

The Economic Impact of Disney Cruise Line in the Bahamas

An Economic Impact Assessment and
Cost-Benefit Analysis of the
Lighthouse Point Development Project

Prepared for Disney Cruise Line

**December 2018 (with additional notes
added May 2021)**



**TOURISM
ECONOMICS**

AN OXFORD ECONOMICS COMPANY

Summary and Introduction

Summary

- **This study assesses the economic impact of Disney Cruise Line operations in The Bahamas, taking a one year snapshot of 2018.**
- **The potential incremental economic impact of the development and operations of the proposed port at Lighthouse Point is also examined.**
- **Economic impacts are measured in terms of gross output (total business sales), value added (GDP), income, full-time equivalent employment, and the impact on government tax revenues.**
- **The prospective analysis examines a 25 year timeline, including four years of development and construction from 2019 to 2022, and capturing on-going operations from 2023 to 2043.**

Summary of 2018 Disney Cruise Line impacts

- In 2018, Disney Cruise Line ships brought 1.2 million gross passengers to Bahamian ports at Nassau and Castaway Cay.
- The cruise passengers and DCL crew members disembarked and spent an estimated B\$62.7 million on recreation, retail, food, and local transportation.
- Direct on-shore spending generated:
 - B\$98.4 million in gross output (total business sales)
 - B\$71.8 million in value added (contribution to GDP)
 - B\$31.3 million in income
 - 1,762 jobs including direct, indirect and induced impacts.
 - B\$23.3 million in tax and fee revenue for the government of The Bahamas, including B\$13.0 million in passenger fees and taxes, B\$6.3 million in VAT tax, and B\$0.5 million in business license fees.

Summary table 2018

Disney Cruise Line 2018 Economic Impacts				
Volume metrics				
Port calls				352
Unique passengers, ths				733.6
Gross passengers, ths				1,246.6
Total on-shore spending, B\$mils				62.7
Economic impacts				
	Direct	Indirect	Induced	Total
Output (B\$, millions)	62.7	15.4	20.3	98.4
Value added (B\$, millions)	47.7	10.1	14.0	71.8
Income (B\$, millions)	21.9	3.8	5.7	31.3
Employment	1,301	175	286	1,762
Sources: DCL, Tourism Economics				

Summary of the proposed development

● **Over the 25-year time horizon, Disney's proposed development at Lighthouse Point is expected to drive significant increases in employment, income, GDP and government revenues**

- A total investment of B\$350 million*
- More than 300 new calls annually to The Bahamas
- Between 600k-700k incremental cruise passengers will come to The Bahamas annually
- 508 new Bahamian jobs annually during the development phase
- 752 new Bahamian jobs annually during operations
- B\$805.1 million (in B\$2018) increase in Bahamian GDP
- B\$339.2 million (in B\$2018) in income earned in the Bahamas
- B\$357.5 million (in B\$2018) increase in Bahamian government revenues, outweighing proposed concessions by a factor of 1.7

* Conservative estimate

Summary table of Lighthouse Point impacts

Disney Cruise Line Lighthouse Point Project Impacts				
2019 to 2043 25-year cumulative economic impacts				
	Direct	Indirect	Induced	Total
Development (2019-2022)				
Output (B\$2018, millions)	99.6	34.5	63.6	197.7
Value added (B\$2018, millions)	73.1	22.1	43.7	138.9
Income (B\$2018, millions)	12.9	8.1	17.6	38.6
Employment (average)	205	85	218	508
Operations (2023-2043)				
Output (B\$2018, millions)	567.6	139.0	192.8	899.4
Value added (B\$2018, millions)	442.3	90.7	133.2	666.2
Income (B\$2018, millions)	211.8	34.3	54.4	300.6
Employment (average)	562	70	120	752
Total Project				
Output (B\$2018, millions)	667.3	173.5	256.4	1,097.1
Value added (B\$2018, millions)	515.4	112.8	176.9	805.1
Income (B\$2018, millions)	224.7	42.4	72.0	339.2
Employment (average)	505	72	136	713
25-year ROI Factors				
Government Revenues (B\$2018, millions)			357.5	
Government Concessions (B\$2018, millions)			207.1	
Revenues / Concessions			1.7	
GDP impact / Concessions			3.9	
Source: Tourism Economics				

