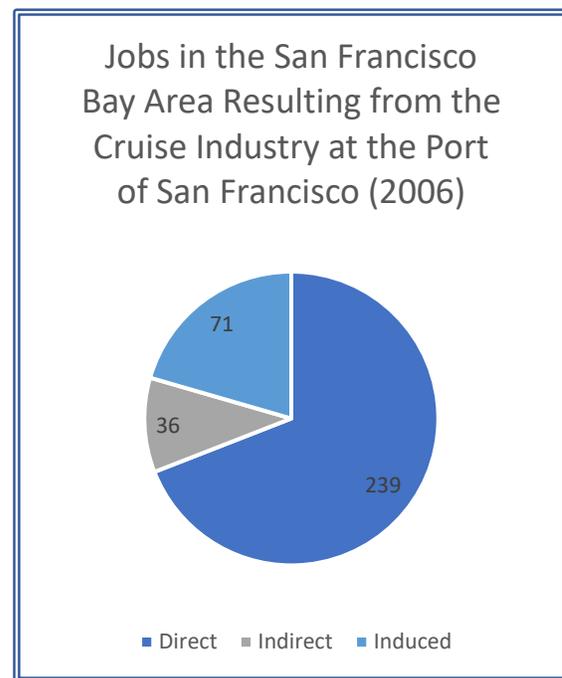
As mentioned above, in 2006, 239 jobs were estimated to be a direct impact of the cruise industry in San Francisco. As seen on the chart, 36 more jobs are estimated to be an indirect impact, and 71 jobs are estimated to be from the induced impact of the industry, per the San Francisco Economic Impact Report. This totals 346 jobs in the San Francisco Bay Area as a result of the cruise industry at the port.

The San Francisco Economic Impact Report explains that in addition to over \$10.18 million in cruise visitor direct expenditures, indirect impact of cruise visitor expenditures equates to almost \$3.21 million, and the induced impact is over \$3.26 million. Total cruise visitor expenditures economic impact is over \$16.65 million.

Crew spending benefits also increase when the indirect and induced effects are examined. As shown above, the direct impact from crew expenditures in 2006 was a little over \$1.78 million. Per the San Francisco Economic Impact Report, adding over \$0.52 million in indirect economic impact and over \$0.63 million in induced economic impact, total crew expenditures' economic impact was approximately \$2.95 million.

Finally, indirect impact from ship expenditures was over \$3.68 million and induced impact from ship expenditures was over \$5.93 million.<sup>58</sup>

The total direct, indirect, and induced economic impact to the San Francisco Bay Area from the cruise industry at the Port of San Francisco in 2006 was over \$48 million.<sup>59</sup>



<sup>58</sup> Port of San Francisco, Economic Impact Study (July 18, 2008), [https://sfport.com/ftp/uploadedfiles/about\\_us/divisions/finance\\_admin/EconomicImpactReportSept2008.pdf](https://sfport.com/ftp/uploadedfiles/about_us/divisions/finance_admin/EconomicImpactReportSept2008.pdf) (last visited Dec. 29, 2020).

<sup>59</sup> *Id.*

**Total Direct, Indirect, and Induced Impact  
of Expenditures in the San Francisco Bay Area in 2006**  
**\$48.835 million**

<b>Passenger Expenditures</b> <b>\$16.651 million</b>	<b>Crew Expenditures</b> <b>\$2.95 million</b>	<b>Ship Expenditures</b> <b>\$29.234 million</b>
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F. Other Cruise Ports in California

**Catalina Island**

Catalina Island is 22 miles off the coast from Los Angeles.<sup>60</sup> It is an in-transit port. Ships generally anchor at sea and tender passengers into the harbor in the city of Avalon. The city’s harbor department responsibilities include scheduling dock times for commercial passenger vessels.<sup>61</sup>

Ships visit the island year-round, and in 2019, the port had 115 ship calls.<sup>62</sup> Over 259,000 cruise visitors traveled to Catalina Island in 2019, making up a little over 25% of the island’s 1.03 million visitors that year.<sup>63</sup>

The majority of visitors to Catalina Island do not stay overnight. A study for the Catalina Island Chamber of Commerce & Visitor’s Bureau, Economic & Fiscal Impacts and Profile of 2016 Catalina Island Visitors Final Report (Catalina Island Economic Impact Report)<sup>64</sup> notes that almost two-thirds of visitors to Catalina Island are day visitors. They generally arrive either by cruise ship or ferry.

<sup>60</sup> Love Catalina Island, Cruise to Catalina, <https://www.lovecatalina.com/cruise-to-catalina/> (last visited Dec. 30, 2020).

<sup>61</sup> City of Avalon, Harbor Patrol, <http://www.cityofavalon.com/content/3182/3209/default.aspx> (last visited Dec. 30, 2020).

