SOUTHERN NEW ZEALAND

CRUISE DESTINATION STRATEGY

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Together Forward

EXECUTIVE SUMMARY:

The cruise industry in New Zealand has grown five fold in the last ten years and is predicted to continue to expand at the current rate for the next few years. Larger ships are being deployed to Australasia to cater for an expected increase in the Australian and Chinese markets.

As the number of cruise passengers coming to New Zealand increases, so to does the need to develop infrastructure to cater for that increased capacity. This infrastructural development has primarily been focused in regions which host the six major port visits.

According to Cruise New Zealand, the cruise sector generated $426.1 million value added to the national economy during the 2014/15 season. Of this amount $7.1 million (1.7% of the national total) was added to the Southland economy.

In excess of 80% of passengers who will visit New Zealand during the 2015/16 season will cruise in southern waters (approximately 164,000). Only 3.6% (approx 6,000) of those passengers are likely to disembark for an onshore visit while in the region.

The major economic benefit that Southland derives from the cruise sector comes via Environment Southland's Marine Fee, the Stewart Island/Rakiura Visitor Levy and value to Stewart Island tourist operators during visits by smaller expedition ships.

Interviews with key industry and community representatives, confirmed findings from earlier research initiatives which identified barriers and opportunities for growth in the cruise sector. These issues involved the provision of suitable infrastructure, lack of quantity and quality commissionable tourism product and the lack of a coordinated approach locally to working with the cruise industry.

Our recommendation is that a framework for a Southern New Zealand Cruise Destination Strategy should be further developed and signed off by key regional stakeholder groups.
It should include:

- Confirmation of Venture Southland's role as the lead organisation in the development and implementation of the strategy.

- Recognition of the cruise sector and integration of initiatives to enhance the visitor experience for cruise passengers into other major regional strategies currently being developed.
  - Regional Visitor Strategy
  - Regional Development Strategy
  - Fiordland Development Strategy
  - Stewart Island Community Development Strategy

- Recognition and support for the Stewart Island Promotion Association (SIPA) to undertake the role of coordinating the development and implementation of a plan to enhance the quality of visitor experience to Stewart Island for cruise passengers

- Continued development of the cruise sector in Southland to attract expedition and medium sized cruise ships.

- Continued dialogue at all levels of the cruise sector nationally

INDEX

1.0 INTRODUCTION

1.1 BACKGROUND:

In early 2015, representatives from Venture Southland, Environment Southland, Cruise New Zealand and the Southland District Council met to discuss the key issues facing the Southland cruise industry and how to develop Southern New Zealand as an attractive and viable cruise destination.

As a result of that meeting, it was decided to undertake a consultation process with appropriate industry and stakeholder groups, conduct research and form a strategic framework on which to initiate development of Southern New Zealand as a cruise destination. Teamwork South Ltd was contracted by Venture Southland to undertake that research.

This research process has been aimed specifically at:

- Gaining a clear understanding of what role Southern New Zealand currently plays in the cruise ship industry nationally.

- Identifying potential opportunities to grow the number of visits and maximize the benefits of visiting ships for Southland communities and economy.

- Identifying current and future challenges which are barriers to cruise ship visit growth and maximizing the benefit of the industry including the assessment of the costs and levies associated with visiting Southland now.

2.0 INFORMATION REVIEW:

In order to gain an accurate perspective of the current impact and potential opportunity for future growth offered by cruise within the Southland economy, an in-depth review was undertaken of all available documentation related to the industry globally, nationally and regionally. This included

- An overview of the development of the cruise industry both internationally and nationally including a forecast for potential growth.
- An assessment of Southern New Zealand's current position in a national context (considering potential competition, itinerary integration)
- A profile of the nature of cruise ships and passengers currently visiting and likely to visit Southern New Zealand.
- Identification of opportunities which may be developed by interested parties in Southern New Zealand.

2.1 Cruising Towards 2015 'A Global Perspective' (Steven Young Carnival UK)

Steven Young (Director of Port Services & Government Affairs – Carnival UK) delivered a key note speech looking at the long-term future of the cruise industry globally, at the Cruise New Zealand annual conference in Auckland in August 2015.
This was seen as an excellent starting point for this research. Key observations:

Global Trends:
- The cruise fleet internationally is growing faster than port capacity.
- Larger ships predominate
- Port congestion at iconic ports offers opportunities for less well known destinations.
- Increasing fuel and port costs are swinging the needle towards 'the ship' as the destination.
- There is a growing focus on regulation, environments, emissions and safety.
- Market penetration gives the cruise industry huge potential for confidence for future growth – the challenge is for ports to keep up.

New Zealand Challenge:
- To continue to grow both the domestic and international market.
- Sell its 'Uniqueness'.
- Capture the growing trend of large vessels deploying seasonally to Asia.
- Make better use of existing infrastructure.
- Ports or private companies understandably need a viable return on an investment. It is however unrealistic to see this coming from raised charges alone.
- New Zealand port charges are already amongst the highest in the world.
- A strategic view is needed on the wider economic benefits of cruise tourism.
- Think long-term.

2.2 *Cruise New Zealand:*

Cruise New Zealand is the industry association of New Zealand's cruise sector.
It has 55 members representing key stakeholders such as ports, Regional Tourism Organisations (RTOs), Territorial Local Authorities (TLAs), ground handlers, shipping agents, airlines, tour operators, provedores, service operators and Tourism New Zealand,

Economic Impact of the Cruise Sector

In an Economic Impact Report of the Cruise Sector in New Zealand published in August 2015, Cruise New Zealand highlighted the following global and national tends.

- The cruise sector has grown five-fold in the last ten years to become the equivalent of New Zealand's third largest country of holiday arrivals, behind Australia and China. This growth is set to continue over the next two seasons.
- Globally, the growth scenario is similar, with year on year growth, from 21.1 million in 2013 to projected increases of 22 million in 2014 and 23 million in 2015
- The global sector is set to expand further with 58 ships on order providing in excess of 180,000 additional berths till 2022.
- Six percent of the currently available 482,000 beds from 421 ships are deployed in the Australasian region.
- China is currently the biggest driver of growth in the global cruise sector with an 8.0% compound annual growth rate and making up almost half of the 1.4 million cruiser passengers out of Asia.
- Australia is also significant for having generated double-digit growth in the cruise sector over the last consecutive 12 years as a source market and breaking North America's penetration rate for the first time ever.
- China's potential and Australasia's growth combined means New Zealand's cruise fortunes are likely to remain optimistic.
- Cruise is especially beneficial to the regions as the variety of voyages spread wealth variously into the regions, outside the main trunk route of Auckland – Rotorua – Christchurch – Queenstown. The Cruise sector also has the benefit of extending beyond that of summer, from August to June.

The summary of the cruise activity and its economic impacts in the 2014 cruise season and forecasts for the subsequent two seasons are illustrated below.