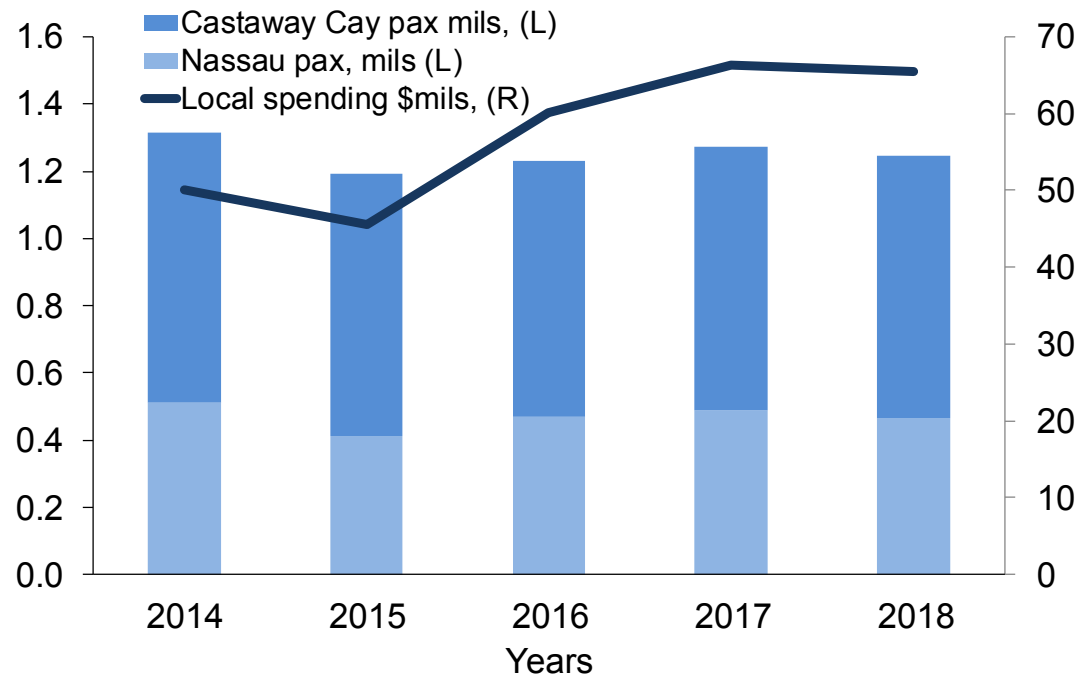
The 2018 Economic Impact of Disney Cruise Line in The Bahamas

A one year snapshot

1.2 million cruise arrivals to Bahamas ports

- In 2018, DCL ships will make a total of 352 calls in the Bahamas, at Nassau and Castaway Cay.
- 734,000 unique passengers will account for 1.2 million arrivals by year's end.
- This volume of passengers has held relatively steady since 2014.

DCL Gross Bahamas Pax and Local Spending



Sources: DCL, Tourism Economics

B\$62.7m in direct visitor spending...

Local Direct Visitor Spending					
	2014	2015	2016	2017	2018
Recreation	15.4	13.0	14.3	14.6	14.5
Retail	20.4	20.7	32.9	38.3	37.7
Food	8.9	7.2	8.1	8.3	8.2
Transportation/Comm	2.6	2.1	2.3	2.3	2.3
Total Local Spending (B\$mils)	47.3	43.0	57.5	63.5	62.7
Source: Tourism Economics					

- Cruise passengers and crew members disembark and will spend an estimated B\$62.7 million in the local economy by the end of 2018.
- Most on-shore spending comes in retail shopping and recreation excursions, followed by food, transportation and communications.

...Will generate a total B\$98.4m in gross output...

Gross Output (Business Sales)				
B\$Millions				
	Direct	Indirect	Induced	Total
Agriculture	-	1.3	2.3	3.6
Natural resources	-	0.0	0.0	0.1
Manufacturing	-	3.2	2.9	6.2
Utilities	-	1.2	1.0	2.2
Construction	-	0.5	0.4	0.9
Wholesale and Retail Trade	37.7	2.7	3.6	44.0
Hotels & Restaurants	8.2	0.4	2.7	11.2
Transport, Storage & Communication	2.3	2.8	2.0	7.1
Business Services	-	1.8	1.7	3.5
Personal Services, Recreation	14.5	0.8	2.3	17.6
Finance	-	0.5	1.1	1.6
Government	-	0.1	0.2	0.3
Total	62.7	15.4	20.3	98.4
Source: Tourism Economics				

