

# CUMMINGS ECONOMICS

38 Grafton St (PO Box 2148) CAIRNS Q 4870 ABN 99 734 489 175

Tel : 07 4031 2888

Email : [cummings@cummings.net.au](mailto:cummings@cummings.net.au)

Website : [www.cummings.net.au](http://www.cummings.net.au)



“The Northern Professionals”

17<sup>th</sup> March 2016

Ref: J2969

## Importance of Chinese Tourism

China has rapidly emerged over the past five years as the region's largest single country source of international visitors jumping from 63,000 in 2010 to 174,000 in 2015, an increase of 113,000 per annum.

Chinese visitors are now accounting for one in five international visitors and now exceed Europe 151,000, UK 91,000, North America 124,000 and Japan 91,000.

Over the past five years, Chinese visitor numbers to Cairns have grown at an average rate of 22.5 per cent per annum, faster than overall growth of Chinese visitors into Australia of 17.4 per cent per annum and China's outbound tourism growth of 16.1 per cent per annum over the same period.

However, the level of Chinese visitation to the Cairns region remains only a small fraction of China's outbound tourism (0.14 per cent).

Chinese Gross Domestic Product (GDP) per capita in US dollars grew at an average 2005 to 2014 at 15 per cent per annum. It can be expected that with a continuation of rises in household incomes, Chinese outbound tourism will continue to grow.

**Table: Growth in Chinese Visitors to Cairns and Australia**

<u>Year</u>	<u>Cairns</u>	<u>Australia</u>
2005	33,000	270,000
2010	63,000	424,000
2015	174,000	946,000
<b>Av Annual Growth 2010-2015</b>	<b>22.5% pa</b>	<b>17.4% pa</b>

**Source: Cummings Economics from Tourism Research Australia IVS.**

**Table: China's Outbound Tourism**

<u>Year</u>	<u>No.</u>
2010	57 million
2015	120 million
<b>Av Annual Growth 2010-2015</b>	<b>16.1% pa</b>

**Source: Cummings Economics from China Travel Agency.**

**Table: Gross Domestic Product Per Capita - US Dollars**

<u>Year</u>	<u>%US</u>
2000	\$952 US
2005	\$1,755 US
2010	\$4,478 US
2014	\$7,617 US
<b>Av Annual Growth 2005-2014</b>	<b>15.0% pa</b>

**Source: Cummings Economics from UN Statistics.**

A major factor in Australia and Cairns participating fully in the opportunity, will be a Reserve Bank interest rate policy that helps ensure the dollar remains competitive.

Just as local services in Cairns have geared up over the years to cater for other new markets including backpackers and Japanese visitors in the 1990s, of great importance will be investment in the type of accommodation and services that are especially needed for the Chinese market.

Ensuring the Aquis project eventuates would be a giant step in the right direction, along with some other proposed projects. Aquis would 'cement' this region into the Chinese market and help safeguard the other absolutely critical thing happened – direct flights to major Chinese mainland cities.

### **Cruise Ship Hub**

Cairns has long been the major cruise ship port in northern Australia. Apart from larger cruise ships calling, Cairns Seaport has been a home-port for small cruise ships for many years like the current Coral Princess.

As the cruise industry grows in the South West Pacific, Cairns is in a position to develop as a major cruise ship hub. It has everything going for it, scenic surroundings and attractions, a cruise wharf right next to the central business district, the largest regional population in northern Australia, the best flight connections with the rest of Australia and overseas and a strong marine industry servicing sector.

However, it has one major negative that must be dealt with – the depth of the port and width of the channel.

Cruise ships are becoming bigger. Some 81% of the cruise ships built between 2009 and 2018 will be of a size that cannot enter the port at present. Research has shown that standing offshore and ferrying passengers ashore is very inefficient and costs up to about \$70 per passenger in ship operating costs in passengers' costs and time and for crew.

Apart from discouraging calls by larger cruise ships, it rules out any prospect of home-porting the larger vessels.

While small to medium sized cruise ships can be home-ported in Cairns, the city will only fully realise its potential to become a cruise shipping hub, if deepening and channel widening takes place – something that will also result in efficiencies for Cairns as a cargo and naval port.

Brisbane is currently the only cruise ship home-port in Queensland and the main competition for Cairns. However, Townsville with its deeper port is seeking a larger share in the cruise market and Port Moresby and Darwin do not have the same constraints as Cairns seaport.

The amount of expenditure generated by cruise ships has been climbing rapidly. Typically, spending in the region directly by passengers plus that by the ship itself and crew (if the ship comes into port), is of the order of half a million dollars per day for a 2,000 passenger ship – more for international and lower for domestic, ie. about \$250 per passenger. This compares with average spend recorded by overnight visitors to the region year-end September 2015 of \$185 per night (source, Tourism Research Australia).

Home-porting generates substantially more per ship visit – of the order of \$2 million for a 2,000 passenger ship.

(I note you have the latest CLIA figures as per Cairns Post today. CLIA will probably be able to give you some averages for onshore/onship spending but it will vary widely depending on the type of passenger and type of cruise.)