

Charting A Course: The Cruise Industry, the Government of Canada, and Purposeful Development

By Ross A. Klein, PhD

ISBN: 0-88627-331-5

September 2003

Charting A Course: The Cruise Industry, the Government of Canada, and Purposeful Development

By Ross A. Klein, PhD

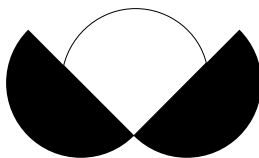
ISBN: 0-88627-331-5
September 2003

About the Author

Ross A. Klein is Associate Professor of Social Work, Memorial University of Newfoundland. He has taken more than 30 cruises (accounting for 300 days) and has written two books and a number of articles about the cruise industry. He is also a CCPA-NS Research Associate. He is online at: www.cruisejunkie.com and www.ucs.mun.ca/~rklein/cruise.html

Acknowledgements

I would like to express my thanks to the following people who have assisted and who have provided comments – some as anonymous reviewers: Howard Breen, Gershon Cohen, Gretchen Fitzgerald, John Jacobs, Russell Long, Dale Marshall, Teri Shore, and Bruce Wallace. I would also express my thanks to those in the environmental movement who have shared their wisdom and who have included me in discussions which helped inform this report. And finally, I would like to express my appreciation to the Canadian Centre for Policy Alternatives for its support for my work. I am especially indebted to those behind the scenes who have assisted with production of this report, including John Jacobs, Ed Finn, and Kerri-Anne Finn.



CANADIAN CENTRE FOR POLICY ALTERNATIVES
410-75 Albert Street, Ottawa, ON K1P 5E7
tel: 613-563-1341 fax: 613-233-1458
email: ccpa@policyalternatives.ca
<http://www.policyalternatives.ca>

Table of Contents

Acronyms and Abbreviations i

Executive Summary ii

I. Introduction 1

II. The Cruise Industry – An Overview 2

III. Who is Pushing Cruise Development in Canada? 7

IV. The Assumptions About Growth of the Cruise Industry in Canada 14

V. Who Is Protecting the Environment? 22

VI. What's Canada to Do? 30

Endnotes 38

Acronyms and Abbreviations

ACAP	Atlantic Coastal Action Project
ACCA	Atlantic Canada Cruise Association
ACOA	Atlantic Canada Opportunities Agency
B&A	Bermello, Ajamil and Partners
CAST	Caribbean Alliance for Sustainable Tourism
CTA	Coastal Trade Act (Canada)
CTC	Canadian Tourism Commission
DFO	Fisheries and Oceans Canada
FIU	Florida International University
ICCL	International Council of Cruise Lines
MARPOL	International Convention for the Prevention of Pollution from Ships
MPAs	Marine Protected Areas
NWCA	North West Cruiseship Association
NCL	Norwegian Cruise Line
NGO	Nongovernmental organization
OBF	Oceans Blue Foundation
OECD	Organization for Economic Co-operation and Development
PVSA	Passenger Vessel Services Act (U.S.)
PWC	Price Waterhouse Coopers
RCCL	Royal Caribbean Cruises Limited
RCRA	Resource Conservation and Recovery Act
SPEC	Society Promoting Environmental Consciousness
VIPIRG	Vancouver Public Interest Research Group
VPA	Vancouver Port Authority

NOTE: All dollars in the report are Canadian except where otherwise indicated.

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.

I. Introduction

Cruise tourism in Canada can be traced back to the first cruises of the Inside Passage from Vancouver to Alaska. From relatively small numbers in the 1930s, initially aboard ships mostly operated by Canadian National Railroad, cruise tourism has grown to a multi-million-dollar contributor to the Canadian economy. Vancouver's cruise traffic kept pace in the 1980s and 1990s with the growth and expansion of the U.S.-based cruise industry. After two decades of growth, cruise traffic to Vancouver for the first time decreased in 2003. But other ports in British Columbia have gained with Vancouver's losses.

The east coast of Canada has also seen major growth in cruise tourism over the past several years. With an increasing number of ships, and the cruise industry seeking itineraries for their deployment, Halifax and Saint John have experienced significant increases from cruise traffic originating in Boston and New York. Other ports, too, have seen growth. Fall foliage cruises have brought visitors to Corner Brook, Sydney, Charlottetown, Quebec City, and Montreal. Some of these ports, along with St. John's, have seen expansion in cruise traffic with the growth of transatlantic crossings, including cruises that follow the path of the Vikings with stops in Iceland, Greenland, St. John's, and L'Anse aux Meadows on the west coast of Newfoundland.

This report takes a look at the cruise industry in Canada. Its focus is on providing information to policy-makers, community leaders, and citizens who too 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. 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. It looks at those who are pushing cruise tourism

in Canada, and considers common assumptions about the growth of cruise tourism and its economic value. Analysis of these assumptions is instructive to ports and cities as they position themselves for dealing with the cruise industry and as they realistically anticipate potential growth.

This report also considers environmental challenges faced by the cruise industry and its supporters, and the Canadian government's plan for a voluntary approach to dealing with the effluent and wastes produced by cruise ships. By placing the cruise industry and Canada's policies in a broader, world context, it is suggested that a voluntary approach will not only fail, but it is not in the best interest of those who wish to see Canada's coastal waters protected. In view of the experience of states in the U.S. and the Caribbean, clear recommendations are made for environmental regulations.

This report is a follow-up to *Cruising—Out of Control: The Cruise Industry, the Environment, Workers, and the Maritimes*.¹ As such, information that is contained there will not be duplicated here, including discussion of the range of potentially-polluting wastes produced by a cruise ship. That report provides an historical overview of the cruise industry. It also looks at economic, environmental, and social realities and dilemmas posed to ports by cruise tourism. It advocates the need for greater cooperation between Canada's ports in order to resist being played off against one another by cruise lines, makes suggestions for how ports can generate greater income, and posits some preliminary recommendations around environmental issues. It also reminds ports not to forget the crew on board cruise ships: both as a source of economic value and as a social concern. Environmental issues raised in *Cruising—Out of Control* are further developed and more completely articulated in this report.

II. The Cruise Industry – An Overview

The cruise industry is the fastest growing segment of the leisure travel market. Passenger numbers have grown an average of 8.4% per year since 1980.² Since 1998, the annual increase in North America has been an average 15%; in Halifax and Saint John it has been close to 70% per year; in Victoria it has been 90% – 360% in just three years.³ Quebec City experienced a 36% increase in 2002 when it opened a new cruise terminal.⁴ Vancouver previously saw similar increases, but its passenger numbers have now begun to decline – a 19% decline in 2003⁵ and further decline is anticipated in 2004. Growth that has occurred has been side-by-side the introduction of new and larger ships. Today there are more than 260 cruise ships sailing the world's oceans,⁶ with accommodations for close to 300,000 passengers.

Current projections are that as many as 9 million people in North America will take a cruise in 2003. World wide, the number may be as high as 13 or 14 million. The obvious question is whether growth in passenger numbers will continue. Also of interest is the landscape of an industry that is becoming increasingly dominated by a small number of players.

Consolidation of the Industry

It was considered a bold statement at the time: Pam Conover, the vice-president and head of cruise shipping for Citibank NA, predicting in 1992 that three companies will dominate the North American cruise industry by the year 2000 with 90% of the market. She explained her prediction: “the mass market ‘...will increasingly become a game in which only players who enjoy economies of scale can play and win.’”⁷ Industry observers and analysts at the time scoffed at what

appeared to be a ludicrous statement, given the dozens of independent cruise companies.

As it turns out, Ms. Conover's prediction was off by only a couple of years. By early 2003, there were three cruise corporations that dominated the world market and that controlled roughly 90% of the North American market. The largest, Carnival Corporation, is a conglomeration of 13 brand names. It alone captures roughly 50% of the cruise business in North America, and through its merger with P&O Princess in April 2003 it will save more than US\$100 million per year through economies of scale.⁸ The other two players are Royal Caribbean Cruise Limited (RCCL), which operates three brand names and holds roughly 27% of the market, and Star Cruises, which also operates three brand names and holds about 13% of the market. Table I provides a breakdown of each corporation and the cruise companies it operates.

In addition to the big players, there is an array of smaller cruise lines. Some of these fit into a clear niche, such as those catering to people interested in adventure travel. So-called “pocket cruises” are a good example of a niche company. Lindbald Expeditions, American Canadian Caribbean Line, Cruise West, and Glacier Bay Tours and Cruises each operate small ships (less than 100 passengers) and offer a cruise experience different from mainstream cruise lines. There is also a group of small cruise lines that cater to those who are highly affluent. Silversea Cruises, for example, targets people with household incomes of US\$250,000 or more.

Other cruise lines that fall outside the “Big Three” are those focused on specific national or ethnic markets. There are a number of European and Asian cruise lines, but even these increasingly

TABLE 1: Cruise Lines By Cruise Corporation

Carnival Corporation	Royal Caribbean Cruises Ltd	Star Cruises
Carnival Cruise Line Holland America Line Windstar Cruises Holland America Tours Westmark Hotels Gray Line Princess Cruises Princess Tours Seabourn Cruise Line Aida (Germany) A'Rosa (Germany) Costa Cruises (Italy) Cunard Line (UK) Ocean Village (UK) P&O Cruises (UK) Swan Hellenic (UK) P&O Australia	Celebrity Cruises Royal Caribbean International Island Cruises (j/v with First Choice – UK)	Norwegian Cruise Line Orient Line Star Cruises (Asia)
66 Ships 100,000 berths 17 on order	26 ships 53,000 berths 2 ships on order	20 ships 26,000 berths 2 ships on order

are either being bought up by the larger companies or are left to compete with deep-pocketed corporations. Ships catering to the European market are different in personality and style (often understated or subtle rather than brash and glitzy) than those directed at North American consumers. Cruise lines that focus on the Asian market also have their own unique personality.

If You Build Ships, They Will Come

The growth of the cruise industry is driven in large part by a continual flow of new ships.⁹ Most of the ships currently on order were planned when the cruise industry was experiencing consistent growth, with no end in sight. Between 2000 and 2005, the cruise industry will increase capacity by more than 50%, adding over 100,000 more beds, most devoted to the North American market. More than half of this growth occurred between 2000 and 2002. Fourteen additional ships with a total of 30,000 beds are being delivered in 2003, and an additional 13 ships with accommo-

dations for more than 29,000 passengers will be delivered in 2004. Carnival Cruise Line alone will see an 18% increase in capacity in both 2003 and 2004.

The building frenzy winds down after 2004.¹⁰ Only three ships are on order for 2005 (with approximately 7,000 beds) and two for 2006 (with approximately 5,000 beds). Very few additional ships are expected to be built in the near term. The cruise industry is having a difficult time absorbing the ships already slated for delivery. Where possible, cruise operators have delayed delivery of ships, or have cancelled ships previously ordered.¹¹

On the surface, the cruise industry is doing well: each of the major companies maintains occupancy rates at or above 100%¹² and stock values have recovered to levels not seen since early 2000.¹³ But cruise lines are forced to manipulate prices and offer attractive incentives in order to fill their ships: Holland America Line announced in August 2003 that it would give teachers up to 70% off on winter holiday sailings.¹⁴ The corpo-

rate view is that, unlike a vacant hotel room that can be filled the next night, once a cruise ship leaves port the room remains empty for the full voyage. Cruise lines would rather lower prices to fill their ships than to have empty cabins.

The extent to which they will go was most visible following the September 11 attacks on the World Trade Centre and the Pentagon. Cruises could be purchased through a travel agent or from the cruise line for as little as US\$49 a day.¹⁵ As recently as the spring of 2003, cruises have sold at on-line auctions for even less – as little as US\$18 for a three-day cruise; US\$81 for a seven-day cruise. While ships are leaving full, the nature of the cruise passenger being attracted is changing. A person paying US\$49 a day for a cruise is unlikely to have the same disposable income for discretionary purchases than those who traditionally have paid three or four times as much for the same accommodation. Yes, some people who previously cruised are cruising again because they can get a bargain. But a larger proportion of passengers are choosing a cruise because it now fits within their economic means.

How Do We Fill So Many Ships?

In addition to price manipulation, cruise lines have increased the number of ports from which they depart. This expansion is in part related to American consumers' resistance to travelling outside the U.S. for a cruise; many are still hesitant to fly on airplanes. The result is that cruise ships are leaving today from ports that a year or two ago never saw a cruise ship. In addition, ports such as New York, which traditionally was a gateway for cruises to the northeast and Bermuda, is now being used for year-round cruises to the Caribbean. The ability to offer cruises from New York to the Caribbean is made possible by the faster cruising speeds of today's newer ships. Most ships in the 1990s travelled 17–20 knots an hour. Many

of today's new ships cruise at 24 or 25 knots an hour.

Norwegian Cruise Line (NCL) advertises "Homeland Cruising" (described by some in the industry as "drive-to cruising"), to reflect their movement of ships to U.S. home-ports. They offer many itineraries that appeal to Americans hesitant to set foot on foreign land. Other major cruise lines have followed NCL's example, both in terms of advertising – Carnival Cruise Line now markets "Close to Home Cruising" – and ship deployment. Both coasts of Canada, for now, are beneficiaries of some of these new deployments of cruise ships; however, the east coast is benefiting more than the west coast.

One of the key benefits to cruise lines expanding the choice of ports is that cruises are made more accessible to a wider clientele by effectively lowering the out-of-pocket cost. A person in the tri-state area around New York City (i.e., New Jersey, New York, and Connecticut), for example, no longer has to fly to Miami to catch a cruise. This reduces the cost of the vacation by a couple of hundred dollars per person. In addition, travel time is significantly reduced and the hassle of having to get to the ship via an air connection is eliminated. The cruise line also benefits because its ship is not dependent on the air transportation system. A passenger can easily drive, take a bus, or take a commuter train or taxi to begin a cruise. The same scenario may develop on the west coast, with Seattle as a hub for Mexico.

Another benefit to the cruise companies of expanding to additional ports is that they have created alternatives. These options allow ports to be played off against one another and can be used to negotiate either lowered port charges or no port charges at all.¹⁶ At the same time, port cities are investing large sums of money in new cruise terminals and port facilities in order to attract cruise lines, even if at the expense of a neighbour down the coast. It is a matter of each port for itself, and, based on misperceptions about the economic

impact of cruise ship visits, ports are willing to cut deals that are golden for the cruise industry, but which leaves in question the exact benefit to the port.

Another development that is likely to appear in the near future as a means for filling ships is an *a-la-carte* style of cruising. The industry's increasing reliance on onboard spending by passengers, including for alternative restaurants (and very recently for onboard entertainment¹⁷), is a major step in that direction. While cruises have an image as an all-inclusive product where passengers pay for nothing once they get onboard, and it is possible to incur little to no additional cost, the introduction of new charges and fees make this more and more difficult today. While no company has yet come forward and announced unbundling of its product, unbundling was seriously discussed in the "State of the Industry" debate at the 2003 Seatrade Cruise Shipping Convention in Miami Beach. Panelists suggested that it was just a matter of time before a company offers a cruise much like a hotel room. A guest pays up front for the room on the ship, and everything on board is pay-as-you-go. Unbundling will lower the visible price tag for a cruise, which will attract a broader clientele.

Pressing Issues Facing the Industry

As the cruise industry expands, it is faced with three challenging issues. The first relates to the environment. As discussed in *Cruising – Out of Control*,¹⁸ a cruise ship produces large amounts of waste, much of which is potentially harmful to the environment. Wastewater (both sewage and grey water), hazardous waste, oily bilge, ballast water, diesel exhaust, and solid waste each present its own set of problems. While scientists point to the potential harm done, the cruise industry's viewpoint about environmental discharges is best described as "dilution is the solution." Their ar-

gument is predicated on an assumption that the oceans are so vast that a little bit of sewage, contaminated grey water, oily bilge, or ballast water with bio-invaders¹⁹ is of little consequence. Even solid waste is easily dismissed. The industry doesn't appear to acknowledge that, when plastics are incinerated, dioxins, furans, and heavy metals are released into the air; when incinerator ash is dumped at sea, there may be particles of plastic included in the discharge, as well as dioxins and other chemicals; and that food waste dumped at sea has been found to adversely affect marine biota and may be detrimental to fish digestion and health.²⁰ These are scientific facts that the cruise industry chooses to either ignore or to reframe as inconsequential because any deleterious effects will be eliminated by dilution.

A protracted debate continues, with environmentalists and their supporters on one side and the cruise industry and its supporters on the other. In the meantime, the cruise industry continues to use the oceans for disposal of much of its waste.²¹ It does not dispute estimates of the volume of waste produced; only how, when, and where the waste is disposed of and whether the waste has deleterious effects. The industry would further argue that there is no need for regulation because they are responsible stewards of the ocean and voluntarily will maintain high standards.

A second issue facing the cruise industry is economic in nature. Like any business, a cruise line's main goal is to produce profit. In earlier times, income was generated by cruise fares. But today, with depressed pricing, cruise ships combine strategies for increasing onboard revenue with strategies for decreasing costs. Both of these economic squeezes affect port cities. When passengers spend more money on board the ship, they have less money to spend on shore. And when

"The reason why Carnival Corporation makes the kind of money we do is because we pay great, great attention to controlling our costs."

cruise lines attempt to cut costs, port cities and terminals are often put in a position of having to make concessions to either keep ships coming back or to entice ships to come. Carnival Corporation alone will earn close to US\$1.5 billion in net profit this year. As stated by Tim Gallagher, Carnival Corporation's Vice-President of Public Relations, "the reason why Carnival Corporation makes the kind of money we do is because we pay great, great attention to controlling our costs."²² This is a sobering fact that every port should keep in mind.

