

**Ship to shore:
The cruise industry's perception of economic risk**

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Abstract

This thesis considers a variety of economic risks which could potentially threaten New Zealand's position as a competitive and sustainable cruise destination. The risks are those articulated by stakeholders from the cruise, broader tourism (including port and shipping agent representatives) and government sectors. More specifically, these stakeholders include cruise industry representatives; cruise ship officers and staff; representatives from RTOs, local and regional councils; and port officials. In addition, the views of two New Zealand government representatives were also solicited. The views of these stakeholders are subsequently interpreted by the author of this thesis who is an avid cruise passenger and also involved in a commercial project to develop a website to promote New Zealand goods and experiences to cruise passengers visiting New Zealand.

The economic risks considered in this thesis are those which are evaluated and factored into cruise lines' decisions as to whether to send their ships and passengers to any given destination and the destination's capacity to host these ships and their passengers. These risks are presented as falling into five distinct categories or phases of a cruise sector life-cycle, i.e. (a) product development; (b) infrastructure development; (c) distribution; (d) use and consumption; and (e) disposal. Each of the risks discussed is within the destination's capacity to manage those risks if appropriate mechanisms and strategies are put into place.

The cruise sector in New Zealand presents an interesting context in which to examine economic risks and a selection of countermeasures which can be implemented to manage them, thereby providing competitive opportunities and the potential for future sustainability for the sector. New Zealand is a remote cruise destination which represents only a very small proportion of the global cruise market. However, its cruise activity continues to experience rapid growth despite the recent economic downturn. According to many of the stakeholders interviewed for this thesis, this growth remains largely unmanaged because there is no apparent structured framework for the ongoing

management and future development of “cruise” in New Zealand. Furthermore, they argue that a failure to provide an appropriately managed cruise sector means that the risks which currently face New Zealand will continue to grow and may ultimately threaten New Zealand’s goal of becoming an increasingly competitive and sustainable cruise destination.

Five mechanisms or strategies for managing the current and potential risks to the New Zealand cruise sector are suggested by the author. Each of these strategies was signalled during the author’s research and further developed by her based on her own cruise experience in New Zealand waters and drawing from her previous work as a lawyer and IT professional developing best practice and risk management strategies and systems. The five strategies are the formation of a properly funded over-arching coordinating committee; the cultivation of a discernible cruise culture; implementation of appropriate education and training; the creation of a national cruise manual; and the design, development and implementation of a New Zealand cruise brand. Each of these strategies is based on an approach to risk management which calls for a positive view of risk and how it can be transformed into opportunity for competitive success. The traditional notion of risk as something to be avoided or which can be insured against or eliminated is rejected in part because it is counter-productive to treat risk in that way and also because such treatment leads to a silo approach where risks are considered individually and not how their collective influence can impact upon the whole. The silo approach precludes adopting a strategic approach to the identification and optimisation of risk. In other words, a tactical approach to risk identification and risk management will very likely result in an underperforming and unsuccessful cruise sector. Therefore, the author concludes that a well-considered strategy needs to be adopted and appropriately funded to ensure New Zealand’s continued existence as a competitive and sustainable cruise destination.

Acknowledgements

As a child growing up in New Jersey, my late parents, Dr George and Mrs Sylvia London, would take me to the 54th Street cruise passenger terminal on the West Side of Manhattan to bid *bon voyage* to my aunt and uncle, the Hon Morris and Mrs Anne Barrison, who would sail off to Europe. Dressed in my prettiest, frilliest dress and black patent leather shoes, I simply couldn't fathom how something so big would float to the other side of the Atlantic Ocean and that it could be attached to a building to let passengers and visitors (in those days) on and off. I have a vague recollection of confetti and streamers, and of course, getting all those wonderful presents from the UK and Europe when my aunt and uncle returned. My love affair with cruise indeed started when I was about six, seven or eight. Unfortunately, though, my career and lifestyle in my twenties, thirties and the start of my forties were all about flying from one place to another so it wasn't until I was married, in New Zealand, that I became a cruise *practitioner*. I use that word purposely because in 2007, over lunch at the Staff Club at Otago University, one of my lecturers, Dr Hazel Tucker, suggested that I pursue cruise as my special area in my tourism studies. There was one very ominous *caveat*, though, and that was that "cruising would never be the same" for me again. Be that as it may, I took up Hazel's intriguing idea and have become not just a cruise addict, but in parallel, an *academic* cruise addict. I completed my Post Graduate Diploma dissertation (on my very own web-based cruise project) under the extraordinarily diligent, warm and witty supervision of Eric Shelton (who provided the same signature support for this thesis), and through his and Dr Richard Mitchell's encouragement, I will embark on my cruise-focused PhD as soon as this thesis is read and accepted.

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Abbreviations and terminology

Abbreviations

CBD	Central business district
HAL	Holland America Line
IBO	Inbound tour operator
i-Site	Visitor/information bureau
TIANZ	Tourism Industry Association New Zealand
RTO	Regional tourism organisation

Terminology

Designations

Government	refers to government representatives
Industry	refers to individuals from the corporate domain within the cruise industry
Onshore	refers to New Zealand-based port and tourism representatives.
Ship	refers to representatives of the ship's company onboard two cruise ships

Labels

The labels “stakeholder,” “representative,” and “informant” are used interchangeably except where such person is the focus or subject of an interview in which case that person is described as an “informant.”

A note about dates

The informal discussions referred to in this thesis took place from 2007 to 2009, in some cases pre-dating the author’s decision to pursue a Masters degree and in other cases, taking place during the author’s cruise holidays.

Chapter 1: **Introduction**

1.1 Thesis objectives and research question

The cruise industry worldwide is subject to a wide range of risks, threats and vulnerabilities (collectively, risks unless otherwise stated). These risks can attach to any aspect of cruising and invariably, at some time, do. Risks can affect the cruise line itself (e.g. a drop in passenger numbers due to terrorism or pandemic fears); an individual ship (e.g. a missed port call because of high winds); ports and terminals (e.g. inadequate facilities for mega liners); passengers (e.g. a missed airline connection resulting in late embarkation); and onshore providers (e.g. badly organised shore excursions). The manifestations of these risks can be as high profile as building a new terminal which is unreachable by big cruise ships¹ or more routine such as a powerful storm resulting in the cancellation of all outdoor shore excursions. The overriding risk for both the national destination and individual port destinations,² though, is that no ships will turn up because of a loss of confidence by the cruise line in the destination.

Many risks are magnified in New Zealand in large part because of its isolation from the rest of the world and its lack of a discernible cruise culture (*see* section 5.2). In addition, cruising in New Zealand continues to grow at a rapid rate, thereby leading to a concomitant growth in the risks which can occur and the inability to identify and manage them. To a large extent, management of these risks in New Zealand has depended on the reactive response of port agents, local tourism representatives and others who come into contact with cruise ships and their passengers. Their efforts are coloured by the determination of the cruise lines themselves to accrue the maximum amount of revenue, whilst at the same time seeking to achieve the highest level of customer satisfaction possible to ensure repeat patronage. However, according to the industry and tourism

¹ Brisbane's recently opened Portside cruise ship terminal at Hamilton cannot be used by larger liners which are too tall to fit under the Brisbane River's Gateway Bridge.

² The term "port destination" is used in this paper to distinguish the actual port and its facilities and surrounding area from the destination community which is associated with the port.

stakeholders interviewed by the author of this thesis, New Zealand has no industry-wide best practice strategy for dealing with the risks (real, perceived and potential) that can threaten its cruise sector. This lack of a national approach is, quite frankly scary and in the author's view, begs the development of a strategy to ensure that not only do the cruise ships continue to return to New Zealand, but that cruising to New Zealand continues to grow. Thus, according to the stakeholders interviewed by the author, any event which threatens a ship's visit to New Zealand or the enjoyment of its passengers whilst onshore can and should be considered significant and, as suggested by the author in Chapter 5 of this thesis, managed through appropriate measures. It is the author's intention in this paper to explore the economic risks associated with the cruise ship-passenger-onshore relationship in New Zealand, evaluate the potential of these risks to threaten New Zealand's position as a competitive and sustainable cruise destination and then propose an appropriate structure which not only champions the development of a cruise culture in New Zealand but more importantly, a robust cruise industry. The viability of this proposal will, however, first depend on securing a positive answer to the second part of the question of (a) whether the economic risk profile of cruising in New Zealand is so great that it is neither financially or logically advisable to invest further financial, human, social or asset capital in its cruise sector or (b) whether there is a viable way forward to sustain the growth of cruising in New Zealand. Therefore, the research question to be addressed is to determine whether and to what extent economic risk threatens the competitiveness and future sustainability of the New Zealand cruise sector. Also, it is hoped that port destination communities can transform the risks outlined in this thesis into positive action which both promotes and protects the interests of all of their stakeholders, including residents, tourism operators, other business owners and local government representatives.

1.2 Limitation of scope

As noted above, risk can attach to any actor, activity or asset in the cruise sector. However, it is the intent of this paper to limit the scope of the inquiry to the identification and management of economic risks which can impact negatively on attracting ships and passengers to New Zealand and their activities once here. It should also be noted that whilst each of the risks also affects crew either directly or indirectly, this thesis focuses on

those risks which flow from the provision of products and services to ships and passengers which ultimately impact the New Zealand economy. Thus, risks which are borne by the cruise line (corporation),³ their ships⁴ and the ports they visit⁵ in terms of their operation will not be considered except where there can be an impact on the port destination community either directly⁶ or indirectly.⁷ For example, the risks attached to the design and construction of a new passenger terminal are those with which the cruise passengers have no privity, except that both their voyage and the perception of their voyage will be affected by their use of the terminal and ultimately, the cruise lines' decision whether to call into that port. Thus, this paper will consider the economic risks associated with the location of and facilities available within a cruise terminal but not those which attach to its actual construction, financing and ownership.

1.3 Background - cruising in context

The modern concept of leisure cruising began in the Nineteenth Century by the Peninsula and Oriental Steam Navigation Company (P&O) which organised a Mediterranean cruise in 1844 (Dickinson & Vladimir 2008, pp 2-3; Douglas & Douglas 1999, p 369, in Pizam & Mansfield eds 1999). Today, cruising represents the fastest growing segment of the tourism industry (Brida & Aguirre 2008, p 1; Florida-Caribbean Cruise Association (F-CCA) 2009, unp). According to the F-CCA, 13.2 million passengers worldwide cruised in 2008, representing an increase of 640,000 passengers, or just over two percent over 2007 (2009, unp). The F-CCA (2009, unp) also reports that just over ten million of those passengers originate in North America. More than 1.6 million children traveled with their families in 2008 (F-CCA 2009, unp). Demand continues to outstrip supply with an annual

³ For example, the risks arising from the loss of a key executive or from poor financial results which threaten the delivery of a new ship.

⁴ E.g., the risk of a fire in the atrium or an outbreak of norovirus onboard.

⁵ E.g., risks arising from the delayed delivery of a container containing food or a container containing wine which has sat on a wharf in excessive temperatures causing degradation of the wine.

⁶ E.g., a prohibition against undertaking maintenance whilst in port may result in the cruise line dropping that port, with a loss of revenues for the port company and local contractors.

⁷ E.g., the noise emanating from a cruise ship may render their welcome by a port community untenable, thereby risking the possibility that that port will be dropped so as to avoid controversy and extra cost.

occupancy rate (based on the number of lower berths) of 104 percent (F-CCA 2009, unp). An average annual growth rate of approximately 7.5 percent since 1990 makes cruising the fastest-growing category in the leisure travel market (F-CCA 2009, unp). The vast majority of cruisers, i.e. 76 percent, originated in North America with 75 percent able to drive to an embarkation port. In 2008, there were approximately 300 cruise ships in the world's fleet including eight new ships, with a further fourteen "innovative, feature rich" ships scheduled to come into operation by the North American fleet in 2009 (F-CCA 2009, unp). The Caribbean dominates all cruise destinations, accounting for approximately 38 percent of all itineraries in 2008 (F-CCA 2009, unp).⁸

New Zealand has not been immune to the growth in cruising. According to Tourism New Zealand (TourismNZ):

The cruise market is a rapidly growing contributor to visitor arrivals to New Zealand. In the 2008/09 cruise ship season, more than 118,976 passengers cruised New Zealand's shores, of which almost 90 per cent were international visitors.

A third of international cruise passengers to New Zealand were from the United States. Australia is also fast becoming an important source of cruise passengers, growing 72 per cent in the 2008/2009 season and now accounting for almost one third of all international cruise passengers (TourismNZ 2009, unp).

The numbers set out above are impressive, but so is the *value* of cruising to port destinations. For example, almost US\$20 billion was injected into the US economy in 2008 through direct spending by cruise passengers and the cruise lines themselves (Cruise Line International Association (CLIA 2009, p 3) whilst it is estimated that "the Auckland regional economy benefits on average by \$1 million with every cruise ship stopover" (Kayes 2009, unp). Therefore, it can be seen that port destinations can reap enormous benefits from the arrival of cruise ships, but where mistakes occur, they can result in the cruise ships staying away and a loss of these benefits. In other words, the stakes are extremely high as evident in the following catalogue of direct economic benefits to a port destination and its region:

⁸ According to the F-CCA, 30 North American embarkation ports have been created.

Economic benefits to a region are derived from five sources: 1) spending by cruise passengers and crew; 2) the shoreside staffing by the cruise lines for their headquarters, marketing and tour operations; 3) expenditures by the cruise lines for goods and services necessary for cruise operations; 4) spending by the cruise lines for port services and 5) expenditures by cruise lines for the maintenance (Brida and Aguirre 2008, pp 1-2; *see also* Braun & Tramell 2006, p 283 in Dowling 2006; and Behnke 1999, p 11).

According to Braun and Tramell:

Spending by cruise lines and cruise passengers in the impact [sic] region represents the potential direct economic impact of the cruise industry at a port...[C]ruise activities not only directly provide income and jobs but also stimulate a ripple effect of broad economic interactions that produces additional jobs and generates additional regional income (2006, p 283, in Dowling 2006).

In addition, local governments benefit from the tax revenues generated from the activities associated with ships and ports (direct) and from sales and other related taxes generated by passenger spend (indirect) (Braun & Tramell 2006, p 283 in Dowling 2006). Therefore, the economic impact generated by the cruise sector for port destinations can be significant.

In New Zealand, tourism represents one of New Zealand's largest export earners (New Zealand Trade & Enterprise 2010, unp) with international visitors contributing \$9.3 billion to the economy in 2009, a figure equalling just over sixteen percent (16.4%) of the country's export earnings (Ministry of Tourism 2010, unp). Cruising represents a significant part of this sector, and in fact was the only source of growth in international visitor arrivals to New Zealand in 2006-2007.⁹ This growth can in part be attributed to the desire to travel to "safe destinations" as a result of 9/11 and also by the introduction of larger ships to satisfy cruise demand in Australasia and the re-positioning of ships to the Southern Hemisphere during the Northern winter (Douglas & Douglas 2004, p 253). It is in this positive, upbeat context that Brida and Aguirre (2008, p 4) critically assess the true value of cruise ships, i.e. comparing their benefits (economic) with their true, societal and environmental impact. Their concern is succinctly stated in two probing questions:

⁹ Because of the dearth of published statistics, documented support for this statement was not possible to find and instead can be attributed to Industry A (2008).

[A]re we sure that the benefits of attracting cruises to a tourism destination are higher than the costs? Is it sure that the major players in the cruise industry are taking proactive measures to ensure a sustainable future for cruise tourism while preserving cruise destinations?

These questions set the stage for the examination of economic risk undertaken in this thesis.

1.4 An international perspective

It should be noted that many of the economic risks identified by the informants within the context of the New Zealand cruise sector are no different from those faced by other cruise destinations, but because of New Zealand's remoteness (as evidenced by the fact that it takes two days to reach any other cruise destination), those risks are often exacerbated. However, the strategies, goals and aspirations harboured by other cruise destinations are for the most part equally applicable to New Zealand. Therefore, the author relies heavily on the experiences of other destinations for (a) identification of risks which are equivalent to those found in New Zealand or which may have not as yet beset New Zealand but which are likely to as New Zealand's cruise sector continues to grow; (b) lessons which can be learned as a result of the mismanagement of risks; and (c) solutions which can be implemented in New Zealand. For example, whilst almost every destination is impacted in some way by the threats of pandemic, terrorism and weaknesses in infrastructure, they are exacerbated for less developed and remote cruise destinations where the loss of any scheduled port calls can have a more profound effect and destroy the destination's cruise industry. Comparisons will also be made with destinations with weak regulatory regimes which are therefore prone to environmental and security risk and those which do not understand cruise and which are therefore likely to offer an inhospitable or disinterested port experience for cruise passengers.

1.5 Structure of this thesis

As noted in section 1.1, this thesis investigates the concept of economic risk and its observed and potential manifestations in the New Zealand cruise sector from the perspective of stakeholders in the cruise, onshore tourism and government sectors (*see* Tables 3.1, Origin of informants and Table 3.2, Position of informants). In this first

chapter, both the context and the limitations of this investigation are set out whilst Chapter 2 outlines the theoretical foundations for the author's research through a literature review. The author's research method is described in detail in Chapter 3 including nomination of critical theory as the underlying academic theory which is used to bridge the author's theoretical discussion of risk and life-cycle analysis with the informed identification and discussion of the economic risks enumerated by the stakeholders and which can be found in Chapter 4. Those methods include semi-structured interviews with cruise sector and tourism industry informants, desk research and the author's own experiences as a cruise passenger and her non-academic work developing a web platform to promote New Zealand goods and experiences to visiting cruise passengers. The discussion of the economic risks articulated by the author's informants is preceded by and based on a multi-dimensional SWOT matrix which not only documents the strengths, weaknesses, opportunities and threats identified during the author's research, but also classifies them according to their position in a five-phase life-cycle. Thus, the risks which form the discussion set out in Section 4.2 are organised in a logical progression, starting with Product Development (e.g. itinerary planning) and ending with Disposal (what cruise passengers leave behind). Five proposed mechanisms for managing (mitigating) the identified economic risks are outlined in Chapter 5 whilst Chapter 6 sets out the author's conclusions and brief comments relating to further research.

Chapter 2:

Literature review and conceptual framework

2.1 Definition of risk

The discussion in section 1.1, *above* refers to risk, articulates the fact that it attaches to the New Zealand cruise sector and begins to describe a solution for managing or mitigating it. It is concerned with economic risk (i.e. risk relating to the broader cruise sector) and not on personal risk (except to the extent that any passengers are impacted by the activities and events discussed in this thesis). However, no where in that section is there a definition of risk because “risk” is not easily described and therefore requires more detailed discussion. A review of the literature reveals that risk is a relative concept and that there is no agreement on its definition. For example, Pizam, Jeong, Reichel, van Boemmel, Lusson, Steynberg, State-Costache, Volo, Kroesbacher, Kucerova and Montmany (2004, p 251) argue that the definitions of risk found in standard dictionaries are “too broad to be useful in a systematic study of risk.” Citing *Webster’s New World dictionary* (Webster) (1960), the authors propose that the definition found in that source, i.e. that risk is “‘the chance of injury, damage or loss,’ ‘dangerous chance,’ and ‘hazard’ ” be *expanded* to “the possibility of experiencing a negative outcome” (Pizam et al 2004, p 251). However, it can also be argued that the Webster definitions are merely examples of risk and therefore too *narrow* to provide any sort of workable definition. It can also be argued that Pizam et al’s (2004) suggested definition portrays only one side of risk. Ward and Chapman (2003, p 98) recognise this prevarication, noting that any definition of risk is inherently ambiguous. They state that dictionary definitions such as the ones set out above:

illustrate one problem with the term ‘risk’—its ambiguous use as a synonym of probability or chance in relation to an event or outcome, the nature of an outcome, or its cause (Ward & Chapman 2003, p 98).

Definitions in academic literature also vary. They range from Priest and Baillie’s “loose” definition that risk is “perceived as the potential to lose something of value” (1987, in Espiner 1999, p 8) to the more considered, refined definition more commonly in use today, that underpinning risk is choice whereby:

[a] choice involves risk when the consequences associated with the decision are uncertain and some outcomes are more desirable than others (Kogan and Wallach 1964, 1967; MacCrimmon and Wehrung 1986; Pollatsek and Tversky 1970; Rapoport and Wallsten 1972) (Roehl & Fesenmaier 1992, p 16).

The difference between the two is that risk is no longer considered to be a matter of mere loss but instead involves choice (Roehl & Fesenmaier 1992, p 16). It is also the latter definition which forms the basis of risk in classical decision theory, i.e. that “risk is most commonly conceived as reflecting variation in the distribution of possible outcomes, their likelihoods, and their subjective values” (March & Shapira 1987, p 1404).

It is these etymological imperfections which make it difficult to articulate a workable, simple (i.e. non-complex) definition for this thesis. Additionally, the definition or description of risk differs as to the application or environment in which the risk is in issue. Bernier and McCarville observe that:

[s]everal types of risk are possible (Cheron & Richie, 1982). Risk may be financial, time-based, psychological, physical, social, and functional (the service fails to perform as anticipated). The risk is in losing (e.g., money, time, or satisfaction) as well as acquiring (e.g., embarrassment or physical harm) (2005, pp 43-44).

For example, risk in the financial sector involves proactively seeking out risk to maximise returns whilst risk to an ordinary person means something to be avoided. Another difference can be found in the approach taken to describe that risk (i.e. cultural theory of risk favoured in the social sciences or the psychometric paradigm adopted by psychologists – Marris, Langford & O’Riordan 1998, p 535). Whilst the differences outlined in this paragraph can potentially be viewed as interesting only in an academic sense, they are of significant practical importance because the definition or construct which is adopted will govern the expectations of those who need to manage risk and those who are impacted by it. Therefore, in an attempt to avoid issues arising out of the ambiguity outlined above, the author instead relies on a construct of components which describes the concept of risk rather than defines it. Citing Yates (1990), Espiner (1999, p 8) and Pizam et al (2004, p 251) set out three components of the risk construct: (1) loss; (2) the significance of loss; and (3) the uncertainty associated with loss. It is from this point that a discussion of risk in

the cruise sector can commence. In other words, the threats and vulnerabilities discussed in the SWOT analysis in Chapter 4 delineate a loss of some degree whilst the discussion surrounding them outlines the significance of loss and how that loss may or may not affect the over-riding risk of the loss of a competitive and sustainable cruise sector in New Zealand. Therefore, the discussion in Chapter 4 can be considered the first step in creating a risk profile for the New Zealand cruise sector.

In terms of the risk target, it should be reiterated at this point that the discussion in this paper is for the most part concerned with the risks attaching to the cruise sector as a commercial supply proposition and not specifically to passengers' own perceptions of risk. Therefore, Roehl and Fesenmaier's (1992) discussion of tourist risk does not generally apply to this thesis.

2.2 Risk standards

Notwithstanding the directive not to consider risk as solely a negative concept, it still continues to carry with it negative connotations (Hillson 2001, p 1). According to Hillson (2001, p 2), both the British¹⁰ and Norwegian¹¹ risk standards interpret risk as negative. A negative interpretation is also adopted in several tourism risk management models. For example, the Asia-Pacific Economic Cooperation (APEC) forum defines risk as "a source of *potential* harm to an operator or a destination community" in its guide, *Tourism risk management* (APEC 2006, p 2) whilst the United Nations Environment Programme (UNEP) defines risk as:

The probability of harmful consequences, or expected losses (deaths, injuries property, livelihoods, economic activity disrupted or environment damaged) resulting from interactions between natural or human-induced hazards and vulnerable conditions (UNEP 2008, p 8).

¹⁰ British Standards Institute 1996, *Risk management: Guide to risk analysis of technological systems*, BS 8444-3, IEC 60400-3-9:1995.

¹¹ Standards Norway 1991, *Requirements for risk analysis*, NS 5814.

However, the Australia/New Zealand standard, AS/NZS ISO 31000:2009¹² which is relevant to any formal risk assessment undertaken in respect of the New Zealand cruise sector specifically states that risk, which is the “effect of uncertainty on objectives,” can “be applied to any type of risk, whatever its nature, whether having positive or negative consequences” (Standards NZ 2009, p 1). The philosophy embodied in the previous statement is reflected in the objectives set out in the standard. It also provides the basis for the solutions and strategies suggested in Chapter 5 for managing the risks which face the New Zealand cruise sector. The following table lists those objectives (as set out in the earlier AS/NZS 4360:2004), accompanied by notes relevant to this thesis.

Table 2.1: AS/NZS 4360:2004 objectives

AS/NZS 4360:2004 objectives	Relevant discussion in this paper
Better identification of opportunities and threats	This objective is consistent with the view that the SWOT analysis (which identifies risks) needs to be more focused and specific (Piercy & Giles 1989, p 7; Beeho & Prentice 1997, p 78).
Gaining value from uncertainty and variability	Given the current strength of the New Zealand cruise sector (as evidenced by growing passenger numbers), there is substantial scope for the sector to continue to grow in a sustainable and competitive manner in the face of a volatile global sector, affected by geo-political and economic events and changing passenger demographics and preferences.
Pro-active rather than re-active management	Chapter 5 identifies a series of pro-active measures including the development of a cruise culture, the establishment of a national cruise organisation and the publication of a national cruise manual which would signal proactive management.
More effective allocation and use of resources	The suggested publication of a national cruise manual (Chapter 5) would establish the parameters for the allocation and use of resources.

Table continues on next page

¹² Because the latest version of this standard, i.e. AS/NZ ISO 31000:2009 was published in December 2009 and therefore too late for the author to access a copy, much of this discussion refers to the earlier version, AS/NZ 4360:2004, except where Standards NZ has kindly supplied confirmation of changes.

Improved stakeholder confidence and trust	All of the measures proposed in Chapter 5 are intended to improve stakeholder confidence and trust.
Improved compliance with relevant legislation	The publication of a national cruise manual (Chapter 5) would significantly contribute to improved compliance with relevant legislation.

Source: Based on Standards New Zealand (2005, pp 1-2).

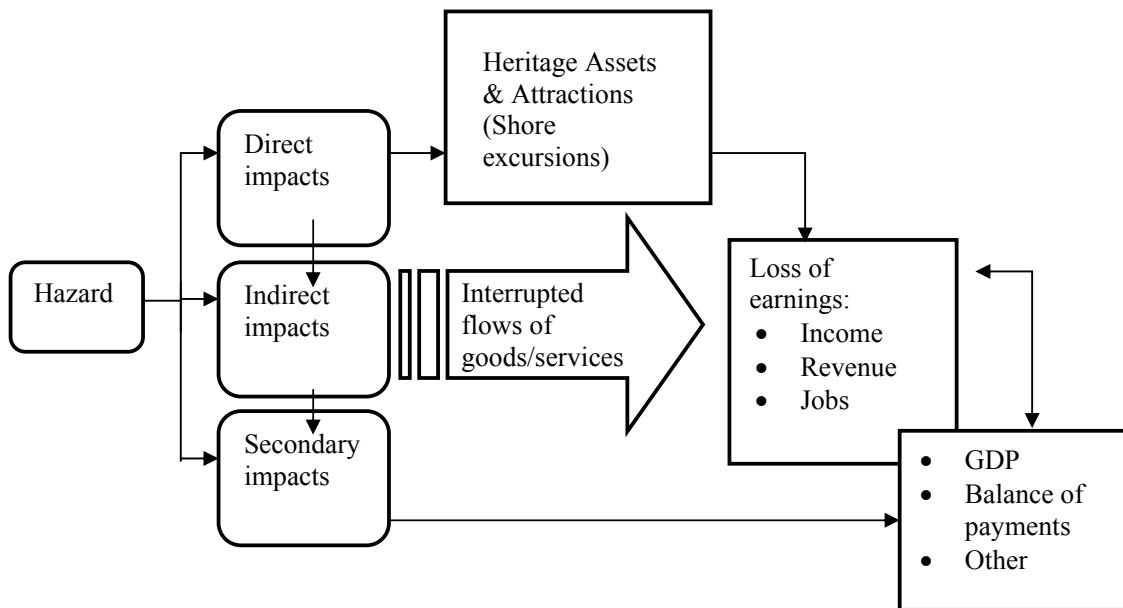
AS/NZ ISO 31000:2009 is explicitly and directly applicable to an industry or sector as well as to individual organisations:

This International Standard can be used by any public, private or community enterprise, association, group or individual. Therefore, this International Standard is not specific to any industry or sector (Standards NZ 2009, p 1).

It is also designed to “be applied throughout the life of an organization, and to a wide range of activities, including strategies and decisions, operations, processes, functions, projects, products, services and assets” (Standards NZ 2009, p 1). Thus, the standard has direct applicability to an industry sector such as the cruise sector.

However, as noted above, the New Zealand cruise sector has neither adopted nor is required to comply with a sector-wide risk model. Whilst AS/NZS ISO 31000:2009 provides a general framework for identifying and managing risk, it does not specifically align risk with its downstream economic impacts. One example of a model which does trace risk through to its ultimate economic impacts is one suggested by Jackson (nd) in relation to the impact of hazards (risk) on tourism. Jackson (nd) identifies and evaluates the ultimate economic risk impact target, i.e. a country’s Gross Domestic Product (GDP) and Balance of Payments. The following diagram, adapted from Jackson (nd, p 10) describes the flow of hazard (risk) impact through the tourism sector to the country-destination’s bottom line, its GDP:

Figure 2.1: Flow of hazard (risk) impact on tourism



Jackson's model, however, outlines only the *negative* path occupied by hazard (risk). It does not embrace any of the procedural exercises (e.g. risk identification, regulatory compliance or risk mitigation) which form the basis of AS/NZS ISO 31000:2009. Therefore, a model must be identified (or developed) and adopted by the New Zealand cruise sector which combines both the negative and positive inputs and outcomes of accepted best practice and the proven linkage between hazard (risk) and economic impact.

The construct of risk and its management is available in many different guises ranging from, e.g. pure, hazard risk models (e.g. UNEP 2008; Asia-Pacific Economic Cooperation 2006) to national and international standards which provide a template for risk identification, analysis and management (e.g. AS/NZS ISO 31000:2009) to quality strategies whose entire premise is based on the evolution of quality as the over-arching mechanism for eliminating or mitigating risk. However, as noted throughout this section, there are difficulties in finding a risk model which recognises risk as a force which, although defined by threats and vulnerabilities, can result in significant economic strengths

and opportunities if managed in a structured and appropriate way. A recently developed and adopted approach to risk management, Enterprise Risk Management (ERM) (*see* Liebenberg & Hoyt 2003, p 37), provides a model for not only assessing, controlling, exploiting, financing and monitoring risk but also for “increasing the organization’s [sic] short and long term value to its stakeholders” (Casualty Actuarial Society 2003, p 1). Although in the first instance ERM is concerned with a company’s financial bottom line and therefore financial risk (in the context of shareholder value) (*see e.g.* Liebenberg & Hoyt 2003), it is precisely ERM’s philosophy of transcending “functional silos and stovepipes” (Hardy 2010, p 7) which makes it attractive for an industry sector seeking to manage economic risks. In fact, Hardy (2010) casts her report in the context of one of the few sectors which is bigger than tourism, and that is the public, or government sector as well as its constituent agencies. Therefore, ERM presents the basis for constructing an attractive model for evaluating and managing risk across the cruise sector because inherently, it demands investigation of a wide range of risks leading to competitive success and not just insurable risks such as personal injury, financial loss, the loss of a key executive or product failure (D’Arcy 2001, p 16). In addition, Hardy (2010, p 16) identifies ISO 31000:2009 (AS/NZS ISO 31000:2009) as an appropriate framework to use in conjunction with ERM, thereby providing support for the author’s arguments found earlier in this section.

Table 2.2 outlines a broad range of risks which form the ERM risk spectrum which are suggested by a KPMG report about ERM:

Table 2.2: ERM risk spectrum

Category of risk	Representative issues
Strategic risk	Ensuring that objectives can be met through the strategies put into place Identifying, quantifying and managing the risks which potentially can arise from those strategies Quantifying the amount of risk which can be absorbed Forecasting the risks which can arise from new technologies
Operational risk	Identifying the risks which can arise from the mechanisms which have been put into place to advance the organisation's strategies Determining the organisation's capacity to absorb any such risks (and their attendant costs), i.e. cost-benefit balance
Reputation risk	Identifying the risks to brand and reputation which may be present when opportunities are pursued
Financial risk	Ascertaining whether the adopted strategies outweigh the benefits which are expected to accrue from them
Information risk	Ensuring that the information, data and knowledge available is targeted, accurate, up-to-date, reliable and supportive of the strategies to be pursued
New risk	Identifying, quantifying and managing risks which have yet to arise including e.g. economic/financial risks, crisis and disaster, political risks, etc

Source: Based on KPMG 2001, p 7.

The report also lists the concepts which were traditionally used to describe risk and maps them across to the concepts used in the ERM model, thereby demonstrating and supporting the philosophy that risk can generate positive value (through strengths and opportunities):

Table 2.3: Traditional versus ERM risk concepts

Traditional concepts	ERM concepts
Risk as individual hazards	Risk in the context of business strategy
Risk identification and assessment	Risk "portfolio" development
Focus on all risks	Focus on critical risks
Risk mitigation	Risk optimisation
Risk limits	Risk strategy
Risks with no owners	Defined risk responsibilities
Haphazard risk quantification	Monitoring and measurement
Risk is not my responsibility	Risk is everyone's responsibility

Source: KPMG 2001, p 10.

In terms of the steps (procedures) which can be used to execute an ERM strategy, D'Arcy (2001, p 20) notes that the steps applied in the modern ERM environment (Ackerman 2001, p 2) are essentially the same as those proposed by Mehr and Hedges (1963, in D'Arcy 2001, p 3):

Table 2.4: Traditional versus ERM risk management procedures

Traditional risk management procedures (Mehr & Hedges 1963)	ERM risk management procedures (Ackerman 2001)
Identifying loss exposures	Identify the question(s)
Measuring loss exposures	Identify risks
Evaluating the different methods for handling risk	Risk measurements
<ul style="list-style-type: none"> • Risk assumption • Risk transfer • Risk reduction 	Formulate strategies to limit risk
Selecting a method	Implement strategies
Monitoring results	Monitor results

Sources: D'Arcy 2001, p 20; Ackerman 2001, p 2.

