Lessons Learned from 50 Years of Cruise Tourism in the Caribbean

PRESENTED BY:
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GLOBAL CONFERENCE ON JOBS & INCLUSIVE GROWTH: PARTNERSHIPS FOR SUSTAINABLE TOURISM ~ MONTEGO BAY, JAMAICA
What is CREST?

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Provide analysis & tools to assist: Industry, governments, NGOs, & international development agencies

Focus in coastal & marine tourism, climate change, & the Caribbean
Cruise Tourism: Lessons Learned from Other Destinations

Carnival’s Adonia arrives in Havana, May 2016
# Cruise Tourism: Lessons Learned from Other Destinations

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Overview of Cruise Tourism

Modern cruise industry in Caribbean began in Florida in 1960s; Cuba excluded.

Fastest growing sector of leisure tourism industry.

35.5% of cruise tourism takes place in Caribbean, leading region in world.

Capacity to adjust prices & itineraries to meet political, environmental, & economic conditions.

Cruise ships run at ~ 100% capacity.
Growth of Cruise Tourism

3 major lines: most consolidated industry sector.

Ship size & numbers, passengers, ports, & profits all rising.

Mega-ships: ‘floating cities.’ Average: 3500 passengers & crew; largest ~ 10,000.

Passengers: increased 40-fold since 1970.

Most lucrative sector of tourism industry: estimated revenues of ~$40 billion in 2016.

Profits: projected to double between 2008-2018.
Profile of Caribbean Cruise Passengers

> 90% from United States.

Race: 75% White, 7% African-American, 14% Latinos, 7% Asian-American.

Average age = 49. Average income = $114,000.

Consider cruise tourism = best type of vacation.

Loyal to cruising. Don’t return as ‘stayover’ vacationers.
Cruise Tourism: Economic Model & Impacts
“Flags of Convenience”

Centerpiece of economic success.


BUT: Registered in foreign countries which keeps down labor costs & avoid taxes & environmental & safety regulations.

- Liberia, Panama, the Bahamas, Bermuda
- Only requirement: pay handsome registration fee; Pay no U.S. federal tax

Crew work long shifts for wages far less than in US or EU.

- Most crew from poor countries: Philippines, India, Eastern Europe
- Only about 10% of crew in Caribbean is from Caribbean
- Base pay for waiters $50/month; subsidized by passengers’ tips
Onshore Spending: Tours, Shopping, Commissions

Cruises in Caribbean = increasingly “destinations in themselves” with ports-of-call “merely added attractions.” (UNWTO).

Ports may invest US$ tens of millions in cruise facilities and infrastructure; may take many years to recover.

Cruise model: control as much as possible onshore spending.

• Often control land & infrastructure, from Tourism Villages with duty free shopping, to busses to private islands.
  • Dominated by large companies.

74% of passengers purchase onshore tours on board ship.

• Cruise lines commissions/mark-ups: up to 100%
  • “Preferred” onshore shops also pay commissions
## Comparative Value: Ports-of-Call, Home Ports, & Private Islands

### Ports-of-call & “Day trippers”
- Ships dock for less than a day
- Country benefits from cruise & passenger spending; taxes & fees; cruise line purchases of goods & services

### Home Ports
- Generate more revenue for port
- Passengers may spend time before & after cruise
- Cruise lines may buy supplies
- Hotels, airlines, restaurants benefit
- Not many home ports in Caribbean: DR, Puerto Rico, Jamaica, Costa Rica, Cuba
- Mostly smaller European cruise lines

### Private Islands & Enclaves
- Leased & controlled by cruise line
- Generates very little for host country.
- Increasingly popular model for big cruise lines:
  - ~ 12 in the Caribbean
## Economic Competition