A third challenge facing the cruise industry is the increasing social consciousness of consumers

and of those who live in port cities. This is particularly the case with regard to Canadians. They are generally socially aware and concerned about the environment. But the cruise industry and the Canadian government appear to underestimate the Canadian public's concern. As discussed later, the Canadian government and cruise industry have negotiated voluntary environmental guidelines, largely in secret and contrary to what is happening in the U.S., in the Caribbean, and beyond. Canadians are unlikely to sit by idly and watch the degradation of their coastal environment

III. Who is Pushing Cruise Development in Canada?

The growth in number of ships and overall passenger capacity has been associated with a corresponding growth in both the number of ports at which cruises dock and the number of cities and towns in which cruise ships home port (i.e., embark and disembark passengers). This expansion of capacity is not trivial. Princess Cruises alone announced in July 2003 that it would increase passenger capacity in the Caribbean by 75% in 2004. Other cruise lines, as well, are faced with new ships coming on line and the need to find itineraries for their deployment. Post-September 11, 2001 redeployments further impacts increases in the Americas – cruise arrivals in Belize in 2002 were up an astounding 564%.²³ Passenger numbers for Tampa and Galveston each increased more than 165% between 2001 and 2003.²⁴ Victoria saw a 360% increase between 1999 and 2003, and Halifax and Saint John experienced increases almost as large over the same period.

This expansion is accompanied by port cities marketing themselves to the cruise industry in an effort to capture part of the growing market. Some ports promise new terminals or other port facilities to attract cruise lines; others provide economic incentives. The incentives can include reduced port fees, free access to drinking water or other commodities, and in some cases direct financial payment. The most visible example of the latter is the country of Panama. In 2000, it announced a five-year scheme whereby cruise ships would be paid a bounty for every cruise passenger landed at a Panamanian port; the amount escalates to a maximum of US\$12 per passenger as more passengers are landed. The effect is that Panama shifted from receiving no port calls when the plan was announced to dozens of cruise ship stops today. It received its first port call at Colon on No-

vember 6, 2000, and quickly received commitments for visits from Princess Cruise Line, Carnival Cruise Line, P.O. Cruises, Fred Olsen Cruise Line, Sun Cruises, Celebrity Cruises, and Holland America Line. In 2001, Colon received at least one cruise ship per week.²⁵ Today, in addition to those already committed to stops at Colon, Windjammer Barefoot Cruises uses the city as a home port.

San Juan, Puerto Rico, also provides cash incentives to cruise lines. For every 120,000 passengers landed, the Puerto Rico Tourism Company rebates to the cruise line US\$360,000 from port charges paid by cruise passengers.²⁶ Bahamas refunds a company \$15 per passenger head tax if it brings a half million visitors in a year, and Jamaica has a scheme whereby \$7 of its port fee may be rebated.²⁷

In Canada, there are three forces pushing development of cruise tourism: the cruise industry, the Government of Canada, and Canadian ports. Let us look at each in turn.

The Cruise Industry

The cruise industry is global in nature. As discussed in *Cruising – Out of Control*, it keeps its labour costs down by drawing on the global labour market. Its push for development in Canada must also be viewed within a global context. Cruise tourism in Canada has grown with the industry's need for places to deploy new ships, as well as with the need to redeploy ships from other areas of the world (e.g., from Europe after 9/11; from Asia following the SARS outbreak). However, this deployment has not included home porting ships in Canada (i.e., having ships begin or end cruises from a Canadian port). Instead it

has concentrated on the use of Canadian cities as ports of call.

Contrary to what we might expect, representatives from individual cruise lines are not visiting ports with an eye to development. More commonly, each city makes sales calls to corporate headquarters in Florida, California, and Washington to promote itself as a port of call. In addition, attendance at the Seatrade Cruise Shipping Convention held in Miami Beach each March is viewed by most Canadian cities and ports as the place to be so that cruise line executives know they exist. Attendance at Seatrade and independent sales calls are, as discussed later, expensive undertakings.

Promotion of the cruise industry to local, provincial, and federal governments is generally handled by industry trade organizations. The North West Cruiseship Association (NWCA), with offices in Vancouver, is an industry trade association that works to build positive relationships and partnerships with communities and government agencies in Canada, Alaska, Hawaii, and the Pacific Northwest.²⁸ A positive relationship for the NWCA is one that leads to growth of the cruise industry first and foremost; commensurate concern for local issues or local communities (aside from business interests) is often lacking. The NWCA also works closely with the International Council of Cruise Lines (ICCL) in their lobbying of the Canadian government and of international non-governmental organizations (NGOs) such as the International Maritime Organization (IMO). It also has linkages and overlaps with NGOs and environmental organizations. The NWCA's public relations firm for example, James Hoggan and Associates, is associated with the environmental organization, the David Suzuki Foundation, and with other NGOs.²⁹ The executive vice-president of Princess Cruises, a key member of the NWCA, sits on the board of directors of Tourism Vancouver.³⁰

The NWCA is most active in British Columbia, but its tentacles reach across the continent. On east coast issues, it works closely with the Atlantic Canada Cruise Association (ACCA). The ACCA represents ports, tourism offices, and cruise ship interests throughout Atlantic Canada, and it markets Atlantic Canada as a cruise destination.³¹ It is not critical in its perspective of the cruise industry and appears to believe that the more cruise ships that visit Atlantic Canada, the better. The ACCA, like the NWCA, appears as a locally-based group representing local interests. Also like the NWCA, it represents the cruise industry's goals and interests, and engages in local political activities on behalf of cruise corporations, but without being identified as the cruise industry. The ACCA is funded by local and provincial governments and by the Atlantic Canada Opportunities Association (ACOA).

Additional advocates for development of the cruise industry in Canada are U.S.-based consulting firms. Bermello, Ajamil & Partners (B&A) is a Miami-based consulting firm that is contracted by many Canadian ports wishing advice on how to expand its cruise business.³² Two of the recommendations B&A appears to make often include increased marketing that may achieve unprecedented growth – essentially what a port that sees the cruise industry as a cash cow wants to hear — and offer to develop plans for new terminal construction (which it can provide in-house). I do not purport to question the consultants' expertise. I only observe that the message they give to ports is consistently optimistic and generally (as any consultant knows) tells the paying clients what they want to hear.

Aside from its contracts with U.S. ports (in Alaska, both Ketchikan and Juneau; in the lower 48, Norfolk, Corpus Christi, San Diego, San Francisco, and Seattle), B&A has provided services in Canada to St. John's, Halifax, Saint John, Vancouver, and Prince Rupert. While it receives hefty fees for its advice, it also maintains close relation-

ships with the cruise industry. According to *Seatrade Insider*, B&A "...events have become a highlight of the social calendars at Seatrade conventions during the past decade." B&A is well connected, which can be an advantage, but in whose interests are they operating? A port, the cruise industry's, and/or their own? They are effectively maximizing a cruise line's choice of ports, but, since few ships stop at multiple Canadian ports (as will be discussed later), this is done at the expense of Canadian taxpayers. In its report for the Port of Halifax in May 2003, B&A indicated that, if the port did nothing, its cruise passenger numbers could exceed 570,000 (or be as low as 234,000) by 2017; if it invested in developing the industry and attracting cruise ships, the numbers could be as high as 726,500 (or as low as 285,200).³³ The high figures are used by those who want to justify expenditures for port and terminal development; but the lower figures represent marginal growth (less than 2% per year) and do not justify large investments.

The Alaska-based McDowell Group has been contracted by Prince Rupert in its planning for cruise tourism. Its report appears to devote more space to repeating information produced for reports in Alaska (and which is already in the public domain) than it does to addressing issues unique to Prince Rupert. Extrapolating from data for several Alaska ports, the report suggests that Prince Rupert could see cruise-related spending as high as C\$33.5 million within 10 years.³⁴ The accuracy of these figures will be discussed later.

The Government of Canada

The federal government has become involved in pushing for development of the cruise industry in Canada, but it has apparently devoted few if any resources to understanding the implications of this development. Its approach appears blind to the down-side of the cruise industry, and it elevates beyond proper proportions the up-side.

There are two federal government departments that are most involved with the cruise industry: Transport Canada and the Atlantic Canada Opportunities Agency. Fisheries and Oceans Canada (DFO) has also had some involvement, though Environment Canada appears entirely uninvolved.

We would expect DFO to be involved given its responsibilities under the Oceans Act and the Fisheries Act. Under the Fisheries Act, DFO is responsible for protecting Canada's fishery resources; under the Oceans Act it is charged with responsibility for designating marine protected areas (MPAs). Logically, DFO would participate in the promulgation of regulations applying to the cruise industry, but it isn't apparent that it has been involved. Perhaps more interesting is that the only reference to the cruise industry on the DFO web-site is to a report DFO sponsored entitled, "A Primer on the Canadian Pacific Cruise Ship Industry."³⁵ This report presents an overly positive view of the cruise industry. It inaccurately critiques Canadian non-governmental organizations that have expressed concern about pollution risks associated with cruise tourism. And it dismisses out of hand a comprehensive report prepared by West Coast Environmental Law.³⁶ The report illustrates the laxity in Canadian laws and regulations when compared to the U.S. and the International Convention for the Prevention of Pollution from Ships (MARPOL). It appears that DFO has paid for a report that supports a policy of looking the other way with regard to the cruise industry. It makes the report available on its web site, but it makes no mention and provides no links to reports by Canadians that would present a contrary or conflicting view.³⁷

Transport Canada appears to be the lead agency of the Canadian government dealing with the environmental impacts of cruise tourism. Its involvement with the cruise industry is most visibly associated with promulgation of *Pollution Prevention Guidelines for the Operation of Cruise Ships Under Canadian Jurisdiction*. Initially drafted

in November 2002, the first public announcement that these guidelines were near implementation was made by a representative of the International Council of Cruise Lines in Monterey, California³⁸ — not from the Canadian government. To that point, attempts to have Transport Canada admit that such guidelines were being prepared were denied or ignored. In January 2003, the ICCL representative proudly announced that Canada was joining the State of Florida and the State on Hawaii in using a Memorandum of Understanding (MOU) to deal with its concerns about cruise ship practices in its waters. He used Canada joining others in this approach as justification that the cruise industry's practices are trustworthy. He also used Canada to suggest that other states and countries should follow suit.

While on the surface the Transport Canada guidelines could be seen as a positive move, the fact that there is no monitoring for compliance and no penalty for non-compliance makes them empty. A Transport Canada spokesperson admitted in late-July 2003 that “enforcement will not begin until regulations are adopted in future years.”³⁹ The bottom line is that Transport Canada (and the federal government) appears more concerned with having a healthy relationship with the cruise industry than with the health of Canada's coastal waters.

The Atlantic Canada Opportunities Agency is also engaged in activities that support the cruise industry and that ignore many, if not all, of the difficulties or challenges faced by rapid development of cruise ship deployment. The issue is not whether ACOA should be supporting ports and terminals in building economic opportunities. It is more a matter that ACOA funds are being used to promote the cruise industry without appropriate debate on the value of a growing cruise industry in Atlantic Canada. ACOA projects only the positive side of the cruise industry. For example, in 2002, a trip was funded by ACOA for representatives of local and provincial governments and

ports to Juneau, Alaska. With the NWCA as their guide, they were given a wholly positive impression of the cruise industry's relationship with the State of Alaska and Alaska's major cruise ports. They were not given an opportunity to hear or to meet with grassroots community groups that have engaged in political activity to force the cruise industry to be more environmentally and socially responsible. They did not hear about waste impacts, noise pollution, people pollution, and the cumulative negative economic impact of the cruise industry on local economic interests. They were given the positives, but not all of the negatives.⁴⁰ This biased view was paid for and supported by the taxpayers of Canada through ACOA.

ACOA also supports many marketing efforts to attract cruise lines, the operation of ACCA, an annual New England-Canada Cruise Symposium, and familiarization trips for cruise line executives. These “fam” trips — a red carpet experience for these executives — are provided at taxpayers' expense to corporations that pay no corporate income taxes in Canada (or the U.S.) and that earn billions of dollars in net income.⁴¹ Cruise lines also provide “fam” trips to officials and others who are in a position to publicly speak about industry practices.

ACOA is also a supporter (indirectly through its direct support of others) with the Province of Nova Scotia of Halifax Port Days. The 2003 cruise workshop includes presentations by Mark Ittel of Bermello, Ajamil & Partners, the U.S. editor of *Seatrade Cruise Review*, the general manager and vice-president of New World Ship Management (which operates Clipper Cruise Line's four ships), the senior vice-president for safety, security and environment for Royal Caribbean Cruises Limited, and the executive director of the Atlantic Canada Cruise Association. The purpose of Port Days is to serve as a forum for the port authority and its partners to present their business opportunities and challenges to the community. Unfortunately, the opportunities and challenges are

presented from only a pro-cruise industry vantage point. There appears to be little debate and no place for dissent. It is another case of presenting the up-side and ignoring the hard challenges.⁴²

Some provincial governments have enacted policies that make their ports more attractive to cruise ships. This can go beyond just economic support of ports, terminals, and cities. British Columbia, for example, enacted changes to fuel taxes that benefit the shipping industry generally, and make the province a more attractive place for cruise ships to purchase their fuel. In July 2001, the province eliminated the provincial tax on bunker fuel.⁴³ Effective February 19, 2003, the province also provided a tax exemption for marine gas oil when used in marine gas turbine engines used to propel commercial passenger or cargo vessels.⁴⁴ Though a more exhaustive search of provincial measures that benefit the cruise industry's operations in Canadian provinces is beyond the limits of this report, these examples raise our awareness of "breaks" being given to the cruise industry (and others) at our expense.

Ports

Ports, and tourism associations association in these ports, are major forces pushing development of the cruise industry. In most cases, the port is innocently responding to a perception that cruise ship visits provide huge economic value and growth. In addition to marketing efforts, ports are spending large sums of money on their cruise terminals and port facilities. For example, the Port of Vancouver in 2000 announced it would spend \$79 million to construct a third cruise berth at Canada Place, on top of the \$49 million it had already spent on redevelopment of the Ballantyne Cruise Terminal. The new berth at Canada Place was ready for the 2002 cruise season. The construction cost was undoubtedly justified by commitments made to Vancouver by cruise lines. In 1997, Royal Caribbean Cruise Line's Vice-Presi-

dent of Corporate Planning stated, "...you will not see us taking off any time soon and moving to Seattle."⁴⁵ Similar commitments were expressed by others. In April 2001, the Vancouver Port Authority chairman stated, "The addition of a third berth secures our position in the cruise industry and allows for future growth and prosperity."⁴⁶ Since the new berth opened, cruise ship calls at Vancouver have *decreased* by 11%, and the number of passengers by 19%.⁴⁷

A significant number of ships have been redeployed to Seattle, including ships belonging to cruise lines that had previously expressed commitments to Vancouver. Royal Caribbean International has thus far kept its commitment. The reason for redeployment to Seattle is in part the result of ships that cruise faster (i.e., they can get to Skagway and back in seven days). It is also related to the costs and difficulty of transporting passengers from the Seattle airport for cruises beginning in Vancouver; this was necessary because Vancouver typically has had inadequate capacity for serving the cruise market.

In addition to Vancouver, other Canadian ports are also investing in port facilities. Prince Rupert, in a cooperative effort with the federal and city governments, is spending \$9 million on a new cruise terminal;⁴⁸ Nanaimo is considering dredging and modifying Berth A;⁴⁹ the Campbell River First Nations Band plans development of a \$4 million upgrade so it can receive large cruise ships;⁵⁰ and Victoria's harbour authority rehabilitated a pier in May 2003, which is part of a redevelopment project that will swing into full force in 2005⁵¹ – total cost is between \$5 and \$10 million.⁵²

On Canada's east coast, Saint John has undertaken construction of a \$12 million cruise terminal;⁵³ and Halifax plans to spend another \$1.5 million in 2003⁵⁴, on top of the \$4.2 million it has already spent, to accommodate newer and larger vessels.⁵⁵ In time, Halifax plans to have accommodations for six ships; it can currently ac-

commodate two. It doubled its cruise terminal space to 48,000 square feet on September 9, 2003.⁵⁶

There are also new ports planning to join the fray. Residents of Coral Harbour, Nunavut, hope to welcome cruise ship passengers to Alijivik.⁵⁷ Whale Cove had the same hope. It had performers, carvers, and other crafts people prepare for a visit of a 160-passenger cruise ship on July, 23, 2003, but the ship never showed up. The mayor of the town said, "A lot of people...spent a good amount of money to get this organizing [sic]... [A] lot of people were upset...because we were never advised that they changed their plans and were not coming in to Whale Cove."⁵⁸

The amount of expenditures by most ports, and others, are not readily available in the public domain. However what is available is the degree to which Canadian ports and associations are working to attract cruise ships through their official participation at the annual Seatrade Cruise Shipping Convention. In at least one of the past two years,⁵⁹ the following have attended and in almost all cases had a booth in the exhibition hall: Industry Canada, Canadian Tourism Commission, Atlantic Canada Cruise Association, Cruise Association of Newfoundland and Labrador, City of St. John's, Corner Brook Economic Development Corporation, Halifax Port Authority, Port of Halifax, Destination Halifax, Cruise Nova Scotia, Nova Scotia Tourism and Culture, Port of Digby, Tourism Cape Breton, Saint John Port Authority, Tourism Saint John, P.E.I. Department of Fisheries and Tourism, City of Summerside, Capital Commission of Prince Edward Island, St. Lawrence Cruise Association, Quebec Port Authority, Montreal Port Authority, Great Lakes Cruising Coalition, Tourism British Columbia, B.C. Ferry Corporation, Vancouver Port Authority, Tourism Victoria, Nanaimo Port Authority, Campbell River Cruise Ship Program, and Prince Rupert Port Authority.⁶⁰ There are also those whose participation is not recorded in official

Seatrade documents. And there are performers brought by ports: Newfoundland and Labrador brought local musicians to perform at their booth in 2000, Halifax brought a bagpipe group in 2002 and 2003. Almost everyone gives away small (and sometimes large) gifts. Port and city sponsored receptions with food and drink are not uncommon.

