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ISSUES AND CHALLENGES IN CARIBBEAN CRUISE SHIP TOURISM

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1. INTRODUCTION

The insular Caribbean is one of the most tourism-dependent regions in the world with a contribution of the broader travel and tourism economy estimated at 14.8 per cent of the region's GDP and contributing a possible 2.4 million jobs. In the short to medium term steady and sustainable growth of the tourism sector will impinge on the development prospects of many countries of the region.

Tourism in the Caribbean has three main components. Land-based tourism where tourists spend the night on land; yachting where tourists spend the night on a yacht; and cruise ship tourism where the tourists stay on a cruise ship. Of these categories, land-based tourism could provide up to 90 per cent of the tourism earnings and employment. Hence the continued existence of a competitive land-based tourism sector should be a primary policy concern of the countries of the region.

In its studies on tourism, the Economic Commission for Latin America and the Caribbean (ECLAC) has focused on marine-based tourism since 2000. Initially these efforts concentrated on the contribution that yachting makes to the region's tourism product. In 2004 ECLAC began to study the other component of marine-based tourism, namely cruise ship tourism.

Over the last decade, cruise ship tourism has shown high and steady rates of growth although growth rates in cruise ship visitor arrivals in individual ports can and have been much more erratic and even, as in the case of Guadeloupe, may have shown a decline. Other observable trends include the increase in the size of ships, the increase in the number of available berths and a shift from the Eastern and Southern Caribbean to the Western Caribbean including Mexico.

What we are seeing is a shift from land-based tourism towards cruise ship tourism. While reliable estimates of the total number of cruise ship tourists visiting the region are non existent, ECLAC estimates that between 6.5 and 7 million cruise ship tourists visited the region in 2004. This total differs from the sum of the number of cruise ship visitors that pass through individual ports, mostly because most cruise tourists will visit more than one port. Therefore there is little doubt that the cruise ship industry has major impacts on tourism in the region. Despite this, there is little information on regional and national impacts and how (or if) the growth of cruise ship tourism affects land-based tourism.

Definitions

Following the World Tourism Organization (WTO) and the Caribbean Tourism Organization (CTO) a tourist is as a person who travels to and stays in a place outside their usual environment for not more than a year but more than 24 hours[1]. A visitor is defined as

[1] An alternative expression, much used in the region, is stay over arrivals or visitors.

a person who travels to a place outside his or her usual environment but who stays for a period of less than 24 hours. Cruise ship passengers are treated as a special class visitor even if a cruise ship stays in the same port overnight. Therefore throughout the region cruise ship passengers are considered visitors. However from a regional perspective cruise ship passengers should be considered as tourists because they, with few exceptions, stay at least 24 hours in the region.

The distinction may seem trivial but arguably has policy implications as in many countries cruise ship visitors are perceived as an addendum to hotel and yachting tourists rather than as a competitor to land-based tourism[2]. However from a regional point of view the cruise ship industry is a formidable competitor as will be discussed later.

Therefore a Caribbean cruise ship tourist is a person who embarks on a cruise ship journey that visits at least one Caribbean destination, but who may begin the voyage outside the region.

A cruise visitor is a person who visits that particular Caribbean destination on a cruise ship.

In the context of the study, the Caribbean encompasses the islands and the eastern coasts of Mexico and Central America and the northern part of South America up to French Guyane. This definition differs from the wider Caribbean definition in that it excludes the continental United States and its adjacent islands. The United States Department of Transportation Maritime Administration (MARAD)[3] distinguishes the following sub categories in the Caribbean[4]:

- Bahamas – cruises that only go to the Bahamas
- Eastern Caribbean – St. Maarten to Haiti
- Southern Caribbean – all ports south of St. Maarten and along the Southern American coast up to Aruba
- Western Caribbean – Mexico, Central America, Columbia and the islands west of Haiti and the Panama Canal if the cruise turns at Gatun Lake.

In the context of this study we will consider as a home port any port where passengers initially embark to proceed on a cruise ship trip.

- **Port of call**: A port visited by a cruise ship but where passengers do not begin or terminate their journey.
- **(Lower) berths** are beds.

[2] For example, the Belize cruise ship tourism policy states that cruise ship passengers are complementary to land-based tourism.

[3] MARAD, 2004. Description of methodology for the United States Maritime Administration cruise passenger at US ports statistics database.

[4] Classification is based on the furthest port of call. However, where the majority of ports are in one area and only a single port in another, the voyage is allocated to the majority area.

- **Occupancy rate**: It is not unusual to see occupancy rates above 100 per cent. The cruise ship companies normally base occupancy rates on two berths per cabin. Hence, when extra beds are added to a cabin (e.g. a family of three), the occupancy rate can rise over a 100 per cent.

Much of the literature refers to the North American cruise industry. Somewhat confusingly that definition refers to those cruise lines that primarily market their cruises in North America. Therefore that definition is based on where cruises are marketed instead of origins or destinations (BREA).

2. INDUSTRY OVERVIEW

Description of cruise ship tourism

In 2003 the global market for cruise ship tourism stood at about 12.6 million people, who comprised less than 2 per cent of the global international tourist arrivals.[5] While therefore globally the share of cruise ship tourism is very small this does not apply for the Caribbean.

The table below shows the approximate number of cruise passengers by nationality.

Table 2.1 - Global number of cruise ship passengers by nationality 2003

Nationality	Passengers (000's)	Nationality	Passengers (000's)
United States	9000	Australasia	250
United Kingdom	960	France	250
Asia (without Japan)	600	Other Europe	250
Germany	429	Japan	200
Canada	300	Cyprus	75
Italy	250	Freighter passenger	3
Total	12567		

Source: HANSA based on data from Maritime Evaluations Group

It must be noted that a global and consistent estimate of the number of cruise ship tourists is not available. For 2003, estimates vary from 9.5 million as reported by Cruise Lines International Association (CLIA) for its members to 12.6 million as reported by HANSA. Even for the United States the number of cruise ship passengers differs according to the source. For 2003, MARAD reported 8.4 million passengers (based on 17 major brands reporting); while CLIA reported 8.0 million North American passengers (based on 19 member lines); and BREA 7.9 million passengers embarking from North American ports and another 1.9 million departing from other ports. However BREA, and possibly CLIA and MARAD as well, use a somewhat confusing definition of the target group that is North American cruise market.