Season	**Voyages**	**Vessel Port Days**	**Unique Passengers**	**Passenger Port Days**
2014 -15	127	216	201,370	1,125,100
2015 - 16 (f)	135	701	267,800	1,378,800
2016 - 17 (f)	135	755	259,200	1,409,200

(Cruise NZ 2015)

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Passenger Source Markets:
Australians continue to make up more than half of all cruise arrivals (51.0%), followed by North Americans (20%) and then British (7.0%). New Zealand as a source market is also notable, making up 11% of total cruise arrivals.

Australians superseded North Americans in terms of passenger arrivals to New Zealand in the 2008/09 cruise season. This is likely to continue as Australia, as a source market, has been enjoying double-digit growth for the last twelve years and now boasts the highest penetration rate (calculated as the number of cruisers as a proportion of their population), even higher than that of North America. This gives cruise lines the confidence to deploy more tonnage to this region – that the Australians will fill the ships.

Passenger Movements:
In terms of movements, a significant majority of Australians (85%) tend to be on a transit cruise (those who cruise into and depart New Zealand on the same cruise). North Americans (65%) on the other hand tend to be on an exchange cruise (those who either embark or disembark their cruise in New Zealand) around New Zealand, with 67% of Americans and 59% of Canadians exchanging in New Zealand. New Zealanders tend to be an a winter cruise that homeports out of Auckland (75%)

Exchange passengers tend to be worth more to New Zealand as they tend to spend a few nights in New Zealand before or after they cruise. The added spend in accommodation, flights, transfers and evening activity for an exchange passenger results in a much higher spend than a transit passenger who visits for a few hours during the day.

Regional Activity:
The report states that a positive characteristic of the cruise sector is the ability to spread the wealth into the regions. A cruise to New Zealand is considerably port intensive, accessing a new destination within overnight sailing. It is thus possible to see the length of New Zealand within a week. A typical itinerary calls into at least six ports (Auckland – Tauranaga - Wellington – Akaroa – Port Chalmers – Fiordland and Napier. (Bay of Islands and Picton may be variously added to create differentiation)

In the regions, Auckland as the marquee and key exchange port benefited the most from cruise, making up 43.7% of the national value added. Wellington which is the headquarter of most government and banking services is another beneficiary at (12.2%) followed by Canterbury (11.45%), Otago (8.2%) and Bay of Plenty (8.0%)

Forecasts (2015/16) & (2016/17)
New Zealand's cruise industry is forecast to grow rapidly in the 2015/16 season with 33.0% increase in passenger numbers, Not only will there be more ships, with 2015/16 season welcoming five ships making their maiden voyages to New Zealand but the ships on average will also be larger.

Indications for the 2016/17 season are predicted to continue the levels set by the impending 2015/16 season. The much hyped *Óvation of the Seas* will make its debut in New Zealand as the largest ship ever to visit New Zealand in December 2016 and Princess Cruises will have its largest ship ever deployed in New Zealand with the addition *Emerald Princess.*

Influencing Factors
Beyond the 2015/16 and 2016/17 seasons, the growth in the New Zealand cruise ship industry looks set to continue. Australians' ability to fill ships is one of the many significant influencing factors. China's well documented potential is another, as more and more cruises lines ply their

latest hardware in that region to attract more first-time cruisers out of the market that can be as large as 83 million according to research done by the Hong Kong Tourist Board.
The Australasia region is an attractive option to offset China's winter as demonstrated by the deployment of *Ovation of the Seas* in December 2016 after it finishes its first season in China. Congestion in neighbouring Sydney and the western Pacific may also shift more capacity into New Zealand.

However Cruise New Zealand argues that the Border Clearance Levy, to be introduced on January 01 2016 is likely to significantly limit New Zealand's growth prospects. Cruise New Zealand believes that as a result of the new levy, cruise lines are likely to remove repositioning voyages and reduce home porting in New Zealand. It also anticipates cost-conscious cruise lines are also likely to exit the market.

2.3 Cruise Ships in Southland (2013)

In 2013, Venture Southland in an initiative provide accurate information regarding the cruise industry in New Zealand on which to base a future regional development strategy, commissioned a report from Cruise Strategy Ltd (CSL) to

(a) determine the current level of direct and indirect involvement of local operators and businesses in the region's cruise tourism sector.
(b) assess the nature of cruise passengers and ships that are likely to visit Southland, particularly within the context of the national cruise tourism market.
(c) assess the navigational, operational and product inventory issues affecting cruise tourism in Southland.
(d) assess the impacts of cruise tourism upon the community and other stakeholders.

That assessment concluded that

- The popularity of cruising both globally and in New Zealand was growing at a spectacular rate.
- Many of these passengers will originate in Australia.
- As cruise lines seek new ports, accessible and interesting port destinations such as those in Southland were in a good position to be developed to host the ships.
- Cruise in Southland is characterised by a complex mix of relationships between locations, cruise companies, inbound operators, regulatory authorities, tourism product and local businesses. .
- Some regional stakeholders viewed cruise as an opportunity, some viewed it as a threat, some were interested in finding out how their business could benefit and some were not at all interested.
- Key issues such the provision of suitable infrastructure, port operations and passenger management needed to be addressed.

The key recommendation from this report was that the region should focus on growing the small-ship sector as an integral part of Southland-wide regional tourism planning rather than viewing cruise as a separate entity to be developed independently. It also recommended identifying a single person or small group to take responsibility for integrating cruise into regional tourism planning.

2.4 Venture Southland Visitor Strategy (2016 – 2120)

As a Regional Tourism Organisation (RTO), Venture Southland plays a pivotal role in the leadership and development of the tourism sector in Southland. It is currently in the process of developing a new Southland Visitor Framework 2016 – 2020.

This document will provide an excellent foundation on which to base planning initiatives related to developing sectors of the tourism industry such as cruise, cycle trails and cultural heritage.

SOUTHLAND VISITOR FRAMEWORK

'The New Zealand we all dream of'

Vision:
Southland is New Zealand's premier destination for nature, wilderness and cultural heritage. The visitor experience is at an unhurried pace, with genuine hospitality is genuine, service is exceptional and Southland's communities benefit.

What is this strategy for?
To provide useable strategic direction to grow the Southland lifestyle for now and in the future, coordinating the efforts of agencies, governance and communities of Southland with a vested interest in visitors/tourism as an integral industry .

Who is it ?
For Southland communities, businesses (current and future), District & City Councils, Central Government (and its agencies), future Southlanders

Communicating distinct Southland propositions
- Positive perceptions of Region
- Know your goals and get them
- Know your audience (now and future)
- Know your strengths & weaknesses
- Know your competitors
- Customer & Sales orientation
- Know your strengths
- Innovate/create/disrupt
- Leverage and partnerships
- Manage your channels

A sustainable industry through strong relationships and insights
- Make and maintain jobs, lifestyles and communities
- Make and maintain businesses opportunities
- Maintain and improve our conservation and environment
- Be honest, and seek the understanding, contribution and value from our entire community
- Understand the nature of community and industry
- Work together as Southland, and its businesses
- Build relationships with National sector bodies
- Understand our past and performance to plan for the future
- Respect and seek knowledge and insights, and use to guide decisions

Enhanced experiences with product and community development
- Build clusters of experiences to grow all communities
- Longer stays/seasonality
- Foster quality, authentic, accessible, and available and value experiences
- Protocols for getting it done

2.5 Stewart Island Visitor Strategy:

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The Stewart Island Visitor Strategy 2010 – 2015, commissioned by Venture Southland in consultation with the Stewart Island steering Group and prepared by Tourism Consultants Ltd, updated the previous Stewart Island Visitor Strategy 1996. It was written to tie into the Southland Tourism Strategy 2005.

