



BULLETIN

FAL

FACILITATION OF TRANSPORT AND TRADE IN LATIN AMERICA AND THE CARIBBEAN

The Costa Concordia disaster and the cruise industry: an analysis of risks and challenges in Latin America and the Caribbean

At the beginning of 2012 two alarming incidents involving maritime passenger vessels occurred: the cruise ship Costa Concordia sank in the Adriatic and the passenger ferry Rabaul Queen sank in Papua New Guinea. Both resulted in significant human and material losses, bringing safety in sea transport and, particularly, the role of crews and their training into the centre of discussion.

At the same time, the economic impact of tourism and especially cruise tourism in the Caribbean, Mexico and other important regions of Latin America, where the sector contributes around 10% to formal employment and between 9 and 14% to GDP is of significant relevance to the region. Therefore, the question arises of whether the region sufficiently acknowledges the importance of tourism and the cruise industry, and what repercussions a comparable incident would have for the sector in the region. In this context, the formation and training of crews should be in the centre of the discussion as well as the question, of whether the economies in the region are prepared to respond adequately to such accidents.

Introduction

The Caribbean is the fulcrum of the world's cruise activity. And in recent years the Caribbean and Latin America have experienced a large increase in tourism, especially cruise tourism.

The strong development of cruise tourism also includes: investment in new port infrastructure, creating destinations and improving the attractiveness of destinations and training hospitality workers. Indirectly cruise shipping has also driven the development of land-based tourism as cruise tourists return for longer holidays.

This *FAL Bulletin* analyses the relevance of the cruise industry for the region and particularly for Caribbean countries. The article begins with an overview of the tourism industry, followed by a discussion of the relevance of the cruise industry for the region, and finally an approach to maritime education and training.

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Introduction



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The net result has been that tourism (both land and cruise tourism) has a significant economic relevance for the whole region, but especially for the Caribbean, Mexico and South America as an emerging region. A relevance that might be threatened by events such as the recent tragedies off the Italian and Papua New Guinea coasts¹, which raise important questions for Latin America and the Caribbean. What are the repercussions of such an accident for the cruise ship industry and thus for the development of tourism in the region? Cruise tourism in the region has been continuously growing over the last decade and is also recognized as a facilitator of land tourism, as many cruise tourists return as regular tourists at a later point in time.

The fact that the crew of the ship did not seem prepared to deal with such an incident also opens the discussion of maritime training and education of crews. What are the strategies and efforts in the region to ensure proper qualifications for seafarers? If the region is a centre of cruise activity should this not be an argument to address maritime training and discuss educational approaches for the maritime industry, especially given the apparent incongruity of traditional training provision for the sector being largely nationally-based, while the sector itself is both inherently and increasingly globalized.

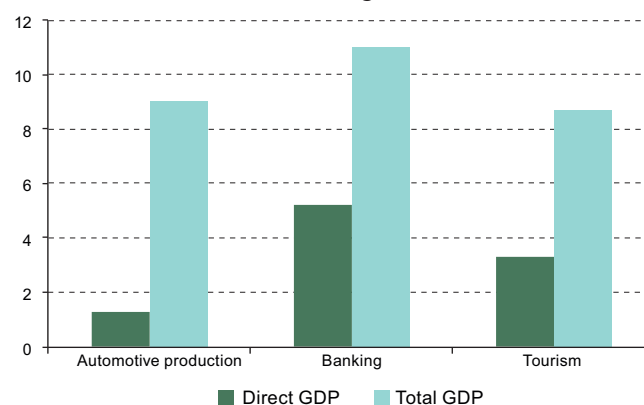
This article begins with an overview of tourism, explains the relevance of the cruise industry for the region and, finally, suggests an approach to maritime education and training.

I. The economics of the tourism sector

In order to understand the importance of tourism as an economic activity, figure 1 shows its contribution to world GDP, in relation to other economic sectors. In fact, tourism is greater than automotive production in terms of direct contribution to GDP, and equivalent to it in terms of total GDP contribution, and contributes only slightly less to GDP than the banking sector.