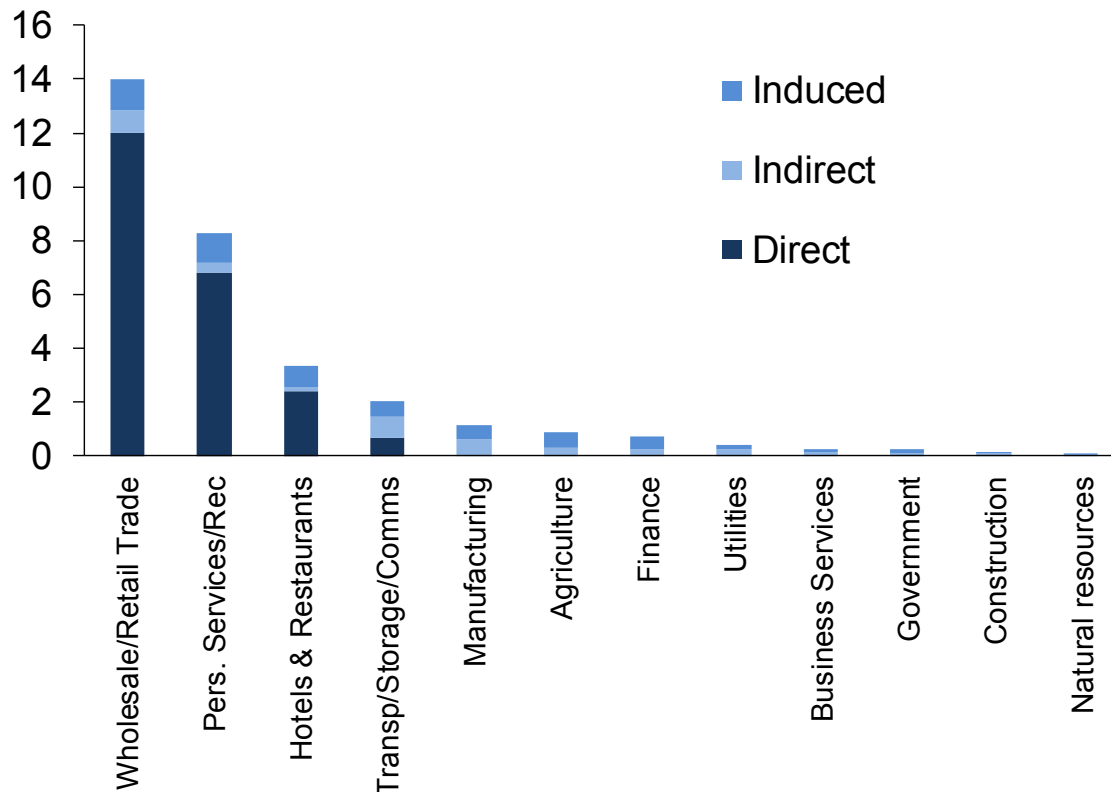
...1,762 Bahamian jobs across the economy...

Employment Impacts				
	Direct	Indirect	Induced	Total
Agriculture	-	22	38	60
Natural resources	-	0	0	0
Manufacturing	-	24	22	46
Utilities	-	4	3	6
Construction	-	6	5	11
Wholesale and Retail Trade	676	48	65	790
Hotels & Restaurants	148	7	48	203
Transport, Storage & Communication	23	29	21	73
Business Services	-	7	7	14
Personal Services, Recreation	454	25	70	549
Finance	-	2	4	6
Government	-	1	2	3
Total	1,301	175	286	1,762
Source: Tourism Economics				

...And B\$31.3 million in labor income

Labor Income by Industry and Impact Type

\$B millions



Proposed Development at Lighthouse Point

Overview of the Project

Overview of the Lighthouse Point development

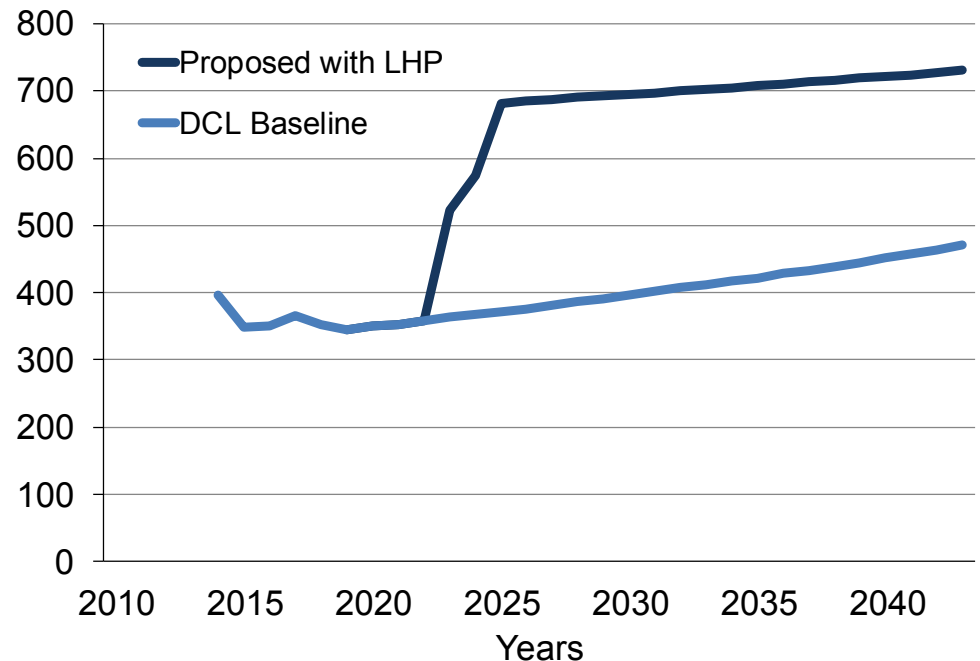
- Disney Cruise Line proposes to develop a destination on a 700 acre site at South Eleuthra.
- The development will occur on 20% of the site, with most of the site remaining undeveloped.
- The destination will include a port facility capable of accommodating one Disney Cruise Line ship at a time.
- Management expects the development phase to begin in 2019 and last four years, with operations starting in late 2022 (for modelling purposes treated as early 2023). The project scope includes beach areas for leisure activities, food and beverage locations, shopping areas, walking trails, on-site recreation, back of house facilities and a location from which port adventures highlighting the broader island can be dispatched.*