Objective: To develop Stewart Island's tourism opportunities in a sustainable manner while retaining those values deemed core to the lifestyles of Island residents.

The 'Steering Group believed that the 1996 strategy had not been actively adopted and driven by stakeholders and while progress had been made in many of the key areas, this had been due to the stakeholders thinking and talking about tourism, rather than a concerted effort to implement the strategy.

Since 1996, important changes had occurred on the island. These included

- Establishment of the Rakiura National Park
- Establishment of the Ulva Island/Te Wharawhara Marine Reserve.
- Ulva Island being made pest-free
- A new track and shelter system on Ulva Island.
- A Community Centre, additional accommodation.
- The entrance of new and larger operators
- Upgraded walking tracks, small business training.
- An increase in Qualmark rated businesses.
- Cruise ship visits.

Industry and Community Collaboration*:*
The strategy noted that relationship between the Stewart Island tourism industry and the local community could be strengthened. While the local community had not always treated tourism as an important industry, (even though it has the potential to strengthen the local economy leading ultimately to more families living on the island) neither had the industry tended to recognise the value of the community to tourism, nor had it addressed community concerns about potential impacts on lifestyle from tourism growth. It recommended that priority should be given to strengthening this relationship through recognising the value of both these sectors to each other. Within the industry, there was a lack of co-operation and co-ordination in effectively promoting the island and delivering a seamless experience.

The strategy noted that the Island had the potential to become more of a must see nature destination with a reputation for providing visitors with a seamless and top quality experience from the moment they book their trip to the moment they are back on the South Island. There could be a range of activities and attractions available that fit with the positioning of the Island as a nature destination.

The Stewart Island community had the opportunity to embark on a vision of being predator free and obtain international recognition because of this. Visitors could have the chance to engage in exciting and meaningful conservation projects. Existing activities and attractions would have to be enhanced in order to experience the island's abundant wildlife and unique treasures such as the kakapo. Activities will vary in duration, include poor weather options and provide the visitor with a true taste of Island life.

Strategy:
Tourism on Stewart Island has the potential to become a high value industry and increase the social, economic benefits to the community,

2.6 Stewart Island Promotion Association (SIPA) Marketing Plan – 2015:

The Stewart Island Promotion Association (SIPA) is made up of businesses and interested parties that contribute to the Island tourism industry in some way and collectively work together to promote the island as a visitor destination.

Although tourism has been established as a significant industry on the island for some time, there has been minimal growth in this area over the past 10-15 years. SIPA members believe that both the 1996 and 2010 Stewart Island Tourism Strategies had failed to achieve the desired progress towards tourism growth due to poor implementation of the identified strategies. With the introduction of a part-time Promotions Officer in late 2014 and with the objective of focusing resources on tourism growth, it is now hoped that more results can be achieved.

As a result of that initiative, a marketing plan has been adopted to further develop the tourism economy on the Island. It is based on the assumption that there is a desire to improve and grow tourism on the island and that SIPA members were willing to make the required changes.

The plan focuses on the following strategies:

- *Brand development*
- *Improved information*
- *Improved quality*
- *Marketing campaigns, promotions and opportunities*
- *Product development*
- *Events and special projects*
- *Cruise ship market*

SIPA sees that critical to the success of this plan, is the dedicated resource to focus on the implementation as well as the pro-active action of the SIPA members in supporting its delivery and providing leadership for the community as a whole.

Cruise Ships

In its 2015 Marketing Plan, SIPA states that Stewart Island 'is a jewel in the crown in the New Zealand cruise ship market' but emphasises that currently the community is not making the most of opportunities offered. It states that 'the island needs to shift its focus towards maximizing its return from this opportunity and work on strengthening relationships'.

The marketing plan states that greater emphasis should be placed on strengthening and sustaining relationships between local businesses and cruise industry representatives. It intends to focus on the island's point of difference and the development of additional products and services. It would appear that information provided to customers both before they leave on their voyage and whilst they are on board is limited and unclear. To increase value, SIPA believes that Island businesses need to develop methods to communicate accurate, detailed and relevant information to passengers before the disembark

When cruise ships arrive, many Islanders believe that businesses tend to neglect/lose the potential of other visitors to the island. This is seen to be due to the Island's perceived attitude towards cruise ships and operator's reluctance to work together for the greater good.

A more coordinated approach is seen as the key to working and communicating better and obtaining a more positive result for all.

2.7 Fees & Levies:

2.7.1 Border Clearance Levy

The New Zealand Government will introduce a new Border Clearance Levy on January 01 2016. The levy covers boarder clearance costs for all arriving and departing passengers.

Each cruise passenger will be levied $22.80 (plus GST). The levy is higher for cruise ship passengers because of the additional time and resources needed for bio-security risk assessments at ports. Crew on cruises ships are exempted

The policy states that the introduction of the levy allows the Ministry for Primary Industries (MPI) and the New Zealand Customs Service to manage resourcing of boarder clearance activities as passenger numbers vary. This will mean that the right resources are in place to keep New Zealand safe from harmful pests, people and dangerous substances and maintain levels of service

2.7.2 Maritime New Zealand - Marine Levy.

The Marine New Zealand Marine Levy was introduced in 2014. It charges passengers on all cruise ships cruise $3.09. Funds are used to maintain critical services to New Zealand's marine environment.

2.7.3 Environment Southland Marine Fee

All cruise ships wishing to enter the Fiords or inner waters of the Southland region either require resource consent or sign into the Deed of Agreement which forms part of the Coastal Plan established in 2001. The signatories to the Deed of Agreement are Environment Southland and individual cruise companies.

The Deed of Agreement is a quasi-resource consent and places environmental obligations on the companies operating ships entering and transiting the Fiords. The requirements set out in the Deed are similar to the conditions of any resource consent. The Deed also assists in managing the potentially significant risks associated with large ship movements and transits through enclosed waters of the fiords. Significant response funds would be required should there be a ship incident within the isolated parts of the Fiords.

In the Deed, there is an economic instrument called the Environment Southland Marine Fee which is calculated based on the gross registered tonnage of each ship. It is named that way to reinforce to the maritime industry that is a port due, but in resource management terms, the payment is a financial contribution as set out in Policy 13.5 and Section 17 of the Regional Coastal Plan. It is a charge that would normally be levied on any other resource consent in these circumstances under Section 108, Resource Management Act 1991.

