

Executive Summary

Major Findings:

- Port cities tend to overestimate the value of cruise tourism and underestimate the costs. Estimates of value are often based on erroneous assumptions.
- Expectations for a continuing boom in the growth of cruise tourism may not be realistic. Future port city expenditures should be made in full consideration of all potential risks and benefits.
- Port cities need to be aware of the role of cabotage laws in cruise tourism in Canada. While British Columbia in 2003 had a 2–3% increase in cruise passengers, Vancouver had a 19% decrease. Cabotage laws are a force behind redeployments in the west and much of the growth in the east.
- Canada’s “voluntary approach” to regulation of cruise ship discharges in Canadian waters is based on unwarranted trust of the cruise industry, and is inconsistent with findings of a recent OECD study and the experience in other jurisdictions. It should immediately be stopped and a process begun for binding regulations that have the force of law.
- If the North American cruise industry devoted what it did to “advertising and marketing” in 2000, it could retrofit every ship in its fleet with an Advanced Wastewater Treatment System and have a quarter-billion dollars left over in pocket change.

Cruise tourism in Canada can be traced back to the first cruises from Vancouver, through the Inside Passage to Alaska, offered by Canadian National Railroad as early as the 1930s. Cruise traffic boomed in the 1980s and 1990s as the North American, U.S.-based cruise industry grew. To-

day, Vancouver is a major port for Alaska-bound cruises, though its dominance is being threatened by ships repositioning to Seattle. After two decades of growth, Vancouver saw a 19% decrease in cruise passengers in 2003. The east coast’s growth in cruise tourism is more recent. Halifax and Saint John have both experienced significant growth the past several years – an average 70% per year. However, like the west coast of Canada, the potential for growth is dependent on a variety of factors. Like Vancouver, all Canadian ports are vulnerable to the redeployment of ships. As they look to develop cruise tourism, ports and port cities need to be cognizant of the upsides and the downsides; of the benefits and the risks.

This report has as its primary goal providing information to policy-makers, community leaders, and citizens who often view the cruise industry as a great source of income, but who pay little attention to the costs associated with building cruise tourism in Canada. It looks at economic issues and concerns about environmental pollution and degradation. Given the general lack of independent research and information, it fills a gap. However, it is only a beginning. There is need for additional independent research about cruise tourism and its social, economic, and environmental impacts.

Economic Issues

The cruise industry and its supporters make grand claims about the value of cruise tourism to local, provincial, and national economies. This report tempers this optimism with information that is generally not discussed. For example, it looks at who is behind the push for cruise tourism in Canada and at the costs associated with its development. The largest proponent for cruise

ism is the cruise industry. The industry is more than just individual cruise corporations – 90% of the North American market is controlled by three corporations – and cruise lines. It includes trade organizations like the North West Cruise Association and Atlantic Canada Cruise Association, both of which advocate for greater spending by port cities to attract cruise lines through marketing, advertising, and large-scale projects involving development and construction of cruise terminals. Vancouver has spent close to \$130 million on development of its terminals; five other Canadian ports together are currently committed to spending close to \$40 million on cruise terminals and other facilities. This is on top of what has already been spent in past. The efforts of trade organizations are supported by U.S.-based consulting firms hired by ports to advise them on how to grow cruise tourism. One of these firms, Miami-based Bermello, Ajamil & Partners, has advised a majority of major cruise ports in Canada. The advice invariably includes expansion or re-development of port facilities.

The Government of Canada has also been a strong proponent of cruise tourism. It provides economic support through the Atlantic Canada Opportunities Agency. It has also taken a less than vigilant approach to protection of Canada's coastal waters. Despite the cruise industry having a history of environmental irresponsibility, the Canadian government has committed itself to an approach that depends on voluntary self-regulation. This is contrary to the move in other countries and key U.S. states, and is inconsistent with a recent report of the Organization of Economic Cooperation and Development (OECD) which suggests that voluntary approaches are inefficient and ineffective.