North America

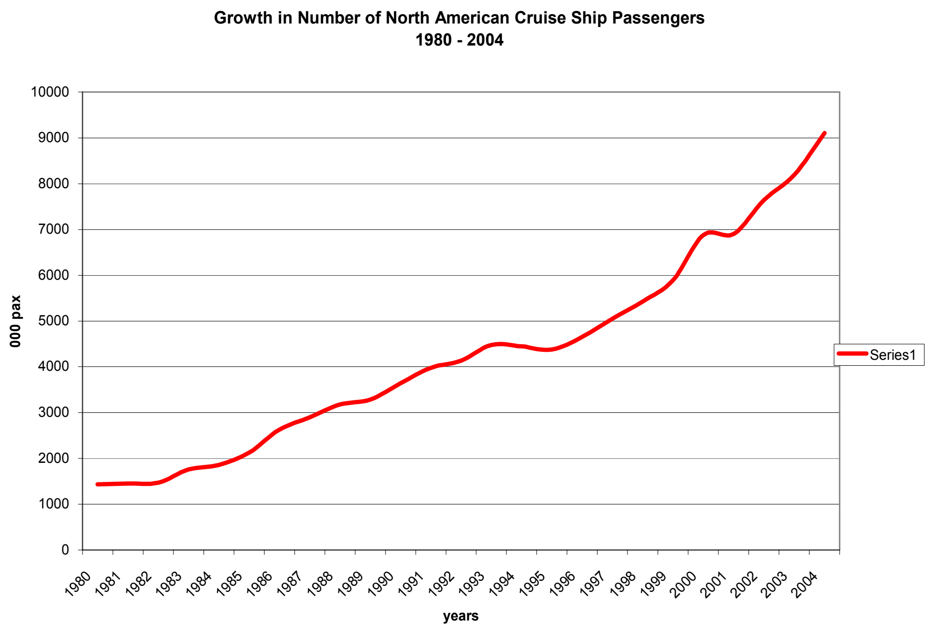
From Table 2.1 we note that the United States market is by far the largest market, followed by the United Kingdom and other European markets and then Asia and Japan.

[5] WTO, 2004

Growth in cruise ship tourism has been steady even after the impacts of the United States economic recession and the after-effects of 9/11. In addition the industry added capacity (from 173.8 thousand berths in 2001 to 196.7 thousand berths in 2002). In reaction the cruise lines discounted cruise fares and increased commissions to travel agents

Figure 2.1 shows the growth in the number of North American cruise ship passengers over the period 1980 to 2004.

Figure 2.1



Source: Appendix 1 based on CLIA

The above chart shows the growth of the North American market and includes cruise ship tourists who embark in non-United States ports. BREA provides estimates that show embarkations from North American ports. These increased from 6.1 million in 2000 to 9.0 million in 2004. The table below shows the embarkations per port for the period 2000 to 2004.

Table 2.2 - Passenger embarkations by port 2000 – 2004

Port (000's passengers)	2004	2003	2002	2001	2000
Florida	4724	4676	4351	3886	3651
Miami	1682	1965	1804	1700	1682
Port Everglades	1324	1213	1202	1046	941
Port Canaveral	1220	1089	1028	870	798
Tampa	385	409	317	270	230
Jacksonville	113	0	0	0	0
Gulf	845	680	519	270	205
Galveston	435	377	267	149	34
Houston	83	15	7	1	0
New Orleans	327	288	245	120	171
San Juan	450	325	298	300	373
Primarily Caribbean market	6019	5681	5168	4456	4229
New York	547	438	326	238	309
California	1095	807	708	607	559
Canada	454	482	527	505	473
Other ports	889	512	596	899	591
Total North America	9004	7920	7325	6705	6161
Rest of the World	1846	1910	1895	1695	1839
Total North American Cruise	10850	9830	9220	8400	8000

Source: BREA

Europe

The European Cruise Council (ECC) indicated that in 2003 some 2.67 million passengers in Europe took a cruise holiday. The table below shows the top five originating countries and the share of Caribbean and other destinations for 2003. The Mediterranean remains the top destination with almost 1.6 million cruise ship passengers. The available data do not allow for a review of Caribbean destinations since the Caribbean is aggregated with the rest of the World. However based on data from IRN for the United Kingdom it can be surmised that the Caribbean is an important destination.

Table 2.3 - European cruise passenger statistics, 2003

Country	Total departures	Of which Car and Other
United Kingdom	962.4	343.0
Germany	528.6	116.9
Italy	345.6	75.9
Spain	317.4	30.7
France	212.4	59.5
Total Europe	2671.2	682.0

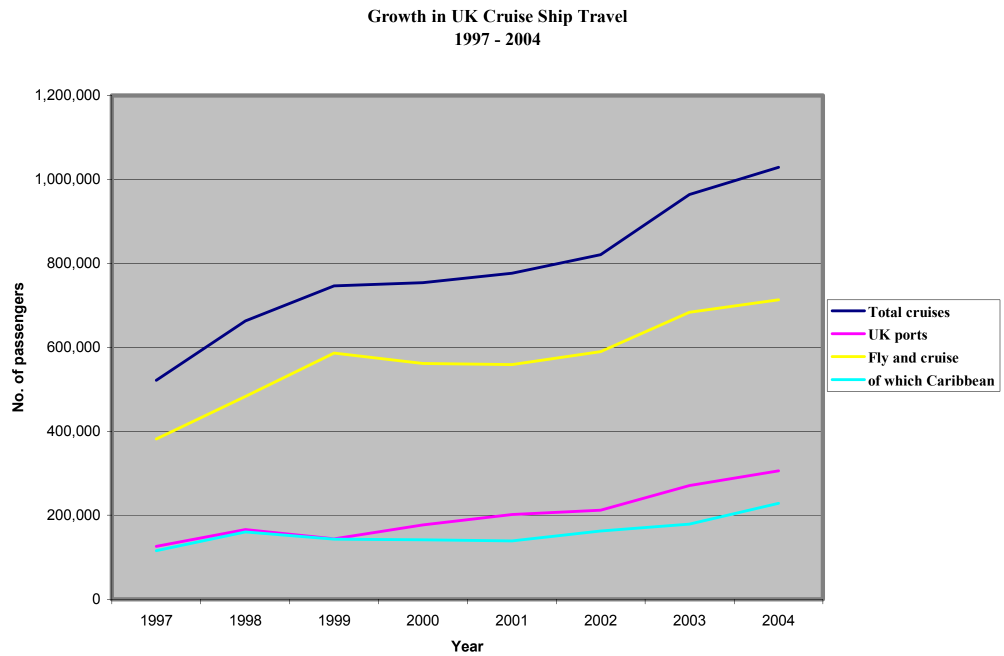
Source: ECC

The United Kingdom market grew from 521,559 cruise passengers in 1997 to 1,028,937 passengers in 2004. Departures are a mix of embarkations from United Kingdom ports and non-United Kingdom port cruises. The latter are also known as fly and cruise holidays and for the Caribbean this often involves the use of Caribbean homeports such as Barbados (Fred Olsen, P&O lines). Figure 2.2 below shows the evolution of United Kingdom fly and cruise tourists as compared to the global fly and cruise holidays.