Thus, the classical risk management procedures found in standards such as AS/NZS ISO 31000:2009 (Standards NZ 2009) and the IRM's risk management standard (IRM 2002) can be used to manage, or more accurately, optimise risk in the cruise sector within an ERM framework.

It is in this context that the author considers the existing and potential economic risks in the New Zealand cruise sector (Chapter 4) and in Chapter 5 proposes five key mechanisms (strategies) upon which a framework for a competitive and sustainable cruise sector in New Zealand can be built. It should be noted, however, that risks other than economic risks are not considered in this thesis because, as stated in section 1.1, the immediate concerns relate to economic risk, i.e. the investment, procedures and practices New Zealand needs to make, adopt and implement (respectively) to ensure that cruise ships and their passengers continue to come to New Zealand; that their visits are efficiently and effectively managed and meet the expectations of the ships and their passengers; and that

future growth in the sector can be sustained. Whilst both socio-cultural and environmental risks also need to be considered, they do not fall within the scope of this thesis.

2.3 Risk identification

As noted above, risk can attach to any aspect of cruising. Risks can be real or perceived, in the midst of occurring or the inevitable product of an event in progress. In all cases, though, there are several models which can be used to identify, define and classify risk including the Political, Economic, Social and Technological (Environmental Legal) (PEST(EL)) model (Kotler, Bowen & Makens 1996; Dale 2000, p 361; and Dwyer & Kim 2003, p 396); situation analysis (Pearce 1990); and the Strengths, Weaknesses, Opportunities and Threats (SWOT) model (Beeho & Prentice 1997, p 77). In this paper, the author relies on the SWOT model because it is easily understood (Beeho & Prentice 1997, p 77), does not introduce the added complexity of having to pre-classify the risks into specific environments as is required using the PEST(EL) model and is widely used.

According to Karppi (2001 pp 15-17), SWOT is a business planning or decision-support system tool which is widely used to identify and classify the internal and external factors which need to be taken into consideration in determining strategy (Kotler 1980, pp 246-249; Karppi 2001, p 16). Application of the SWOT model depends on the identification and evaluation of two internal elements, i.e. strengths and weaknesses and two external elements, i.e. opportunities and threats as shown in the following array:

Table 2.5: SWOT elements

Internal elements	Strength <i>Develop</i> A resource, asset or capacity which can be used to achieve objectives	Weakness <i>Eliminate</i> A limitation, fault or defect which will preclude the achievement of objectives
External elements	Opportunity <i>Exploit</i> A favourable circumstance which can help promote objectives	Threat <i>Mitigate (Optimise)</i> An unfavourable circumstance which is potentially damaging to the achievement of objectives

Source: Adapted from Karppi (2001, p 16) and Dealtry (1992, p 14).

Whilst the SWOT model is used extensively by businesses and other organisations, it is also used across a variety of industries and sector including the broader tourism industry (Beeho & Prentice 1997; Narayan 2000) and the cruise sector (Dale & Robinson 1999, p 337; Cruise Baltic 2007, pp 19-22; Jugovic 2007). It is considered to be easy to understand and use because it is not prescriptive but it is just these qualities that have led some commentators to criticise it as being unfocused, merely descriptive (i.e. not analytical), ambiguous and prone to being subjective (Hill & Westbrook 1997, pp 50-51; Piercy & Giles 1997). In order to overcome these criticisms, Piercy and Giles propose three strategies to overcome the non-specificity of the SWOT model:

Table 2.6: Strategies for increasing the analytical potential of a SWOT analysis

Strategy	Implementation
Matching strategies	Internal strengths must be matched to external opportunities. Otherwise, there is no value in undertaking a SWOT analysis.
Conversion strategies	Convert weaknesses and threats into strengths and opportunities, e.g. the Weakness of not having a national cruise manual can be addressed by creating one whilst appropriate measures (strategies) need to be put into place to counter competitive threats from other cruise destinations.
Creative strategies	New creative ideas which arise from the SWOT process should be acted upon where valid.

Source: Piercy and Giles (1989, p 7).

In other words, Piercy and Giles (1997, p 7) argue that the analysis can be useful if it is focused and eliminates all irrelevant material. Beeho and Prentice (1997, p 78) agree, arguing that a more focused approach needs to be applied to tourism.

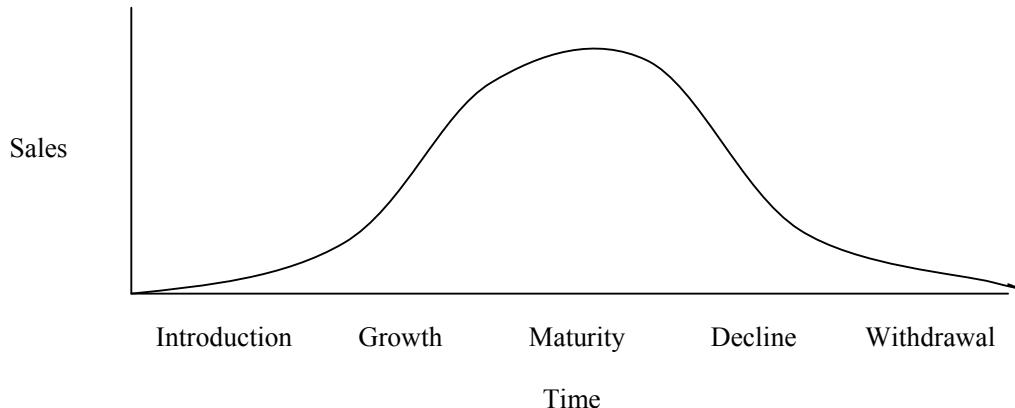
2.4 Risk management

Once risk is identified, it must be managed. Management incorporates a wide range of non-exclusive activities including the transfer of risk (by operational or legal methods); the adoption of appropriate countermeasures to prevent the risk from developing or to lessen its impact; the conversion of risk into opportunity (where possible); training and continuous improvement in order to avoid and/or optimise future risk; and the development of a best practice framework to include all that is known about the identified risks and their management. In this thesis, a national approach to risk and risk management is considered. Whilst much of the discussion centres on individual ports and their activities, such discussion is necessary to evolve a national risk management strategy. As will be borne out in this thesis, the adoption of a national approach must be considered a priority because of the need for consistency and transparency of policy and procedure across New Zealand's cruise sector.

2.5 Life-cycle analysis

In order to provide a framework for examining the strengths, weaknesses, opportunities and threats in the SWOT analysis in section 4, each is allocated to the stage within a life-cycle where their impact is most likely to be felt (*see* the introductory paragraph to section 4.1). Tourism life-cycle analysis is a concept which is not dissimilar to commercial product life-cycle analysis, a model which is often described as a bell-shaped curve representing a product's likely sales pattern over time (Rink & Swan 1979, p 238; Tellis & Crawford 1981, p 125):

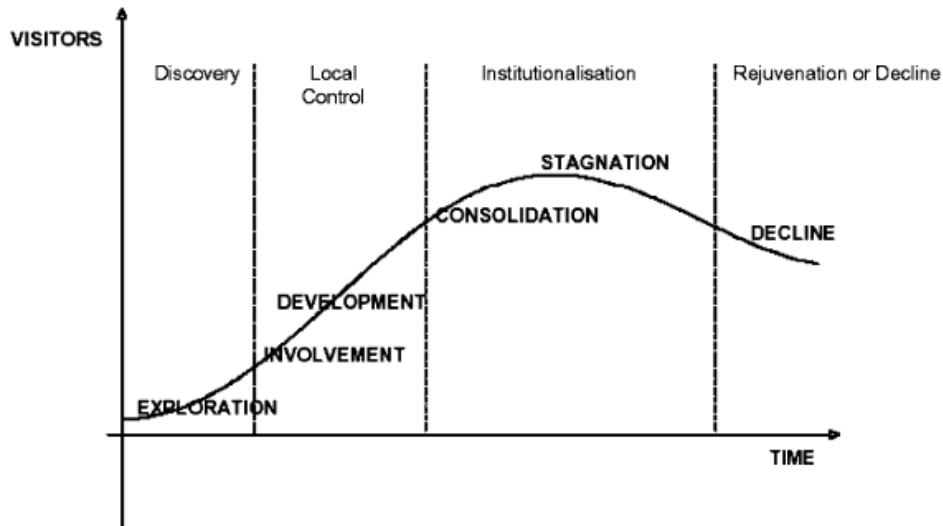
Figure 2.2: Product life-cycle curve



Source: Rink and Swan (1979, p 238).

Butler's (1980) Tourist Area Life Cycle (TALC) analysis is recognised as one of the most recognised representations of the tourism life-cycle concept. It measures the number of visitors through a tourism property over time (phases), thereby producing a curve whose graphical representation most closely approximates the product life-cycle curve:

Figure 2.3: TALC curve



Source: Butler (1980).

Other life-cycle theories include the Resort Development Spectrum which takes a more dynamic approach and examines the resort's ability to expand capacity (Prideaux 2000); Miossec's model of tourism development which traces the evolution of tourism development through a series of phases relating to the desire to develop a resort or attraction, the acceptance (or rejection) of that resort or attraction and finally, its maturity (Miossec 1976); and the chaos/complexity model which focuses on the role of entrepreneurs in the TALC model (Russell & Faulkner 1999).

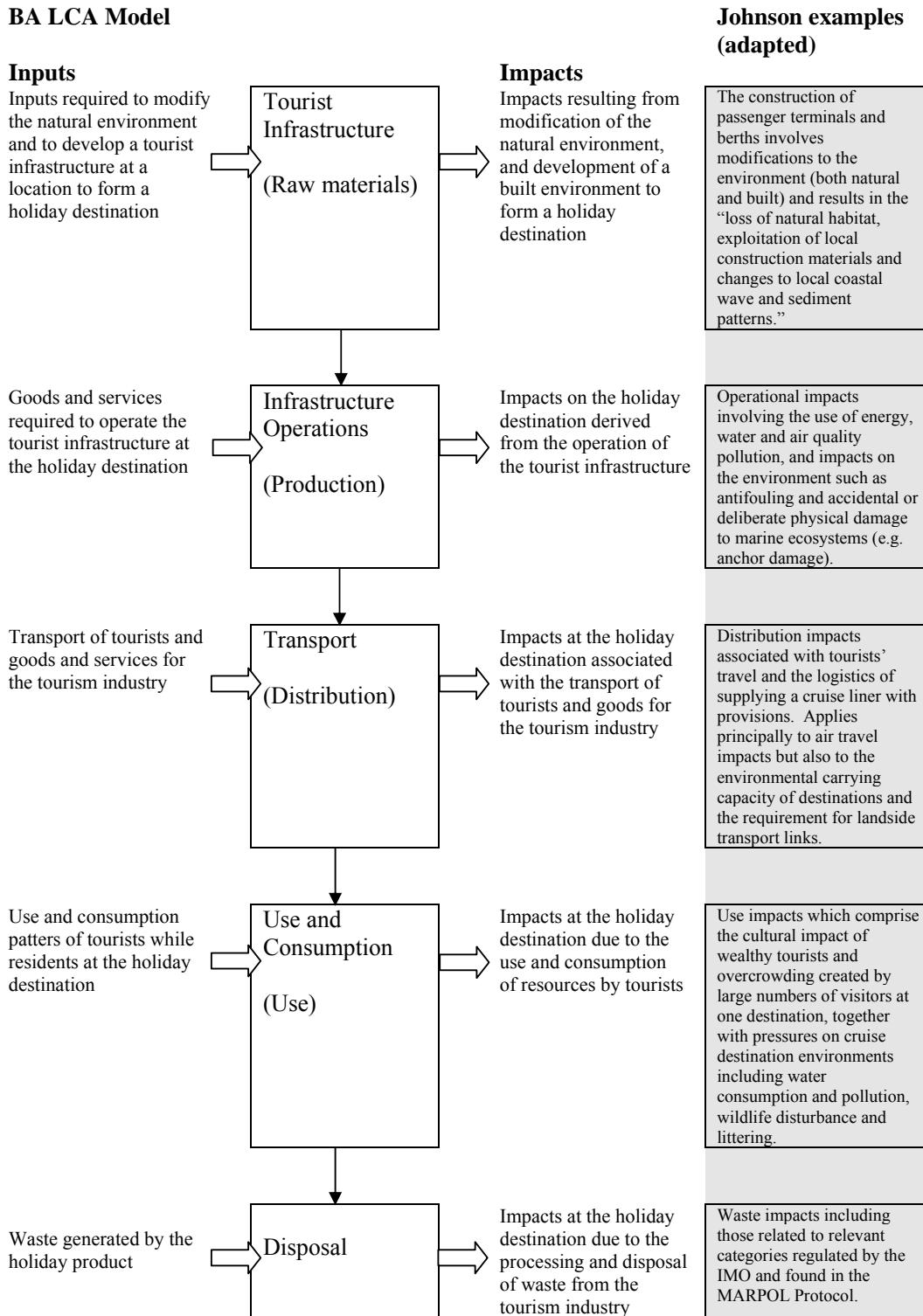
However, none of these tourism life-cycle models is perceived by the author of this thesis to be applicable to the cruise sector because of their emphasis on fixed tourism assets, i.e. a land-based resort or attraction. Instead, "cruise" involves tourism assets which, like the turtle, are at least partially carried around as part of the cruise experience (i.e. the cruise ship)¹³ and which impact on a continuum (i.e. a ship's itinerary) and embody a broad range of fixed assets (e.g. ports, terminals and communities), stakeholders both in terms of

¹³ Often described as mobile capital.

their status (e.g. passengers, tourism representatives and tour operators) and their geographical locations (e.g. port destination communities *en route*). Accordingly, the author expands the environmental sustainability-focused British Airways (BA) life-cycle methodology (BA 1994)¹⁴ which is a more dynamic iteration of the LCA to encompass the full life-cycle encountered by cruise ships as they sail through New Zealand waters and visit her ports. In other words, this paper takes the BA methodology to a third generation,¹⁵ using the descriptors found in the BA methodology and adapting them to a cruise ship's transit. It also expands the inputs found in the BA methodology to the broader spectrum of environments described in Kotler, Bowen & Makens' (1996) PEST(EL) model, i.e. political, economic, social, environmental and legal environments. In other words, this thesis recognises that a cruise ship's impact on the destinations it visits is not limited to its environmental impact (i.e. opportunities and threats) but also to a host of other impacts. Table 2.7 sets out BA's (1994) environmental LCA applied to a holiday product along with examples produced by Johnson (2002) of specific impacts whilst Table 2.8 shows how the BA model has been adapted for the purposes of this thesis.

¹⁴ This methodology was developed by British Airways "to study the impacts of tourism on the Seychelles" (Johnson 2002, p 263).

¹⁵ The first is the original LCA model and the second is British Airways' own environmental impact model.

Table 2.7: BA LCA model and examples

Sources: BA (1994); Johnson (2002, p 264).

Table 2.8: Cruise life-cycle model based on the BA model

Life-cycle phase	Input	Section
Product development	Itinerary planning – attracting ships	4.2.1.1
Attracting passengers and ships	Marketing and promotion – attracting passengers	4.2.1.2
	Leadership, coordination and knowledge – attracting local support	4.2.1.3
<i>Tourist infrastructure – raw materials ^(a)</i>		
Infrastructure	Connections	4.2.2.1
Cruise operations, infrastructure and the regulatory environment	Ports and passenger facilities	4.2.2.2
	Government and regulation	4.2.2.3
<i>Infrastructure operations – production</i>		
Distribution	Cruise passenger information	4.2.3.1
Moving, serving and assisting passengers onshore	Transport, services and amenities	4.2.3.2
<i>Transport – distribution</i>		
Use and consumption	Shore excursions	4.2.4.1
The onshore experience	Crisis and disaster	4.2.4.2
<i>Use and consumption - use</i>		
Disposal	Environment	4.2.5.1
What the cruise passengers leave behind	Economy	4.2.5.2
<i>Disposal</i>		

Note:

(a) Text in italics represents the life-cycle phases determined by BA (1994).

2.6 The relationship between life-cycle and economic risk analysis

The SWOT model lends itself to providing the basis for risk identification within a life-cycle analysis framework because it is not prescriptive (i.e. it is sometimes considered to be unfocused – Beeho & Prentice 1997, p 77) and therefore does not impose its own rigid structure. In this context, identified risks (i.e. weaknesses and threats) as well as strengths

and opportunities can be evaluated according to their role within the life cycle. In this thesis, the author examines New Zealand's cruise sector in terms of its life cycle so as to be able to describe the evolution of the passenger experience through that sector and make reasoned judgments about the potential for its future domestic sustainability and global competitiveness. A life cycle analysis approach also allows the author to view each risk as a dynamic event which is capable of leading to change within the cruise industry environment (*see* Institute of Risk Management (IRM) 2002, p 2 which argues that “[r]isk management is increasingly recognised as concerned with both positive and negative aspects of risk”). This last point is crucial to the author’s approach because she takes the view that risks need to be viewed not as inert negative events, but as a dynamic ones which provide an opportunity for change and improvement. In other words, it is the author’s contention that the costs of inaction (i.e. of relegating the risk to the debit column) are greater than the costs of action (i.e. acting upon the opportunities which arise from the risks), particularly where positive action is considered a key ingredient of opportunity.

However, it is important at this stage to differentiate between threats and vulnerabilities, both of which are considered here. Threats are those events which are external to the entity or individual whilst vulnerabilities are internal, generally propagated (actively or passively, respectively) by the risk target itself. The risks will also be described in their functional terms (e.g. environmental, financial, operational, etc) and the "owner" of the risk (e.g. cruise line, individual ships, port, tour operator and community).

On the basis of this discussion, the author takes the view that the adoption of a life-cycle framework is required because of its implications for the management of economic risks found in Chapter 4. For example, little capital (and often little interest) is generally available at the start or end of a project (i.e. Butler’s (1980) “discovery” and “decline” stages or BA’s “raw materials” and “disposal” stages) to engage in any significant risk management programme whilst there is generally sufficient capital to fund such programmes at the top of the life-cycle curve. Paradoxically, though, risk tends to be overlooked during the maturation and operational phases when investment is likely to be at its peak and the product is enjoying its greatest success. This is precisely the situation

which confronts the New Zealand cruise sector. In other words, New Zealand suffers not only from the lack of a formalised life-cycle model to describe its burgeoning cruise sector, but also from the lack of any structured, coordinated risk identification and management programme. Accordingly, it is the author's intention in this thesis to evolve a national profile of the economic risks facing the New Zealand cruise sector (as expressed by representatives from the cruise and broader tourism industries), based on the position of the articulated risks in a cruise-focused life-cycle. Table 2.8 (*above*) describes the author's proposal for such a model and includes both the major inputs for each phase and the section in which they are discussed in Chapter 4.

Chapter 3: **Research method**

3.1 Theoretical approach – critical theory

Critical theory circumscribes the research undertaken by the author given the author's objective of providing a critique on the risks which face the New Zealand cruise sector. The knowledge acquired during the interviews conducted by the author sought to develop an economic risk profile for that sector which is based on the informants' insights into their experiences (i.e. historical, or past observations) of the sector. Whilst the individual biases of any of the informants cannot be ignored, each sought to present as constructive a view as possible within his or her scope of knowledge, thereby producing knowledge which was of sufficient quality to use as the basis for future action. It is the author's voice which transforms the heterogeneous knowledge provided to her by the informants into a cohesive and consistent body of knowledge which can be used as the basis for a risk management strategy. In other words, the traits described immediately above are consistent with and support the author's self-imposed mandate to evolve the five proposed mechanisms set out in Chapter 5 which can transform, or more specifically in this case, mitigate, the economic risks identified by the informants.

Critical theory also informs the three elements upon which the research paradigm is based, namely ontology, epistemology and methodology. More specifically, critical theory is supported by an ontology which is characterised by "historical realism" (Guba & Lincoln 1994, p 110), a realism acquired through the author's informants by virtue of their contact and experience over time with the cruise industry in general and the New Zealand cruise sector in particular. It is a realism which they perceive to be real, and which has been immutably crystallised as their asserted belief. The relationship between the author (researcher) and her informants, i.e. the epistemology, can be considered to be subjective, i.e. it involved the participation of the author (researcher) to guide the interviews with each of the informants, acting as a kind of mentor during the interviews (Guba & Lincoln 1994, p 110). In other words, the author found herself providing detail about the broader tourism sector in New Zealand to those informants onboard the cruise vessels, but more significantly, sharing her experiences as a cruise passenger with those informants

“onshore” who almost universally had never been on a cruise and who in many cases had limited knowledge of the cruise industry. Therefore, the author’s findings can be considered to be “value-mediated” as labelled by Guba and Lincoln (1994, p 110) and therefore consistent with their description of Critical Theory. The third element, methodology, is also consistent with Critical Theory. The elicitation of information from the informants was through a dialectical dialogue which seeks to transform the negativity which generally attaches to risk into constructive suggestions for overcoming or at least mitigating the risk.

3.2 The research journey

The research undertaken by the author involved three methods, i.e. interviews, desk research and personal observation. The third, the author’s own observations, are derived from her own experiences as a passenger on approximately fifteen cruises totalling more than 300 days at sea (*see* Galani-Moutafi 2000, p 211 – validation of the author’s own travel experiences as a recognised approach to research). However, because the issues raised during the interviews conducted by the author highlight supply concerns and not specifically passenger observations, the author’s own observations are used to provide a contextual background and critical view of the information gathered and not as the primary voice (i.e. the voice of the informants) for that information. Instead, the author’s experience is used to interpret the stories told by the informants.

3.2.1 Interviews

Comments from the Chief Advisor from the Ministry of Tourism prior to the commencement of the author’s research for this thesis¹⁶ revealed a policy focus by the Ministry to ensure that demand for cruising in New Zealand does not outstrip New Zealand’s ability to deliver a “world class cruise experience.” The diverse concerns articulated included (at the time) poor passenger reception or handling in port and host communities; barriers which could exist vis-à-vis individual operators within the tourism

¹⁶ These comments were incidental to the focus of a meeting the author had with various representatives of the Ministry of Tourism and Tourism NZ in relation to the author’s development of a website designed to promote cruise passenger spend in New Zealand.

sector and which could threaten New Zealand's favoured choice as a cruise destination; and the transport connections relied upon by cruise passengers both as they arrive in and depart from New Zealand and during their port calls once here.

Further discussions with the Ministry and other cruise sector stakeholders, including especially Industry A (2007), produced a catalogue of concerns and suggested that the issues are of such significant concern that a risk profile needed to be developed in order to identify, manage and either mitigate or eliminate the risks. During that early meeting, Industry A described a series of vulnerabilities which could threaten the New Zealand cruise sector, including the absence of a nationally coordinated approach to cruise tourism and the lack of a national cruise manual. Although these comments were incidental to the main purpose of that meeting,¹⁷ they provided the impetus for the author's decision to undertake research into the specific economic risks or vulnerabilities which could threaten the New Zealand cruise sector in both the near and longer terms.

At that time, Industry A suggested that the author meet with Industry B, an executive director of Carnival Australia in Sydney. The suggestion of that introduction coincided with the author's planned voyages on the *Diamond Princess*¹⁸ (mainly as a leisure cruise but also providing an opportunity to meet with shipboard personnel) and the *Volendam*¹⁹ (booked with the objective of undertaking research both onboard the ship and in the ports and port destination communities visited *en route*). Accordingly, and in relation to the author's status as the recipient of a Ministry of Tourism research scholarship,²⁰ the Ministry of Tourism wrote a letter of introduction to Industry B to request a meeting with him and to explore the possibility of the author having access to officers and senior staff onboard both ships to undertake research:

¹⁷ The author was introduced to Industry A by a port official to discuss a local tourism issue at the behest of a regional economic development agency (EDA). The issue discussed at that meeting remains commercial-in-confidence and was within the scope of the author's role as a member of the EDA's tourism advisory committee.

¹⁸ A 32-day cruise from Bangkok to Auckland.

¹⁹ A 14-day day from Sydney to Auckland.

²⁰ A competitive scholarship awarded each year to five Masters candidates in New Zealand.

Wendy and her husband will be onboard the *Diamond Princess* on her Bangkok to Auckland sailing, departing 23rd November. Whilst that cruise is mainly for leisure, as a preliminary part of her research she would welcome access to senior staff on board to elicit their comments about their experiences in New Zealand ports (and to the extend relevant, a comparison with Australian and other Asia-Pacific ports). Also, because that cruise calls into Sydney on the 12th December, if there is an opportunity for you and Wendy to meet that would also be most welcome.

Wendy will be conducting formal research during the 2nd March sailing of the *Volendam*, which departs Sydney. Therefore, if you are unable to meet with Wendy in December there will be a second opportunity in March. Please note that Wendy's research is directed at ships' staff (where they have the time and interest to meet) and port management, not passengers (Ministry of Tourism 2008).

The letter further states that the author's "research is of particular interest to the New Zealand tourism industry with the recent rapid growth of cruise arrivals, which is forecast to increase" (Ministry of Tourism 2008). Thus, the author took advantage of her two voyages to conduct interviews both onboard the ships and in the case of the *Volendam*, also onshore. The processes involved in both sets of interviews are described immediately following.

3.2.1.1 Onboard interviews

Upon boarding the *Diamond Princess*, Industry B's intervention secured the author access to the ship's captain (Ship A) and relief captain (Ship B) and to a senior officer (Ship I). During the cruise's port call in Sydney, the author met with Industry B. Each of the three meetings onboard the *Diamond Princess* lasted for between 45 minutes and one-and-a-half hours whilst the 90 minute meeting with Industry B took place onboard the ship whilst docked. These preliminary meetings onboard the *Diamond Princess* provided the author with the insights of shipboard and industry representatives into a catalogue of threats and vulnerabilities which they consider to be facing the New Zealand cruise sector. They also provided the basis for the discussion points to be considered in the March 2009 interviews with industry, tourism and government representatives.

In March 2009, the author boarded the *Volendam* as a full-paying passenger for its fourteen-day Australia/New Zealand voyage. The author's purpose of availing herself of that voyage was, as stated earlier, to take advantage of the transport provided by that ship to facilitate meetings with representatives from the broader tourism, port and government sectors onshore. As noted above, the Ministry of Tourism's (2008) letter of introduction also asked that the author be given access to officers and senior staff onboard that ship. Upon boarding, Ship F, a senior member of the ship's staff, delivered to the author's cabin a schedule of meetings with the captain, each of his senior officers and senior staff. Nine interviews of between 45 and 90 minutes were conducted onboard.²¹ Also interviewed onboard were two officials from MAF Biosecurity, a division of New Zealand's Ministry of Agriculture and Forestry, responsible for overseeing and enforcing quarantine regulations attaching to, in this case, cruise travel into New Zealand. The interview with these two officials was arranged by direct email contact by the author after obtaining contact details for their manager from the Ministry of Tourism. The meeting with Government A and Government B lasted for approximately 35 minutes.

3.2.1.2 Onshore interviews

In February 2009 in anticipation of her voyage on the *Volendam*, the author emailed tourism and port representatives located in New Zealand port destination communities and ports to request time to meet with them. Auckland was not included because of logistical reasons (disembarkation and a scheduled return flight to Wellington), but interviews were conducted either onshore or onboard the ship²² during port calls to Pt Chalmers (Dunedin), Lyttelton (Christchurch), Picton, Wellington, Napier and Mt Maunganui (Tauranga). An interview was also conducted in Burnie, Tasmania, because of its similarity to many New Zealand ports in size, infrastructure, economic profile, approach to cruise tourism and its position as a port visited immediately before the trans-Tasman crossing or as the first port visited in Australia following that crossing. Informants from all these ports included

²¹ It should be noted that no meetings can be arranged prior to sailing because the names of ship personnel are not disclosed because of security concerns.

²² Several representatives already have security clearance to board the ship as needed. However, the captain of the *Volendam* has adopted a policy of allowing passengers' visitors onboard as long as 48-hour's notice and visitor identity details are provided to the Passenger Services Desk onboard.

tourism, economic development, port and government representatives (although representatives from all named sectors were not interviewed at every port).

The informants onshore were initially contacted on the basis of their strategic (e.g. cruise tourism development) or operational (e.g. port or government) involvement with the cruise sector. Whilst each interview lasted for between one to two hours, the number and length of the interviews were necessarily limited by the interviewees' own time available (including their direct responsibilities with the ship whilst in port) and the length of the port call itself as a limitation on the author's time). Initial contact was made directly by the author either prior to the voyage in most cases or in some cases, *en route* on the suggestion of the informants.

3.2.1.3 The informants

Table 3.1 sets out the breakdown of informants by sector whilst Table 3.2 sets out a breakdown by the informants' broad class of position within their respective sectors.

Table 3.1: Origin of informants

<i>Diamond Princess</i>	Cruise sector			Onshore sectors	
	<i>Volendam</i>	Industry		Onshore ^{(a), (b)}	NZ government
3	9	2 ^(c)		14	2
Total cruise sector: 14			Total tourism/government: 16		

Notes:

- (a) Representatives from RTOs, local and regional councils, ports and shipping agents
- (b) One informant in this category is from Australia whilst the remainder are from New Zealand
- (c) One industry representative is based in Australia whilst the other is based in New Zealand

Table 3.2: Position of informants

Sector	Position	Number
Cruise industry	Corporate director	1
Onboard <i>Diamond Princess</i> and <i>Volendam</i>	Captains	3 ^(a)
	Officers and senior staff (ship's operation)	3
	Officers and senior staff (hotel, ^(b) shore excursion and tour)	6
Onshore tourism	Chief Executive Officer (or equivalent) of RTOs	2
	Senior economic development or tourism managers of local authorities	4
	Port representatives ^(c)	7
	Shipping agents ^(d)	2
Government	New Zealand biosecurity officers ^(e)	2

Notes

- (a) Three captains were interviewed onboard two ships. The third captain was a relief captain, taking over command during the voyage.
- (b) “Hotel” refers to all staff and operations which have direct contact with passengers, as distinguished from officers and staff responsible for the operation of the vessel itself.
- (c) In five of these cases, these port representatives (i.e. employed by the local port) have assumed responsibility for cruise tourism. In other words, and as will be borne out in this thesis, these port representatives have taken an active role in promoting and directly coordinating the land-based experiences of visiting cruise passengers in addition to their designated roles at the port (e.g. one commercial director, one chief of security, etc.).
- (d) The scenario outlined in note (c) also applies to one port agent amongst this group, i.e. this port agent has assumed responsibility for cruise tourism.
- (e) As noted above, these two informants were interviewed onboard the *Volendam* because of their accessibility in relation to the discharge of their duties at sea.

3.2.1.4 Interview content

All of the interviews were for the most part exploratory because of the lack of prior research in the area of economic risk in the New Zealand cruise sector. Therefore, the

questions posed to the informants, or more accurately, the issues presented to them were general in nature with the objective of eliciting the informants' individual views of the nature and potential impact of the economic risks they believe face the New Zealand cruise sector. Appendix A contains a document entitled *Project summary* which was provided to all informants whilst the methods of distribution of that document are set out in Table 3.3:

Table 3.3: Methods of distribution of the document entitled *Project summary*

Locus of distribution	Method of distribution
<i>Diamond Princess</i>	Photocopied by the Passenger Services Desk and forwarded to the informants prior to the interviews
<i>Volendam</i>	Photocopied by the Passenger Services Desk and forwarded to the informants prior to the interviews
Onshore informants	Emailed by the author to the informants as an attachment to emails confirming meeting details

3.2.2 Desk research

The second method, desk research, included a review of relevant academic literature; industry sources in the form of reports and other collateral; and news items and other web-based information. The review of academic literature covered (to the extent appropriate and relevant) includes leading and appropriate authority in the areas of Life Cycle Analysis (Getz 1992), risk management and mitigation, cruise tourism and specifically, risk management in the cruise sector. News items and other web-based information proved to be extremely valuable for providing a contemporary view of port and destination issues. Most of the literature has been sourced from jurisdictions outside New Zealand for three reasons: (1) to overcome the lack of academic and industry-based cruise related information in New Zealand; (2) to glean the lessons which can be learned from others; and (3) to begin to collect source data for the creation of internationally accepted benchmarks.

3.2.3 Interpretation by the author

Each of the methods described above are by virtue of being included in this thesis subject to interpretation by the author in varying degrees. For example, it is solely the author's perspective which characterises her observations as a passenger on many cruise voyages, whilst the distillation and inclusion of the desk research undertaken reflects the judgment of the author as to the appropriateness, relevancy and voice of that research. Whilst the interviews with all of the informants consisted of their views and in many instances the selective identification and discussion of the issues which they considered relevant and/or significant and the output of those interviews was reported in as fulsome terms as possible, the reporting of those interviews necessarily resulted in evaluation and filtering by the author as to the relevancy and the degree to which they support the focus of the author's thesis, i.e. economic risk.

As noted earlier, the author relies on her experience as an avid cruiser to understand, interpret and synthesise the views expressed by the informants and the desk research undertaken. However, the author's perspective is also supplemented by her ongoing work (as at the time of the submission of this thesis) to develop an online website whose objective is to promote New Zealand products and experiences to visiting cruise passengers and therefore generate more spend before, during and after their cruise visits to New Zealand. Thus, it is both the author's experiences as a cruise passenger²³ and as the co-developer of a commercial platform geared to enhancing the cruise passenger's New Zealand experience²⁴ which have to some extent motivated her to pursue a topic (ie economic risk) which identifies the weaknesses in the New Zealand cruise sector and most importantly, provides a forum for suggesting ways to eliminate or at least ameliorate those weaknesses.

²³ Including six cruises to or through New Zealand waters (i.e. the Australia/New Zealand itinerary or repositioning cruises which include only one or two New Zealand ports).