<sup>62</sup> Love Catalina Island, 2019 Cruise Ship Schedule, <https://www.lovecatalina.com/community-information/catalina-cruise-ship-schedule/2019-cruise-ship-schedule/> (last visited Dec. 30, 2020).

<sup>63</sup> Love Catalina Island, Catalina Island Visitor Counts, [https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/catalinaislandccvb/Visitor\\_Counts\\_10\\_Year\\_view\\_Updated\\_12\\_18\\_20\\_d99271d7-f493-4ffe-bb11-b0f53ade4d3a.pdf](https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/catalinaislandccvb/Visitor_Counts_10_Year_view_Updated_12_18_20_d99271d7-f493-4ffe-bb11-b0f53ade4d3a.pdf) (last visited Dec. 31, 2020).

<sup>64</sup> Catalina Island Chamber of Commerce & Visitors Bureau, Economic & Fiscal Impacts and Profile of 2016 Catalina Island Visitors Final Report (June 2017), [https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/catalinaislandccvb/CI\\_Visitors\\_2016\\_Final\\_5\\_b96b461-3a66-4e7f-bc3b-4e5693b1eb53.pdf](https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/catalinaislandccvb/CI_Visitors_2016_Final_5_b96b461-3a66-4e7f-bc3b-4e5693b1eb53.pdf) (last visited Dec. 31, 2020).

Cruise ships bring visitors from outside the state. Per the Catalina Island Economic Impact Report, of visitors to Catalina Island who live outside California, 39% travel to the island on cruise ships.

The cruise industry benefits the local economy, and visitor spending plays a big part of the economic impact. Cruise visitors take part in spending and activities that support local businesses. According to the Catalina Island Economic Impact Report, in 2016, spending by cruise visitors included shopping/gifts/souvenirs/specialty items (77.8% of cruise visitors), drinks/beverages, (65.2%), meals out/snacks (55.6%), fees for activities, tours, passes, equipment, etc. (25.2%), and transportation (21.5%). The average cruise ship passenger spent \$66.39 in port. Assuming that amount is still accurate, with the 2019 cruise visitor numbers, around \$17 million in annual visitor spending comes from cruise visitors.

The city of Avalon depends heavily on visitors for revenue.<sup>65</sup> The cruise industry plays a role in bringing in funds for the city. An example is wharfage fees. In 2019, the city of Avalon brought in over \$745,000 in wharfage fees from cruise ships.<sup>66</sup> Overall, beyond just the cruise industry, 75% of the city's unrestricted funds are from visitor spending.<sup>67</sup>

## Monterey

Monterey is an in-transit and tender port for cruise ships. According to the Monterey Bay National Marine Sanctuary's (MBNMS) website,<sup>68</sup> ships anchor in the MBNMS and cruise visitors are tendered into the harbor. As it is a marine sanctuary, cruise ships are subject to strict environmental regulations when visiting, such as prohibition from discharging or depositing almost all types of material. MBNMS and U.S. Coast Guard personnel conduct ship inspections to ensure regulations are followed.

Monterey was expecting 19 cruise and tall ship calls in 2021, but according to the city's website, all have been cancelled.<sup>69</sup>

According to a city official, cruise ships in Monterey bring in an estimated \$1.5 million annually for businesses and between \$140,000 and \$200,000 in fees for the city.<sup>70</sup>

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<sup>65</sup> Alena Maschke, Long Beach Business Journal, 'Nothing's sacred, nothing's safe': Catalina's Avalon faces financial crisis as cruise ships, visitors steer clear (Jul. 13, 2020), <https://lbbusinessjournal.com/nothings-sacred-nothings-safe-catalinas-avalon-faces-financial-crisis-as-cruise-ships-visitors-steer-clear> (last visited Dec. 30, 2020).

<sup>66</sup> City of Avalon, Visitor Driven Revenues (Dec. 9, 2020), [http://www.cityofavalon.com/filestorage/3182/3201/Avalon\\_Visitor-Driven\\_Revenues\\_2020-10.pdf](http://www.cityofavalon.com/filestorage/3182/3201/Avalon_Visitor-Driven_Revenues_2020-10.pdf) (last visited Dec. 31, 2020).

<sup>67</sup> Alena Maschke, Long Beach Business Journal, "Nothing's sacred, nothing's safe": Catalina's Avalon faces financial crisis as cruise ships, visitors steer clear (Jul. 13, 2020), <https://lbbusinessjournal.com/nothings-sacred-nothings-safe-catalinas-avalon-faces-financial-crisis-as-cruise-ships-visitors-steer-clear> (last visited Dec. 30, 2020).

<sup>68</sup> Monterey Bay National Marine Sanctuary, Resource Issues: Cruise Ships, <https://montereybay.noaa.gov/resourcepro/resmanissues/cruiseships.html> (last visited Dec. 31, 2020).

