Workshop Report

GREEN CRUISE PORT
Sustainable Development of Cruise Port Locations

Workshop - “Measurement of regional economic effects caused by cruise tourism”

26-27. June 2017 Gdansk, Poland
The GCP workshop was organized by Project Partner Maritime Institute in Gdansk on 26-27 June 2017 at Maritime Culture Centre of National Maritime Museum in Gdansk. The meeting focused on results and major issues related to MIG’s concept study study 4.1.2a “Measurement of regional economic effects caused by cruise tourism”.

The event gathered representatives of several Project Partners, ports and their stakeholders, regional city offices, tourism organizations and international/local press. The two-day event has been divided into thematic sessions. Day 1 was dedicated to the contents of the Green Cruise Port concept study 4.1.2a “Measurement of regional economic effects caused by cruise tourism” and collecting stakeholders/ports perspectives on the subject of the study. The study 4.1.2a developed by Maritime Institute in Gdansk focuses on few key elements: Baltic cruise traffic overview, the detailed overview of cruise sector economic impact and regional economic effects of cruise tourism. Created model of measurement of cruise tourism economic effects and required standards will be further implemented by the other Green Cruise Port Partner: Port of Rostock.

Day 2 continued with presentations on ports perspectives, together with round table discussion on the subject.
Day 1:

Opening session

At the opening session, Green Cruise Port Leader, Ingo Fehrs representing Hamburg Port Authority presented the main idea behind GCP project.

Urszula Kowalczyk of Maritime Institute in Gdansk explained the reason behind the event: the workshop is focused not only about showcasing the study contents and related presentations, but it is also the perfect occasion to discuss potential additions and adjustments and exchange experiences and best practices between partnership ports and stakeholders of the region.

Mrs Kowalczyk showcased draft contents of the concept study’s 4.1.2a “Common Standards in the Measurement of economic effects caused by cruise tourism”.

Mrs Kowalczyk highlighted the major tendencies in the cruise sector – growing popularity of cruise tourism, demand in shipbuilding industry, issues of safety, security and port facilities.

Major BSR highlights from Mrs Urszula Kowalczyk’s presentation based on the MIG’s concept study:

- Number of passengers increased from 1.1 mill. in 2000 to 4.3 in 2016: av. 9.9% per year, and by 1.2% in 2016 compared 2015, in 2017 expected increase by 13% compared to 2016;
- Number of calls increased from 1.453 in 2000 to 2,163 in 2016: av. 2.7% per year, an increase of 15.2% in number of calls expected in 2017;
- Every €1 million in cruise related spending generated 17.5 jobs throughout the Baltic Sea Region, on average each of these jobs paid €25,500 in employee compensation;
- Every 100 direct jobs generated by passenger and crew spending resulted in another 95 jobs elsewhere in the Baltic Sea Region;
- Considering the recent boom of the cruise industry activity it is difficult to find data to analyse the economics of cruise tourism. Most works today has been based on observational data (scarce and not homogenous). Data collected by cruise lines provide estimates of cruise-related expenditure but many required data are not available;
• Shared methodologies and common indicators are important to facilitate exchange and understanding, benchmarking may be more important than establishing to many indicators (it rises cost). The indicators should be integrated for destinations, not just tourism;
• The cruise industry measures should be clearly defined considering: economic factors, socio-cultural factors, environmental factors, governance, external changes or threats.

Presented elements created perfect background for the two following Sessions. It was also stated that all further comments from GCP Partners and other stakeholders, together with necessary adjustments are welcomed by MIG in order to finalize the task. The draft of the Study will be distributed for final remarks.

Session 1 – Cruise stakeholders perspective

At the beginning of Session 1, Julian Skelnik representing both Baltic Port Organization (BPO) and Port of Gdansk presented BPO’s perspective of cruise industry development focusing on cruise traffic in Baltic and Polish ports and green aspects policy (LNG, PRF Cooperation Platform at HELCOM, Onshore Power Supply). The cruise economic impact in recent years was discussed including number of cruise calls served by both Port of Gdansk and Port of Gdynia in comparison to other ports of the Baltic Sea Region.

Mr Skelnik highlighted important role of Baltic Port Organization in developing green policy, especially in terms of:
• LNG bunkering network in the BSR seaports as one of important elements of Baltic Motorways of the Sea Programme;
• Port Reception Facilities investment plans;
• On-Shore Power Supply resulting in less noise and emission and improved working environment on board.

Moreover, Mr Skelnik informed participants about upcoming Baltic Ports Conference (7-9 September 2017 in Trelleborg).

Julian Skelnik, BPO/Port of Gdansk
Joanna Kizielewicz of Maritime Academy in Gdynia presented very detailed and informative overview of BSR cruise industry including theoretical approach to the subject, types of tourists, models of expenditures and consumption level plus calculations and revenues generated in Coastal Tourist Destinations (CTD).

Data shown during Mrs Kizielewicz’s presentation resulted from her extensive analysis and interviews with cruise stakeholders and passengers.

