



The Economic Impact of Whale Watching in Iceland: 2003

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Introduction

Whale watching has rapidly become one of the major pillars of tourism in Iceland. Originating in the early '90s with a few hundred customers, it serviced more than 72,000 tourists in 2003. At the present growth rate clients of the whale watching companies will surpass 100,000 in 2007. Despite the rapid growth of the whale watching industry little or no research has been done on its economic impact. This report is the first attempt to assess the direct economic benefit of whale watching in Iceland and is intended to give an idea of the size of the industry in economic terms

Data

This paper on the estimated economic value of whale watching in Iceland in 2003 is among other based on research among foreign tourists visiting Iceland. This includes "*Whale watching, whaling and tourism. An opinion poll of tourists on whale watching trips during the summer of 2002*"¹, an opinion poll by students at the University of Iceland and analysed by the University of Akureyri Research Centre for the Icelandic Tourism Centre. Total number of respondents was 1143. Also a report by Rognvaldur Guðmundsson for Icewhale "*Whale watching by foreign tourists in Iceland 1996-2003*"² Total number of respondents in the research behind that report is 7565. The whale watching companies in Iceland provided the number of whale watching tourists in 2003 to Icewhale.

Assumptions

¹ Hjördís Sigurgeirsdóttir. 2003. Whale watching, whaling and tourism. A survey conducted among whale watching tourists during the summer of 2002

² Rognvaldur Guðmundsson. 2003. A survey conducted among foreign tourists leaving Iceland through Keflavik Airport during 1996-2003.

Data on the spending behaviour of whale watching tourist is non-existing. It was therefore necessary to make some assumptions about the expenses of tourists that go whale watching. Furthermore there is no research on the multiplier effect of revenues generated in the whale watching industry. It was therefore decided to use estimates of generalized spending by tourists. The spending can be divided into travel cost, accommodation cost, food cost, and admittance fee to the whale watching trip. Travel cost can furthermore be divided into international and local travel cost. Cost was estimated roughly, since the objective of the analysis was to estimate the general size of the economic impact, not a precise number.

Table 1. *Estimated whale watching tourist costs in Iceland.*

Cost	Amount (IKR)	Amount (USD) ³
International travel cost	45.000	643
Local travel cost	10.000	143
Accommodation	5000 per day	71 per day
Food	3000 per day	43 per day
Admittance	3500	50

The tourists were categorized into four groups according to being Icelandic or international, and having whale watching as the main purpose of the trip to Iceland, if whale watching was included in the travel plans or if it was only incidental. From these categories we calculate the average spending by tourist and then the direct revenues by tourist.

Table 2. *Categories of whale watching tourists in Iceland.*

Category	Spending	Proportion
1. Icelanders	Admittance + food (1 day)	11%
2. Incidental	Admittance	61%
3. Whale watching included in travel plans	Admittance + food (1 day) + local travel + accommodation (1 day)	8%
4. Whale watching main reason for travel	Admittance + food (5 days) + local travel + international travel + accommodation (5 days)	20%

The estimation of proportions assigned to each group is based on the study “*Whale watching, whaling and tourism*”⁴. That study indicates that tourists that say that whale watching had major influence on their decision to travel to Iceland where 20% of whale watching tourists. Another 8% have decided to go whale watching before they arrive in Iceland.

³ Exchange rates averaged for 2003.

⁴ Hjördís Sigurgeirsdóttir. 2003. Whale watching, whaling and tourism. A survey conducted among whale watching tourists during the summer of 2002.

According to numbers from the Icelandic whale watching companies themselves Icelanders constitute 11% of whale watching tourists; this then indicates that the vast majority (61%) of whale watching tourists are international tourists that go whale watching incidentally, because it is there.

Results

Tourism is a fast growing sector of the Icelandic economy and whale watching seems to be one of the fastest growing tourism activities. This is apparent if we look at the numbers of whale watching tourists from 1995 to 2003.

