

Convoys Wharf Cruise Liner Terminal: economic impact assessment

**A report to the
Creekside Forum and the Port of London Authority**

by

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1 Summary

Local amenity groups in North Lewisham – with the support of the Port of London Authority – have proposed to locate a shipping terminal at Convoys Wharf in Deptford designed to accommodate ocean going cruise vessels. The cruise industry is a rapidly growing part of the tourism sector, yet London is poorly served by terminal facilities that might exploit the city's dominant position as a visitor location.

Few cruise lines currently call into London or begin and start cruise itineraries from the city. For North European cruises, the majority of vessels starting from the UK depart from Dover or Southampton primarily because these ports offer cruise operators adequate docking and supply facilities and are close to main shipping lanes. However, the passenger experience is extremely limited – unlike other north European ports such as Hamburg and Amsterdam or Mediterranean ports like Venice and Genoa where a substantive city experience is added.

Recent studies have shown that there is a strong potential market for cruise ships to start and finish their journeys in central London and that a cruise terminal at Convoys Wharf is commercially and technically feasible. The river has natural deep water close to its embankment at Deptford and is a location that is rich in maritime history. The terminal would be convenient for central London and is close to the rapidly regenerating area of Deptford Creek and to the world heritage site at Greenwich. With the tourism market and technical assessments showing a positive feasibility for the development, this study assesses the economic impacts that might be generated – both to London generally and to Deptford and North Lewisham in particular.

The economic benefits are generated by the direct expenditure of additional visitors to London by meeting their leisure, entertainment and accommodation needs before and after embarkation on cruises that would either start/finish at Convoys Wharf or which make short transit visits. The study also assesses the impact of ship crew spending, port charges and the purchase value of supplying stores and supplies to vessels.

This study concludes that total additional spending equates to approximately £400 per passenger – a figure that is less than the equivalent figure of £570 per passenger recently estimated for the City of New York – a city where the cruise industry operates on a substantially greater scale.

On the projected volumes of ship visits, if a new terminal were to begin operations in 2005, it would generate output of £12.6m and this would increase to £37.2m by 2009. As a result, it would initially create 144 full-time equivalent net additional jobs – a figure that is estimated will rise to 423 by 2009.

The dominant market identified for cruise liners departing from London is passengers from North America. Despite some recent turbulence in the numbers of visitors to Europe and the

UK from North America, this market will be strongly attracted by the prospect of cruises that will start and finish in one of the world's most popular cities. Because of London's intrinsic draw and its proximity to the UK's main gateway airports, Convoys Wharf will have a competitive advantage over rival UK ports in attracting overseas passengers.

In measuring the economic impacts, the assumptions underlying this study are relatively cautious. The anticipated number of vessels calling at Convoys Wharf has been modestly estimated at 47 in the first year, increasing to 124 by 2009. More intensive utilisation of the facility would generate further economic benefits. The study also makes quite conservative estimates of passenger numbers who would stay overnight, the value of passenger and crew spending and the impact of return visits by passengers tempted to visit London again, based on their initial embarkation stop-over.

Nonetheless, the potential economic benefits to London and to Deptford are substantial. However, the majority of passengers – and some crew – will inevitably head for central London to stay in good quality hotels and enjoy the attractions of this world-class city. A critical challenge for Lewisham will therefore be to ensure that more of these impacts will be captured in the near vicinity. This will require more active and imaginative marketing of the area and provision of services, facilities and supplies that retain passengers and crew within Deptford and divert their visitor time to Greenwich and other attractions along the riverfront.

This study concentrates on the immediately quantifiable impacts of the cruise terminal itself. But there may be other benefits too. By positioning this major facility in an area of London that has a long historic maritime tradition, it is hoped that the terminal can stimulate a new cluster of marine related industries that will multiply the economic impact of an initial planning and investment decision.

The study also recognises that large ships on the river are an attraction in their own right and have the potential to stimulate further leisure and tourism activities. Visiting craft such as tall ships, military vessels or ocean-going yachts could be attracted to this part of the river at varying times of the year. Marine engineering and facility firms might be attracted as could firms that want to exploit new technologies in other parts of the growing marine sector, particularly technology-based products and services.

The greater long-term economic impact of the terminal therefore lies in its potential to act as a magnet for other marine related uses – triggered by the initial decision to bring cruise liners to London and to Convoys Wharf.

2 Introduction

- 2.1 In July 2004, SQW was commissioned by the Creekside Forum with the Port of London Authority to undertake an economic impact study of a cruise ship passenger terminal proposed for Convoys Wharf, Deptford in the Borough of Lewisham. This report presents the findings of an assessment of the total output, employment and value-added benefits that might accrue from the single berth terminal facility that is proposed for the site.
- 2.2 This report presents a relatively cautious view of the market assessment data that have been already been produced during 2004 to test the feasibility of a liner terminal at Convoys Wharf. However, we demonstrate a significant potential contribution that a terminal can make to the economy of London and, potentially, to the economy of North Lewisham.
- 2.3 However, many of the identified economic benefits will accrue to London in general – and probably central London in particular. The attractiveness of London as a transit call or a cruise start/finish point relies on the world city character of London rather than the specific attractions of Deptford and Greenwich. The challenge therefore is to identify mechanisms that will capture some of the economic gains for the locality of Deptford and north Lewisham and ensure that local businesses and residents benefit from the economic effects of a cruise liner terminal.
- 2.4 This study mainly concentrates on the quantifiable economic benefits that will be generated by the terminal, from vessel supply services and from passenger and crew purchasing. However, the gain to the immediate vicinity will not simply come from persuading more passengers and crew to visit, stay, shop, eat and drink in Deptford. The more sustainable economic advantage lies in the terminal's potential to be a magnet for other maritime uses and its capacity to grow a wider range of businesses that supply the cruise vessel industry, other associated leisure activities and other river uses.
- 2.5 As such, it is hoped that this assessment will help to inform decision takers at the regional and Borough-level of the economic value that can be delivered by such a terminal – to London as a whole and to north Lewisham.

3 The study in context

- 3.1 Whether forming the sea, a river or a lake, water – and moving water in particular – holds significant intrinsic appeal. Deep sea and coastal ship transportation continues to be the dominant mode of carriage for much of the world’s trade although most carriage is in large bulk vessels and containers. So, although most of the UK’s waterways, and the River Thames in particular, are not widely used for commercial shipping, they are still seen as prime national assets. Over the past decade the UK’s major cities have been using their canals, ports and rivers as powerful tools from which to stimulate urban regeneration through the development of new high market residential property, on shore leisure/evening facilities and the promotion of off-shore tourism.
- 3.2 The role of the Thames is now gaining the fuller attention that it deserves – as land developers, businesses and policy makers come to appreciate the value of the waterfront throughout London. The Mayor’s vision for the river, its tributaries and London’s canals is articulated in the London Plan adopted in February 2004. This emphasises that, to achieve sustainable development and use of the capital’s rivers and canals, a balance is required between “competing economic, social and environmental interests”. The Mayor particularly emphasises that facilities for passenger and tourist traffic on the Blue Ribbon Network should be protected and new development facilities for passenger and tourist traffic should be encouraged.
- 3.3 Opportunities for transport and leisure have to be seized – and conditions created to exploit market trends. Regular use of the river by ocean going vessels has become extremely rare, but short passenger journeys are beginning to revive on the Thames and this has begun to better exploit the river’s potential for transportation and for leisure. Although long distance passenger travel by sea has long been eclipsed by air transport, the cruise liner industry has re-invented itself as a major leisure business and become a main anchor of visitor traffic to many cities and regions.
- 3.4 Despite London’s pre-eminent status as a world city with a substantial tourism offer, the capital has not used its port status to exploit the economic benefits of the potential traffic in passenger cruising. A comparable scale city, such as New York, has actively recognised the value of its cruise traffic and has seen numbers almost double in 10 years. With almost 900,000 passengers per year passing through the City’s three-pier terminal, New York currently enjoys traffic almost 20 times higher than the volumes predicted from a development at Convoys Wharf – even after 4 years.
- 3.5 Nonetheless, there are competing demands on developable land adjoining the river. There are considerable returns to be made on investment in residential and business developments that have river views. The topography at Deptford offers exceptional views over long stretches of the water which elsewhere on the river have created a thin corridor of high cost property that threatens to remove the river from the public realm. There are alternative and more socially inclusive ways to develop the river frontage and to meet the needs of the wider community already living near to the river. For this reason, the Mayor’s Plan emphasises that London’s waterfronts should be “accessible for everyone” and used to “stimulate appropriate development in areas of regeneration and need.” Localities like Deptford need affordable housing, employment opportunities that residents can compete for and the ability to use the Thames as a means of achieving long-term, sustainable economic development. Two of the Mayor’s three principles for the Blue Ribbon are to improve the public realm for enjoyment of