<sup>69</sup> The City of Monterey, Cruise Ship and Tall Ship Visits, <https://monterey.org/Services/Harbor-and-Marina/Cruise-Ship-Tall-Ship-Visits> (last visited Dec. 31, 2020).

<sup>70</sup> Dennis L. Taylor, Monterey Herald, Monterey halts cruise ships from anchoring at bay (Mar. 9, 2020), <https://www.montereyherald.com/2020/03/09/monterey-suspends-cruise-ship-visits/> (last visited Dec. 31, 2020).

## Santa Barbara

Santa Barbara is an in-transit port, with most visiting ships coming from San Diego, Los Angeles, or San Francisco.<sup>71</sup> Cruise ships remain about 1.5 miles offshore from Santa Barbara and cruise visitors are tendered to Sea Landing in Santa Barbara.<sup>72</sup>

Santa Barbara has around 30 ship calls each year in the spring and fall.<sup>73</sup> According to the city's website, 7 ship calls are scheduled for spring 2021 beginning April 18, 2021.<sup>74</sup>

The cruise industry attracts international visitors. According to a Visit Santa Barbara 2016 Cruise Ship Passenger Survey & Economic Impact Study (Santa Barbara Economic Impact Report),<sup>75</sup> in 2016, 27.1 cruise visitors to Santa Barbara were international residents. Almost half of domestic passengers were from outside California.

In 2016, the total economic impact of the cruise industry to Santa Barbara is a little over \$3.9 million.<sup>76</sup> That year the city had 29 ship calls with over 80,000 passengers aboard, not much different from the approximately 30 ship calls in recent years under normal conditions.<sup>77</sup>

A large portion of the \$3.9 million in economic impact is due to passenger spending. Shopping and sightseeing are popular activities with cruise visitors to Santa Barbara. According to the Santa Barbara Economic Impact Report, in 2016, 62.5% of cruise visitors went sightseeing and 61.1% went shopping. In 2016, cruise visitors spent an average of \$47.50. Direct visitor spending in 2016 included \$1.24 million in retail, \$1.43 million at restaurants, \$.34 million for entertainment and sightseeing, and \$.28 million for other, totaling over \$3.3 million in direct visitor spending.

The city also benefits through tax revenue and fees. Per the Santa Barbara Economic Impact Report, in 2016, the city of Santa Barbara received over \$646,000 in tax revenue and fees due to the cruise industry in Santa Barbara.

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<sup>71</sup> Press Release, Santa Barbara County Public Health Department, Protocols and Precautions in Place for Cruise Ship Passengers Disembarking in Santa Barbara (Mar. 3, 2020), [https://www.countyofsb.org/uploadedFiles/phd/PROGRAMS/Disease\\_Control/Corona/03\\_03\\_2020\\_%20Addressing%20Public%20Concerns%20Regarding%20Cruise%20Ships%20in%20Santa%20Barbara\\_%20PR.pdf](https://www.countyofsb.org/uploadedFiles/phd/PROGRAMS/Disease_Control/Corona/03_03_2020_%20Addressing%20Public%20Concerns%20Regarding%20Cruise%20Ships%20in%20Santa%20Barbara_%20PR.pdf) (last visited Jan. 1, 2021).

<sup>72</sup> Visit Santa Barbara, Arriving by Cruise Ship, <https://santabarbaraca.com/plan-your-trip/know-before-you-go/transportation/arriving-by-cruise-ship/> (last visited Jan. 1, 2021).

<sup>73</sup> Press Release, Santa Barbara County Public Health Department, Protocols and Precautions in Place for Cruise Ship Passengers Disembarking in Santa Barbara (Mar. 3, 2020), [https://www.countyofsb.org/uploadedFiles/phd/PROGRAMS/Disease\\_Control/Corona/03\\_03\\_2020\\_%20Addressing%20Public%20Concerns%20Regarding%20Cruise%20Ships%20in%20Santa%20Barbara\\_%20PR.pdf](https://www.countyofsb.org/uploadedFiles/phd/PROGRAMS/Disease_Control/Corona/03_03_2020_%20Addressing%20Public%20Concerns%20Regarding%20Cruise%20Ships%20in%20Santa%20Barbara_%20PR.pdf) (last visited Jan. 1, 2021).

<sup>74</sup> City of Santa Barbara, Cruise Ship Visits, <https://www.santabarbaraca.gov/depts/waterfront/events/cruiseship.asp> (last visited Jan. 1, 2021).

<sup>75</sup> Visit Santa Barbara, 2016 Cruise Ship Passenger Survey & Economic Impact Study (Dec. 2016), <https://santabarbaraca.com/wp-content/uploads/2017/01/Santa-Barbara-Cruise-Ship-Survey-2016-Report-of-Findings-FINAL.pdf> (last visited Jan. 1, 2021).