The major conclusions from this presentation are:

- The BSR with the unique natural values and cultural heritage in the CTD has got great potential for cruise tourism development;
- The competitive fight about ship owners’ attention between the sea ports in BSR contributes to the improvement of the standard of port infrastructure and the quality of the services offered;
- The geographical location of CTD relative to seaports and the uniqueness of natural and cultural values are the most important factors for cruise ship owners, which determined choosing the port of call;
- The cruise ship owners also pointed out the safety aspects of cruise ship passengers and crew;
- Climate conditions in CTD constitute no limitations for cruise ship tourism;
- Taking into account the fact that consumers play different roles in CTD, the strength of their economic impact on supplying entities on the tourist market is also different;
- The volume of income generated from consumer spending in CTD depends on the function of the reception area on the cruise ship tourism market.

Ryszard Toczek, representative of both Gdynia City Hall and BSR Programme TENTacle (“Capitalising on TEN-T core network corridors for prosperity, growth and cohesion”) Flagship Project stressed the importance of collaboration between projects.
Both Green Cruise Port and TENTacle work to strengthen greener transport potential by exploring growth solutions and new transport demands. Green cruise industry is important element of project as integral part TEN-T network to be fully developed until 2030. Mr Toczek expressed TENTacle willingness to co-operate with Green Cruise Port project in terms of joint actions and meetings. He also presented the official, dedicated TENTacle press release.

Jerzy Czuczman from The Association of Polish Maritime Industries Forum discussed costs of cruisers’ construction (with interesting comparison to the automotive industry) and current BSR order book. Cruise market benefits for shipbuilding industry have been presented, with highlighting following tendencies:

- Decrease of offshore orders in 2016;
- Improving situation of European shipbuilding industry, also in terms of cruisers’ construction;
- Focus on Polish aspects: it was stressed that Poland does not have its share in cruise shipbuilding industry, though it already has full technical potential.
Jan Lewko of Port of Gdynia shown the cruise tourism strategy in Port of Gdynia including number of calls and technical details regarding available quays. Mr Lewko presented some major highlights from Port of Gdynia cruise activities:

- There were 50 cruise calls in Port of Gdynia in 2016, Gdynia handled 81833 cruise passengers comparing to 71923 in 2015;
- Gdynia is a port suitable to handle the largest cruise vessels (no turnarounds), especially taking into the account investments into Francuskie and Pomorskie quays.

However, it was stressed that Gdansk area is considered by tourists and cruise operators as just one destination, though cruisers are served in both Gdansk and Gdynia ports.

At the end of Day 1, Sirle Arro, representative of Port of Tallinn informed participants on economic impact of cruise tourism in Port of Tallinn.

Mrs Arro presented profile of Port of Tallinn and its cruise handling capacities. City of Tallinn is attractive tourist destination and cruise industry brings 6% of total Port’s income mostly from port fees, airport fees, navigation and pilotage fees, agency fees, ship supply, shore excursions, passenger and crew spending etc. Results of economic survey ordered by Cruise Baltic and Port of Tallinn in 2015 (937 passengers and 239 crew responses) and in 2012 were also showcased.

Some major highlights of the study:

- 97% of the survey respondents reported that they went ashore in Tallinn.
- The typical passenger spent an average of 5.0 hours ashore.
- The average length of a purchased onshore tour was 4.0 hours.
- About 54% of the cruise passengers that went ashore purchased a shore excursion.
• Passengers visiting Tallinn who purchased a tour spent an average of €93 per party or €44.90 per passenger for their tour.
• Passengers reported spending another €34.90 per passenger while ashore for other goods.
• 56% of the crew respondents reported going ashore during the current cruise call in Tallinn.
• The typical crew member spent an average of 2.3 hours ashore.

Another survey ordered by City of Tallinn and conducted by TNS Emor in 2014 was also described, with average total spending per person during one day on the level of 71 EUR and direct impact of 25,56 million EUR.

Mrs Arro concluded that Port of Tallinn has reliable data about port dues, passenger and cruise spending, though there is a lack of information about cruise line spending and orders.

Day 2:

Day 2 continued ports perspective presentation and was finalized with extensive round table discussion.

Mr Ingo Fehrs (Hamburg Port Authority) presented Port of Hamburg approach on measuring of economic impact. Cruise shipping is growing fast in Hamburg; with following number of port calls and passengers:

• 2013: 177 / 552.000
• 2014: 189 / 588.690
• 2015: 161 / 525.000
• 2016: 160 / 722.000

Number of direct and indirect employees and Gross Value Added in cruise industry are also rising.