sport, leisure and education; and the value to a prospering city of water-borne transport, leisure, tourism and waterway support industries.

- 3.6 The Mayor's policy specifically promotes the increased use of the Blue Ribbon Network "for passenger and tourist transport requires cruise liner facilities and new piers" and Policy 4C.15 specifically safeguards wharves for cargo-handling uses or permits "appropriate temporary uses" of vacant wharves ... only allowed where they do not preclude the wharf being re-used for cargo-handling" in the future. However, if a wharf is no longer viable, the Mayor will require any redevelopment to "incorporate water-based passenger transport, leisure and recreation facilities" before non-river-related uses.
- 3.7 This underpins the intention of Convoys Opportunity – an established consortium facilitated by the Creekside Forum – and their concern for the future development of Convoys Wharf. In particular, they argue, that the current development proposals submitted to Lewisham Council on behalf of the site owners, News International, propose an unacceptable mix of residential, commercial and cultural use. They argue that the 3,500 new residential units set out in the development proposals which would take up three quarters of the 42 acre site and would culminate in a development 'in Deptford but not part of Deptford'. Alternatively, Convoys Opportunity proposes a mixed marine use development for Convoys Wharf, which, whilst still involving housing development, would have a world class cruise liner terminal as its focus.
- 3.8 The Port of London Authority (PLA) has since taken the lead in progressing plans to develop a permanent cruise liner facility at Convoys Wharf and, in addition to this study, have commissioned three reports to assess the commercial, physical and financial feasibility of the development. A summary of these reports, along with additional relevant desk research is provided in Chapter 2. This information will form the underpinning of Chapter 3, the economic impact of cruise activity at Convoy's Wharf, whilst Chapter 4 will bring the report to a close with our recommendations and conclusions.

4 Research methodology

- 4.1 In approaching this study, we have examined the evidence already prepared to test the demand from the cruise liner industry and for technical feasibility.

Commercial feasibility study

- 4.2 The fundamental objective of the commercial feasibility study was to assess the viability of a proposed cruise terminal at Convoys Wharf.¹ In order to place the study in context, it sets out the following strengths and weaknesses of London as a cruise port destination.

Strengths	Weaknesses
Its status as a world city	Its upstream location
Excellent air transport links, especially non-stop schedules flights to US cities	Off-pitch relative to the Baltic/Norwegian cruise routes that are the mainstay of the Northern Europe market
A reputation – despite occasional bomb scares – for safety and security	Inadequate berthing and support facilities
Common language	

- 4.3 The study argues that at present larger ships (240 metres long) can only come to London on ‘transit’ visits when passengers disembark for day trips. Moreover, the time that it takes to travel from the mouth of the Thames to a suitable berth, means that the day-trip cruise market across all sizes of vessel is virtually non-existent. Current activity in London includes luxury cruise packages – typically being the start or the beginning of a one way cruise that ends either in the Baltic or the Iberian Peninsula and, increasingly, the Mediterranean. Luxury ships are comparatively small (160 metres) and can therefore berth at the Pool of London. For security reasons, transit visits are rarely allowed from Greenwich.
- 4.4 It is argued that, as a cruise destination, London’s primary appeal is to foreign passengers, especially North Americans – who dominate the cruise market – especially if they embark and disembark there. The reason stated for this is that London has world city status and has the potential to attract foreigners to spend time in the city both before and after a cruise. However, despite the fact that a large number of foreign cruise passengers have to fly into London and then travel for up to 5 hours (round trip) to reach traditional coastal ports such as Dover and Southampton, cruise operators have historically been dissuaded to use London as a port due to the time that it takes to travel up the Thames.
- 4.5 The study argues that the feasibility of Convoys Wharf very much depends on its ability to:
- Encourage those that already stay in London on transit to coastal ports – especially Southampton – to cruise from Convoys instead.
 - Encourage those travelling to coastal ports via London but not staying there to cruise from Convoys Wharf
 - Capitalise on the expanding European cruise market by offering a new and unique embark/disembarking experience.

¹ Convoys Wharf Cruise Terminal – Feasibility Assessment, Locum Destination Consulting, October 2003

- 4.6 The basis for these assumptions are founded on the premise that London per se has the potential to persuade cruise operators and passengers to opt for what is a relatively cumbersome and time consuming means of starting and/or ending a cruise. However, the time that it takes to reach the open sea from Convoys could – if marketed and delivered as part of the cruise experience – become an extremely appealing USP for foreigners who want to ‘take in and set off’ on a cruise from one of the world’s most famous cities. For these reasons, the study pays little attention to domestic cruise passengers – presumably on the assumption that this product will not provide sufficient appeal to change itineraries and that they will be far less likely to be travelling through London on the way to their cruise port.
- 4.7 In the past season (2003) nearly 80 ships operated in Northern Europe. Of these:
- 20 ships were over 240 metres and could not call at Convoys Wharf
 - 34 were between 160 and 240 and are suitable for Convoys Wharf
 - 23 are less than 160 metres and are mostly all already mooring at the Pool of London.
- 4.8 Taking both market growth and the time that it will take for cruise operators to be persuaded to visit Convoys Wharf into account (due to annual contracts held with coastal ports and the inevitable time it will take for the port’s reputation to be established) the study arrives at the demand estimates given in Table 3.1.

Table 3.1: Demand Estimates for Convoys Wharf Terminal 2005 – 2013

<i>Year</i>	<i>Calls to Convoys Wharf</i>	<i>Passenger Numbers*</i>
2005	47	32,900
2006	66	46,200
2007	94	65,800
2008	113	79,100
2009	124	86,800
2010	138	96,600
2011	141	98,700
2012	148	103,600
2013	148	103,600

** Estimated on the basis of vessels carrying an average of 700 passengers.*

Initial planning report

- 4.9 The Initial Planning Report 2004² was commissioned by the PLA to assess the technical development options at Convoys Wharf. The objective of the report was to investigate the physical viability of building upon the Wharf’s inherent strengths as a marine transport asset and, more specifically, assess the various development options of a new cruise terminal.
- 4.10 Overall the report concluded that the Wharf could feasibly accommodate cruise vessels. More specifically, the report proposed that the facility at Convoys Wharf should have:
- a single berth, with the capacity to accommodate cruise vessels between 160m and 240m in length;
 - the capacity to accommodate transfer vessels that will take passengers from the terminal to the existing Greenwich Ship Pier in the event that two vessels wish to berth simultaneously;

² PLA Convoys Wharf Cruise Terminal. Initial Planning Report. Feb 2004. Undertaken by Posford Haskoning

- river taxi facilities;
- a total terminal floor area of 4,000m², on two levels, and will cater for a single vessel with a capacity of 1,500 passengers;
- drop off/pick up points, a stores area and parking for up to 10 coaches and 20 cars.