<sup>76</sup> *Id.*

<sup>77</sup> *Id.*

## G. Hawaii

Hawaii has six major cruise ports: Hilo, Kailua Kona, Nawiliwili, Lahaina, Kahului, and Honolulu. Several of these ports are also cargo ports, and Hilo, Nawiliwili, Kahului and Honolulu are managed by the Hawaii Department of Transportation's Harbors Division.<sup>78</sup> The Harbors Division's website<sup>79</sup> shows that they are made up by ten commercial harbors, four of which have large cruise ship facilities. The division is a self-sufficient enterprise, and its largest sources of revenue are from wharfage and rentals. Other sources of revenue include dockage, port entry fees, and mooring charges.



Source: © OpenStreetMap contributors, <https://www.openstreetmap.org/#map=7/20.645/-157.871> (Nawiliwili, Honolulu, Lahaina, Kahului, Kailua-Kona, and Hilo added).

Most cruise ports in Hawaii have a pier for cruise ships to dock, but a few anchor off the coast and tender cruise visitors to shore. Kailua-Kona and Lahaina are tender ports which are managed by the Department of Land and Natural Resources.<sup>80</sup>

Cruise visitors make up a small portion of Hawaii's visitors. In 2019, they made up around 2.6% of the state's 10.3 million visitors.<sup>81</sup>

Cruise visitors to Hawaii either arrive via ship (sailing from the West Coast, trans-Pacific cruise, repositioning, or world cruise), or they fly to Hawaii and then board a ship taking them to several islands. The Hawaii Tourism Authority's 2019 Annual Visitor Research Report (Hawaii Visitor Report)<sup>82</sup> states that during 2019, 68 cruises arrived from out of state. That year, Hawaii had 273,050 cruise visitors. Of these, 143,508 cruise visitors came to the island via cruise ship and 129,542 flew to Hawaii then boarded a cruise ship. Total cruise visitors increased by 8.5% from 2018 to 2019, and the chart below shows the Hawaii Visitor Report's cruise visitor numbers from 2010-2019.

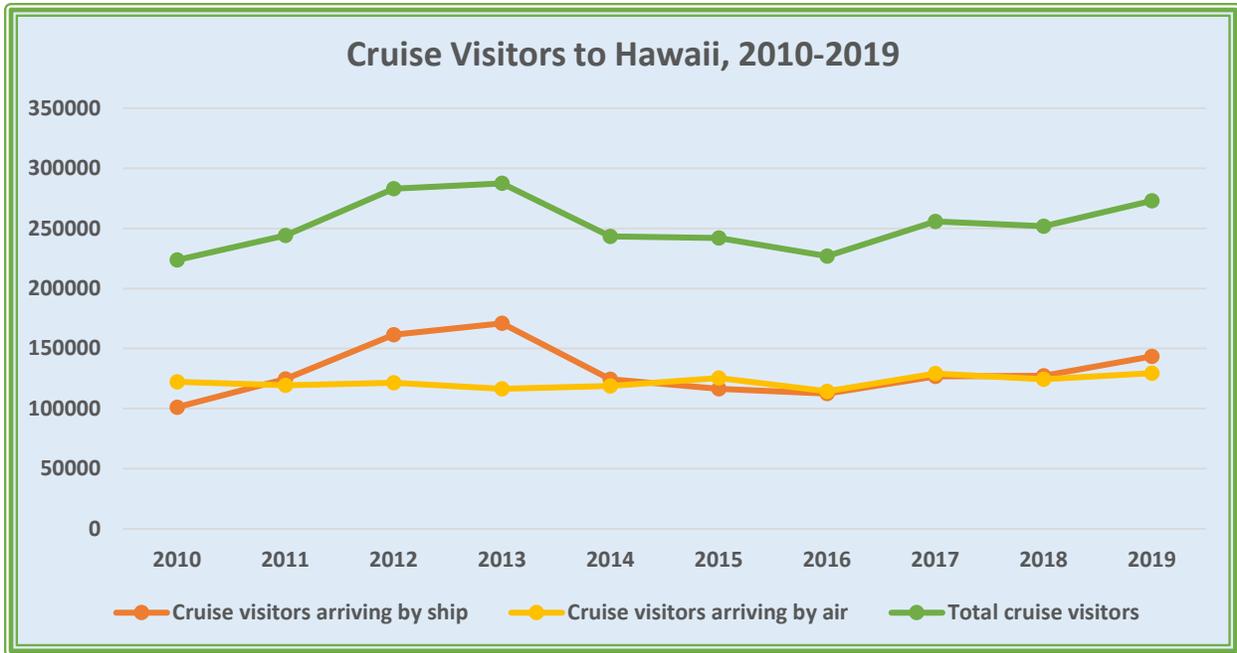
<sup>78</sup> Hawaii Department of Transportation Harbors Division, About Us, <https://hidot.hawaii.gov/harbors/about/> (last visited Jan. 8, 2021).