Up until 2001, all the Council's expenditure within the coastal marine area, over 3,100kms of coastline, was funded by ratepayers across the region. Those projects included all the work undertaken in coastal policy, coastal science, aquaculture management, harbour management and coastline compliance. The Council sort to reduce or offset that burden on the general ratepayer by directly obtaining some user-pay revenues from the users of the coastal marine area including the cruise ship industry. That industry was the one that the Council thought created the greatest environment risk to the fiords and to the way the Council managed the area.

The Marine fee first came due in the 2001/2002 cruise season and it generated about $260,000 (23 visits) for that season. Since that time, total income from that source up to and including the 2011/2012 season has generated in the order of $10m.

Based on Cruise New Zealand information, 79 scheduled cruise ship visits to Fiordland in the 2015/16 season with a total of 6,381,961 Gross Registered Tonnage is estimated to generate approx $1.7 m

This amount depends heavily on weather conditions and mechanical breakdowns which can cause cancellation of visits and thus a reduced revenue.

The user pay arrangement could change rapidly in response to the business and operating environments that the cruise industry operates within. It is an extremely cost sensitive industry and companies could easily reduce or cut the fiord visits from their schedules.

The Agreement requires Environment Southland to account for receipts and fund use as a reserve fund rather than income and expenditure. That means it maintains a reserve balance in Environment Southland's financial records. In view of the risk of potential loss of visits, it is considered prudent to maintain a reserve balance of at least one year's forecast expenditure. That would allow time to see whether the loss of visits was temporary or permanent, would mean our expenditure could continue and would provide adequate lead time to propose and establish a replacement rating regime.

The Council is now at a point where all of it's of expenditure on coastal management is paid for by the Marine Fee. There is no ratepayer contribution currently required, so the Marine Fee is substituting for or offsetting those rate requirements.

Where the money goes.

The expenditure funded from the Marine Fee is those parts of the Council's business and legal responsibilities with the coastal marine area and coastal environment that would normally be paid by rates. By way of examples, these functions, activities or projects such as:

- *Harbourmaster functions*
- *Coastal hazard management*
- *Coastal policy and planning function*
- *Coastal heritage support.*
- *Coastal science programmes.*
- *Marine bio-security programmes*
- *Supporting coastal emergency groups*
- *Providing public access to the coast*
- *Coastal compliance*
- *Supporting Iwi coastal projects.*
- *Coastal environment landscape study*
- *Contributing to Stewart Island amenities*
- *Contributing to and supporting shore line clean-up programmes*

Other Projects

The Marine Fee financial contribution is not a contestable fund. However under a specific operational policy, the Council has established a discretion to consider requests for grants or contributions from any annual surplus funds to projects that the Council considers match the Council's contribution policies Section 13 and 17 of the Regional Coastal Plan.

These requests are considered after the Council's own coastal management funding requirements have been taken into account and provided there are surplus funds available once the final income figures are known at the conclusion of the season in which the request is made. The Council does not consider such funding requests appropriate where the project proposed is the core business of another agency which should be funding the project from its own funding sources

2.7.4 Stewart Island/Rakiura Visitor Levy

Although Stewart Island/Rakiura has a small resident population, it is the destination for a larger number of short term visitors. This creates a unique funding challenge for the Southland District Council.

The Southland District Council (Stewart Island/Rakiura Levy) Empowering Act 2012 was passed into law in March 2012. The Act empowers Southland District Council to set and collect levies and obtain revenue from visitors to Stewart Island/Rakiura. Under the Act, funds must be used to better provide services, facilities and amenities for Island visitors.

Approved Operators:
Through contractual arrangements, the Southland District Council collects revenue from Approved Operators. This includes cruise ships and forms part of the ticket price. The Approved Operators Real Journeys (on behalf of Stewart Island Experience), Stewart Island Flights and ISS McKay (on behalf of the cruise ships)

Current Levy:
The amount of the levy is set out in the Stewart Island/Rakiura Visitor Levy Bylaw 2012 and is currently set at $5.00.

In the event an increase in the levy amount is considered, public consultation will occur via the Southland District Council/Long Term Plan process. If the Council decides to increase the levy amount, the increase will not take effect until 1 October in the year following the decision i.e., Approved Operators will receive 15 months lead in time before they start collecting the new amount.

Administration:
The Stewart Island/Rakiura Visitor Levy Committee has delegated responsibility to make decisions regarding funding from the Stewart Island/Rakiura Visitor Levy Fund. The committee is a Committee of Council and is subject to standard audit procedures.

The Committee meets annually to review applications and allocate funding. It consists of the following members appointed by Council:

- A representative recommended by each of the three Approved Operators
- One Community Board representative and the Councillor for Stewart Island
- One independent Councillor who acts as a representative of the Southland District Council. The independent Councillor acts as the Chair of the Committee.

Allocation of Funds:
Allocations of funding for projects is consistent with the Stewart Island/Rakiura Levy Act under Section 6 which states that levies collected must be used for one or more of the following purposes..

- Funding, wholly or in part, activities on the island used by visitors or any class of excluded visitor;
- Funding, wholly or in part, activities on the island used by visitors for visitors or any class of excluded visitor;
- Mitigating the adverse effects of visitors or excluded visitors on the environment of the island.

Visitors/Levies (to date)

	Visitors	Levies Collected
2013/14 (Oct 01 – June 30)	26,120	$130,601
2014/15 (Oct 01 – June 30)	30,648	$153,239

Fund Allocations (to date)

2014	*Project*	*Amount*
Stewart Island Jetties Subcommittee	Port William Wharf	$50,000
Stewart Island/Rakiura Community Board	Upgrade of Horseshoe Bay walking track	$25,000
Lions Club of Stewart Island	New picnic tables	$3,000
Stewart Island Promotion Association	Extended Wi-Fi	$2,400
Stewart Island/Rakiura Community Environment Trust (SIRCET)	Halfmoon Bay restoration Project	$5,285
2015		
Stewart Island/Rakiura Community Environment Trust (SIRCET)	Management and administration costs	$2,000
Rakiura Heritage Centre Trust	New Heritage Centre	$50,000
Stewart Island/Rakiura Community Board	Upgrade of Horseshoe Bay walking track	$25,000
Stewart Island/Rakiura Community Board	Upgrade of Main Road footpath	$20,000
Stewart Island Jetties Subcommittee	Upgrade of Ulva Island Wharf	$20,000

2.7.5 South Port – Wharf Levy *(Halfmoon and Golden Bay wharves)*

South Port derives income from the two Stewart Island wharves that it owns through the charging of a passenger tax (tracked by Real Journeys) and an annual licence fee charged to smaller charter boat operators (covers both).

The income is used to maintain the wharves and provide a return (if any) to South Port (note that the annual maintenance spend on the wharves at Stewart Island has averaged $170,000 over the past 5 years and income has been substantially lower than this).

When cruise ships began calling at Stewart Island there were initially no charges applied as they had “slipped under the radar”. When this came to South Port’s attention a charge was formulated and communicated to Cruise New Zealand as it was seen as inequitable for other operators to subsidise the Cruise Ship activity.