4.11 In conclusion the report favoured a development option with the following specifications:

- a new quay structure in the location of the existing dolphin berth;
- a terminal building situated on a piled structure over the river;
- an estimated development cost of £17.5 million (excluding VAT and land purchase).

Financial feasibility study

4.12 Following the commercial feasibility report, Locum Destination was commissioned by the PLA to assess the financial viability of the proposed terminal at Convoys Wharf.³ Table 3.2 shows a summary of the terminal revenue for Convoys Wharf which shows that:

- In Year 1, the estimated net profit will be approximately £360,600
- By Year 3, the terminal will probably attract up to 94 ship visits a year, most of them being turnarounds.
- Revenue in Year 3 will stand at approximately £3.2 million whilst operating costs will be roughly £2.2 million or £24,000 per ship, thus generating net profits of approximately £0.95 million or £10,000 per ship.

Table 3.2: Summary of Convoys Wharf Terminal Revenue 2005 – 2009⁴

	2005	2006	2007	2008	2009
Total Calls	47	66	94	113	124
Turnaround	21	30	42	51	62
Transit	12	16	19	23	25
Turnaround-transit	14	20	33	40	37
Average charge per ship	£29,000	£31,300	£33,800	£37,200	£40,700
Average operating cost per ship	£22,100	£22,900	£23,700	£24,500	£25,400
Total Revenue	£1.38m	£2.06m	£3.18m	£4.20m	£5.03m
Total Costs	£1.02m	£1.51m	£2.23m	£2.77m	£3.14m
Net Profit	£358,800	£553,900	£949,400	£1,434,700	£1,890,900
Net Profit per ship	£7,600	£8,400	£10,100	£13,700	£15,300

4.13 With respect to achieving these headline figures, the report discussed in detail the various levies that visiting vessels and their passengers incur and emphasises that, initially at least, these levies must be highly competitive. In addition, since all variable costs directly related to a ships visit will be recharged to the cruise operator, the main costs to be offset against terminal revenue will be the fixed costs related to management and maintenance of the terminal. The report recommended that staffing of the terminal will need to be managed carefully so as to maintain a stable approximately 50 qualified FTEs and have between 250-

³ Convoys Wharf Cruise Terminal – Financial Feasibility Assessment, Locum Destination Consulting, May 2004

⁴ In this table, and elsewhere throughout this report, rounding means that some totals may not add to the sum of their parts

350 members of staff available to work over the course of the year. Finally, whilst not being factored into the appraisal, a fast ferry service along the Thames and the showcasing of exhibition vessels and visiting warships, were all highlighted as realistic additional income streams that Convoys Wharf should consider.

- 4.14 In addition to these three reports commissioned by the PLA, we have also drawn upon a recent economic impact study of cruise operations in New York.⁵ As both New York and London share world city status, it is believed that the outputs of the study provide a valuable benchmark for the potential economic impact of Convoys Wharf.

Additional desk research

- 4.15 The Cruise Information Service (CIS) is part of the Passenger Shipping Association (PSA) which was formed in the 1950s to promote passenger travel by sea. Their annual report (2003) highlights the following relevant information.
- 4.16 For the first time in history, the UK resident purchase of cruises rose to over 1m in 2003. Moreover, the ultra luxury market – a traditional stronghold of London – had the busiest UK year ever, carrying 18,400 passengers, a 68% increase on 2002. However, London's share of cruise passengers fell from 12.7% in 2002 to just 8.6% in 2003 – taking it from the third to the fifth largest source of UK cruise passengers. The CIS argues that the emergence of more UK homeports along with the greater range of flights from regional airports is now spreading the sourcing of cruise passengers fairly evenly around the UK. Whilst statistics are unavailable, these factors could also be assumed to have had an adverse effect on London's ability to attract cruise passengers to embark/disembark in London on the basis that the city hosts accessible airports.
- 4.17 The CIS also assesses embarkation from UK ports during 2002 and 2003. These figures show that in 2003, 72% of the 377,929 UK passenger embarkations were domestic residents whilst the remaining 28% were foreigners. Given that North Americans dominate the cruise market (they purchased over 8m cruises in 2003) it is safe to assume that the majority of this 28% are from North America. However, whilst the overall trend is for growth of both foreign and UK cruise embarkation, UK growth is rising significantly faster (28% between 2002-2003 compared to just 10% for foreigners).
- 4.18 Evidence would suggest that terrorism threats and the sustained risk to Americans – especially those abroad – has reduced the number willing to travel overseas on vacation⁶. Because American tourists are amongst the highest spending tourists in the world this is serious news, particularly for London which was host to approximately 95% of all American holiday tourists visiting England in 2002. Indeed, American holiday tourism levels in London in 2002 were 25% down on the same figure for 2000 which is more than double the fall for overseas tourism as a whole (12%). Given the above evidence, we believe that, whilst the American cruise market is, and will remain to be, a key market for Convoys Wharf vessels, so too must be the growing but increasingly competitive UK cruise market.
- 4.19 Overall, therefore, the challenge for Convoys Wharf is not only to ensure competitiveness with its rival ports but also to encourage both overseas visitors, and Americans in particular, and UK cruise passengers to start or end their cruise in London. In addition, UK cruise passengers will not only be those that would otherwise have travelled from other UK ports but also new passengers which are compiling a rapidly expanding market. Indeed, a high value cruise from London may dissuade home county residents from embarking elsewhere.

⁵ New York City Cruise Operations: Economic Impact Analysis, New York City Economic Development Corporation, 2004.

⁶ Tourism statistics for London and England 2000 and 2002 available from www.staruk.org.uk

5 Potential economic impacts

- 5.1 This chapter sets out the potential economic impact on the Deptford and London economy if Convoys Wharf were to develop a cruise facility. The results are based primarily on the market assessment produced by Locum Destination Consulting described in the previous chapters. We have taken these detailed projections and worked through the economic impact using a range of data sources and reports in order to produce the final results.
- 5.2 An economic impact study is not a wholly mechanistic process and there are necessarily a number of assumptions or judgements to be made. Where we have done this we have set out as transparently as possible the basis for these assumptions and any sources of information. The work has been predominantly desk based.
- 5.3 At the heart of the assessment is the number of cruise ships and passengers that call, embark or disembark from Convoys Wharf. As set out in Chapter 2 Locum Destination provided this detail including the number and size of the ships that it is projected could be attracted to Convoys Wharf. Our assessment looks specifically at the impact on the economy of London and Deptford/Lewisham and considers both the short-term direct effect and the longer-term impacts from stimulating increased cruise tourism in London.