²⁴ As a commercial proposition, the author's online platform seeks to enable onshore providers (other than those already contracted to the cruise lines in the form of shore excursions) to gain access to cruise passengers (via the website directly as well as through Google, Facebook and other third party promotional channels) where security, competition, commercial and other factors preclude them from securing close physical proximity to the ships. It can be noted that the development of this website is consistent with the Ministry of Tourism's *New Zealand Tourism Strategy 2015* which includes making the availability of broadband to tourism providers a priority, upskilling tourism providers in broadband-related skills, and promoting New Zealand products.

3.3 Summary

The focus of this thesis, i.e. economic risk, was suggested by comments incidentally communicated to the author. However, those incidental comments referred to potentially serious weaknesses in the New Zealand cruise sector. Accordingly, the author undertook research which would enable her to identify those weaknesses, or in this case, economic risks; elicit stakeholders' views about the nature and potential impact of those risks; and examine them in the context of equivalent experiences in port destinations outside of New Zealand. The output of the 30 interviews conducted by the author, which were almost equally divided between the cruise industry and the broader tourism and government sectors, was interpreted by the author who relied on her experience as seasoned cruise passenger and on her commercial activities in the cruise tourism sector.

Chapter 4:

Identification of risk: what can go *wrong* before, during and after the New Zealand cruise experience

4.1 The SWOT analysis matrix

The SWOT analysis documented in Table 4.1 is based on the author's own observations, academic literature, commercial literature²⁵ and most significantly, the interviews conducted with the cruise, tourism and government informants described in section 3.2.1, above (collectively, "research"). Much of the content of the interviews consistently returned to recurring themes (e.g. inadequate passenger handling infrastructure, the absence of a national coordinating body and the lack of a national cruise manual). However, many other issues also emerged, derived from the wide range of characteristics, assets, actors, events and environments²⁶ uncovered during the author's research. All of these themes and issues have been distilled and incorporated as content for the SWOT matrix in Table 4.1.

The matrix itself is divided into five separate sections, representing the five phases of the life-cycle model adopted in section 2.5 (i.e. product development, infrastructure, distribution, use and consumption and disposal). However, it must be acknowledged that because of the sheer inter- and co-dependency of the cruise industry itself,²⁷ this allocation should be considered solely for the purpose of this analysis. In fact, it is this very silo approach that has led to many of the weaknesses and vulnerabilities cited by the informants which they perceive to exist within the New Zealand cruise sector. Thus, this SWOT analysis should be reviewed only within the context of this section and not as a

²⁵ For the purposes of this paper, "commercial literature" includes industry reports, articles from the Web and other non-academic sources.

²⁶ Specifically, the political, economic, social and technological, environmental and legal, or PEST(EL) environments described by Kotler, Bowen and Makens (1996).

²⁷ For example, whilst passenger terminals represent someone's investment, they are tenanted by port and on-shore services, frequented by passengers and are the object of the surrounding community's welcome, mere tolerance or even hostility whilst shore excursions are offered by cruise lines, operated by onshore providers, patronised by passengers and often subject to the whims of nature.

proposal to deconstruct New Zealand's cruise industry. In the context of the New Zealand cruise sector, strengths and opportunities comprise the attributes which can make New Zealand an attractive, competitive and sustainable cruise destination whilst weaknesses and threats will threaten that status. Section 4.2 contains a discussion of the strengths, weaknesses, opportunities and threats identified in the SWOT matrix. It should be borne in mind that the content of this matrix has been synthesised from the interviews conducted by the author and therefore incorporates the issues cited by them, as interpreted by the author.

Table 4.1: SWOT analysis

(On following pages)

Life cycle phase: Product development

Attribute	Strengths	Weaknesses	Opportunities for risk management	Threats against risk management
Itinerary planning	<ul style="list-style-type: none"> Ports are close together Geographically well-placed in Australasia 	<ul style="list-style-type: none"> Far from originating markets Two day sail from nearest significant land mass (Australia) Relatively short cruise season Port calls are short 	<ul style="list-style-type: none"> Over-crowding in other cruise destinations More repositioning cruises Reversal of Northern Hemisphere seasons Development of niche and higher end cruising Search for new destinations Growth of cruising globally Development of fly-cruise packages Expansion of Panama Canal (more repositioning cruises) 	<ul style="list-style-type: none"> Price competitiveness of other destinations Increasing cost of fuel Public opinion favouring eco-sensitive tourism Itinerary changes resulting in NZ being bypassed or fewer ports visited Widening of Panama Canal Aggressive marketing by Australia Competition from other exotic Southern Hemisphere destinations Navigational challenges
Marketing and promotion	<ul style="list-style-type: none"> Well-known tourist destination for adventure, natural scenery, food and wine Unique landscape, history and culture Interesting and attractive port destinations 	<ul style="list-style-type: none"> Lack of detailed information, particularly for independent passengers Insufficient promotion of NZ goods and services onboard visiting cruise ships Insufficient funding for CruiseNZ Absence of a recognisable New Zealand cruise brand 	<ul style="list-style-type: none"> Promotion of NZ within the greater Australasian region Special events such as the Rugby World Cup 2011 Younger and more adventurous cruisers Technical savvy expertise for web-based marketing campaigns 	<ul style="list-style-type: none"> Wrong kind of passenger or cruise line Poor market research Failure to understand cruising Complacency
Geopolitical and economic environment	<ul style="list-style-type: none"> Safe and friendly destination Prime Minister as high profile tourism sector champion 		<ul style="list-style-type: none"> Absence of terrorism 	<ul style="list-style-type: none"> Fluctuating dollar Global economic uncertainties Terrorism resulting in more homeport cruising in US
Leadership, coordination and knowledge	<ul style="list-style-type: none"> Well-developed tourism sector Enthusiastic and knowledgeable tourism professionals and staff 	<ul style="list-style-type: none"> Lack of a national cruise manual Lack of a fully empowered and funded national coordinating committee 	<ul style="list-style-type: none"> Growing recognition of cruise by tourism sector 	<ul style="list-style-type: none"> Insufficient training Lack of best practice standards Failure to recognise cruising as a growth and economically productive sector

Life cycle phase: Infrastructure

Attribute	Strengths	Weaknesses	Opportunities for risk management	Threats against risk management
Connections	<ul style="list-style-type: none"> Well-served by international and domestic air carriers Relatively short distance from major, growing market (Australia) 	<ul style="list-style-type: none"> Under-developed and infrequent ground transportation options 	<ul style="list-style-type: none"> Promotion of easily accessible pre- and post-cruise destinations Promotion of seamless air/cruise packages 	<ul style="list-style-type: none"> Inconvenient long haul flight schedules to and from NZ High cost of airfares to join cruises Reduction of flights or changes to long haul schedules Reduction of premium class seats (affecting older cruisers)
Ports and passenger facilities	<ul style="list-style-type: none"> Many ports are adjacent to or near town centres Passenger terminal facilities are not overwhelming Port staff are friendly and helpful Few tender ports 	<ul style="list-style-type: none"> Port facilities are inadequate for mega-ships Unattractive wharf areas in some ports Lack of investment in cruise infrastructure Lack of signage in languages other than English 	<ul style="list-style-type: none"> Recognition of the need for better facilities Investment opportunities 	<ul style="list-style-type: none"> Ship congestion (clashes) Lack of a single point of contact to mediate clashes Inadequate port facilities for mega-ships Lack of consistency in passenger handling facilities and services Poor passenger terminal facilities in Auckland Lack of professionally trained check-in staff at Auckland Unfriendly or ineffective security personnel Negative impacts on adjacent port neighbourhoods and port destination community
Government regulation	<ul style="list-style-type: none"> Certainty and fairness of relevant legislation/regulation Consultation process is transparent Legislation and regulation is well-documented and easy to access Government representatives are approachable 	<ul style="list-style-type: none"> No statement as to how levies, taxes and other fees are used Absence of information sharing between Australia and New Zealand Localised, arbitrary taxes, levies and regulations 	<ul style="list-style-type: none"> Development of industry-responsive legislation and regulation 	<ul style="list-style-type: none"> Delayed, insufficient or inaccurate information about government or local regulation Overly strict interpretation and application of international regulations and conventions

Life cycle phase: Distribution

Attribute	Strengths	Weaknesses	Opportunities for risk management	Threats against risk management
Cruise passenger information	<ul style="list-style-type: none"> Generally perceived as providing plentiful and useful information 	<ul style="list-style-type: none"> Lack of up-to-date information tailored to cruise passengers Inaccurate, irrelevant and inaccessible destination information Lack of adequate shore-to-ship communication 	<ul style="list-style-type: none"> Information targeted to specific demographic and special interest groups Availability of information in all relevant languages Use of new technologies to make information available 	<ul style="list-style-type: none"> Lack of local, onshore coordination and consistency
Transport services and amenities	<ul style="list-style-type: none"> Easy to use and regulated transportation network Wide range of restaurant food types and prices Sophisticated retail sector with known brands 	<ul style="list-style-type: none"> Closure or limited shop and restaurant hours on weekends and public holidays Unavailability of accessible foreign exchange Poor customer service to cruise passengers Poor quality of transportation fleet in many port destinations (e.g. coaches) Inaccessibility of hire car agencies in most port destination Perception that goods and services are expensive 	<ul style="list-style-type: none"> Greater involvement of and therefore opportunities for local businesses in port destination communities Prohibition against taking food onshore can provide opportunities for local food outlets 	<ul style="list-style-type: none"> Failure of onshore retailers and other suppliers to understand cruise passengers Complacency of local businesses resulting in purchase by cruise lines

Life cycle phase: Use and consumption

Attribute	Strengths	Weaknesses	Opportunities for risk management	Threats against risk management
Shore excursions	<ul style="list-style-type: none"> Rich in iconic attractions (natural, constructed, cultural and ethnic) Diverse shore excursions 	<ul style="list-style-type: none"> Lack of coordination between IBOs and RTOs/LTOs Most attractions have been designed for land-based tourism Unpredictable and often extreme weather conditions Lack of indoor attractions Difficulty in understanding tour guides' accents Insufficient variety of shore excursions to meet changing tourist behaviours and preferences Lack of untrained onshore tour and service staff Lack of professional guide services Dearth of multi-lingual capability Poor customer service 	<ul style="list-style-type: none"> Packaging of tours and attractions along themes in and amongst ports to be sold as a single ticket (e.g. Great NZ Rail Voyages) 	<ul style="list-style-type: none"> Cost Unpredictable weather can prevent port calls or lessen enjoyment of them Inability, unwillingness or insufficient capital to get attractions shore excursion ready Attractions generally designed for land-based tourism can experience congestion and result in dissatisfaction Failure to respond to changing demographics of cruise passengers
Crisis and disaster	<ul style="list-style-type: none"> Plans and procedures in place Excellent communications network Responsive port agents and local officials 	<ul style="list-style-type: none"> Vulnerability of some destinations and attractions Resources would need to be stretched to embrace tourists 	<ul style="list-style-type: none"> Develop cruise passenger specific procedures and standards which can be adopted internationally 	<ul style="list-style-type: none"> Natural disasters and pandemics Civil emergencies Industrial action

Life cycle phase: Disposal

Attribute	Strengths	Weaknesses	Opportunities for risk management	Threats against risk management
Environment	<ul style="list-style-type: none"> • Perceived to be clean and green 	<ul style="list-style-type: none"> • Lack of cruise-specific policy and coordination 	<ul style="list-style-type: none"> • Develop cruise specific procedures and standards which can be adopted internationally 	<ul style="list-style-type: none"> • Potential for ships and passengers to spoil NZ' natural attractions, including its seas • Negative impact of ships and passengers on the image of the destination
Economy	<ul style="list-style-type: none"> • Entrepreneurial economy responsive to changing trends • Geared to tourism 	<ul style="list-style-type: none"> • Lack of cruise-specific policy and coordination 	<ul style="list-style-type: none"> • Develop policies which promote growth in the cruise-related economy 	<ul style="list-style-type: none"> • Impact of mass cruise tourism on local communities' economies • Displacement of land-based tourism • Financial, strategic and operational risks

4.2 Discussion

The discussion contained in this section is largely based on the views articulated by the informants described in section 3.2.1 and incorporates their observations, opinions and in many cases, preferences. Their views are supplemented where appropriate by cited authority, news reports and other research materials (e.g. reports). Passengers were not interviewed although the author's own experiences as a passenger were relied upon to provide background and explanation for comments (both by informants and arising out of printed materials) which can be more fully explained through such interpretation (*see* Galani-Moutafi 2000, p 211 – validating the author's input as research). Thus, the discussion which follows in this chapter is based on a synthesis of views by the author of informants from the cruise and broader tourism industries and the government sector.

4.2.1 Product development

4.2.1.1 Itinerary planning – attracting ships

It is the cruise industry version of a tautology that the development of a cruise sector by a port destination is dependent on that destination's ability to attract ships. Thus, the failure to do so will render a planned or developing cruise sector illusory, resulting in a loss of investment, revenues, jobs and emotional labour. However, the success of attracting ships is based on a complex itinerary planning exercise involving a series of factors which are not entirely within the control of the port destinations. Therefore, the port destination must differentiate between what they can directly influence (e.g. quality of shore excursions), what they can only indirectly influence (e.g. by offering a product which is so exceptional that their offering overcomes the cruise lines' operational or other requirements such as the distance between ports), and what is entirely within the control of the cruise line itself (e.g. financial return). Krumrine and Marti each list four factors which the cruise lines take into consideration when planning their itineraries:

Table 4.2: Itinerary planning factors

Krumrine	Marti
Market demand <i>Based on where passengers have been and where they would like to go</i>	Length of cruise
Product delivery <i>Based on destinations which have received the highest rating from passengers</i>	Distance between and location of destination ports
Yield <i>Based on the best financial return for the cruise line²⁸</i>	The embarkation port
Geographic proximity <i>Based on the relative position of port to other key cruise ports and itineraries; also takes into account sailing speed vis-à-vis fuel costs and the quality and quantity of ports (itineraries with more ports generally sell better)</i>	The vessel operating speed

Source: Krumrine 2008, slides 6-12; Marti 1992, p 363.

In addition to these factors, Marti describes two categories of itinerary planning:

The first case occurs when the ship's itinerary is 'fixed' on a year-round basis embarking and disembarking passengers at the same ports, and calling repeatedly at the same ports of calls. In this situation, planning of itineraries is reiterative, unless the addition or deletion of a scheduled port is deemed necessary. The second case occurs when the ship's itinerary 'varies' from voyage to voyage or at least 'varies' every few voyages. Passengers are embarked and disembarked at different ports each voyage, and the ports of call are constantly changing (1992, p 363).

For the most part, the New Zealand itinerary falls into the first category because of the two inter-related seasonality issues which govern itinerary planning for New Zealand, i.e. the fact that New Zealand's own international cruising season²⁹ runs from October until April,

²⁸ Based on this formula: Yield = cruise fare + onboard revenues less operating and overhead costs.

²⁹ As distinguished from its predominantly Australasian winter cruising season which operates to the South Pacific islands from Auckland.

and the practice of cruise lines to deploy their ships to the Southern Hemisphere during the Northern Hemisphere's winter. However, more variation is creeping into itineraries which include New Zealand. For example, whilst the twelve- to fourteen-day itinerary between Auckland and Sydney has been the staple of the Australia/New Zealand cruise season,³⁰ cruise lines now offer their passengers additional choices, including the option of adding a different "back-to-back" cruise to their Australia/New Zealand cruise. For example, the *Volendam* scheduled four South Pacific itineraries³¹ during its Southern Hemisphere season for 2009/2010 (Positively Wellington Tourism 2009, unp), displacing what would have been the traditional number of port calls within New Zealand. This variation, i.e. relegation to Marti's second category, represents a significant threat for New Zealand because it severely diminishes the number and frequency of port calls which the ships make and therefore the revenue which port calls generate and which subsequently flows into the port destination communities.

The vulnerability of New Zealand ports to itinerary changes caused by financial and operational reasons was raised by several informants as evidenced by the following discussion. Globally, the high cost of fuel has led cruise lines to optimise their fuel consumption through itinerary planning (Associated Press 2008, unp). Therefore, the cruise industry would argue that both New Zealand as a destination and its individual ports risk losing cruise ship visits because of itinerary changes caused by the need to save fuel and reduce costs. However, a reduction in the number of ships has in some cases been offset by the arrival of bigger ships (e.g. the 3,000 passenger *Diamond Princess* has replaced the 2,000 passenger *Star Princess* on the Australia/New Zealand itinerary), thereby carrying more passengers on each voyage. Another cruise line, Celebrity, withdrew its 2,000 passenger *Millennium* from the New Zealand market for the 2009/2010 season for "operational" reasons, promising to reintroduce the ship during the 2010/2011 season (Industry A 2009). The expectations of individual port destinations are also reduced when ships alter their itineraries, sometimes at short notice, because of an

³⁰ This itinerary has traditionally been repeated throughout the season.

³¹ The new itineraries include, e.g. Noumea, Port Vila, Luganville, Lautoka, Levuka and the Ile des Pins as well as a circumnavigation of Australia.

inability to dock at the scheduled port. Weather and port clashes (i.e. when two or more ships wish to dock on the same day) can also result in changes to itineraries.

Each of these changes can pose a significant risk for New Zealand ports. Less frequent or irregular port calls not only jeopardise any investment which has been made or is being planned by the ports, but also by onshore providers who will be less willing to maintain their product, develop new ones and retain and train staff. In addition, passenger spend expectations will be greatly reduced and local authorities and ports will receive less in levies and taxes. Whilst the changes which will be experienced in the 2009/2010 season are expected to be temporary, complacency needs to be avoided.

A perennial issue for cruise itineraries is to determine whether passengers would prefer to remain in port overnight or to see as many ports in as many countries as possible during their cruise. In his study, Marti (1992, p 366) found that the overwhelming number of passengers on the *Royal Viking Sun*³² preferred overnight port calls, particularly where ports could offer “evening cultural events, casinos, exemplary restaurants [and] nightclubs,” as well as additional shopping and sightseeing opportunities. New Zealand’s leading restaurants, casinos and iconic sports and cultural events could all be promoted as reasons for overnight port calls. However, according to Ship A (2008), overnight stays will have an impact on port destination communities, including the scheduling of evening activities, extra demands on restaurants and other facilities and the logistics of absorbing large numbers of both passengers and crew which can all lead to added expense for those communities. According to Ship A, this expense relates to the engagement of additional police, private security, emergency, cleanup and other services. On the other hand, Onshore E (2009) supports overnight (and longer) port calls, a move that would also help the crew see more of New Zealand.

The addition of new ports to the New Zealand itinerary are continuously under review, but in some cases, may be visited only a very few times or have their port calls unexpectedly shortened (on the day) because of any one of many factors including operational expense

³² Now HAL’s *Prinsendam*.

for the cruise line; passenger indifference or dissatisfaction; or navigational or berthing difficulties. Therefore, the expectations of potential and new ports must be carefully managed so as to protect both the port destination's expectations and its cruise specific investment. For example, the Canadian port community of Nunavut invested significant time, effort and money to attract cruise ships (including the production of a cruise handbook for local communities), but visits during the 2009 cruise season became erratic and were often cancelled (CBCNews.ca 2009, unp). Similarly, another Canadian port, New Brunswick, learned in August 2004 that one-third of its cruise ship passengers would be lost in 2005 because Royal Caribbean's *Voyager of the Seas* was being deployed to Bermuda instead (Klein 2005, p 10).

Amongst the possible "new ports" for New Zealand is Westport but both the dangerous sea conditions of the Tasman and the rocks around the port itself pose major risks, thereby making individual port calls uncertain at best. Similarly, the first port call of a ship to Stewart Island³³ had to be terminated earlier than planned because high winds threatened the ship's tender operations. However, other ports such as Bluff, Hokatika and Kaikoura are being added to itineraries during the 2009/2010 season, and seven ships will call at Akaroa (Port A 2009; Christchurch & Canterbury Tourism 2009, unp), despite the navigational challenges which can materialise.

Another crucial consideration for New Zealand is the relative importance of Auckland as a port in the cruise lines' global itineraries. Given the reality that New Zealand in total forms only between one and two percent of the world's cruise market (CLIA 2008, p A38), the sustainability of Auckland (or any New Zealand port) will always be under threat. It is in this context that the widening of the Panama Canal poses another challenge for New Zealand. A wider canal is likely to have a profound impact on itinerary planning, especially with respect to repositioning cruises. In order to ensure that the impact is a positive one for New Zealand, both the cruise lines and the affected governments must be engaged to ensure that New Zealand can reap economic benefits from this expansion. In other words, it will become possible for repositioning cruises originating or ending on the

³³ The Volendam on 29 December 2009.

East Coast of the United States to call into New Zealand ports, transit the canal and then cruise the South Pacific rather than start or end the cruise in Los Angeles. The increased flexibility could alternatively also result in significant redeployments of ships between the East and West Coasts of the United States as the mega ships of the Caribbean and Alaska will now be able to pass through the canal on a regular basis rather than being repositioned for only a season at a time. Therefore, there is also the potential for ships *not* to be repositioned to New Zealand, but only back and forth through the canal.

(a) Unions

According to Ship B (2009), Ship C (2009) and Ship L (2009), undesirable or unwelcome union action or inaction can have a negative impact on the cruise lines' choice of destinations, thereby risking negative economic consequences for the destination if the efficient operation of a ship is disrupted or if it interprets its welcome as hostile. Ship L (2009) noted that on a recent turnaround port call, the *Volendam* needed to undertake some welding work relating to the ship's gangway, but according to him, the unions required the payment of A\$60,000 for a work permit to allow the ship's crew to carry out that work at Circular Quay even though the ship would only dock there once. In contrast, he stated that no such work permit is required at nearby Darling Harbour. Instead of carrying out the work at that cost, he commented that passengers were disembarked from a lower deck (Deck A) so as to avoid the component which needed to be welded. In another example also affecting the *Volendam*, Ship L (2009) reported that unionised workers onboard the fuel barge allocated to the *Volendam* in Melbourne failed to refuel the ship at the scheduled time. As a result the decision was made to forego bunkering (and therefore the local purchase of fuel) so as not to risk a departure delayed by deteriorating weather and the accrual of the additional costs which accompany delays. The incident was viewed negatively by Ship L (2009) who stated that it should be recognised that the supplier and the unionised port employees are providing a service and that even though Shell, the fuel supplier, has a monopoly, the parent company, Carnival, could alter its itineraries and bunker elsewhere. In this particular case, additional fuel was scheduled to be taken on in Auckland with the next bunkering taking place in Hong Kong on 4 April, more than two weeks after leaving New Zealand waters. Clearly, good bunkering is a requirement for port selection, particularly for home and turnaround ports

(Destination Victoria 2002, p 11). Whilst these two examples derive from Australia, the unions also operate in New Zealand. It is clear from the comments of the informants cited above that the relevant unions in New Zealand must therefore also be included in the community of stakeholders to ensure that they understand the nature and requirements of cruise tourism, thereby ensuring the smooth operation of port calls to New Zealand, to the extent that their activities impact upon cruise ships and their passengers.

(b) General supplies and maintenance

Whilst the main protagonist in this thesis is the cruise passenger, New Zealand as a destination must also consider the ship as customer. In fact, fulfillment of the ship's own procurement requirements (apart from food shipped from central warehouses and fuel taken on locally) can make a substantial contribution to the port destination's economy. General supplies are often sourced from merchants in the ports during the ship's voyage rather than requisitioning them through the cruise line's head office or from the shipyard which built the ship. For example, the ship may require a new supply of chairs,³⁴ paper goods, galvanised nails, sheet metal for repairs or even cheese to address shortages as it floats around the world's oceans. Of concern to the ship will be the price and availability of supply. According to Ship H (2009), vendors often raise prices on items purchased by the ship, citing the recycling bins which are installed in individual passenger cabins.

Repair facilities are also often necessary (and in Australia, accounted for A\$21.9 million in expenditures of non-port activity in 2007 – Access Economics 2008, p 21). For example, the ship may send a motor on shore to be re-wound during the time the ship is in port. From the cruise industry's point of view, the failure of the port community to be able to supply fast, efficient and cost effective goods and repair and maintenance services can be as much a threat to the port's continued inclusion in the ship's itinerary as are flaws in passengers' onshore experience. The comments set out above appear to lead to the conclusion that a ship's need to source general supplies and repairs provides opportunities for local chandlers and other merchants to promote their goods and services to the ships

³⁴ Thirty new chairs were sourced from a merchant in Christchurch during the 2 March voyage of the *Volendam*.

whilst the provision of poor or expensive goods and services will result in the loss of valuable business to onshore suppliers.

4.2.1.2 Marketing and promotion – attracting passengers

A passenger's decision to cruise is based on the consideration of many factors including whether to go on a cruise in the first place, where to go, the choice of cruise line and the choice of ship (Petrick, Li & Park 2007, p 10). That decision can be motivated by such diverse factors as a desire to return to a familiar destination, research leading to a decision to cruise to a new destination, the influence of friends and family, the advice of a travel agent, brand loyalty to a cruise line or even preference for a particular ship (Petrick et al 2007, p 11). This non-inclusive list of motivators offers an indication of the complexity of factors which also need to be addressed by cruise destinations to attract passengers, given that they must compete with motivators such as "which ship" and suggestions from friends and family. In addition, cruise destinations must also seek to attract the type of passenger who will make a positive economic contribution to the destination. Otherwise, the destination risks attracting passengers who spend very little whilst onshore.

In the cruise sector, however, destinations must market not only to passengers but also to the cruise line executives who make the decisions about where their ships will go, what ports they will visit once there and the profile of passengers who are likely to buy tickets for their cruises. As such, Industry A (2009) commented that the lack of information and the consequent lack of understanding by cruise lines of the New Zealand product is a barrier to growing the cruise sector in New Zealand. Given that New Zealand's share of the global cruise market is so small, he noted that the cruise lines are unlikely to invest substantial sums to familiarise themselves in any great detail with New Zealand as a cruise destination. Therefore, he stated that it is incumbent upon the appropriate organisations in New Zealand not only to market New Zealand's attractions in the most favourable way possible to the cruise line executives who make itinerary planning decisions, but also to ensure that the information they provide is specifically targeted to those cruise passengers who are likely to cruise to New Zealand. However, Industry A (2009) questions whether shore excursion staff really care about the selling the destination, or whether the sale of the shore excursion is superfluous to marketing a particular ship and itinerary to

passengers who often choose ships because of the ship itself. Industry A (2009) also cited a marked lack of knowledge about why passengers cruise to New Zealand and more specifically, why people of different nationalities cruise to New Zealand. He argues that the gap in knowledge precludes agencies such as TourismNZ from better targeting their cruise promotion spend.

Therefore, it is the author's view that significant investment needs to be made to obtain accurate, targeted and meaningful information about, *inter alia*, passenger demographics and preferences (*see e.g.* TourismNZ 2008, p 13); the types of ships which they are likely to choose; and what their likely preferences are for activities once they get to New Zealand. Conversely, author believes that the lack of such information can threaten New Zealand's ability to provide exceptional shore experiences for passengers and therefore its ability to attract passengers and maintain its competitive position. Also, consistent with Industry A's (2009) comments, the lack of accurate and meaningful information can result in swamping the cruise lines with irrelevant information, causing them to lose interest in New Zealand.

Another potential risk arising from the failure to launch a successful marketing campaign based on targeted marketing information is the possibility that New Zealand will attract the "wrong" kind of passenger. The heavy discounting of cruise fares during the 2008/2009 season resulted in a substantial number of cruise passengers visiting New Zealand who neither spent significant money on shore excursions (either through the ship or purchased independently) or on food or merchandise whilst onshore (Ship D 2009). The "wrong" kind of passenger can also be one that manifests unwelcome or even unacceptable behaviour as was the case in Mt Maunganui several years ago, when Australian cruise passengers invaded that community's bars (Onshore A 2009). This sort of behaviour is consistent with that reported by Farquharson (2006, p 8) where some tourists, including cruise passengers in the Caribbean seek to be "free from their own social norms," engaging in behaviour which local residents may find to be lewd and inappropriate and by Hritz and Cecil who observe that:

[a] shift from a port city to a cruise port city has long term implications. If the city of Key West elects to have more cruise ship arrivals and to tailor their amenities and attractions for the cruise ship passenger, they run the risk of losing land-base tourists, and ultimately residents. A less-educated cruise ship passenger on a three- to five-day cruise visiting Key West may not have the cultural understanding of the specialised markets that frequent the city, which could result in a loss of other specialised markets such as the gay and lesbian community, cultural festivals and other events. The city's image may become that of other mass tourism destinations with a homogenised and commercialised downtown tourist district (2008, p 179).

On a more positive note, the behaviour previously experienced in Mt Maunganui has now been supplanted by highly sophisticated Australian cruise passengers who recognise New Zealand's fashion labels and enjoy New Zealand foods and wines (Onshore A 2009). This shift provides support for the recommendation that better information (about all passengers) needs to be collected and analysed in a timely, thorough and critical manner so that the marketing of New Zealand and its individual port destinations can be tailored to and targeted at markets which are constantly changing.

4.2.1.3 Leadership, coordination and knowledge – attracting local support

Several informants from the port and broader tourism sectors expressed concern that the competitiveness, sustainability and therefore economic success of the New Zealand cruise sector is threatened by a lack of leadership and structure in the sector itself and amongst port destination communities. For example, it was apparent from their comments that they perceived a lack of leadership in the roles which the actors in New Zealand's cruise sector feel obligated to assume. Port A (2009) and Port B (2009), both operational personnel employed by their respective ports, commented that they are directly involved in organising and coordinating passengers' onshore activities beyond the port. According to these interviewees, their proactive response is the result of the lack of a dedicated, national cruise organisation. Another area of their concern is the high turnover of staff within RTOs (Port A 2009; Port C 2009; and Onshore B 2009). Stability in RTO staff is viewed as critical (Port A 2009) because the RTO needs to understand and promote its "grass roots offerings" (Port A 2009). Additionally, the transiency in staff means that no long-term or strategic planning can take place or be implemented (Port C 2009). Onshore

B (2009) attributes the high turnover in staff to the low salaries paid. Concern was also expressed by Onshore B (2009) about the lack of knowledge of the cruise sector amongst the RTOs and the “clear disconnect” between IBOs and RTOs whilst two interviewees (Onshore A 2009 and Onshore E 2009) voiced concern about the role and contribution of TourismNZ in respect of the cruise sector. The view was expressed that TourismNZ is more attuned to air passengers than cruise passengers, that there is a lack of understanding within TourismNZ about the cruise sector and that information about cruise ships and passengers visiting New Zealand is impossible to obtain.

These concerns (i.e. the lack of knowledge about the cruise sector and the absence of leadership and coordination), voiced by various tourism sector informants, extend beyond the “professional” tourism sector³⁵ to the many different actors who are also involved in cruise. Such “incidental” actors include *inter alia*, town planners, the police, local transport officials, shop owners and medical and emergency staff. According to Port A (2009), the involvement of so many actors, each with his or own vested interest and accountability to an even greater community of interests poses a significant quantum of risk, therefore motivating him to take a leadership role.

Within the community itself, the community’s response and welcome to a cruise ship can make the difference between a positive port call (signaling the return of the ship on a regular basis) and a negative one (acting as a harbinger of elimination from the itinerary). This response can range from the extremely warm, proactive welcomes extended by Mt Maunganui (*see* Case Study, section 5.3) and Burnie³⁶ (*see* Case Study, section 5.2) to the one of hostility demonstrated by Key West³⁷ (Hritz & Cecil 2008). However, port destination communities can also “become either complacent or apathetic, or both, with the local community taking the presence of cruise ships for granted” (Tourism Queensland 2009, p 28). Communities which exhibit negative sentiments risk losing the economic benefits which would otherwise accrue to them. A lack of planning by

³⁵ E.g. the RTOs, TourismNZ and the IBOs.

³⁶ Tasmania.

³⁷ Florida.

communities will also exacerbate the tensions which can arise between the port destination communities and the cruise lines:

As could be observed, there is a portion of the decision makers of destinations that pressure to promote cruise tourism but there is no policy in the local governments to control the impacts of such activity. Given this fact, an alarm signal arises. The lack of planning that allows confronting the massive arrivals of cruise tourism is the guarantee of multiple negative effects in a destination wherever this segment exists or is under consideration like an option for its economic growth. Ports too often perceive that they need the cruise ships more than the cruise lines need them, but in fact there is a mutual need. Ports have not yet realized that with the recent expansion of the cruise industry cruise lines need new ports as much if not more than the ports need them (Brida & Aguirre 2008, p 4).

In other words, communities need to understand that cruise tourism has immediate and practical benefits for the community as well as long-term strategic benefits (Ship A 2008). Otherwise, the potential for loss becomes great.

The comments set out in this section outline the views of several informants in the cruise industry as well as by local tourism representatives (i.e. Onshore B 2009) that there is a major weakness in the New Zealand tourism supply chain which must be addressed in order to preserve New Zealand's reputation as a desirable cruise destination. As noted elsewhere in this paper, the cruise sector must be recognised as a major contributor to New Zealand's tourism sector and managed appropriately. From these informants' point of view, every individual and every agency (including RTOs) who is either directly or indirectly involved with the cruise lines, their ships and their passengers must acquire an understanding of the sector, its current impact on the New Zealand economy and its potential for future growth – and how that growth should be managed.

4.2.2 Infrastructure development

4.2.2.1 Connections

New Zealand's own extremely small domestic cruise market and remote location make it highly dependent on air transport to supply its market. From the author's own experience gleaned over six Australia/New Zealand itineraries, it appears that only a very small

number of New Zealanders take part in the Australia/New Zealand itinerary.³⁸ Accordingly, the vast majority of passengers either joining or leaving their cruise in New Zealand must take an international flight of between three and 24 (or in some cases, more) hours. Therefore, fears brought about by terrorism, long flights, the cost of air and even the carbon footprint left behind by the airborne cruise passenger can be significant threats to cruising in New Zealand, threats which are particularly acute amongst the Americans (*see* Floyd, Gibson, Pennington-Gray & Thapa 2004, p 20). As noted by Roehl and Fesenmaier:

Newspaper headlines and public opinion polls show that the American public is anxious about many aspects of everyday life. Uncertainty exists concerning global warming, waste disposal, terrorism, pesticide residue in foods, etc. Even tourism has become the subject of consumer uncertainty (1992, p 17).