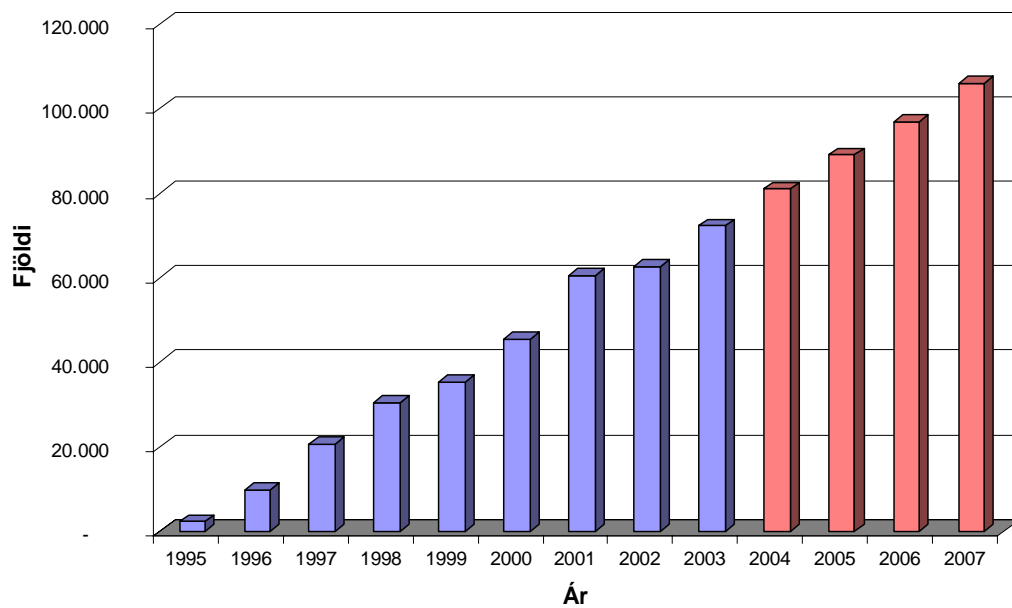


Figure 1. Number of whale watching tourist in Iceland from 1995 to 2003 and estimated growth until 2007.

If we assume a similar increase in number of tourists that go whale watching in Iceland, we estimate that they will reach 80,000 in 2004, will be just fewer than 90,000 in 2005 and will top 100,000 in 2007.

When estimating the economic impact of whale watching for the Icelandic economy we start by estimating the turnover from admittance to whale watching trips only. This turnover is estimated to be just over **250 million ISK** or around **5 million USD**. It is therefore obvious that the industry is creating a sizable revenue stream with admittance fees only.

Revenues from admittance fees only tell half the story. Somehow the tourist reaches the whale watching vessel at its home port and the tourist obviously needs to eat and sleep. Taking that into account we can estimate that the **direct economic impact** of whale watching in Iceland in the year 2003 to be more than **1,75 billion ISK** or **25 million USD**. The division between categories of tourists is presented in Table 3.

If the increase in tourists will be realized we can estimate that the direct economic impact of 100,000 whale watching tourists in 2007 will be close to 2,5 billion ISK or 40 million USD at 2003 prices.

Table 3. Direct economic impact of whale watching in Iceland in 2003, by category of tourist.

Cat4egory	Numbers	Revenue (USD)
Icelanders	7,942	737,471
Incidental	44,042	2.202.100
Whale watching included in travel plans	5,776	1.774.057
Whale watching main reason for travel	14,440	20.319.143
Total	72,200	25.032.771

From this we can see that the most valuable category of tourist is, not surprisingly, the tourists that come to Iceland because of whale watching. Second in importance are the incidental whale watchers, because of the number of individuals in that group.

It is important to conduct further research into the attitude, travel mode and spending of the tourist that go whale watching in Iceland. Currently it is very difficult to estimate the importance of Icelandic tourists in whale watching. Furthermore it is important to do research on the multiplier effect of whale watching in Iceland and in fact the multiplier effect of tourism in Iceland in general thereby making it possible to estimate the total economic impact of whale watching and tourism in Iceland in general.

Whale watching is divided about equally between the greater Reykjavik area and the rural areas. This would indicate that whale watching could be an important positive factor in the economic development of local communities around Iceland. In this context it should be pointed out that 32,000 tourists went whale watching from Husavik and Eyjafjordur in northern Iceland in 2003, Husavik is a town of 2,400 inhabitants. Truly an impressive feat to take more than ten times the number of inhabitants whale watching every year. It is therefore clear that research on the economic impact of whale watching in local communities is pressing.

For more information on this report and whale watching in Iceland, pls. Contact Mr. Asbjorn Bjorgvinsson. (Abbi) at the Husavik Whale Centre, North Iceland.

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Yours truly,

Geir Oddsson.