The charge is based on $5.00 per maximum passenger carrying capacity of the cruise vessel. In the first season of operation it was estimated that income from this activity would equate to $18,000 – actual was $12,000). Cargo activity across these wharves is minimal, with the majority of the volumes being shipped direct from Sanford’s aquaculture farms to South Port Bluff.

South Port is a commercial enterprise and is therefore required to ensure that appropriate charging mechanisms exist to support the maintenance of infrastructure. In this situation, the income streams do not support the ongoing maintenance costs and therefore it believes current charges cannot be considered excessive or unreasonable.

South Port has no immediate plans to review the ownership of both wharves. The Port would review any discussions/proposals for the ongoing ownership of the Golden Bay wharf structure however any decisions in this regard would have to be approved by the SP Board.

2.7.6 South Port/Port Otago – Pilotage Fee

Cost: $15,000 approx per cruise ship visit
Use: To engage the pilot to bring the ship into port.
(Note: Pilots want the full fee if calling only to Stewart Island as it takes them away for a day – however, only $4,500 more if additional to Fiords

2.7.7 Private Pontoon Levy (*Golden Bay -Stewart Island*)

Cost: $600 per day
Use: For use of the floating pontoon for tenders alongside the Southport Wharf at Golden Bay, creates ease of passenger transfer from tender to wharf

3.0 RESEARCH FINDINGS & ANALYSIS:

Prior to analysis and assessment of the Cruise Ship industry in Southern New Zealand it is important to reference any development issues and opportunities in a global and national context.

3.1 'A Global and National Context'

Industry Growth:
The cruise ship industry both globally and nationally continues to grow at a rapid rate. More people are discovering that this form of travel is both exciting and cost effective. With the growth of both the Australian and potentially the China market, it is confidently predicted that New Zealand nationally will continue to benefit.

The industry is undoubtedly very cost sensitive and growth trends could easily be reversed. The introduction of the New Zealand government's new border levy is seen as a potential 'game-changer' by international cruise line executives.

Larger Ships:
The cruise ship industry is being driven by the opportunity to provide quality holiday experiences to a much wider section of the holiday and travel market. This is being done through the building of larger ships. These ships are being developed to be self contained 'floating hotels' which offer a wide range of eating, entertainment and leisure options on board.

Australasia Market
Australasian cruises using Sydney as the turn-around port continue to be a popular option for international (predominantly Australian) cruise passengers. This travel option continues to appeal to a wide section of the market as it provides the opportunity to see New Zealand in (8-10 Days) in a quality relaxing environment.

Itinerary Planning:
Cruise schedules are planned and confirmed up to two years in advance. While there is interest in developing alternative port destinations in New Zealand, with the evenly spread distances between the current preferred ports and the proven performance of those ports as quality destinations, it is unlikely that the majority of cruise lines will change schedules soon.

New Zealand's Developing Cruise Infrastructure:
As the international cruise industry has developed, so to has the New Zealand cruise industry and key port infrastructure to ensure that maximum benefit is gained nationally.

This investment in the industry has taken place primarily in New Zealand's turn-around port of Auckland and in the ports of call predominantly used by the majority of cruise ships operating in New Zealand waters.

The significant economic benefit from the cruise industry in New Zealand (almost 83%) is derived in regions which have the five key port facilities that are visited by larger ships.

In the regions, Auckland as the marquee and key exchange port benefitted the most from cruise, making up 43.7% of the national value added. Wellington is another beneficiary at (12.2%) followed by Canterbury (11.5%), Otago (8.2%), Bay of Plenty 8.0%)

(Cruise New Zealand)

As each of these ports has invested heavily in cruise infrastructure, this is a win-win situation for both cruise lines and those regions. For secondary, smaller port destinations such as Stewart Island and Bluff, it is a case of watching from a distance and maximising the opportunities offered by the substantially smaller number medium sized and expedition ships.

3.2 Southern New Zealand as a Cruise Destination

Cruise ships have been visiting the Southland coast and the Sub-Antarctic Islands for several years, mostly into the fiords and latterly including Paterson Inlet at Stewart Island. The number of visits and size of vessels have both increased. A small number of expedition ships have visiting the Sub-Antarctics continue to utilise the services offered by the port of Bluff

Fiordland, as a cruise destination within New Zealand, has been promoted and marketed internationally by Cruise New Zealand and Tourism New Zealand as a must-visit component of the total New Zealand cruise experience since the late 1990s.

In terms of a New Zealand context, while gaining some economic benefit from the cruise industry, Southern New Zealand receives significantly less financial benefits than other regions with major ports that host regular visits from large ships.

This is largely due to the following key factors.

- *Southern New Zealand does not host larger ships for port visits*
- *Only small ships visit Stewart Island*
- *Few passengers disembark while in Milford Sound.*

Regional Economic Benefit

Southern New Zealand derives most benefit from the cruise industry through the implementation of the Environment Southland Marine Fee and the Stewart Island/Rakiura Visitor Levy.

It appears that while cruise is a very cost sensitive industry, both of these levies have been well conceived and administered and it is perceived by most industry participants that benefits are being directed back in benefits for visitors and the environment.

Some industry participants did however suggest that there was a strong argument that any residual funding from the Environment Southland Marine Fee should to a greater degree, be directed to support further development of Stewart Island amenities that are utilized by cruise visitors. It should be noted that approximately 7.00% of the Marine Fee (based on Gross Registered Tonnage) is generated from cruise ships visiting Stewart Island.

3.2 Development Issues and Opportunities;

Cruise ships currently use three key port facilities in Southern New Zealand.

STEWART ISLAND:

Insulated from the world by its remoteness, Stewart Island is a haven for people looking for nature, tranquillity and adventure. The island is about 75 kilometres long and 45 kilometres wide. About 80% of the island is a national park and it has only one town, Oban, which sits on the shores of Halfmoon Bay. Many residents are direct descendants of the whalers and early Rakiura maori, with family histories reaching back almost 200 years. Most of Stewart Island is protected by the boundaries of Rakiura National Park, New Zealand's newest national park. Rakiura is the maori name for Stewart Island, it translates as 'the Land of Glowing Skies', probably referring to the night-time displays of Aurora Australis, the Southern Lights.

The number of cruise ships visiting Stewart Island each season over the past four years has remained relatively constant with approximately 4,000 passengers per annum visiting the island. Numbers of annual ship visits range from 10 to 14. This represents less than 2.5% of the total passenger capacity of ships currently visiting Southern New Zealand annually.

Ships that currently visit Stewart Island are smaller 'expedition ships' with capacity for less than 1000 passengers which cater for the upper end of the cruise market. Stewart Island is consistently rated highly as a destination by passengers of these smaller ships.

Reasons provided for this high rating include:
- *The natural beauty and bird life of the island.*
- *Going back to life the way it was fifty years ago*
- *The friendliness laid-back nature of the local people.*

Ships are usually in port for 7 – 8 hours. During these visits, 65 – 75% of the passengers disembark. The vast majority of cruise ships visits occur during the months of January and February at the height of the tourist season.