* Due to the pandemic, operations are now expected to begin in early 2024. Given that the key project parameters remain little changed from the initial analysis, the results are considered to remain reasonable, order-of-magnitude estimates of the economic impacts the project is likely to generate in The Bahamas.

The project will boost calls to Bahamas ports...

- In 2018, DCL ships will make a total of 352 calls in The Bahamas.
- The proposed project includes plans for 682 calls at stabilization in 2025, nearly doubling the existing presence in The Bahamas.
- The new calls will include Nassau, Castaway Cay, and the new destination at Lighthouse Point.

Disney Port Calls to The Bahamas

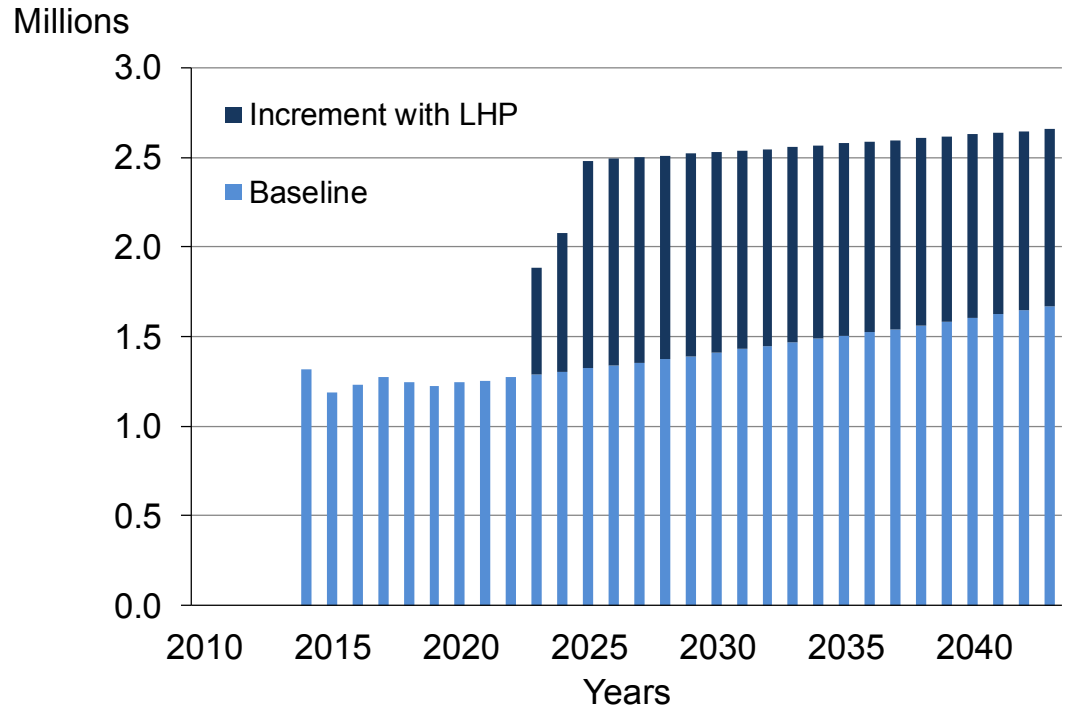


Source: Tourism Economics

...Increase passenger volume...