Methodology

- 5.4 The study was conducted in July and August 2004, using desk based research which included the following sources,
- Background and contextual documents provided by Locum Destination
 - UK cruise statistics from 2003, to provide estimates of various vessel and crew expenditures
 - UK and London tourism statistics for 2002 to provide estimates on passenger spending
 - Information and reports on the economic impact of the cruise industry from the UK and the United States and a number of other destinations
 - Journal articles relating to the prospects for revisiting and recommending destinations amongst tourists and the factors that influence their decisions to do so to provide background information for the indirect model
 - Web based reports to provide a contextual framework for estimates into the numbers of people likely to revisit for a land based holiday after their cruise visit
 - Employment ratios provided by the Annual Business Inquiry
 - Multiplier data from National Statistics and the UK Input-Output Tables
- 5.5 After conducting this research, a spreadsheet model was constructed detailing each of the various strands of gross expenditure that might be introduced into the local economy from the immediate impacts of passengers, crew and vessel spending that would occur at each visit and the potential future impacts of cruise passengers revisiting or recommending the area to others in the future.

5.6 There are different expenditures that cruise tourism will generate in Deptford and the wider London economy and each of these is considered. The main elements identified are shown in Table 4.1. For each we have considered the implications for both transit and turnaround vessels.

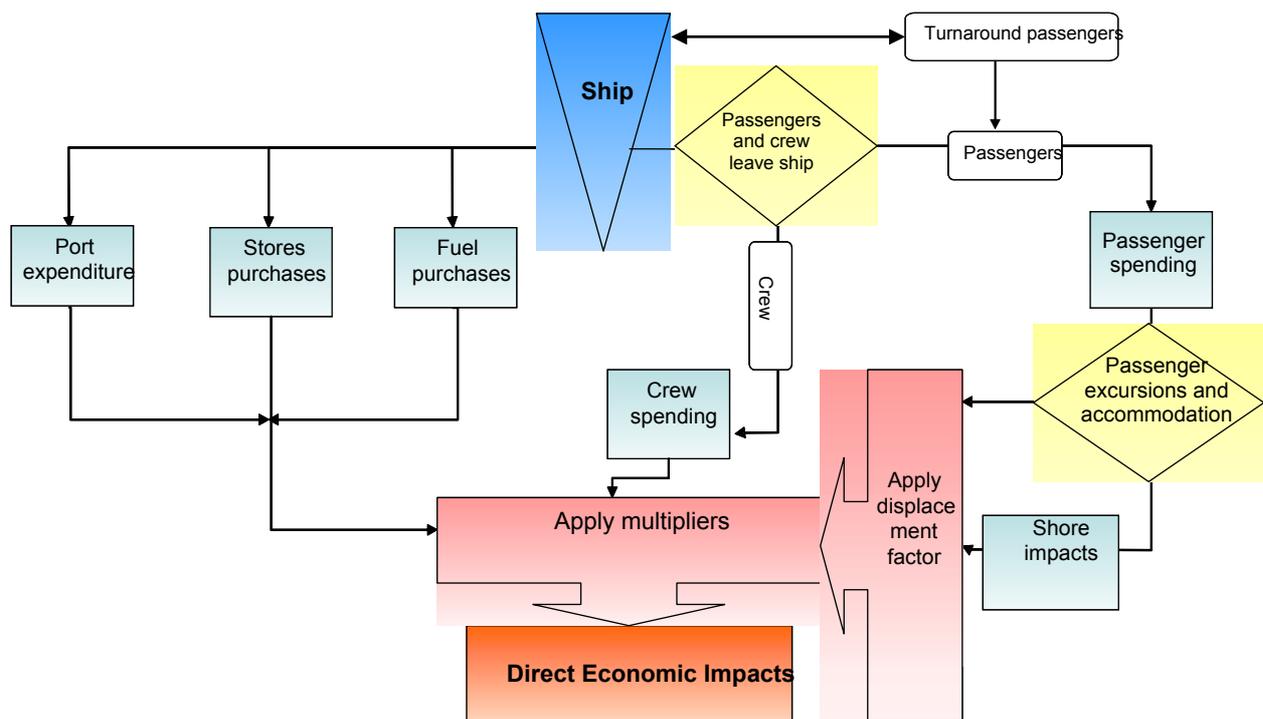
Table 4.1: Types of expenditure generated by transit and turnaround vessels

	Transit	Turnaround
Passenger expenditure (both personal expenditure and through excursions)	✓	✓
Passenger accommodation expenditure	✗	✓
Crew expenditure	✓	✓
Port charges including port costs, tugs and pilotage etc	✓	✓
Purchase of stores	✓	✓
Purchase of fuel	✓	✓
Estimate of return visits by all types of passengers	✓	✓

5.7 The calculations for these give the gross direct expenditure and this can be converted using ratios to the number of jobs that would be supported.

5.8 There are two further stages. The first is to make an allowance for displacement or the extent to which the new activity generated by new cruise business would displace existing economic activity. The second adjustment is to take account of the multiplier effects. The multipliers take account of the knock on or ripple effects of the additional expenditure as it flows through the regional economy. This has been achieved through the use of the UK Input-Output tables and the Annual Business Inquiry. Figure 1.1 shows diagrammatically how our approach is structured.

Figure 1.1: Model of direct impacts – note that for turnaround cruises, passenger expenditure will include some overnight stays and vessel expenditure will differ considerably



5.9 Finally, we have also set out some estimates for the potential future impact based on return trips made by passengers. Cruises can often form the basis for future decisions on holiday destinations and there is certainly the opportunity to use the cruise market to encourage further visits in the longer term. There is limited research on the proportion of passengers that might do this and it will depend on their experience at Convoys Wharf, the quality of service and their perceptions of the range of things to see and do.

Calculating the direct economic Impact

5.10 The total impact is derived from the different effects that can be modelled from three distinctive cruise markets:

- the ‘transit’ market (cruises which simply call into Convoys Wharf and whose crew and passengers are effectively day visitors);
- the ‘turnaround’ market (where the cruise begins and/or ends); and
- the ‘turnaround-transit’ market (where the ship spends 24 hours, or more, alongside).

5.11 It is the turnaround market that the desk research has shown to be the mainstay of Convoys wharf cruise activity. In this case, therefore, passengers may arrive early or stay slightly longer and use accommodation in London. Expenditure by turnaround vessels is also much higher as they are more likely to take on stores and fuel at the start or end points of the cruise.

Activity projections

5.12 Table 4.2 converts the market assessment details in the previous chapters into vessel, passenger and crew numbers. While the passenger numbers have already been set out, the crew figures are calculated on a basis of 2 passengers per crew member which is slightly lower than the average to take account of the luxury nature of cruises that are projected to call at Convoys⁷. The figures have also been broken down into turnaround and turnaround-transit markets and are shown from 2005 to 2009. Allowances have been made for the number of visits by vessel in each market.

Table 4.2: Projections of passengers, ships and crew based on market assessment

	2005	2006	2007	2008	2009
Turnaround					
Ships	21	30	42	51	62
Passengers	14,700	21,000	29,400	35,700	43,400
Crew	7,350	10,500	14,700	17,850	21,700
Transit					
Ships	12	16	19	23	25
Passengers	8,400	11,200	13,300	16,100	17,500
Crew	4,200	5,600	6,650	8,050	8,750
Turnaround – transit					
Ships	14	20	33	40	37
Passengers	9,800	14,000	23,100	28,000	25,900
Crew	4,900	7,000	11,550	14,000	12,950

⁷ From GP Wild (international) report BTA study; economic benefits of cruise tourism March 2001

Duration of cruises

- 5.13 Cruises typically last a week or more. The Cruise Information Service shows that in 2003 the average length of cruise was 9.6 days⁸.