While the United Kingdom market showed continued growth for each of the years, the fly and cruise, including the Caribbean, voyages declined for 2000 and 2001. Of the total number of United Kingdom residents going on a voyage, the Caribbean as a destination accounted for a total of 234,696 passengers or almost 23 per cent. However if cruises originating in United Kingdom ports are excluded[6], the Caribbean share of the market increases to almost 32 per cent[7]. This makes the United Kingdom the second most important market for the Caribbean.

[6] For United Kingdom ports the share of the Caribbean has been declining since 2002.
[7] IRN Research

Figure 2.2 - The United Kingdom fly and cruise market



Source: PSA

Industry sources indicate growth for 2005 and accelerated growth in 2006 and 2007[8], but this depends on affordable and easy air transport (to the Caribbean).

The Caribbean

Given the problems encountered in the estimate of cruise ship tourists embarking in North America[9] it should come as no surprise that a generally accepted estimate of cruise ship tourists visiting the Caribbean is not available. Apart from the all important North American sailings the region also generates cruise ship tourists from other ports (e.g. the United Kingdom) and from its own home port operations, however small the share of the extra North American and regional home ports might be.

If we look at embarkations in Table 2.2 we notice that in 2004 Florida, the Gulf ports and San Juan, which are the primary homeports for the Caribbean generated some 6 million embarkations as compared to 4.2 million in 2000. At best this is a rough estimate of the North American market because not all sailings of the ports may visit the Caribbean. Also New York and other ports generate traffic to the region.

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[8] Cruise Industry News, 1 July 2005.
[9] Which in this case includes Puerto Rico

If we look at an estimate from the supply side, that is the deployed capacity (in bed days) we obtain an estimate of 5 to 6.3 million cruise ship tourists that visit the Caribbean. In 2004, 34.9 million bed nights were available for the Caribbean, including the Bahamas. If we apply the industry average of 6.9 nights as the average length of stay we derive an estimate of 5 million cruise ship tourists for 2004. In fact the Caribbean average length of stay may be somewhat shorter because of the influence of the Bahamas which tends to include shorter cruises. If the average length of stay is 6.0 nights the number of cruise tourists increases to 5.8 million and at 5.5 nights to 6.3 million people.

European cruise ship tourists are unlikely to be much more than half a million people. Therefore a total estimate of cruise tourists to Caribbean ranges from 5.5 to 6.8 million people in 2004.

Within the North American cruise market the Caribbean accounts for around 45 to 46 per cent of the global bed capacity of CLIA member lines. While this figure is often quoted, the global market share of the Caribbean will be lower because the region's share in the European and Asian markets is lower.

Since 1999 the region's North American cruise market share has remained fairly constant as a consequence of the popularity of the Caribbean region among prospective cruise ship tourists and the after-effects of 9/11 and SARS. This market share also reflects the dominance of North America, and in particular the United States, in the global demand for cruise ship vacations.

However within the region there is a shift towards the western Caribbean at the cost of the southern and eastern Caribbean and the Bahamas. From 1995 to 2004 the share of the eastern and southern Caribbean in the global North American cruise market declined from 32.3 % to 20.0%, the share of the Bahamas moved from 7.7% to 4.7%, while that for the western Caribbean increased from 1.5 to 20.1%[10]. Aggressive development of the Gulf ports and the possible future opening of the Cuban market will only reinforce this trend.

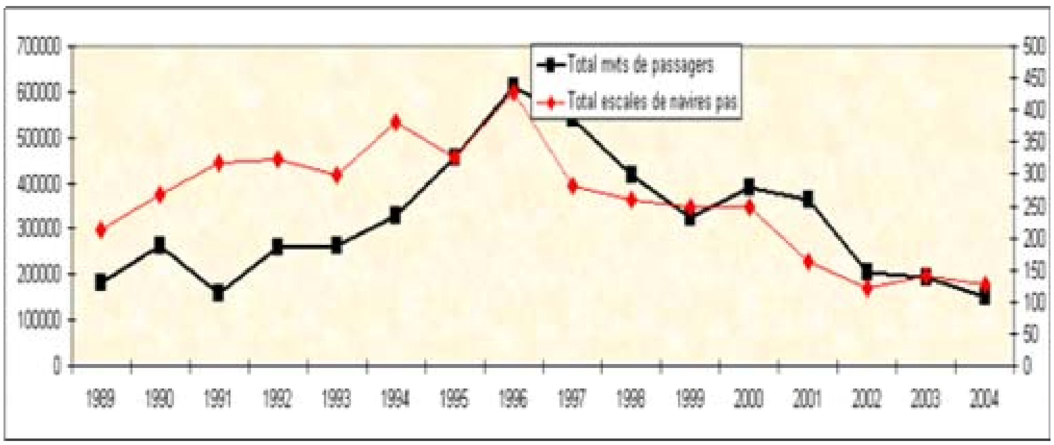
Such a shift could be in response to what the P&O Cruise Lines states as the: "the Caribbean cruise lines' primary dilemma: where to deploy an ever-expanding fleet, and where to find new and interesting ports to attract a new passenger base and retain repeat passengers. This is especially true with the larger lines in the Caribbean, such as Princess, Royal Caribbean and Carnival.[11]"

The shift towards the Western Caribbean is also reflected in the data of cruise ship visitor arrivals. In 1995 Belize received less than a 1,000 cruise ship visitors. By 2004 this number had increased to 851,400. Over the same period the number of cruise ship visitor arrivals in Cozumel and the Cayman Islands about tripled, increasing from 908,000 to 2,862,000 and from 682, 900 to 1,693,300, respectively. On the other hand Guadeloupe showed a decline of cruise ship visitors' arrivals.