- With an expanded fleet and the new Lighthouse Point destination, total volume of cruise passengers on DCL ships will increase significantly.
- In 2018, DCL passengers made a total of 1.2 million cruise arrivals to ports in The Bahamas. Plans include boosting this figure to nearly 2.5 million in 2025.

Disney Cruise Line Gross Bahamas Passengers



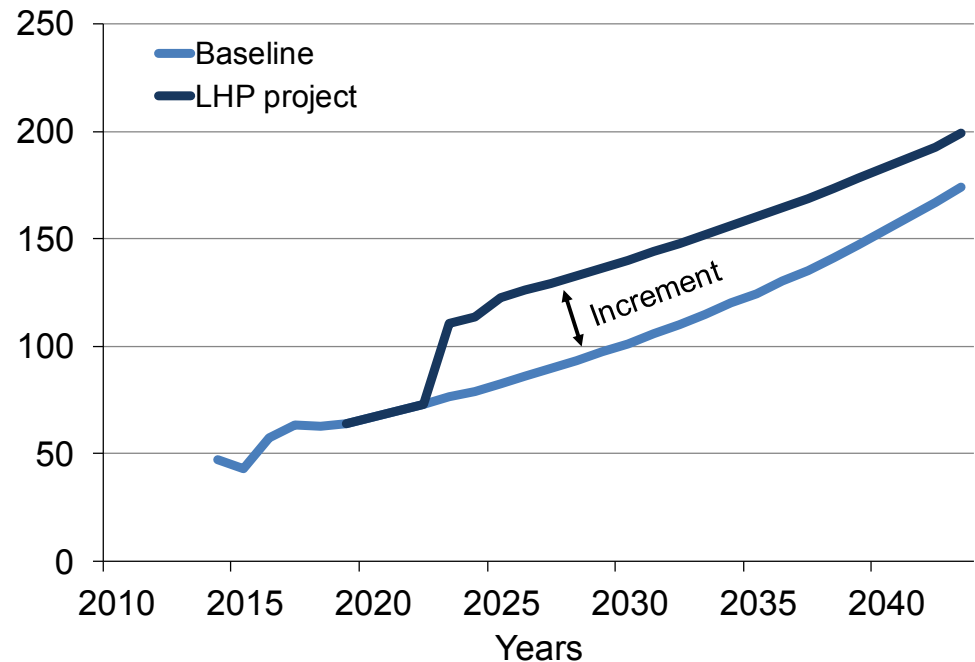
Source: Tourism Economics

...And incremental visitor spending on shore

- Along with more volume of cruise passengers come on-shore visitor spending from both DCL passengers and crew members.
- In 2018, on-shore visitor spending will amount to an estimated B\$62.7 million and is projected to increase to B\$122.6 million in 2025 with the expansion of DCL business in The Bahamas.

Local Direct Spending by DCL Pax and Crew

\$B millions, nominal



Source: Tourism Economics

B\$567.6m in new visitor spending over 21 years

Incremental Visitor Spending	
Constant B\$2018, mils	
During Operations 2023-2043	21-year Sum
Recreation	216.3
Retail	291.0
Food	47.3
Transport/communication	13.1
Incremental Pax and Crew Spending	567.6
Source: Tourism Economics	

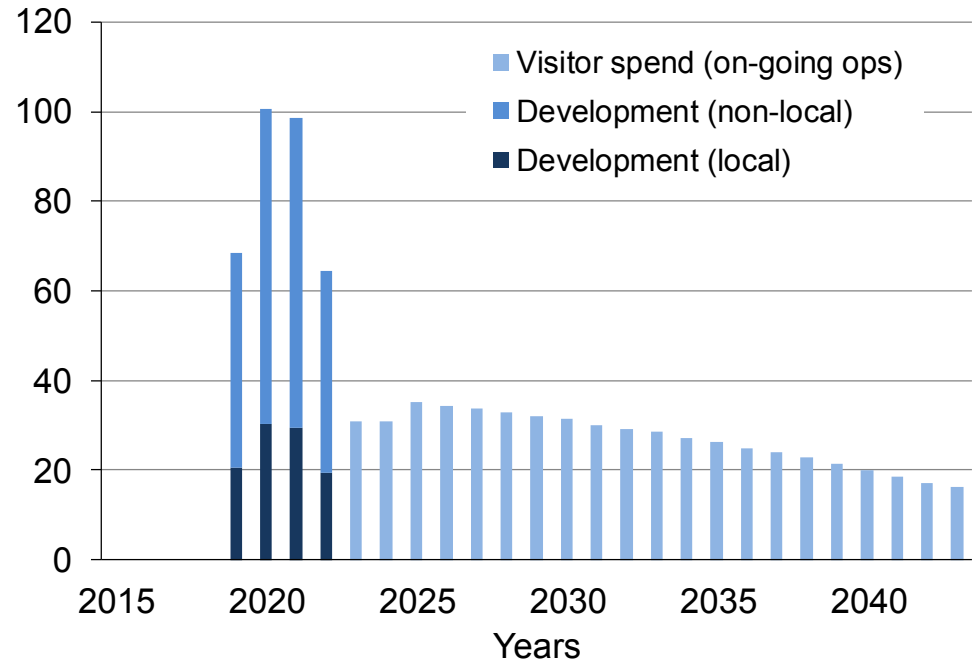
- New incremental visitor (local) spending will amount to B\$567.6 million over 21 years of DCL operations.
- This represents local spending that will flow directly through the Bahamian economy and create jobs and income.