The heightened fears of Americans is also noted by the McKenzie Wilson Partnership (MWP) (2004, p 5) who list the events of September 2001 coupled with the continuing fears over terrorism, the economic climate in the United States and concerns over SARS as negatively affecting Americans' decision to travel, including whether or not to cruise. Much of this fear is borne out of events which have targeted Americans directly or which they perceive to be of danger if they put themselves in close proximity to them. For example, terrorist activity in Rome and the nuclear meltdown at Chernobyl have been cited as the reasons for lower American visitor numbers to Europe in 1986 (Roehl & Fesenmaier 1992, p 17). Of relevancy to this thesis is the murder of American cruise passenger Leon Klinghoffer by terrorists on the *Achille Lauro* in 1985, an event which is mentioned in the literature (*see* e.g. Simon 1986, p 1) and continues to be mentioned by passengers as a concern in terms of passengers' feelings of safety and the ultimate decision whether or not to cruise.

In terms of cost, although most Australia/New Zealand cruises start either in Auckland or Sydney and disembark in the other city, passengers other than those from Australia and

³⁸ The number of New Zealanders on the Australia/New Zealand itinerary appears to average no more than fifteen or 20 per voyage although there were 89 New Zealand passport holders on the 20 December 2009 voyage of the *Volendam*. It should be noted, though, that not all live in New Zealand.

New Zealand can book round-trip flights which are generally less expensive than one way flights. However, a surprising finding is reported by Marti (1992, p 365) who observed that passengers on the now defunct upmarket *Royal Viking* preferred open jaw³⁹ air arrangements rather than the less expensive return trip package because it enabled them to add another city to their trip by staying on in the city where they disembarked rather than returning to the embarkation city for their flight home. Given that the Australia/New Zealand itineraries already provide this opportunity, i.e. embarking a city on one side of the Tasman and disembarking in a city on the other, the author believes that a more proactive marketing strategy needs to be adopted to encourage passengers (both pre- and post-cruise) to maximise the opportunities provided by that “added” destination (i.e. Auckland) as a gateway for spending more time in New Zealand. In fact, Pattulo (1996, in Hritz & Cecil 2008, p 169) argues that the single day port call can function as valuable destination marketing tool.

The absence of convenient, affordable connecting flights poses a significant threat to New Zealand’s continuing popularity as a cruise destination, particularly because of its distance from major originating markets. Inconvenient, expensive connections can result in a decision not to travel to New Zealand to cruise, as evidenced by the propensity of Americans to stay closer to home during the 2007-2010 recession (McKnight 2009, unp). For example, the cost of an air ticket can often equal or surpass the cost of the cruise itself, a scenario often encountered by the author (*see* e.g. reference immediately below to Appendix A). Also, difficulties can arise in finding convenient connections which reach the embarkation port on the day of departure, or the day before. This situation seems to be particularly acute for long-haul connections through Asian airports, where all flights do not operate on all days to (or from) the desired destination. An example of the author’s own difficulties with booking flights from Auckland to Venice to join a cruise can be found in Appendix A.⁴⁰

³⁹ An open jaw ticket is one where the passenger flies into one city (destination) and departs from another.

⁴⁰ Whilst the author of this thesis was traveling in the opposite direction from those European passengers who wish to travel to New Zealand, the net effect is the same.

The timing of departing and arriving flights in New Zealand can also have a negative impact on cruise itineraries, particularly involving long-haul flights from New Zealand's principal originating markets (i.e. the United States, Canada, the United Kingdom and the western regions of Australia). Ship A (2009) commented that because of the long-haul flight schedules, it is impractical for ships to end their cruise in Auckland at 7am and expect to turnaround for departure at 4pm, as is the case in many major cruise markets. Both passengers and crew (who choose to travel on the day the ship is scheduled to leave) are likely to arrive at the dock in the afternoon. In addition, there needs to be sufficient air capacity to accommodate cruise passengers (*see* Destination Victoria 2002, p 11).

Another aspect relating to the air transport of cruise passengers are the rules relating to baggage allowances. In addition to the full range of all-weather clothing, shoes, sports gear, electronic items (including digital cameras, laptops, etc), pharmaceuticals and other items which cruise passengers pack, they are also asked to include formal wear in their cruise wardrobe. Passengers will pack in accordance with their international carriers' rules and in the case of business or first class passengers, will have a generous allowance, either by number or weight of bags. However, the baggage allowances for Air New Zealand's domestic flights (for stay over passengers or those who connect through Christchurch or other provincial airports to Australia) are generally more restrictive (Air New Zealand Ltd 2009, unp). It is this variation between individual carriers' rules on baggage allowances which can generate confusion and added expense for cruise passengers joining or leaving their cruises in New Zealand, thereby leading to insurmountable frustrations resulting in a loss of cruise business.

(a) Air/sea packages

The availability of air/sea packages can strengthen the competitiveness of a cruise destination and in the case of remote destinations such as New Zealand, be determinative of whether those destinations can attract a sufficient number of cruise passengers or not. According to Marti (1992, p 367), the "provision of an air/sea package is an essential ingredient of the entire cruising experience, especially for cruise vessels deployed on worldwide itineraries." If priced competitively (on both the wholesale level to the cruise

lines themselves and to the end-user consumer), they can result in a reduction of fares, thereby making the destination more competitive:

the development of the ‘fly-cruise’ product has enabled US cruise lines to bulk purchase scheduled airline seats, facilitating price promotion, booking arrangements and the lowering of fares to the consumer” (Hobson 1993, in Dwyer & Forsyth 1996, p 40).

On the other hand, the failure to provide competitive air fares and air/sea packages or to rely on policies which risk alienating both the cruise passenger and the cruise lines (e.g. inconvenient flight schedules or draconian baggage rules) can result in the withdrawal of cruise ships from a destination. According to press reports, both Holland America and Carnival have reduced sailings from Vancouver in 2010, in part because of the availability of more competitive and discounted flights from nearby Seattle (Anderson 2009, unp). Anderson (2009, unp) reports that “seventy-five to 80 percent of Alaska cruise passengers are from the United States and it’s cheaper for those passengers to fly to Seattle.” The withdrawal of 62 sailings and their 260,000 passengers is expected to result in an economic loss of US\$120 million to the Vancouver area.

(b) Land transport connections

Another weakness in the New Zealand cruise experience is the lack of seamless, cost effective and efficient surface transportation between the Port of Auckland and Auckland Airport (Ship B 2009). According to Marti (1990, p 161), ports of embarkation and disembarkation must be in close proximity to other forms of transportation. Whilst Auckland Airport is only approximately 20 kilometres from the Auckland cruise terminal, transportation to and from the airport is difficult at best, and apart from rental cars, is restricted to road transport (i.e. taxis, buses and shuttle services). Because of traffic congestion, trips between the Airport and the Auckland dock areas can take 90 minutes or more, and are expensive. Serious consideration should be given to building an air tram, magnetic levitation (maglev)⁴¹ train or other light rail to move cruise passengers (and all travelers) from the airport to the cruise terminal (Ship B 2009). In addition, marshaling room needs to be adequate for taxis and buses to pull up to the cruise terminal to board

⁴¹ For a non-technical explanation of maglev technology, see About.com (2009).

and discharge passengers (TourismNZ 2008, p 12; *see also* CTVbc.ca 2008 – lack of organisation for transportation at the Vancouver cruise terminal).

4.2.2.2 Ports and passenger facilities

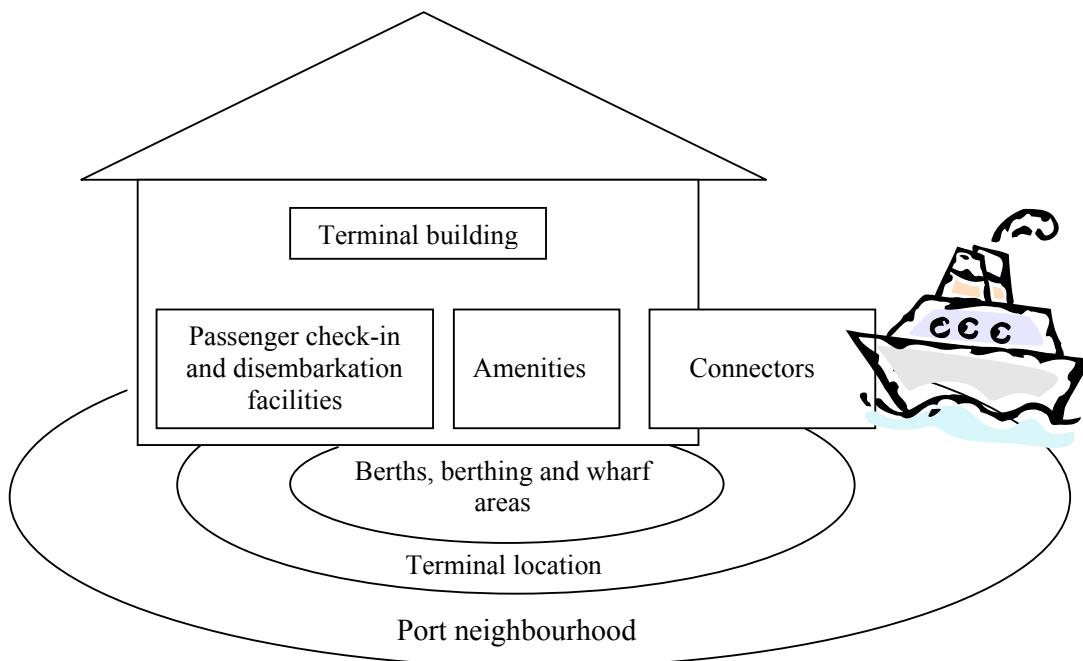
Passengers' first impression of a port destination is the port itself, and the facilities which are available to them. The port itself must be able to "provide a pleasing environment" (Marti 1990, p 161) and maintain excellence in all areas of service (Destination Victoria 2002, pp 50 -51) because any negative experiences or inadequacies will have an equally negative impact on the passengers' perceptions of the port and therefore the cruise lines' willingness for its ships to return. Two main concerns regarding New Zealand's ports and its ability to accommodate increasing numbers and sizes of ships need to be considered, i.e. (1) the port environment; and (2) the port's facilities. Both concerns are reflected in a quandary of Shakespearian proportions currently facing New Zealand, and that is: "to build or not to build,"⁴² or more specifically, whether to build purpose-built, modern cruise facilities, or not. It is indeed a quandary, given the divergence of opinion about what is desirable on the one hand, and what is feasible on the other. Many interviewees (e.g. Ship A 2008, Ship B 2009 and Ship C 2009) expressed the view that a key weakness in New Zealand's cruise tourism sector is the lack of adequate passenger facilities at its ports,⁴³ thereby potentially jeopardising visits by increasingly larger cruise ships.

It is within this context that the infrastructure components found in Figure 4.1 are discussed in this section.

⁴² With apologies to Shakespeare (1601), *Hamlet*, act 3, scene 1.

⁴³ It should be noted, though, that during the time in which the author conducted her research, a decision was made to redevelop Queens Wharf in Auckland in order to provide cruise passengers with a facility that has "adequate facilities to support [cruise] visitors and their needs" (Dearnaley 2008, unp, quoting Christine Rose, Chairperson of the Auckland Regional Council Transport Committee). However, in March 2010, it was decided not to continue with plans to build a cruise terminal and party venue at Queens Wharf in time for the Rugby World Cup 2011 but instead, to build a more functional terminal in due time (French 2010, unp). Therefore, some content in this thesis had to be amended, but the principles and issues discussed remain valid.

Figure 4.1: Ports and passenger facilities – building blocks



(a) Terminal building

Ajamil (2005, unp) notes that the demand for cruise terminals is predicted to rise significantly through 2017 but that the port industry has responded with low cost solutions because of a lack of financial capacity and anticipated revenues. He describes the evolution of cruise terminals as starting with a temporary facility, then moving through the cycle of converting an existing building, building a new facility and ultimately developing a facility based on shared use (e.g. Vancouver which consists of a wharf, conference centre and office building). Ajamil argues that warehouse style terminals do not provide a high enough level of operational efficiency unless they can be improved to offer two level operations, two gangways and escalators or elevators. He further argues that the cruise lines “are beginning to expect better terminals” in better locations and which are larger, provide more comfort, better gangways and can handle larger numbers of passengers (including security and customs clearance). From the cruise lines’ perspective, Ajamil

cites guaranteed preferential berths and controlled or reduced tariffs as desirable. With the exception of Princes Wharf in Auckland, all of New Zealand's cruise passenger facilities fail under Ajamil's definition of an acceptable terminal, thereby potentially leading to the predictable sanction of a loss a cruise ship visits and revenues which their passengers contribute.

Insofar as New Zealand is concerned, Ship C (2009) commented that his cruise line's own passengers, who tend to be over 50, retired and generally well-off require and expect "great facilities." Ship C (2009) further commented that dedicated berths and terminals are in fact necessary if New Zealand is to display a professional image and "wants to get serious" about continuing to be a premier cruise destination. He commented that with the exception of Tauranga, New Zealand ports are not cruise friendly and that New Zealand is behind in terms of understanding the true revenue value of cruise ships to the economy, particularly as compared with the Caribbean and Alaska. As a result, he urges that the New Zealand cruise sector invest in purpose-built terminals with the facilities and amenities that cruise passengers expect. However, given the reality that dedicated terminals are unlikely to be built at most ports in New Zealand, he suggests that consideration be given to finding ways in which New Zealand can offset that disadvantage with things that it can do well to demonstrate that it is serious about welcoming cruise passengers.

A contrasting view was offered by Ship B (2009) who argues that there is no real requirement for an upmarket cruise terminal or related infrastructure to handle passengers, particularly in ports of call (*see* Table 4.5 for a description of the differentiating characteristics of ports of call, home ports and hybrid ports). However, he admonishes that whatever facilities are provided need to work to ensure that cruise ships continue to call. For example, Ship A (2009) commented that the QE2 abandoned a port call to the Bay of Islands because of "logistical/infrastructure" failure. Whilst no further details were forthcoming from Ship A, his comment is indicative of the need to provide an operational environment which not only serves the interests of the port and the port destination community but also of the ships themselves. A missed port call can result in

significant economic losses to the port destination and a reluctance of any affected ships or cruise lines to schedule further calls to that port.

Thus, Hamlet's question (or at least the cruise sector version of it) is a significant one for many destinations, including New Zealand. According to Klein (2005, pp 11 and 17), the decision to build a new terminal (or not) has to do with the kind of cruise tourism port destinations want and whether they will benefit from a sufficiently high return on investment to make it worthwhile (or indeed, any return at all). Jackson (nd, p 14) echoes this concern, stating that the level of investment in "deep water basins, berths and shopping complexes for cruise tourism is not justified when compared to [sic] the level of return in visitor expenditure and revenue to governments." Klein (2005, p 11) cites the example of Prince Rupert, a port community in Canada which opened a new C\$9 million terminal in 2004 with the expectation that the community would attract many cruise ships. According to Klein (2005, p 11) the city anticipated more than C\$30 million in annual revenue generated by 35 scheduled port calls. However, at the start of the season, Celebrity Cruises announced that *Mercury* would shorten its thirteen stops to one-hour "technical calls" during which passengers would not disembark, therefore making the new terminal redundant and resulting in the loss of anticipated revenues for both the port and the community. In New Zealand, the decision to build will need to be balanced between the port companies' willingness to invest in an activity, i.e. cruise, which they do not necessarily perceive to be either core or profitable business (TourismNZ 2008, p 12) and the community's willingness to provide welcoming facilities for cruise ships and their passengers.

Whether a decision is taken to build a new, dedicated facility or re-purpose or refurbish an existing structure, there are a number of potential threats which need to be considered and managed:

Table 4.3: Potential economic risks relating to cruise facility construction

Threat	Causes
Supply chain uncertainties	Reticence to invest in any shore facilities and attractions if there is a downturn in passenger numbers or if travel preferences and interests change.
Transport infrastructure uncertainties	There needs to be certainty in transportation access (mainly air) from originating markets. Lack of certainty threatens access to and investment in the destination.
Planning, approval and regulatory barriers	Difficulties in securing land for infrastructure development, working through the regulatory process and resolving competing interests (such as tourism vs office development, where tourism is invariably ranked below other land uses).
Public asset constraints	Because much of tourism (and cruise) infrastructure may be publicly-funded and owned, other priorities may jeopardise tourism (cruise) infrastructure funding. Questions will also be raised about the return on investment of public funds. Also, private investment may not be forthcoming because of the lack of certainty over public investment in tourism assets.
Untargeted government funding	Although government allocates significant funding to tourism infrastructure for “regional development, transportation, environment, heritage, arts, sport and recreation,” this funding generally is not made in respect of an overriding, strategic goal and does not always find its way to the projects most in need of that funding.

Based on: Tourism & Transport Forum Australia (TTF Australia) 2008.

The operation and management of cruise terminals is a related issue and one which also needs to be considered in New Zealand. Terminals which are mismanaged or “considered to yield negative impacts” for the cruise line can result in a reduction of total loss of port calls to the region (Atherley 2003, p 9). Additionally, perceptions amongst stakeholders or within the community that a cruise facility is badly managed or operated can result in a hostile reception for cruise passengers who visit the port destination.

(b) Passenger check-in and disembarkation facilities

The capacity of a port to process high volumes of passengers efficiently is a key feature considered by cruise lines when selecting a port (Destination Victoria 2002, p 11). The only port in New Zealand requiring such facilities is Auckland, New Zealand’s sole

turnaround port (*see* Table 4.5). However, Auckland's current passenger terminal at Princes Wharf presents many challenges for both ships and passengers. In Ship C's (2009) view, these problems can be determinative of whether Auckland continues to host cruise ships. According to Ship D (2009), the terminal's position nestled amongst shops, apartments and a hotel makes it hard to find and also gives rise to the view that the terminal exists merely to accommodate the cruise ships and not the passengers or service providers such as taxis and provisioning agents.

The process of disembarkation at Princes Wharf is generally efficient, but there are some issues which need to be addressed, particularly for any new cruise facility which may be planned for Queens Wharf (*see* McDonald 2009, unp).⁴⁴ Whilst staff direct disembarking passengers to the luggage, transport and meeting point areas, each of these areas is small, congested, confusing, unsafe and particularly inadequate to accommodate passenger exchanges (i.e. embarkation and disembarkation on the same day) involving large ships (*see* TourismNZ 2008, p 12). The crowding at Princes Wharf becomes particularly evident when provisioning takes place. Even without the reality of the crowded spaces at Princes Wharf, Access Economics (2008, p 23) confirms that the "port infrastructure requirements of a large, modern cruise ship are significant" (Access Economics 2008, p 23). For example, ships need to transfer thousands of passengers and crew into waiting coaches, and commercial vehicles need access to service the ship. Disembarking passengers compete with road traffic as they seek their onward ground transportation. In one incident a jack-knifed truck had to be removed from the terminal's narrow access road by a barge which lifted it and put it back on the road. If Princes Wharf continues to be used, and indeed if similar problems are encountered at any terminal to be constructed at Queens Wharf, consideration should be given to using Tauranga as an alternative port for bunkering and provisioning, thereby making the embarkation and disembarkation processes far simpler and less congested in Auckland. However, the use of Tauranga as a turnaround port for passengers is not feasible according to Port B (2009), mainly because

⁴⁴ See footnote 33.

of its lack of hotel beds for arriving and departing passengers⁴⁵ and the inability of its airport to accommodate long-haul aircraft. It is Tauranga's inability to accommodate turnarounds and exchanges that has motivated Tauranga to make day visits as simple and pleasurable as possible, including ensuring that passengers can exit the port quickly and efficiently.⁴⁶

In terms of the terminal itself, an efficient terminal will have a large baggage claim area (Ship A 2008; Ship D 2009; Port of San Francisco 2007, unp), space for regulatory personnel such as immigration and customs representatives (Atherley 2003, p 9), an adequate stores area to accommodate supply vehicles (Port of San Francisco 2007, unp) and ample room for passengers ("surge space") (Port of San Francisco 2007, unp). According to Ship A (2008), the baggage area at Princes Wharf is too small (*see also* TourismNZ 2008, p 12) and both the baggage area and the terminal are inadequate for group handling (TourismNZ 2008, p 12). Problems such as inadequate baggage facilities can lead to passenger dissatisfaction and therefore negative ratings and more significantly, a loss of cruise business altogether. Clearly, these are issues which need to be addressed, particularly given the desired upgrading of facilities at Queens Wharf.

The personnel deployed for passenger check-in and disembarkation is a particular areas of weakness at Princes Wharf. Ship F (2009) reports that the onshore check-in staff are untrained, negative and unhelpful despite the otherwise efficient and attentive services provided by HAL's shipping agents, ISS-McKay. According to Ship F (2009), the check-in staff consider the job to be casual, part-time work with the result that the personnel change every time and therefore need to be trained by the cruise line each time a ship docks in Auckland. Ship F (2009) argues that there is therefore a need for a permanent, trained check-in staff who are for the most part the cruise passenger's introduction to the ship and his or her dream holiday.

⁴⁵ According to Port B (2009), 5,000 beds would be required. It is the same reason why Rotorua was awarded the Rugby World Cup 2011 pool games instead of Tauranga, i.e. an insufficient number of beds.

⁴⁶Picton and Mt Maunganui are the only two ports where passengers need only walk about 100 metres to exit the port.

(c) **Connectors – physical access between ships and wharves, including gangways**

Of direct concern to cruise passengers, the ship and the port are the gangways which are provided for embarking and disembarking passengers (and crew). Whilst gangway safety is clearly the province of both the ship and the port, the efficient and safe management of gangways was cited by several informants as a factor in a ship's choice of port destinations. For example, Ship H (2009) and Ship B (2009) commented that antiquated, narrow gangways pose a wide range of safety and convenience issues which can compromise a port's welcome to ships and passengers and are of concern to visiting cruise ships. When the *Volendam* was in port at Picton in March 2009, the gangway separated from the ship when the ship drifted from the dock, probably because of the winds. Similar scenarios have occurred at Port Alberni, British Columbia where a problem with the gangway attachment resulted in a 45-minute delay for disembarking passengers (Hamilton 2009, unp), at Palma de Mallorca where high winds caused the gangway to separate from the *MSC Fantasia*, resulting in a passenger falling into the sea (BBC News 2009, unp), and in Melbourne where a ship pulled the gangway away from the pier (Ship B 2009).

In terms of passenger convenience and the efficient management of passengers using the gangways, gangways need to be wide enough to allow impaired passengers to use their wheelchairs and walking frames as well as to enable passengers who are both embarking and disembarking to access the gangway at the same time (Ship H 2009). Two-way access is particularly important for ships such as the *Volendam* whose passengers tend to be older and therefore return to the ship earlier in the day (whilst other passengers are disembarking) as compared with Princess passengers who tend to be younger and stay out all day, thereby creating more congestion around the gangway in the late afternoon as they return to the ship. There was also some criticism leveled by Ship D (2009) about access for impaired passengers, particularly as compared with the United States. It was noted that in New Zealand ports cannot always guarantee gangway access for impaired passengers, even when information is provided by the ship before its arrival. Passenger comfort was mentioned by Onshore C (2009) who urges the deployment of airport-style gangways at all ports so that passengers have protection from the cold or rain when waiting for buses or other transportation upon disembarkation or to embark at the end of the day, when security queues can be long. A similar plea was made by Industry C (2009)

who also suggested erecting marquees at Napier and Dunedin to protect passengers against the weather and blowing coal dust and wood chips.

(d) Amenities

According to Ship C (2009) and Port A (2009), the provision of well-managed wharf side services and amenities is one way to demonstrate a welcoming environment. “Meet and greet” staff are essential at ports to answer passenger questions and direct them to their tours, services and amenities. Staff must be trained, professional in their approach and managed by some agency or organisation and be accountable to that agency. Whilst meet and greet staff are for the most part enthusiastic and helpful volunteers, their casual status often means that there is a high turnover, resulting in a steady stream of new volunteers who need to be trained and who can sometimes provide inaccurate or confusing information.

Port A (2009) and Ship C (2009) also strongly urge that all wharves have toilets, reception facilities and other amenities geared to cruise passengers (*see also* TourismNZ 2008, p 12). Basic post office services on the wharf would be a service particularly welcomed by cruise passengers who send their purchases and postcards home. Foreign exchange services which are available on or near the wharf (Ship K 2009) or even available onboard⁴⁷ and which are open for the duration of all port calls (including weekends and public holidays) are vitally important. It is clear from both the comments made by the informants and the author’s own observations that on-wharf facilities are essential because passengers disembark and leave for their tours before banks and other foreign exchange facilities in the port destination itself are open. Failure to provide foreign exchange services for passengers is not only a source of major frustration for the passengers themselves, but can also result in substantially lower revenues for the port destination’s shops, attractions and other revenue outlets. Onshore C (2009) suggests that consideration also be given to providing foreign exchange services through the i-Sites, particularly on weekends and public holidays. However, the provision of services and amenities should

⁴⁷ In some ports, representatives of a local bank and the post office provide services onboard for at least the morning hours when the ship is in port. Usually, a table is set up in the ship’s atrium so it is accessible to all passengers.

not be restricted to physical services. For example, all signage and port websites should also be available in foreign languages (Onshore B 2009). A lack of any of these services or amenities can result in passenger dissatisfaction, resulting in negative feedback and an inclination to drop sub-standard or sub-optimal ports.

Internet and telephone services

A lack of Internet and telephone services can also impact negatively on passenger perceptions of port destinations. Whilst traditional definitions of a holiday incorporate the notion of pleasure (Swarbrooke & Horner 2007, p 14 – referring to the Romans who introduced the idea that tourism is for pleasure), the reality is that passengers (and crew) increasingly depend on the Internet and other communication methods to continue working as well as to stay in touch with family and friends, conduct their electronic business such as banking and organise their onward travel and tour arrangements, even during their cruise holiday. Whilst almost every cruise ship has Internet access,⁴⁸ ship-to-shore telephone facilities and increasingly, mobile phone cells at sea, these services are disproportionately expensive to their counterparts on land.⁴⁹ As such, access to affordable Internet and phone services onshore can often be a factor in the decision to cruise to a given destination. Therefore, the lack of sufficient, accessible and affordable Internet facilities (both at Internet cafes and via wireless services) are required within or at least close to the port area.

(e) Berths, berthing and wharf areas

Port clashes⁵⁰

One of the most critical logistical problems facing New Zealand is overcrowding at its cruise berths, or port clashes. The challenges for New Zealand are not dissimilar to those facing the Caribbean where, according to Farquharson, the key short-term challenge is the

⁴⁸ Via onboard computer terminals or passenger laptops connected to the ship's wireless network.

⁴⁹ Typical shipboard charges for Internet use are US\$55 for 100 minutes or US\$100 for 250 minutes, whilst Vodafone's roaming charges for marine use range from NZ\$8.80 to NZ\$20.15 per minute for international calls (NZ\$11.05 per minute for calls back to New Zealand) as well as an incoming call surcharge of NZ\$7.15.

⁵⁰ A “port clash” occurs when more than one vessel seeks to dock at the same berth on the same day, thereby forcing the surplus vessel(s) to reschedule or divert to a different port.

sheer growth in the cruise line industry and the parallel growth in the numbers of mega-ships:

At present, it is held that the infrastructure is insufficient. There is need for government, communications and transportation infrastructure that will allow for adequate monitoring of the arrival of goods and people. It is suggested that by the year 2010 over 17 million people will be taking a cruise each year (2006, p 13).

Atherley (2003, p 8) similarly comments that “[a]t a minimum, a Port serving the cruise industry today needs at least two mega-ship berths if they are to make an impact.” However, if such expanded facilities are mismanaged or yield negative impacts, a reduction or total loss of port calls to the region can result (Atherley 2003, p 9). Similarly, according to Vojvodić (2003, p 208), port clashes give rise to inefficiencies with the result that the passenger suffers.

In the case of New Zealand, there are two significant and related reasons for an anticipated increase in port clashes, i.e. the continued growth in cruising to and around New Zealand and New Zealand’s relatively short cruise season. In both cases, the desire to have more ships and more revenue needs to be balanced against the necessity to avoid port clashes because of the problems which can ensue. For example, port clashes in both Hobart and Sydney during the 2008/2009 season caused serious problems for both the port and the community including harbour congestion, overcrowding in the community and traffic delays.⁵¹

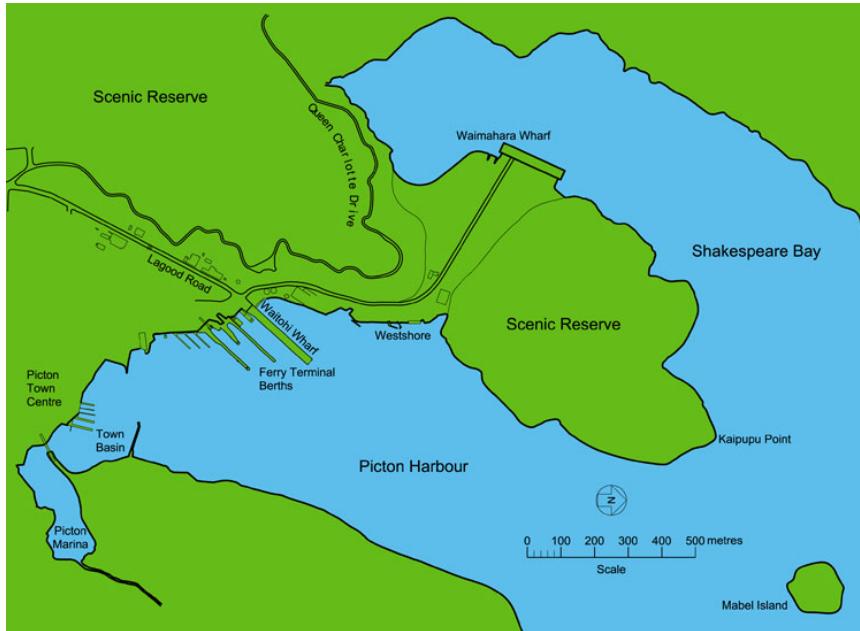
Crowding problems already occur in New Zealand. Some ports are able to handle more than one ship, but others cannot because of berthing limitations. In some cases, ships will seek alternative ports if they are unable to berth where they had originally intended. For example, a clash at Lyttelton during the 2008/2009 season resulted in the *Diamond*

⁵¹ The presence of four ships in Sydney Harbour on Sunday, 1 March 2009, albeit spectacular, resulted in a series of problems. The overcrowding meant that the fourth ship had to moor in the harbour and that the severe congestion in the harbour and on land “threatened Sydney’s ability to deliver” (Industry B 2008). On “Super Sunday,” residents were warned of traffic delays and urged to use public transport. In addition, the traffic problems at Circular Quay were further compounded by the difficulty of larger vehicles moving in and out of The Rocks to provision the ships docked there (Meacham & Murray 2009, unp).

Princess docking at Akaroa instead, a destination which has proven to be popular with passengers but which resulted in a loss of revenues to both Lyttelton and Christchurch. Similarly, with two ships already scheduled for Port Chalmers on 6 February 2009 (Waitangi Day), the *Seven Seas Voyager* was diverted to Timaru but with a less successful result (Timaruherald.co.nz 2009, unp – the port call failed to yield the anticipated “bonanza” for retailers). Another clash involved three ships at Napier on two different days of the 2008/2009 season according to Port C (2009).

Related to the issue of port clashes and often coalescing with it is the arrival of increasingly larger ships. For example, two very large vessels will call into Napier on the same day during the 2009/2010 season, thereby requiring one ship to moor. Because it will be moored, the ship will need to stay in Napier for a full day. Port C (2009) noted, however, that where there is such a clash, he prefers that one ship moor so that the second ship does not have to be allocated the dirty berth (i.e. the berth which has logs and coal wharf side) in an effort to ensure that passengers arrive at a port which is otherwise tidy, clean and has good access. The situation is different in Marlborough where that port is investing in the development of Shakespeare Bay (*see Figure 4.2, below*) so that the area can accommodate bigger ships. Port D (2009) stated that the region is keen to attract the bigger ships because of the increased potential for revenue, but that there are two issues which also must be borne in mind. The first is that a large ship will consume all of the available product in the region and the second is that there will be a negative impact on the environment.

Figure 4.2: Map of Picton Harbour and Shakespeare Bay



Source: Port Marlborough New Zealand Ltd 2009, unp.

It was also noted that further development is required in Wellington to allow more than two ships to dock (Industry C 2009).

Mega ships

The accelerating shift to and deployment of mega ships poses significant threats to New Zealand. The following table sets out some of those threats:

Table 4.4: Threats posed by mega ships

Locus of threat	Threat	Impact of threat
Character of the cruise	Passengers may elect to remain on board to experience the resort-like facilities of the ship	Passenger spend onshore will be less
Ports and port facilities	Length of wharf	Longer ship may not be able to dock or may interfere with port operations

Table continues on next page

	Passenger and crew exchanges	Insufficient hotel rooms for increased demand
		Insufficient transport options
Environment	Passengers generate more rubbish	Port destinations may not be able to cope with added burden or may have to bear additional costs
Shore excursions	Local attractions may not be able to cope with increased demand	Local attractions may be forced to close when mega-ships discharge their thousands of passengers into the port destination community or at the very least, experience long queues of both passengers and land-based tourists seeking to gain entrance
	Communities may feel overwhelmed	Restaurants and shops may become unbearably over-crowded, causing dissatisfaction amongst local residents and land tourist
		Roads may become congested

According to Ship C (2009), the need for dedicated berths and terminals is further exacerbated by situations such as Lyttelton where everything is covered in a fine black coal dust, Dunedin where wood chips blow on everything and Napier where there are logs and coal wharf side (but not on the active passenger wharf). Similarly, Onshore B (2009) noted that there are logs in Shakespeare Bay where the new cruise ship berth is being developed for Picton. Whilst some passengers will accept the fact that logs and coal are simply a feature of a working port, Nilsson, Marcussen, Pedersen and Pedersen argue that an unattractive port environment will generate negative comments amongst passengers:

[T]he port at Rönne and Klaipeda is not attractive for the tourists. Shuttle buses take the passengers through the ugly (for most passengers anyway) industrial port to the city centre. In Rönne it is possible to walk through the area but that takes quite a long time. In Klaipeda it is not possible to do so. In Luleå the walk through a semi-industrial area is long (about 2 kilometers) and there is no kind of transportation (2005, p 38).