With so many cities vying for business from the cruise industry, not to mention ports on the U.S. side of the border, conditions are ripe for one port to be played off against another. In economic supply and demand theory, it is a situation where there are more suppliers of ports than there is demand for ports. This gives an advantage to the cruise lines as they shop around for the best deals and arrangements. As suppliers, ports are increasingly pushed to make their product more economically attractive to the cruise line.

Competition between ports is visible on both the east coast and the west coast of Canada. Given the limited number of itineraries concentrating on Canadian ports, it would appear that the number of visits to Canadian ports is being distributed across different cities. One city's gain is another's loss. This is illustrated in John Hansen's (president of the North West Cruiseship Association) recent estimate that, despite the decrease in cruise traffic to Vancouver, "...cruise passenger numbers in B.C. are up 2–3% this year."⁶¹

The competition on the west coast is most visible in port calls to Victoria and Vancouver. Victoria experienced a large increase in cruise ship visits with the recent development of Seattle as a home port.⁶² Cruise ships begin in Seattle and stop in Victoria (in some cases for as little as four hours between 8 p.m. and midnight) either on their way to or on their return from Alaska. Victoria's gains have to a large extent been Vancouver's loss. Further erosion in Vancouver's numbers can be expected as more ships opt for Seattle rather than Vancouver for home porting.⁶³ The net effect (even with this year's 2–3% increase in

cruise passengers to the province) is not neutral for the province of British Columbia. A four-hour stop in Victoria that is used mainly to satisfy U.S. cabotage laws (discussed later), will yield much less onshore spending than a ship that home ports, especially when the Victoria stop is while passengers are having dinner, going to the onboard show, and preparing for bed. A home ported ship buys provisions and fuel, and passengers disembark and embark (and in a percentage of cases stay at a hotel and dine at restaurants).⁶⁴ The income from home porting in Vancouver is considerably greater than a four-hour stop in Victoria.

In 2004, the competition in British Columbia is between three ports: Vancouver, Victoria, and Prince Rupert.⁶⁵ In August 2003, Norwegian Cruise Lines announced the *Norwegian Sky* would call at Prince Rupert 18 times as part of its 2004 Seattle-based seven-day round-trip itineraries that also call at Juneau, Ketchikan, and Skagway.⁶⁶ The company replaced a seven-hour port call to Victoria in 2003 (3 p.m. to 10 p.m.) with a seven-hour port call to Prince Rupert in 2004 (2 p.m. to 9 p.m.). The single positive note is that the port call in Prince Rupert has one hour more than Victoria that isn't disrupted by meal time and evening activities onboard the ship. Prince Rupert is not included in any Norwegian Cruise Line itineraries that originate in Vancouver.

In addition to cross-border competition between Seattle and Vancouver, there is developing competition between Prince Rupert and Ketchikan (140 kilometres to the north). With Ketchikan at its limit for cruise ship calls,⁶⁷ cruise lines are expressing greater interest in Prince Rupert as a port of call.⁶⁸ In the short term, this could be viewed as encouraging and exciting to the Port of Prince Rupert, but it is hard to know what will develop in the long term. The Port of Ketchikan has committed to a US\$100 million project that will eventually see seven berths. By 2005, they expect to complete the first phase, costing US\$28 million. It will add a floating finger

pier and allow Ketchikan to handle four 950+foot ships.⁶⁹

Competition between ports on the east coast of Canada is a bit different. Canadian ports are not on the way between two U.S. ports. Instead, they are placed between U.S. ports, often to satisfy the requirements of the Passenger Vessel Services Act of 1886 (PVSA). Because only one Canadian port is needed to comply with the PVSA, that is often all that is visited. Where multiple Canadian ports are visited, cruise ships may choose between Sydney and Charlottetown (or Corner Brook), and between Halifax and Saint John. The character of competition is perhaps best expressed in the words of Captain Al Soppitt, president and CEO of the Saint John Port Authority. In describing plans for the new cruise terminal, he said that "...the new facility will ensure that we capture our share of the growth in the industry. The development of this facility will establish this port as a leader in the region and allow us to attract the largest cruise vessels contemplated." He said other ports in the area have either developed facilities or are planning to do so. These ports include Halifax and Sydney in Nova Scotia and St. John's, Newfoundland.⁷⁰ The same consultants providing advice to Saint John are advising other ports in Atlantic Canada.

In addition to the current ports, there are others in Atlantic Canada (particularly in Nova Scotia) wanting to enter the cruise market. It is important that these communities be realistic about their prospects for attracting ships, and that they carefully assess whether the money invested will be returned. It is important also for the federal and provincial governments to critically assess the full picture, rather than to continue on the path of believing that cruise business is limitless and is there for the taking. Building piers and terminals does not mean cruise ships will come. This is only one assumption that appears to drive continuing investments.

IV. The Assumptions About Growth of the Cruise Industry in Canada

We now turn our attention to considering and analyzing a variety of assumptions that are commonly made about the cruise industry and prospects for its growth in Canada.

Cabotage Laws

Cabotage laws are important to discuss because they are at the core of Canada's usefulness as a cruise destination. U.S. cabotage laws require inclusion of one foreign port in an itinerary originating and ending at a U.S. port. Canada serves that need. This became abundantly clear following Hurricane Fabian's destruction in Bermuda in early September 2003, and the need to divert ships to another port. Without cabotage laws, ships leaving from New York City and Boston could have chosen itineraries concentrating on U.S. coastal cities down the eastern seaboard. Instead, passengers expecting the warm waters of Bermuda (with their shorts and t-shirts) were brought to Halifax and Saint John. The ports benefited from the need for passengers to purchase sweatshirts and warmer clothing.⁷¹ But the stop was not because Halifax or Saint John offered a uniquely special experience. Many passengers were angry about the change in itinerary.⁷² But cabotage laws prohibited itineraries heading south.

Both the United States and Canada have cabotage laws that restrict foreign-flagged vessels operating out of its ports. In Canada there is the Coastal Trade Act. In the U.S. there is both the Passenger Vessel Services Act and the Jones Act. We will first look at the U.S. laws. The depth provided is warranted because of the critical nature of these laws to cruise tourism in Canada.

U.S. Cabotage Laws

A major reason why cruise ships visit Canada is to satisfy requirements under the Passenger Vessel Services Act (PVSA) of 1886. Originally passed to protect U.S. companies from competition by Canadian ferries that shuttled among resorts on the Great Lakes, the Act states:

"No foreign vessel shall transport passengers between ports or places in the United States, either directly or by way of a foreign port, under penalty of \$2 for each passenger so transported and landed."

In other words, a foreign-registered cruise ship is prohibited from an itinerary of exclusively U.S. ports. It must either include a foreign port, or begin at a foreign port. Or it can pay the fine, which was increased to \$200 in 1889. In 1984, the Puerto Rican Passenger Services Act exempted that island from the restrictions of the PVSA. In 2002, *The World of Residence* was given a special exemption for residents owning apartments on the ship.

A second law, the Merchant Marine Act of 1920 (also known as the Jones Act), exercised further control over ships operating from U.S. ports. It was passed shortly after World War I and sought to promote the growth of a well-equipped and modern merchant marine that would be available for use in the nation's defence and that would grow foreign and domestic commerce. It stipulates that only ships built in the United States are entitled to be registered in the U.S. In that regard it reinforced the intent of the Passenger Vessel Services Act, posing a strong barrier to foreign-registered cruise lines operating freely between ports in the U.S. It disallows a company from registering foreign-built ships in the U.S.

The cruise industry and several ports (including the port of Seattle⁷³) have lobbied for many years for repeal or change in these Acts in order that they not be encumbered by requirements to visit foreign ports. They have had no success to date. The most recent efforts were in 1997 when the U.S. Senate considered the United States Cruise Tourism Act, and in 1999, when the U.S. Senate considered the United States Cruise Ship Tourism Development Act. Hearings were held for both Acts, but they did not produce any clear consensus for change.

Opposition to the changes associated with these Acts was well organized. Much was based on protection of U.S. labour and economic interests. In late 1995, a broad-based coalition called the Maritime Cabotage Task Force was formed of more than 400 American organizations and companies to support the Jones Act. The task force's members include U.S.-flag ship operators, shipbuilding and ship repair yards, labour organizations; rail, trucking and airline groups; marine vendors and equipment manufacturers; and pro-defence coalitions. In 1997, the U.S. House of Representatives passed a resolution of support for the Jones Act, and both Republican and Democratic Senate leaders declared their strong support for the Act.

These two Acts were a major factor in now-defunct American Hawaii Cruise Line's decision to build two ships (named *Project America*) in the U.S. for operation in Hawaii. The U.S. government provided \$185 million in loan guarantees for the project. However, American Hawaii Cruise Line went bankrupt a short time later. Construction stopped and the ships remained in the Ingall's shipyards in Mississippi until 15 months later when they were purchased by Norwegian Cruise Line. They were towed to Lloyd Werft Shipyards in Germany where construction will be completed in 2004 and 2005. Though technically the ships will be constructed in a foreign shipyard, NCL was given an exemption in February 2003 from

the PVSA and Jones Act. The company will be permitted to register these two ships in the U.S., and is also allowed to register in the U.S. one additional ship that is currently foreign-flagged. The exemption was opposed by key members of Congress, but was passed as an amendment to an omnibus appropriations bill.⁷⁴ It was also opposed by the International Council of Cruise Lines and two of ICCL's member lines, Holland America Line and Princess Cruises. They unsuccessfully sought a broader exemption that would allow other cruise lines to register foreign-flagged and foreign-built ships in the U.S.⁷⁵

Though it would appear that U.S. cabotage laws are not going to undergo major changes soon, it is hard to anticipate the future. Security concerns about ships visiting U.S. ports after stopping in foreign ports, economic and political pressure from cruise lines and their Washington lobbyists, and additional exemptions can each lead to changes that make Canadian ports non-essential to the operation of the U.S.-based, foreign-flagged cruise industry. Projections made by consultants for the Port of Prince Rupert explicitly state their assumption that the PVSA will remain in force.⁷⁶ But there is no guarantee that this will remain the case. The exemptions given in Hawaii may be used as precedent for similar exemptions elsewhere.

Canada's Cabotage Laws

Like the U.S. PVSA, Canada's Coastal Trade Act (CTA) forbids foreign-flagged vessels from carrying passengers between domestic ports without visiting an international destination. Occasional waivers of the Coastal Trade Act have been given, as in the case of the Yugoslavian-built and Russian-registered *Lyubov Orlova*. On March 9, 2000, the ship was granted a waiver so it could sail circumnavigations of Newfoundland.⁷⁷ It was renamed *Marine Discovery* and permitted to fly a Canadian flag for these voyages.

Two years later, in July 2002, the Vancouver Port Authority indicated that it had met with Canadian officials to discuss the possibility of cruise itineraries visiting only British Columbia ports. According to Kevin Little, the port's senior vice-president of business development, the Government of Canada might be open to reassessing the issue. He asserted that legislative changes might not be necessary. The North West Cruiseship Association commented: "If there are changes in Canadian cabotage laws, clearly it is something the cruise lines would want to look at... But in terms of lobbying or anything, we're not involved."⁷⁸ The cruise industry's enthusiasm about changes in Canada pales in comparison with its interest in seeing cabotage laws dismantled in the U.S.

The issue of Canada's cabotage laws reappeared on August 11, 2003, when the St. John's City Council endorsed a council member's request for a Newfoundland exemption from the Coastal Trade Act so that a French-owned and registered ship, *Le Levant*, could home-port at St. John's for cruises exclusively in Canada.⁷⁹ This 90-passenger ship has operated out of St. Pierre-et-Miquelon (where it is registered) during summer months since its construction in 1998. It could shift to St. John's as a home port and comply with the Coastal Trade Act by including St. Pierre-et-Miquelon as a brief port of call on its itinerary.⁸⁰ The danger of an exemption for Newfoundland is that the ship's owners are likely to ask for a similar exemption for its other Canadian-based itineraries.

Lifting of cabotage laws in Canada would, at best, likely have a modest impact. Small cruise ships – often referred to as pocket cruises – and moderate-sized ships might be able to offer economically-viable cruises that visit exclusively Canadian ports, but the potential is limited. For most Americans, Alaska is the main draw on the west coast. Ports on Canada's east coast are appreciated and enjoyed, but it is not clear that there is a

large market for cruises that visit only Canada. It is difficult to assess the interest of cruisers from the U.S. given this age of security-consciousness and Americans' fear of leaving their homeland. As well, it is difficult to anticipate the backlash, in Canada and the U.S., of exempting some ports from the Coastal Trade Act and not others.

Growth Will Continue

Construction of cruise terminals and marketing efforts by ports are based on an assumption that past growth will continue *ad infinitum*. While it may be reasonable to expect growth in 2003, 2004, and perhaps in 2005, the fact that only a few new ships are slated for delivery in 2005 and beyond suggests need for cautious optimism. There are at present three ships accommodating 8,000 passengers on order for 2005 and 2006 (one in the fall of 2005, two in 2006) that can be anticipated to be devoted to the North American market. This growth is likely to offset ships that are redeployed elsewhere and ships that are decommissioned.⁸¹

As optimistic as we'd like to be, there is little basis for grand plans for continued growth. This viewpoint is likely at the core of consultants' figures projecting growth for ports. As indicated earlier, B & A provided a wide range in their projections for Halifax. If the port did nothing, outcomes in the year 2017 would range from 234,000 passengers (an annual growth of 1.5% per year) to 570,000 passengers (an annual growth of 7% per year). Their figures reflect uncertainty about the cruise industry's future growth.

There is further uncertainty introduced by historical events. Economic downturns will negatively impact the number of passengers taking cruises. The vulnerability of cruise ships to a terrorist attack can also affect the industry's growth. To date, the cruise industry has not been severely hurt by the fear of terrorism. However, this is

something not ignored by those who insure cruise lines.⁸² “A bad accident to a big, modern cruise ship affecting 3,000 or 4,000 passengers could spark claims of US\$5 billion or so, creating an intolerable strain on the insurance structure.”⁸³ The U.S. government is also wary of an attack on a cruise ship.⁸⁴ While we hope that a terrorist attack never happens, optimistic projections about growth of the industry makes an assumption that there will be no attack. An attack on a cruise ship, or on another visible target, will undoubtedly have a profound impact on the industry’s future.

Passenger Onshore Spending

Assumptions are also made about the amount of money cruise passengers spend while a ship is in port. At the outset, we must distinguish between money actually spent onshore and money paid to the cruise line for shore excursions. Projections made by consultants to the Port of Prince Rupert suggest gross receipts from shore excursions to be \$177,740 for a single cruise ship with 2,094 passengers.⁸⁵ The report does not give the proportion of gross receipts held back by the cruise ship for selling the shore excursion; as little as one-third to one-half of the money paid by passengers reaches the pocket of the shore excursion provider.⁸⁶ Some tour providers find the split disconcerting, while others accept it as the price of doing business. Beth Kelly, who owns and runs Aquilla Tours in Saint John, NB, says “...the cruise industry brings in millions of dollars to the Canadian economy, so I don’t mind when the cruise lines take up to half the money from each tour ticket sold on the ship.”⁸⁷

Putting aside the issue of the amount of money left onshore by shore excursions, what is the economic impact of a cruise ship visit? Most ports in Canada claim that passengers spend an average \$100 per person per port call. Given that this number is often arbitrarily determined, or

based on unreliable methods, we need to consider what we do know about passenger spending.

St. John’s, Newfoundland, since 1992, has conducted a survey of cruise passengers to determine onshore spending. According to surveys done between 1992 and 2001, per passenger spending during a port call ranged from \$32.35 to \$76.⁸⁸ The average for all surveys is \$55.71. The items most frequently purchased are: souvenirs (56%), food or beverages (35%), local handmade crafts and clothing (35%), liquor (23%), and taxis (19%). The City of St. John’s estimates that the economic impact per cruise passenger exceeds \$100, based on these surveys. How they get from \$55.71 to \$100 is by adding estimated cruise-related expenditures, estimated crew expenditures, and then using a convoluted formula for extrapolating from those surveys returned by mail—often constituting less than 15% of passengers onboard. The \$100 figure is based on assumptions that are not verified, and computations that are likely unreliable.

A study done by PriceWaterhouseCoopers (PWC) for the Florida-Caribbean Cruise Association provides some interesting figures.⁸⁹ Spending in ports, according to the 2001 PWC report, ranges from US\$53.84 in San Juan, Puerto Rico, to US\$173.24 in St. Thomas, U.S. Virgin Islands. The weighted average for all ports is US\$103.83⁹⁰ (*see Table 2*). The report further states: “Typical spending by port-of-call passengers includes \$39 on watches and jewellery, \$13 on clothing, and \$12 on souvenirs, as well as smaller amounts in other categories.”⁹¹

The PWC report also assesses passenger spending in home-ports. This averaged US\$14.33⁹² (consisting largely of food and beverages and transportation) for passengers who arrived the day of the cruise; US\$78.91 per day for those with a pre- or post-cruise stay (*see Table 3*). Crew spending at home ports averaged US\$111.67.⁹³

TABLE 2: Passenger Spending During Port of Call Visits

Port of Call	Average Spending per Passenger (US\$)
Antigua	86.81
Aruba	82.02
Bahamas	77.90
Cayman Islands	79.42
Jamaica	
Ochos Rios	74.77
Montego Bay	71.53
Mexico (Cozumel)	141.40
Puerto Rico (San Juan)	53.84
St. Kitts and Nevis	56.22
U.S. Virgin Islands (St. Thomas)	173.24
Weighted Average spending at Ports of Call	103.83

Source: *Economic Contribution of the FCCA Member Lines to the Caribbean and Florida*, Price Waterhouse Coopers, July 27, 2001.