Total direct spending

- Construction spending will occur over the first four years of the project. An estimated 30% of total construction costs will be local spending, generating Bahamian jobs and income.*
- Operations are expected to begin in late 2022 and ramp up to stabilization in 2025, as the expanded DCL fleet comes online.**

Schedule of Incremental Direct Spending

Millions of B\$2018



Source: Tourism Economics

* Based on conservative estimate prior to completion of the Heads of Agreement with the Government of The Bahamas.

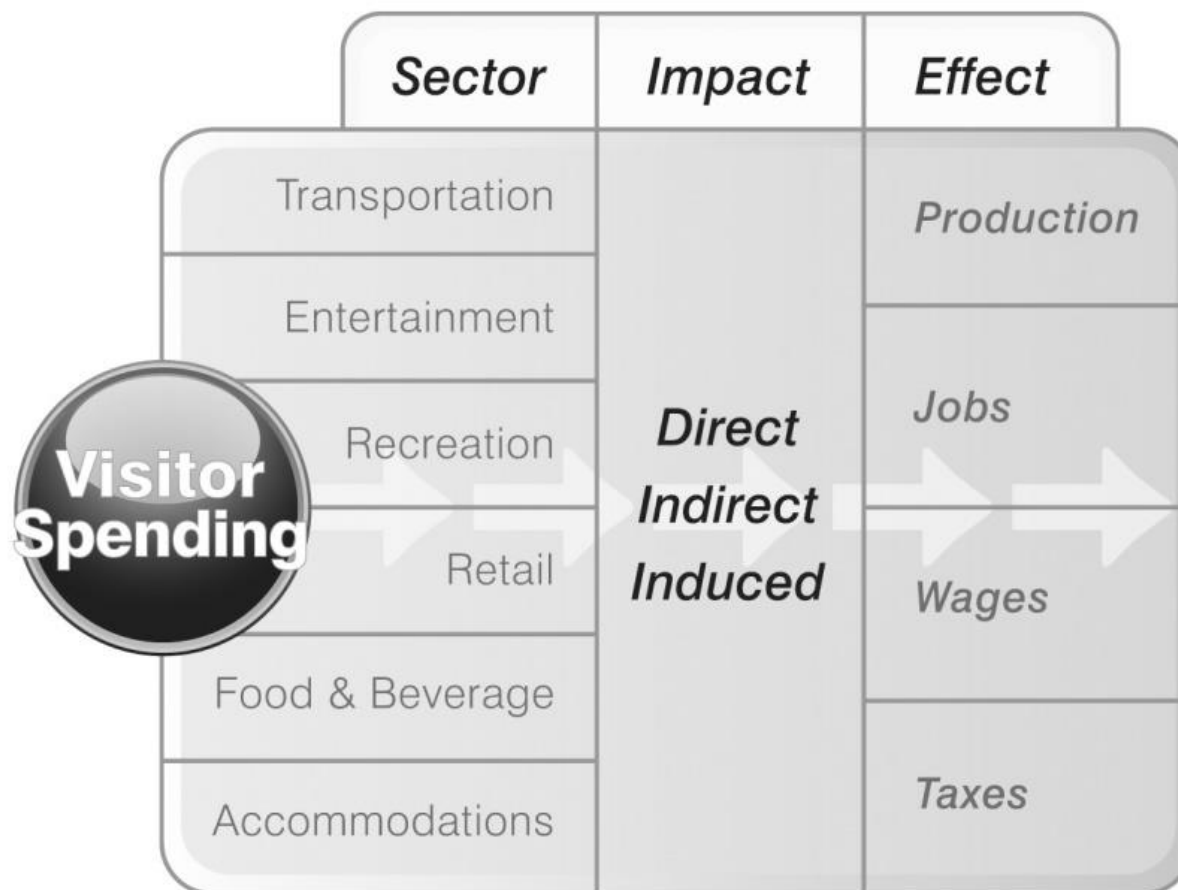
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Economic Impact Analysis

From 2019 to 2043

Direct spending will generate indirect benefits

- Input-output modeling and Bahamas industry data can track the flow of sales through the economy to estimate total impacts on GDP, employment, income and tax revenues.



