

THE IMPACT OF THE CRUISING INDUSTRY ON LOCAL DESTINATION

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The cruise industry is the most exciting and fastest growing segment of the travel industry throughout the world today. Over the past 10 years, the industry has responded to extensive market and consumer research that has guided the addition of new destinations, new ship design concepts, new on-board/on-shore activities, new themes and new cruise lengths to reflect the changing vacation patterns of today's market.

This phenomenal growth has fuelled the continuing evolution of the cruise industry product. Cruise companies have expanded itineraries to include more exotic ports of call.

This extension has been challenged by the negative impact on destination, which will be underlined in this paper.

Keywords: cruising industry, negative impact, destination/port of call

The cruising industry

According to 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.

A visitor is defined as an alternative expression, is stay over arrivals or visitors and 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.

This distinction 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.

Ships have plied the waters of the world for centuries but the concept of cruising, as a tourist activity, started in the 1880s.

The specialists have defined cruising as "a multi-centre holiday where you take your hotel with you from centre to centre". Cruising made a "fairly early entry into the shipping industry after the advent of steam because the ability to run scheduled services that did not rely on the wind was greatly enhanced".

The first ocean 'pleasure' cruise occurred in 1881 when the Oceanic Yachting Company bought P & O's (Peninsular and Oriental Steam Navigation Company) S.S. Ceylon and refitted her as a full-time cruise ship for the European market. The industry continued to grow and by the early 1900s the White Star Line, P&O and the Hamburg Amerika Line were offering regular cruises. The growth was gradual. Major setbacks in activity were encountered during the period of the First and Second World Wars and the interwar alcohol prohibition laws.

The cessation of liquor service onboard the luxury ships and the war impact has determined a drop in tourist attendance. Well after World War II, the North American cruise market began to expand rapidly while the European market continued at a steady pace. The following decades after 1960s attended an impressive growth in the cruise line industry with increased diversification in itineraries and the types of cruises offered.

After 1981, the number of ships increased somewhat over the earlier period, but the tonnage increased dramatically. This shows the onset of a few very large cruise ships.

While the cruise industry has grown in size (both in terms of the ships and number of passengers served), it has also experienced considerable consolidation. This began in the early 1990s and continues today. Brand names that

were previously independent have been bought by larger operators, and many smaller operators have gone out of business.

The size of ships built exclusively for the cruise market began to grow in the 1980s. For example in 1985, Carnival Cruise Line introduced *Holiday*, the first of three super liners, or mega structure. At 46,000 tons, it was the largest ship ever built for vacation cruises. It accommodates 1500 passengers. Three years later, Royal Caribbean Cruise Line introduced *Sovereign of the Seas*, a ship weighing in at 73,000 tons and accommodating as many as 2850 passengers, and so on.

Cruising has increased in popularity around the world. The industry is booming in Asia, Australia and Europe. The U.K., Germany and Italy are experiencing considerable growth in the popularity of cruising. The European market is somewhat split between those who cruise in Europe on European carriers and those who cruise the Caribbean and other parts of the world on carriers that dominate the North American market. The expectations of European passengers are often different from those of North Americans, and the ships that serve a primarily European clientele are distinctly different in décor and style. The same is true of ships designed for Asian passengers. Norwegian Cruise Line's "Freestyle

Cruising," with nine or ten restaurants on a ship, while new to North America when it was introduced, had been the norm on Star Cruises' ships serving Asian ports.

The impact of cruising industry

Any type of tourism activity accompanies the potential for impact in a destination.

All tourism has a wide variety of economic, environmental and social impacts that may be positive or negative. Especially, the impacts of cruise tourism, "may encourage an appreciation of the environment, and generate support and funds for environmental protection, but can also degrade the marine and adjacent terrestrial environment".

Not only can *the environment* and wildlife be affected, but concern for the effects of tourism on vulnerable *communities* has also been expressed as, "tourism has tremendous potential to aid economic development in northern communities; it also has potential to disrupt communities".

The introduction of cruise ships into environmentally sensitive areas of the Eastern Canadian Arctic raises many concerns. Consequently, The World Wide Fund for Nature (WWF) introduced a set of principles with the hopes that such principles, when implemented, could help in the protection of the Arctic and its environment from negative effects caused by tourism.