Port of Hamburg uses several methods to assess economic impact of cruise tourism:

1. Using water police statistic arrival/debark/transit/embark/depart for passenger structure
2. Calculation of passenger and crew spending in restaurants, retail, leisure, other services
3. Calculation of direct port related jobs and input and investments by questionnaire
4. Plausibility check by statistics of Statistic Authority
5. Calculation of indirect port related jobs in sector input and investments by using Input Output-Charts for shipping
6. Calculation of jobs induced by spending of income from jobs of #3 (direct port related jobs and input)and #5
7. Calculation of Gross Value Added by multiplication of jobs with industry specific Value Added per head and Addition of #2 (passenger and crew spending)
8. Regional differentiation of results
Mr Andrey Moshkov, Head of Kaliningrad Authority Of North-West basin Branch of FSUE ROSMORPORT shown cruise and ferry tourism overview in Kaliningrad Region, together with current and planned investments in cruise infrastructure.

Major data on cruise tourism in Kaliningrad Region:
- Shipping season: 5 months.
- Designed passenger turnover: 225 000 passengers per year.
- Shipcalls: 110 vessels per year.
- Average number of passengers on board: 2060 passengers.

Despite of absence of Mr Mario Lembke of ROSTOCK PORT GmbH, his presentation of calculate economic effects was also shown, with special focus on developed model which takes into the account:
- Port industry level;
- Port oriented industry level;
- Port oriented and other authorities level.

Primary and secondary direct/indirect levels of model were also discussed. Model used following methodology:
- Development of a comprehensive questionnaire;
• Interviews with relevant stakeholders, companies and passengers;
• Interview period should cover the peak cruise season, at least a minimum time of three consecutive months;
• Interviews with cruise passengers at different locations in the cruise city, but predominantly very close to the cruise ship piers -> if approved by incoming agencies even on day tours;
• Time of interviews: after arrival and before the day trips started; during the day with passengers staying in the cruise city; after passengers return from the day trip;
• Additional data collection with questionnaires outside of the interview period to reach a critical mass of data;
• Research of available statistics at the relevant statistical offices or administrations before the data collection and/or interviews start;
• Combination of the analysis of economic effects with an analysis of customer satisfaction in order to get a comprehensive picture.

**Workshop conclusions and recommendations**

After presentations, participants discussed other methodologies of economic effects measurement which might be helpful in the MIG’s 4.1.2a concept study concentrating on issues of available data and best approaches. Environmental aspects (port waste, modern PRF) and safety and security issues were also discussed. Remaining ports e.g. Port of Bergen represented by Even Husby, Port of Esbjerg (Karin Rix Holländer) and Riga (Guna Smilga) also presented their perspectives on economic effects of cruise industry.
Concluding the workshop, Mrs Kowalczyk presented some major recommendations regarding measurement of cruise-generated economics effects shown in the **MIG’s concept study 4.1.2 a**. She pointed out the cruise tourism has a significant economic impact, both globally and at regional and local levels. **The use of proper data** is the main issue in the quantifying of the economic impact, usually the traditional methodology is broadly used in impact studies based on the quantification of three types of effects: direct impact, indirect impact and induced impact.

Average expenditure per person by port is usually computed from questionnaires and the quality of this data might be not reliable. Considering the recent boom in the cruise industry activity it is difficult to find data to analyse the economics of cruise tourism. Most current studies has been based on observational data. Data collected by cruise lines provide estimates of cruise-related expenditure, but many required data are not available, or too scarce.

Improving and further developing of common methodologies for assessment of passenger spending and economic impact is important. Economic impact and passenger spending calculations are limited to the moment of cruise visit and do not account for potential future gains. Cruise passengers who have a positive experience within a destination may decide to return to that destination by air or land in subsequent visits.

In economic impact assessment of cruise tourism **transparent and adequate standards** should be adapted including reliable calculation and cost benefit analysis. Apart from business aspects, there is need for appropriate management of noise levels, waste, water, air quality and energy efficiency. Port authorities and terminal management should evaluate the cruise ship and passenger fees to balance the total cost of port operations, services, maintenance and security appropriately.

**A clear policy framework** is important. Cruise destinations should collaborate with the region in which they are located, and with the cruise lines in order to develop a comprehensive policy and means of ensuring compliance. There are various examples of best practice and success stories. Adequate initiatives should be followed.

Cruise tourism should be considered within the **context of a destination’s long-term operation capacity**. Cruise lines may change itineraries or reduce calls to some destinations and attractions that become rundown, overcrowded, unsafe, or lose too much of their original authenticity. Also, if cruise tourism causes or exacerbates social impacts or the revenues generated from cruise tourism are not properly utilized to manage risks, it can lead to reduced arrivals and income while the problems continue.

The harbour, which is run as a business, should not only look out for its best interests, but also those of the broader community. Part of the revenue should be set aside for infrastructure, community and environment funds. In places where ships land at several destinations there may be greater national capacity to set standards. For example, international waste management protocols. Dedicated approach to different regional challenges should be considered.

Those conclusions are integral part of recommendations present in the **concept study 4.1.2a “Measurement of regional economic effects caused by cruise tourism”** which will be distributed shortly for additional Lead Partner’s and other PPs remarks.

*Conducted by Maritime Institute in Gdansk, Gdansk July 2017.*