[10] BREA, 2005.
[11] P&O website. http://www.cruiseline.co.uk/pandocruises/destinations.php?destId=7&portId=439

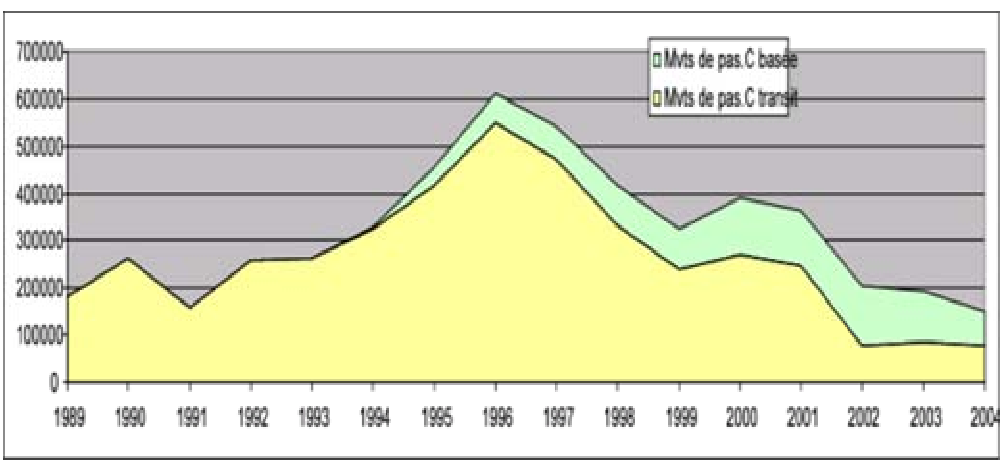
The trend in cruise ship arrivals (and cruise ship tourists) in Guadeloupe has been diverging from the region-wide trend as the graphs from the Port Autonome de la Guadeloupe show. The first graph shows total cruise passenger movements which saw a high of 610,000 passengers in 1996. That year saw also the beginning of a decline in the arrivals of cruise ship visitors. From 1996 to 2003 this decline was partly offset by an increase in cruise ship passengers embarking on a journey in Guadeloupe, as is shown in Figure 2.4 below. However, from 2002 the number of home port cruise ship passengers also declined.

Figure 2.3 - Cruise ship passengers in Guadeloupe



Source: Le Port Autonome de la Guadeloupe

Figure 2.4 - Home port cruise ship passengers and cruise ship visitors



Note: Green home port cruise ship passengers
Yellow cruise ship arrivals
Source: Le Port Autonome de la Guadeloupe

3. ISSUES AND CHALLENGES FACING THE CARIBBEAN

Concentration of the industry

The cruise ship industry is highly concentrated and dominated by three companies. Carnival, the largest cruise ship company, includes Carnival Cruise Lines, Princess, Holland America Line, Costa Cruise, P&O Cruises, AIDA, Cunard, Ocean Village, P&O Australia, Swan Hellenic, Seabourn and Windstar. The other two major companies are Royal Caribbean, which includes Royal Caribbean Cruises and Celebrity, and Star Cruises which includes Star Cruises, Norwegian Cruise Line, Orient Lines and the recently established NCL North America for two United States flagged cruise ships.

These few companies have established several interest associations to promote the interests of the cruise ship companies. Examples include the CLIA and the PSA which focus on the North American and British market and travel agencies, respectively, or the ICCL which focuses industry issues within the United States and international regulatory agencies and policy makers. The ICCL also commissions the annual United States economic impact studies. For the region, the Florida Caribbean Cruise Association (FCCA) is a trade association of 13 member lines that aggressively promotes the cruise ship industry and also focuses on issues pertaining to legislation, tourism development, taxation, port safety and security issues and other issues that may affect the cruise ship industry. As a Caribbean-focused trade association, the FCCA is involved with governments, ports and the private sector in the promotion of cruise ship tourism. Relations may include inputs in the design of ports and piers or their improvements and the planning of new services[12].

In contrast, neither Caribbean governments nor Caribbean port authorities have established a regional cruise port association. Therefore the situation is one where a highly concentrated industry negotiates (and, some times, dictates) cruise ship industry issues with a large number of individual, small entities. Hence the industry can and does threaten an individual port or country that it will reduce its cruise ship calls if certain measures are not taken. Since the Caribbean region does not have a unified position the individual ports or countries have a very weak negotiating position. Examples of this include the Organisation of Eastern Caribbean States (OECS) environmental levy or the Caribbean Community (CARICOM) proposal for a US$ 20 head tax. The negotiating position is further weakened when cruise ship companies own private islands or when they own and operate cruise ship ports.

Given the shift from the eastern and southern Caribbean to the western Caribbean a unified CARICOM position would probably be less effective than an association of cruise ship ports (and/or of governments) that would include all countries bordering the Caribbean Sea.

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[12] FCCA website

Increase in capacity

The increase in capacity stems from two sources. The first is the increase in ship size and the second is an increase in the number of berths operating in the Caribbean region.

Increase in ship size

Seatrade[13] reported that in the last 30 years the ship size went up from 8000 Gt. to 100,000 Gt. and from 400 to 3400 passengers. The RCC Freedom of the Seas is being built at 160,000 Gt. with 3,643 lower berths.

The above trend is corroborated by a recent WTO report[14], which compares the average size of the global fleet in 2002 with the same averages for ships on order. The report shows that existing average gross tonnage and the average number of berths stood at 42, 841 GT and 1,163 berths for the existing fleet as compared with an average gross tonnage of 91,574 GT and an average number of berths of 2,158 for the ships on order. This trend is still continuing as in 2004 the average number of berths of the North American cruise fleet stood at 1,252 while that for the ships on order stood at 2,764 berths.

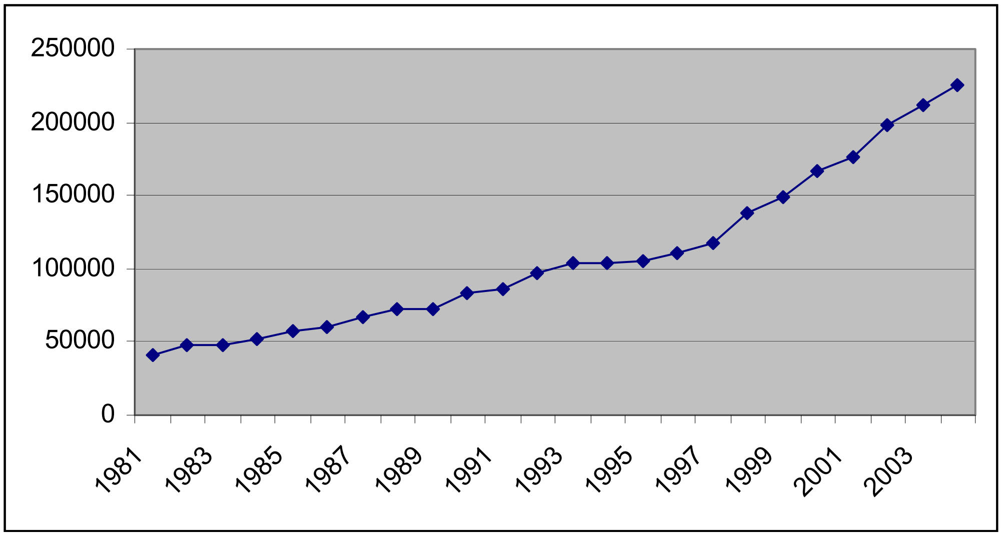
The increase in the average size has implications for expansion of port facilities to accommodate the larger vessels, and possibly overcrowding of destinations and ports of call.