However, although much can be done to make the wharf areas more passenger friendly, a balance needs to be struck between passenger convenience and the commercial requirements of the port.

(f) Terminal location

The decision of where to locate a cruise terminal or other cruise passenger facility depends on a wide spectrum of factors including, *inter alia*, the ability of ships to navigate to the terminal, the terminal's proximity to surface transportation and environmental concerns. From an operational point of view, the decision in large part depends on what type of port it is. McCalla (1997, p 47) defines three categories of ports:

Table 4.5: Port types

Type of port	Characteristics	Examples
Home port	Passengers embark or disembark at the beginning or end of their cruise, respectively.	Miami Vancouver Port Everglades
Port of call	The port is part of an itinerary; passengers are at the port for only the duration of their port call	Dunedin Christchurch Tauranga Napier
Hybrid port	Serve as both home ports and ports of call	Sydney Venice Amsterdam Auckland

Source: McCalla (1997, p 47).

According to McCalla's typology, Auckland is a hybrid port because it is both a turnaround (home) port for trans-Tasman sailings and a port of call for repositioning and world cruises. The status of Auckland acting in its home port role could be jeopardised by an inability to manage a complete passenger exchange (i.e. disembarking and embarking on the same day) involving very large ships with many thousands of passengers and crew (Marti 1990, p 161; Industry A 2009). According to McCalla (1997, p 46), such exchanges at home ports require "modern, efficient and large dedicated cruise ship

terminals” which provide a pleasing environment (Marti 1990, p 161) whilst according to McCalla, those occurring at hybrid ports must also provide similar facilities:

The hybrid, or all purpose, cruise port must also be aware of its situation. With fly-cruise developments, many former ports of call have now taken on some home port activities, as well as maintaining the traditional port of call function. As such, the port site must be able to accommodate large movements of people joining or leaving the ship. There must certainly be a cruise terminal with modern baggage handling and efficient loading and unloading facilities. But the hybrid port is also located relative to its situation too. Because the port is also a port of call it must be in the cruising area; but it must be well connected by air to the main passenger areas. Air links have stretched the intermediacy of the hybrid's situation. Hybrid ports and home ports must be well connected to airports (1997, p 46).

As noted above, Queens Wharf has been selected as the likely location for any new cruise facility to be built in Auckland. However, Ship B (2009) believes that because Auckland is, for the most part, merely a turnaround port, any new facilities do not need to be built with the CBD but just outside it. As in the case of Sydney, Auckland experiences debilitating traffic congestion which impedes passenger, crew and supplier access to and from the terminal. This congestion is particularly acute during peak periods, thereby causing delays and added expense for tours and shuttles (TourismNZ 2008, p 12). Because passengers do not for the most part join tours in Auckland, Ship B (2009) feels that there is no need to be in close proximity to the city. Instead, he argues that passengers will be more than happy to take a bus or taxi from their hotels to a cruise terminal located outside the CBD. In addition, cruise ship arrival and departure times are restricted because of the ferry traffic in the harbour, a situation which also occurs in Sydney.

The debate surrounding the construction of a new cruise facility at White Bay in Sydney exposes a host of risks, many of which could also attach to the construction of a new terminal in Auckland and therefore should be taken into consideration. The recommendation to build a new facility at White Bay (*see* Figure 4.3, Map of Sydney Harbour) has drawn criticism (*see* ABC News 2009c, unp) because of (a) its distance from the CBD and lack of restaurants and other services where passengers can spend money (Neubauer 2009, unp; Leichhardt Municipal Council 2009, p 2); (b) the traffic congestion which would result “in one of the most congested parts of the inner city” (Robins &

Gibson 2009, unp); (c) the unwelcoming environment of vast concreted areas on the wharf (Neubauer 2009, unp; Harvey 2009, unp); (d) the lack of passenger check-in facilities; and (e) the inability to cope with the forecast 43 percent growth in cruise passenger arrivals by 2014 (Leichhardt Municipal Council 2009, p 3). Most critically, though, White Bay is on the far side of the Harbour Bridge and therefore does not offer a solution for the large mega liners which cannot sail under the bridge.

Figure 4.3 – Map of Sydney Harbour



Source: Google Inc 2009.

Access Economics (2008, p 27) agrees, arguing that development at White Bay is appropriate for small and medium-sized ships but not for the larger ships such as the *Queen Mary 2* because of their height (*see also* Meacham & Murray 2009, unp; Bibby 2009, unp). It also urges the development of additional berths “with improved land-side access, that can to [sic] accommodate the larger ships” on the eastern side of the bridge, thereby providing large ships with more access. Although the development proposal for

White Bay calls for an expansion of services including marine refueling, grey water and a supplies servicing point, larger ships must continue to use the crowded terminal facilities at Circular Quay (*see Meacham & Murray 2009, unp*), with passengers being forced to contend with the area's significant traffic congestion. The situation is further exacerbated by the fact that the *Queen Mary 2*, and future ships of her size and longer are too long to berth at the Overseas Passenger Terminal at Circular Quay.

According to Ann Sherry, CEO of Carnival Australia, the difficulties facing Sydney (i.e. the inability of large ships to sail under the Sydney Harbour Bridge, traffic congestion, crowded terminal facilities, etc) render that port city at a disadvantage to other Asian ports which have purpose-built cruise terminal facilities, thereby possibly making those ports more attractive to cruise ships with a consequent loss of revenues for Australia:

This submission is to register Carnival Australia's view that improving cruising facilities and ports infrastructure in Sydney Harbour, as the national gateway to the country, is a project of national significance that will support the economic and social success of this country... "[A recent Access Economics report] also foreshadowed that the full potential of the cruise industry will only be achieved if governments remove port infrastructure bottlenecks as soon as possible. New cruising facilities are being built around the world particularly in nearby Asian ports, to capitalise on the international trend to cruising. The risk is that Australia will ultimately miss out (2008, p 2).

Given the problems facing Sydney and Auckland, the threat which Asian ports pose is significant for New Zealand as well as Australia. Therefore, there must be clear recognition of the importance of both Sydney and Auckland to their respective national cruise networks during any debates or discussions relating to cruise sector infrastructure. Whilst Auckland may not occupy the same status as Sydney as an iconic port (i.e. the Sydney Opera House and the Harbour Bridge are two exceptional pull factors for passengers cruising into Sydney), both ports are key components of their respective cruise networks. Part of this reason is that both ports are turnaround ports (and in many cases, on the same Australia/New Zealand itineraries) and the other is that both are situated in their country-destination's largest cities. As such, the following comment made by Sherry is pertinent to both Australia and New Zealand:

Implicitly, Sydney provides a subsidy to cruise operators to use other Australian ports...Within this context, a national approach to planning and infrastructure developments is desirable because the optimal level of investment in Sydney will have a flow-on effect to other ports around the country (2008, p 3).

Brisbane faces similar infrastructure challenges to those in Sydney, exacerbated by the absence of representatives from the cruise industry during planning and construction phases of that city's new cruise terminal. Ship A (2008) commented that the newly-constructed Portside terminal at Hamilton is rife with many problems which could have been avoided had cruise industry representatives been involved in its planning. Amongst the most serious of the problems is the siting of the terminal. The larger ships which are now deployed in and around Australia cannot berth at the terminal because they are too tall to sail under Brisbane's Gateway Bridge, and where slightly smaller ships can get under the bridge, those longer than 270 metres are too long to turn around in the river to continue their voyage downstream (Ship A 2008; Access Economics 2008, p 2). The terminal has also been described as "inadequate and unworkable" (Ship A 2008), thereby rendering it financially unviable and unable to attract as many ships and passengers as had originally been envisaged (Dennehy 2008, unp). In fact, Ann Sherry is quoted by Dennehy as saying that it is more expensive to turn around the Pacific Sun cruise ship at the new Brisbane terminal than it is to turn the much larger *Queen Mary 2* in New York (2008, unp).

(g) Port neighbourhood

Port neighbourhoods face a host of potential risks generated by visiting cruise ships and their passengers. Given the size of New Zealand port destination communities and the observable lack of infrastructure, transportation capacity and amenities, infrequent visits by cruise ships with 700 or fewer passengers are unlikely to cause problems for New Zealand's port destinations, but daily visits by one or more ships, often carrying more than 2,000 passengers (plus crew) can cause significant problems. Some of the small island countries in the Caribbean have considered placing limits on the number of cruise passengers who disembark on any given day but, according to Atherley (2003, p 9),

Bermuda is the only country in that region which has actually placed a cap on the number of passengers as well as imposing a series of other financial measures.⁵²

Port destinations which have not limited the numbers of passengers or which do not otherwise have a passenger management plan in place are likely to face at least some degree of disruption in the surrounding port neighbourhoods. Over-crowding of streets (by both pedestrians and motor vehicle traffic), shops, other amenities and the destination's historical and natural estates has been experienced by such port destinations as Key West, Florida⁵³ (Hritz & Cecil 2008, p 177), Charlestown, North Carolina (Harris 2003, B1), ports in Alaska (Behnke 1999, p 16), Sydney (ABC News 2009a, unp) and Melbourne (Destination Victoria 2002, p 53). In the case of Melbourne (as it is in Sydney), traffic congestion is a major concern:

Operations at the pier have also been affected by nearby residential development, and traffic congestion can be experienced at peak operational periods at and in the vicinity of the pier (Destination Victoria 2002, p 53).

In Alaska, the sheer number of passengers disembarking in port destinations with far fewer residents than the number of passengers can lead to feelings of “being overwhelmed” by the local residents:

In the smaller towns, the impacts can vary. The residents of remote places like Baranof Warm Springs and Tenakee can feel overwhelmed by the arrival of boats carrying several times the local population. Residents of Tenakee Spring (population 114) tell stories about groups of visitors walking into homes without being invited... When a tour boat disembarked its 120 passengers into the town in August 1998, most local merchants closed their doors and handed out leaflets inviting them back, not in “large, organized tours.” The City Council followed this up

⁵² Bermuda (a) extracts a tax of US\$60 a head; (b) requires that ships operating in their waters employ Caribbean nationals; (c) requires that each cruise line operating in their waters pay US\$1.5 million towards an education fund; and (d) requires that each passenger be given US\$30 voucher at the ship's expense (Atherley 2003, p 9). In fact, Bermuda charges more in cruise taxes than any other destination in the world (Forbes 2009, unp; Dale 2010, unp).

⁵³ The extent of the degradation of the quality of life for residents of Key West became the focus of a grass roots campaign by local organisations as well as a court-ordered study (*see* Hritz & Cecil 2008, p 170).

with a resolution asking that large tour groups avoid Tenakee (Behnke 1999, p 17).

Noise has also proven to be an issue in many port neighbourhoods. In Seattle, music and announcements blaring from cruise ship speakers causes problems for portside residents (Daniels 2009, unp) as it does for residents near Brisbane's ill-conceived new Portside (Hamilton) terminal (Dennehy 2008, unp). Helicopter and traffic noise degrade the quality of life for residents of Alaska's pristine and underpopulated areas (Behnke 1999, p 16). There is a risk of similar disruption in small port towns in New Zealand such as Port Chalmers, Akaroa and Lyttelton. For example, in recent years Lyttelton has experienced parallel growth in its importance to the economy as a port and its popularity as a desirable alternative place to live to Christchurch City. As a result, there are fears that the growth of port activity in Lyttelton will affect the quality of life in the town as evidenced by a resource management plan developed by the Christchurch City Council to "reduce the potential for conflict" (Christchurch City Council 2009, p 218). In addition, there is a disconnect between the port and cruise tourism interests (Industry A 2009), thereby putting port-cruise line relationships at risk.

Disruption to residential areas can be particularly acute where the cruise facilities are part of a mixed-use development, as they are in Princes Wharf in Auckland (hotel and apartments) and Sydney's Circular Quay. Access Economics argues that:

some activities at mixed-use facilities are potentially incompatible with the heavy-vehicle access and the large scale of cruise ships. There can be significant negative externalities while a cruise ship is in port. The restocking and refuelling procedures are a major logistics exercise to be conducting in a residential area. Additionally, traffic created by disembarking passengers, as well as locals who visit the terminal area to view the ship create further disruption to residents. These challenges indicate the incompatibility of some activities at mixed-use facilities (2008, p 23).

Each of these negative activities and experiences can lead to ships receiving future hostile receptions from the affected communities, thereby leading to unfavourable passenger reactions and feedback.

4.2.2.3 Government and regulation

The operation of cruise ships within a destination in large part depends on government regulation which is consistent and fair to all stakeholders (including tourism operators) and which does not impose any extraordinary costs for compliance. In other words, regulation which is unclear, obscure, inconsistent and fragmented can pose a significant risk to the smooth operation of a cruise ship (Ship A 2008). For example, Ship A (2008) highlighted the Russian requirement to declare whether there are any gypsy moths onboard a vessel is “specific, arcane and difficult to monitor” and China’s localised and frequently changing regulations as posing equal difficulties. Criticism has also been leveled at Australia’s regulations which, although well-publicised, were fragmented until the Australian Government took measures to simply and consolidate them⁵⁴ (Ship A 2008) providing transparency and certainty for all stakeholders involved in the cruise sector.

In New Zealand, the lack of a cohesive regulatory framework in the tourism sector in general and the cruise sector in particular can often present a host of difficulties for cruise ships operating in its waters. As in any commercial sector, uncertainty, a lack of consistency and transparency and the snowball effect of piece-meal regulation can constitute significant threats to maintaining and growing a competitive and sustainable cruise industry in New Zealand as well as to the revenues New Zealand businesses earn for the services which they provide to cruise ships. Examples of regulations which are not considered to be consistent or transparent in either their content or application were cited during the discussions which took place between the author and individuals based both onboard and onshore. Maintenance of berthed cruise ships was mentioned by Ship C (2009) as one source of arbitrary, inconsistent regulation which threatens the efficient operation of cruise ships in New Zealand. According to Ship C (2009), New Zealand ports have a “can do” attitude particularly as compared with ports in the United States which are all unionised, but there are both government and local regulations which

⁵⁴ For example, the Australian Government has eased or simplified a number of legislative and regulatory barriers relating to cruising including conferring on international cruise passengers the same “sealed bag” duty-free entitlements as air passengers when purchasing from duty free stores onshore; exempting cruise liner passenger trades from the coasting trade requirements of the Navigation Act 1912 (Department of Infrastructure, Transport, Regional Development and Local Government 2009, unp); and removing the need for Customs Officers to collect passenger details and verify visa entitlements prior to arrival in Australia.

impede undertaking that maintenance. For example, Occupational Safety and Health (OSH) regulations call for the engagement of a licensed cherry picker operator where maintenance needs to be carried out above a certain height whilst local regulations govern such activities as welding. Welding cannot be undertaken in some ports in New Zealand and where it is allowed, permission must be sought from the harbourmaster.⁵⁵ Also according to Ship B (2009), welding and the off-loading of garbage is not permitted if passengers from other ships are walking alongside the ship seeking to weld or off-load garbage. The need for certainty in regulations relating to the operation of tenders from ship to shore was also mentioned by Ship A (2009).

Regulation which is considered to be arbitrary can also affect a ship's itinerary, leading to a loss or reduction of port calls. For example, in a move to respond to the growing Australian cruise market, Carnival Australia has introduced a cruise itinerary which circumnavigates Australia. However, such cruises are unlikely to be developed for New Zealand because under current New Zealand law, no ship carrying a foreign flag can sail completely around New Zealand waters because foreign-flagged ships are allowed to sail for only 28 days before the crew are required to obtain work permits (New Zealand Immigration Act 1987, sec 11(1)(g)). The Australia-New Zealand or South Pacific itineraries are the best New Zealand can offer unless or until a New Zealand-chartered and crewed ship can do the circumnavigation. A change in this legislation would provide both New Zealand and the cruise lines with a host of new options for ports and itineraries and could provide the motivation for additional cruise ships (i.e. in addition to P & O Australia) to be home ported in New Zealand. In other words, a ship which both departs from and arrives back to Auckland (as the turnaround port) would very possibly yield significant additional revenue for New Zealand ports and stave off diversion of the ship or ships to Australia, the South Pacific islands or other destinations.

Another example of unwelcome and seemingly arbitrary legislation could discourage cruise ships (as well as other marine traffic) from calling at Picton if passed. Unilateral

⁵⁵ According to Ship B (2009), permission is required for safety reasons, i.e. in the event of an emergency, local authorities need to be alerted.

action by the Marlborough Sounds Harbourmaster has already stifled the free passage of cruise ships through the Sounds (most notably, the *Royal Viking Sky*⁵⁶ was barred from sailing through the Torrey Channel) whilst a proposal currently available for public consultation would limit ships to a maximum of 245 metres in length and impose limitations on speed and vessels' permissible activities, ostensibly to reduce the possibility of collisions (Onshore B 2009). However, Onshore B (2009) believes that the adverse climate generated by the Harbourmaster is a major factor for the reluctance of even some smaller ships (e.g. the *Clipper Odyssey* and the *Orion*) to call into Picton, thereby depriving the Marlborough region of revenue. In addition, the 245 metre length limit would prevent port calls by the 278 metre *Rhapsody of the Seas*, a source of significant passenger revenue for the region. Onshore B (2009) recognises that there are valid environmental concerns (including ship visits to Ship Cove), but that both scenic cruising around the Marlborough Sounds and calls into Picton contribute to the favourable picture which passengers form of New Zealand. As such, it is clear that cooperation must be forthcoming between the cruise lines and the individual harbourmasters to ensure that:

the impacts of the restrictions or provisions for a cruise ship to enter a port and berth are minimised. A delayed granting of permission could adversely affect a cruise ship's itinerary planning process and lead to that port being dropped from future itineraries (Tourism Queensland 2006, p 26).

Again, the regulatory profile of the cruise industry and the cruise tourism sector is not significantly different from other industries or sectors. In other words, the inconsistent interpretation of regulations can lead to a loss of investment or engagement with new capital (or in the case of cruise tourism, of the new revenue brought to a destination by a ship and its passengers). The risk is particularly pronounced in the cruise sector where international regulations and codes which are given different interpretations by individual destinations and applied according to local convention pose significant economic risks to the growth of cruising in destinations where the local interpretation and application is deemed to be unfair. For example, New Zealand authorities have evolved and enforce far

⁵⁶ Now the *Prinsendam*.

stricter interpretations of MARPOL⁵⁷ (Ship H 2009) and the International Ship and Port Facility Code (ISPS) (Onshore B 2009). In the case of security, the events of 9/11 in the United States shattered the cruise industry's complacency (Atherley 2003, p 10) and resulted in increasingly draconian legislation affecting the world's ports. This "increasingly draconian regulatory regime" is particularly evident in the United States and has led to a "growing aversion" to cruising in and around the United States according to Ship A (2008). According to Atherley (2003, p 10), the International Ship and Port Facility Security Code (ISPS) was put into place to reassure passengers and investors in the face of cancelled bookings and declines in share values, respectively.⁵⁸ Similarly, Destination Victoria argues that:

Cruise ships attract public interest and this presents important marketing opportunities. However, the changed world conditions following recent terrorist incidents and threats, require an appropriate balance between security and public interest and access (2002, p 12).

In New Zealand, the New Zealand Maritime Security Act (2004) requires that all passengers display government-issued photo identification when returning to the port and ship. This means that passengers have to carry their passport or driver's licence. Such identification is not required by Australia, so there is no consistency between Australia and New Zealand, leading to passenger confusion. Onshore B (2009) suggests putting photos on passengers' cruise cards because the inconvenience of having to carry official ID in addition to the cruise card can be considered to be a barrier to tourism. Alternatively, Onshore B (2009) suggested that New Zealand change its law. Clearly, any added costs required by heightened levels of security could contribute to a port's decision to reduce or eliminate cruise ship visits, particularly where they have no obligation to host them.

⁵⁷ The International Convention for the Prevention of Pollution from Ships (1973).

⁵⁸ The ISPS was created by key industry stakeholders including the International Maritime Organisation, the International Conference of Cruise Lines, the Florida Caribbean Cruise Association and the US Coast Guard.

(a) Red tape

Another aspect of regulation is the paperwork required to comply and the communications channels which must be followed. Ship C (2009) stated that Australia is more regulated than New Zealand and that in New Zealand, the ship can deal directly with the port agent. It is also clear that cumbersome communications channels can be time-consuming and give rise to inaccurate or incomplete information. For example, Ship I (2009) expressed his frustration when his request to have the Taieri Gorge Railway railcars brought to the wharf before the ship docked was denied, even though by doing so, the transfer of passengers to the rail cars for their shore excursion would have been faster and seamless for the passengers. However, he was never advised that the reason for not being able to do so can be traced to New Zealand's Occupational Safety and Health (OSH) requirements which restrict what can be brought onto the wharf before the lines are tied.

(b) Lack of regulation

The lack of regulation can also constitute a significant risk. For example, the lack of environmental regulation in the Pacific Islands has resulted in those port destinations becoming unacceptably polluted, including Fiji which encourages cruise ships merely to turn up. Evidence of Fiji's derisory approach was apparent to the author during a port call to Suva in 2007. Passengers going ashore were observed to comment on how dirty the port area and town appeared to them and returned to the ship early, undoubtedly resulting in very little financial gain for the town. Also, as noted in section 4.2.3.2, the failure to regulate taxis in Jamaica and Martinique resulted in cruise lines dropping ports on those island nations because of complaints of negative experiences by their passengers. Thus, this failure to regulate supports the argument for well-balanced, fair regulations which protect not only the port destination itself, but also the passengers and their feedback of the ports visited, feedback which is factored into a cruise line's itinerary planning.

(c) Public understanding and compliance

Any discussion of risk in the context of regulation must also include communication to and passengers' understanding of the substance and purpose of New Zealand's regulations. For example, whilst passengers are unlikely to have any knowledge of New

Zealand's strict quarantine and bio-security regulations before they board their ships,⁵⁹ they will by time they leave New Zealand. Because of the complex rules which can unwittingly result in a disappointment for passengers, the rules must be made clear to all passengers, communicated to them in an efficient and understandable manner and translated into the languages which are likely to be found on the cruise ships. Government A (2009) and Government B (2009) suggest that tour leaders be fully briefed as to New Zealand's bio-security regulations so as to be able to advise passengers about what they can and cannot carry through New Zealand. For example, Holland America's shore excursions no longer include stops at the Burnie honey factory because of the problems which arise from trying to bring honey into New Zealand. On the other hand, tour leaders could advise passengers that they can purchase honey *en route* if they are not disembarking in New Zealand. Similarly, tour leaders should be advised that regulated goods such as seeds can be sent directly to passengers' homes outside New Zealand from the ship's Passenger Services Desk. It would also be advisable to ensure that all shopkeepers who regularly sell to cruise passengers be kept informed as to New Zealand bio-security regulations, particularly when their customer-cruise passengers expect to disembark in Auckland (or in the case of crew who reach the end of their contracts during the cruise, in any New Zealand port).

(d) The political environment

Public sector employees, including elected councillors can knowingly or unknowingly pose another potential threat to the sustainability of a successful cruise sector. According to Ship A (2008), "empathetic, helpful politicians and civil servants who understand the industry" can pave the way for a competitive cruise sector attractive to cruise lines and their passengers whereas those who have been described as obstreperous and who block well-intentioned and well-reasoned activities can act as barriers to a successful cruise sector. In other words, politicians and other public sector representatives need to acquire an understanding of "cruise" including, *inter alia*, the financial benefits which can accrue from cruise ship visits, the psychology of and cultural differences relating to cruise ship passengers, sensitive issues such as pricing and what cruise ship visits do *not* mean for the

⁵⁹ As noted by Government A (2009) and Government B (2009), bio-security is not a term known in Europe.

community (e.g. vastly increased restaurant business given that restaurants have only a finite number of seats; communities overrun by cruise passengers given that a high percentage of them take organised tours and the rest disperse into the area, etc). According to Onshore C (2009), city councillors should avoid speaking out about such inflammatory issues as prices (e.g. Dunedin and the cost of the ship's shore excursion on the Taierei Gorge railway) and surcharges (e.g. restaurant surcharges for statutory holidays such as Waitangi Day). It would help promote the port destination's standing as a welcoming port if its city councillors (and others) led a campaign for restaurants and other food outlets to incorporate the surcharge into their overheads.

(e) Taxes, fees and other levies

There is concern within cited authority that the imposition of taxes, fees and other levies by governments and ports can pose a significant threat to the economic viability of a cruise destination:

One of the key factors when talking about possible threats are certainly port charges and focusing on keeping them competitive. These charges include taxes and fees assessed by government, port authorities or other subjects involved in port-related actions. It refers to costs incident to entering/leaving port (such as pilotage and tendering), costs incurred while in port (mooring, berthing, water supply, garbage disposal) as well as other garbage expenses associated with port activities (Volvodić 2003, p 207).

As a result, Hritz and Cecil (2008, p 176) argue that:

there is also some concern that raising disembarkation fees could cause the cruise ships to choose other ports of call. The cruise industry is viewed as a powerful political influence, pitting destinations to compete with one another for the ships to make call at their port.

Whilst there are solid economic, environmental and social reasons for imposing taxes and levies, Brida and Aguirre argue that care must be taken to ensure that any such taxes or levies do not reflect a combative stance vis-à-vis the cruise lines:

For example, Alaska approved US\$50 (Mak, 2008). Some countries approve a derisory fee and, in less than a week, the decision is repealed. This is the case of Mexico, where the power of the lobbying group felt it. Starting October was repealed (not the first time) the "cruise ships levy", whereby every cruise passenger arriving in Mexican coasts

should pay a right of US \$5. Supported legislators argue that will continue seeking approval of this right because host communities need such economic leakage to invest in its image; further, they assert that "if the shipping lines insist in not paying, we will explore the way to made them withholding tax" (president Tourism Commission in the Chamber of Deputies) (2008, p 3).

In New Zealand, a proposal by the Marlborough Sounds Harbourmaster⁶⁰ to impose navigation levies just for Picton could pose a significant threat to Picton's cruise industry. The addition of approximately \$4,500 in costs for each visit of a ship the size of the *Volendam* to Picton is likely to prove untenable according to Onshore B (2009), especially when coupled with costs such as the New Zealand Maritime Levy (which was set to expire at the end of the 2008/2009 cruise season).

Whilst it can be argued that a single impost is unlikely to cause a cruise line to alter its itinerary or that, on the other side of the coin, the cruise lines can pass the costs on to their passengers, there is a bundle of issues which must be taken into consideration by any agency seeking to impose a levy. The issues of concern to the cruise sector include the cost to the cruise line of administering the levy (generally as part of the port taxes and charges added to each passenger's invoiced fare); the effect of such levies on discounted fares (i.e. adding costs to "cheap" fares); the fact that any particular impost is likely to be only one part of steadily increasing charges and taxes; and the perception and willingness of passengers to pay the extra cost. In addition, given that information about the reason or application of the levy is unlikely to be passed onto passengers, passenger resistance is likely if these charges accumulate to be a significant percentage of the total cost of the cruise holiday. The aggregated impact of these charges, costs and potential for passenger resistance can indeed act as a financial barrier and risk to the growth of the New Zealand cruise sector.

Case study: Alaska – a salutary lesson

The impact of passenger levies is no more acute than it is in the US State of Alaska. In 2006, the State's voters passed the Cruise Ship Ballot Initiative which not only levies a tax

⁶⁰ Hearings on the proposal were held in Marlborough in March 2010. No decision was reported as at the time this thesis was being finalised.

of US\$50 per passenger,⁶¹ but also levies a tax on the revenues received by cruise ships on gambling activities taking place in Alaskan waters (State of Alaska 2006). The revenues from these taxes are distributed to port cities within the State (Smith 2009, unp). McBride (2009, unp) reports that by 2009, the Alaska Passenger Tax raised approximately US\$100 million in revenues for the State to distribute to port communities but with some exceptions much of the money hasn't been spent⁶² because of legal uncertainties over how it can be spent (Bradner 2009, unp). In late 2009, the cruise ship industry announced its intention to challenge the tax, arguing that the head tax may not be tied to actual costs and is therefore illegal under the Commerce Clause of the US Constitution.

Predictably, the tax is not popular with passengers. A letter to the editor of the Ketchikan, Alaska SITNEWS.us from a retired couple from Texas registered their dissatisfaction with the tax, arguing that the costs will merely be passed back to the passenger and correctly predicting the withdrawal of ships from Alaska (Vreeland & Vreeland 2009). The Vreelands are correct. The snowballing withdrawal of ships by such cruise lines as HAL and Royal Caribbean (RCL) for the 2010 season may indicate that cruising in Alaska has become "economically unviable," particularly during and because of the 2007-2010 recession (Eisen 2009, unp). Another reason why Royal Caribbean may have withdrawn its ship from Alaska is to re-deploy it to the Caribbean where cruising is less expensive and is experiencing a growth in demand with lower prices and discounting (Eisen 2009, unp; Joling 2009, unp). In July 2009, Cruise West announced that it will suspend its 25 port calls to Ketchikan during the 2010 season because of changes in the economics of the port calls and guest preferences (Seattle Post-Intelligencer 2009, unp). Ketchikan faces a total of 71 fewer port calls in 2010 because of itinerary reductions for a total loss of

⁶¹ Made up of a US\$46 per person tax and an additional US\$4 for environment monitoring (Forgey 2009, unp).

⁶² For example, Whittier used its share of those revenues "to make port facilities better and safer for passengers and visitors" including not only "traditional" projects such as visitors' centre and constructing a viewing area, but also the acquisition of emergency medical equipment and hiring seasonal paramedics (Smith 2009, unp). The port city of Seward used its portion of the passenger tax to fund projects such as a security dock and adjacent areas to be used by law enforcement agencies and to provide greater capacity for emergency response services (Spence 2008, unp).

110,516 passengers (Seattle Post-Intelligencer 2009, unp). The financial loss to Ketchikan is likely to be more than US\$17.5 million.

The planned withdrawal of ships from Alaska during the 2010 and 2011 seasons will have a substantial, negative impact on the entire State economy. For example, an estimated 140,000 fewer visitors are expected, with a loss of 1,800 tourism-related jobs and US\$72 million in annual payroll (Bradner 2009, unp). These losses are further compounded by the likelihood that passengers are likely to spend less because of the economic recession and that lower-spending passengers will be attracted by the heavily discounted fares (Bradner 2009, unp). In addition, fewer passengers are likely to remain in Alaska for post-cruise tours, a significant revenue-generator for Alaska (Joling 2009, unp). Similarly, McBride (2009, unp) reports that the imposition of the passenger tax will backfire because the loss of cruise ships to the State will mean less money from that tax.

The following quotes succinctly summarises the impact which the passenger tax is having on Alaska:

The truth about tourism is that it may make life more difficult in some ways, but it provides crucial, irreplaceable dollars in our economy. Every ship that pulls out of Alaska in future seasons will leave a noticeable effect from Fairbanks to Ketchikan (Brown 2009, unp).

If Alaska's port costs are adjusted to include all of these new taxes and fees, an entirely different picture emerges. Instead of \$75,000 for a visit to Alaska ports, it becomes about \$166,000. We outpace the most expensive North American port by 28 percent. To turn this into an Alaska analogy, instead of paying \$5 per gallon of gasoline in bush Alaska, the new cost would be \$6.40 per gallon...Basic economics tells us that price and demand have an inverse relationship: the higher the price, the lower the demand. This is precisely the message we have been receiving from cruise companies, particularly those that have decades of experience in Alaska. Granted, we are a premier destination and its grandeur and beauty has an offsetting influence, but nonetheless we have legislated our cruise port pricing to our peril. It is little wonder Alaska's market share is in decline (Habeger 2009, unp).

The risk of the loss of ships, passengers and the revenues they would otherwise leave behind can be significant and therefore needs to be considered when the imposition of any tax, levy or other fee is contemplated.

4.2.3 Distribution

4.2.3.1 Cruise passenger information

The distribution of accurate and up-to-date and targeted information to cruise passengers is an important ingredient for ensuring that they enjoy their time onshore. Conversely, a lack of information or of inaccurate, out-dated or irrelevant information can lead to negative feedback about a port, including complaints about added costs for passengers who may not be aware of all of the facilities and services available to them and where are located. Unfortunately, the availability of information on the wharf itself is a major issue for New Zealand ports. Whilst ports such as Lyttelton have placed i-Site outposts on the wharf, a similar service should be made available at all ports (*see e.g.* TourismNZ 2008, p 9). In addition, information and signage needs to be made available in more than one language and also according to the passenger profile of each ship. For example, Onshore B (2009) noted that signage in Picton is available in English, German and Japanese, but because the passenger mix on the 11 March 2009 port call of the *Volendam*, only the English signs were considered necessary. However, Onshore B (2009) emphasised that the translated signs are placed on the wharf when ships such as Germany's *Bremen* or *Columbus* are in port. Onshore B (2009) further stressed the need for ports to take into account the passenger mix of each voyage so that information, signage and the language of tour guides and operators can be tailored to that passenger mix, thereby encouraging a wide range of cruise ships to visit New Zealand and stemming the potential loss of ships which already visit New Zealand.

In-town i-Sites also need to recognise the needs of cruise passengers. Considerations for i-Sites include the ability to handle large numbers of people efficiently as they start their day onshore, the availability of broadband information services for both staff and passengers, clear signage and information boards and adequate space for passengers to browse through the available information. The author of this paper experienced a woefully inadequate service in the Dunedin i-Site on 6 February 2009 when both the *Diamond Princess* and the *Rhapsody of the Seas* were in port on that public holiday. The i-Site office was overwhelmed, with assistance and information difficult to find. Visits by increasingly larger ships and/or two ships on the same day will inevitably put pressure on

information services, thereby making it even more imperative that information services be available in more than one location (i.e. on the wharf, on the ship,⁶³ near the port entrance and in the CBD).