Passenger spending

- 5.14 Passenger spending includes the amount that each passenger may have spent in the local economy on shopping, amenities and transport etc. The home residency of passengers will have a strong influence on their spending behaviours. The New York economic impact study showed that the city's cruise passengers were drawn from three main geographies in the following proportions:

- 60% were from outside the suburban area of New York – an area that extends substantially across the states of New York, New Jersey and Connecticut.
- 34% were from within wider suburban New York City
- just 6% were from within New York City.

- 5.15 Given London's and New York's ranking as similar status world cities it could be argued that these proportions could be applied to passengers from overseas, 'South East residents' (which include a substantial part of England's south east and eastern regions) and Greater London passengers respectively. However, as discussed in Chapter 2, just 28% of all UK cruise embarkations/disembarkations in 2003 were by foreign passengers, this is unlikely to be the case in London which attracts approximately 95% of England's American holiday tourists. Overall, therefore we have estimated that 55% of turnaround/turnaround-transit cruise passengers will be 'overseas and rest of UK passengers', 35% will be 'South East Residents' and the remaining 10% will be passengers who live in Greater London. We have compiled 'overseas and rest of UK passengers' together since their spending patterns and behaviours are likely to be very similar. Given the attractiveness of other UK cruise ports, we would expect no more than 10% of all cruise passengers to be residents from elsewhere in the UK – with the bulk of this market segment consisting of overseas passengers.

- 5.16 Within the transit market, we have assumed that passenger spending will be £60 per head and that 75% of passengers would have gone ashore⁹ to spend. This is slightly higher than identified in the IRN report of £50 per head (see footnote), but given the potential shopping opportunity at Convoys Wharf and the higher cost of retail and entertainment in London compared with many of the ports used in the IRN survey, it is reasonable to increase this slightly. Shore excursion impacts include the amount of money that operators pay shore excursion companies to conduct tours on behalf of the cruise line. We have assumed that 50% of those passengers who go ashore will participate in an excursion and that this will generate £10 per head for the local economy.¹⁰ These shore excursion impacts would only apply to the transit market, as any excursions undertaken by passengers prior to embarking or after disembarking from the vessel are assumed to be incorporated in passenger spending.

- 5.17 For the turnaround market, all the passengers will be onshore and these were split into two spending groups. Just over a third of these are considered to be 'day passengers' and would have arrived or left London on the same day as embarking or disembarking from their cruise. Because Greater London residents will tend to travel straight to and from the port, they are

⁸ Annual Cruise Review 2003 www.irn-research.com/downloads/2003_acr.pdf

⁹ All figures based on statistics 'Cruise UK, Cruise port statistics 2003 report', IRN Research

¹⁰ Based on UK average admission charge for attractions 2002, UK Tourism Survey (UKTS), www.staruk.org.uk + average coach hire cost per/head per shore excursion, 'Cruise UK, Cruise port statistics 2003 report', IRN Research)= roughly £10 per person

also included in this group. We have assumed that expenditure here is much less, perhaps £20 per head, the remaining two thirds are considered ‘overnight passengers’ and would have stayed longer in the area and spent £100 per head per night¹¹.

- 5.18 We have assumed that 85% of ‘overseas and rest of UK passengers’ will stay either before or after the cruise for two nights in London. If packaged and promoted as part of the cruise experience, these passengers could in fact be persuaded to visit London for a much longer holiday. However, given the likelihood that many of these visitors would have visited London regardless of the cruise means that there would be a significant amount of deadweight attached to such activity. For this reason we have concentrated solely on the onshore accommodation that is used as a direct result of Convoys Wharf cruise activity. Finally, considering the proximity to their home residence, we have assumed that just 50% of South East residents will stay in London before or after their cruise and that they will tend to stay for one night only. Table 4.3 summarises our passenger assumptions.

Table 4.3: Passenger expenditure assumptions

	Assumptions
Transit personal expenditure	75% of transit passengers disembark and spend £60 each
Transit Excursions	50% of disembarked passengers go on excursion (£10)
Day visits for turnaround	36% arrive/leave same day and spend £20
Staying visits for turnaround	64% stay in London, of which:
Overseas and rest of UK residents	85% stay in London for 2 nights
South East residents	50% stay in London for 1 night
Greater London residents	N/a
Turnaround – Transit	No turnaround – transit passengers stay in onshore accommodation

Crew spending

- 5.19 Crew spending includes the amount that crew members could be expected to spend in the local economy on shopping, amenities, transport etc. Within the transit market, it is assumed that 60% of crew leave the ship and that they spend £20 per person.¹² With respect to turnaround and turnaround-transit cruises we have assumed that all crew will leave the ship for some period of time. We have assumed that these crew members will spend slightly more than transit crew and our estimate is £35 per person.
- 5.20 These estimates are relatively low because ship crews typically work long hours to provide the high levels of service expected. Most liners use foreign labour recruited from relatively low wage countries and who tend to save a high proportion of their income to remit home. Nonetheless, crew spend is an important part of the local impact because, unlike passengers, they are more likely to eat, drink and shop in the near vicinity of the terminal rather than travel into central London.

¹¹ All estimates based on figures from London average overnight expenditure for UK visitors and overseas UK Tourism Survey (UKTS)/International passenger Survey (IPS), www.staruk.org.uk, the higher grade of accommodation likely to be used by Convoys Wharf cruise passengers and previous port specific economic impact assessments

¹² Figure based on estimates obtained from previous port specific economic impact assessments

Table 4.4: Passenger and crew direct expenditure estimates

	2005	2006	2007	2008	2009
Stay visits for turnaround	£1,631,700	£2,331,000	£3,263,400	£3,962,700	£4,817,400
Day visits for turnaround	£105,105	£150,150	£210,210	£255,255	£310,310
Turnaround-Transit	£588,000	£840,000	£1,386,000	1,680,000	1,554,000
Transit personal expenditure	£378,000	£504,000	£598,500	£724,500	£787,500
Transit Excursions	£31,500	£42,000	£49,875	£60,375	£65,625
Total passengers	£2,734,305	£3,867,150	£5,507,985	£6,682,830	£7,534,835
Crew turnaround	£257,250	£367,500	£514,500	£624,750	£759,500
Transit crew	£50,400	£67,200	£79,800	£96,600	£105,000
Turnaround-Transit Crew	£171,500	£245,000	£404,250	£490,000	£453,250
Total crew	£479,150	£679,700	£998,550	£1,211,350	£1,317,750

Vessel expenditure

5.21 Vessel expenditure is broken down into three categories:

- Port costs – all port fees, piloting charges, tug boats etc.
- Stores purchases – primarily food and drink and other consumables for the cruise
- Fuel purchases.

Port costs

5.22 In the Financial Appraisal Locum Destination consultants disaggregate charges applicable to visiting Central London vessels. The largest of these charges is the PLA moorings charge (£13,133 per ship) which will not be applicable in the future. The second largest charge is a passenger levy (£10,700 per ship) which varies in size depending on whether the passenger is embarking, disembarking, visiting in transit or doing a combination of these activities. Other charges include pilotage, towage, moorings, conservancy, tenders, agency and insurance. However, Locum Destination argues that the total average charge of £42,038 per ship is, initially at least, not competitive enough to attract ships to call or turnaround at Convoys Wharf. Subsequently, it is suggested that since future marketing of the terminal will be the responsibility of the managing operator, this gives the Wharf the opportunity to increase its competitiveness by passing on a much lower advertising charge than is currently being paid through the PLA Mooring charges. Charges associated with visiting Convoys Wharf have therefore been recommended as illustrated in Table 4.5.