Ports and local tourism associations are another major force pushing cruise tourism. In most cases, they are innocently responding to a perception that cruise ship visits provide huge eco-

nomic value and growth. They tend to downplay the economic costs associated with cruise tourism and overplay the potential for economic contributions. Most ports claim that cruise passenger spending averages \$100 per person. This report looks at the foundation for these estimates and demonstrates that the figure is unreliable and grossly inflates the actual economic impact. An industry-funded study of Caribbean ports found that typical spending by port-of-call passengers includes \$39 on watches and jewellery, \$13 on clothing, and \$12 on souvenirs. An industry-funded study in Alaska states that most spending is on shore excursions (of which one-half to one-third of what is paid by cruise passengers actually reaches onshore operators), gifts and souvenirs, and food and beverages. A multi-year study by the City of St. John's suggests that average passenger spending is \$55.71.

Aside from assumptions about passenger spending, those advocating cruise tourism tend to overlook the influence of U.S. cabotage laws (i.e., Passenger Vessel Services Act of 1886 and the Merchant Marine Act of 1920), which require foreign-flagged ships operating from U.S. ports to include a foreign port in its itinerary. These laws were the impetus for cruise ships locating themselves in Vancouver, but with increased speeds the ships are shifting to Seattle and including a port call at Victoria or Prince Rupert to satisfy U.S. regulations. East coast ports also receive much of their cruise business because of these laws. If the cabotage laws are eliminated, of which there is risk, Canadian ports become superfluous to many itineraries.

Environmental Issues

The cruise industry would not dispute its poor environmental record. However, it claims that it has changed and argues that the Canadian government should trust it. The Canadian govern-

tourment's voluntary approach to environmental regulation confirms that it trusts the industry. Contrast this approach with California Assemblyman Joe Simitian, sponsor of legislation in California, who says: "...cruise lines have a history of violating their agreements and gaming the system. 'Trust us' is no longer an effective environmental policy." While governments in other jurisdictions are properly cautious about the cruise industry, there is a cozy relationship between the cruise industry (and its partners) and Canadian government agencies charged with overseeing and regulating the industry.

There are several Canadian organizations that share a skeptical view of the trustworthiness of the cruise industry. The few Canadian environmental organizations that were permitted to comment about government plans for voluntary measures to deal with cruise ship emissions and discharges say their comments were ignored. The single national organization in Canada that has been outspoken about cruise ship environmental practices, the Oceans Blue Foundation, has been forced to give up its cruise stewardship initiative because funding from government sources evaporated after they issued a report critical of cruise industry practices.

An analysis of environmental issues related to the cruise industry from the perspective of the industry, the Canadian government, and environmental organizations, suggests that the Canadian government's view is often synonymous with the view of the cruise industry. There is currently no national organization looking out for the interest of Canadians concerned with the environmental integrity of Canada's coastal waters and which can keep the government in check. There are a number of regional organizations, but their field of interest is limited.

The report concludes with five recommendations:

- 1 The need for cooperation rather than competition between ports and port cities is para-

mount. Canadian cities and ports on each coast need to work together, collectively, to avoid being set off against one another. They need to make conscious and informed decisions that benefit local interests, but that are not at the expense of a neighbour. They may consider local caps on cruise ship visits in order to "force" a more equitable distribution of cruise tourism.

- 2 Canadian cities should consider a reasonable head tax on cruise ship passengers in order to fund expenses incurred with cruise ship visits, and to undertake projects that make the city and port a more attractive port of call.

- 3 A national study should be undertaken, by an independent Canadian researcher or organization, which objectively and completely assesses the economic and social costs and benefits associated with cruise tourism. The report should provide information useful to ports, port cities, and provincial and federal governments in decision-making related to cruise tourism.

- 4 Transport Canada's plan for voluntary guidelines to deal with environmental issues related to cruise ships must be immediately cancelled. There is need for concrete, enforceable regulations that include penalties for non-compliance. The danger of waiting is obvious. As long as the cruise industry can operate without monitoring and without regulation, we have no way to know the full extent of its disregard for protection of Canada's coastal waters.

- 5 The Canadian government must immediately legislate environmental regulations. The report provides a model for that legislation.