Most ships anchor in Paterson Inlet and use tenders to ferry the passengers ashore using the wharf at Golden Bay, although on rare occasions some ships utilize the option of using the main wharf in Oban. Passengers are typically from North America and Europe and 55 – 60+

There is some seasonal variation but for the past four years numbers of ships, the types of ships and the number of passengers visiting the island has remained constant.

	Season Visited Stewart Island			
Ship	2012/13	2013/14	2014/15	2015/16
Albatros				x
Amadea		x		
Bremen	X			
Caledonian Sky	X	x	x	x
Europa	X	x	x	
Hanseatic		x		
Coral Discoverer	X	x	x	
Orion	X	x		
Pacific Pearl				x
Seaborne Odyssey	X	x	x	x
Silver Discoverer			x	x
Silver Shadow	X	x		
Silver Spirit			x	
TOTAL	7	8	6	5

Six ships undertaking eleven voyages and a passenger capacity of 3,913 will visit Stewart Island during the 2015/16 season.

Ship	Visits	Pass	Crew	Tonnage	TOTAL Pass	TOTAL Crew	TOTAL Tonnage
Pacific Pearl	1	1,817	514	63,500	1,817	514	63,500
Silver Discoverer	3	120	96	5,218	360	288	15,654
Coral Discoverer	4	72	20	1,838	7,352	80	7,352
Calendoian Sky	1	114	74	4,280	114	74	4,280
Seabourn Odyssey	1	450	330	32,000	450	330	32,000
Albatros	1	884	340	28,078	884	340	28,078
	11	**3,457**		**134,914**	**10,977**	**1,626**	**150,864**

Ships are bound by the Environment Southland 'Deed of Agreement'. Under the current Coastal Management Plan, a restriction is placed on ships entering Paterson Inlet. Conditions set out in the Pilot Training Manual include

- Both Halfmoon Bay & Golden Bay are available to disembark passengers.
- Anchorage (Paterson Inlet)
  - Maximum Tonnage - 70,000 GT
  - Max Length - 250 m
  - Max Draft - 10 m
  - Channel Depth - 20 m

The current maximum LOA (length) and GT (Gross Tonnage) restrictions under the Pilot Training Manual currently excludes all but 10 of the 24 ships operating in Southern New Zealand during the 2015/16 season.

Four ships with a total passenger capacity 3,457 are scheduled to cruise Southern New Zealand waters during the 2015/2016 season but will not visit Stewart Island. These smaller ships vary in size and purpose.

Ship	Visits	Pass	Crew	Tonnage	TOTAL Pass	TOTAL Crew
Azamara Quest	2	686	408	30,277	1,372	816
Marina	1	1258	800	66,048	1,258	800
Le Soleal	3	224	139	10,700	672	417
Pacific Venus	1	476	220	26,518	476	220
	11	**2,644**	**1,567**	**134,914**	**3,778**	**2,253**

Even if all cruise ships operating in Southern New Zealand which currently meet requirements of the Environment Southland Coastal Management Plan this number were to visit Stewart Island, this number would only increase by ***5,591*** to a total capacity of ***9,504.*** (5.78% of the total passenger capacity of ships visiting Southern New Zealand in the 2015/16 season)

Fees & Levies

As stated previously, decisions made by cruise lines regarding port destinations are heavily influenced by financial considerations. Currently Stewart Island is rated by the cruise industry as having a high level of fees and levies compared with other destinations.

It is important that this issue is flagged and that regional stakeholders, while able to justify individual fees and levies, recognise that the 'combined impact' of these costs is at the upper end of the tolerable threshold for cruise lines before alternative destinations may be sort.

National

▪ Border Clearance Levy	$22.80 per passenger
▪ Maritime New Zealand Marine Levy	$3.09 per passenger

Regional

▪ Environment Southland Marine Fee *(for Fiordland primarily)*	$0.35 x Gross Registered Tonnage

Local

▪ Stewart Island Rakiura Visitor Levy	$5.00 per passenger
▪ South Port – Wharf Fees	$5.00 per passenger/per wharf
▪ Manfred Pontoon Fee (Golden Bay)	$600.00 per day

It is important that the level of fees and levies for cruise ships visiting Stewart Island be continually monitored and managed as a regional issue and open dialogue be maintained with the cruise industry.

Island Tourism & Cruise

During the 2014/15 season cruise ship passengers represented approximately 14% of the total number of visitors to the island. Direct benefit to the island's economy was derived through the Stewart Island Visitor Levy (approx $20,000) and through the tourism spend of passengers while on the island.

As noted previously, while the cruise industry continues to build and utilise larger ships which are primarily aimed at the mass market, Due to restrictions of controls in pilotage provisions Stewart Island cannot host the majority of these larger ships operating in Southern New Zealand. (Navigational safety issue) If all smaller ships currently operating in Southern New Zealand were to visit Stewart Island, total passenger capacity would still be less that 10,000 per season.

While passenger numbers for 2015/16 remain consistent with previous seasons, the visit of the 'Pacific Pearl' (1,813 passengers) in March 2016 provides both a challenge and an opportunity for Stewart Island. Her sister ship the 'Pacific Jewel' is scheduled to visit during the 2016/17 season. Industry representatives have indicated that additional visits from mid range ships are possible if greater tourism capability could be developed on the island.

These visits represent an opportunity to develop this sector of the Stewart Island visitor market. To achieve economic benefits, significant development in quality tourism infrastructure will need to be undertaken.

To maximize the economic value of cruise ship visits to Stewart Island, the opportunity should be developed as part of a wider community and tourism strategy for the island and the region.

Developing Tourism Capacity:
Core issues related to Stewart Island's motivation and capability to host cruise ship visits, well documented in both the 1996 and 2010 Stewart Island Visitor Strategies and the 2013 Cruise Strategy Ltd (CSL) report have been confirmed by this research.

With the recognised lack of co-ordination and development of quality tourism infrastructure on the island, the recent initiative taken by Stewart Island Promotions Association (SIPA) to address core issues should provide the impetus and capability needed for local people to take ownership of tourism development on the island and drive future initiatives. This will be dependent on support from regional stakeholders.

Regional Approach:
A recent initiative taken by key stakeholder groups to develop a '*Regional Development Strategy'* provides a foundation on which to base infrastructural and tourism planning for Stewart Island. Meaningful dialogue with those developing this document regarding the island's tourism industry should be seen as a priority. Any Stewart Island tourism initiatives should be developed within a regional context.

Long-term Community Vision:
All future planning for tourism on Stewart Island must be sustainable and be based on a long-term community vision. Tourism planning (Cruise ship visits included) should be undertaken with reference to all other key community issues. (e.g electricity, roading, heritage, visitor information, pensioner housing)

Roles & Responsibilities:
If Stewart Island is to maximize current and future economic benefits offered by the cruise ship industry, roles and responsibilities of key stakeholders need to be recognised and accepted.

Venture Southland:
As the regional Community Development, Economic Development, and Regional Tourism Organisation (RTO), Venture Southland is well respected and valued and continues to play a pivotal role in the leadership of communities and development of tourism opportunities within the region. As a leadership organisation, it has established and maintained excellent communication and a working relationship with key stakeholders in the cruise industry both nationally and regionally.