4.2.3.2 Transport, services and amenities

(a) Transport

Nilsson et al describe three different groups of cruise passengers whose transportation needs must be accommodated:

Table 4.6: Transportation requirements based on group

Group	Characteristics
Pedestrians close to the ship	Must have a chance to walk on their own however, can be transported by shuttle bus, but then the onus is on them to return no later than the last shuttle bus. Having the ship as close to the city centre as possible benefits this group.
Sightseers on bus tours	Must be looked after regardless of the language they speak Multi-lingual guides must always be available, and in sufficient numbers to cater to passengers from substantial originating markets.
Excursionists on longer tours	Promotion of these excursions must be made onboard, prior to the ship reaching port, i.e. to explain their value, interest and amenities

Source: Nilsson et al 2005, p 39

Each of group requires reliable, safe transportation staffed by knowledgeable and friendly drivers and support staff in order to protect the success of a port, even in the most popular of cruise destinations. As briefly mentioned in section 4.2.2.3, port calls to Martinique and Jamaica in the world's biggest cruise market, the Caribbean, have been dropped because of the operation of unregulated taxis (Ship A 2008). In contrast, the Port of Tauranga has eliminated the risk of poor transportation by implementing a strict public transportation and tour licensing scheme. By doing so, not only has Tauranga eliminated

⁶³ Many port destinations around the world make information staff available in the ship's atrium soon after the ship docks.

the risk of bad practice, but it has also solidified its position as the most popular port amongst cruise passengers to New Zealand (Port B) (*see section 5.3*).

The amenities available on shuttles and shore excursion coaches are another important consideration. During the month of February, temperatures in Burnie rarely reach 30C and above. However, Onshore D (2009) related that in 2009, excessive temperatures were reached during one port call and because the coaches used for shore excursions are not air conditioned, the ship refunded the ticket price of all shore excursions to passengers. Also, given the advanced age of many cruise ship passengers, Onshore G (2009) urged that kneeling buses (as well as taxis) be provided to accommodate wheelchairs. He felt that such facilities can save time during the transfer of passengers between town and the wharf and in fact, would make a considerable difference for short port calls (e.g. Napier on the northbound journey) where a saving of fifteen minutes makes a considerable difference.

Also, although passengers are generally on shuttles for a half-hour or less in New Zealand, there is a good opportunity to communicate information about the sights along the route and attractions and experiences available in the area. Drivers (and guides, where available) need to be trained not only to provide useful, relevant and interesting information during the shuttle journey, but also to answer any questions which the passengers may have. Inaccurate information can lead to a less-than-satisfactory experience for passengers.

Port and city shuttles can present logistical and financial issues for cruise lines and the service providers. The basis of provision varies and is a function of whether the cruise line funds the supply of shuttles, whether the passenger pays on a ticket basis, or whether the community or a local agency provides them on a courtesy basis. Examples of community funded shuttles can be found in the Australian ports of Burnie, Airlie Beach and Darwin. However, with the provision of free shuttles comes the risk that the service may not be as frequent as the passengers would like. Frequency was an issue in the port of Burnie during the 5 March port call of the *Volendam*. On this particular voyage there was a higher proportion of Australian passengers than usual, i.e. 675 out of a total passenger complement of 1,383 versus a normal Australian contingent of 200. Therefore,

fewer passengers than usual booked organised shore excursions.⁶⁴ As such, greater numbers of passengers sought to use the shuttle buses into town rather than those buses allocated to shore excursions, resulting in almost 200 passengers in the city shuttle queue at one point. On the other hand, where passengers pay for their use of the shuttle, the expectation is that there will be sufficient capacity and frequency. It should be noted, however, that because of Burnie's proactive port management and the community's full dedication to and understanding of the cruise sector (Onshore D 2009), additional coaches were made available at the port's cost whilst Burnie's Mayor voiced an apology for the delay to every passengers waiting in the queue. However, in New Zealand, ports charge the cruise lines for all shuttles, adding approximately \$8,000 to \$10,000 to each port call where they are needed. At least one cruise line, HAL, provides the shuttles as a courtesy to passengers, but at least one other (i.e. Princess) requires the passenger to pay. Ship A's (2008) comment that "either the passenger pays, or [it] costs the cruise company... if they are charged, they will move out of those ports" is a view which may or may not be prevalent throughout the industry but which was of concern to this informant.

Hire cars

The availability of hire cars on the wharf at Tauranga is viewed as a welcome service by passengers and crew particularly because the cars can be hired on the wharf and upon return, the keys can be handed to the Harbour Master (Port B 2009). Having the cars available on the wharf can save passengers time otherwise spent traveling to and finding hire car agencies outside the port area (particularly for passengers arriving at Port Lyttelton and Port Chalmers, both of which are significant distances from the city). Cars are often hired by passengers for sightseeing, but given the high proportion of VFR passengers on the Australia/New Zealand itinerary, also for visiting their friends and family in the port destination area. Whilst the availability of hire cars can be considered to erode the revenues derived from shore excursions, it is unlikely to do so because of the divergence between those who seek to book shore excursions and those who prefer to organise their own activities. Ship G (2009) noted that passengers often comment on

⁶⁴ Only approximately 200 passengers signed up for shore excursions in Burnie instead of the usual 400 (Onshore D 2009).

Tauranga's accessible hire cars and ask why the service is not available at other ports around New Zealand. He further urges other ports in New Zealand to provide the same service.

(b) Medical

Each voyage is likely to experience at least one medical emergency. Therefore, the cruise line must have confidence in the destination's ability to handle such emergencies. The availability and operations of local emergency and hospital services as well as the capacity and capability of the port agent will govern how the ship manages the transition to onshore care for passengers who need such care and the trust the passenger has in that care. All onshore service providers need to be familiar with the level of care available on individual cruise ships and the logistics of getting unwell passengers off the ship. In addition, the local port agent needs to be able to organise transportation, accommodation, translation services (where required) and other services for accompanying passengers. Communication channels must be established to enable frequent communication between the medical provider, the cruise line, the port agent, the translator and most importantly, the passenger(s).

(c) Retail

Shopping is a mainstay activity for cruise passengers (Dwyer & Forsyth 1998; Northern Economics 2002, p 1-11; Behnke 1999, p 8). Many will spend their entire stay shopping, whilst others will shop as part of their shore excursions or other activities. Port destinations need to provide a welcoming retail environment which includes ensuring that the shops are open on those days when the ships are in port, including Saturday afternoons, Sundays and public holidays (as they are in Tauranga and Rotorua – Onshore A 2009); that prices are not increased for the duration of port calls (as they were in some cases in Mt Maunganui in December 2008); and that the cruise passengers experience high levels of customer service. Expansive shop hours and exemplary customer service are particularly important to encourage passengers to spend money onshore in the face of ships spending less time in port because of increased fuel costs and the “cruise lines’ greater emphasis on onboard spending as a core element of their profit” (Klein 2009, p 13), as evidenced by a wide range of large shops and multi-storey shopping malls (e.g.

Oasis of the Seas). Mt Maunganui (Onshore A 2009) and Lyttelton (Onshore E) represent two examples of port destination communities which understand the importance of cruise passengers to their retail sectors.

(d) Restaurants and cafés

The patronage of restaurants and cafés is an activity closely allied to that of shopping. Many cruise passengers look forward to experiencing local cuisine. However, because they also have the option of returning to the ship for lunch, local restaurants and cafés need to recognise that there is competition for cruise passengers' business. Two issues are of particular significance where eating outlets wish to attract cruise passengers: (a) an understanding of passengers' eating habits whilst onshore; and (b) cost. Whilst there will be those passengers who seek to experience the local cuisine (mainly for lunch) at any cost, the majority of passengers will seek out the best value for money, knowing that they can return to the ship for lunch if they find nothing suitable. In addition, port destination communities need to know the profile of passengers onboard the ships which visit their ports as well as understand the national and cultural characteristics of those passengers. For example, Australian and New Zealand passengers traditionally spend far less on both onboard and onshore services than their American or European counterparts. Therefore, and as noted elsewhere in this thesis (*see* section 5.1.1.2), more research must be done as to the character of the ship visiting the ports on any given day and more critically, the profile of the passengers on board. Pies are definitely "on" for Australians and New Zealanders, whilst the Europeans are more likely to head to upmarket cafés and restaurants with a respectable wine list.

Another threat to seamless cruise operations in New Zealand is the lack of hospitality in port areas and adjacent neighbourhoods for crew who have limited time onshore. Because crew represent a wide range of nationalities, inexpensive ethnic restaurants should be available (and particularly those which will appeal to Filipino and Indonesian tastes).

4.2.4 Use and consumption (the onshore experience)

4.2.4.1 Shore excursions

Passengers seek port destinations which have “a good climate, access to an area possessing either a landmark of historical importance or an exotic or foreign culture” (Marti 1992, p 366). Shore excursions in “exotic” New Zealand tend to rank highly amongst cruise passengers but also carry the potential for a wide range of risks. These risks can (and do) attach to every stage and asset of the shore excursion planning and fulfilment process including (a) the destination’s ability to provide interesting, varied and appropriate shore excursions for a wide range of cruise passengers and travel styles; (b) the cost of shore excursions; and (c) the actors involved, i.e. tour guides and port lecturers. Each of these is discussed in this section.

(a) Interesting, varied and appropriate shore excursions

Abraham Lincoln must have had cruise passengers in mind when he said (and with apologies to Mr Lincoln for taking a modicum of licence with his quote⁶⁵) “you can please all the people some of the time, and some of the people all the time, but you cannot please all the people all the time.” As noted earlier in this thesis, cruising attracts a wide variety of passengers, each with different expectations. However, there is one overriding benchmark for assessing both the successes and risks of shore excursions, and that is that passengers have a limited time in port. In New Zealand, port calls range from four or five hours (e.g. Napier) to twelve to eighteen hours (e.g. Tauranga). During port calls, the majority of passengers will want to see as much as possible whilst others will prefer to visit one attraction in-depth. For example, Nilsson et al (2005, p 21) report that passengers complained that their tour of the Orrefors (Sweden) glass factory took too long and that they would have preferred a shorter visit followed by a tour throughout the city. Similarly, tour operators need to be sensitive to passengers’ preferences for lunches and other meals which fall within their port call. Many passengers will return to their ship for lunch unless the tour offers a great meal experience or is the main focus of the tour

⁶⁵ The original quote is “you can fool all the people some of the time, and some of the people all the time, but you cannot fool all the people all the time,” but over time, the quote has been adapted to suit different situations.

(Nilsson et al 2005, p 25) (e.g. a visit to one or more wineries or a culinary tour of Wellington).

Port destinations which are unable to offer a sufficient number of shore excursions or shore excursions which are considered to be too expensive risk losing visits by cruise ships (*see e.g.* Northern Economics Inc 2002, p 1-2 – HAL dropped the Alaskan Port of Valdez because of an insufficient number of shore excursions and a lack of added value to those they did offer). The authors of the Northern Economics Inc report argue that:

It is important to recognize that the number of excursions is not necessarily the deciding factor for cruise companies in selecting ports of call. The quality and variety of available excursions is much more important than pure quantity. In addition, passive and educational excursions tend to be more popular than active excursions for many cruise ship passengers (2002, p 1-5).

In addition, Ship A (2009) urges port destinations to refresh their offerings frequently. Given the potential for an increase in repeat cruising to New Zealand, particularly because of New Zealand's popularity as a cruise destination for its near neighbour, Australia (as well as from other markets), failure to recognise the need to refresh the shore excursion inventory will present a risk to the growth of cruising in New Zealand. Similarly, as cruise passengers become more and more sophisticated and discerning in their tastes and choices, shore excursions which were popular five or even two years ago may lose their ongoing interest as tastes change. Therefore, there is a continuing need to refresh the inventory, based on accurate and up-to-date information about passenger interests, travel styles, demographics and other relevant factors. Patullo (1996, p 157 in Hritz & Cecil 2008), cautions that the shops, gifts, crafts, recreation and appearance of bars and casinos in the Caribbean originally designed for and targeted at wealthy Americans and Europeans will eventually go stale. Although the author's comments apply to the Caribbean, they also apply to New Zealand.

However, any analysis of the passenger interests and styles in respect of shore excursions and indeed the shore excursions themselves cannot be restricted to the “traditional” cruise passenger, i.e. the well-heeled retiree. Given the growth in the number of children accompanying their parents on cruises, New Zealand tour operators need to design tours

which can be offered by the ships whilst locals need be able to suggest activities which are suitable for all ages and interests of children. Whilst city tours on coaches are functionally suitable for children (i.e. there are no major barriers which would militate against a child joining the tour), commentary will be targeted at adults and the seats may prove to be too low for children who wish to look out the window. Also, visits to wineries may not be suitable for children. Finally, the marketing and promotion of New Zealand as a cruise destination needs to promote its child friendliness.

The accommodation of impaired or elderly passengers on tours also poses potential risks for port destinations. This is a risk which needs to be addressed in conjunction with the ship. According to Ship D (2009), the Shore Excursion Desk welcomes the 50 percent of bookings made online so that tickets can be printed off and left in passengers' staterooms as they embark, but because those passengers no longer call at the ship's Shore Excursion Desk, the staff has no way of knowing whether individual shore excursions are appropriate for the passengers who have booked them. For example, a shore excursion listed as "low activity" may still pose difficulties for an elderly person who has some difficulty in walking. Therefore, information about onshore activities must be accurate, detailed and current. This risk can also be the source of tremendous opportunities for tour operators, particularly for cruise lines who cater to an older demographic such as HAL. According to Ship F (2009), shore excursions which can be tailored to or are specifically geared to impaired or elderly passengers can realise significant revenues.

Perhaps the biggest challenge for New Zealand, though, is to recognise the difference between land-based and cruise tourism and more significantly, address those differences. Atherley's (2003, p 9) discussion about the attractions which are included in shore excursions in the Caribbean is relevant to New Zealand. He notes that these attractions were designed primarily for land-based tourists and as such, visitor numbers on any given day are low and spread over a longer period of time whereas cruise tourism places significant pressures on attractions in a limited time period. Atherley further observes that:

The cruise sector has opened up an opportunity for heavy use and instantaneous cash flow from short term but intense use. Unfortunately,

in some cases, this had added pressure onto land-based facilities, resulting in congestion, scheduling and control problems, which have affected visitor satisfaction. Ironically, [cruise] Lines complain about the quality of attractions in some of the traditional stomping grounds, calling them stale and overworked. By inference, one has to question whether the term stale is used when Lines experience reduced ship yields from an attraction (2003, p 9).

The situation is directly applicable to New Zealand where land tourism prevails both in practice and policy as the predominant form of tourism in the country. In other words, it is likely that the operators of the Taieri Gorge Railway never envisaged accommodating hundreds of passengers from a large cruise liner on a single day, or at times even from two large cruise liners on the same day or several on successive days. In terms of policy, strategic development, statistical profiles and investment is still heavily weighted towards land-based tourism despite the contribution to growth and economic impact which the cruise industry makes to New Zealand. Only by recognising the contribution and understanding of the special and specific characteristics of “cruise” and cruise passengers can the risks of failure (i.e. poor or inadequate service and unforeseen costs) be avoided.

Changes to the shore excursion product must also take into account a growing preference for independent or self-organised tours (*see e.g.* Punzel & Stockman 2008, p 43). This trend is described by Destination Victoria:

[T]here are also some tentative signs of a move away from packaged shore excursions to unique independent and personalised tours. At least two of the major cruise lines have acknowledged this trend at a global level. There are a number of possible reasons for this apparent trend, but to some extent, it may be symptomatic of a need to review tour product, particularly given the high incidence of repeat patronage for cruise ships. This just further highlights the need to assist ITOs in the development and review of cruise product (2002, p 41).

This pattern of spending on organised shore excursions versus independently organised shore excursions has an immediate impact on local excursion and activity providers. For example, providers who already are contracted to IBOs will have fewer customers for that particular voyage and therefore will find themselves in the position of having to promote their product directly to passengers. On the other hand, a reduction in the number of passengers who pre-book their excursions will put added pressure on i-Sites as passengers

seek information about local tours and activities and on the providers themselves to cater to those passengers. Local providers must be able to meet the demands of arriving passengers whilst i-Sites must have both adequate staff and systems to answer all questions and book tours efficiently and quickly. In addition, local businesses must be prepared to accommodate passengers who prefer merely to wander, shop and have lunch.

(b) Cost of shore excursions

The cost of shore excursions is a perennial source of dissatisfaction amongst cruise passengers and often acts as a deterrent to their purchase through the cruise line. The widespread perception (which appears to be valid based on the author's informal discussions with various individuals associated with the cruise industry and cruise tourism) is that the cruise lines unjustifiably add a considerable mark-up to the price of shore excursions. Industry A (2009) reports that there has been a fifteen to 20 percent decrease in the number of shore excursions being sold through the cruise lines in New Zealand, but that there is a concomitant increase in tours sold through the i-Sites. Cost tolerance also appears to be directly linked to the national profile of passengers onboard (Onshore B 2009) and especially in respect of non-United States passengers, the prevailing foreign exchange rates. It should also be noted that a falling New Zealand dollar can contribute to "higher than normal" margins for the cruise lines in the year that shore excursions are booked where those shore excursion prices were set in a previous year where the New Zealand dollar was stronger (Morris 2009, unp). Thus, shore excursions, as they did in the 2008/2009 season, will be significantly more expensive for passengers, resulting in fewer being purchased. Ship D (2009) confirmed that the uncharacteristically high number of Australians on the 2 March sailing of the *Volendam*⁶⁶ contributed to a general feeling that the shore excursions were expensive, and appeared even more expensive because the cruise fare itself was heavily discounted (*see* Morris 2009, unp). A similar although surprising observation was expressed by Industry A (2009) who said that even the American passengers were increasingly availing themselves of the tours and activities promoted by the i-Site. Ship D (2009) noted that where there is

⁶⁶ On this particular voyage there were 675 Australians (out of a total passenger complement of 1,383) instead of the usual, expected 200 for this particular voyage.

a more normal distribution of passengers on the ship, that perception is not generally as intense and in any event, the Americans are much more likely to book organised shore excursions. Onshore C (2009) confirmed that because of the heavily discounted cruises before Christmas, fewer passengers booked shore excursions for their port call to Dunedin.

It must also be noted that the high costs of shore excursions may well in fact be in part due to factors which differentiate cruise line shore excursions from independently organised excursions. For example, Ship D (1009) commented that the higher costs (in this case, those relating to half-day excursion on the Taieri Gorge Railway followed by a half-day tour of the City of Dunedin⁶⁷) include not only the fees and margins claimed by the attraction itself, the inbound tour operators and the cruise ships, but also insurance, the guarantee that the ship will not leave without any late-arriving passengers from the organised tour and the fact that higher fares are set up to a year ahead by the cruise lines who then market the excursions to their booked passengers. One passenger said she would have preferred to have paid the lower, local rate, but without local knowledge, was unable to do so:

She and husband Bill (61), a retired banker, arrived in Dunedin on the cruise ship Millennium, and together paid \$US270 - \$NZ500 - for the Pukerangi trip and bus tour. "We are more upset with the cruise company because it's a gouge and we know it . . . It was a lovely trip. It really was. But I would have preferred giving the money to people that were running it," she said (Morris 2009, unp).

Also reported in Morris (2009, unp) in the particular instance of the Taieri Gorge Railway is the added cost of bringing the railcars directly onto the wharf, adjacent to the ship.

⁶⁷ An article published in the *Otago Daily Times* on 11 February 2009 (Morris 2009, unp) reported that some passengers from the United States paid up to NZ\$250 each for a half-day trip on the Taieri Gorge Railway from Dunedin to Pukerangi, followed by an afternoon city bus tour, both booked through the cruise line. The NZ\$250 per passenger is approximately twice the amount had the two excursions been booked online or locally (the train is NZ\$72 return whilst the city tour ranges from NZ\$20 to NZ\$35).

Ship B (2009) commented that the higher costs may also be the result of onshore operators taking advantage of cruise passengers by charging far in excess of what the tour may be worth, thereby risking potentially damaging feedback from passengers which can compromise the attractiveness of a port and its shore excursion offerings. Whilst the author believes that these instances are rare, Ship B (2009) noted that a visit to Mt Tarawera near Rotorua used to be a popular shore excursion, but that the attraction owners began to charge too much for the special buses used to transport passengers so that shore excursion is no longer offered by HAL. Onshore C (2009) confirmed that cost of this particular excursion became an issue but noted that also it became a Treaty issue over access.

(c) Tour guides and port lecturers

The personality and expertise of tour guides is another significant issue which needs to be considered. In his study of passengers aboard the *Royal Viking Sun*, Marti (1992, p 368) found that the positive contributions of the shore excursion manager and the shore excursion staff contributed greatly to the popularity of the tours offered by the ship. However, although mainly pleased with the tour guides available onshore, some passengers felt that some of the guides needed to be better screened and trained. As observed by the author of this paper, the personality and knowledge of the tour guide can be determinative as to whether shore excursions and other local tours are considered to be a success or not. For example, the author was aware of several comments that a day's sightseeing in Wellington by passengers from the *Volendam* in March 2009 was marred by a bus driver who appeared to be untrained both as to the route he was supposed to take and the attractions which would have been of interest to those on the bus. Training, and the continuous vetting of tour operators as is conducted on a regular, formalised basis in Mt Maunganui (Port B 2009) is therefore essential for all transportation and tour operators and guides (*see also* Teye & LeClerc 1998, pp 157-158 who call for pre-screening of guides before they are employed). MWP (2004, p 56) states that it is vitally important that there are a sufficient number of "quality, experience and knowledgeable" tour guides to accompany passengers and to be able to provide them with "an interesting, informative and managed experience."

Equally important is the presence of knowledgeable and personable port lecturers and experts (collectively, “port lecturers”) onboard the ships. A good port lecturer will produce increased bookings for shore excursions for the cruise line as well as increased local interest and demand, demand which ultimately needs to be met. Conversely, a poor or ill-informed port lecturer can generate boredom and indifference, resulting in a low take-up of tours, local attractions and other activities. In addition, the port lecturer will carry with him or her a particular bias, borne of his or her own interests or willingness to talk about certain subjects and not others. Also, whilst the port lecturer may be an expert on Maori culture or modern New Zealand politics, passengers are most keen to find out which local tours will provide them with the best experience, how to dress, what things cost, shop opening hours and where they can find nearby amenities and services. Much of this information can be found in the port notes distributed to passengers by the ship’s shore excursion office or passenger services desk, but often this information is inaccurate or out-of-date (*see also* TourismNZ 2008, p 10).

4.2.4.2 Crisis and disaster

Crises and disaster are two of the most cited risks in any sector or business. They are often the most visible and can wreak serious damage to resources. The cruise sector is no different. The natural disasters and civil emergencies set out in Table 4.8 *below* can impact upon cruise tourism both onshore and at sea causing economic as well as personal damage or loss. Such events can render a port unable to handle ships and passengers (e.g. adverse weather or strikes), severely disrupt planned activities and shore excursions (e.g. earthquakes or bushfires) and disrupt pre- and post-cruise tours. Many of these events (and especially, health concerns such as SARS and H1N1) can affect both a decision to travel in the first place, and where they materialise, the ability of passengers to enjoy their onshore activities.⁶⁸

In the case of any unforeseen event, there can be significant negative impacts on the port destination. The problems which can be particularly acute for a turnaround port (e.g.

⁶⁸ Passengers who become ill with communicable illnesses onboard are often confined to their cabins for up to 72 hours, thereby depriving them of the opportunity to go ashore.

Auckland), as demonstrated in Table 4.7 which enumerates some of the impacts for an unexpectedly cancelled cruise.⁶⁹

Table 4.7: Impacts of a cancelled cruise

Resource	Impact
Ground transportation (e.g. coaches, taxis and shuttles)	Embarking passengers and crew who have already arrived in Auckland will be diverted to other facilities. Therefore, transportation must be prepared to respond to this change.
Accommodation providers	Embarking passengers who have already arrived in the embarkation port city may be forced to make significant changes to their travel plans and as a result, may require hotel rooms.
Shore excursion providers	Although shore excursions in turnaround ports such as Auckland are largely limited to city tours and other tours geared to passengers departing by air later in the day, shore excursion providers will be affected.
Air transportation	Passengers who have already arrived in the country to join their ships will require changes to their air itineraries. Sufficient customer service and desk agent support must be made available, as well as capacity on appropriate flights.
Alternative port	An alternative turnaround port should be designated and be able to deploy all necessary personnel (e.g. check-in staff, baggage handlers, customs and immigration officials, security staff, etc) and facilities (e.g. gangways, provisioning facilities, fuel, etc) at short notice. The North Island ports of Tauranga and Wellington appear to be the most likely, although Tauranga's lack of hotel rooms and a major airport would appear to militate against that port.
Service suppliers	Contracts for provisioning and bunkering will be disrupted because of a non-existent need.

In addition, there will be legal and financial ramifications for the port and the cruise line. For example, the cruise line will have contracted and paid for the berth years ahead.

Table 4.8 sets out many of the specific risks which can have a negative impact on the cruise sector, many of which have happened or can happen in New Zealand.

⁶⁹ For example, the *Millennium* cancelled her voyage from Auckland in March 2009 as well as further voyages that season because of mechanical problems.

Table 4.8: Risks relating to natural disasters and civil emergencies

Risk category	Risk	Examples (from New Zealand and offshore)
Natural disasters	Earthquake and accompanying tsunamis	<p>Chile (2010) – ships worldwide were taken out of their harbours and shepherded out to sea to prevent potential damage to them because of the predicted tsunamis. Hundreds of passengers were either stranded onshore during port calls or waiting to embark at the start of their cruise, thereby resulting in unanticipated direct and indirect costs to ports (e.g. added pilotage and tug boats), port destination communities and the ships themselves. The Port of Auckland closed down entirely on 28 February 2010 in anticipation of any tsunami damage (New Zealand Press Association (NZPA) 2010, unp).</p> <p>Costa Rica (2009) – tourists were rescued from a volcanic area by helicopter following a 6.1 magnitude earthquake and subsequent landslides (UK.Reuters.com 2009, unp).</p>
Severe weather at sea/high seas		<p>Mediterranean (2010) – two passengers were killed when a “monstrous” wave hit a cruise ship (Associated Press 2010, unp).</p> <p>New Zealand (2008) – many passengers injured when a cruise liner was hit by a storm and rolled whilst at sea (Eames 2008, unp).</p> <p>New Zealand – ships are often unable to dock because of heavy seas.</p>
Severe weather on land		<p>New Zealand (2002) – a cruise ship suffered damage because of high winds in Wellington Harbour, resulting in an interrupted voyage because of the need for repairs.</p> <p>Fiji (2009) – tourists trapped by flooding (Ritchie 2009a, unp).</p> <p>Madeira (2010) – tourists affected by torrential rains which caused deadly mudslides and the closure of the airport (Henry 2010, unp).</p>
Bush and forest fires		<p>Australia (2009) – HAL cancelled shore excursions to bushfire affected areas including wineries and wildlife sanctuaries in Victoria (Ranson 2009, unp).</p> <p>Dunedin (2010b) – Forest fire forced a popular cruise shore excursion attraction, the Taieri Gorge Railway, to stop on the tracks (NZPA 2010, unp).</p>

Civil emergencies	Piracy	<i>Nautica</i> (2008) – fired on by pirates in the Gulf of Aden (Smith 2008); <i>Seabourn Spirit</i> (2005) – fired on by pirates off the coast of Somalia (BBC News 2005).
	Terrorism	Mediterranean (1985) – terrorists hijacked the <i>Achille Lauro</i> cruise ship and murdered one of its passengers (Sönmez, Apostolopolous & Tarlow 1999, p 14).
		Melbourne (December 2009) – suspicious package on pier caused the evacuation of a ship (ABC News 2009b, unp).
	Strikes	Auckland (December 2008) - a stevedores' wage dispute resulted in a 24-hour strike which disrupted container ship operations at the Ports of Auckland. Whilst cruise ships were not affected, if the strike had continued for a longer period of time, they would have been (Dearnaley 2008, unp).
	Military coups	Fiji (2007) – a military parade complete with band commemorating the recent coup took place down Suva's main street at the time of day (midday) when most cruise passengers from the <i>Sapphire Princess</i> were likely to be there (London 2007, unp).
		Honduras (July 2009) – a military coup had the potential of disrupting cruise line visits, but Carnival Corporation decided to maintain its scheduled visits to Roatan, an isolated island off the Honduran coast (Sloan 2009a, unp).
	Pandemics	H1N1 flu (May 2009) – eight cruise ships were diverted from tropical Mexican ports to the more temperate Astoria (British Columbia) because of the fear of passengers being exposed to H1N1 in Mexico, the putative source of the virus (Muldoon 2009, unp; <i>see also</i> Sloan 2009b).
		H1N1 flu (May 2009) – outbreak on the <i>Pacific Dawn</i> affecting fourteen of 2,000 passengers. The management of the processing of passengers by New South Wales Health Minister John Della Bosca was severely criticised; there was clear recognition that better protocols need to be put into place (The Daily Telegraph 2009, unp); <i>Dawn Princess</i> held 2,000 passengers on board for five hours and another 2,000 on the dock in Sydney for testing (Australian Associated Press 2009, unp; Brisbane Times 2009, unp).

A review of the academic literature relating to these risks can be found in Lepp and Gibson (2003, p 607); Floyd, Gibson, Pennington-Gray and Thapa (2004, p 23); and Ritchie (2004).

Other threats which will impact upon the port destination's expectations of ship and passenger numbers and therefore economic activity include the financial collapse of transportation and other businesses (e.g. air carriers, tour operators, etc), the mechanical failure of a ship (e.g. *Millennium*, March 2009 – because of engine problems, the ship skipped ports and cancelled the follow-on cruise) and most conspicuously, climate change. Jackson (nd, p 14) notes that climate change can have a particularly damaging impact because the industry is “water dependent” and its infrastructure is built in coastal areas. According to Jackson, natural hazards, including the effects of climate change, can have both direct and indirect severe impacts on the cruise industry:

Table 4.9: Natural hazards (including the effects of climate change) and their impact on the cruise sector

Type of impact	Consequences
Direct impacts	<p>Damage to infrastructure such as buildings, piers, roads, water, electricity, sewage, etc.</p> <p>Damage to the natural environment including wildlife and wildlife habitats, scenic landscapes, forests, marine reserves, etc.</p>
Indirect impacts	<p>Loss of visitor revenue and jobs because of the damage to infrastructure</p> <p>Loss of visitor receipts and consequent income to tour guides and other visitor services because of changes to attractions, etc e.g. the melting of glaciers,⁷⁰ increased rainfall and changes to vegetation and natural habitat.</p> <p>Introduction of different and perhaps more virulent diseases (e.g. more mosquito-borne diseases during warming cycles), thereby discouraging visitors from coming ashore.</p>

Table continues on next page

⁷⁰ See e.g. Ritchie (2009b, unp) about two brothers from Melbourne who were killed by an avalanche in the South Island, caused by unexpected melting snow. Whilst this family were land-based tourists, cruise passengers who purchase the overland excursion from Milford Sound to Dunedin (or *vice versa*) often visit the glaciers.

A lengthening or shortening of the cruise season resulting from changing long-term weather patterns, resulting in significant economic consequences for ports, port destinations and suppliers.

Source: Jackson nd.

The potential for (and impact of) any of the events identified in this section cannot be underestimated in New Zealand.

In addition to the financial, economic and social impact of natural disasters and civil emergencies, there is also the issue of how quickly New Zealand public health officials can respond to emergencies, and especially, health-related ones. For example, in the early stages of the H1N1 crisis, the *Dawn Princess* was quarantined in Sydney Harbour for five hours whilst passengers were tested for the virus. Whilst there was anxiety and inconvenience amongst the passengers about the delay, there is a question as to how quickly the authorities in cruise destinations could react to and manage such a situation:

One of the lingering questions for the cruise industry in the wake of the swine flu scare is how ports around the globe will react to ships arriving with suspected or confirmed cases of swine flu. Some countries such as China have moved aggressively to keep the illness out of their borders (Sloan 2009b, unp).

At the start of the crisis (i.e. April-May 2009), all New Zealand swabs had to be sent to the World Health Organisation Laboratory in Melbourne for testing, resulting in a delay of several days (Chalmers & Watkins 2009, unp). Whilst this situation appears to have been resolved, it does highlight the need for New Zealand to develop an emergency plan with respect to cruise passengers facing or involved in man-made or natural disasters or crises. Whatever the magnitude, nature and potential cost of the risk, central, regional and local government agencies and other relevant stakeholders must take a cooperative approach to planning for any major event which can affect cruise passengers on voyages around New Zealand and during their port calls (Ritchie 2004, p 678). Such planning cannot be considered solely a local matter, however. Planning for the management of crises where cruise passengers are involved must also include the cruise lines themselves and the airlines and other transportation providers.

4.2.5 Disposal

4.2.5.1 Environment

Shipping pollutes and pollutes absolutely. Although cruise ships represent only a small percentage of the world's fleet⁷¹ they receive the most public attention for the waste they leave behind (Nilsson et al 2005, p 38) because "cruise ships are highly visible and also because of the industry's desire to promote a positive image" (Brida & Aguirre 2008, p 3). Cruise ships have been found liable for dumping substances such as oily waste (Atherley 2003, p 12), solid waste and air pollutants (Brida & Aguirre 2008, p 2) and grey water (Klein 2005, p 16). In an effort to address the management of waste, the world's largest cruise lines have adopted an International Council of Cruise Lines (ICCL) standard entitled the *Cruise industry waste management practices and procedures*.⁷² In addition, many jurisdictions have enacted their own legislation including the individual states of Alaska, California and the State of Washington; the United States (as a Federal jurisdiction); and Canada. Because of the high profile stature of cruise ships, where there is the *perception* of damage (whether it is realised or not) that perception can pose a threat to port destination communities because of the fear that damage will be done.