<sup>79</sup> *Id.*

<sup>80</sup> Report from the Director of Communications and Public Relations, Hawaii Tourism Authority, email attachment to FF30 (Jan. 29, 2021).

<sup>81</sup> Hawaii Tourism Authority, 2019 Annual Visitor Research Report, <https://www.hawaiitourismauthority.org/media/5062/2019-annual-report-final-for-posting.pdf> (last visited Jan. 3, 2021).

<sup>82</sup> *Id.*



The Hawaii Visitor Report records that most cruise visitors to Hawaii went to the four large islands. About 272,000, or 99.6%, of cruise visitors to Hawaii went to Oahu, the most popular port for cruise ships. About 257,000, or 94.1%, visited the island of Hawaii. About 255,000, or 93.6%, visited Maui, and 214,676, or 78.6%, went to Kauai.<sup>83</sup>

Almost all cruise passengers to Hawaii are from outside the state. Per the Hawaii Visitor Report, 98.5% of cruise visitors live outside of Hawaii.

Traveling to Hawaii by air, and then taking a cruise, affords cruise visitors the opportunity to stay overnight and travel further before or after their cruise. The majority of cruise guests flying to Hawaii are on the U.S. flagged vessel, *Pride of America*, which sails inter-island on 7-day itineraries.<sup>84</sup> The Hawaii Visitor Report states cruise visitors who flew to Hawaii spent an average of 1.16 days in the state before their cruise. A small percentage of cruise passengers also traveled to islands beyond their cruise. In 2019, 5,711 cruise visitors went to Lanai and 3,661 went to Molokai.

<sup>83</sup> Island of Hawaii and Kauai numbers provided by Report from the Director of Communications and Public Relations, Hawaii Tourism Authority, email attachment to FF30 (Jan. 29, 2021).

<sup>84</sup> Report from the Director of Communications and Public Relations, Hawaii Tourism Authority, email attachment to FF30 (Jan. 29, 2021).

The cruise industry results in hundreds of millions of dollars in economic impact for Hawaii. The Hawaii Visitor Report estimates that cruise visitor spending in Hawaii in 2019 was around \$490.1 million. The 2019 Cruise Industry Economic Report estimates that, from the cruise industry as a whole, Hawaii brings in \$464 million in direct purchases, and gains 7,059 jobs paying over \$261 million in wages. The \$464 million in direct purchases from the 2019 Cruise Industry Economic Report includes over \$27 million in manufacturing, \$14 million in wholesale and retail trade, \$232 million in transportation, \$2.5 million in finance, insurance, real estate and leasing, and \$187 million in services & government.

Cruise visitor spending is a significant portion of the economic impact of the cruise industry. Per the Hawaii Visitor Report, cruise visitor spending averaged \$241 per person per day in 2019. This includes spending on board U.S.-flagged Hawaii home-ported ship, Pride of America. See the chart for a breakdown of spending for each island.

<b>Average Daily Cruise Visitor Spending on Each Island</b>	
<b>Oahu</b>	\$133
<b>Maui</b>	\$75
<b>Hawaii</b>	\$71
<b>Kauai</b>	\$65

Statewide, spending by cruise visitors averaged almost \$21 per day on lodging, \$14 per day on food and beverages, \$3 on entertainment and recreation, \$24 per day on shore tours, about \$9 on transportation, \$18 on shopping, \$3 on other (outside ship), and almost \$148 unallocated and on-ship spending (cruise packages and U.S.-flagged Hawaii home-ported ship).

As of October 2020, only 20 cruise ships went to the state of Hawaii in 2020, with 29,792 cruise visitors.<sup>85</sup>

### **Island of Hawaii (Hilo, Kailua-Kona)**

The Island of Hawaii, or the big island, has two cruise ports – Hilo and Kailua-Kona. According to the Hawaii Visitor Report, the Island of Hawaii had 257,000 cruise visitors in 2019. Average cruise visitor spending per day in 2019 was around \$71.40. This includes \$7.60 on food and beverages, \$2.20 on entertainment and recreation, \$28.00 on shore tours, \$6.80 on transportation, \$16.50 for shopping, and \$10.20 on lodging and other spending outside the ship. Seventeen percent of visitors to Hilo and six percent of visitors to Kona in 2019 stayed on a cruise ship.

As of February 2021, a website for Hawaii’s cruise schedules (Hawaii Cruise Schedule)<sup>86</sup> shows 60 ship calls expected in Hilo in 2021, beginning in May.