Table 4.5: Charges per ship estimates 2005-2009

	2005	2006	2007	2008	2009
Total Charge/ship	£29,900	£31,300	£33,800	£37,200	£40,700

5.23 This expenditure is included as additional income to the regional economy and it also supports employment at the Wharf and more widely through the multiplier effects.

Stores purchase

5.24 Another source of vessel expenditure is through the purchase of stores. Although this is far more likely among ships embarking or disembarking at Convoys Wharf, there will also be the potential for a relatively small purchase volume among transit ships that require fresh produce. The expenditure per passenger clearly varies depending on the operator. Five star operators will typically spend more on stores than other cruises. Generally the UK is considered to be

very competitive for food and chandlery items. Based on data from 21 ships, the GP Wild report estimated that the value of purchases per passenger ranged from £5 to £15 per day. UK cruises at the four star level are estimated to purchase around £8 per passenger per day and this is the figure we have used in our analysis.

- 5.25 For transit calls, the propensity to make purchases en-route, will depend on the operator, but there is no reason why Deptford would not be able to provide small volumes of fresh produce if required. The GP Wild report suggests that an estimate of £500 per call would be reasonable, but this is for the UK as a whole and would include a large number of more remote ports. We would suggest that, as a bigger port there would be scope to sell more, perhaps £1,000 per transit ship.

Fuel purchases

- 5.26 This is potentially a substantial source of expenditure and income for the economy. The price of fuel oil bunkers varies between ports but generally, the UK is an expensive place to purchase fuel. However, the UK is more competitive when compared with Norway or the Baltic ports, which is one of the likely destinations for cruises embarking at Convoys Wharf. Even so, Hammond Marine Services Division acts for a number of operators in Dover and is reported in the GP Wild report as expressing the view that prices at UK ports are uncompetitive with Antwerp, Amsterdam, Copenhagen and the Baltics. Moreover, the report stresses ships cruising South will only buy sufficient fuel to top-up if need be to return to places such as Las Palmas or Gibraltar – the latter being the principal bunkering port in the Mediterranean.
- 5.27 Whether or not cruise ships fuel at Convoys Wharf will clearly depend on their itinerary. We have assumed that 50% of the turnaround cruises will fuel in London. The amount of fuel purchased depends on the duration of the cruise and the fuel consumption of the ship. Fuel consumption is more complex and varies depending on the ship's size and efficiency as well as the distance and speed it travels. We have again used data collected by GP Wild to provide an estimate of fuel use. Typically a cruise vessel would use anything between a third to three quarters of a tonne of fuel per week per passenger. Based on the average size of turnaround vessel (700), a reasonable fuel consumption estimate would be 460 tonnes per cruise per ship. (337.5 tons/week / 7 * 9.6 days)
- 5.28 The price of fuel varies according to the oil markets and the quality of fuel. We have used a simple £100 per tonne for the turnaround ships that we projected for 2005. Applying this to 50% of the 35 turnaround ships in 2005 ships (17.5) gives £247,500.

Table 4.6: Vessel expenditure estimates 2005 – 2009

	2005	2006	2007	2008	2009
Total port charges	£1,375,400	£2,065,800	£3,177,200	£4,203,600	£5,046,800
Store purchases	£1,893,600	£2,704,000	£4,051,000	£4,915,160	£5,347,240
Fuel purchases	£805,000	£1,150,000	£1,725,000	£2,093,000	£2,277,000
Total	£4,074,000	£5,919,800	£8,953,200	£11,211,760	£12,710,040

- 5.29 The few cruise ships that currently visit London rely on bunkering services supplied by tender vessels from Gravesend and this pattern is likely to continue even though it involves bringing fuel a relatively long distance by river. So, whilst fuel purchases will not directly benefit the economy in the terminal's vicinity, bunkering nonetheless has a wider economic impact, some of which may subsequently be captured in the local economy. On-shore fuelling would require

storage and vehicle movements to the terminal that may have some adverse environmental impacts that may not be desired by local planning policy.

Future trips by passengers

5.30 In addition to the direct, short term impacts, there is evidence that cruise passengers often use cruise trips as a way of identifying future holiday destinations. The extent to which they actually make future trips is not well researched and our estimates in this section are indicative of the value of future trips rather than firm estimates. They are included to demonstrate the potential scale and importance of future trips and to emphasize the value that future marketing with cruise passengers could have. It also highlights the importance of ensuring that cruise visitors have a positive experience in Deptford and Lewisham and that they are aware that there are many more things to see and do.

5.31 The only relevant research we have found is a report from the Florida-Caribbean Cruise Association, which found 51.6% of cruise passengers expressing that it was either ‘likely’ or ‘very likely’ that they would return to the ports of call on a land based holiday as a result of their cruise visit. This figure clearly cannot simply be transferred to cruise visits to Convoys Wharf, but it draws attention to the fact that some proportion of visitors would be likely to return. To provide some indication of this figure we have run three scenarios that range from 10% of passengers returning to 2.5%. This figure could also be interpreted as including potential recommendations to others to visit the region. We have used expenditure per re-visit of £354 per person in 2004 prices.¹³ Although the values for the three scenarios are set out in Table 4.7 under the years in which the passengers make their original cruise trip, the actual impact would occur in future years.

Table 4.7: Future return scenarios 2005 – 2009

	2005	2006	2007	2008	2009
Future return trips at 2.5%	£271,285	£389,235	£554,365	£6,664,17.5	£731,290
Future return trips at 5%	£542,570	£778,470	£1,108,730	£1,332,835	£1,462,580
Future return trips at 10%	£1,085,140	£1,085,140	£1,085,140	£1,085,140	£1,085,140

Displacement

5.32 Before summarising the results, consideration must also be given to displacement. This is the extent to which the new expenditure described, is at the expense of other activities or businesses. Generally, new tourist related developments can attract new additional expenditure through a combination of the following three effects.

- encourage net new visitors to stay and spend in the locality;
- encourage visitors to stay longer and spend more in the locality;
- encourage visitors not to leave the area and spend outside the locality.

5.33 Given the general lack of turnaround and large ship transit facilities in London, displacement of activity from the pool of London or Greenwich Pier is likely to be very low. Displacement on a UK level is also likely to be low. Firstly, as argued in Chapter 2, Convoys Wharf should be aiming to encourage overseas visitors, and Americans in particular, who have, for reasons discussed, tempered their propensity to visit London and the UK to visit the capital and take in a unique cruising experience. Secondly, as has been borne out of statistics, London needs to

¹³ Based on average spend per visit by UK and overseas tourists to London in 2002, UK Tourism Survey (UKTS)/International Passenger Survey (IPS), www.staruk.org.uk

ensure that it is capable of capitalising on the rapidly expanding UK cruise market both in relation to attracting residents outside the south east to start or end a cruise at Convoys Wharf and dissuade those from the Home Counties from travelling to ports in East Anglia or the South Coast. Overall, therefore, a large proportion of Convoys Wharf activity should adhere to criteria 1 and 2, the result being that displacement will be low not only in relation to Deptford and London but, with the exception of South East residents, also in the UK.

- 5.34 It is also worth noting more generally that cruise tourists and visiting crews are largely day visitors, or short stay visitors who are unlikely to crowd out existing tourism activity. Their expenditure is likely to be on meals, shopping and visiting attractions all of which have sufficient capacity to absorb this scale of new activity. We have also assumed that there is no displacement in the port's activities. In other words, the cruise ships do not prevent other shipping activity and the income to the port is wholly additional. This is likely to be true of the chandlery and fuel services. Displacement, therefore, is deemed to be negligible for all but passenger spending. Moreover, given these arguments and that we have ignored the benefits that may accrue from encouraging passengers to stay longer in London (paragraph 3.15) passenger displacement is likely to be low with at least 80% of expenditure being new to the area.