Expansion of capacity

Not only is the average size of a cruise ship increasing, total capacity expressed as number of berths is also increasing as is shown in Figure 3.1 below.

[13] Seatrade website
[14] WTO, 2003.

Figure 3.1 - Growth in the number of berths in the North American cruise market



As of the middle of 2005 some 20 cruise ships were on order with a total capacity of 56,035 (lower) berths. The total cost is estimated at US$10.9 billion resulting in an average cost of US$192,000 per berth. Much of this additional capacity will be brought into service in the Caribbean for at least part of the year.

Table 3.1 - Ships on Order

Company	Name Vessel	Delivery Date	Tonnage (gross)	Lower berths	US mln	Cost per berth
			2006			
Costa	Costa Concordia	June	112,000	3800	$565	$148,684
Holland America	Noordam	January	85,000	1848	$400	$216,450
MSC Cruises	MSC Musica	June	90,000	2568	$630	$245,327
NCL	Pride of Hawaii	April	93,000	2400	$395	$164,583
Princess Cruises	Crown Princess	May	116,000	3100	$500	$161,290
RCI	Freedom of the Seas	May	160,000	3643	$750	$205,874
Total			656,000	17359	3240	$186,647
			2007			
AIDA Cruises	unnamed	April	68,500	2030	$390	$192,118
Carnival Cruise Lines	Carnival Freedom	February	110,000	2974	$500	$168,124
Costa	Costa Serena	May	112,000	3800	$627	$165,000
Cunard Line	Queen Victoria	December	90,000	2000	$468	$234,000
MSC Cruises	MSC Orchestra	April	90,000	2568	$630	$245,327
NCL	unnamed	February	93,000	2400	$500	$208,333
NCL	unnamed	October	93,000	2384	$510	$213,926
Princess Cruises	Emerald Princess	Spring	116,000	3100	$525	$169,355
RCI	Freedom class 2	Spring	158,000	3643	$750	$205,874
			2008			
AIDA Cruises	unnamed	April	68,500	2030	$378	$186,207
P&O lines	Ventura	Spring	116,000	3100	$602	$194,194
Carnival Cruise Lines	unnamed	Spring	110,000	2974	$584	$196,369
RCI	Freedom class 3	Spring	158,000	3643	$828	$227,285
			2009			
AIDA Cruises	unnamed	April	68,500	2030	$390	$192,118

Source: Seatrade, Cruise-community.com

Congestion

Apart from a need to invest in port infrastructure the increased size of the cruise ship and the increase in the number of berths available to the Caribbean can result in congestion.

The increasing size of the cruise ship can cause overcrowding of port facilities, the urban setting and attractions. Such overcrowding will only get worse when three to five similar sized cruise ships visit a port at a particular time, a state of affairs that is common in the more popular cruise ports such as those in St. Thomas, St. Maarten, the Bahamas or Cozumel. The congestion has two components that are areas of concern. The first concern is exceeding environmental thresholds. For infrastructure, such as waste disposal or sewage treatment, the impacts can be solved by appropriate engineering measures although this may pose financial implications. For attractions, the entry price can be used as an instrument to control overcrowding. For natural areas the physical impacts are more difficult to control. Here analysis of carrying capacity is often proposed but rarely done because such an analysis is difficult to achieve.

The second component of congestion is the perception of overcrowding by residents, tourists and cruise ship visitors. Residents and tourists may avoid visiting certain attractions and facilities because of the anticipated overcrowding by throngs of cruise ship visitors. Eventually this can result in stagnant or less tourist arrivals (or substitution of higher income tourists by lower income tourists) and consequently in less tourism expenditures. The very small islands and the surroundings of cruise ship ports may be particularly sensitive to this as there is an almost unavoidable visible interaction between tourists and cruise ship passengers. This is a situation that may underlie the stagnant tourist arrivals in the Cayman Islands, St. Thomas or St. Maarten until 2002, but further research is needed. In the British Virgin Islands people began to protest the increase in cruise ship visitors (from 122,000 in 1995 to 466,000 in 2005) as it was perceived that these numbers would have a negative impact on the BVI tourism product and earnings. Similarly there were protests in English Harbour in Antigua and Barbuda when the government proposed to increase the number of cruise ship arrivals, at the cost of yachting, in that area even though, at that time, yachting provided a greater contribution to GDP and employment than cruise ship tourism.

Few, if any, governments (or hotel and tourist associations) regularly monitor the levels of congestion, perceived overcrowding and the impact that may have on visitation and expenditure patterns. Basic data can be obtained from revising visitor expenditure and motivation studies (VEMS) questionnaires and include specific questions on the perceptions of overcrowding. Such data needs to be analysed to estimate the sensitivity of destinations and attractions to the tourist perception of overcrowding.[15]

Earnings and employment

The two major objectives of engaging in tourism are maximising tourism revenues and employment. At times though governments and tourism authorities seem to focus on maximising the number of visitor arrivals and conveniently add the number of cruise ship visitors to the number of hotel tourists. This procedure does not take into consideration the large difference between the spending of a hotel tourist as compared to the cruise ship visitor.

Earnings from cruise ship tourism include cruise ship visitor expenditures, expenditures by crewmembers, agent fees and port charges. In several countries of the region, tourist authorities measure cruise ship visitor expenditures, mostly through VEMS, but exclude crew expenditures, vessels related charges and support charges. Hence, by and large, there are no comprehensive impact studies of cruise ship tourism. Dwyer at al[16] discuss the need to put an economic impact study within a framework that would lead the analyses and states that possible costs in the form of reduced visitation rates for other forms

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[15] Eugenio-Martin (2004) proposes the use of mixed-logit analysis to estimate the sensitivity to overcrowding.
[16] Dwyer, xyz

of tourism may occur. This of course is similar to concerns expressed by the regional hotel sector and in the section on congestion.

On reviewing the available data one notices the wide variety of cruise ship visitor expenditures. On the high end are destinations such as St Thomas and Cozumel with cruise ship visitor expenditures of US$250 or higher. On the lower end of the scale are destinations such Trinidad and Tobago or Belize with expenditures below US$50. Cruise ship expenditures in the St. Thomas are higher because the United States Virgin Islands has higher United States duty free exemptions than other Caribbean islands.