Venture Southland provides significant credibility nationally and provides 'resource and connection' to communities wishing to develop capability to achieve clear objectives. It also offers the much needed 'regional perspective'.

While Venture Southland is the regional connection to the New Zealand cruise ship industry, it does not have resource to drive initiatives at a local community level.

Stewart Island Promotion Association:
The Stewart Island Promotion Association (SIPA) is made up of businesses and interested parties that contribute to the island tourism industry in some way and collectively work together to promote the island as a visitor destination. A recent decision to contract a part-time coordinator to undertake initiatives to support local tourism initiatives to enhance the quality of visitor experience appears to have been well accepted.

There appears to be wide support that initiatives to develop tourism should be planned and driven by islanders themselves. SIPA is the obvious mechanism to undertake the role of coordinating the development and implementation of such a plan to enhance the quality of visitor experience to the island. This initiative would clearly fit under the umbrella regional role played by Venture Southland and will need to relate to regional developments.

Communication and Co-ordination:
While it is recognised that communication between tourism providers on the island both amongst themselves and with the cruise lines and inbound operators has improved, there is huge potential to develop better planning and co-ordination to provide visitors with a quality experience and to maximize the economic benefit to the island. This should be seen as a priority.

Commissionable Tourism Product:
Lack of 'commissionable tourist product' on Stewart Island was highlighted during a number of discussions with cruise industry representatives. Increasing numbers of cruise passengers to the island will only occur if the capacity for the island to offer an increased level of quality commissionable tourism products to present to cruise lines and inbound operators. This issue will need to be addressed as a priority in future tourism planning for the island.

Wharfs and Jetties:
The issue of passenger safety and ongoing maintenance of wharves and jetties on the island was raised by a number of parties associated with cruise ship industry and tourism in general during research

Many passengers visiting the island are in the 55+ age group and while recognising the challenges facing the island to invest in a substantial upgrading of both wharves used by cruise ships, industry representatives highlighted the fact that due to limited wharf facilities (Golden Bay in particular) a number of passengers chose not to disembark. Both wharves are owned and maintained by South Port.

In 2013 the Southland District Council (SDC) and Stewart Island Wharfs and Jetties Committee (SIWJC) commissioned a report from Emtech Engineering and Marine Consultants to inspect and assess five jetty and wharf structures under their jurisdiction.

- Fred's Camp
- Little Glory
- Millers Beach
- Port William
- Ulva Island

The inspections identified two structures that were deemed unsafe or contained elements with a high level of risk if remedial action was not taken. Action has subsequently been taken to address key issues but there remains a need for long-term strategy to maintain and develop these structures to an acceptable standard for the growing tourism industry.

The Emtech report clearly identified the Ulva Island wharf as a structure that needed a maintenance and replacement strategy. A significant number of cruise ship passengers visit Ulva Island annually.

The 'wharfs and jetties' issue provides a clear indication of the generic nature of many of the infrastructural issues facing Stewart Island. As the wharfs and jetties are a key infrastructural element of tourism on the island, there is a strong case that a long-term strategy should be developed and adopted for all Stewart Island wharf and jetty structures as a regional initiative. This would require long-term vision, and commitment from all regional stakeholders.

Funding remains the core issue regarding the development and maintenance of key wharves and jetties on the island. If the tourism industry (cruise included) is to develop and prosper on Stewart Island, there is a strong case for national and regional stakeholders to work collaboratively in addressing the wharfs and jetties issue and to commit resources.

BLUFF:

Currently Heritage Expeditions operates out of Bluff calling at the port 7 to 8 times over the summer months with the vessel Akademic Shokalsky, its voyages heading to the Sub Antarctic Islands and Antarctica (maximum 50 passengers per voyage).

A limited number of small cruise vessels operating in Southern New Zealand will visit Bluff over a season. Typically these vessels will only call to collect supplies or to drop off an injured / sick passenger in cases of emergencies. Two ships (Le Soleal / Caledonian Sky) with passenger capacities of 142 and 114 respectively have visited Bluff during 2015/16 for these reasons.

Due to the physical characteristics of the entrance channel into the harbour (narrow with a granite rock bottom), many of these larger vessel cannot enter into Bluff safely because of their extreme lengths and beam (width).

The ability to deepen Bluff port has been canvassed with several large cargo customers who would offer significantly greater income earning potential than the cruise sector. The most recent cost estimate (sourced in conjunction with NZAS) indicated an estimated capital outlay of greater than NZ$200 million would be required to achieve 2.0 metres of extra water depth. Note this project would likely take 7-8 years to complete ignoring any front-end RMA consent application time and effort (plus additional cost).

Other contributing factors making it difficult for these vessels to enter Bluff are:

- tug capacity (would require an upgrade in tug size at considerable cost),
- high utilisation of cargo operating berths due to increasing trade volumes being handled at the port (could not guarantee berth availability)
- lack of infrastructure to process passengers

While the port would welcome visits by cruise ships, the capital expenditure required to provide the necessary plant and infrastructure can not be justified to service the small amount of vessels that can currently enter the harbour safely. South Port is a commercial enterprise which is listed on NZX and must primarily evaluate its major capital spend decisions on the basis of generating appropriate economic returns for all of its shareholders.

FIORDLAND:

Fiordland is a World Heritage Site and includes Milford, Doubtful and Dusky Sounds which cruise ships will cruise by. Milford Sound (Piopiotahi) is perhaps the most famous of all, with its well photographed, Mitre Peak .Ironically, Milford like Doubtful and Dusky, are all fiords, but were incorrectly termed sounds by Captain Cook who charted the region in the 1770's. The word 'Sounds' subsequently appeared on maps and remains to this day.

Milford Sound

Milford Sound is by far the best known of all of the fiords and the only one that can be accessed by road. It is approximately 16km from the head of the fiord to the open sea, which means visitors can comfortably travel the length of the fiord to open ocean and return on one of the many cruise options available in 1½ to 2 hours cruising time.

Milford's abruptly carved peaks are majestic, and everyone recognises the dramatic figure of Mitre Peak rising from the fiord. The drive into and out of Milford is a journey in itself in terms of the beautiful scenery en route and can only be accessed on an overland tour.

With a mean annual rainfall of 6,813 mm (268 in) on 182 days a year, a high level even for the West Coast, Milford Sound is known as the wettest inhabited place in New Zealand and one of the wettest in the world. Lush rain forests cling precariously to these cliffs, while seals, penguins, and dolphins frequent the waters and whales can be seen sometimes. The sound has been identified as an Important Bird Area by Bird-Life International because it is a breeding site for Fiordland Penguins.

All cruise vessels entering Fiordland are required to be a signatory to the Deed of Agreement with Environment Southland.

Passengers Disembarking:

Fiordland is typically a cruise by port, but passengers booked on overland tours are allowed to disembark or embark in Milford Sound. Small ships may also tender ashore at points of interest.

In consultation with the cruise industry, the Ministry of Primary Industries (MPI) by regulation has established a limit of 200 passengers per visit who can disembark at Milford Sound.