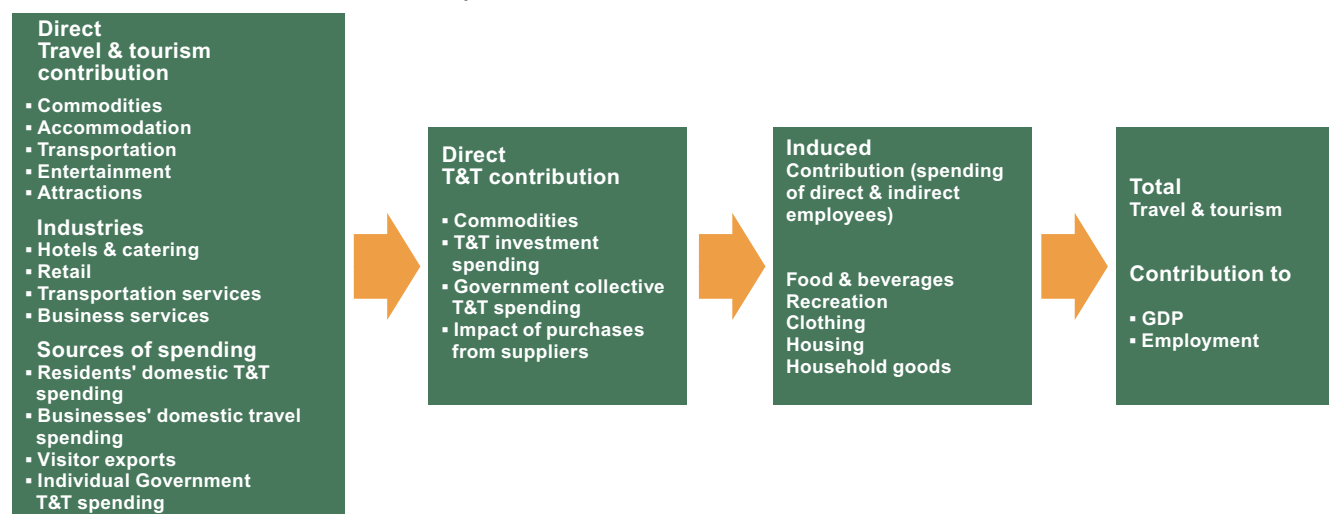
This contribution emanates from a complex economic mechanism that is briefly shown in diagram 1, which includes direct and induced inputs to the total contribution.

Figure 1
WORLD GDP: CONTRIBUTION BY ECONOMIC SECTOR, 2011
(Percentages)



Source: WTTC, 2011.

Diagram 1
DIRECT, INDUCED AND TOTAL CONTRIBUTION TO GDP

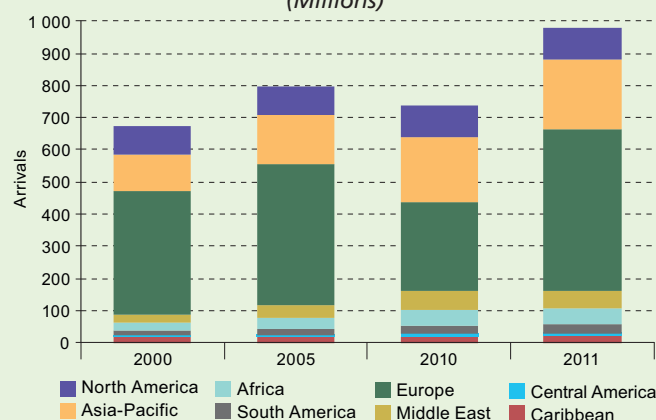


Source: WTTC, 2011.

¹ The cruise ship Costa Concordia sank in the Adriatic on 13 January 2012, with more than 4,200 people aboard, including passengers and crew. The MV Rabaul Queen sank in Papua New Guinea, 50 miles east of Lae and 10 miles from shore, on 2 February 2012. It had over 350 people aboard.

In addition, the sector's contribution has risen during the last decade, although growth has been uneven throughout the main regions. Figure 3 illustrates the differences in growth between 2000 and 2010. Despite negative growth in Europe and North America, these two continued to be principal source regions for attracting tourists (603.8 million, 2011). The world figures show that tourism rose by 9.7% in direct contribution to GDP, but other emerging regions experienced growth in excess of 40%. Latin America exhibits growth of 43%, the third highest growth at a regional scale in the last decade. The travel and tourism (T&T) sector accounted for 9.03% of total GDP in 2011 (see table 1), as a result of the 55.2 million tourists attracted in that year (see figure 2).