However, even in St Thomas, where somewhat atypically the average cruise ship expenditure at around US$275 is higher than the daily expenditure of air visitors (that is, land-based tourism) of US$212, air visitors account for 60 per cent of visitors spending but only 25 per cent of visitor arrivals.

Therefore if cruise ship visitors substitute hotel or yachting tourists, any tourism destination suffers a major loss in tourism receipts and direct and indirect employment. In defence, cruise ship companies state that a cruise offers great opportunities to explore a tourism destination and that some cruise ship tourists will return for a land-based holiday. The experience of the Bahamas suggests that a certain, albeit small, percentage of cruise ship visitors does indeed return for a land-based holiday. The crucial question, however, is how many cruise ship visitors who otherwise would have visited the Caribbean for a holiday will no longer visit the region because they have been there on a cruise ship.

The increased market share of the cruise ship tourism stems partly from clients who would not have visited the Caribbean otherwise but also of clients who would have taken a land-based holiday at some point in time. It is the latter category that is a cause of concern because the decision to take a cruise ship holiday implies a loss of tourism earnings and employment for the region.

In a growing market the implications of an increased market share may not be directly noticeable since, after all, each tourism subsector continues to grow. The problems will arise when there is either a crises or stagnation of growth similar to that following the economic recession and the after effects of 9/11. The increased market share would then result in a loss of tourism earnings and tourism employment as cruise ship visitors spend less per visit than hotel or yachting tourists. Also cruise ships provide only limited opportunities for employment for West Indians since most of the staff tends to be Asian and officers and senior staff tend to be European or North American.

Environment

For a long time cruise ships had a chequered environmental record and reputation, both in the United States and in the Caribbean. The Organization for Economic Cooperation and Development (OECD) in a recent paper, noted that the shipping industry had strong financial incentives to circumvent MARPOL 73/78 regulations[17]. In the United States companies have been regularly prosecuted and high fines have been levied, (for example in 1999 Royal Caribbean Cruises paid US$18 million under a plea agreement for the discharge of oil, discharge of hazardous waste and for falsifying records; likewise Carnival Corporation was fined US$18 million in 2002 and Norwegian Cruise Line US$1.5 million in 2002.) More recently cruise ship lines have been subjected to (United States) State legislation (Hawaii, California and Alaska), or entered into alliances with states (e.g. Florida). However support for controversial swimming with dolphins attractions means that the commitment of the cruise lines to the environment remains somewhat suspect amongst environmental non-governmental organizations.

In the Caribbean, the number of prosecutions has been less than in the United States but this is probably more linked with greater enforcement capabilities and standards in United States waters rather than fewer occurrences of the same infractions.

It is not anticipated that the enforcement capabilities in the Caribbean will dramatically increase and therefore additional legislation may not have its intended effects. However there are certain measures which Caribbean governments and ports can take. For example to reduce smokestack pollution, ports can sell power to the ships. Governments can forbid the anchoring of cruise ships in ecological sensitive areas. Also the Caribbean can enter a strategic alliance with the other major North American market, Alaska.

Natural disasters

The cruise ship ports in the Caribbean are subject to tropical storms and hurricanes. In general cruise ship companies withdraw their services whenever there is a severe weather warning and resume service after the event has passed[18]. Compared to land-based tourism, which can be severely affected by windstorms resulting in a loss of room capacity, cruise ship tourism seems to be more vigorous resuming service even in the case of severe damage to a country. In such a case the industry would provide a useful cash flow injection into an economy thus providing an initial impetus for the recovery. Figure 3.2 below shows an example for the Cayman Islands after the impact of Hurricane Ivan by comparing arrival data for the post hurricane month as a percentage of the corresponding pre hurricane month[19].

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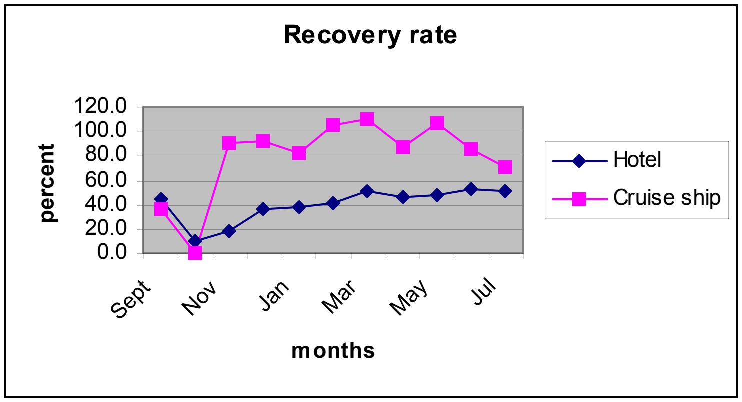
[17] OECD, 2003.

[18] The Fantome of Windjammer cruises was lost, after it had disembarked its passengers and non-essential crew, during Hurricane Mitch.

[19] The graph does not take into account "normal" and trend variations in arrival data.

Figure 3.2 - Comparison of recovery rate of hotel and cruise ship visitors in the Cayman Islands



Source: ECLAC, based on data from the Cayman Islands Department of Tourism

Temporary delays in departures may occur when home ports become affected as was the case with Florida home ports during the 2004 hurricane season. However these events did not seem to have had significant impacts on total cruise ship departures. The situation is somewhat different with the impacts on the port of New Orleans following Hurricane Katrina.

For example the impact of Katrina caused the cancellation and shortening of cruises, relocation of cruise ships that used the port of New Orleans as home port and the chartering of cruise ship vessels to the United States Government for a period of six months[20]. This disruption is likely to have repercussions in the Western Caribbean[21].

Product diversification

The cruise ship industry offers an increasing variety of cruises. The major companies tender budget, contemporary, destination and premium vacations. Niche markets augment this product range. The latter is a diverse group with specialised cruise options such as diving, adventure, and sailing. Vessels are smaller and the niche market may merge with the larger boats in the yachting sector.

In terms of number of cruise ship tourists the impact of the niche market is small. But because many niche market cruise ships use various ports in the Caribbean as homeport and use Caribbean crews, their contribution to GDP and employment is likely to be larger than their share in number of cruise ship tourists indicates.

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[20] Seatrade 5 September 2005.

[21] El Economista reported on September 6th that Katrina had already caused losses in the Yucatan. (www.economista.com.mx)

An interesting development is that of EasyCruise, a sister company of EasyJet, which will offer cruises in the Southern Caribbean. The company targets customers, who are in their thirties. The ships stay in port until midnight and offer the possibility of joining a cruise at any destination port.