Economic impacts

- **Economic impacts are presented on an incremental basis; only expected local, incremental spending is included.**
- **Impacts are measured on three levels:**
 - **Direct impact:** The immediate benefit to businesses providing the goods or services; this captures spending at the destination and any off-site businesses.
 - **Indirect impact:** The secondary benefit to suppliers of goods and services; also called the supply chain effect. For example, the local manufacturer who produces the good sold at the retail level.
 - **The induced impact:** an additional indirect benefit to the local economy as additional income earned in the economy is in turn spent on goods and services. For example, employees who work on-site at the destination spend their earned income at other businesses in the economy.

Impact by component: development

- **Over a 4-year construction period, 2019 to 2022:**
 - B\$197.7 million in output (business sales)
 - B\$138.9 million in additional value added (contribution to GDP)
 - B\$38.6 million in additional income
 - On average, 508 annual average jobs on an full-time equivalent basis

Lighthouse Point: Development Impacts				
Cumulative impacts, 2019 to 2022				
	Direct	Indirect	Induced	Total
Development phase				
Output (B\$2018, millions)	99.6	34.5	63.6	197.7
Value added (B\$2018, millions)	73.1	22.1	43.7	138.9
Income (B\$2018, millions)	12.9	8.1	17.6	38.6
Employment (average)	205	85	218	508
Source: Tourism Economics				

Impact by component: operations

- **On-going operations over a 25-year horizon will generate:**
 - B\$899.4 million in output and B\$666.2 million in additional value added
 - B\$300.6 million in additional income
 - 562 direct jobs, including both on-site and off-site jobs
 - On average, 752 annual average jobs on a full-time equivalent basis

Lighthouse Point: Operations Impacts				
Cumulative impacts, 2023 to 2043				
	Direct	Indirect	Induced	Total
Operations				
Output (B\$2018, millions)	567.6	139.0	192.8	899.4
Value added (B\$2018, millions)	442.3	90.7	133.2	666.2
Income (B\$2018, millions)	211.8	34.3	54.4	300.6
Employment (average)	562	70	120	752
Source: Tourism Economics				

Tax Impact of the Proposed Project: Analysis of Revenues and Concessions from 2019 to 2043

Cost-benefit analysis

- Including only the incremental benefits to the economy, a total of B\$357.5 million (in constant B\$2018) would be generated in government revenue over a 25-year time horizon.
- Government concessions would tally B\$207.1 million in B\$2018.
- Government revenues would exceed concessions by a factor of 1.7.
- The total project GDP impact would exceed concessions by a factor of 3.9.

Costs and Benefits to Government

25-year Cumulative 2019 to 2043

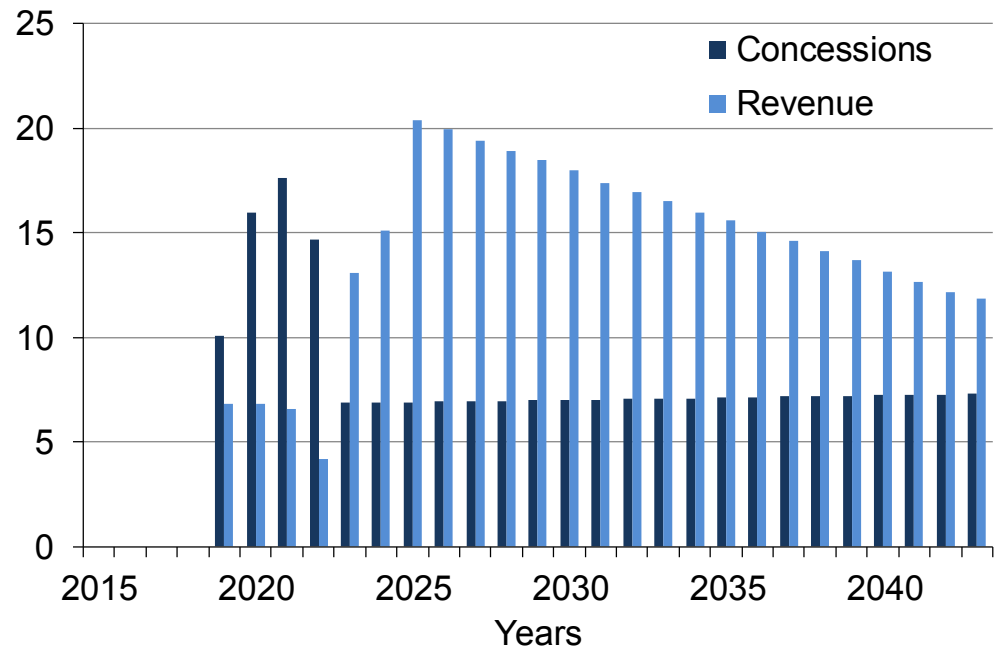
	B\$2018, mils	25-year Sum
Government concessions		
Construction duties exemption		40.4
Real property tax exemption		166.7
Total concessions		207.1
Government revenues		
National insurance		33.2
Operations import duties		43.4
Departure tax		178.3
Stamp Duty		2.1
Annual business license		10.3
Value added tax		90.2
Total revenues		357.5
Revenues / concessions multiple		1.7
GDP impact / concessions multiple		3.9
Source: Tourism Economics		