4.2.5.2 The local economy

In the past, a cruise to New Zealand was only one part of a longer holiday to New Zealand, i.e. "the icing on the cake" (Onshore C 2009). However, a New Zealand cruise has now become visitors' primary reason for coming to New Zealand. Therefore, onshore providers such as accommodation providers and restaurants lose revenue to the cruise sector, a situation which has had a significant economic impact on Key West:

Another consequence of catering to cruise tourism was expressed as the perceived gradual loss of the land-based visitor. An indicator of this trend may be some hotels in Key West converting into condominiums

⁷¹ According to the Round Table (2009, unp), there are 6,839 passenger ships out of a total global fleet of 53,005 ships in 2009.

⁷² The waste streams covered by this standard include photo processing waste including x-ray, dry cleaning waste fluids print shop waste fluids, photocopying and laser printer cartridge, unused and outdated pharmaceuticals, florescent and mercury vapour lamp bulbs, bilge and oily water residue, glass, cardboard, aluminium, incinerator ash, wastewater reclamation systems effluent, gray water discharges and black water wastes, advanced wastewater treatment systems (Atherley 2003, p 12).

with transient rental licenses. According to a city official, "Nineteen of the top 25 taxpayers in the city are hotels. If cruise ships were to negatively impact hotel space in the long term, they're not going to make it up in cruise ship passengers" (Hritz & Cecil 2008, p 177).

Similarly, Onshore C (2009) observes that passengers' engagement comes from the activity of cruising itself, thereby making the destination secondary to the cruise. This view is also acknowledged by commentators quoted by Hritz and Cecil:

Critics of the cruise line industry say that the economic benefit of cruise ship tourism is overstated and does not account for the social and environmental impacts. Jaakson (2004) found that cruise ship passengers do not venture far from the port, preferring to stay in their safe, activity-packed, nautical tourist 'bubble'. The ship has become a destination in itself with amenities and attractions located on the ship: food available 24 hours a day, entertainment and shopping malls (Wood, 2000). Lester and Weeden (2004: 47) concur: 'Cruise ships dock in a destination, the vessel is the accommodation, passengers need not venture ashore unless desired, and often time is limited with brief excursions. Passenger activities are usually carefully coordinated and controlled within distinct spatial areas' (2008, p 169).

Much has been written about the expenditure by cruise passengers onshore (e.g. Dwyer 1996; Douglas & Douglas 2004; and Douglas & Douglas 1999) but little such research has been done in New Zealand. Without both this research and the associated awareness (on the part of potential suppliers) which comes with such research, unlimited opportunities for marketing the best of New Zealand to cruise passengers will continue to be lost.

Disruption and changes to the port destination's retail sector is another significant issue. The negative impact of a successful cruise sector has also extended to Key West's retail sector,⁷³ a situation which is beginning to become evident at Mt Maunganui where traditional hardware shops and bars have been supplanted by more upmarket clothing boutique and gift shops and cafes which cater to well-heeled cruise passengers (Onshore A, 2009). Hritz and Cecil (2008, pp 176-177) report that:

Catering solely to the cruise ship passenger has resulted in what is seen as a shift in retail. There was a concern that Key West was shifting from locally owned shops and restaurants to franchises that can be found at every cruise port destination around the world. This is not only

⁷³ See also footnote 48.

damaging to the image of an easygoing destination, but also hurt the land-based visitor experience as well. As one resident remarked, '(a) cross the street (from your hotel) you see Burger King, then Eckerd's Drug, a Hard Rock Café and other stores and shops that are at every cruise ship destination around the world. At a certain point, wouldn't you start scratching your head and say I've been sold a bill of goods? Where is the easy-going, laid-back relaxed atmosphere I was sold?'

Some Key West residents found it debatable whether having franchises were an advantage or a negative impact. Franchises occupy commercial space and run a clean business. Some of the locally owned T-shirt shops were viewed as shady and guilty of taking advantage of cruise tourists by overcharging for goods. The residents also contend that some of the T-shirt shops in Old Town have numerous obscene slogans on their shirts and signs for the store. Residents believe that the thousands of dollars spent on marketing their image are lost when visitors regularly see obscene materials in storefronts. But most residents agreed that small locally owned businesses are what make Key West a unique destination.

Another destination experiencing disruptive changes to its retail sector is Southeast Alaska (Behnke 1999, pp 20-22) where the cruise lines have purchased shops catering to cruise passengers (Industry B 2008). Other risks experienced by port destination economies are set out in the following table.

Table 4.10: Negative economic impacts on port destination economies

Sector	Risk	Examples of affected communities
Residential areas and local recreational sites and amenities	Commercial use (by the cruise sector) of local recreational sites and amenities, previously used exclusively by residents.	Key West, Florida (Hritz & Cecil 2008, p 178) Juneau, Alaska (McConkie 2004, unp) Caribbean (Zapata Aguirre & Brida 2008)
	Noise from air-borne sightseeing craft.	Juneau, Alaska (McConkie 2004, unp)
Local economy	(a) Increase in seasonal, low wage tourism jobs.	Southeast Alaska (Behnke 1999, pp 20-22)

	(b) Domination of gift shops and other tourism-oriented businesses which threaten or destroy local character.	Southeast Alaska (Behnke 1999, pp 20-22)
	(c) Reliance on cruise passenger revenue, thereby making communities acutely susceptible to economic disruption from, e.g. changed itineraries and ships pulling out entirely, etc.	Key West, Florida (Hritz & Cecil 2008, pp 176-177)
	(d) Displacement of traditional industries such as commercial fishing.	Southeast Alaska (Behnke 1999, pp 20-22)
		<i>continued</i> Jacksonville (Mayport), Florida (Littlepage 2008, unp)
Local transport	Cruise tourism can disrupt local access to cargo space and services as well as to local ground transportation.	Caribbean (Brida & Aguirre 2008, p 3)
Fabric of the community	Disruption to the social fabric of the community.	Key West, Florida (Hritz & Cecil 2008, p 178)

Thus, the overarching issue for small port destination communities such as Lyttelton and Key West is whether a cruise tourism economy can be sustained whilst at the same time “minimising [its] undesirable consequences” (Hritz & Cecil 2008, p 176) to residents and the retail sector.

4.3 Summary

The risks identified and discussed above represent a wide spectrum of economic risk, each of which can threaten New Zealand’s position as a desirable and competitive cruise destination according to informants from the cruise industry, the broader tourism industry and government and as interpreted, synthesised and documented by the author. Furthermore, each of the risks is allocated to a specific phase of a cruise tourism life-cycle, thereby providing the foundation for future research and analysis with respect to the

quantum and urgency of the investment required to manage that risk. Whilst each informant will harbour his or her particular biases, these risks are ones which are real and observable and which are therefore quantifiable in terms of the cost to manage them.

Chapter 5:

Optimisation of risk: what can go *right* before, during and after the New Zealand cruise experience

Each of the risks identified in the preceding section can be optimised or eliminated through the application of appropriate countermeasures. However, it is not within the scope of this thesis to develop a detailed risk management plan for each of those risks. Instead, based on the primary conclusions which can be reached from an objective review of the discussion in Chapter 4 (i.e. recognition of the principal risks which face the New Zealand cruise sector) as well as responding to the suggestions of industry representatives, the author outlines five key mechanisms upon which a framework for a competitive and sustainable cruise sector in New Zealand can be built, i.e. the (a) appointment of a national coordinating committee; (b) the development of a cruise culture; (c) the creation of a national cruise manual based on best practice; (d) the provision of education and training; and (e) the building of confidence and recognition through branding. Each of these mechanisms has its foundations in best practice (e.g. Total Quality Management, ISO 9000 and risk management) and as such, are acceptable tools for managing, mitigating or eliminating risk. At the core of best practice are the qualities of leadership, training, the involvement of people, continuous improvement and clearly defined processes, all of which are embodied in the five mechanisms discussed in this chapter. Therefore, the five measures outlined in this chapter are considered in terms of their ability to redress the economic risks discussed in Chapter 4. Also, although the solutions, approaches and countermeasures described in this chapter were suggested by the informants, their further development is based not only on the author's interventions with the cruise industry, but also her experiences as a lawyer and IT professional involved in the development and implementation of quality and best practice systems in the legal and information technology fields, respectively.

5.1 National coordinating committee

The creation and empowerment of a lead body is mentioned by Industry A (2008) and Industry B (2008) as key to building an efficient, competitive and sustainable cruise

sector. A coordinated approach is deemed to be necessary to address such diverse issues as marketing to prospective cruise passengers (MWP 2004, p f), attracting cruise ships (Vojvodić 2003, p 205), creating a positive cruise culture (Farquharson 2006, p 18) and mediating port clashes (Industry B 2008). The following passage describes the objectives of one such coordinating group, the Association of Mediterranean Cruise Ports (MedCruise):

Some of their main objectives are: developing and fostering good relations and collaboration among all cruise ports of the world. exchanging information relative to cruise passenger traffic, improving the image of member ports, fostering the progress of ports in the interest of cruises and passenger transportation, promoting the development of port facility security plans...[The group's main aims are to] move towards more uniformity in the services offered by Mediterranean ports to cruise lines and their passengers and also for a co-ordinated [sic] approach to the important issue of security (Vojvodić 2003, p 205).

In some respects, it is the mere presence of such a body that demonstrates a commitment to leadership, to the destination's belief in the value of its cruise sector assets (e.g. port, community and attractions) and to recognition of the new revenue which these assets can generate for the destination's economy.

The idea of a cruise committee or group is not new and in fact exists in many if not most active cruise port destinations both overseas and in New Zealand. However, the range of activities embraced by cruise groups and the reasons for forming such groups varies considerably. For example, whilst marketing is the most common impetus for forming such groups (e.g. Cruise Scotland,⁷⁴ the South Pacific Cruise Group⁷⁵ and the Association of Mediterranean Cruise Ports⁷⁶ (MedCruise)), other groups have been formed for specific

⁷⁴ Cruise Scotland was formed in 2009 to capture a larger share of the “lucrative cruise ship market” (Ross 2009, unp).

⁷⁵ The South Pacific Cruise Group, which consists of representatives from Tahiti, the Cook Islands, Fiji, New Caledonia, Australia, New Zealand and Samoa was formed during the 2008 economic downturn “to formulate strategies to ensure that more cruise ships and tourists visit [these destinations]” (Saipan Tribune 2009).

⁷⁶ MedCruise was formed in 1996 to “promote the cruise industry in the Mediterranean and its adjoining seas.” It currently has 73 members representing 72 ports and also includes other associations, tourist boards and port agents as associate members. (MedCruise nd, unp).

or limited purposes. For example, the Whittier, Alaska cruise committee is responsible for the distribution of funds received from the Alaska State Passenger Tax and has as its stated aim “[the identification] of projects that will enhance port facilities and allocate the appropriate money for these projects” (Smith 2009, unp). On the other hand, a broader approach can be found in Destination Victoria’s 2002-2005 cruise strategy which calls for the establishment of a revitalised cruise committee to:

represent the interests and expertise of those involved in cruise-ship itinerary planning, international tourism promotion and marketing, regional port management, inbound tour operations, and local community (Destination Victoria 2002, p 22).

Other reasons for forming a coordinating committee include taking responsibility for development, training and knowledge management (MWP 2004, pp f-h); maximising the benefits of cruising to a region whilst at the same time reducing any negative impacts (Brida & Aguirre 2008, p 1); and securing the cooperation of stakeholders (Nillson et al 2005, p 18).

Cruise New Zealand

Cruise New Zealand (CNZ) was established in 1994 and currently operates on a national level as a membership organisation which markets New Zealand’s cruise products to the world’s cruise lines and coordinates various activities within the broader supply chain which makes up New Zealand’s cruise sector. However, CNZ is handicapped by a shortage of funding to undertake such tasks as vital ongoing industry research, including committing to future annual economic impact reports (Industry A 2009).⁷⁷ In addition, CNZ does not reserve for itself the responsibility for sorting out port clashes, a function which Industry B (2008) argues is of critical importance in providing a competitive and hospitable cruise environment. CNZ’ limitations are recognised by Industry A (2009) who commented that the lack of an over-arching authority has resulted in several anomalies including the existence of too many people with dual functions (e.g. port agents who have also adopted marketing and promotional roles as in Lyttelton) and the lack of

⁷⁷ Economic impact reports have been commissioned by CNZ for the past several years, but no report was prepared for the 2008/2009 cruise season because of a lack of funding.

documented policies and procedures governing the deployment of cruise sector assets (e.g. bus transportation for cruise passengers).

On a local level, most, if not all port destinations in New Zealand have some sort of cruise coordinating committee. However, for the most part they appear to focus on operational issues and not on longer term, strategic objectives:

Table 5.1: New Zealand port destination cruise committees

Port	Committee and purpose
Dunedin	A cruise group meets after each cruise season to address day-to-day operational issues (e.g. taxi drivers) and not longer term strategic direction (Onshore C 2009).
Christchurch	The region's visitor strategy mandates the formation of a group dedicated to cruise. Therefore, a cruise group has been formed which is chaired by the CEO of Canterbury and Christchurch Tourism (CCT), meets four times a year and receives funding from CCT, based on the explicit inclusion of cruise in the visitors strategy. The group has had success in bringing together the relevant stakeholders and fostering good communications (Onshore E 2009).
Napier	An informal cruise industry group has been formed which includes the RTO (Hawkes Bay), the i-Site and bus provider (Nimon) (Port C).
Tauranga	The Tauranga cruise group includes all relevant stakeholders including the New Zealand Transport Agency, the police, the port and Tourism Bay of Plenty (TBOP) (RTO) in a bid to improve and enhance the cruise sector (Onshore A 2009). According to Onshore A (2009), the group, and the local cruise sector, benefits from the management of Graeme Marshall who is both Commercial Manager of the Port of Tauranga and chair of TBOP.

It is the combination of an underfunded, limited function national cruise coordinating committee and largely informal local or regional cruise committees which militates in favour of creating a more structured, fully funded cruise coordination network. In other words, there is both a need and precedent for the establishment of a properly funded lead or peak committee which can be empowered to take responsibility for setting the overall strategic agenda for cruise tourism in New Zealand and provide sufficient resources and information for local committees to enable them to implement the agreed national agenda.

The remainder of this section identifies and briefly discusses four functional areas in which a lead committee can perform to address and manage many of the risks identified in Chapter 4: (a) marketing and promotion; (b) regulatory policy and public relations; (c) balancing the need for cruise infrastructure against local reality; (d) and strategic and operational support.

5.1.1 Marketing and promotion

Promotion is a thread which runs through much of the discussion in this thesis because in large part, New Zealand risks losing its growing cruise business if it merely sits back and waits for cruise passengers to turn up. According to Ship C (2009), “laid back” is no longer an acceptable marketing strategy for cruise tourism in New Zealand and accordingly, it must look at the bigger picture, i.e. where New Zealand fits in the global cruise industry. Many factors contribute to both a ship’s and passenger’s decisions to cruise to any given destination. As discussed in Chapter 4, a ship’s decision can be based on such diverse factors as planning its itineraries to optimise fuel consumption, the length of a port’s wharf and the welcome extended to the ship and its passengers whilst a passenger’s decision can be influenced by cost, the diversity of experiences available and the number of ports included. In order to ensure that both the ships and their passengers continue to choose New Zealand as a favoured cruise destination, New Zealand’s marketing to the both cruise lines and their passengers must become more targeted. In addition, any marketing and promotion must focus not only on New Zealand as a whole, but also on, for example, individuals ports, New Zealand’s culture and its iconic products such as food and wine.

(a) Attracting passengers

The three strategies for attracting passengers which are included in the following text box are based on an assessment of their associated risks (i.e. the threat of poor marketing and a lack of information about passengers who cruise to New Zealand):

Text box 5.1: Strategies for attracting passengers

Target high yield demographic groups such as well-heeled retirees and Baby Boomers who will cruise regardless of economic conditions.

Develop a cruise-focused tourism strategy, independent of current tourism marketing which targets land-based tourists in general, and the outdoor, adventure, backpacker type of tourist in particular (*see e.g.* Destination Victoria 2002, p 41; Vojvodić 2003, p 207).

Formulate a structured research programme whose objectives include an understanding of, *inter alia*:

- the profile and culture of ships visiting New Zealand
- the nationality of passengers on each voyage
- the cultural differences amongst national groups and how those differences need to be translated into providing the best possible shore experience for them including providing a range of information and services in their language, responding to their anticipated travel behaviour (e.g. independent versus group travel, disposition to pay premium prices or seek out discounts, etc), and catering to their food and shopping preferences.
- the spending patterns of cruise passengers generally, taking into account such factors as the direction of travel of their cruise, nationality and global economic conditions.

The strategies outlined above clearly demonstrate the need for leadership in acquiring better information about New Zealand's visiting cruise passengers. Currently, the collection and analysis of tourism data in New Zealand is largely the province of government organisations such as the Ministry of Tourism, TourismNZ and Statistics NZ. However, as discussed in this section, "cruise" generates its own information-gathering characteristics. The need for meaningful cruise-specific research is recognised by the F-CCA, a cruise industry association which provides destination partners with research "in an effort to create a better understanding of cruise passengers, improve the landside product delivery and maximize [sic] the benefits of cruise tourism" (F-CCA 2009, unp). In Australia, the government has taken the lead to recommend the establishment a group dedicated to the collection of cruise data:

Australian Government: Establish a cruise shipping data working group comprising Australian Government agencies (such as TRA, AQIS, ABS, Customs, DIMIA, and the Bureau of Transport and Regional Economics) and industry. The working group will be chaired by DITR

and facilitate collection of data (Department of Industry, Tourism and Resources 2006, p 5).

In another example, Klein (2009, p 8) argues that accurate statistics are required to make sure that ports do not attract ships based on inflated expectations.

(b) Promoting ports and shore excursions

As noted in section 4.2.1.2, the choice of destination (including the ports within that destination) is an important factor for cruise passengers researching their next cruise (Petrick, Li & Park 2007, p 10; Teye & Le Clerc 1998, p 157). Therefore, it is incumbent upon destinations to tailor their shore excursions and other products which make up the shore excursion to attract not only cruise passengers in general, but also the kind of cruise passenger that will make a contribution to the destination's economy (*see* section 4.2.1.2). However, there is a third key element of the shore experience construct and that is the positive economic effect which "product development and improved service delivery" will have on the port destination (Teye & Le Clerc 1968, p 160). In other words, investment in providing a first class shore experience will breed its own success. Destinations such the Caribbean which have diversified their shore excursion product have experienced a growth of their heritage tourism sites, environmental reserves and scenic railroad voyages (Atherley 2003, p 10). Similarly, a representative of Maine & Co, a non-profit job creation agency believes that:

Maine should capitalize on tourism and energy in the future. Maine should market itself more aggressively as a cruise ship destination...That would open the door to other possibilities, such as making Maine Maritime Academy a training ground for crews, creating a market for businesses to repair cruise ships, and establishing an opportunity to provision ships with Maine foods such as blueberries and lobster (Cover 2009, unp).

A critical aspect of the promotion of ports to the cruise lines is the need communicate on a regular basis with the cruise lines what it has done to improve the cruise experience for passengers:

It is important to keep in mind that simply asking cruise companies to make port calls...will not be sufficient. What a community needs to do is make a commitment to cruise ship tourism, develop and execute plans

for development, and communicate those plans to cruise companies (Northern Economics 2002, p 1-11).

The cruise lines need to be advised on a regular basis of new products (Industry A 2009) and of continuous improvements in infrastructure coupled and improved cooperation amongst stakeholders (Nilsson et al 2005, p 36).

(c) Promoting New Zealand's iconic products

Whilst there is no question that cruise tourism will to some extent diminish revenues which are the domain of land-based tourism, there is a wide range of opportunities for cruise tourism and related sectors to generate significant revenue for the land-based tourism sector. For example, significantly more effort should be made to promote New Zealand products and in particular, to place New Zealand foods and wine onboard the ships. Whilst it is acknowledged that most of the provisioning for the ships is made centrally by the cruise lines' own corporate offices, there are opportunities for placement of local foods and wine (*see* Burnie Case Study – section 5.2). On a more general level, New Zealand's food, wine and agricultural sectors should be promoted more proactively to the cruise line executives responsible for shore excursions and onboard events such as themed deck parties and wine tastings. Support for such promotion was also articulated by Ship C (2009) who urges port destinations to do more to promote local food and culture. He made the insightful comment that “a cruise to New Zealand is a far richer experience than a ten-day bus trip.”

Another reason to place local products aboard ships relates to the growing phenomenon of passengers remaining onboard in many ports to enjoy the ships' facilities and where they do go ashore, opting to organise their own shore excursions. Nilsson et al (2005, p 39) observe that fewer passengers visit previously significant attractions so efforts should be made to move the attraction onboard the ship, i.e. “exhibitions on the ship,” particularly after 3pm or overnight since passengers are generally back onboard by 3pm for their afternoon drinks (2005, p 39).

Text Box 5.2 includes a bundle of strategies which can be pursued as a coordinated effort between the cruise line executives who plan one to three years in advance and the local entrepreneurs who seek to promote their food and wine products:

Text Box 5.2: Strategies for promoting food and wine

Target cruise passengers with marketing campaigns based on wine and food in the same way that the Hawkes Bay markets to land-based tourists (Onshore F 2009).

Promote local food and wine in displays on or near the wharf (Government A 2009; Government B 2009).

Board local producers on the ships a day or two before the ship docks to promote their products in anticipation of tours and shopping opportunities.

Organise iconic food events for cruise passengers such as degustation lunches at local wineries (Port C).

(d) Promoting New Zealand as a conference and sport destination

Cruises are increasingly popular venues for conferences, seminars and other educational events. Given New Zealand's reputation and experience in staging major conferences as well as sporting events and its reputation as one of the leading cruise destinations, New Zealand should be promoted to the cruise conference market and national sport governing agencies as a desirable destination for educational and affinity cruises. Again, failure to exploit this market can result in lost opportunities for New Zealand, especially in the face of popular conference cruise destinations such as Antarctica and the Mediterranean.

5.1.2 Regulation, policy and public relations

Another role which properly belongs within the domain of a coordinating body is that relating to regulation, policy and public relations. Leadership is needed in the form of guidance as well as direct intervention. The lack of consistent, managed industry intervention on behalf of the cruise sector in New Zealand in respect of central, regional and local government leads to lost opportunities and an inability to represent the sector's interests with a unified voice. For example, the creation of a national coordinating committee would not only provide an opportunity to produce a national standard of

regulation and enforcement, but it would also provide the ships with certainty, reduce their costs and make their port calls more efficient. The role of the committee would include interpreting and optimising the many domestic and international treaties, laws, regulations, bylaws, codes of practice, customary rules and standards which govern the cruise industry in New Zealand, thereby ensuring consistency and transparency for those subject to them. There is evidence that coordinating committees can make a difference with respect to regulation:

The Melbourne Cruise Ship Committee was recently awarded a certificate of commendation from the Australian Quarantine and Inspection Services. The certificate recognises the committee's role in contributing to the quarantine protection of Australia's agricultural industries and unique environment (Department of Infrastructure 2003, unp).

In addition, consideration should also be given to expanding regulatory oversight and coordination beyond New Zealand. A "whole of region" approach was suggested by Industry B (2008) who believes that the harmonisation of immigration and customs procedures in the South Pacific, Australia and New Zealand can yield significant benefits for cruise lines operating in the region. He also strongly urged the formation of a regional approach to managing immigration and customs information.

Three strategies for creating a consistent, transparent and fair regulatory environment are set out in Text Box 5.3:

Text Box 5.3: Strategies for creating a consistent, transparent and fair regulatory environment

Re-examine international conventions (such as MARPOL and the ISPS) to assess and reconsider (if appropriate) New Zealand's interpretation and application of them.

Review and optimise all national, regional and local legislation and regulation applying to cruise ships in New Zealand with a view towards eliminating fragmentation and inconsistencies

Lobby for and implement whole-of-region policies and procedures for trans-national regulations such as those relating to immigration, quarantine, ship inspections, in-port maintenance, etc.

The cultivation of positive relationships with civil servants and politicians on all levels of government (i.e. central, regional and local) is another key function which should be adopted by a coordinating body. There currently appears to be a disconnect between the cruise industry and policy and lawmakers in New Zealand, borne of a lack of understanding about the cruise industry on the part of the public sector. This disconnect has led to negative and counter-productive stances taken by politicians in respect of the cruise sector (for example, the negative comments made by a Dunedin City Councillor in relation to what he perceived to be an extortionate price for tickets extracted from cruise passengers for the Taieri Gorge Railway and Dunedin City Tour – Morris 2009, unp). The implementation of a sustainable relationship-building strategy and mechanisms for educating politicians and others in the public sector can mitigate against a tendency towards gratuitous negative publicity about the cruise industry. Conversely, such a strategy can also lead to greater proactivity and support by policy makers on all levels of government, a stance that would undoubtedly be beneficial in the current debate about constructing a new cruise terminal in Auckland. Tales of price gouging and apathy militate heavily in favour of adopting a strategy which includes a campaign to educate the communities, tourism representatives, government officials and all other stakeholders as to a real understanding of the true revenue value of cruise ships to the economy.

5.1.3 Balancing the need for investment in cruise infrastructure with local reality

A cruise passenger's first impression of New Zealand, apart from viewing its magnificent coast line from the railings on the ship is the wharf where the ship docks or upon which the ship's tenders discharge their commuters. Section 4.2.2.2 contains a detailed discussion about the wharf environment and the pros and cons of constructing purpose-built cruise terminals, but the reality is that because the cruise season in New Zealand is short (with the exception of Auckland which is also the turnaround port for winter cruising), the construction of any dedicated facility is likely to constitute an investment which cannot be justified. However, this reality must be balanced against the expectations of today's sophisticated, well-traveled cruise passengers.

Designing terminal buildings to be used for other purposes outside the cruise season can provide a cost-effective solution for port communities. For example, St John's

(Newfoundland) has designed its cruise terminal so that its Great Hall can seat 450 guests for dinner (Telegraph Journal 2009, unp). Similarly, there is a report that the New South Wales government is considering using the proposed terminal at White Bay as an exhibition hall to host corporate events when the terminal is not being used for cruise purposes (Robins 2009, unp). Whilst plans for the reconstruction of Queens Wharf in Auckland have included a proposal to use the wharf and its terminal building as “party central” for the 2011 Rugby World Cup (New Zealand Press Association 2009, unp), a more enduring secondary use needs to be considered if the Port of Auckland and other relevant stakeholders are to benefit from any major investment. Leadership is required from the cruise sector to formulate a proposal for complementary uses which offer strategic support for the cruise sector without detracting from the facility’s main purpose. Use of any proposed Auckland cruise terminal as a party venue for a one-off sports event, however major, may or may not be an appropriate or strategic use. On the other hand, permanent displays and events which promote New Zealand as both a cruise destination and a trade partner (e.g. food, wine, dairy products, etc) should be considered and developed by a lead body who can consult with and represent the interests of all appropriate stakeholders. The following statement by Mike Lee, Chairman of the Auckland Regional Council (ARC) is consistent with the author’s view articulated immediately above and should form a call to action for a multi-purpose facility which is first and foremost a welcoming cruise terminal for both passengers and ships:

The [Auckland Regional Council] is committed to twin objectives of opening [Queens] wharf to Aucklanders and providing a cruise ship terminal of international standard which would be available for a variety of activities between port calls (Dearnaley 2009, unp).

5.1.4 Strategic and operational support

Another issue which needs to be addressed in a growing cruise market and which affects the ability of a port to handle its arriving and departing cruise passengers efficiently is that of port clashes and the overcrowding which it causes. Industry A (2009) advocates the creation or empowerment of a national body which can provide operational leadership and support for the cruise sector rather than simply to engage in marketing the destination. The same view is held by Industry B (2008) who, as discussed in section 4.2.2.2, believes that the overcrowding in Sydney Harbour is “a direct result of not having an association”

or at least of not having an ombudsman who can sort out port clashes. He explicitly calls for a over-arching association which provides a forum for its members to engage in scheduling and notes that such planning needs to be aligned with the cruise lines' own planning cycles which involve preparing itineraries at least two to three years in advance.⁷⁸

A centralised, integrated booking system is similarly proposed for Australian ports:

Better management of bookings and increased timeliness for cruise lines would be facilitated by a national cruise terminal booking system, perhaps modelled on Airport Co-ordination Australia. Implementation of a more sophisticated port booking system could reduce the red tape costs faced by the cruise shipping industry and provide a more optimal allocation of the available berths. This will become increasingly important given the expected growth in the industry and the infrastructure limitations (Shipping Australia Ltd 2008, p 7).

5.2 Cruise culture

Concomitant with establishing a coordinating body is the promotion and introduction of a cruise culture. Despite the fact that New Zealand reaps significant benefits from the cruise sector and is known as a sea-loving nation, there is no evidence of an entrenched, pervasive cruise culture in this country. In the past, cruise tourism in New Zealand has been viewed simply as a way visitors can visit this faraway, exotic, Hobbit-populated place. However, the exponential growth of cruise tourism especially in the last decade (*see section 2*) means that cruise tourism now plays a much more significant role in New Zealand. Therefore, there is a clear and immediate need to inject a recognition and appreciation of the importance of cruise to the New Zealand economy into the national psyche. Development of a cruise culture will require a high degree of proactivity and stakeholder support spearheaded by strong leadership. It will also require the cooperation of three major constituencies: the tourism sector as a whole, the private (business) sector and the community itself (residents). The role of each of these is discussed in this section.

⁷⁸ Early planning is necessary not only to ensure that the cruise lines can get the ports on the day or days they want so that they can finalise their marketing but also to give the port agent enough notice so that activities such as cleaning, permits, painting, bunkering and transferring crew can be scheduled.

The successful creation of a cruise culture is highly dependent on the support of the tourism industry as a whole. One way to evidence this recognition is to include in the charters governing tourism agencies and boards, RTOs, i-Sites and membership organisations such as TIANZ a statement outlining the organisation's understanding of the cruise industry (Ship A 2008).

The second constituency is the private, or business sector. In fact, the involvement of the private sector may in fact be the catalyst for developing a competitive and sustainable cruise destination. Whilst it is clear that a port destination's local council and tourism agency should work together to promote cruise development through political initiatives and a coordinated approach to marketing (including, e.g. annual promotional trips, familiarisation trips, print and non-print media marketing), success may:

ultimately depend on the private sector. Local businesses will be responsible for making the commitment to fostering growth of the visitor industry and developing shore excursions that visitors enjoy. Storeowners will need to adjust their hours of operations to cater to visitors' schedules. Residents will be responsible for keeping the downtown area, their businesses, and their personal property clean and presentable. The community must do everything it can to make visitors feel welcome and appreciated (Northern Economics 2002, p 1-8).

The importance of securing the support of the third constituency, the community is recognised by Farquharson who describes its unwitting and all-embracing role:

[T]he importance of educating the domestic residents of Trinidad and Tobago on tourism is critical. Tourism is the business of the entire community. Those who are not directly apart of the world of tourism indirectly contribute because their hospitality to a visitor (or lack thereof) will engrain a certain perception about the island and its people. With this in mind, it is imperative that the population be on one accord and that the goals and objectives of that accord should be clearly communicated. Chairman of CTO, Vincent Vanderpool-Wallace, noted in an article published in the *Barbados Advocate* that "tourism really is the only business on earth, where every single member of the community is a member of the tourism team, whether they like it or not." (2006, p 18).

Destination Victoria (2002, p 54) also argues that "[l]ocal communities likely to be directly affected by cruise-ship visits need to be actively embraced, informed and made to feel that any concerns have been addressed" whilst Jugovic (2007, p 709) argues that a port must work with the town to meet the needs of "ship operators, passengers, tourists,

tour operators and others.” Behnke (1999, p 24) echoes this view, advocating that the industry must be made part of the community and suggests a variety of activities including making the industry “part of the community;” enlisting industry representatives to participate in any public consultations or local tourism advisory groups which address cruise tourism; and urging the cruise lines to engage in public outreach.

The involvement of these constituencies is key to “[b]uilding and retaining local community support for the presence of cruise ships [which] can prove to be vital to the future growth of the industry” (Destination Victoria 2002, p 54). There is no debate that ships and their passengers can be disruptive to local residents because of their propensity to attract large crowds (local sightseers as well as passengers) and therefore result in congestion in adjacent roads and public spaces. However, these gleaming white behemoths house hundreds if not thousands of people who contribute millions to a destination’s economy each season. There is a similar potential for polarisation in New Zealand where residents who value the local character and uniqueness of their communities may look unfavourably on anything that threatens their quality of life, regardless of the probability of economic gain. It is precisely the potential for such dissension that a cruise culture needs to be developed. The value of cultivating a cruise culture and of relationship-building is recognised by the port-destination of Burnie.

Case study – Burnie

Burnie is an example of exemplary relationship building between the community and the cruise sector and is a model which should be considered by all existing and planned port destinations. Prior to 1997, Burnie was adamantly against visits by cruise ships, but in 1997, opinion turned and cruise ships were invited to call into the town. The first cruise ship, the *Pacific Sky*, called into Burnie on Christmas Eve 1999. The town was enthusiastic and according to Onshore D (2009), “over-delivered.” The ship was impressed, with the result that P&O booked more ships into the port. Two ships became three, and three became four. Twenty-one ships called into Burnie during the 2008/2009 season and between 22 and 24 have been scheduled for the 2009/2010 season. A pool of 50 volunteers who are retired businesspeople are available to meet arriving cruise ships

whilst 30 of those volunteers turn up on any given day. In addition, the Mayor, often accompanied by his wife, meets every ship and every passenger at the start of the day whilst pipe bands farewell the ships at the end of their day in port.

Figure 5.1: The Mayor of Burnie, greeting the *Statendam* (January 2006)



Source: London (2006).