TABLE 3: Passenger Spending During Homeport Visits

Homeport	Passengers arriving the day of the cruise	Passengers with pre- or post-cruise stays	
	Average Spending	Average Daily Spending	Average Length of Stay (nights)
Port Everglades	\$ 12.34	\$ 69.19	1.4
Port of Miami	17.07	74.00	1.2
San Juan, PR	11.18	104.58	1.4
Weighted Average	14.33	78.91	1.3

Source: *Economic Contribution of the FCCA Member Lines to the Caribbean and Florida*, Price Waterhouse Coopers, July 27, 2001.

Studies similar to the PriceWaterhouseCoopers study were completed in Alaska by the McDowell Group. Extrapolating from local sales tax data and expenditure data from the 1993 Alaska Visitors Statistics Program, they indicate that per-person passenger spending in 1999 ranged from a high of \$125 in Juneau (Skagway is close behind at \$123) to a low of \$55 in Haines.⁹⁴ The report states: “[m]ost spending is on shore excursions (such as motor-coach tours, wildlife viewing, flight-seeing, and sport-fishing), gifts and souvenirs, and food and beverages.”⁹⁵ These reports are used as the foundation for the McDowell Group’s projections for spending in Prince Rupert.

Putting these three studies side-by-side⁹⁶ (St. John’s, the Caribbean, Alaska) provides both insights and questions for Canadian ports. It would appear that what Canadian ports have to offer are souvenirs, crafts and clothing, and food and beverages. They are unlike the Caribbean which offers duty-free liquor, and unlike the Caribbean and Alaska where jewellery is a major item of purchase. Ketchikan alone, with a population of less than 8000, has 38 jewellery stores downtown; a decade ago there were only a handful.⁹⁷ “Locals call the migrants who own and run these jewellery and curio shops taking over downtown the ‘Pirates of the Caribbean,’ since they follow the wake of the ships”⁹⁸ and because many of these

stores are owned by the same companies that own the stores on Caribbean islands. Simply stated, if we rely on surveys done elsewhere, our estimates of spending in Canadian ports will be more modest than the \$100 per passenger generally suggested.

These studies further identify the difficulty of coming up with accurate figures for passenger spending. Most figures are admittedly based on estimation and extrapolation. There is also confusion over what is included in the figures. Are shore excursions purchased onboard included in passenger spending? Are figures reported by an individual a reliable indicator of what is spent by the individual rather than by a couple or family? And, given the nature of the sample of respondents (a convenience sample that self-selects their participation, usually by mailing back a questionnaire), can the results be generalized to all passengers on a ship or to all passengers on all ships? These questions raise difficulties in working with the numbers provided. The issue is not whether passengers spent money in port – we know for a fact that they do – but rather how to accurately assess the amount of money spent and distinguishing between money spent for shore excursions onboard (of which only a portion is local income) and money spent onshore.

Having confidence in estimates of passenger spending is further affected by the changing demographics of cruise passengers. Cheaper fares make cruises accessible to almost everyone. However, passengers with less disposable income will have less money for discretionary spending on their cruise. With all of the spending options onboard cruise ships today, passengers must also split their spending between onboard options and onshore stores. No research has been done to determine whether the double-digit percentage increases in onboard spending have an influence on spending in ports. There are several areas here on which port and tourism associations should un-

dertake study in order to make decisions based on accurate information.

Cruise Ships Are a “Cash Cow”

Most ports perceive the cruise industry as a “cash cow.” This perception is based largely on estimates of passenger spending in ports. But it doesn’t take into account the cost of marketing the port, the construction and maintenance cost for terminals and piers, increasing costs for port security, the cost to cities for infrastructure and services, and the demand on the health care system for passengers needing emergency medical attention.⁹⁹ Because cruise ships offer shore excursions to sites outside the port city, there are other costs as well.

Take Peggy’s Cove, Nova Scotia (population 120), for example. It is a popular tourist spot for cruise passengers on shore excursions.¹⁰⁰ In just three years, the number of individuals making day trips there has increased by 49,000 people; an increase attributed mainly to cruise passengers. About 50 buses a day stop at Peggy’s Cove.¹⁰¹ They bring congestion and pollution, and they compete with pedestrians on the village’s roads. Eliza Manuel, co-chairwoman of the Peggy’s Cove Preservation Society, says, “The buses are just too big, and they don’t fit...So we have to work something out.”¹⁰² The province has intervened by hiring a consultant to come up with a plan to manage the tourist traffic while maintaining the integrity of the village. The cost of the consultant and any construction or other changes must be considered as a cost for having a cruise industry. There are other communities that, just like Peggy’s Cove, must deal with the crowds and congestion that comes with the double-digit growth of cruise ships and their passengers, as well as with the costs associated with mitigating problems caused by having so many visitors in so small a place.

Many port cities view the home-porting of ships as another way to reap huge benefits from

the cruise industry. A home port is where a ship begins and ends its cruise. While home-porting, on the surface, provides a windfall, it is necessary to consider the impact on other tourism of having a home-ported ship. For example, an argument used for home-porting a ship is that passengers use the airport to get to and from the ship, and they often stay in a hotel for a day or two before the cruise. They do spend real dollars, but what opportunities for greater income do these one- or two-day visitors displace? Visitors who want to stay for several days or a week may be unable to secure hotel accommodations because the hotels are filled the night before the ship departs. Airline seats may be severely limited to tourists who wish to spend a week in the city or province, especially if they plan to arrive the day before a ship departs or to leave the day it returns.

These points were made abundantly clear in a presentation at the 2003 Caribbean Hotel Industry Conference by Fernando Garcia Zalvidea of the Cancun-based Best Day Group.¹⁰³ Mr. Zalvidea discussed the implications of Carnival Corporation's plans for a home port at Xcaret (near Cancun).¹⁰⁴ He pointed out that Cancun already is under-served by airlines – that, if every seat were filled everyday, hotels in the region could at best achieve 50% occupancy. Loss of seats to cruise passengers directly and negatively impacts hotels. He also presented figures indicating that home-ported passengers spend less time in the city (an average 1.9 nights for home-ported cruise passengers versus an average 5.62 nights for land-based tourists), spend less money in the city (an average US\$117.31 per day for home-ported cruise passengers versus US\$218.66 per day for land-based tourists), and, given their relatively small numbers in comparison to land-based tourists, have a smaller economic impact. He argued that Cancun is wiser to put money into advertising and facilitating land-based tourists than it is subsidizing cruise passengers who have a relatively

small economic impact. The foreign-registered status of cruise companies and the tax exemptions this provides them is another factor in land-based tourists having greater economic impact than home-ported cruise passengers. It would appear that home-porting is most attractive to ports that have a glut of hotel rooms and an over-supply of airline seats. The lack of airline seats to Vancouver has always been a hindrance to Vancouver as a home port. Some port cities on the east coast, St. John's especially, already have inadequate airline seats for the demand that exists.

Cruise Passengers Will Return on Their Own

Ports increasingly operate on an assumption that cruise passengers are likely to return on their own for a subsequent visit. Surveys of passengers tend to support this assumption, but little research has been done to determine whether the assumption is realized in fact. For example, surveys of passengers visiting St. John's, Newfoundland, indicate that between 8% and 56% of passengers planned a return visit.¹⁰⁵ We don't know how many actually returned.

A study done of visitors to the Caribbean may provide some insight, but it is difficult to extrapolate from Caribbean islands to Canada. Research sponsored by American Express indicates that 20% of first-time land-based tourists had previously visited that Caribbean island on a cruise.¹⁰⁶ While the 20% figure is reason for optimism, it needs to be viewed in context. A typical cruise stops at four or five ports, so the 20% figure must be averaged for the number of ports visited. If cruise passengers stop at five ports and 20% return to a port, on average only 4% return to a single port. Realistically, ports that are more popular or attractive will see a larger number return than ports that are less popular or attractive.

If You Build It, They Will Come

We return to the basic assumption that, if a port builds a modern cruise terminal and a “state of the art” pier, cruise ships are bound to come. As we have seen, this assumption is unfortunately unproven. It is important that ports and port authorities take a sober and realistic look at their expectations for cruise industry growth, their expectations for income from the cruise industry, and at the investments they are making in hopes that this will happen. The underlying question is whether a \$10 million investment will yield income sufficient to justify the expenditure, and whether other projects forgone because of this investment are truly less important or less pressing. These are decisions that each port needs to make, but they need to make these decisions with

full information and with a perspective that acknowledges the up-side and the down-side of the cruise industry — the risks and the benefits.

As we have seen, some of the critical variables include cabotage laws; projections of continued growth in cruise tourism and growth in the number of cruise ships and cruise passengers; the precise value of passenger onshore spending with a view toward how much money is left onshore; costs associated with hosting cruise tourism and mitigation of problems introduced by its expansion; and basic assumptions about the proportion of cruise passengers that some day will return to the city and province on an extended holiday. Consideration of each of these issues should be a critical part of discussions about capital investments and about prioritizing projects competing for limited public funds.

V. Who Is Protecting the Environment?

Environmental issues pose a challenge to both cruise lines and federal and local governments. The nature and sources of pollution were discussed in *Cruising – Out of Control*, so will not be repeated here. Rather, this section explicates the cruise industry's environmental record, its environmental perspective, the view of the Canadian government, the role of non-governmental organizations concerned about the environment, and the implications for Canadians.

The Cruise Industry's Environmental Record

The cruise industry has historically had a poor environmental record. The industry would not dispute this assertion, especially in view of multi-million-dollar fines levied in the United States against Royal Caribbean Cruise Line (US\$30.5 million), Holland America Line (US\$2 million), Carnival Corporation (US\$18 million), and Norwegian Cruise Line (US\$1.5). The fines paid by Carnival Corporation and Norwegian Cruise Line are both the result of plea bargains in 2002; Royal Caribbean Cruise Line's were from pleas agreements in 1998, 1999, and 2000; and Holland America Line's were from a plea bargain in 1998.

Despite these hefty fines and cruise industry claims to be environmentally responsible, environmental offences continue. Most significant are Holland America Line's discharge of 40,000 gallons (151,416 litres) of sewage sludge in Juneau Harbour in August 2002¹⁰⁷ and Norwegian Cruise Line's discharge of 16,000 gallons (60,566 litres) of raw sewage in the Straits of Juan de Fuca in May 2003.¹⁰⁸ There are other violations of a smaller scale. Noteworthy, Carnival Corporation

was summoned to U.S. federal court in July 2003 over allegations that it filed false statements about compliance with its 2002 plea agreement. "The probation officer claims that the world's largest cruise company failed to 'develop, implement and enforce' the terms of an environmental compliance program stemming from a plea agreement last year. [In particular,] on March 31, Holland America employees submitted 12 audits to an independent consultant 'that contained false, misleading and inaccurate information...' Holland America is one of Carnival's 13 brands."¹⁰⁹ In its reply to the court, Carnival Corporation said the three environmental compliance employees had been fired for the reports, but the company did not admit violating their probation. In a settlement signed August 25, 2003, Carnival agreed to hire four additional auditors and to provide additional training for staff.¹¹⁰

Apparently still being pursued is an interesting passenger report from the *Norwegian Wind*, operating from Hawaii. A Canadian couple from St. Catherine's observed at 11 a.m. on February 6, 2003, that "...whole beer bottles, whole wine bottles, beer and pop cans, corks, plastic plates, plastic utensils, plastic cups, and organic material were all being tossed into the ocean from the back of the ship."¹¹¹ Disposal of plastics anywhere at sea is strictly forbidden by international regulations. The couple reported what they saw to the ship's captain. The captain denied the accuracy of their observations. The couple subsequently reported and supplied photographs of the incident to the U.S. Coast Guard and Department of Justice. The status is not known, but a reporter doing a follow-up story for a major television network informed them that the captain and engi-

neer responsible for the dumping no longer worked for the cruise line.

While there have been dozens upon dozens of offences by cruise ships in the U.S., there is no record that any fines have ever been levied against a cruise ship operating in Canadian waters. The DFO-funded *Primer on the Canadian Pacific Cruise Ship Industry* posits that the fact that there have been no fines in Canada is proof that there have been no violations in Canada. It suggests two reasons why there have been no violations: the mandatory standards¹¹² issued by the International Council of Cruise Lines are working, and self-regulation by the industry is enough because "...it is the individual cruise vessels themselves that report the majority of environmental incidents."¹¹³ The report appears to argue against NGO claims that "...the absence of concrete scientific knowledge on the actual immediate and accumulated impacts of waste emissions from cruise ships on water quality, marine life, and human health creates a major and validated concern"¹¹⁴ about cruise ship waste streams. It projects an optimistic view about these waste streams because "...cruise ships only represent four percent of all confirmed illegal discharge cases by...commercial international flagged ships during 1993-1998."¹¹⁵

The *Primer* purports to put things into context by pointing out that the actual volume of wastewater being discharged in Canadian waters by cruise ships is miniscule in comparison to the amount of wastewater discharged by the Lower Mainland's regional sewage and drainage system. This same argument – that we can't address cruise ship pollution because Canadian cities also discharge their treated wastewater in coastal waters – has been used by Transport Canada to defer until 2010 or later the issuing of mandatory regulations governing cruise ship discharges. This argument overlooks the efforts being undertaken by Canadian cities, and that cities, unlike the cruise industry, are accountable to an electorate and have systems that are regularly inspected.

The Cruise Industry View

As reflected in the DFO-funded report, and in the Government of Canada's voluntary guidelines, the view is that the cruise lines are competent stewards of the ocean environment. I have heard countless times in radio interviews industry representatives stating something like: "Why would we pollute the oceans? Our ships visit many of the most pristine environments in the world and our continued business depends on keeping these places pristine." It is an effective sound-byte, but the question is whether cruise industry practices correspond with their stated policies.

According to the International Council of Cruise Lines' mandatory environmental standards,¹¹⁶ cruise ships properly handle all cruise ship wastes, and meet or exceed international regulations. The exact policies and procedures are shown in Table 4.

A perusal of these different standards suggests the cruise industry is not only responsible, but is exemplary in its environmental commitments. The difficulty is whether they do what they say they do, and whether there are industry penalties for violation of these standards. The simple fact is that, even though the ICCL standards are mandatory, reported violations have not been negatively sanctioned by the ICCL. This takes us back to the question of whether we can trust the cruise industry's word.

There are two bases on which to draw a conclusion. First, since the industry issued mandatory standards in June 2001, five ships are known to have violated discharge rules, 13 ships have violated air opacity standards in Alaska, and two corporations have entered plea agreements with the U.S. government.¹¹⁷ There have been no penalties from the ICCL. Second, in October 2002, Crystal Cruises gave a written promise that it would not discharge anything while in the Monterey Bay Marine Sanctuary, but several

months later it was learned that they had violated their written commitment. When asked why they did not report the incident, the company's vice-president of marine operations stated that the company had not violated the law; it had only broken its word.¹¹⁸ The International Council of Cruise Lines' president, Michael Crye, similarly dismissed the violation of Crystal Cruises' written promise several months later when he told a news reporter that the ship's discharge of 36,000 gallons (136,275 litres) of wastewater, treated sewage, and oily bilge occurred 14 miles from the

"It would appear a double-win situation for the Canadian Government to protect its coastal waters with clear regulations, and to encourage use of systems that contribute to the Canadian economy."

coast, so it wasn't illegal.¹¹⁹

These incidents suggest that written promises are not enough. It would appear that the only way to keep the cruise industry environmen-

tally responsible is through legislation that sets standards, requires monitoring, and provides penalties for non-compliance. The need for monitoring is reinforced by data from water testing for bacteria at a beach in Portland, Maine. Monitoring done by the Portland Parks and Recreation Department indicates that bacteria levels spiked off the scale the day the *QE II* was anchored two miles away.¹²⁰ It is further reinforced by recent disclosures that, despite promises that only low-sulphur fuels would be used by ships while dockside at Terminal 30 in Seattle, this has not been the case.¹²¹

The Canadian Government View

It is interesting to anyone who monitors the cruise industry's environmental practices that, while offences have been documented in California, Washington, Alaska, Florida, New York, Puerto Rico, and the U.S. Virgin Islands, there have been no offences documented in Canada. The same ships

operate on both sides of the border. Contrary to what the DFO-funded *Primer* purports, it is hard to imagine that these ships would behave differently in Canadian waters than in U.S. waters.