<sup>85</sup> Allison Schaefer, Star Advertiser, Cruise ships’ return to Hawaii remains in muddy waters (Oct. 2, 2020). <https://www.staradvertiser.com/2020/10/02/hawaii-news/cruise-ships-return-to-isles-remains-in-muddy-waters/> (last visited Jan. 10, 2021).

<sup>86</sup> Hawaii.Portcall.com, Cruise Schedule, <https://hawaii.portcall.com/#!?tab=2> (last visited Feb. 10, 2021).

The Kailua-Kona Wharf is part of Hawaii's Department of Land and Natural Resources, Division of Boating and Ocean Recreation.<sup>87</sup> Most cruise ships arriving in Kailua-Kona have 2,500 passengers or less, but in September 2019, the largest cruise ship yet, with over 4,000 passengers, called on the port.<sup>88</sup> The ship anchored in Kailua Bay and passengers were tendered to the Kailua Pier.<sup>89</sup>

Ships bring cruise visitor spending to the port. One estimate is that each time a ship with almost 2,200 passenger visits Kailua-Kona, visitor spending is around \$175,000.<sup>90</sup>

As of February 2021, the 2021 Hawaii Cruise Schedule lists 51 expected ship calls to Kailua-Kona starting May 2021.

### **Kauai (Nawiliwili)**

Nawiliwili Harbor, on the island of Kauai, is a man-made port, and its capabilities include hosting cruise vessels, international container movement, and inter-island cargo.<sup>91</sup>

As noted in the Hawaii Visitor Report, 214,676 cruise visitors traveled to Kauai in 2019. Average cruise visitor spending in 2019 in Kauai was \$64.90 per day. This includes an average of \$6.40 on food and beverages, \$2.20 on entertainment and recreation, \$29.30 on shore tours, \$5.70 on transportation, \$10.50 on shopping, and \$10.80 on lodging and all other spending outside the ship.

Per the Hawaii Cruise Schedule as of February 2021, 52 ship calls are scheduled for Nawiliwili in 2021, beginning May 2021.

### **Maui (Lahaina, Kahului)**

Maui has two cruise ports: Lahaina and Kahului. According to the Hawaii Visitor Report, in 2019, 255,221 cruise visitors went to Maui. Cruise visitors to Maui spend an average of \$74.90 per day, the second highest in spending of the four islands. This includes averages of \$9.70 on food and beverages, \$2.20 on entertainment and recreation, \$24.50 on shore tours, \$7.90 on transportation, \$17.30 shopping, and \$13.20 on lodging and other spending outside the ship.

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<sup>87</sup> Hawaii Department of Land and Natural Resources, Division of Boating and Ocean Recreation, Kailua-Kona Wharf, <https://dlnr.hawaii.gov/dobor/kailua-kona-wharf/> (last visited Jan. 10, 2021).

<sup>88</sup> Press Release, Hawaii Department of Land and Natural Resources, Inaugural Visit of the Largest Cruise Ship to Call on Kailua-Kona (Sep. 25, 2019), <https://dlnr.hawaii.gov/blog/2019/09/25/nr19-167/> (last visited Jan. 5, 2021).

<sup>89</sup> *Id.*

<sup>90</sup> Max Dibble, Big Island Now, Larger Cruise Ships a Coming Trend (Oct. 15, 2019), <https://bigislandnow.com/2019/10/15/larger-cruise-ships-a-coming-tourism-trend/> (last visited Jan. 10, 2021).

<sup>91</sup> Hawaii Department of Transportation, Harbors, Nawiliwili Harbor, <https://hidot.hawaii.gov/harbors/files/2012/10/Nawiliwili-Harbor-Kauai.pdf> (last visited Jan. 10, 2021).

Kahului Harbor is a cargo and cruise ship terminal.<sup>92</sup> According to the Hawaii Cruise Schedule, as of February 2021, 43 ship calls are scheduled for Kahului in 2021 beginning May 2021. Most are scheduled to stay in port overnight, and 39 of the ship calls are from a single ship homeported in Honolulu.

The February 2021 Hawaii Cruise Schedule lists 19 ship calls are scheduled for Lahaina. Two are scheduled to remain in port (anchored) overnight.

### **Oahu (Honolulu)**

Honolulu Harbor has both cargo and cruise terminals, retail space, and other offices/facilities at the port.<sup>93</sup> One large cruise line has a ship homeported in Honolulu, and each week in normal conditions it travels to Maui, the island of Hawaii, and Kauai.<sup>94</sup>

According to the Hawaii Visitor Report, in 2019, 271,930 cruise visitors traveled to Oahu. Average daily cruise visitor spending is higher on Oahu than the other islands. Cruise visitor spending averages \$133.30 per day. This includes averages of \$45.70 for lodging, \$25.60 on food and beverages, \$4.90 on entertainment and recreation, \$18.10 on shore tours, \$12.70 on transportation, \$22.50 shopping, and \$3.70 all other spending outside the ship.