Government impact: costs versus benefits

- Concessions will be greater than revenues during the construction phase of the project, but significant tax revenues will be generated during the operations phase.
- The key revenue sources will be the departure tax, value added tax, national insurance, and import duties during operations.

Impact on Government of The Bahamas

Revenues versus concessions, B\$2018, millions



Source: Tourism Economics

Methods and data sources

- Inputs into the economic impact model were generated from several sources, including Disney Cruise Line pro forma financial projections for the development and operational phases of the project. Key metrics provided by project managers included capital expenditures by category, projected itineraries and estimates of gross and net passenger arrivals, and on-site revenue projections.
- Estimates of passenger on-shore spending were developed by Tourism Economics based passenger survey data from Disney Cruise Line, and with survey data compiled by the Florida-Caribbean Cruise Association (FCCA).
- Visitor spending included in the analysis includes only visitor spending that is expected to stay in the Bahamian economy. This includes all visitor spending in Nassau, about 13% of total visitor spending on Castaway Cay, and about 30% of spending at the new destination at Lighthouse Point. This includes spending that will go to Bahamian vendors who provide services to visitors at Castaway Cay and Lighthouse Point.*

* Based on conservative estimate prior to completion of the Heads of Agreement with the Government of The Bahamas.

Methods and data sources

- The total project investment is expected to amount to B\$350 million, but only the estimated local portion of construction spending (30%) is included in impact modeling.*
- Tax revenues generated by the project and concessions granted by the government were estimated by Oxford Economics based on current tax and fee rates and concessions likely to be sought by Disney Cruise Line. Assumptions include National Insurance at 9.8%, departure tax of B\$18 per head, a VAT of 12%, and a Business License fee at 1.25% of revenues.
- Incremental departure tax revenues reported include only incremental cruise passengers to the Bahamas.
- The volume of cruise passengers was allowed to grow over time based on assumed maximum port capacity constraints of 4 calls per week at Nassau and 5 calls per week at Castaway Cay and Lighthouse Point. These port capacities are gradually achieved over the 25-year horizon in both the baseline and Lighthouse Point project scenarios. The increment captured in the analysis is the difference between the projected baseline and the Lighthouse Point project (see page 18 for a visual of the incremental spending).

* Based on conservative estimate prior to completion of the Heads of Agreement with the Government of The Bahamas.

Methods and data sources

- Other assumptions in the analysis include average inflation of 1.8% per year based on Oxford Economics global model forecasts, and real growth in spending of 0.5% per year out to 2043.
- The value the proposed real property tax exemption is based on the expected value of land at purchase and total capital expenditures, and a tax rate of 2.0%.
- Oxford Economics used a proprietary input-output model to complete the economic impact modeling. The model is based on industry output, value added, income, and employment data generated by The Bahamas Department of Statistics and the Bahamas Ministry of Finance.
- Custom adjustments to the I-O model were made to account for staffing levels during the development phase at Lighthouse Point, and during operations at Castaway Cay and Lighthouse Point.

About Tourism Economics

- Tourism Economics, headquartered in Philadelphia, is an Oxford Economics company dedicated to providing high value, robust, and relevant analyses of the tourism sector that reflects the dynamics of local and global economies. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, project feasibility analysis, tourism forecasting models, tourism policy analysis, and economic impact studies.
- Our staff have worked with over 100 destinations to quantify the economic value of tourism, forecast demand, guide strategy, or evaluate tourism policies.
- Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics is founded on a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 150 highly-experienced professional economists; a dedicated data analysis team; global modeling tools; close links with Oxford University, and a range of partner institutions in Europe, the US and in the United Nations Project Link.
- For more information: www.oxfordeconomics.com or info@tourismeconomics.com.