Still, the Canadian government's approach to the cruise industry appears to trust their verbal and written commitments. According to Paul Doucet, Transport Canada spokesperson, "Ottawa is in the final stages of drafting voluntary dumping guidelines for cruise ships."¹²² Mr. Doucet concedes the Canadian government's trust of the cruise industry when he states that "...enforcement [of these guidelines] will not begin until regulations are adopted in future years."¹²³ Interestingly, a report issued in June 2003 by the Organization for Economic Co-operation and Development (OECD) questions the environmental effectiveness and economic efficiency of voluntary approaches. Focusing specifically on environmental policy, the report notes that there are few cases where voluntary approaches have improved the environment beyond a business-as-usual baseline.¹²⁴

Even though the Canadian government's guidelines are not binding, and appear to be contrary to wisdom provided by history and the OECD study, it is still useful to compare them with the ICCL's mandatory standards. Table 4 provides this comparison; it also includes commitments made by Royal Caribbean Cruises Limited in August 2003 in correspondence to its "travel partners."¹²⁵

As can be seen in Table 4, the Canadian guidelines in many cases are identical to ICCL's mandatory standards. This should not be a surprise given, according to the ICCL, that they were promulgated through negotiations between Transport Canada and the ICCL.¹²⁶ Curiously, Royal Caribbean Cruises Limited has policies that are more stringent than either the ICCL or Canada with regard to discharge of grey water (ships produce on average 341 litres per person per day) and sewage (ships produce as much as 37 litres

TABLE 4: Comparison of Standards: Canadian Voluntary Guidelines¹, International Council of Cruise Lines Mandatory Standards², and Royal Caribbean Cruises Limited Written Commitment³

Waste Type/Source	Canadian Guidelines	ICCL Standards	RCCL Commitment
Grey water Approximately 340 litres per day per person	Discharge is allowed when the ship is underway and proceeding at a speed of not less than 6 knots; the ship is not in port; and the ship is not within 4 nautical miles from shore, or where geographically limited, such other distance as agreed to by Transport Canada Marine Safety.	Discharge is allowed when the ship is underway and proceeding at a speed of not less than 6 knots; is not in port; and is not within 4 nautical miles from shore or such other distance as agreed to with authorities having jurisdiction or provided for by local law except in an emergency, or where geographically limited.	Discharge is allowed when cruise ship is 12 nautical miles from shore and traveling at a speed of 6 or more knots.
Black water (Sewage) As much as 37 litres per person per day	Discharge allowed if treated with an approved and fully functional "Marine Sanitation Device" (MSD) that would remove pollutants before discharge, or another method that reduces pollution arising from any discharges. Biosolids or sludges that are produced by the MSD should be landed ashore, as necessary, for disposal by a licensed service. Untreated black water may be discharged in Arctic waters. Cruise ships shall comply with the discharge provisions of the Great Lakes Sewage Pollution Prevention Regulations and the Non-Pleasure Craft Sewage Pollution Prevention Regulations while in the waters to which those regulations apply. In other Canadian waters, cruise ships shall discharge sewage the same as regulations for grey water.	Discharge will take place only while the ship is underway traveling at a speed of not less than 6 knots and in accordance with applicable regulation. Black water will not be discharged in port and will not be discharged within 4 nautical miles from shore or such other distance as agreed to with authorities having jurisdiction or provided for by local law, except in an emergency, or where geographically limited.	Discharge only treated black water and then only when 12 or more miles from shore and sailing at 6 or more knots. Only under highly unusual circumstances, such as when safety is at risk, will there be deviation from the 12 mile/6 knot policy.
Advanced Wastewater Treatment Systems Deals with fecal coliform and total suspended solids; nutrient loading is a known problem	Exempted from requirements for black water and grey water – can discharge anywhere.	Exempted from requirements for black water and grey water – can discharge anywhere.	No statement
Air Emissions (Fuel) With traditional fuel, a cruise ship produces exhaust equivalent to 12,240 automobiles. With on road diesel, particulate matter is reduced 58%, sulphur is reduced 11% and oxides of nitrogen is reduced 99.6%. Low sulphur (less than 0.5%) marine diesel also provides a significant improvement over bunker fuel.	Use fuels with the lowest sulphur content available. The average sulphur content of all fuels should not exceed 1.5%. The maximum sulphur content of bunker fuel should not exceed 3.0% and the maximum sulphur content of marine gas oil should not exceed 0.5%. Cruise ships shall report, annually the sulphur contents and quantity of all fuel deliveries, both at Canadian and non-Canadian terminals, for any fuel being used while operating in waters under Canadian jurisdiction to Environment Canada. Cruise ships should adopt the best practical technology to achieve the lowest emissions possible. Furthermore, where possible, cruise ships should use marine diesel as the fuel for primary propulsion instead of bunker oil once they are within 10 nautical miles of port. At a minimum, cruise ships shall meet the requirements of Annex VI of MARPOL for diesel engines installed on cruise ships or that undergo a major conversion after January 1, 2000.	No statement	No statement, except several ships now use gas turbine engines which significantly reduce pollutants
Air Emissions (Incinerator) Incinerators discharge furans, dioxins, and other hazardous waste when plastics and some other items burned	Cruise ships in port shall not use incinerators and should consider using shore power where it is available, safe, reliable and where it would produce less air pollution. At a minimum, cruise ships shall meet the requirements of Annex VI of MARPOL for incinerators installed on cruise ships after January 1, 2000.	No statement	No statement

¹ Pollution Prevention Guidelines for the Operation of Cruise Ships Under Canadian Jurisdiction (3rd Draft, May 16, 2003), Ottawa: Transport Canada

² Cruise Industry Waste Management Practices and Procedures (Revised December 1, 2001), Arlington, VA: International Council of Cruise Lines

³ Jack Williams and William Wright. "To Our Travel Partners: Our Environmental Practices," correspondence dated August 1, 2003.

TABLE 4 (cont'd)

<p>Incinerator Ash Ash can include dioxins, furans, and other hazardous chemicals. It can also contain particles of plastic, which is harmful to sea mammals and other sea life</p>	<p>Cruise ships shall manage incinerator ash as hazardous waste and shall: (a) not discharge it into waters under Canadian jurisdiction; and (b) land it ashore to a licensed facility or service, unless documented evidence is available indicating the ash is non-hazardous, where then it may be landed ashore as non-hazardous waste. Batteries should be removed from any waste that will be incinerated onboard. The incinerator should be used primarily for solid galley waste, food waste, paper, cardboard, wood and plastics not recommended for recycling.</p>	<p>Proper hazardous waste management procedures are to be instituted onboard each ship to assure that waste products, which will result in a hazardous ash, are not introduced into the incinerator. Non-hazardous incinerator ash may be disposed of at sea in accordance with MARPOL Annex V. Ash identified as being hazardous is disposed of ashore in accordance with the Resource Conservation and Recovery Act (RCRA).</p>	<p>No statement</p>
<p>Solid Waste A ship produces 3.5 kilograms of waste per passenger per day</p>	<p>No discharge of garbage into waters under Canadian jurisdiction. Liquefied galley wastes are not considered to be garbage under Canadian regulations, but should be discharged using the same criteria as those stipulated for grey water.</p>	<p>Garbage is minimized through purchasing practices, reuse and recycling programs, landing ashore and onboard incineration in approved shipboard incinerators. Any garbage that is discharged at sea will be done in strict accordance with MARPOL and any other prevailing requirements.</p>	<p>Dispose of all shipboard waste legally and responsibly, meeting all existing state, federal and international laws regulating waste treatment and disposal.</p>
<p>Oily Bilge A ship produces approximately 7000 gallons of bilge water every day</p>	<p>Ships discharging oily wastes in Canadian internal waters shall do so only when underway and when the filtering system is fitted with a stopping device which will ensure that the discharge is automatically stopped when the oil content of the effluent exceeds 15 parts per million. Ships discharging oily wastes from machinery spaces in Canadian inland waters shall do so only when underway and when the filtering system is fitted with a stopping device which will ensure that the discharge is automatically stopped when the oil content of the effluent exceeds 5 parts per million. No oil shall be discharged in Arctic waters. All oil or oil residues which cannot be discharged in compliance with regulations, shall be retained onboard, incinerated, or discharged to a licensed facility or service.</p>	<p>Bilge and oily water residue are processed prior to discharge to remove oil residues, such that oil content of the effluent is less than 15 ppm as specified by MARPOL Annex 1.</p>	<p>"We have been instrumental in developing dramatically improved technology to purify bilge water."</p>
<p>Ballast Water As much as 1000 metric tons per release (millions of gallons)</p>	<p>Cruise ships shall comply with the provisions of Transport Canada's 'Guidelines for the Control of Ballast Water Discharge from Ships in Waters Under Canadian Jurisdiction', TP 13617.</p>	<p>No statement</p>	<p>No statement</p>
<p>Hazardous Waste As much as 23 gallons of hazardous waste per day</p>	<p>Landed ashore to a licensed facility or service.</p>	<p>Landed ashore in accordance with the requirements of RCRA.</p>	<p>Landed ashore to licensed companies that specialize in hazardous waste disposal</p>

per person per day). One is left to wonder why the Canadian guidelines are more permissive than the practices of the second largest cruise company in the world.

To be fair, the Canadian guidelines are encouraging on some counts. They recommend standards for air emissions, disposal of incinerator ash, and disposal of non-hazardous, non-food waste that are more stringent than those in the ICCL Mandatory Standards. But it is hard to be enthusiastic given that the guidelines are voluntary, that there is no provision for monitoring, and no provision for penalties. A careful read of the guidelines indicates that in many instances the industry is instructed that it “should” comply rather than that it “shall” comply. “Should” is a recommendation; “shall” is a requirement.

It is interesting to put these guidelines in contrast with the fact that Canada has two home-based companies that are at the cutting edge of development of technology for advanced wastewater treatment systems. Zenon Environmental, Inc. in Oakville, Ontario, has developed membrane technologies for water purification in marine settings which, if installed properly, can eliminate almost all of the problems associated with wastewater from cruise ships. Hydroxyl Systems in Sidney, B.C., has similarly developed a system using biological and advanced oxidation treatment that is designed specifically for cruise ships. It would appear a double-win situation for the Canadian government to protect its coastal waters with clear regulations, and to encourage use of systems that contribute to the Canadian economy. These systems are unsurpassed by those produced anywhere in the world.

Is Anyone Else Looking Out for Canada's Marine Environment?

There has been limited opportunity — and for only select groups — to provide feedback in the

process of the Canadian guidelines being promulgated. Unfortunately, very few of the groups included in the consultation process have environmental concerns high on their agenda. There are some obvious exceptions, such as the Georgia Strait Alliance and the Islands Trust Council, but the recommendations made by these organizations are not reflected in the revisions.¹²⁷

Until recently, there was only one national environmental organization in Canada that concerned itself with the cruise industry: Oceans Blue Foundation (OBF). OBF was established in 1996. Its mission is: “To maintain, and where appropriate enhance, environmental health in coastal communities by encouraging highest possible standards of environmental responsibility among residents and visitors.” Much of its funding was provided by the Port of Vancouver, the Canadian Tourism Commission, Tourism Vancouver, Tourism British Columbia, and private foundations. However, most of its funding was withdrawn following its release of a report in October 2002 that was critical of the cruise industry.¹²⁸ Stephen Pearce, vice-president of sales and marketing for Tourism Vancouver, criticized the report and said, “There are better ways of being able to encourage that kind of discussion and debate.” He said the matter would be raised with the Canadian Tourism Commission (CTC) and that Tourism Vancouver would consider ending support for OBF. An official with the CTC was also critical, suggesting that “the CTC supports a balanced approach between environmental protection and economic development.”¹²⁹ The fact that Tourism Vancouver, Tourism British Columbia, the Port of Vancouver, and the North West Cruiseship Association are industry partners, and that the executive vice-president of Princess Cruises is a board member of Tourism Vancouver should not go unnoticed.

Oceans Blue Foundation is unfortunately not the first organization to have funding withdrawn for issuing a report that is critical of the cruise

industry. The Ocean Conservancy, based in Washington, DC, issued a report in May 2002 entitled "Cruise Control." Royal Caribbean International, which had provided a grant of \$450,000 (\$150,000 per year for three years) through its Ocean Fund,¹³⁰ criticized the report and apparently withdrew funding from the Ocean Conservancy's projects.¹³¹ While funding to the Ocean Conservancy (previously named the Centre for Marine Conservation) was publicized by RCCL when the grant was awarded, no publicity or press release was issued when the funding was withheld.

There are still organizations in the U.S. that concern themselves with environmental issues and the cruise industry,¹³² but in Canada we are left largely with locally-based organizations that rely on private rather than public funds. Notable on the west coast are the Georgia Strait Alliance, Society Promoting Environmental Consciousness (SPEC), and Vancouver Island Public Interest Research Group (VIPIRG). On the east coast there is the Atlantic Coastal Action Project (ACAP) which has 14 sites. There are other organizations as well, but none with a national focus or a national base.

Oceana, a U.S.-based organization that is funded primarily by the Pew Charitable Trusts,¹³³ held a rally in Vancouver in August 2003, but the focus was not Canadian. They used the rally to advance their market campaign against Royal Caribbean Cruises Limited and didn't use the rally as an opportunity to deal with the broader issue of cruise ship pollution in Canadian coastal waters and the need for statutory oversight. Vancouver was undoubtedly chosen because it is the home-port for Royal Caribbean Cruises Limited's Alaska itineraries, but from a Canadian perspective RCCL appears to be the only major company that has kept its commitment and has not redeployed ships to Seattle. With the loss of business at Vancouver, it would appear contrary to Canadian port interests to alienate (as part of a

non-Canadian organization's campaign) the single company that has maintained a commitment to be there. I am not endorsing RCCL's environmental practices. I wish to be clear that the issue of environmental practices is industry-wide and is national in scope.

Unfortunately, with Oceans Blue Foundation (Canada) being dismantled, there is no Canadian, home-grown organization to look out for the broader Canadian interests in relation to the international (mainly U.S.-based) cruise industry.

Implications for Canadians

For Canadians who have a concern about the quality of the country's coastal waters, there is a question as to who is looking out for Canada's interests. The cruise industry, which has a history of environmental offences, says "trust us," while the Canadian government's approach says to the cruise industry, "we trust you." California Assemblyman Joe Simitian says, "Regrettably, cruise lines have a history of violating their agreements and gaming the system. 'Trust us' is no longer an effective environmental policy."¹³⁴

Unfortunately, no national organizations exist that effectively speak to the issues, and prospects for such an organization are slim unless its funding does not depend on public sources. The experience of Oceans Blue Foundation, and other organizations like the Georgia Strait Alliance that attempted to deal with land-based sewage, suggests that the Canadian government cannot be trusted to provide support to organizations that express an opinion contrary to government policy. Its intolerance for dissent and healthy debate is further reflected in Environment Canada's recent decision to relieve Tony Lock, an expert in marine pollution with the Canadian Wildlife Service, of his duties and to instruct him not to talk to the media. Mr. Lock's "crime" was that he told reporters that a ship that leaked 4,300 litres of oil into Halifax harbour should have received a stiffer

fine. Stan Tobin, an environmentalist in Newfoundland and Labrador, observed: “It’s certainly a gag order...If they can do this to Tony Lock, who’s next?”¹³⁵

Ports are also intolerant of criticism of the cruise industry. Comments in *Cruising – Out of Control*, about the inequitable division of money paid by passengers to a cruise ship for a shore excursion, were labelled as “inflammatory” by the manager of marketing and cruise development for the Halifax Port Authority.¹³⁶ Similarly, when Vancouver City Councillor Sandy McCormick expressed concern about diesel particulate being pumped into the air by the growing number of cruise ships, and this concern was echoed by Ken Stubbs, head of the Greater Vancouver Regional District’s air quality monitoring and assessment unit, the Port of Vancouver responded that the

Vancouver Port Authority (VPA) has a good, cooperative relationships with the 13 cruise lines that visit Vancouver, and that “there is a lack of understanding about how cruise ships work.”¹³⁷ The VPA gave assurance that it is not an issue. As noted earlier, the 2003 cruise workshop at Port Days in Halifax appeared devoid of a voice independent of the cruise industry.

The next chapter looks at what Canada can learn from other jurisdictions. It concludes with clear recommendations for environmental regulations designed to protect Canada’s coastal waters. These recommendations are consistent with moves afoot in the U.S. and beyond, and that would place Canada in the role of leader rather than a “Johnny-come-lately” follower.

VI. What's Canada to Do?

As we look to the future, and attempt to make recommendations for Canada and its ports, it is useful to first give a cursory look to the experience in other jurisdictions. Given its pro-active approach on both environmental and economic fronts, Alaska must be included. California, which is now at the forefront of environmental policy development, must also be included. And the Caribbean, which has seen the greatest growth in the cruise capacity, needs to also be discussed.¹³⁸

Alaska's Experience

Alaska is instructive on both environmental and economic issues. Regarding the economic, several cities/towns have considered, and in some cases introduced, sales taxes and passenger head taxes. These have been motivated in part by the environmental offences committed in Alaska's waters. They are also motivated by a perception that local communities are providing a product to the cruise industry, on which the industry is making a sizeable profit, and a desire to capture a fair share – or at least enough to cover infrastructure and other cruise-related expenses. Juneau's introduction of a \$5 passenger head tax in 1999 was the first time a U.S. port had imposed such a fee.¹³⁹ Holland America Line responded with an immediate announcement that it would cut off support for local charities;¹⁴⁰ Royal Caribbean Cruises Limited made a similar announcement in the spring of 2002.¹⁴¹

Largely in response to the dumping of dry cleaning fluids and other toxic chemicals in waters adjacent to the town, Haines introduced a 4% sales tax on shore excursions. Rather than directly oppose the tax, cruise lines quietly told lo-

cal shore excursion providers that they would have to absorb the tax in the amount they already charge for their product. In other words, the price of shore excursions to the cruise line would remain constant; the local provider would have to deduct from its income the 4% tax. Several years later, after three attempts, local businesses were successful in having the tax repealed by Haines voters.¹⁴²

Alaska was also the first state to impose environmental standards on the cruise industry, including a system of monitoring, enforcement, and fines. After three years of significant fines for air emissions that violated state standards (39 ships accruing fines of approximately \$1 million),¹⁴³ there was only one known offence in 2002 and one in 2003. Discharges of wastewater (sewage and grey water) have also decreased to almost nil over the same time period. The monitoring program has also been effective in ensuring that onboard wastewater treatment systems perform as promised. Three ships with advanced wastewater treatment systems (which are permitted to discharge anywhere in Alaska's state waters) were reportedly decertified in 2003 because monitoring results indicated that they fell short of Alaska's strict standards. These ships were recertified after necessary adjustments were made.

