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(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

Title of meeting: Cabinet

Subject: The economic impact of cruise on the city of Portsmouth

Date of meeting:
5 October 2021

Report by: Port Director

Wards affected: All

1. Requested by

2. Purpose

To provide an update to Cabinet on cruise activity at Portsmouth International Port (PIP) over the past year and the economic impact on the city as the port continues developments for cruise activity.

3. Background

Since the start of the pandemic PIP has seen operations affected by International travel restrictions and it was expected that there would be an impact on the growth of cruise in Portsmouth this year.

However, despite these challenging conditions 2021 is set to become the most successful in the port's history for cruise with a record number of maiden calls, days alongside, hosting the first naming ceremony and forecast economic growth for the city.

Following a successful capital bid to fund £18.7m of upgrades and investments for the port construction work to extend the length of the cruise berth was well underway prior to the pandemic, despite challenges this critical piece of infrastructure continued and was completed in summer 2020.

Within the same month the berth extension was completed the port welcomed the largest commercial ship into the harbour, Royal Caribbean's Majesty of the Seas, which was 268m in length.

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PIP's berth extension provided an opportunity to showcase to the cruise industry the capabilities in Portsmouth, and contributed towards securing global brand Virgin Voyages in 2021 to launch their world first passenger sailing from the city on their brand new ship Scarlet Lady, which at 277m is the now the largest ship ever managed by the port.

Virgin Voyages offered sailings in domestic UK waters over the summer and were looking for a major UK port to handle this global opportunity for their 2021 Summer Soiree Series

PIP handled over 8,000 Scarlet Lady passengers, assisting in traffic management and supporting off-site Covid-19 testing for the six sailings and a private charter.

A pop-up terminal was built to segregate passengers and keep Covid-19 health protocol measures in place and will be used as alternative for cruise lines wanting to make sure passengers can be kept in sterile bubbles.

The record-breaking firsts for the port's cruise activity this year continued. The port saw the most ever maiden calls, with seven new cruise ships coming to Portsmouth for the first time including TUI's Marella and Marella Explorer 2, the world largest square-rigged sailing vessel, Golden Horizon, Regent's Seven Seas' Splendor, Fred Olsen's Borealis.

Luxury Scandinavian owned line Viking launched their first UK based turnarounds from the city, and we also saw the inaugural departure for their brand new vessel Viking Venus.

PIP were honoured to host the port's first naming ceremony, which saw Saga's Spirit of Discovery christened in Portsmouth with a traditional bottle smashing, which was live streamed across the globe.

In August the port managed three cruise ships at one time, making use of multi berths.

It expected that by the end of the year the port will have managed 120 days of cruise ships alongside, which is a record number.

4. The economic benefits of cruise to the city of Portsmouth

According to the Cruise Lines International Association (CLIA), the cruise industry is worth £10.4 billion to the UK economy and £3.85 billion as direct expenditure and double digit growth year on year. In addition over one million cruise passengers joined "in cruise" in the UK and expected to increase to two million by 2023.

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PIP is developing the port to support the luxury, boutique and expedition cruise ships along its traditional activity for cross channel ferry and cargo activities. The port commissioned Oxford Economics to carry out an independent assessment on the value of cruise growth to the city over a 40 year period from 2021 to 2059. This report has been produced to support the port's passenger terminal extension to be completed by Spring 2023.

The main highlights from the report as follows:

- Contribution to the UK and Portsmouth economy is in the form of port charges, spending of passengers (and crew) on local goods and services (including tourist attractions and hotels) and the purchase of supplies by cruise ships.
- The port's terminal expansion will contribute **£206 million per annum to UK GDP**.
- This contribution includes **£44 million per annum to UK GDP** within the Portsmouth City Council region.
- The development of the passenger terminal extension will sustain a total of **2560 UK jobs** including direct, supply chain and the tourism sector that supports cruise activity.
- These jobs include **550 jobs** across the Portsmouth City Council region.
- Each turnaround call has the ability to generate up to £1.5m for city, through fees to the port which are in turn passed onto the council and spend from passengers in the city

5. Terminal transformation and the Levelling Up Fund

The port is in urgent need of additional space to manage an anticipated 180,000 cruise passengers per annum by 2030. The terminal extension is included in the Portsmouth North bid to the government's Levelling Up Fund to help secure investment to transform the PIP as this would provide huge economic benefit to the Solent region.

In their report Oxford Economics identified that from the Institute for Fiscal Studies (IFS) research, Portsmouth is also considered particularly vulnerable to the immediate economic damage caused by the coronavirus pandemic. Measured against all other Local Authorities in Great Britain, Portsmouth falls into the top quintile of being both vulnerable to the short-term economic impact of COVID-19 and being most "left behind".

Their report goes on to say the planned expansion works at PIP present an opportunity to redress inequality within the city of Portsmouth and the wider region. Increased cruise

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activity from the port investment would generate wages and employment in the local area to potentially reduce unemployment and other indicators of deprivation.

PIP will welcome back Virgin Voyages and the second edition to their fleet Valiant Lady, this means a need to accommodate 2800 additional passengers the port at any one time.

We are attracting cruise lines new to the UK market and would complement the current cruise offer in the south of England.

We will be exploring ways to capture data from cruise lines on the number of overnight stays and joint work that can be done through our partners to maximise opportunities for hotels and attractions in the city.

6. Summary

The port missed the peak summer for International travel due to the ongoing impact of covid for a second year in a row but have shown resilience to support essential travel.

2021 will be record year for cruise activity and 2022 is set to be a bumper year for the port with cruise and ferry travel. We will continue to provide temporary additional facilities as we construct the main terminal transformation which will complete in time for the 2023 spring itinerary.

The port is rapidly becoming the first choice for the luxury cruise market. The terminal transformation will provide the facilities for this market and essentially will create jobs and increase the economic contribution to the city of Portsmouth and wider UK economy.

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Signed by (Director)

Appendices:

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Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