Summary of direct impacts

- 5.35 Table 4.8 brings together the results set out in each of the previous sections. The total direct expenditure in 2005 is estimated to be c£7m rising to c£20m in 2009. These are in current, 2004 prices and takes account of displacement.

Table 4.8: Direct expenditure estimates 2005 – 2009					
	2005	2006	2007	2008	2009
	£'000	£'000	£'000	£'000	£'000
Passengers	2,187	3,094	4,406	5,346	6,028
Crew	479	680	999	1,211	1,318
Total port charges	1,375	2,066	3,177	4,204	5,047
Store purchases	1,894	2,704	4,051	4,915	5,347
Fuel purchases	805	1,150	1,725	2,093	2,277
Total	6,741	9,693	14,358	17,769	20,017
Return trips (5% return)	456	654	932	1,120	1,229

Direct employment

- 5.36 This additional expenditure will also support employment in Lewisham and the wider London area. To estimate the number of additional jobs that would be supported we have used sales to employment ratios for a number of specific industries. In order to do this we have used the Annual Business Inquiry data¹⁴ for 2002 for the relevant industries.

- For tourism spending of passengers and crew we have taken £74,000 per job which is simply the average of the following data:
 - selected categories of 'Recreational Activities' data;
 - selected categories of 'Hotel and Restaurants' data;

¹⁴ <http://www.statistics.gov.uk/>

- selected categories of ‘Retail Trade (exc Motor vehicles and Motorcycles; Repair of Personal and Household Goods)’ data;
 - selected categories of ‘Transport data’.
- For port charges and services we have used supporting water support services data which gives £96,000 per job
 - For stores purchases we have used wholesale fee or contract data which gives £138,000 per job
 - For fuel services we have used wholesale of fuels data which gives £64,000 per job

5.37 These figures are based on employment and output for the industries as a whole and do not necessarily represent the additional output needed to support an additional or marginal job, but it remains the most reliable source. Applying these ratios gives the direct employment supported shown in Table 4.9. This indicates that the expenditure in 2005 would support c80 full time jobs, excluding those generated by return trips. The figures rise to c230 by 2009. Interestingly, validity can be added to these estimates when the findings of the financial report are considered. The report stated that a core of 50 FTEs would be needed plus an additional 250-250 part-time/seasonal (or c83 FTE equivalents) to operate Convoys Wharf. It would appear that by 2007, these numbers of jobs would indeed be sustained.

Table 4.9: Total direct full time employment supported in London by projected cruise activity 2005 – 2009 (all in full-time equivalents)

	2005	2006	2007	2008	2009
Passengers	30	42	60	72	81
Crew	6	9	13	16	18
Total port charges	14	22	33	44	53
Store purchases	14	20	29	36	39
Fuel purchases	13	18	27	33	36
Total (excluding return trips)	77	110	162	201	226
Return trips (5% return)	6	9	13	15	17

Direct value added

5.38 The final direct measure is income or value added. This measures the level of local productivity and income generation – which are both important components of regional GDP. It measures what is added to the underlying value of a product or service by its production or supply. For example, the supply of petrol has a low value added because refined fuel is an already intrinsically valuable commodity. By contrast, food in a restaurant has quite a high value added component because the raw materials are relatively cheap but preparation, cooking and service all add considerable value. The measure of value added therefore assesses what proportion of the final selling price is attributable to the local activity that has supplied it to the purchaser.

5.39 As with employment, we have used existing data to produce estimates. The value added generated by tourism and the various services can also be estimated using the Annual Business Inquiry statistics for the relevant activities. We have used this data to calculate value added as a proportion of sales (Table 4.10).

- For tourism, we have used the average GVA of the four industries used to calculate employment ratios – the value added is 28%.
- For port charges, we have used sea and coastal water transport support services – the value added is 44% of turnover
- For stores purchases, we have used wholesale distribution by fee or contract – value added is 21% of turnover
- For fuel services, we have used wholesale distribution of fuel – value added is 4% of turnover.

Table 4.10: Total value added in London supported by projected cruise activity 2005 – 2009

	2005	2006	2007	2008	2009
	£'000	£'000	£'000	£'000	£'000
Passengers	831	1,176	1,674	2,032	2,291
Crew	182	258	379	460	501
Total port charges	605	909	1,398	1,850	2,221
Store purchases	398	568	851	1,032	1,123
Fuel purchases	32	46	69	84	91
Total (excluding return trips)	2,048	2,957	4,372	5,457	6,226
Return trips (5% return)	173	249	354	426	467

Indirect and induced multiplier effects

5.40 The increase in economic activity generated by these new cruises will also have two types of wider impact:

- Indirect effect – an increase in sales in a business will require that business to purchase more supplies. A proportion of this ‘knock-on’ effect will accrue to suppliers in the local economy. They in turn will require their own inputs and, again, a proportion of this will be purchased from other local businesses. This chain continues through the economy, but the values decrease through each round of purchasing.
- Induced effect – an increase in sales in a business will also lead to an increase in incomes for those employed and profit. A proportion of these increased incomes and profit will be re-spent in the local economy, generating further incomes and profits of which a proportion will again be spent in the local economy. This chain also continues through the economy decreasing with each round.

5.41 These multiplier effects are well documented, but identifying appropriate values is more complex. The size of the multipliers will vary depending on the size of the economy they cover and the extent to which businesses (and employees) make purchases locally. To calculate multipliers requires the construction of a detailed input-output table for the regional economy. Very few regions have done this and therefore estimating multipliers for specific sectors is difficult.

5.42 However, given the highly significant influence that London economic activity has upon the UK economy as a whole, the UK input-output tables which has calculated multipliers for 123 industries¹⁵, form an acceptable guide. Within this, however, it should be noted that these

¹⁵ <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=497>

multipliers include only direct and indirect spending and therefore do not include induced effects. The reasoning for this, given by the Input-Output Analytical Tables Guide, is that induced multipliers involve the implicit (and false) assumption that final consumers stick to the same consumption patterns no matter the amount of money they have to spend¹⁶. Consequently, it should be noted that these estimates may be an underestimate the true multiplier effect. We have taken output multipliers from several sectors and the values used are:

- For tourism we have used the average output multiplier of seven product groups which are representative of the four industries used to determine tourism employment ratios. This process gives an output multiplier of 1.846.
- For port charges we have used the water transport output multiplier of 1.754
- For stores purchases we have used the wholesale distribution output multiplier of 1.871
- For fuel we have used the transport support service output multiplier of 2.108

Applying the multipliers

5.43 These multipliers have been applied to the direct expenditure produced earlier in this chapter to give the total expenditure supported by the projected cruise activity. In total and excluding any potential return trips the net output is estimated to be c£13m in 2005 rising to c£37m in 2009. If return trips are included on the assumptions made, this would add a further £0.8m in 2005 and £2.2m by 2009. These figures depend on the quality of the marketing and visitor experience.