California's Experience

California is of interest because of recent environmental legislation. In 2001, legislation applying to ballast water took effect. It provided several options for treatment of ballast water before discharge in state waters. The most feasible option was conducting a 200-mile exchange at sea

before discharging. Other options included an alternative exchange zone and use of appropriate technology, but neither was available. The only choice was the 200-mile exchange. Two-thirds of cruise ships ignored the law. They complied only after a law suit was filed by a coalition of environmental groups and heard by a state court.¹⁴⁴

An August 2003 report prepared by the state Environmental Protection Agency and the state Water Resources Control Board concludes, “Many vessels are not complying with international, state or federal standards in regards to handling hazardous materials, garbage, and discharges or treatment of grey water or sewage...[T]he report said it found ‘particularly troubling’ the discharging of sludge 12 miles out to sea, and the lack of monitoring of shipboard treatment plants and grey water, which had higher fecal coliform counts than treated sewage.”¹⁴⁵

Three pieces of legislation directed at environmental regulation of the cruise industry were introduced in the California state legislature in 2003. AB 121 prohibits cruise ships from dumping sewage, sewage sludge, or oily bilge water into state waters; AB 471 prohibits ships from using onboard waste incinerators while within 20 miles of the coast and would eventually require ships within 25 miles of the California coast to use on-road diesel fuel;¹⁴⁶ and AB 906 prohibits the discharge of grey water and hazardous waste in state waters. Two of the bills (AB 121 and AB 906), sponsored by the San Francisco-based Bluewater Network, have been passed by the state Senate and are expected to become law. AB 471 remains held over in the Senate Appropriations Committee and is not expected to be considered until next year.¹⁴⁷

It initially appeared that all three bills would pass with little debate. However, the cruise industry increased its lobbying efforts when it saw that the bills had little opposition. They effectively stopped AB 471 in its tracks, and they gutted from AB 121 and AB 906 controls over grey water and

black water. Key factors that produced changes in the bills, aside from direct political pressure, was concern in the Appropriations Committee about the economic bottom line rather than the environment, that two committee members were facing tough elections in 2004 and didn’t wish to be perceived as “too green,” and a committee staffer who unduly influenced the process.¹⁴⁸

The Caribbean

The Caribbean has a longer history with the cruise industry than any region in the world. This history can be instructive to Canada. Studies done in the 1980s told Caribbean ports that each landed cruise passenger would impact the local economy more than \$400 per day. While no one today would defend such exorbitant claims, they were supported a decade ago when decisions were made to build new piers. The resulting landing overcapacity is expected by some to persist for decades.

There is also beginning a deep awareness about the asymmetry of the economic relationship between Caribbean islands and the cruise industry. There is growing concern, particularly among hoteliers, about the economic advantages given to cruise ships and the relative disadvantage under which land-based properties operate. From the viewpoint of hotel owners and operators, they must deal with business taxes and environmental regulations, and their guests are subjected to arrival and departure taxes and other costs that cruise ship passengers are exempt from paying. A hotel owner/operator on a windward Caribbean island recently said to me:

Imagine if I went to my government and said, “exempt the sales at my property from all income and sales tax; exempt my guests from arrival and departure taxes [cruise passengers normally pay less than guests arriving by air]; allow me to buy all my goods

duty free from off the island; allow me to dispose of my refuse and garbage by dumping it across the road without regulation or control; allow me to dump sewage and wastewater in coastal waters; and subsidize the construction and operation of my property so I will stay on the island.” They would laugh me off the island. *But that is the kind of deal that many islands give to the cruise industry.* Land-based properties are hard-pressed to compete because there is an uneven playing field.

The point this comment makes is that the cruise industry brings guests to Caribbean islands, the ships take their hefty cut of receipts from shore excursions and sales in onshore stores, they leave garbage and other waste in their wake, and they leave a relatively small economic footprint. In addition, they pay no taxes, buy few if any local products, and employ only a small number of Caribbean residents and most of them at very low wages. These conditions are increasing the hostility toward the cruise industry of island people and their governments.

Caribbean islands have also become accustomed to cruise companies looking for “deals” that are of greater benefit to them than to the island. When the U.S. Virgin Islands was seriously entertaining a scheme whereby Carnival Corporation and Royal Caribbean Cruises Limited would build a new cruise terminal at Crown Bay, largely funded by rebates of ports charges, both cruise companies maintained and increased visits to St. Croix. When the arrangement was not approved by the territorial Senate, every cruise line cancelled its calls at St. Croix, claiming that the island was unsafe and that it had poor passenger satisfaction ratings. These ratings and safety issues were not an issue when there was an economic benefit to stopping there.¹⁴⁹

During difficult negotiations around construction of a mega-cruise ship terminal in San

Juan, Puerto Rico, for Royal Caribbean Cruises Limited, John Tercek, vice-president of commercial development for the cruise line, reminded the territorial government that “...if we feel like it, we can take our fleet elsewhere.”¹⁵⁰ The terminal was eventually built.

In 2002, the Florida-Caribbean Cruise Association alleged “...that, in comparison to other Caribbean destinations, Puerto Rico has ignored the cruise industry for more than a decade and that has made it hard for them to do business on the island.”¹⁵¹ John Tercek of RCCL complained that “...Puerto Rico’s government puts more emphasis on hotels than the cruise business...Developers who want to build hotels are given incentives. We [cruise lines] ask for infrastructure and receive nothing.”¹⁵² Mr. Tercek’s comment ignores the incentives already provided to cruise lines. But the complaints worked. The Puerto Rico Tourism Company developed a “Young at Heart” program, at a cost of \$141,000, which is designed to make Old San Juan livelier and more attractive to cruise passengers.¹⁵³ The city also established the Lelolai program, cost not reported in the media, to improve San Juan’s ambience and grab cruise passengers’ attention, bought new trolleys and new garbage trucks, all at the suggestion of cruise line executives.

Also in 2002, Royal Caribbean International complained that it was having trouble finding major hotels in Puerto Rico that want to block-book rooms at inexpensive rates for pre- and post-cruise passengers.

“Of course, we [Royal Caribbean] don’t expect to find \$60 room rates in San Juan, but we don’t expect to pay \$300 a night for a room either, especially when we buy in bulk,” said Marcia King-Gamble, director of pre- and post-guest satisfaction at Royal Caribbean International. King-Gamble seeks to get pricing from local hotels no higher than the 150- dollar range.

In response, Rick Newman, president of the Puerto Rico Hotel and Tourism Association, says there is a large inventory of hotels in San Juan that are able to provide a variety of rates, but to find low rates, cruise lines should be approaching hotels off the beach that are willing to take that kind of business.¹⁵⁴

Interestingly, Royal Caribbean International's 2001-2002 brochure offers hotel rooms in San Juan starting (in low season) from between US\$209 and \$379 per night (for a required two-night stay). One has to wonder about the size of Royal Caribbean International's take for the sale of these rooms. On top of that, they receive a \$5 kickback per room per night from the Puerto Rico Tourism Company.¹⁵⁵

The Caribbean is also instructive regarding environmental issues. While some islands confess that they don't enforce environmental regulations for fear that cruise ships will simply replace them with another, others less dependent on the cruise industry (e.g., Grand Cayman, Bermuda) have enforced environmental standards and have, it would appear, affected company practices within their coastal waters.¹⁵⁶ Others have not been as fortunate. The island of Grenada participates in a region-wide program of waste disposal based in Port of Spain, sponsored by the International Maritime Organization, and financed by the World Bank. The entire program across the region cost US\$54 million. Its completion is an important element to implementation of MARPOL's designation of the Caribbean as a "special area." Terms of the project require that the island charge a passenger head tax of \$1.50. The money is to be used to operate the landfill on the island. The cruise industry opposed the tax until April 1998, when the World Bank intervened and explained that Grenada (along with the other members of the Organization of Eastern Caribbean States) had no choice in the matter.

However, in November 1999, Carnival Cruise Line reversed its decision and initiated a boycott of Grenada. But it agreed to pay the tax on other islands participating in the project. It has isolated Grenada, presumably to remind other islands that they too can be bypassed. The stalemate appears to continue to this day.

Given the perceived economic dependence of Caribbean islands on the cruise industry, there has been little movement to monitor and control cruise ships. The mission of the Caribbean Alliance for Sustainable Tourism (CAST) is to lead in the sustainable development of the Caribbean by catalyzing the tourism and business communities and working with multi-sectoral partners, to ensure social responsibility and environmental care for the benefit of our people and visitors. Its focus is on the region, but to date only land-based properties have participated. Many non-hotel companies hold associate membership and support the activities of CAST. Its governing council includes American Airlines, ScotiaBank, American Express, Texaco and Esso, and others.¹⁵⁷ For all of their pronouncements about environmental concern and responsibility, the cruise industry and its member lines are visibly absent as supporters of CAST and CAST's efforts.

"The cruise industry does not provide the economic impact that it claims, its environmental impact is greater and more harmful than it claims, and its assurances of 'trust us' are left empty by the contradiction between policies and practices."

Charting a Course for Canada

The experience of other locations is instructive to Canada. The cruise industry does not provide the economic impact that it claims, its environmental impact is greater and more harmful than it claims, and its assurances of "trust us" are left

empty by the contradiction between policies and practices. Canada is at a point where it can choose to be like some jurisdictions and feel that it has no choice but to welcome the cruise industry, no matter what the economic and environmental costs because they need the industry's economic impacts regardless of the deleterious effects. Or, Canada can step forward as a world leader and defend itself against a global industry that values economic profits more than it values amelioration of social and environmental harms. The cruise industry is different from other global industries because it is mobile and not based on land. Further, because it is foreign registered, it pays no corporate tax in Canada, avoids many taxes and fees that are common to land-based companies, and is free of many regulations that land-based companies must comply with if they wish to do business in Canada. Canada can be a follower, or it can be leader and role model by setting clear limits and parameters of what it is willing to accept from international corporations that do business within its coastal waters.

This report's discussion of economic issues and port relations with cruise lines speaks for itself. It provides insight and information that ports, communities, and governments can use to fully inform their decision-making. The goal of the analysis is not to discourage ports from developing cruise business. Rather, it is hoped that decision makers and policy-makers can look critically at the information provided by cruise lines and their proponents, and that decisions will be made in the best interest of the local community and province rather than in the best interest of the cruise industry. Cruise lines are in business to make money and cannot be faulted for driving a hard bargain and for looking for the most advantageous arrangements. In the end, they only extract from communities, ports, and governments what these bodies are willing to give. Canadian cities and ports need to recognize that they are in

a position to define their economic relationship with cruise lines, and to negotiate arrangements that are in the best interests of those to whom they are accountable: the Canadian electorate and citizens of their community.

There are three clear recommendations suggested by the information presented:

- 1 The need for cooperation rather than competition between ports and port cities is paramount. 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. The cruise industry wants ports to enrich passenger experiences; it is only fair that part of any tax be used to fulfill that expectation.
- 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.

There are two additional recommendations that relate to environmental issues.

- 1 Transport Canada's plan for voluntary guidelines to deal with environmental issues related

to cruise ships must be 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 of knowing the full extent of its disregard for protection of Canada's coastal waters.

- 2 The Canadian Government use the following parameters to immediately legislate regulations. These recommended requirements were drafted by an international coalition of environmental organizations and are part of a model law that would deal seriously and responsibly with cruise ship waste. They are based on advances made by individual states, on confidential and private negotiations between cruise lines and environmental organizations, and on careful analysis of options that are economically feasible. The model provides a starting point for the Canadian Government to meaningfully regulate cruise ships operating in Canadian waters. Endorsed by a wide range of marine environment stakeholders, it covers each of the major areas of environmental concern.

Wastewater Discharges

All discharge of wastewater (grey water and black water), treated or not, is banned within 12 miles of the coast, and within any Marine Conservation Area, or any marine protected area under the Oceans Act or the Federal Species at Risk Act. This provision is consistent with RCCL's written policy. Between 12 and 200 miles, only ships using "best available technology" (i.e., advanced waste water treatment systems) are permitted to discharge treated waste. Compliance is a condition of entry into the nation's ports.¹⁵⁸

Solid Waste

Discharge of all solid waste (food waste, sewage sludge, garbage) not already banned under federal or international law is prohibited within 200 miles of the coast. This, in spirit, is consistent with Canada's Voluntary Guidelines.

Hazardous wastes

There be an offloading reporting requirement that includes tracking all hazardous material from the source to the ship and that tracks all hazardous waste from the ship to onshore agents licensed to handle such waste. This, too, is consistent with Canada's Voluntary Guidelines.

Dry cleaning and photo chemicals

There be a complete ban on all dry cleaning solvents and photo chemicals. Digital photo processing is permitted.

Incinerators

Incinerators shall not be used within 25 miles of the coast. Per Canadian Voluntary Guidelines, no incinerator ash may be disposed in waters under Canadian jurisdiction (i.e., 200 miles).

Fuel

Cruise ships should use marine diesel as the fuel (with a maximum sulphur content of 0.5%) for primary propulsion instead of bunker oil once they are within 25 nautical miles of port. This expands the distance of 10 miles in Canada Voluntary Guidelines.

Ballast water

Discharge of ballast water is prohibited when a ship is within 12 miles of the coast, within the Great Lakes, and within a Marine Conservation Area or any marine protected area under the Oceans Act or the Federal Species at Risk Act.

California banned discharge of ballast water into its state waters in 2001.

Bilge water

No bilge water is allowed to be discharged within 3 miles of shore or within Canada's inland waters, or within a Marine Conservation Area or any marine protected area under the Oceans Act or the Federal Species at Risk Act. Between 3 and 12 miles, bilge water shall be filtered to 5 parts per million. Beyond 12 miles, per MARPOL, bilge water will be filtered to 15 parts per million. No bilge water shall be discharged in Arctic waters. All oil or oil residues which cannot be discharged in compliance with regulations, shall be retained onboard, incinerated, or discharged to a licensed facility or service. It is worth noting that technically-speaking (but not in practice) Alaska's regulation for discharge in parts of the Inside Passage (as an aquaculture area) is filtration to 15 parts per billion.¹⁵⁹

Retrofitting of electrical hook-up equipment

All cruise ships will have installed electrical hook-ups as a condition of port entry; all Canadian ports will provide such hook-ups. This eliminates the need for a ship to run its engines while in port. The City of Juneau has demonstrated that this effectively reduces air opacity and is economically feasible.

An observer program

Similar to fishery observers, there shall be full-time observers on all cruise vessels, to monitor and test and otherwise inspect all relevant ship-board operations to insure that vessels are in full and complete compliance with all federal emissions discharge requirements; to monitor all emissions, maintenance records, and ship logs; to interview and otherwise query the Captain, Chief Engineer, Assistant Chief Engineer, Environmental Officer, and any other crew with knowledge

of vessel operations; to sample, profile and verify inventory of waste substances; and to immediately report to all relevant federal and provincial agencies on any suspected or known unlawful discharges or practices. This provision is particularly important given that two-thirds of all waste oil offloaded from cruise ships in Vancouver during the 2000 cruise season was unaccounted for on legally-required waste management forms. An estimated 8000 metric tons of material remains unaccounted for.¹⁶⁰

Whale detection devices

Given the number of whale-ship collisions, electronic whale and small craft detection sensors shall be installed on all cruise vessels, there shall be a reporting requirement for whale collisions and observations, and there shall be statutory provisions to limit vessel speeds and establish vessel exclusion zones in whale migratory areas.

Waste discharge transponders

All cruise vessels shall install transponders on all discharge equipment, including incinerators, to insure that vessels are discharging, or prohibiting the discharge, of all wastes as required by law. Monitoring of such transponder use shall be conducted by the Coast Guard. To the extent technologically feasible, the Coast Guard will also require on-board telemetry in order to monitor such data from shore. Such a program will supplement the on-board observer provision.

User fees

All cruise vessels shall pay per passenger fees to local ports for environmental mitigation programs such as installation of ballast water treatment systems, shore side power hook-ups, and enforcement and monitoring of environmental laws. In addition, some fees could be provided to federal agencies and departments, such as the Coast Guard, Transport Canada, and Environ-

ment Canada. Vessels installing “best available technology” can seek partial fee rebates. Per passenger port fees currently range from less than \$1 in some Caribbean ports to \$64 in Bermuda. Alaska charges approximately US\$1 per passenger for its monitoring and enforcement program; the cruise lines pass this fee on to passengers as part of “ports fees and taxes.”

Blueprints

Each cruise ship operator shall furnish a map of every discharge pipe and valve to the Canadian Coast Guard and Transport Canada. This would make monitoring and enforcement of all environmental laws easier for the agencies with such authority.

Whistleblower provision

Protection from job loss and other coercion shall be accorded under Canadian law for any crew member or cruise line employee who reports violation of these regulations and standards. As well, as in the U.S., 50 per cent of all fines received for an offence reported by a whistleblower will be paid as a bounty for the information.

Penalties and fines

Violation of these regulations will be fined a minimum of \$25,000 per occurrence per day. Recurring violations by the same cruise company will result in exponential escalation in the amount of fines, with a maximum of \$1 million per occurrence per day.