Figure 2
ARRIVING TOURISTS BY REGION, 2000-2011
(Millions)



Source: World Tourism Barometer, UNWTO vol. 10, Jan 2012.

Figure 3
TRAVEL AND TOURISM: DIRECT CONTRIBUTION TO GDP AND
EMPLOYMENT, GROWTH 2000-2010
(Percentages)



Source: WTTC, 2011.

According to the World Travel & Tourism Council (WTTC) tourism was expected to directly contribute US\$15.8bn (4.6% of total GDP) in 2011. At the same time WTTC calculates the total contribution of T&T to GDP, including its wider economic impacts at US\$ 48.6bn (14.2% of GDP) for 2011. WTTC estimates the direct employment in the T&T sector to deliver 687,000 jobs (4.0% of total employment) in 2011. The following tables show the importance of T&T in terms of contribution to GDP, employment, investments and share of exports at the regional level and for Latin American and Caribbean countries. At the global level, the Caribbean ranks first (out of 12 regions) in terms of relative contribution of the sector to GDP. Latin America is fourth in terms of absolute size of the tourism industry in a global comparison.

Table 1
TRAVEL AND TOURISM CONTRIBUTION TO GDP, MAIN REGIONS AND LATIN AMERICAN AND CARIBBEAN COUNTRIES, 2011

Direct contribution by region		% share	Total contribution by region		% share
North Africa		5.83	Caribbean		14.17
Caribbean		4.61	Oceania		13.59
South East Asia		4.22	North Africa		12.32
Oceania		3.54	South East Asia		10.86
Middle East		3.38	Latin America		9.03
Latin America		3.32	North America		8.69
Sub-Saharan Africa		3.12	Middle East		8.08
European Union		2.92	European Union		7.82
North America		2.72	North East Asia		7.67
North East Asia		2.41	Sub-Saharan Africa		7.33
Contribution by country	Direct contribution % share	Total contribution % share	Contribution by country	Direct contribution % share	Total contribution % share
Argentina	4.0	11.0	Guyana	4.8	12.2
Brazil	3.3	9.1	Honduras	5.7	14.9
Chile	3.1	8.4	Mexico	6.2	13.0
Colombia	1.7	4.9	Nicaragua	4.3	10.2
Costa Rica	5.1	12.8	Peru	4.3	10.4
Cuba	2.7	10.6	Panama	5.3	13.0
Dominican Republic	5.5	17.7	Suriname	1.5	4.1
Ecuador	1.9	5.2	Uruguay	3.1	9.0
El Salvador	2.6	6.3	Venezuela (Bolivarian Republic of)	3.9	10.2
Guatemala	3.1	8.0			

Source: Authors, based on WTTC (2011).



Table 2
TRAVEL AND TOURISM CONTRIBUTION TO EMPLOYMENT, MAIN REGIONS AND LATIN AMERICAN AND CARIBBEAN COUNTRIES, 2011

Direct contribution by region		% share	Total contribution by region		% share
North Africa		6.00	Oceania		17.2
Oceania		5.90	North Africa		12.9
North America		4.60	Caribbean		12.6
South Asia		4.30	North America		11.1
Caribbean		4.00	South East Asia		9.1
European Union		3.20	European Union		8.4
Middle East		3.20	Latin America		8.1
South East Asia		3.10	North East Asia		8.1
Latin America		3.00	Middle East		8
North East Asia		2.90	South Asia		6.9
Contribution by country	Direct contribution % share	Total contribution % share		Direct contribution % share	Total contribution % share
Argentina	3.8	10.3	Guyana	4.1	10.6
Brazil	2.9	8.3	Honduras	4.9	13.1
Chile	3.0	8.0	Mexico	7.3	14.8
Colombia	2.5	5.4	Nicaragua	3.7	8.8
Costa Rica	4.7	11.9	Peru	3.1	8.8
Cuba	2.5	9.8	Panama	5.0	12.2
Dominican Republic	5.1	16.9	Suriname	1.4	3.7
Ecuador	1.7	4.7	Uruguay	3.0	8.5
El Salvador	2.3	5.7	Venezuela (Bolivarian Republic of)	3.4	8.7
Guatemala	2.7	7.2			

Source: Authors, based on WTTC (2011).