In December 2020, one cruise ship stopped in Honolulu to refuel as it was traveling from San Diego to Singapore.<sup>95</sup> No passengers were aboard the ship and crew members remained onboard.<sup>96</sup>

The February 2021 Hawaii Cruise Schedule lists 62 ship calls scheduled for Honolulu beginning May 1, 2021. Most are one-day calls, but a few are scheduled to remain in port overnight.

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<sup>92</sup> Hawaii Department of Transportation, Kahului Harbor, <https://hidot.hawaii.gov/harbors/files/2012/10/Kahului-Harbor-Maui.pdf> (last visited Jan. 8, 2021).

<sup>93</sup> Hawaii Department of Transportation, Honolulu Harbor, <https://hidot.hawaii.gov/harbors/files/2012/10/Honolulu-Harbor-Oahu.pdf> (last visited Jan. 5, 2021).

<sup>94</sup> Ashlee Galea, Cruising the Hawaiian Islands, <https://www.gohawaii.com/cruising-the-hawaiian-islands> (last visited Jan. 8, 2021).

<sup>95</sup> Press Release, Hawaii Department of Transportation, Harbors, Celebrity Eclipse Cruise Ship to Arrive at Honolulu Harbor for Fuel (Dec. 9, 2020), <https://hidot.hawaii.gov/harbors/celebrity-eclipse-cruise-ship-to-arrive-at-honolulu-harbor-for-fuel/> (last visited Jan. 12, 2021).

<sup>96</sup> *Id.*

## H. U.S. Territories in the Pacific



Source: © OpenStreetMap contributors,  
<https://www.openstreetmap.org/#map=4/7.25/134.19> (Northern Mariana Islands, Guam added).



Source: © OpenStreetMap contributors,  
<https://www.openstreetmap.org/#map=4/-23.60/168.36> (American Samoa added).

### Pago Pago, American Samoa

The Port of Pago Pago, American Samoa, is part of the American Samoa Government's Department of Port Administration.<sup>97</sup> The port's website<sup>98</sup> states the port is able to berth two cruise ships at a time, with an additional two anchored in the harbor, tendering cruise visitors to shore. The port prioritizes cruise vessels and closes the port to other vessels during cruise ship visits.

Ships that visit Pago Pago are generally on around the world voyages or seasonal repositioning cruises to Australia, North American and Asia.<sup>99</sup>

Prior to the pandemic, 19 ship calls were scheduled for the American Samoa in 2020.<sup>100</sup>

Vanuatu, also in the Pacific (but not a U.S. territory), conducted an economic impact study of 2013 data, and estimated that each ship call brings in \$260,000 AUD (\$200,927 USD)<sup>101</sup> in spending to Vanuatu, with each passenger spending an average of \$125 AUD (\$97 USD).<sup>102</sup>

<sup>97</sup> American Samoa Government, Department of Port Administration, Port of Pago Pago, American Samoa, <https://americansamoaport.as.gov/> (last visited Jan. 10, 2021).

<sup>98</sup> *Id.*

<sup>99</sup> American Samoa Visitors Bureau, Take a Cruise to American Samoa, <https://www.americansamoa.travel/cruise-ships> (last visited Jan. 10, 2021).

<sup>100</sup> *Id.*

<sup>101</sup> Exchange rate from Department of the Treasury, Treasury Reporting Rate of Exchange as of December 31, 2020, <https://fiscal.treasury.gov/reports-statements/treasury-reporting-rates-exchange/current.html>

<sup>102</sup> Australian Department of Foreign Affairs and Trade, Carnival Australia, and the International Finance Corporation (World Bank Group), Assessment of the Economic Impact of Cruise Ships to Vanuatu (Aug. 2014), <https://www.ifc.org/wps/wcm/connect/f0a4a7ad-85e0-4dbd-9a27-2168476114e0/Summary+of+Results+-+Assessment+of+the+Economic+Impact+of+Cruise+Ships+to+Vanuatu.pdf?MOD=AJPERES&CVID=kFrtPkM> (last visited Jan. 11, 2021).