A number of inbound operators stated that as visitor numbers increased, this regulation was likely to restrict options for passengers in the future and suggested that Cruise New Zealand would be well placed to initiate discussions with MPI to increase the limit. Some operators are very keen to increase the numbers although pressure points are elsewhere (Queenstown accommodation). If the numbers were increased, it would permit more flexibility.

The number of cruise passengers disembarking or embarking at Milford Sound over the past three years has remained constant at around 3000 p/a Most of these passengers leave or rejoin the ship to experience an overland journey to rejoin the ship at Port Chalmers with a night stay in Queenstown.

Cruise Ship Passenger Summary - 2013 – 2015
(Milford Development Authority)

	2013	***2014***	***2015***
Full Rate	204	97	474
Half Rate	2,708	2,664	2,708
Total	2,912	2,761	3,182

With approximately 3,000 passengers likely to embark or disembark in Milford Sound, this represents 1.83% of passenger capacity of ships entering Fiordland. According to inbound operators this option has the potential for significant growth but may be restricted by the lack of accommodation at that time of year in Queenstown and Te Anau.

Indications are that in excess of 580,000 people will visit Milford Sound this season.

- 24 ships undertaking 79 cruise voyages with a passenger capacity of 164,180 will visit Fiordland during the 2015/16 cruise season.

- With larger ships being deployed, while the number of seasonal voyages has remained reasonably constant, the number of passengers continues to increase annually.

Ship	Visits	Pass	Crew	Tonnage	TOTAL		
					Pass	Crew	Tonnage
Golden Princess	12	3,124	1,100	108,865	37,488	13,200	1,306,380
Sun Princess	1	1,950	900	77,499	1,950	900	77,499
Dawn Princess	5	1,950	900	77,499	9,750	4,500	387,495
Diamond Princess	8	2,674	1,238	115,875	21,392	9,904	927,000
Sea Princess	3	2,016	850	77,690	6,048	2,550	233,070
Noordam	10	1,918	820	82,300	19,180	8,200	823,000
Celebrity Solstice	8	2,850	1,250	122,000	22,800	10,000	976,000
Radiance Of The Seas	3	2,146	858	90,090	6,438	2,574	270,270
Explorer Of The Seas	3	3,138	1,181	138,000	9,414	3,543	414,000
Voyager of The Seas	2	3,114	1,176	137,276	6,228	2,352	274,552
Legend Of The Seas	1	1,800	720	69,130	1,800	720	69,130
Pacific Pearl	2	1,817	514	63,500	3,634	1,028	127,000
Le Soleal	3	224	139	10,700	672	417	32,100
Silver Discoverer	3	120	96	5,218	360	288	15,654
Princess Venus	1	476	220	26,518	476	220	26,518
Aurora	1	2,290	936	76,152	2,290	936	76,152
Coral Discoverer	4	72	20	1,838	280	80	7,352
Caledonian Sky	1	114	74	4,280	114	74	4,280
Azamara Quest	2	686	408	30,277	1,372	816	60,554
Marina	1	1,258	800	66,048	1,258	800	66,048
Seabourn Odyssey	1	450	330	32,000	450	330	32,000
Europa	2	408	280	28,890	816	560	57,780
Albatros	1	884	340	28,078	884	340	28,078
Queen Victoria	1	2,014	1,001	90,049	2,014	1,001	90,049
	79				**164,180**	**65,333**	**6,381,961**

SUB-ANTARCTIC ISLANDS:

The New Zealand Sub-Antarctic Islands consist of five groups (the Snares, Bounty Islands, Antipodes Islands, Auckland Islands and Campbell Island) in the Southern Ocean, south-east of New Zealand. The islands have a high level of productivity, biodiversity, wildlife population densities and endemism among birds, plants and invertebrates. They are particularly notable for the large number and diversity of pelagic seabirds and penguins that nest there.

The islands are managed by the Department of Conservation on behalf of the Government and the people of New Zealand. All five island groups have each been identified as National Reserves which acknowledges 'values of national and international significance.

A raised profile for the Sub-Antarctics has increased tourism demand and the challenge now is to manage greater visitor numbers while protecting the experience tourists are seeking and ensuring long-term protection of the islands and the immediate marine environment.

Currently Department of Conservation policy places a restriction of 1,100 visitors per annum to the islands.

A small number of specialised expeditionary cruise ships visit the Sub-Antarctic Islands each season catering for high-end customers seeking a unique travel experience. Passenger capacity of these ships typically varies from 50 to100. New Zealand based Heritage Expeditions which currently operates the Spirit of Enderby ((Professor Khromov), utilizes the port of Bluff as s fuel bunker and to replenish supplies.

Potential growth in the cruise market to the Sub-Antarctic Islands will be determined by Department of Conservation policy relating to numbers permitted to visit the islands in the future.

Potential development of the cruise industry visiting Antarctic may well provide the opportunity for Bluff to extend the range of of services that the port can offer this sector of the industry.

4.0 CONCLUSIONS:

While the cruise industry both globally and in New Zealand continues to grow rapidly, the economic benefits derived by Southland region are minimal compared with other regions which have ports that host large ships.

The cruise industry is a small component of the tourism sector in the region but continues to provide a significant financial benefit to the Southland community primarily through the Environment Southland Marine Fee, Stewart Island/Rakiura Visitor Levy and to the Stewart Island tourism industry.

Due to the nature of the cruise ship industry in New Zealand has developed and how itineraries are planned, opportunities for both Bluff and Milford Sound to benefit economically are currently limited.

Stewart Island has potential to develop capacity as a cruise destination for a greater number of expedition and mid sized ships. While cruise is a small but significant component of tourism on the island, it provides an ideal opportunity for both the local community and regional partners to work together to develop greater capacity to deliver the unique, quality experience that visitors seek.

There is significant potential economic benefit to be gained by the region through returning cruise passengers who may wish to return for an 'on land' visitor experience. This opportunity should be developed as part of the Regional Visitor Strategy.

Regional stakeholders involved in the cruise industry must continue to communicate and work together in order to maximize the opportunities that the sector offers the wider tourism industry.

5.0 RECOMMENDATIONS:

A framework for a Southern New Zealand Cruise Destination Strategy should be further developed and integrated into other regional planning initiatives and signed off by regional stakeholder groups. It should include:

- Confirmation of Venture Southland's role as the lead organisation in the development and implementation of the strategy.

- Recognition of the cruise sector and integration of initiatives to enhance the visitor experience for cruise passengers into other major regional strategies currently being developed.
  - Southland Visitor Strategy
  - Southland Development Strategy
  - Fiordland Development Strategy
  - Stewart Island Community Development Strategy

- Recognition and support for the Stewart Island Promotion Association (SIPA) to undertake the role of coordinating the development and implementation of a plan to enhance the quality of visitor experience to Stewart Island for cruise passengers

- Continued development of the cruise sector in Southland to attract expedition and medium sized cruise ships.

- Continued dialogue at all levels of the cruise sector nationally