Table 3
TRAVEL AND TOURISM CONTRIBUTION TO EXPORTS AND INVESTMENT IN LATIN AMERICAN AND CARIBBEAN COUNTRIES, 2011

Country	T&T X as a % of total exports	% T&T investment / total investment		T&T X as a % of total exports	% T&T investment / total investment
Argentina	7.1	7.0	Guyana	5.4	3.5
Brazil	2.9	5.8	Honduras	9.6	8.2
Chile	3.5	7.8	Mexico	5.4	6.5
Colombia	6.1	5.5	Nicaragua	13.3	4.8
Costa Rica	14.4	4.3	Peru	7.2	5.6
Cuba	20.2	14.5	Panama	13.1	8.9
Dominican Republic	44.2	5.8	Suriname	9.7	3.2
Ecuador	3.5	3.7	Uruguay	14.6	7.8
El Salvador	10.0	9.3	Venezuela (Bolivarian Republic of)	n. a.	5.7
Guatemala	8.9	6.6			

Source: Authors, based on WTTC (2011).

At the national level the total contribution to GDP is highest in the Dominican Republic (17.7%), Honduras (14.9%) and Panama (13.0%).

According to WTTC (2011), the direct contribution of T&T to GDP in Latin America and the Caribbean is expected to reach US\$ 121.1bn and US\$ 15.8bn in 2011, respectively. Including the wider economic impacts, the contribution is calculated to be US\$ 329.6bn or 9.0% of

GDP and US\$ 48.6bn (14.2% of GDP) for the two regions in 2011.

In terms of employment, the T&T sector in total generates 12.6% and 8.1% in the Caribbean and Latin America, respectively. At the national level, the highest total contribution to employment can be observed in the Dominican Republic (16.9%), Mexico (14.8%) and Honduras (13.1%).

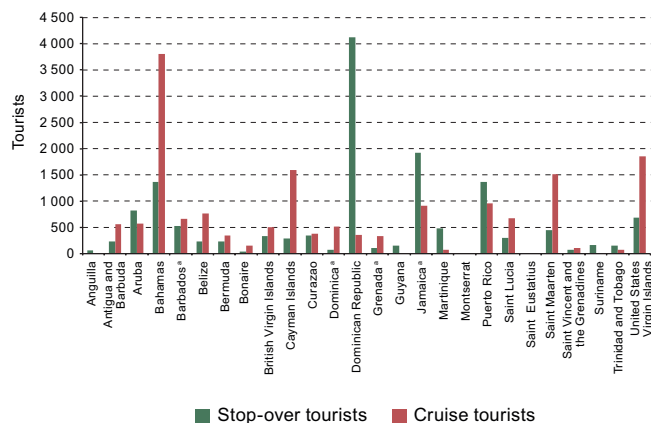
The T&T sector also accounts for a large proportion of exports and investments. In the case of the Dominican Republic 44.2% of all exports can be attributed to the sector. In terms of total investments in Cuba the sector is responsible for 14.5% of all investments and in El Salvador for 9.3%.

II. The relevance of cruise shipping for the region

The cruise industry in the Caribbean and Mexico, and recently in other regions of Latin America, has been one of the fastest-growing sectors and the market is expected to continue to grow. The Caribbean region is already highly dependent on tourism, as shown in the tables above.

In Antigua and Barbuda and the Bahamas, tourism contributes 74% and 89% of GDP respectively. The tourism industry impacts both positively and negatively on the economic, socio cultural and natural environments. The cruise industry is no exception, and for such a small niche its impacts are disproportionate to its size. Tourism can contribute to economic development, if revenues and related employment can be maximized and negative impacts (such as overcrowding, destruction of natural habitats etc.) threatening the attractiveness of the destination, can be mitigated.

Figure 4
STOP-OVER AND CRUISE TOURISTS 2010



Source: CTO (2011).
^a Projections.

The cruise industry represents 39% of total Caribbean arrivals and accounts for some 10% of visitor expenditure.

The importance of the cruise sector for the tourism industry is high, as more than two thirds of tourists come to the region for the first time as cruise tourists and, according to BREA (2011), 50% are likely to return as land tourists within three years of their cruise.