The latest cruise ships offer an ever increasing range of attractions and services. Therefore, increasingly, cruises become attractions in their own rights and port of calls become ever less important, a move, incidentally stimulated by the cruise lines themselves, due to their efforts to increase on board revenues. As Wood remarks “the cruise ship is not only a form of transport but the destination itself”[22].

The latter drive may also be linked with the use of “private islands”. The cruise ship companies do use private islands and anchorages as an alternative to a Caribbean port of call. Most of these are in the Bahamas (Castaway Cay - Disney; Coco Cay - Royal Caribbean; Half Moon Cay - HAL and Great Stirrup Cay - NCL), but also in Haiti (Labadee - Royal Caribbean) and the Dominican Republic (Catalina Island - Costa).

Competition with hotels

In the Caribbean region the cruise ship lines made 34.9 million bed nights available in 2004. This constitutes about 25 to 30 per cent of the total available room capacity of the region. Arguably therefore competition with the hotels and its implications on earnings, tax and employment, should be the most important challenge that faces the Caribbean. The hotel sector states frequently that the cruise lines have an unfair advantage while the cruise lines argue that cruise ship visitors are likely to return as a hotel visitor.

The World Bank in a recent study expressed concern that the region, and especially the non-Spanish speaking countries are becoming increasingly uncompetitive because they are high cost destinations producing a very price elastic [23]product.

The high cost of providing land-based tourism services has resulted in a loss of market share and possibly may have contributed to the high growth rate of cruise ship tourism and cruise ship visitor arrivals.

Dunlop notes that many governments in the region still do not perceive tourism as an export industry and consequently the tax burden on tourism tends to be higher than on other export sectors[24]. Because increasingly the sun, sand and beach tourism is becoming more price elastic the high tax burden results in reduced tourism revenues. In contrast cruise tourism is lightly taxed. Interestingly Alaska is considering taxing the non-traditional shipping components such as gambling. It is a move that is strongly opposed by the cruise lines.

[22] Wood, 2004(a)
[23] World Bank, 2005.
[24] Dunlop, 2003.

In general cruise lines and the FCCA have been aggressively opposing user charges and tax issues. For example, a World Bank study reported that during the implementation of the OECS Solid Waste Management Project, cruise lines warned the individual OECS governments that any island that would impose waste disposal charges would lose cruise tourism because the cruise lines would merely substitute call at ports by more accommodating ports[25].

However apart from taxation and high operating costs there are other relevant factors such as consumer satisfaction and the cost and reliability of air line access. The table below, based on CLIA market research, indicates the percentage of extreme satisfaction with different holiday options between cruise ship tourists and non-cruise tourists. Of course this table needs to be interpreted with caution because it is not Caribbean specific but indicates areas that warrant further research and action by the Caribbean hotel sector.

Table 3.2 - Percentage extremely satisfied by type of tourist and by type of holiday 2004

Type of holiday	Cruise tourists	Non-cruise tourists
All inclusive resort	60	60
Cruise	56	na
Resort (own arrangements)	47	41
Resort (package)	38	36
Vacation part of business trip	36	27

Source: CLIA, 2005.

A factor that has been little studied is the impacts, if any, that the cost and inconvenience of air travel to and in the Caribbean have on the tourist decision making process. Travel within and to the Caribbean region tends to be expensive as much of the region is still being served by "full-service" airlines and low cost budget carriers have made limited impact as yet.

Lack of a regional policy

The World Travel and Tourism Council (WTTC) report (WTTC, 2004) states that regional authorities should undertake to develop and agree on a regional cruise ship tourism policy. Earlier Dunlop in his discussion of tourism negotiation issues for the ongoing General Agreement on the Trade in Services (GATS) recommended that the region should develop a regional policy towards cruise ship tourism with as objectives: "*to increase the collective bargaining power of destinations in the negotiations with cruise ships and maximise on-shore expenditures by cruise ship passengers, establish environmental standards for cruise operations, and mechanisms to increase the benefits of cruise activities to national economies*" (Dunlop, 2003)

[25] World Bank,

In the same context Dunlop also indicated that establishing the costs and benefits of cruise ship tourism is a highly divisive issue between and among the public and private sector involved in tourism.

National policies

At the national level Bermuda has developed strict control over the cruise ship industry by setting limits and charging a head tax per passenger that is substantially higher than that charged by Caribbean governments[26].

Bermuda cruise ship policies

Box 1

The 2002 policy aims to create a balance between air and cruise visitors to ensure an enriching and high quality experience for visitors. To that end Bermuda limits the number of regular callers to six vessels per week; 6500 visitors maximum per day and an annual maximum of 200,000 visitors. Bermuda also has the highest cruise ship passenger fee in the region (US$60 plus $20 for overnight in high season (May – August) and 15 pp during the off season.

In its 2001 Tourism Policy Document (Barbados, 2001) concerns are expressed that Barbados did not quite benefit from the more than doubling of cruise ship passenger arrivals for the period 1980 to 2000. The same document also expressed a concern that cruise ship tourism may have on its stay-over tourism. The generic objective for cruise tourism is to optimize the contribution of cruise tourism to the Barbados economy while ensuring that growth is sustainable. The following actions and guidelines are then proposed:

- Encourage home porting as a means of increasing the benefits from cruise tourism while reducing congestion both in the port and on island.
- Determine, monitor and evaluate the impact of cruise tourism on the natural, social and cultural environment in order to ensure the conservation of our resource base.
- Continuously assess the carrying capacity of the existing attractions and services used by the cruise visitor, and develop mechanisms for the management of these sites on a sustainable basis.
- Encourage the enhancement of existing attractions and facilities and the development of new ones.
- Establish and manage strong relationships with the cruise industry to ensure mutually beneficial outcomes.
- Develop appropriate programmes which effectively convert cruise passengers to long stay visitors.

[26] As reported by the Nation News, June 28, 2005

- Create a more congenial and beneficial environment for the complimentary existence of both cruise and stayover tourism[27].

Lack of data and previous studies

Few previous studies

Despite the growing importance of cruise ship tourism, few independent studies have been carried out in the region. Cruise ship associations have commissioned most of the available literature themselves. A favourable exception to this is a paper by Atherley[28] that highlights some of the challenges that face the Caribbean in dealing with cruise ship tourism.