Endnotes

- ¹ *Cruising Out of Control* is available for free download from the Canadian Centre for Policy Alternatives web site (www.policyalternatives.ca)
- ² See Cruise Industry Overview, Spring 2003 (New York: Cruise Line International Association) <<http://cruising.org/press/overview/SPRING03MLOV.pdf>>
- ³ For Atlantic Canada figures, see *Cruising – Out of Control*. Figures for Victoria are provided by Westcam Terminals Limited (www.victoriaharbour.org/cruise_ship_schedule.pdf) and in Karen Gorecki and Bruce Wallace. *Ripple Effects: The Need to Assess the Impacts of Cruise Ships in Victoria BC*, Victoria: Vancouver Island Public Interest Research Group.
- ⁴ See Transport in Canada 2002: Passenger Transportation, Transport Canada Web Site. <www.tc.gc.ca/pol/en/report/anre2002/8D_e.htm>
- ⁵ Eli Sanders. "Seattle Using Cruise Boom to Navigate Through Tough Economy," *Boston Globe*, August 10, 2003.
- ⁶ Doug Wright. "Many Elderly Cruise Ships Are Still Plying Their Trade," *Otago Daily Times*, August 19, 2003.
- ⁷ Larry Miller. "Banker predicts cruise market domination," *Lloyd's List*, March 14, 1992.
- ⁸ "Frank: Synergies Won't Stop at \$100m," *Seatrade Insider*, June 25, 2003. The savings come from increased purchasing power and from elimination of duplication.
- ⁹ A graph prepared by UBS Warburg visually reflects (with few exceptions) a trend since 1990 where growth in passenger numbers follows growth in capacity. See Robin M. Farley. "Cruise Lines: A Look at Capacity," presentation at Seatrade Cruise Shipping Convention, March 3 – 6, 2003, Miami, FL.
- ¹⁰ Orders for new ships declined 70 per cent between 1999 and 2002. The lead time from an order to delivery is normally three to four years. See Robin M. Farley, *ibid*.
- ¹¹ Carnival, on April 28, 2003 announced that it had negotiated an arrangement with Fincantieri's Monfalcone yard for construction of a 116,000 ton sister to Princess Cruises' Caribbean Princess for delivery in May 2006. At the same time, Carnival Corporation reduced the number of new ships in Holland America Line's Vista series from five to four, and it deferred delivery of several vessels scheduled to be completed in 2004 and 2005. RCCL, as well, has pushed back several times options for new ships originally planned to follow the Jewel of the Seas scheduled for delivery in the summer of 2004. See "Carnival Reconfigures Order Book," *Seatrade Insider*, April 28, 2003, and "Radiance or Ultra-Voyager?" *Seatrade Insider*, August 22, 2003.
- ¹² One hundred per cent occupancy is achieved when two beds in each cabin are filled. However, given that families often have more than two people in a room, it is not unusual for a ship to sail with an occupancy as high as 110 per cent.
- ¹³ Carnival Corporation's stock was in the US\$33 - \$34 range the third week of September 2003, in contrast to \$18 - \$19 in 2000 and 2001; Royal Caribbean Cruises Limited's stock value was in the US\$30 - \$31 range the third week of September, in contrast to bottoming out below US\$10 a share in the fall of 2001.
- ¹⁴ "HAL Rolls Out Educators' Rates," *Seatrade Insider*, August 15, 2003.
- ¹⁵ An article in USA Today on August 27, 2003, listed "last-minute cruise specials from \$101. Each of the cruises, scheduled to depart three to four weeks later, could be purchased for US\$50 a day.
- ¹⁶ Whittier, Alaska had repealed a \$1 passenger head tax in April 2003 after Princess Cruises issued (in the words of the city's vice mayor) an ultimatum that they would not return to Whittier as long as there was a head tax or the potential for a head tax. Ten years earlier, when the head tax was instituted, ships shifted from Whittier to Seward. They now appear to be shifting back to Whittier, which has also exempted Princess Cruises from a seasonal sales tax and a passenger transport fee paid by smaller day-cruise operators. See "Whittier Drops Head Tax to Lure Princess Back," *Juneau Empire*, April 25, 2003.
- ¹⁷ See rec.travel.cruises.usenet.newsgroup thread, "NCL's Dawn Charged for Entertainment," August 3, 2003.

- ¹⁸ Ross A. Klein. *Cruising – Out of Control: The Environment, Workers, and Atlantic Canada’s Ports*, Halifax: Canadian Centre for Policy Alternatives. March 2003.
- ¹⁹ According to a recent article in the Seattle Times, invasive species introduced through ballast water cause more than US\$137 billion a year in damage. “Aquatic invaders can destroy water pipes or power systems and wreak havoc on the natural environment. More than 40 percent of plants and animals listed under the Endangered Species Act are at risk because of nonnative species.” See Craig Welch. “Regulations Not halting Aquatic Invaders,” *Seattle Times*, September 8, 2003.
- ²⁰ See John Polglaze, “Can we always ignore ship-generated food waste?” *Marine Pollution Bulletin*, 46: 33 – 38. 2003.
- ²¹ While the cruise industry would dispute this statement, it is worth noting the following e-mail message I received September 3, 2003: “On the Star Princess from Seattle to Alaska on August 9, I was standing on the stern of the ship, and noticed gallons of brown fluid being discharged from the ship, coloring the water. I believe this happened a couple of hours from Seattle, just before sunset.” A couple hours from Seattle means that the ship was likely in Canadian coastal waters.
- ²² Mark Fineman. “Tax on Passengers Is a Lot of Garbage, Cruise Lines Say,” *Los Angeles Times*, March 20, 1998, p. A5.
- ²³ Charles W. Thruston. “Caribbean Investment Report,” *Institutional Investor* (Americas edition), 37 (no. 5), May 2003.
- ²⁴ See Peter Wild. “Cruise Ports and Destinations and the Future,” presentation at Seatrade Cruise Shipping Convention, March 3 – 6, 2003, Miami Beach, FL.
- ²⁵ See Port of Colon website, <www.colon2000.com>
- ²⁶ Evelyn Guadalupe-Fajardo. “Incentives Package to Cruise Lines Extended to 2004,” *Caribbean Business*, April 25, 2002. <www.puertoricowow.com>
- ²⁷ See Tomothy O’Hara. “Ante Upped for Cruise Ships,” *Keys News*, September 13, 2003.
- ²⁸ See the North West Cruiseship Association website at <www.alaskacruises.org>
- ²⁹ James Hoggan is on the Board of Directors of the David Suzuki Foundation and the Urban Development Institute (Pacific Region). His firm does work for the North West Cruiseship Association as well as for the David Suzuki Foundation. Linkages between the cruise industry and other environmental NGOs is discussed later (see endnote 132).
- ³⁰ Dean Brown, Executive Vice President of U.S.-based Princess Cruises and Chairman and CEO of Princess Tours is the only non-Canadian on the Board of Directors of Tourism Vancouver. <www.tourismvancouver.com/docs/members/contacts/board_directors.html> He has previously served two terms as Chairman of the Northwest Cruiseship Association (April 2000 – 2002), and has served on the Board of the Alaska Visitor’s Association since 1989, including a term as President in 1996.
- ³¹ See the ACCA website at <www.atlanticcanadacruise.com>
- ³² It is an interesting aside that the Government of Newfoundland and Labrador was challenged in the House of Assembly over its authorization of \$50,000 for the first module of a report from B&A. MHA Roger Fitzgerald asked a) why Bermello, Ajamil & Partners were solicited for the submission of a proposal; b) why local Newfoundland and Labrador companies were not asked to submit proposals; and c) for documents confirming or denying the authorization of the Minister or his officials to the decisions to by-pass local expertise. See House of Assembly, Province of Newfoundland, 3rd Session – 44th General Assembly, Routine Proceedings, December 5, 2001. <www.gov.nf.ca/hoa/today/Dec05_2001.htm>
- ³³ Tom Peters. “Future of Cruising Put Under Microscope,” *Halifax Chronicle Herald*, May 30, 2003, p. B1
- ³⁴ *Cruise Industry Opportunities Assessment and Gap Analysis – Prepared for: Prince Rupert Economic Development Commission*, Juneau: McDowell Group, April 2003.
- ³⁵ Sue Dobson, Alison Gill and Sam Baird. *A Primer on the Canadian Pacific Cruise Ship Industry*, May 2002. <www.sfu.ca/coastalstudies/Cruise_Ship.pdf> The report appears at the DFO web site at <www.pac.dfo-mpo.gc.ca/oceans/Policy/cruiseship_e.htm>. While the report appears on the web site, there is no indication of who funded the study and why it is provided as a resource. However, according to one of the report’s authors, DFO provided a lucrative contract for its preparation.
- ³⁶ Nowlan, Linda and Ines Kwan. *Cruise Control – Regulating Cruise Ship Pollution on the Pacific Coast of Canada*, Vancouver: West Coast Environmental Law, 2001.

- 37 It isn't only the report by West Coast Environmental Law, but also the work of Oceans Blue Foundation and other British Columbia-based environmental organizations. See <oceansblue.org/bluetourism/chartacourse/cruiseship.html>
- 38 I gave a lecture at the Monterey Institute of International Studies on January 14, 2003. Mr. Joe Valenti, Vice President of Crystal Cruises, during a question and answer period, stated verbally (and later in writing) that Canada would soon announce that it had agreed to a MOU with the ICCL.
- 39 "Cruise Ship Dumping Draws Protest in Vancouver," Associated Press, July 28, 2003.
- 40 Accounts of the trip and its content were given privately and publicly during the Canada-New England Cruise Symposium in St. John's in June 2002.
- 41 I recall being told of a retiring Vice President of Shore Excursions from Holland America Line being given a helicopter ride around the coast of Newfoundland when he was attending the Canada – New England Cruise Symposium in St. John's in June 2002. It was unclear how many of the dozen or so executives and cruise consultants had their trip paid for from government funds.
- 42 See <www.portdays.com>. Also see "Halifax Gears Up for Port Days," *Seatrade Insider*, September 5, 2003.
- 43 See Economic and Fiscal Update 2001 – Legislation Summary. <www.fin.gov.bc.ca/efu/update_legislationsummary.htm>
- 44 See British Columbia 2003 Provincial Budget, Part 2, page 66 (Marine Fuel Tax Act, Marine Gas Oil Exemption). <www.bcbudget.gov.bc.ca/bfp/bgt2003_part_2.pdf>
- 45 Alan Daniels. "RCCL Stresses Commitment to Vancouver as Cruise Base," *Lloyd's List*, June 18, 1997.
- 46 "Vancouver to Alaska Cruises at Record Level," *Lloyd's List*, April 18, 2001
- 47 Eli Sanders. "Seattle Using Cruise Boom to Navigate Through Tough Economy," *Boston Globe*, August 10, 2003.
- 48 Alan Mettrick. "Big Ships Bring Big Problems Warns Report," *Prince Rupert Daily News*, March 21, 2003
- 49 "Nanaimo Makes a Bid for Small and Big Ships," *Seatrade Insider*, August 27, 2002
- 50 Jeff Rudd. "Campbell River Dock Gets Upgrade to Attract Cruise Passengers," *Times Colonist*, April 28, 2003
- 51 "Ships Cruising into Victoria at Record Pace," *BC Newspaper Group*, May 12, 2003.
- 52 Transport Canada, Government of Canada Transfers Ogden Point Public Port Facility and \$7 Million to Greater Victoria Harbour Authority, News Release P05/02, June 25, 2002 <www.tc.gc.ca/pacific/bcmedia/nr_ogdenpoint_062502.htm>
- 53 "Saint John to Invest in Cruise Facility," *Seatrade Insider*, June 23, 2003
- 54 In order to accommodate the Queen Mary 2 and the Voyager of the Seas, "the Halifax Port Authority will invest \$1.5 million in its new seawall by installing a new fendering system and strengthening bollards." See Tom Peters. "Halifax Eyes Bigger Cruise Ships," *Halifax Chronicle Herald*, August 13, 2003.
- 55 "Halifax to Pursue Continued Cruise Growth," *Seatrade Insider*, June 6, 2003
- 56 See "Expanded Cruise Pavilion Opens at Halifax Waterfront," Halifax Port Authority Press Release, September 9, 2003.
- 57 Jane George. "GN Explores Tourism in "Have-Not" Communities," *Nunatsiaq News*, August 15, 2003.
- 58 "Cruise Ship Leaves Community in the Lurch," North.CBC.CA, July 31, 2003.
- 59 An exhibitor's booth at Seatrade begins at C\$5000, plus registration fees for the conference. A delegate's registration fee is approximately C\$1500. Several Canadian visitors have double-sized booths. There is also a Canadian pavilion that is the equivalent of 8 – 10 booths.
- 60 See Seatrade Cruise Shipping Convention, *Directory Yearbook*, 2002 and 2003
- 61 Alan Daniels. "Tourism Expected to Rebound Next Year," Vancouver Sun, September 4, 2003.
- 62 Seattle has announced that cruise ship calls in 2004 will increase 50 per cent over the number in 2003 – from 95 to 140. See Alan Daniels. "Seattle Goes After Cruise Ship Business," CanWest News Service, July 12, 2003.
- 63 Neville Smith, "Vancouver Forecasts Decline in Cruise Calls," *Lloyd's List*, May 2, 2003
- 64 Home ports and intermediate ports alike often provide potable water to cruise ships – for \$300 or less, the ship is loaded with as much as 36,000 gallons of water.
- 65 The McDowell Group's report for the Prince Rupert Economic Development Commission makes this point. It says, "The increased use of Seattle as the originating point for Alaskan cruises enhances Prince Rupert's ability to capture cruise visitation due to the Passenger Services Act." See *Cruise Industry Opportunities Assessment and Gap Analysis*, page 12.

- What it doesn't say is that Prince Rupert's gain is Vancouver's or Victoria's loss.
- 66 "Prince Rupert Gains 18 NCL Calls," *Seatrade Insider*, August 12, 2003.
- 67 In his presentation on March 6, 2003 at the Seatrade Cruise Shipping Convention, "Breaking to Mould – A Forum for Fresh Thinking on the Future of the Cruise Industry," Luis Ajamil of Bermello, Ajamil & Partners suggested that utilization of Ketchikan by cruise ships was at its limit. Without additional pier space, the number of cruise ships stopping could not increase.
- 68 The McDowell Group's report cites port congestion as a factor in Prince Rupert's potential to grow cruise tourism. See page 1.
- 69 "Green Light for Ketchikan's 1st Phase," *Seatrade Insider*, July 7, 2003
- 70 Malik, Khalid. "Cruise Ship Terminal Planned," Association of Professional Engineers and Geoscientists of New Brunswick Media Room, July 3, 2003. <www.apenb.nb.ca/media/07_03_03.html>
- 71 See "Hurricane Forces Cruise Ships to Divert to Halifax," Canadian Press, September 8, 2003; "Forget Bermuda: Welcome to the Maritimes," NB.CBC.CA, September 9, 2003; "Saint John Welcomes Chilly Cruisers," NB.CBC.CA, September 10, 2003.
- 72 "Cruise to Bermuda Lands in Canada: Passengers Angry Over Change in Plans," News Channel 10 (Providence, RI), September 15, 2003. <www.turnto10.com>
- 73 Andrew Duffy. "Cruise Control: Record Visits Brighten Victoria Tourist Picture," *Times Colonist*, July 31, 2003.
- 74 Prabha Natarajan. "Bush Signs Cruise Ship Legislation," *Pacific Business News*, February 24, 2003. Also see "Cruise Deal Must Be in Interests of All," *Honolulu Advertiser*, February 17, 2003; Derrick DePledge. "Cruise Exemption Bolstered," *Honolulu Advertiser*, February 12, 2003; Janis L. Magin. "Cruise Exemption Passes Congress," *Honolulu Star-Bulletin*, February 14, 2003.
- 75 Kelly Yamanouchi. "Cruise Ship Lines Propose Broader Foreign Exemption," *Honolulu Advertiser*, February 1, 2003.
- 76 See *Cruise Industry Opportunities Assessment and Gap Analysis*, page 12.
- 77 See Canadian Transportation Agency Decision No. 158-W-2000. <www.cta-otc.gc.ca/rulings-decisions/decisions/2000/W/158-W-2000_e.html>
- 78 "Vancouver Explores Cabotage Issue," *Seatrade Insider*, July 17, 2003
- 79 Reported on the CBC Morning Show, St. John's, NL, August 12, 2003.
- 80 There may be a rift between the ship owners and the French Government. In August 2001, the European Commission ordered the recovery of French government aid totalling Ffrs 78 million from the owners of Le Levant. The owners had received a tax break equivalent to more than one-third of the ship's construction cost based on an expectation that the vessel would bring significant economic benefit to St. Pierre-et-Miquelon, where the ship is registered. The European Commission claims that the tax break amounts to seven times the value of the economic benefit the vessel has generated in St. Pierre-et-Miquelon. See Andrew Spurrier. "EC Orders Recovery of French Government Aid," *Lloyd's List*, August 9, 2001.
- 81 According to Robin M. Farley, Leisure Analyst with UBS Warburg, withdrawal of berths from the North American market averages 5.8% (7054 berths) in the ten years 1993 – 2002. See "Cruise Lines: A Look at Capacity," *ibid*.
- 82 There was a session at the Seatrade Cruise Shipping Convention in 2002 that was devoted to discussion of the Athens Convention. The session began with a presentation that faced head-on the vulnerability of a cruise ship to a terrorist attack, and the implications this had for insurance underwriters.
- 83 "Who Pays for a Cruise Catastrophe," *Lloyd's List*, August 21, 2003.
- 84 Brock N. Meeks. "U.S. Maritime Targets Tempting: FBI Wary of al-Qaida Interest in Ferries, Cruise Ships," MSNBC, July 22, 2003. <stacks.msnbc.com/news/941934.asp?0bl=-0>
- 85 *Cruise Industry Opportunities Assessment and Gap Analysis*, page 40.
- 86 These figures are from private conversations with shore excursion providers. Also, see Katharine Sandiford. "Port Authority: Carrying the Wallets of Thousands of Fun Seekers, the Cruise Industry Receives a Warm Welcome From the Theme Park Named Halifax," *The Coast*, Aug 14-21, 2003.
- 87 "Cruise Ship Passengers Leave Cash Onboard," CBC.CA News (Saint John, NB), March 19, 2003
- 88 See Appendix A, *Cruise Ship Passenger Survey: ms Norwegian Sun, September 22, 2001 Visit*, St. John's: Economic Development and Tourism Department, March 2002.