Table 4.11: Total net output supported in London by projected cruise activity 2005 – 2009

	2005	2006	2007	2008	2009
	£'000	£'000	£'000	£'000	£'000
Passengers	4,038	5,711	8,134	9,869	11,127
Crew	885	1,255	1,843	2,236	2,433
Total port charges	2,412	3,623	5,573	7,373	8,852
Store purchases	3,543	5,059	7,579	9,196	10,005
Fuel purchases	1,697	2,424	3,636	4,412	4,800
Total (excluding return trips)	12,575	18,073	26,766	33,087	37,217
Return trips (5% return)	842	1,208	1,720	2,068	2,269

5.44 In order to calculate the employment supported by Convoys Wharf once the multipliers have been added, we have applied the employment ratios used to assess direct employment. In total in 2005, but excluding return trips, these figures suggest that approximately 140 full time jobs would be supported rising to approximately 420 in 2009. On the assumptions used here, return trips could support a further 11 jobs rising to 31 by 2009 (Table 4.12).

¹⁶ United Kingdom Input-Output Analytical Tables, ONS – www.statistics.gov.uk

Table 4.12: Total net employment supported in London by projected cruise activity 2005 – 2009 (all in full-time equivalents)

	2005	2006	2007	2008	2009
Passengers	55	77	110	133	150
Crew	12	17	25	30	33
Total port charges	25	38	58	77	92
Store purchases	26	37	55	67	72
Fuel purchases	27	38	57	69	75
Total (excluding return trips)	144	206	305	376	423
Return trips (5% return)	11	16	23	28	31

5.45 Finally, we have used the percentages calculated when assessing the value added of direct expenditure to estimate the value added of Convoys Wharf economic activity once multiplier effects have been accounted for. The figures in Table 4.13 show total value added to be estimated at c£3.7m in 2005 excluding the return trips and c£11.3m in 2009. Including the return trips would give an additional c£0.32m to c£0.86m (Table 4.13).

Table 4.13: Total net value added supported in London by projected cruise activity 2005 – 2009

	2005	2006	2007	2008	2009
	£'000	£'000	£'000	£'000	£'000
Passengers	1,534	2,170	3,091	3,750	4,228
Crew	336	477	700	850	924
Total port charges	1,061	1,594	2,452	3,244	3,895
Store purchases	744	1,062	1,592	1,931	2,101
Fuel purchases	68	97	145	176	192
Total (excluding return trips)	3,744	5,401	7,981	9,952	11,341
Return trips (5% return)	320	459	654	786	862

Conclusions

The terminal's economic impact

5.46 The economic impact analysis takes the results of the earlier market assessment and the projections of cruise activity and develops estimates of the additional output, employment and value added that this would support in the London economy. The work makes use of a range of sources and these are referenced throughout the section. It has been necessary to make a number of assumptions and these have been based on available reports and the consultancy team's own experience.

5.47 In total we estimate that the activities projected would generate:

- Output of £12.6m in 2005 rising to just under £37.2m in 2009
- 144 jobs in 2005 rising to 423 in 2009
- Value added of £3.7m in 2005 and £11.3m in 2009.

5.48 There is the potential for further impact through return trips, but at present there is little firm evidence to base an estimate on. Assuming that 5% of passengers return, the results show that in 2005, a further £842,000 of expenditure would be generated, supporting around 11 jobs.

The value of this future impact depends on the marketing and quality of the services that are provided for cruise visitors.

- 5.49 Passenger expenditure on shore is the largest contributing factor to the economic impact, representing more than a third of additional expenditure. Although fuel services and store purchases are also significant contributors, the value added of these services is less than that generated through tourism spending. Taking into account all the assumptions made, passenger and crew spending, fuel, stores and port fees and the effects of the multipliers, each cruise passenger generates c£410 of expenditure in the London area.
- 5.50 In order to place this value in context a recent study completed by SQW, assessing the economic impacts of cruise activity in the North East, estimated that each cruise passenger could generate approximately £300 of additional expenditure within the region, whilst the New York study cited earlier in this report estimated that economic impact per passenger was approximately £570. With respect to the North East study, the main market was expected to be transit and hence it is unsurprising that a lower spend was estimated. In relation to the New York study, whilst similar in passenger spend and profile to London, the New York cruise industry is operating at an entirely different scale to that of London and the study itself was assessing existing, and not potential expenditure, and thus did not account for displacement.

Capturing benefits locally

- 5.51 Convoys Wharf is an appealing location with excellent river views, close to the world heritage sites at Greenwich, near to Deptford's growing cultural quarter and adjacent to the striking skyline of Canary Wharf and the Isle of Dogs. Nonetheless, the terminal's viability primarily derives from being a facility that is located in London and much of the economic benefits will be generated because liner passengers will choose a London tourism experience as an addition to the experience of a ship cruise. Much of the predicted overseas passenger demand will be generated because of London's position as a dominant international air travel location and tourism destination. Most passengers from outside London and the South East of England are likely to stay in hotels, eat in restaurants and enjoy theatre or music in central London. So, the challenge for Deptford and Lewisham is to ensure that as much of this expenditure as possible is spent within its boundaries:
- Providing the necessary support infrastructure such as fuelling facilities, wholesale store facilities, pilotage etc;
 - Marketing and packaging tourist attractions in the area such as the Observatory, Maritime Museum and Cutty Sark at Greenwich, with the growing cultural and leisure offerings, restaurants and retail that is developing around Deptford
 - Developing the amenities, retail and leisure facilities likely to be used by crew members.
 - Offering competitive and suitably graded accommodation for those wanting to stay in area before or after their cruise.
 - Ensuring that access and information regarding transport links to London's main attractions, restaurants and the Wharf are in place.
 - Helping to supply a job-ready workforce for the employment likely to grow from the terminal, facilities and supply industries.
- 5.52 However, the longer-term and more substantial benefits of the terminal will be generated not by the servicing of visiting ships or persuading more of the passengers and crew to spend their money nearby. A landmark berthing facility for large ocean-going ships will also be a symbolically important indicator for a wider marine industries cluster. The presence of large

ships is an attraction in itself and other visiting vessels such as tall ships or ocean-going yachts may be attracted at times of the year. Marine engineering and facility firms might be attracted as could firms that want to exploit new technologies in other parts of the growing marine sector – such as high technology firms in marine electronics, polymers and composites. A marine industry cluster might leverage the research engineering strengths of HE institutions in London whilst vocational colleges in Lewisham and Greenwich might concentrate on supply of associate professionals and technicians in the sector. The greater long-term benefits of the terminal therefore lie in its potential to act as a magnet for other marine related uses.

- 5.53 However, it should be recognised that such a cluster would require more than simply investing in a terminal. Lewisham currently has very little port related business activity. The most recent survey of the economic effects of the Port of London¹⁷ shows that shipping and related activity make a substantial contribution to the prosperity of Greater London, South Essex and to North Kent. Overall, the Port generates a total of 35,200 full time equivalent jobs of which 30,300 are in companies that are directly related to Port activities – with about a third located in Greater London. The Port generates £3.4 billion per year in gross value added, virtually all of which arises from business in the riverside boroughs.
- 5.54 Southwark and Greenwich which have lengthy river frontages have about 700 and 500 jobs respectively that are directly attributable to port activities. However, Lewisham does not have an equivalent benefit. Having no currently operational river terminals, the Borough accounts for less than 2 dozen marine-related jobs and generates only about £400,000 per year in gross value-added. However, marine related business in the adjoining two boroughs are in relatively close proximity and there is growing business developing in leisure use and in passenger transport on this part of the river.
- 5.55 Nonetheless, fully mobilising the benefits of a cruise liner terminal will require a range of policy interventions – to develop a skills base, grow the visitor attractions in the area and encourage inward investment of small firms and develop facilities.

¹⁷ Port of London Economic Impact Study: report to the Port of London Authority, SQW, July 2003