The Canadian Wildlife Service also identified several conservation concerns such as: "noises from Zodiacs, landings and people walking near cliffs, intentional disturbances which may be gun shots, horns and banging boats". The authorities indicates that the guidelines created for tour operators and visitors involved in bird and marine wildlife watching are intended to prevent the following from occurring: displacement from important feeding areas, disruption from feeding, disruption of reproductive and other social behaviors, changes to regular migratory pathways to avoid human interaction zones, injury, increased mortality or decreased productivity leading to population decline.

The waste of the cruising industry is a major component of pollution. The specialists identified seven types of waste: *black water, gray water, garbage and solid waste, hazardous waste, oily bilge, ballast water and diesel exhaust emission*.

Another important issue is represented by the economic realities and dilemmas around *shore excursions*. However what has not been addressed is the social impact on local merchants and tour operators who earn less than expected, and who earn considerably less than the cruise line, for the products they provide. The competition that leads to undercutting prices could have a detrimental impact on the local business community.

A second issue concerns the *costs* associated with the use of *local services* by cruise ships and their passengers. These include the improper usage of infrastructure – sewage and water systems, road sand paths – as well as the opportunity costs associated with the need for increased police, sanitation, and other government workers associated with a cruise ship visit. Until one knows these costs it is difficult to make a statement about opportunities lost.

The largest social issue in many places is what may be termed *people pollution*. This number of passengers raises concerns about the impact on local communities of large, short term transient populations. It also points to the need to be proactive regarding social issues as well environmental and economic issues.

The economics of shore excursion Shore excursions provide profit through the mark-up added by the cruise line to the price charged by a local tour provider. On the other hand, the relationship between the cruise industry and the local ports is related to shore excursions and onshore shops.

Each of these is a source of income for a cruise. Dissatisfied passengers are more likely to blame the tour operator or the port than the cruise line from which the tour is purchased.

Onshore shops are another source of income for the cruise line. Most cruise lines have shopping programs which include a map of the port that has marked "approved stores." These stores pay a fee (sometimes a flat fee; other times a percentage to be included on the list). In most cases, the shopping program is arranged by a concessionaire that is responsible for shore excursions and lectures about the port program and the shopping program is that only a portion of money spent by passengers remains onshore.

The Caribbean experience of cruising

The Caribbean encompasses the islands and the eastern coasts of Mexico and Central America and the northern part of South America up to French Guyana.

The United States Department of Transportation Maritime Administration (MARAD) distinguishes the following sub categories in the Caribbean: 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.

The Caribbean represents the main market of the cruising industry. As a major destination, the Caribbean cruising has been activating since early 1980, and has identified itself with the cruising industry over the years.

The main challenges encountered by activating the cruising industry in the Caribbean can be compressed as it follows:

The concentration of the cruising industry

The trade association, 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.

In contrast, neither Caribbean governments nor Caribbean port authorities have established a regional cruise port association. As a result, 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. But the negotiating position is further weakened when cruise ship companies own private islands or when they own and operate cruise ship ports.

The increase in ships 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. 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.

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.

Earnings and employment

The two major objectives of engaging in tourism are maximizing tourism revenues and employment. At times though governments and tourism authorities seem to focus on maximizing 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.

But in several countries of the region, tourist authorities measure cruise ship visitor expenditures, but exclude crew expenditures, vessels related charges and support charges.

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 defense, 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 crucial statement 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.

Environment challenges

The discharge of oil, discharge of hazardous waste and others represent a continuous threat on ecosystem and local communities, as presented above.

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.

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. 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.

Diversification of the product offered

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 specialized 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.

Other interesting development is that of Easy Cruise, a sister company of Easy Jet, which will offer cruises in the Southern Caribbean. The company addresses 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.

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

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 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.

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.

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 nontraditional shipping components such as gambling. It is a move that is strongly opposed by the cruise lines.

As a response to the general negative impact on Caribbean, the cruise industry should take into consideration the followings: *to 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 the 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 programmers which effectively convert cruise passengers to long stay visitors.*

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