The Caribbean is the main destination, accounting for 41.3% of all cruise itineraries in the world in 2010, which

are estimated to have accommodated 15 million tourists in 2010. For 2011, a 6.6% increase has been forecasted (FCCA, 2011). These figures show significant growth compared with the 9.5 million cruise passengers recorded in 2005.

Tourism in the Caribbean countries is highly, but not uniformly seasonal. According to BREA (2009), cruise tourism generated US\$ 2.2 billion of direct expenditure from passengers, crews and cruise lines in the region.² Furthermore, the direct employment of residents in the Caribbean has estimated to be 56,000 or an equivalent of US\$ 720 million in terms of wages in the cruise year 2008-2009.

Currently, there are no comprehensive studies for the Caribbean and Latin America on the cost-benefit analysis of cruise tourism. The main sources of revenues are cruise tourists, crew members and ship-related charges. Revenues from cruise tourists are low in comparison to island tourists and have been declining with the extension of vertical integration in cruise tourism (including duty-free goods on board, land-tour bookings and realization by cruise line companies). Cruise ship visitor expenditures in the Caribbean vary widely (US\$ 50 - 250 per day depending on destination). The main products and services purchased are: locally produced gifts and craft goods; food and beverages; entertainment; casino gambling; sightseeing and excursions; taxis; and duty-free goods.

The cruise ship industry is highly concentrated and dominated by three companies: Carnival,³ Royal Caribbean⁴ and Star Cruises.⁵

For the Caribbean, the cruise ship companies have created the Florida Caribbean Cruise Association (FCCA) to promote the interests of the cruise ship industry. FCCA aggressively promotes the interests of cruise line companies in terms of legislation, tourism development, taxation, port safety and security issues. FCCA is also involved in port development in the region.⁶ At the same time the FCCA member lines are continuously seeking new ports of call with adequate infrastructure and a variety of attractions. The FCCA member lines are the major source of Caribbean passenger capacity, currently deploying more than 100 ships across the Caribbean region.

² The study is based on the following 29 destinations: Acapulco, Antigua & Barbuda, Aruba, The Bahamas, Barbados, Belize, Cabo San Lucas, Cayman Islands, Cartagena, Costa Rica, Cozumel, Curacao, Dominica, Dominican Republic, Ensenada, Grenada, Guatemala, Honduras, Huatulco, Jamaica, Nicaragua, San Juan, PR, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Trinidad and Tobago, Turks and Caicos, U. S. Virgin Islands.

³ Including Carnival Cruise lines, Princess Holland America Line, Costa Cruise, P&O Cruises, AIDA, Cunard, Ocean Village, P&O Australia, Swan Hellenic, Seabourn and Windstar.

⁴ Including Royal Caribbean cruises and Celebrity.

⁵ Including Star Cruises, Norwegian Cruise Line, Orient Lines and NCL North America.

⁶ The Government of the Cayman Islands has come to an agreement in principle with the Florida Caribbean Cruise Association (FCCA) whereby they will be providing the required financing for the re-development of the George Town Cruise Ship Port. FCCA and the Government of the Cayman Islands, have agreed that FCCA will fund the re-development up to a value of US\$10 million.

Table 4
TOTAL ECONOMIC CONTRIBUTION OF CRUISE TOURISM
BY DESTINATION, 2008/2009 CRUISE YEAR

Destination	Total cruise tourism expenditures (millions of dollars)	Total employment	Total employee wage income (millions of dollars)
Acapulco	21.4	636	3.5
Antigua and Barbuda	48.3	1 315	11.9
Aruba	54.1	1 330	21.9
Bahamas	246.1	6 219	100.4
Barbados	53.6	1 665	17.2
Belize	58.6	1 781	17.7
Cabo San Lucas	95.3	2 745	16.7
Cayman Islands	174.4	3 731	69.5
Cartagena	24.6	629	3.6
Costa Rica	26.3	719	3.9
Cozumel	255.3	7 089	52.8
Curacao	39.3	748	13.0
Dominica	14.2	405	3.0
Dominican Republic	23.5	788	3.1
Ensenada	46.4	1 279	8.4
Grenada	21.7	581	3.9
Guatemala	8.7	275	1.2
Honduras	28.3	632	2.9
Huatulco	10.1	347	1.7
Jamaica	101.5	3 865	22.6
Nicaragua	2.7	141	0.4
San Juan	182.3	4 398	63.2
Saint Kitts and Nevis	44.0	756	5.9
Saint Lucia	45.7	1 203	9.3
Saint Maarten	230.3	5 531	106.3
Saint Vincent and the Grenadines	6.8	159	1.5
Trinidad and Tobago	2.9	143	1.6
Turks and Caicos	25.1	473	7.7
United States Virgin Islands	384.4	6 688	146.6
All destinations	2 275.9	56 271	721.4