## Saipan, Northern Mariana Islands

The Commonwealth Ports Authority manages and operates all seaports and airports in the Northern Marianas.<sup>103</sup>

Very few cruise ships stop in Saipan. According to an industry website, two ships are scheduled to visit Saipan in February 2022, both part of world cruises.<sup>104</sup>

In 2011, various islands in the Micronesia area formed the Micronesia Cruise Association (MCA) in order to “develop a sustainable emerging visitor market segment and cultivate incremental economic activity servicing cruise ships throughout the Micronesian region.”<sup>105</sup>

## Guam

The Port Authority of Guam is a public corporation established in 1975 and manages mainly the island’s cargo/consumer goods traffic.<sup>106</sup> The port is located in the village of Piti.<sup>107</sup> Guam receives an average of 5 ship calls per year.<sup>108</sup>

Guam hopes to expand their cruise market. In 2019, Guam established a working group to work with the MCA to develop a strategy for the small ship cruise industry.<sup>109</sup> The wharf is being upgraded to accommodate the small cruise ship industry, as well as establish a multi-purpose port.<sup>110</sup>

A 2014 report explains that cruising is desirable for islands like Guam, as cruise visitors do not need hotel rooms on the island.<sup>111</sup> The cruise industry “can provide a much-needed infusion of hard currency, without the heavy infrastructure burden and without the destructive mass market impact.”<sup>112</sup>

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<sup>103</sup> Commonwealth Ports Authority, <https://cnmiports.com/> (last visited Jan. 10, 2021).

<sup>104</sup> CruiseTimetables.com, Port of Call Saipan, Mariana Islands, <https://www.cruisetimetables.com/cruises-to-saipan-mariana-islands.html> (last visited Jan. 10, 2021).

<sup>105</sup> Pacific News Center, Cruise Association Formed to Help Attract Cruise Liners to Guam (Jan. 11, 2011), <https://www.pncguam.com/cruise-association-formed-to-help-attract-cruise-liners-to-guam/> (last visited Jan. 10, 2021).

<sup>106</sup> Port Authority of Guam, About PAG, <https://www.portofguam.com/about-us/about-pag> (last visited Jan. 11, 2021).

<sup>107</sup> Port Authority of Guam, Cruise Ships, <https://www.portofguam.com/what-we-do/cruise-ships> (last visited Jan. 11, 2021).

<sup>108</sup> *Id.*

<sup>109</sup> Gerry Partido, PNC, Cruise ship industry for Guam pushed (Jul. 10, 2019), <https://www.pncguam.com/cruise-ship-industry-for-guam-pushed/> (last visited Jan. 11, 2021).

<sup>110</sup> Port Authority of Guam, Cruise Ships, <https://www.portofguam.com/what-we-do/cruise-ships> (last visited Jan. 11, 2021).

<sup>111</sup> Guam Visitors Bureau, Tourism 2020 (Jan. 15, 2014), <https://www.investguam.com/userfiles/files/Guam%20Tourism%202020%20Strat%20Plan%20Final.pdf> (last visited Jan. 11, 2021).

<sup>112</sup> *Id. at 34.*

## IV. Conclusion

The international cruise industry brings in over a billion dollars to the California economy, and the individual ports bring in between \$1.5 million to over \$200 million for each local economy. The three large cruise ports in southern California (Long Beach, Los Angeles, and San Diego) account for thousands of jobs in that part of the state. The cruise industry in San Francisco is responsible for hundreds of jobs in that area. The Canadian Government's recent announcement banning cruise ships carrying more than 100 people from operating in Canadian waters<sup>113</sup> may adversely affect the cruise industry in California. Hosting the fifth busiest cruise port in the United States, California has incurred a considerable fiscal loss due to the cessation of cruising. The loss of an industry that has generated \$2.5 billion in direct expenditures annually in the past is not easy even for the Golden State.

Hawaii's cruise industry is unique in that it is home to the only large U.S.-flagged cruise ship. Hawaii's cruise industry is a relatively small part of its tourism industry, but still has a large economic impact. Cruise visitor spending alone in 2019 was over \$490 million.

The U.S. territories in the Pacific have few cruise ship visits each year, yet each ship call brings in cruise line and visitor spending to the islands. Cruise ships have the potential to bring in tourists without the islands needing to build infrastructure such as hotels on the islands.

As we have discussed in other Fact Finding 30 reports, the significance of the cruise industry's economic impact is unique to each state or region. We have also observed that the challenges being posed by the current pandemic are fluid and not easily met. This report, being specific to the cruise ports located in California, Hawaii, and U.S. territories in the Pacific, is designed simply to provide an overview as to the financial impact being experienced by those states and territories due to the cessation of cruise operations. It is hoped that the data provided will not only draw attention to the importance of the cruise industry, but also encourage and assist appropriate authorities to do what is necessary to relaunch the cruise operation in a timely and safe manner that builds confidence among cruise consumers. As Fact Finding Officer, Commissioner Sola continues to explore options to achieve these goals.

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<sup>113</sup> Government of Canada. Government of Canada announces one-year ban for pleasure craft and cruise vessels (Feb. 4, 2021). <https://www.canada.ca/en/transport-canada/news/2021/02/government-of-canada-announces-one-year-ban-for-pleasure-craft-and-cruise-vessels.html> (last visited Feb. 10, 2021).