The City Council, through Burnie Sports & Events,⁷⁹ provided A\$180,000 for the 2009/2010 season to help pay for buses and other passenger-related services. The ship pays for port security, and A\$12,000 for the use of two tugs. The only provisioning which takes place in Burnie is to address shortages in the ship's stores. However, because of Onshore D's (2009) recognition of the importance of forming relationships, the *Volendam*

⁷⁹ Burnie Sports & Events is an independent company which is an off-shoot of the local council. It was established as a separate company because the council itself is so heavily regulated. Acting as an independent company gives BS&E more flexibility with, for example, sports sponsorship and coordinating cruise ship visits.

(in particular) brings cheeses from Burnie on board. This providoring is the result of Onshore D (2009) organising a trip to the cheese factory for the Captain and First Officer. Onshore D (2009) also emphasised that it isn't only the passengers who are looked after in Burnie, but also the crew. In addition to arranging a trip to the cheese factory for the Captain and First Officer, cars are also provided for senior officers. Burnie has forged a strong friendship with the *Volendam*.

Burnie has also proven to be a popular destination amongst the passengers. It is deemed to be a perfect destination because of the variety of attractions and activities within a one hour drive. The community of Burnie has fully embraced cruise ship visits and according to Onshore D (2009) is proud that Burnie is a popular port destination. The town's retailers contribute funding and its residents drive around, picking up passengers to take them home for lunch or sightseeing. All passengers are given a label pin which is attached to a card displaying the message the "The people of Burnie Welcome You!" Ship B (2009) is extremely positive about Burnie as a port call. He recognises that the town is enthusiastically behind the port calls.

5.3 National cruise manual and best practice

Industry A (2008) strongly supports the development of a national cruise manual which documents all of the regulations, policies, procedures, codes of practice, customary practice and general advice as well as their interpretation, implementation and enforcement relating to cruising in New Zealand (collectively, best practice). A national cruise manual would provide a single source of accurate and up-to-date information for all stakeholders, including the cruise lines and their ships. It would also enable the cruise sector to build a culture of continuous improvement⁸⁰ and should be made available in both hard copy and online. A national cruise manual also provides a mechanism for filtering out political biases and vested interests

Validation for investing in the development of a best practice manual for the New Zealand cruise sector can be found in the discussion of risk earlier in this thesis where it is argued

⁸⁰ See Eraqi (2006) for a discussion of continuous improvement as part of Total Quality Management (TQM), a widely accepted quality scheme.

that risk emanates from having a choice (Roehl & Fesenmaier 1992, p 17). A national best practice standard would provide the cruise lines with baseline (standardised) guidelines of what is available and what they can expect as well as minimise the need to have micro negotiations with each individual port or supplier (*see e.g.* Ng 2007, p 5 who argues that “the heterogeneity of services often results in the lack of standardizatio [sic] in the service delivery process”). However, difficulties will still remain given the industry pattern of negotiating for onshore services as many as three years in advance and then seeking more favourable terms at the start of the relevant season (Ship D 2009) and a reluctance by the IBOs to share proprietary information (Industry B 2009). Appendix B outlines some of the content which appropriately belongs in a national cruise manual.

Underpinning the content of a national cruise manual should be appropriate and balanced risk procedures based on best practice. It is these procedures which are capable of transforming the threats and weaknesses discussed in detail in section 4.2 into a competitive and sustainable direction for the New Zealand cruise sector and which satisfies the requirements of specificity and focus articulated by Beeho and Prentice (1997, p 77). Whilst it is outside the scope of this thesis to develop a full catalogue of best practice procedures, there are a number of strategies which can be highlighted.

The establishment of a cruise culture is an undeniable first step in the process of creating a hospitable and competitive destination for cruising, but the issue then becomes the extent to which all who provide products and services to the cruise ships and their passengers can be urged to offer products and services which adhere to mutually agreed quality standards. Adherence to quality “has become a requisite for competing effectively” (Teye & Leclerc 1998, p 153), particularly for the cruise industry. Therefore, adoption of a quality standard for the entire service sector (as opposed to its constituent parts such as shore excursion providers, retailers or port management) can be considered to be a robust mitigation strategy and is not without precedent. A good example can be found in New Zealand’s own Qualmark scheme which offers certification for providers in the tourism industry (*see* Qualmark New Zealand Limited nd) or in the internationally recognised, generally applicable Total Quality Management (TQM) standard (*see e.g.* Eraqi 2006, p 470). It is also part of the rationale behind ISO 9001, the international standard for quality

management and the World Tourism Organisation's (WTO) own six quality standards for tourist products and services which it considers necessary to achieve sustainability in the industry (WTO 2003, in Eraqi 2006, p 477).⁸¹ In New Zealand, Onshore A (2009) argues that all retailers who come into contact with cruise passengers should be encouraged to complete KiwiHost courses in customer service on the basis that friendliness is far more important than "all the quirky ideas which people have for the cruise sector." The lack of standards is a major concern to Industry A (2009) who reiterates that the lack of a national coordinating committee which can implement standards deprives cruise visitors to New Zealand value for money in terms of service delivery. For example, Industry A (2009) argues that the lack of standards relating to coach drivers, meet and greet staff at ports, signage and the service provided by i-Sites all devalue the cruise visitor's experience.

The attainment of quality standards in the cruise industry is particularly challenging because of the sheer range of products and services it provides including "transportation, accommodation, dining, ship-board entertainment, recreational activities, domestic and foreign ports of call and shore excursions" (Teye & LeClerc 1998, p 154). Quality standards also can (and need to) be used to "enforce compliance with safety and environmental regulations and new working conditions (Eraqi 2006, p 471). From the passenger's perspective, certification arising from compliance with standards can also overcome a lack of confidence in what is essentially an intangible product, a promise that the service will be delivered (Ng 2007, p 14). Therefore, it is especially crucial to manage the gap between sales and delivery, "especially when intermediaries [such as IBOs and local tour operators] are involved" (Ng 2007, p 14).

A cooperative best practice approach to minimise or eliminate negative impacts has been adopted by tour operators, cruise lines, transportation providers and the City of Juneau in Alaska (McConkie 2004, unp). The stated objective of the scheme, *Tourism best practice management practices* (TBMP) is "to minimize the impacts of tourism in a manner which addresses both residents and industry concerns and enhances our visitors' experience in

⁸¹ The WTO's six quality standards are (1) safety and security; (2) hygiene; (3) accessibility; (4) transparency; (5) authenticity; and (6) harmony.

the Capital City" (TBMP 2009, p 1; *see also* Janes 2004, unp). The code, which is voluntary (McConkie 2004, unp) is not intended to replace any existing regulations:

It's understood that tourism operators are required to obey city, state and federal laws. TBMP is not about additional laws. Its focus is improving business practices to increase operator awareness that tourism activity can be annoying and disruptive if we don't take steps to respect our neighbors [sic] (Janes 2004, unp).

Instead, it is designed to enable operators to "demonstrate their commitment to address key community concerns" (TBMP 2009, p 1). Janes (2004, unp) describes the basic concept of TBMP as "one of communication and cooperation to ensure that tourism operations are conducted in a community-friendly way." Residents can lodge comments or complaints by phoning the TBMP Tourism Hotline whilst the programme itself provides feedback to tour operators to assist them in continuing to reduce impacts in the community" (TBMP 2009, p 1). Included in TBMP are 40 specific guidelines which cover all aspects of the cruise tourism sector in Juneau which can have a potentially negative impact on the community and its residents (McConkie 2004, unp). Each guideline, or agreement, covers a specific area of practice. Appendix C sets out examples of the agreements which operators are asked to sign.

Case study: Tauranga/Mt Maunganui

Tauranga is recognised as the best New Zealand port for passenger handling (Ship C 2009) and amongst the passengers themselves in terms of shore excursions and their enjoyment of the area (TourismNZ 2008, p 5). Good management of onshore and cruise operations has led to a port which "exceeds passengers expectations" because of the port's efforts relating to leadership and communication between stakeholders; product and service development geared to changing passenger preferences; the availability of plentiful and useful information both in printed form and on signs; the proximity of the i-Site to the port; the availability of free shuttle buses; the accessibility of other transportation options on the wharf itself; and the deployment of wide, passenger-friendly gangways.

However, concerns had been raised in the past by the Tauranga police and Port B (2009) who is a former policeman over the quality of tour operators and the operation of taxis by

drivers not licensed by the taxi company. As a result of potentially unsatisfactory practices which could have had a negative impact on Tauranga's success as a cruise port, a series of procedures and expectations have been put into place to ensure that all tour and ground transportation operators provide an optimal service to cruise passengers. For example, the port's head of security co-opted the Chief Executive of TBOP to get his backing to ensure that the all vehicles used to transport cruise passengers (including tour buses) are fully licensed and of the highest quality on the basis that such vehicles need to be perfect. "Perfection" in this case is defined to include the cleanliness of the vehicles and the presentation of the driver. In order to ensure that this standard is maintained, there are random inspections of the vehicles. The basis and goal of these requirements is to make sure that all passengers have a great experience, and that no passenger has any complaint about the port.

It needs to be noted, however, that in the case of Tauranga, the port's control over operators extends only to those who pick up and discharge their passengers on the wharf, a situation which occurs for the most part only in Tauranga.⁸² The challenge for the New Zealand cruise industry, then, is to extend this requirement of quality to all vehicles and their drivers within New Zealand's transportation fleet which transport cruise passengers. The deployment of substandard buses and the engagement of bus and shuttle drivers who are ill-trained pose a significant threat to the continuing success of New Zealand's cruise industry. The procedures adopted by the Port of Tauranga not only represent a robust risk management strategy, but could also form the core of national best practice for tour and ground transportation operations for cruise passengers in New Zealand and beyond. Some of the procedures adopted by the Port Tauranga are outlined in Appendix D. In June 2009, TBOP and the Port of Tauranga announced that Qualmark certification would be required for all tour operators selling their services to cruise passengers as from the 2009/2010 cruise season (Bay of Plenty 2009, unp).

⁸² Access to the wharf in other ports is limited to operators contracted to the ship for shore excursions booked through the cruise line.

5.4 Education and training

The creation and implementation of a national cruise manual and the development of a cruise culture both demands and is dependent on a high level of education and training within the industry and the community. According to Destination Victoria (2002, p 51), training should be available to “service providers [including shore excursion providers] detailing cruise ship segmentation and implications of passenger spending levels and service expectations” (Destination Victoria 2002, p 51). Specific and substantial training about the cruise industry and its customers (passengers) needs to be provided to RTOs, i-Sites and other regional and local tourism organisations largely because cruise tourism is so fundamentally different from land-based tourism. In other words, it cannot be assumed that the rules, policies and practices which apply to land-based tourism equally apply to cruise passengers.

There are many incidents which evidence the need for such training. For example, Industry A (2009) criticised the absence of any requirement that coach drivers who transport cruise passengers be trained (except in Tauranga), whilst Ship I (2008) mentioned the need to train port security personnel who are ambassadors, and as such, need to be trained even if they are outsourced contract staff. He further said that in the port of Newcastle in New South Wales, all security staff are outsourced but that they provide the kind of good service that passengers remember. Unfortunately, however, so does the Overseas Passenger Terminal in Sydney where the author of this thesis had a rather memorable *unpleasant* experience in January 2010:

First there's some person checking your cruise ID and picture ID before you get into the terminal. Then, there's a person checking your cruise ID and picture ID when you get to the top of the escalator. Then, there's a scanner with the most inept, unpleasant security people I have ever encountered – one woman looked like she could have been the warden at Lubjanka Prison, and I kid you not. I didn't like her, and she didn't like me. First, she started to put our stuff through the scanner even though there was a hold-up on the other side, and even though some idiot passenger shot in front of me to put his stuff on the scanner just as I was putting mine on. I asked the woman to hold our stuff back until we went through – just to deprive some dishonest fingers the temptation to take my mobile, Terry's wallet, my purse and/or my backpack. She didn't like being told.

Then, BUSTED. She saw the kitchen knives I bought in the sale at the QVB Basement and told me to WAIT. I asked her who I was waiting for and why. She said I had to WAIT. I asked again. YOU HAVE TO WAIT. Some bloke then appeared, and said the knives would have to be confiscated. I told him no, that they did not have to be confiscated, that they were going into a locked suitcase and not removed from that suitcase until we got back to NZ. He again said that they had to be confiscated and I started getting very very prickly. VERY prickly. And, the Russian Double Agent or former Intourist guide kept glaring at me. I just glared back, and she looked away first. Bloke then said that he would call someone from ship's security...probably thinking that they would deal with/to me. I said, "Fine – call Jimmy" [the ship's security officer]. Jimmy came racing across the gangway bridge, took one look at me [Bloke didn't know who the hell I was], and asked with a wry smile on his face, "What have you done now???" Bloke was quite bemused. Jimmy scooped up the knives, and said he would hold them at the front office until we disembark – perfect! Bottom line: there is a big gap between "confiscation" and "holding." Bloke was even more bemused – particularly since Jimmy didn't ask for my name or cabin number – he just knows them....Bloke probably still trying to work out wot happened! (London 2010, unp).

Whilst it is easy to place the burden of education and training on those directly involved in the cruise industry, there is also a need to ensure that local residents more fully understand the roles of the RTOs, CNZ, TourismNZ and the cruise lines themselves. Road shows and luncheons are considered to be effective methods of educating and involving local residents. For example, in its report entitled *Revised action plan for the development of the Australia-Pacific cruise industry 2006*, Australia's Department of Industry, Tourism and Resources (2006, p 5) states that: [t]he Department of Transport and Regional Services will initiate a series of regular industry forums for cruise ship operators and shipping agents to keep the industry updated on developments in Australia's maritime security regime."

5.5 Building confidence and recognition through branding

Cruise tourism in New Zealand is an activity which takes place in discrete locations dotted around its coastline. As noted previously, New Zealand continues to be a "hot destination" (Industry A 2008), but it will always be vulnerable to competition from other destinations. In addition, New Zealand is a product which is not well understood by cruise

line executives (Industry A 2008) nor by a large proportion of potential cruisers to New Zealand. One of the most effective ways of communicating and building confidence and recognition in any product is to develop a brand which clearly communicates its positive attributes and therefore establishes the product's brand equity. Whilst a significant amount of money has been spent developing a recognisable and ultimately highly successful brand for New Zealand tourism as a single destination (Morgan, Pritchard & Piggott 2002), no development has taken place of a brand or sub-brand which communicates the "hot-ness" of New Zealand as a cruise destination. Thus, as a strategy for mitigating the threat (risk) of competition, consideration should be given to first conducting a brand equity study followed by the development of a cruise tourism brand for New Zealand. Any such study needs to include a review of off-shore tourism websites, blogs and printed brochures to ascertain New Zealand's cruise (and broader tourism) image overseas (*see* Punzel & Stockman 2008, pp 23-24).

A national cruise manual would be appropriate repository for information including the acceptable uses of the brand, what it represents and its approved graphical representation (i.e. size, colour and placement).

5.6 Summary

The discipline of best practice and one of its main foci, risk management, is often described as a "systems approach" to management, i.e. a system made up of a variety of tools and mechanisms to promote quality and therefore mitigate risk. The five mechanisms discussed in this chapter⁸³ each has its foundations in best practice (e.g. Total Quality Management and risk management standards) and as such, are appropriate mechanisms for managing, mitigating or eliminating the economic risks discussed in Chapter 4. In other words, an approach which is strategic, consistent, transparent and recognised by all stakeholders as one which provides leadership, training, confidence and accountability is appropriate for managing risk, including economic risk.

⁸³ I.e. the appointment of a national coordinating committee; the development of a cruise culture; the creation of a national cruise manual based on best practice; the provision of education and training; and the building of confidence and recognition through branding.

Chapter 6:

Conclusions and further research

At the start of this project, the author channeled her thoughts solely to assessing the risk targets which would ordinarily be associated with the movement of visitors through New Zealand ports, e.g. gangways blowing off their moorings, unlicensed taxi drivers taking advantage of cruise passengers and the impact of a lack of dedicated cruise terminals and cruise berths. Whilst these and other “traditional” risks still form the core of the author’s discussion in this thesis, a significant, over-arching risk emerged and that is the economic risk of competition. Interviews with a broad range of stakeholders from many parts of the cruise industry gave rise to the premise that unless New Zealand can more aggressively promote not only herself but also the unique goods, services and people which distinguish her from other cruise destinations, she might find herself yielding her position as a premier cruise destination to other remote or exotic destinations, thereby losing the revenue which cruise passengers bring to New Zealand. Therefore, instead of focusing solely on traditional risk targets, the author believes that those targets comprise only part of the full quantum of New Zealand’s risk exposure vis-à-vis its cruise market. In other words, instead of being content with merely being listed in cruise line brochures as an “exotic destination” and the far away place where the *Lord of the Rings* was filmed, many informants (from both the cruise industry and the broader tourism industry) conveyed the message that there is a clear and present need to find out who is most likely to cruise to New Zealand, why they would consider a cruise to New Zealand and what they are likely to enjoy the most when they arrive. It was also made clear by the informants that the collection of this information requires a well-designed and sustained research programme and the products, services and experiences to support the findings which eventually emerge. It is in this context that the author concludes that the development of a New Zealand cruise brand, official promotion of quintessentially New Zealand goods and services and the development of marketing and relationship-building platforms can all operate to develop New Zealand’s profile as a well-known competitive and attractive world class cruise destination, differentiating it from currently better known destinations.

Given that less than one per cent of the world's cruisers have cruised to New Zealand, there are indeed oceans of possibilities.

It is also clear from the discussion in this paper that an overall long-term cruise strategy is required in order to enable New Zealand to "anticipate growth in the industry as well as maximize the benefits that result from the cruise industry" (Farquharson 2006, p 15) and to ensure that such growth can be sustainable. It is a strategy which needs to be documented in a national cruise manual and managed, implemented and continuously improved upon by a national *coordinating* committee and not just by a national *marketing* committee similar to Cruise Down Under in Australia, a point emphatically made by Industry A (2009). Such a national cruise strategy needs to address, for example, not only the visitation of cruise ships to New Zealand waters and the forging of relationships between the cruise lines and the providers of goods and services on-shore, but also address and provide guidance for managing the benefits and impacts of cruising for the community and the expectations of both passengers and the cruise lines so that sustainability can be achieved. According to many of the informants, it must also address potential risks such as the impact upon New Zealand cruising by a volatile economic and climate and the matrix of factors which affect peoples' (and transportation providers') decisions to travel or not, including terrorism, expense and credit markets. In this context, it would appear that the second cruise strategy adopted by the Australian State of Victoria provides the basis for a good aspirational model for the development and adoption of a national cruise strategy for New Zealand. According to *Cruise shipping strategy – Destination Victoria*, the strategy's objective is described as "emphasising Victoria's strengths, promoting its destinations as attractive and desirable, safe and exciting, and selling our ports to the promising global markets" (Department of Infrastructure 2003, unp). Its key objectives are stated as:

- strengthening industry commitment and ownership
- developing an industry focused marketing campaign to strategically position Victoria as a cruise destination
- developing tourism products that meet the expectations and requirements of the cruise industry

- developing Victoria's regional destinations with improved infrastructure, marketing programs and services
- providing world-class port infrastructure and passenger services
- providing effective levels of safety and security (Department of Infrastructure 2003, unp)

Because many of the risks and impacts discussed in this thesis are beyond the control of any destination's homegrown cruise sector, Industry A (2009) suggests that further research needs to be undertaken as to how the cruise lines' global status and bargaining power can and does affect an individual destination's ability to create its own competitive cruise destination. Any such research in this context also needs to address the challenge articulated by Johnson who states that "the need for political will to safeguard destinations, given the proven adverse impacts of poorly managed cruise tourism" (2002, p 268). In the meantime, the challenge is to undertake a risk identification and analysis exercise such as the one proposed in this thesis so that the research question posed in section 1.1 can be answered, i.e. whether the application of an accepted risk model can sufficiently optimise the economic risks which face the New Zealand cruise sector so that its growth can continue to be competitive and in the future, sustainable.

Given the prescriptions of the risk model described towards the end of section 3.5 and the recommendation to identify, analyse, manage and mitigate those risks according to their position and function within the cruise life-cycle model found in section 3.2, the risk management strategies outlined in Chapter 5 should yield a positive answer to the question posed immediately above.

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Appendix A

Project summary

1 Scope

Political, regulatory, investment and community barriers to sustaining a competitive cruise industry in New Zealand

2 Project summary

New Zealand enjoys a reputation as a popular international cruise destination, but this popularity is unlikely to continue unless (a) appropriate support is forthcoming from politicians, legislators, communities and investment sources and (b) future-proofing strategies are put into place to ensure a continuous refreshing and redevelopment of New Zealand's cruise-related assets. This research will:

- investigate the current cruise sector environment in New Zealand with respect to the political, regulatory, investment and community barriers which may exist and which impact upon New Zealand's receptivity to and support of cruising in New Zealand;
- examine and analyse case studies from overseas (through both interviews and desk research) as benchmarks as to what should and should not be done in New Zealand; and
- make recommendations for the future evolution of New Zealand's cruise sector, bearing in mind that is the tourism sector which in many years has been solely responsible for the growth in New Zealand tourism.

3 Specific issues

(a) Political

Views regarding the promotion of an understanding of the cruise industry amongst politicians and other stakeholders and the cultivation of supportive relationships and good information flows between government, the cruise industry and other stakeholders. Desirability for stronger guidance from government and quangos as well as in some cases, direct intervention.

(b) Regulatory/legal

Views regarding:

- existing local, state or international regulations which either help or hinder the cruise industry (e.g. operations, logistics, customs, immigration, crew, environmental impacts, etc). Suggestions for legislative and regulatory changes.

- access to legislation and regulation – the need to ensure that (a) such laws and regulations are not fragmented but instead are easy to find and understand and (b) any updates or revisions are communicated to and understood by all stakeholders.
- the sharing of immigration, customs, security and other similar information relating to cruise passengers, crew and the ship itself. For example, there appears to be a need for information sharing between Australia and NZ with respect to immigration and quarantine, rather than subjecting passengers to redundant immigration and quarantine inspections at sea during their cruise holiday. A “whole of region” approach has been suggested.

Identification of any conflict of law issues between international and national legislation and the application of international conventions and standards (e.g. port security). The need to avoid localised regulations which are inconsistent, frequently change and/or are difficult to access or implement.

(c) Investment

Views on the proposition that investment in and the construction of cruise terminal facilities requires consultation with the community, an appropriate mix of investment funds, clear expectations about ownership, operation and maintenance of those facilities (and supporting services) and the involvement of cruise industry/cruise ship representatives in their construction. Stakeholder contribution and participation in the construction and operation of new or rebuilt cruise facilities so as to avoid problems (e.g. Brisbane).

The role of such agencies and organisations as the International Financial Corporation and national and regional aid, economic development, tourism and other relevant agencies in making investments in cruise facilities.

Relocation of cruise terminals and the impact on the community.

(d) Community

The need for strong relationships between the cruise line/ship and the community with respect to, e.g. an understanding of cruising amongst the community; the onshore tour operators (including port shuttles); regulation and operation of public services such as, e.g. taxis and provedoring services; trading hours; local customs; etc. The need to include evidence of a professional culture relating to an understanding of the cruise industry in charters governing tourism boards and agencies (including i-Sites, etc). The need for coordination (through an active association) between tourism agencies, ports and all other bodies involved in visits by cruise ships.

4 About Wendy

Wendy London is a Masters in Tourism candidate at the University of Otago. She was awarded a Post Graduate Diploma in Tourism (with Distinction) in November 2008 and is the holder of a competitive scholarship grant from the Ministry of Tourism. She is also an avid and critical observer of the cruise industry, having completed fifteen cruises for a total of more than 300 days at sea. Wendy is also involved in a commercial venture which is based on cruise passenger shopping behaviour and e-marketing to those passengers. She has more than ten years' experience in the economic and community development fields (as a consultant and as a community participant in various local think tanks and business associations) in New Zealand.

Wendy, who hold tri-nationality (US/UK/NZ), is also a lawyer and is admitted to practice in the State of New Jersey. She has more than 25 years' experience in the technology law field and is also an IT consultant specialising in the development of strategies and content for the broadband environment.

Appendix B

Flight schedules – the inconvenience and cost of it all

The author was booked on the *Royal Princess* which departed from Athens on Saturday, 5 September and returned there (following a second, back-to-back cruise) on 29 September. Because of her aversion to Athens as a city, one idea was to spend a few days in Munich (as a Thai Airways hub) before traveling to Athens on the day before the ship departed. Arriving on the day of departure was considered too risky because of the prevailing flight schedules and the possibility of strikes which could delay travel. This option was eventually discarded because it was decided to fly to Europe a day later, thereby minimising the time spent in Athens. However, the author found that Singapore Air does not fly to Athens on Tuesdays, but because planes are allowed access to Changi Airport at all hours of the day or night, there was a convenient connection at 01:00, *Wednesday* morning. However, the expense was too great so other options were considered using Star Alliance carriers:

Option	Basis (a)	Itinerary / Notes	Cost per person (b)
1	Long-haul sectors from Asia to Europe on LH	<u>Outbound</u> SQ 286D 01SEP 2 Auckland-Singapore 1205 1855 LH 779Z 02SEP 3 Singapore-Frankfurt 2305 0530 03SEP LH3380Z 03SEP 4 Frankfurt -Athens 0915 1300 <u>Return</u> LH3381Z 29SEP 2 Athens-Frankfurt 1400 1600 LH 782Z 29SEP 2 Frankfurt-Bangkok 2245 1405 30SEP TG 989J 30SEP 3 Bangkok-Auckland 1920 1245 01OCT	<u>Fare:</u> NZ\$8225 <u>Taxes:</u> NZ\$799
2	Round the World due to the long-haul Singapore/Athens sector; combination of SG and LH	<u>Outbound</u> SQ 286D 01SEP 2 Auckland-Singapore 1205 1855 SQ 348D 02SEP 3 Singapore-Athens 0100 0730 <u>Return</u> LH3381Z 29SEP 2 Athens-Frankfurt 1400 1600 LH 782Z 29SEP 2 Frankfurt-Bangkok 2245 1405 30 SEP TG 989J 30SEP 3 BKKAKL HK2 1920 1245 01OCT	<u>Fare:</u> NZ\$12,912 <u>Taxes:</u> NZ\$530
3	SG only	<u>Outbound</u> Auckland/Singapore/Athens <u>Return</u> Frankfurt/Singapore/Auckland plus the Athens/Frankfurt sector (no chance getting Athens/Singapore); no seats available on the special Europe level advertised by SQ; redemption seats would be hard to get on the return because Athens/ Singapore is not a daily flight	<u>Fare inclusive of taxes:</u> NZ\$8,999

Notes:

- (a) Airline abbreviations: Lufthansa – LH; Singapore Air – SG; Thai Airways – TG
- (b) Business class.

Appendix C

Representative contents of a national cruise manual

Risk	Inclusion in a national cruise manual
Product development	
Lack of industry and community development	Suggested contents, format and scheduling of education and training courses, road shows and other events
The New Zealand cruise environment	Governance, port ownership and contacts, tourism industry structure and contacts, etc
Marketing and promotion	Prescriptions for regular and frequent targeted research including survey templates
	Specification for a cruise sector focused website, disengaged from all land tourism websites
Infrastructure	
Connections	Policies regarding partnerships or alliances with airlines transporting cruise passengers
Construction of cruise terminal or other facilities	Policy statements regarding the construction of cruise facilities Agreed standards to be observed in the construction of cruise facilities including, e.g. minimum space for baggage sorting and collection; the number of gangways to be made available; minimum space requirements for vehicle marshalling; minimum space and technical requirements for check-in, security, immigration and quarantine functions; etc
	Acceptable dual use purposes for new facilities and/or how the non-cruise use of those facilities can add value to the cruise sector (e.g. permanent trade displays, etc)
Ship maintenance	A compendium of the regulations relating to ship maintenance whilst in individual ports in New Zealand A list of fees for carrying out maintenance, payable to the port, contractors or other bodies Forms required to be completed to obtain licences or permits for undertaking maintenance
Distribution	
Non-existent or difficult to find signage near berthed cruise ships	Size, format and language requirements for signage on the wharf and in cruise terminals

Out-of-date or inaccessible passenger information	Availability and rules for updating passenger information; how the information should be distributed (including onto the ship); names of contacts for placing information onboard; translation of information into other languages; format of information; etc
Poor passenger transport services	Minimum requirements for passenger transport services such as driver qualifications, vehicle and driver licensing, condition and cleanliness of vehicles, etc

Use and consumption

Sub-standard shore excursion operators	Licensing or certification requirements for shore excursion operators
Lack of information about shore excursions for cruise line organisers	Information to be provided by each shore excursion provider, e.g.: <ul style="list-style-type: none"> • Distance from port • Traveling time from port • Description • Opening hours • Maximum group size • Management of group visits • Facilities [e.g. shops] • Coach parking • Catering facilities • Access [e.g. rocky walk, steep gravel path, ramp, etc] • Cruise added value – e.g. what is unique, special, etc; whether there is a “must see;” interpretation; quality of guides; etc • Other information
	<i>Source for template outline:</i> MWP (2004, pp 58-59)
Natural disasters, civil emergencies and climate change	Emergency, crisis and civil defence manuals, including procedures for the evacuation and repatriation of non-New Zealand residents
	Up-to-date contact information for all personnel involved in relevant consular services
	Contact details and role of each agency which has a part in managing and responding to disasters and emergencies
	Guidelines for the establishment of a network of scientists, environmentalists and tourism operators to develop strategies for mitigating against the negative impacts of climate change on cruise sector activities (ships and passengers) including emergency planning (Jackson nd, pp 29-33)
Legal risk	Guidelines for mitigating legal risk including (but not limited to) safety standards and insurance coverage
	Policy statements regarding the need to adopt best practice standards to eliminate or mitigate risk (<i>see</i> Page, Bentley & Walker 2005)

Medical evacuation procedures for individual passengers or groups of passengers	Contact details of local hospitals, doctors, ambulance providers, pharmacies, other support personnel (e.g. translators and transportation providers), etc
	Cost guidelines for all services

Disposal

Undesirable environmental impacts	Compendium of applicable environmental regulations Copies of any forms required to secure permissions or licences relating to the environment Goals for implementing new technologies such as electric powered vehicles, etc
Undesirable economic impacts	Policies and planning with respect to collaboration with land-based stakeholders to promote sustained and positive development of the natural environment, including taking control over the process to ensure that the cruise lines do not engage in unilateral development Guidelines relating to planning considerations when introducing new businesses to service or support the cruise sector and its passengers Quality and continuous improvement strategies acting as a defence against the takeover of businesses and their assets by cruise lines

Appendix D

Examples of operator agreements

Relevant agreement (a)	Coverage or objective
Transportation and vehicles	Explicitly states that operators must also comply with those provisions of the <i>City and Borough of Juneau administrative code</i> which relate to commercial passenger vehicles Sets out specific rules such as prohibiting empty vehicles not to drive down certain streets; mandating the use of certain lanes in CBD streets; the need to monitor vehicle fluids; and a prohibition against keeping engines idling
Flightseeing	Admonishes flightseeing operators to “fly neighbourly” and covers, e.g. noise reduction, altitude, operating times and wildlife viewing practices
Walking, hiking, bicycling and zipline tours	Covers the use of bike paths, the removal of all litter and identifiers for tour guides, etc
Cruise ships	Explicitly states that cruise ships must comply with state requirements relating to visible stack emissions, emissions generally, etc Seeks to minimise the number of loud speaker announcements and signals whilst moored or anchored and during approach and departure
Courteous use	Operators “agree to use docks, harbours, loading ramps, the airport and related parking facilities in a courteous and responsible manner and to pay special attention to other users”
All operators and/or agents	Covers training of all relevant employees, contact details, regular meetings to discuss progress made in attaining TBMP goals; response to the TBPM Hotline; and self-monitoring

Source: Based on TBMP (2009, pp 1-7).

Note:

- (a) Each agreement represents an area of practice.

Appendix E

Best practice for tour and ground transportation operators

The following outline is from a discussion with Onshore A (2009) in respect of tour and ground transportation at Mt Maunganui.

Land Transport and the police have a very good rapport with the tour operators. For example, if anyone on the wharf suspects a problem, a mere “wink” to the Land Transport representative will result in the representative making sure that all is in order.

Service delivery is efficient and seamless, based on the following procedures:

- Tour operators arrive together and draw straws as to who gets to park in the front row, awaiting disembarking cruise passengers.
- Tour operators *must* remain within 1.5 metres of their vehicle, but can talk to passengers.
- Security has someone standing in the parking area on the wharf to make sure that all tour operators conform to the rules.
- Tour operators like the environment because it is fair, and everyone is above board. They also know that if there is one bad mistake, they will all suffer.
- Land Transport checks all vehicles on their return to the port.

At one point, the police came to Onshore A (2009) and said that they were concerned about the quality of service, that they were most keen for the industry to succeed. The police are extremely supportive of the cruise industry, and it was their idea to be involved at a hands-on level within the port. The police now stop all private tour vehicles at the port gate and check the passenger manifest presented by the driver. The police might interview one or two passengers to make sure everything went well, e.g. to ensure that the driver went where he was supposed to go, that he didn't drive too fast, etc. If, for example, there is a passenger comment that the driver drove too fast, the police will stop the bus and take a poll amongst the passengers.

On one private tour several years ago, the driver suggested that the tour passengers might want to see how Kiwi fruit are grown. The driver encouraged the passengers to jump over a fence and have a look, but the property was not the driver's nor did he have

authorisation to go onto it. In addition, the driver was a poor driver. Because of these infractions, the i-Site refunded all ticket fees. Now, all operators know that there are safeguards in place.

Taxis are heavily regulated at the port; there is no overcharging:

- All owners are briefed at the start of the season as to the rules etc.
- If any driver is found to take advantage, both the driver and the company are prosecuted.
- There is a strong prohibition about drivers getting their friends and relatives to drive in their place. Where one driver gave his ID to his cousin to enable him to drive for a day, the whole company was banned from the wharf for a year.
- LTNZ engaged mystery taxi riders, thereby resulting in the elimination of overcharging cruise passengers.