Source: BREA (2009).

Cruise tourism development is dependent on the following highly volatile factors: economic conditions in countries of origin; continuation of growth in international travel; energy prices; threats relating to natural disasters, geopolitical developments; and currency (US\$) exchange rates. In addition, the image of the cruise industry has suffered as a result of accidents such as the Costa Concordia tragedy.

External events such as vessel accidents and altered customer perception of the cruise industry lead to rapidly changing demand and market participation. These issues need to be addressed by countries.

III. Maritime education and training

Training and crew qualification was repeatedly mentioned in relation to both the Rabaul Queen and the Costa Concordia incidents. In this respect it is necessary to reflect on the current training and education situation in the region and the sector in general.

The maritime industry is facing a two-tiered challenge. On the one hand, the persistent global shortage of seafarers and on the other hand the increasing demand for highly trained and well qualified personnel. Despite the fact that two principal flag States are part of the region, Latin American and Caribbean countries have not taken steps to strengthen maritime career opportunities and improve the employment prospects of their people. Currently, the region provides only 8% of all officers and 15% of all ratings at the global level (BIMCO/ISF, 2011). For the same region, Wilmsmeier and Sanchez (2006) identified a lack of “trained local seamen with specialization for the cruise ship sector, such as cooks, technicians and machinists, which could respond to the demand of the cruise ship industry”.

Although the region accounts for the largest share of merchant fleet from flag States, opportunities relating to maritime education are not well developed. While it is true that the relationship between the maritime industry and the education sector is multilayered and complex, the importance of cruise tourism, particularly in the Caribbean, should be an incentive to intensify concerted efforts at the regional level to meet the diverse educational needs of the industry.

Although advanced technical and commercial knowledge are important assets in the maritime sector, there is also a fundamental need for workers with relatively basic, but precisely defined, skill-sets. Investment in human capital and the division of labour remain relevant issues for the maritime industry. The need to enhance maritime education is highlighted by events such as the Costa Concordia incident. The maritime freight sector and cruise ship sector have comparable needs for trained and certified crew members. One option could be a joint effort to set up a regional seafare training school with IMO White list training schools.

The pivotal question is how can the diverse, dynamic but somewhat ill-defined educational requirements of the maritime industry be identified and acted upon by the education sector in the region in a coordinated and timely fashion and in a form that meets international standards

and makes seafarers from the region competitive in the international labour market?

The search for a response revolves around three main pillars: quality, internationalisation and accessibility. The maritime industry has a constant demand for highly qualified personnel, whether ashore or at sea. It is probably the most global of all industries in terms of sourcing capital, human resources, services and cargo. As a result of the industry's inherently international characteristics, maritime education must endeavour to maximize accessibility, either by educating, training and spreading knowledge wherever learners are located or by disseminating it in the most ubiquitous form. This poses some fundamental challenges for a maritime education sector that can generally be described as rather traditionalist, nationally-oriented and exhibiting a dearth of multidisciplinary in its offerings. The most significant of these challenges are: to develop a service product portfolio that responds to the complexity described and; to design a platform that allows for continued, effective, flexible and accessible multidirectional collaboration for prospective participants from industry, education and the policy sector.

Against this background, the region needs to exploit the diversity, complementarities and synergies that exist between maritime expertise and the content of training programmes across the region.

The raising of standards in maritime education and training is essential. Maritime education is about being

competitive on a global scale and within a global environment. Education for a globalized industry should not have borders, either national or Latin American. The development of highly trained personnel could be a decisive factor in preventing incidents such as the Concordia tragedy and reducing significant wider economic impacts in the future.

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