- ⁸⁹ It is worth noting a caveat on page i of the report. "Price Waterhouse Coopers makes no representation or warranty as to the accuracy or completeness of the information contained within this report, including estimates ... We take no responsibility for the accuracy of the economic, market and survey information that has been provided to us by others. The information provided to us has not been audited or verified and is assumed to be accurate. Our analyses are based on estimates, assumptions and other information developed from our research, our knowledge of the industry and other factors, including certain information provided by others." (Price Waterhouse Coopers. *Economic Contribution of the FCCA Member Lines to the Caribbean and Florida*, Miami: Price Waterhouse Coopers LLP, July 27, 2001. p. i.
- ⁹⁰ The arithmetic (unweighted) average is US\$89.72
- ⁹¹ *ibid.*, p. 5.
- ⁹² This is the weighted average. The arithmetic average is US\$13.53
- ⁹³ *ibid.*
- ⁹⁴ See *The Economic Impacts of the Cruise Industry on Southeast Alaska*, Juneau: The McDowell Group. October 2000. pp. 11-13 (Prepared for Southeast Conference). Figures are also provided for Ketchikan (\$95), Sitka (\$70), and in a separate report for Anchorage (\$100) – see: *The Economic Impacts of the Cruise Industry in Anchorage 1999*, The McDowell Group, February 2001 (Prepared for the North West Cruiseship Association).
- ⁹⁵ *The Economic Impacts of the Cruise Industry on Southeast Alaska*, Juneau: The McDowell Group. October 2000. p. 11 (Prepared for Southeast Conference).
- ⁹⁶ I do not report here the results of a report prepared by InterVistas Consulting Inc., entitled *1999 Vancouver – Alaska Cruise Passenger Study* (December 9, 1999), for five industry partners: Tourism Vancouver, the Vancouver Port Authority, the Vancouver International Airport Authority, Tourism British Columbia, and the North West Cruiseship Association. The report provides impressive numbers, but it is difficult to extrapolate from or to trust them. There are internal inconsistencies and contradictions in the presentation of data, and there are leaps made that appear to inflate the economic impact of cruise tourism on the Vancouver area.
- ⁹⁷ Joanna Markell. "Jewelry Stores Multiply in Ketchikan," *Anchorage Daily News*, August 3, 2003.
- ⁹⁸ Dunning, Mike. "Tourism in Ketchikan and Southeast Alaska," *Alaska History*, 15:2 (Fall), 2000, p. 37.
- ⁹⁹ See Ross A. Klein. *Cruising – Out of Control: The Environment, Workers, and Atlantic Canada's Ports*, Halifax: Canadian Centre for Policy Alternatives. March 2003. pp. 10-11
- ¹⁰⁰ According to Dennis Campbell, president of "The Company with the Kilts," top selling tour in Halifax are his company's "Hop On-Hop Off" city tours on double-decker buses, Peggy's Cove, and Lunenburg. See "Halifax Tour Operator Boosts Pierside Sales," *Seatrade Insider*, September 10, 2003.
- ¹⁰¹ Peter McLaughlin. "Wanted: Solution to Peggy's Cove Tourist Traffic," *Halifax Daily News*, June 10, 2003.
- ¹⁰² Quoted in Peter McLaughlin. "Wanted: Solution to Peggy's Cove Tourist Traffic," *Halifax Daily News*, June 10, 2003.
- ¹⁰³ "By Land, By Sea, or Both?" Caribbean Hotel Industry Conference (Caribbean Hotel Association Annual Meeting), Punta Cana, Dominican republic, June 24, 2003.
- ¹⁰⁴ The homeport at Xcaret appears to be "dead in the water" after the local government announced it was considering a head tax of \$30 (one-half of what is charged in Bermuda). Carnival Corporation said it was expecting a tax of no more than \$2.50. It has now suspended the project "until there is a change in attitude on the part of the local authorities." See Rudy Garcia. "Carnival-Xcaret Homeport 'Dead In the Water' – For Now," *Caribbean Business*, May 29, 2003.
- ¹⁰⁵ See Appendix A, *Cruise Ship Passenger Survey: ms Norwegian Sun, September 22, 2001 Visit*, St. John's: Economic Development and Tourism Department, March 2002.
- ¹⁰⁶ Presentation by Sarita Skidmore, Principal, Menlo Consulting Group, in "The Future's So Bright....You Gotta Wear Shades," Caribbean Hotel Industry Conference, Punta Cana, Dominican Republic, June 23, 2003.
- ¹⁰⁷ Joanne Markell. Ryndam Spill Estimate Jumps to 40,000 Gallons, *Juneau Empire*, August 29, 2002
- ¹⁰⁸ Barney Burke. "Cruise lines, State, Talk Pollution," *Jefferson County Leader*, July 9, 2003. It was recently disclosed that NCL is appealing the citation it received from the state of Washington on the grounds that the state does not have the power to regulate cruise ships. See Robert McClure. "Cruise Ships Not Using Low-Pollution Fuels After All," *Seattle Post-Intelligencer*, September 11, 2003.
- ¹⁰⁹ Dale K. Dupont. "Pollution case haunts Carnival," *Miami Herald*, July 24, 2003.

- ¹¹⁰ See Evan Perez. "Carnival Fires Pollution Auditors Over False Compliance Reports," *Wall Street Journal*, August 28, 2003
- ¹¹¹ Personal correspondence. The full story is also reported at <www.stopcruise pollution.com/index.cfm?fuseaction=featuredStory&yourstoryID=113>
- ¹¹² Though the standards are called "mandatory," there is no provision for monitoring and there are no penalties for non-compliance.
- ¹¹³ *A Primer on the Canadian Pacific Cruise Ship Industry*, page 31.
- ¹¹⁴ *ibid*, page 31
- ¹¹⁵ *ibid*, page 32
- ¹¹⁶ See *Cruise Industry Waste Management Practices and Procedures* (Revised December 1, 2001), Arlington, VA: International Council of Cruise Lines. <www.iccl.org/pressroom/press55.cfm>
- ¹¹⁷ See <www.cruisejunkie.com> (Events at Sea, 2002 and 2003, Environmental Fines in Alaska, Large Environmental Fines (\$100,000+), 1992 – 2002)
- ¹¹⁸ For details, see *Cruising – Out of Control*, p 14
- ¹¹⁹ Ed Fletcher. "Cruise Ships Are in the Cross Hairs," *The Sacramento Bee*, June 23, 2003.
- ¹²⁰ Information provided in private correspondence. The writer requested anonymity. It is worth noting that the bacteria limit for treated water released by vessels is more than six times higher than discharge released by land-based facilities. See Craig Crosby. "Cruise Ship Waste Practices Reviewed," *The Ellsworth American*, September 11, 2003.
- ¹²¹ "The discrepancy between the port's past promises and the cruise ships' current practices came to light only because a California-based group, Bluewater Network, was lobbying the California Legislature to require low sulphur fuels there. When cruise ship lobbyists in California claimed that wasn't technically possible, the environmental group called up the Port of Seattle to ask: Aren't they using the low-pollution fuel up there? The answer: Well, no, they're not. Not any more." See Robert McClure. "Cruise Ships Not Using Low-Pollution Fuels After All," *Seattle Post-Intelligencer*, September 11, 2003.
- ¹²² John Bermingham and Charlie Anderson. "Bylaw Would Ban Cruise-Ship Waste," *The Province*, July 27, 2003.
- ¹²³ "Cruise Ship Sewage Dumping Draws Protest in Vancouver," *Seattle Post-Intelligencer*, July 28, 2003.
- ¹²⁴ Organization for Economic Co-operation and Development. *Voluntary Approaches to Environmental Policy: Effectiveness, Efficiency, and Usage in Policy Mixes*, Paris: OECD, 2003.
- ¹²⁵ Jack Williams and William Wright. "To Our Travel Partners: Our Environmental Practices," correspondence dated August 1, 2003.
- ¹²⁶ This statement, that the Canadian Guidelines were the product of negotiations between ICCL and the Government of Canada, was made publicly by Joe Valenti on January 14, 2003, during my lecture at Monterey Institute of International Studies. It is reinforced in his January 17, 2003 letter to Lynn Young of Save Our Shores, a Santa Cruz based environmental organization and co-sponsor of my lecture.
- ¹²⁷ Personal correspondence from the Georgia Strait Alliance indicates that in their view, their input landed on deaf ears. Recommendations made by both Islands Trust and Georgia Strait Alliance are not reflected in the current version of the Voluntary Guidelines.
- ¹²⁸ *Blowing the Whistle and the Case for Cruise Ship Certification*, Vancouver: Oceans Blue Foundation, October 2002. The report includes discussion of Captain James Walsh's firing by Carnival Corporation and his filing of a law suit under Florida state's "whistleblower" law. In September 2003, Oceans Blue Foundation was drawn into the case when it was served a subpoena to produce all documents related to any correspondence it had with Captain Walsh. San Francisco-based Bluewater Network received a similar subpoena.
- ¹²⁹ Tracy Tjaden. "Cruise Lines Blasted: Tourism-industry Funded Oceans Blue in Hot Water Following Critical Report on Industry," *Business in Vancouver*, November 12-28, 2002.
- ¹³⁰ According to Royal Caribbean's press release dated May 22, 2000, the money was to be used to expand The Ocean Conservancy's (named Center for Marine Conservation at the time) Model Communities program for reduction of marine pollution in Puerto Rico, the Bahamas, Bermuda and the U.S. Virgin Islands.
- ¹³¹ Contained in confidential correspondence.
- ¹³² The independence of many of these organizations to speak critically about the cruise industry is questionable. The Chairperson of the Board of Trustees of The Nature Conservancy in Alaska is a Vice President of Holland America Line Westours – The Nature Conservancy has received \$750,000 in grants from RCCL's Ocean Fund. The Chairperson of the Board of Directors of the World Wildlife Fund is also a member of the Board of Directors of Royal Caribbean Cruises Limited – since his appointment the WWF has received \$700,000 in grants from RCCL's Ocean Fund. These linkages make it more

difficult for organizations to be wholly independent. A Quality of Life report being prepared for Key West Florida provides an excellent illustration of the way linkages can work. The report was proposed by the city's adviser on cruise ship matters. A contract was awarded to the Metropolitan Centre at Florida International University (FIU), for oversight of the project for which a consultant would be hired. An administrator in the Metropolitan Centre is associated with the city adviser in Key West. Add to the equation that FIU's president sits on the board of Carnival Corporation, and the President and CEO of Carnival Cruise Line sits on the board of the Florida International University Foundation. These sorts of linkage, and the political power exerted through them, are not unique to the cruise industry. J. Allen Whitt, in *Urban Elites and Mass Transportation: The Dialectics of Power* (Princeton University Press, 1982) illustrates the power of these interconnections in his case study of the Bay Area Rapid Transportation system.

- ¹³³ The Pew Charitable Trusts were established between 1948 and 1979 by two sons and two daughters of Sun Oil Company founder Joseph N. Pew and his wife, Mary Anderson Pew.
- ¹³⁴ Ken Weiss. "Cruise Line Pollution Prompts Legislation," *Los Angeles Times*, August 18, 2003.
- ¹³⁵ "Scientists Gagged by Government," CBC.CA News, August 4, 2003.
- ¹³⁶ See Tom Peters. "Reality Check Urged for Cruise Ship Hosts," *Halifax Chronicle Herald*, March 19, 2003.
- ¹³⁷ Carrigg, David. "Councillor Calls for Report on Diesel-Burning Cruise Ships," *The Vancouver Courier*, August 27, 2001.
- ¹³⁸ The Caribbean accommodates more than 26% of the world cruise market. Between 1995 and 2000, it experienced a 41% increase in passenger bed days (from 15,523,551 to 21,510,142). See Michael Herz and Joseph Davis. *Cruise Control*, Washington, DC: The Ocean Conservancy, May 2002.
- ¹³⁹ "Lines May Fight the Legality of Juneau Passenger Levy," *Lloyd's List*, October 8, 1999. p. 5.
- ¹⁴⁰ Yereth Rosen. "Alaska Officials Plan Crackdown on Cruise Ships," *Reuters*, February 22, 2000.
- ¹⁴¹ Ann Chandonnet. "Cruise Line to Halt Gifts of Cash," *Juneau Empire*, March 11, 2002.
- ¹⁴² Private conversations with Haines residents, January 2003. Follow up conversation with Haines resident, Gershon Cohen.

- ¹⁴³ See Environmental Violations in Alaska, 1999 – 2003 <www.cruisejunkie.com/alaskafines.html>
- ¹⁴⁴ See "Luxury Cruise Lines Sued for Illegal Dumping: Lawsuit Aims To Halt Illegal Dumping Of Ballast Water By Fun Ships In California Ports." Joint Press release from Bluewater Network, Environmental Law Foundation, San Diego Baykeeper, and Surfrider Foundation, April 24, 2002. <http://www.bluewaternet.org/press_releases/pr2002apr24_ss_ballastwater.pdf>
- ¹⁴⁵ Ken Weiss. "Cruise Line Pollution Prompts Legislation," *Los Angeles Times*, August 18, 2003. Also see: *Report to the Legislature: Regulation of Large Passenger Vessels in California*, Cruise Environmental Task Force, August 2003.
- ¹⁴⁶ Conversion to on-road diesel fuel would reduce particulate matter by 58 per cent, oxides of nitrogen emissions by 11 percent, and sulphur emissions by 99.6 per cent. The additional cost to a cruise ship is estimated to be approximately \$2000 to \$3000 per voyage. Source: Russell Long, Executive Director, Bluewater Network.
- ¹⁴⁷ See "Bills Prohibiting Discharges in State Waters Passes Senate," *Sarasota Herald Tribune*, September 8, 2003.
- ¹⁴⁸ Private correspondence from persons involved in the process.
- ¹⁴⁹ See Ross A. Klein. *Cruise Ship Blues: The Underside of the Cruise Industry*, Gabriola Island, BC: New Society Publishers (pp. 46 – 48) for a more complete discussion. See also John Collins. "Cruise Lines Dropping St. Croix Calls," *Caribbean Business*, May 30, 2002.
- ¹⁵⁰ Evelyn Guadalupe-Fajardo. "Royal Caribbean Carries 33% of Island's Cruise Visitors," *Caribbean Business*, February 10, 2000. <www.puertoricowow.com>
- ¹⁵¹ Evelyn Guadalupe-Fajardo. "FCCA Member Lines Say Puerto Rico Ignores the Cruise Industry," *Caribbean Business*, March 28, 2002. <www.puertoricowow.com>
- ¹⁵² *ibid.*
- ¹⁵³ Evelyn Guadalupe-Fajardo. "Cruise Ships to Get Entertainment and Provisions at Port," *Caribbean Business*, August 29, 2002. <www.puertoricowow.com>
- ¹⁵⁴ Evelyn Guadalupe-Fajardo. "Royal Caribbean Seeks Cheap Hotel Rooms for Pre- and Post-Cruise Passengers," *Caribbean Business*, April 18, 2002. <www.puertoricowow.com>
- ¹⁵⁵ Evelyn Guadalupe-Fajardo. "Incentives Package to Cruise Lines Extended to 2004," *Caribbean Business*, April 25, 2002. <www.puertoricowow.com>

- ¹⁵⁶ See Ross A. Klein. "Left In Its Wake," *Alternatives Journal*, 28: 4 (Fall), 2002. p. 23
- ¹⁵⁷ See the Caribbean Alliance for Sustainable Tourism website at: <http://www.cha-cast.net/aboutus.html>
- ¹⁵⁸ The cruise industry will argue that this incurs undue economic cost. The cost of retrofitting every ship in the North American fleet to an Advanced Wastewater Treatment System such as that produced by Hydroxy or Zenon is less than 50 cents per passenger per day, if amortized over five years. If the North American cruise industry devoted to upgrading what it spent in total for "advertising and promotion" in the year 2000, it could retrofit every single ship and have as much as US\$300 million left over in pocket change.
- ¹⁵⁹ See 18AAC70.020(b), which is the table of criteria. Go to section 2 for Marine waters, then go to Petroleum Hydrocarbons, Oil and Grease. The first box (A) Water Supply (i) aquaculture sets the limit at 15micrograms/liter. That's the same as ppb. Department of Environmental Conservation, *18AAC70 – Water Quality Standards*(As amended through June 26, 2003), Juneau: Alaska Department of Environmental Conservation.
- ¹⁶⁰ See Ben Parfitt. "Where Does It All Go? Our System for Tracking Toxic Wastes in Showing Cracks," *The Georgia Straight*, June 27 – July 4, 2002.