Atherley grouped the challenges in three main groups. The first was controlling impacts (economic, security and environmental). The second was managing demand (Caribbean brand, competing United States ports and developing regional home ports) and the final challenge was managing supply (physical facilities, attractions and services)

Lack of data

Apart from the lack of studies, any evaluation of Caribbean cruise ship tourism suffers from a lack of data that is reminiscent of the scarcity and unreliability of data in the early 1970s with respect to land-based tourism. Up to now there are no consistent data on the basic parameters, such as the total number of cruise ship tourists in the Caribbean. Cruise ship visitor expenditures rarely, if ever, include data on crew expenditures or even the sum total of port expenditures. Once again the region has to rely on industry sources and estimates.

Estimates of the total number of cruise visitor arrivals per country are published by the (CTO)[29]. The number of cruise ship tourists visiting the region is much more difficult to access. First of all the total number of cruise ship tourists is the sum of cruise ship tourists embarking in a home port. Most of these home ports are located in the continental United States (and, in particular, Florida) and Puerto Rico. These account for the large majority of cruise tourists. In addition there are smaller home ports in the region like Guadeloupe, Barbados and Trinidad and Tobago.

In the United States MARAD provides data on cruise ship passenger movements at United States ports. MARAD also provides data on cruise destinations. The different data tables, however, vary in coverage and in totals thereby rendering a consistent time series of either departures or cruise destinations difficult. BREA, in its estimates of the economic impact, uses a different data set again. Therefore much of the data inconsistencies may be driven by vague definitions resulting in apparent inconsistencies and uncertainties.

[27] Barbados,2001.
[28] Atherley, 2003.
[29] Note, however, that such visitor arrivals are estimates of the passengers on board. Not all of these would disembark in any particular destination.

A general weakness of all data sources is the lack of a distinction of passengers by nationality, in particular in embarkation and disembarkation ports. This makes aggregation of data from different sources difficult because of a likely but unknown overlap.

In addition there may be uncertainty in the distinction between embarkation in home ports and in port of call ports. The former should be added to the total of cruise ship tourists while the latter are cruise ship visitors. Whenever a port is used as home port, port of call data problems may arise. Apart from Guadeloupe the initial efforts to distil a distinction between cruise ship tourists (e.g. those who embark on a cruise ship journey), and cruise ship visitors were not successful.

Expenditure data as already explained are difficult to obtain, even though at the country level including revenue data from the relevant port authorities would allow for a more detailed analysis. The lack of data implies that, by and large, policy decisions are taken without any substantial understanding of the costs and benefits of such decisions, or, in other words, which implications these decisions may have on the general tourism industry, the economy or on government finances.

As a recent WTTC report indicates; "there is widespread concern within the Caribbean community that there has been a lack of balance until now between cruise ship tourism development and that of land-based tourism. Moreover, the economic contribution of cruise ship tourism to the Caribbean economies is arguably negligible".[30] Without a markedly improved research and data collection interest and capacity in the region, the WTTC statement is likely to stand.

The lack of easily accessible data also results in frequent errors in interpretation of the total number of cruise ship tourists visiting the region. All too often the number of cruise ship arrivals are added to estimate the total number of cruise passenger visits. This is a mistake since many cruise ship passengers visit more than one island and adding the number of cruise ship visitor arrivals invariably includes double counting. When inflated numbers are used to drive policy they are apt to cause erroneous decisions.

Revising the VEMS

The purpose of a VEMS is not only to get a basic data set of tourists and cruise ship visitors for statistical purposes, but to give the basic insights that inform policy-making and the design of marketing programmes. It is not clear if the existing VEMS programmes are used extensively for these purposes. While the VEMS are good in establishing the basic demographic profiles of tourists and cruise ship visitors, the questions that could drive policy (and marketing) are either non existent, open ended or subject to "good feeling bias".

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[30] WTTC, 2004

At the moment there is concern about the competitiveness of non-Hispanic Caribbean tourism and region-wide, concern about the competition of the cruise ship industry. These are crucial issues for a region that depends so much on tourism for generating foreign exchange and employment.

Crime

Crime issues include crimes occurring on board and against cruise passengers on land as well as anti-terrorism measures.

Anti-terrorism measures

Tourism facilities in various parts of the world have been subjected to acts of terrorism. (e.g. Bali, Tunisia, Egypt, Kenya). While there have been no recorded incidents of terrorism in the Caribbean affecting travel and tourism since the bombing of an Air Cubana flight in 1976, the Caribbean region is vulnerable particularly because the area is so dependent on tourism. The Achillo Laura, a cruise ship, was hijacked in the Mediterranean in 1985 and pirates, off the coast of Somalia, attempted to board the Sherbourn Spirit in November 2005.

In July 2004 the International Ship and Port Facility Security Code (ISPS) came into effect. At that date most if not all cruise ship ports were in compliance with the Code. The objectives of this code are: "to detect/ assess security threats and to take preventive measures against security incidents affecting ships or port facilities used in international trade". Each ship, each port facility and each shipping line has to designate appropriate officers/personnel to prepare and put into effect security plans that will be approved for each ship and port facility[31].

[31] IMO, 2003.

4. CONCLUSIONS AND RECOMMENDATIONS

Policy

With the rapid growth of cruise ship tourism and the concerns about the competitiveness of the region's land-based tourism there is an urgent need for a regional cruise ship policy to be established.

Concentration

The region needs to strengthen its bargaining position with the cruise lines and the F-CCA; an effective association of the region's cruise port authorities should be established with urgency.

Tourism competitiveness

The region should carry out an in-depth study of the strengths and weaknesses of its tourism product with an emphasis on improving the operating environment of the region's hotel and yachting sectors.

Research and data collection

The Caribbean region should initiate a programme of applied research on cruise ship tourism to assist in policy formation. One of the first priorities would be to enhance the existing data collection efforts.

CTO in its annual Tourism Statistical Report should pay more attention to the cruise ship industry and should include such tables as, for example, total cruise ship tourists visiting the region (by home port), cruise visitor and crew expenditures, port fees, port investments.

The VEMS should be revised to take into account more of the driving factors such as congestion.

Cruise ship port should carry out economic impact studies that take due recognition of the impact of cruise ship tourism on the hotel and yachting sectors.

Employment

In a region that remains characterised by un- and underemployment more efforts should be undertaken to increase employment on cruise ships.

Competition with land-based tourism

The Caribbean and in particular the Caribbean Hotel Association (CHA) and CTO need to take a more pro-active stance towards the cruise ship industry.

Congestion

Little is known about the impact that overcrowding has on the perceptions of tourists and residents. Governments and/or national tourism and hotel associations should begin to monitor congestion on a regular basis, and undertake appropriate actions, including possibly limiting the maximum number of cruise ship visitors that are allowed to visit a port at any point in time.

A first step in monitoring overcrowding would be to include an appropriate phrased question (or questions) in the VEMS.

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