<table>
<thead>
<tr>
<th>There’s “a significant rivalry between cruise ships and their shoreside destinations.” (UNWTO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Island states also compete with each other to attract cruise tourism. Often, cruise lines play islands off against each other.</td>
</tr>
<tr>
<td>Can lead to “race to the bottom.”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Head (passenger) Taxes: ranges from $1.00 (Dominican Republic) to $60.00 (Bermuda); Average = $8.92.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onshore passenger spending: ranges from $43 (Trinidad) to $191 (St. Maarten). Average = $104/passenger. Most spent on excursions &amp; duty free watches and jewelry. (2015/BREA)</td>
</tr>
<tr>
<td>Cruise line commissions on shore excursions and “preferred” shops: range up to 100%. From excursions alone, estimated to have earned $273 million (2015). Details closely held secret.</td>
</tr>
</tbody>
</table>
Stay Over vs. Cruise Tourism

Caribbean, 2015:
Total onshore spending = $30 billion
Cruise passengers = $2.4 billion
Stayover tourists = $27.6 billion or 11.5 times > cruise passengers

--- CTO Statistics, 2016

Stay over visitors to Central America (Costa Rica, Honduras, and Belize) spend between 6 and 18 times more than cruise passengers.

-- Center for Responsible Travel (CREST)

Stay over tourism is far more beneficial to the local economy than cruise tourism.
## Cruise vs. Stay Over Tourism: Jamaica

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrivals</th>
<th>Expenditure</th>
<th>Daily Spending/Visitor</th>
<th>Average Length Stay</th>
<th>Total Spending per Visit per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stayover</td>
<td>2,008,409</td>
<td>$2,011 million</td>
<td>$117</td>
<td>8.7 nights</td>
</tr>
<tr>
<td></td>
<td>Cruise</td>
<td>1,265,268</td>
<td>$102 million</td>
<td>$76</td>
<td>1 day</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stayover</td>
<td>2,080,181</td>
<td>$2,130 million</td>
<td>$122</td>
<td>8.7 nights</td>
</tr>
<tr>
<td></td>
<td>Cruise</td>
<td>1,423,797</td>
<td>$118 million</td>
<td>$82</td>
<td>1 day</td>
</tr>
</tbody>
</table>

Source: Jamaica Tourist Board, 2014 & 2015
### Cruise vs. Stay Over Tourism: Grenada

**VISITOR EXPENDITURE (US$): 2015**

<table>
<thead>
<tr>
<th></th>
<th>Arrivals</th>
<th>Total Expenditure</th>
<th>Total Spending/Visitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stayover</td>
<td>140,735</td>
<td>$134 million</td>
<td>$950</td>
</tr>
<tr>
<td>Cruise</td>
<td>280,518</td>
<td>$11 million</td>
<td>$39</td>
</tr>
<tr>
<td>Yachters</td>
<td>22,115</td>
<td>$48 million*</td>
<td>$2182</td>
</tr>
</tbody>
</table>

Source: Grenada Tourism Authority, 2016

*2012 statistics from *Marine & Yachting Sector in Grenada*, 2013
Lessons Learned
Bermuda: A (Partial) Success Story

Negotiated single destination status for Bermuda

- Most ships spend 3-4 days of 7 day itinerary in Bermuda. Dock at 3 ports.
- Head tax of $60/passenger. Regional average = $8.92.
- No cruise ships on weekends.

Goal: protect image as ‘high value’ destination

- Preserve local way of life.
- Limit & control number of ships & passengers.
- Increase economic benefits to island.
- Reduce competition with hotels.

Economic Benefits

- Passengers = tourists, not ‘day trippers’.
- Spend more time & money on shore.
- Spreads money around island & leaves more behind.

Yet gap between cruise and air visitors still wide

- 2016: Cruise passenger spent $112 & stayover tourist spent $1289 per visit. Difference is nearly 12:1.
Lessons for Caribbean States

Land-based stayover tourism far more valuable than cruise tourism.

Increase economic benefits through home ports, multiple stops, higher taxes, cutting commissions, promoting local artisans ~ not duty-free imports.

Don’t invest government funds in cruise industry infrastructure.

Collective bargaining: Cuba & other Caribbean states should negotiate together with cruise lines.

Governments should make cruise tourism only a small part of tourism sector. This is even more imperative in the era of climate change.
Thank you!

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