Capsule professionnelle 6

Challenges for the cruise industry and port-city governance: The case of the Caribbean

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Biographies

Ibrahim Ajagunna *has his early education and training in Nigeria. Ibrahim holds a Higher National Diploma in Hospitality Management from the Federal Polytechnic Idah, Nigeria, A Master of Science degree from Sheffield Hallam University, UK, a Post Graduate Diploma in Education from the University of Technology and a Doctor of Philosophy in Sustainable Development from the University of the West Indies, Jamaica. Ibrahim is currently completing a Doctoral degree in Education Leadership with Global University For Life Long learning (GULL). Ibrahim is well versed in curriculum development and course delivery. Ibrahim has participated and presented papers at various conferences and seminars and has also published materials in reputable international journals and has written book chapters in the areas of tourism management. His most recent book looks at planning process for sustainable tourism development using the South Coast of Jamaica as case example.*

Ibrahim is a co-author of the book From Piracy to Transhipment, Jamaica's Journey to becoming a global logistics Hub. Ibrahim has experiences locally and internationally in management positions both in the Tourism and Hospitality industry and at Educational Institutions. Ibrahim is the president of Caribbean Tourism Educator Alliance Jamaica. He is a member of the Board of Studies for Tourism and Hospitality, University Council of Jamaica. Ibrahim is the vice Chair of the sub committee on education and training of the National steering committee on Jamaica logistics hub task force.

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His consultancy services in strategic management have been extended to many Caribbean Islands including Jamaica, Barbados, Antigua and Guyana. Fritz has written and presented papers at various conferences both within the shipping and transportation industry and educational institutions. His most recent book looks at power relations in cruise industry with a focus on cruise tourism in the Caribbean.

Fritz is a co-author of the book From Piracy to Transhipment, Jamaica's Journey to becoming a global logistics Hub. Fritz is an expert in developing and integrating operational and strategic plans; reengineering, cost cutting control, and managerial systems development. Fritz is the Chair of the sub committee on education and training of the National steering committee on Jamaica logistics hub task force.

A global outlook

Passenger travel via ship existed for centuries before formalization into the ocean liner trade, with the sailing of the Cunard Steamships Limited's first steamship "Britannia", from Liverpool to Boston via Halifax with 63 passengers in 1840, marking the beginning of the first regularly scheduled transatlantic passenger and cargo service. Initially, there were few amenities on board or dockside, as passenger comfort was not a priority, and cruising was a subsidiary business to mail and cargo transport. The transatlantic ocean liner trade continued to develop despite periodic challenges, with more emphasis on passenger comfort, until the introduction of jet travel towards the end of the 1950s which substantially reduced Atlantic crossing time and, according to Pinnock and Ajagunna (2010), reduced the transatlantic liner passenger trade between North America and Europe from 64% of the total traffic in 1953 to 5% in 1969.

The continued dominance of air travel in the 1960s, with its charter tourism facilitated by large passenger aircraft and the establishment of a regulated global transportation network of airports, provided severe competition which, together with the increased fuel prices associated with the international oil crisis in the 1970s, resulted in the decline of transatlantic shipping as a principal mode of passenger transport, and the conversion of ocean liners to dedicated cruise service. The decline of transatlantic shipping was accompanied by the gradual establishment of the cruise concept in the North American Market and, as the cruise companies which were originally family-owned became increasingly profitable, ships usually accommodating between 700 and 1,000 passengers, were designed and built specifically for warm weather cruising to nearby Caribbean destinations (Mathisen, 2007).

In 1972 Carnival Cruise Lines introduced the concept of the "Fun ship" involving the promotion of cruises as mass tourism (Dickinson and Vladimir, 2007), and advertised their ships as holiday destinations rather than the ports of call, while in 1974, the concept of "one class" cruising was introduced by Cunard Line Limited. Thus, the creation of a casual environment, featuring extensive on board entertainment, attracted persons not privileged to have traveled on the grand ocean liners of the 1930s and 1940s, while the ability of passengers to enjoy equal amenities despite type of accommodation booked, encouraged the general public to take cruises as short vacations, rather than solely as a means of transportation. This new cruise line image, which placed increased emphasis on the experience of the voyage resulted in the continued growth of the cruise industry in the 1970s and 1980s.

In the 1980s, the cruise industry introduced to its fleet, giant passenger liners capable of carrying in excess of 2,000 passengers. The design of these mega vessels, with all the amenities of magnificent, all-inclusive, floating hotels, fully established the marketing of the shipboard experience as the main selling point for travelers, rather than the attraction of the ports of call. During the 1990s consolidation, demonstrated by many mergers and acquisitions, was a major trend within the industry. The introduction of the Carnival Destiny in 1996 saw the transition from the transportation era to cruise ships now becoming floating resorts. This became the first post Panamax (first cruise ship too large to transit the Panama Canal). This then shifted the focus from the Caribbean as the focal point of entertainment to the ships, while the Caribbean emerge as backdrop for the mega cruise liners. Wild (1998) observes that during 1997 there was considerable change in the structure of the cruise industry, with middle ranking companies being increasingly absorbed by the larger groups, while Pinnock and Ajagunna (2010) note that relentless consolidation resulted in cruise tourism being almost completely controlled by trans-national corporations, with the top three cruise companies controlling about 80% of the cruise market worldwide, which is an exceptionally high level of industry oligopoly, even by global standards.

Mathisen (2007) notes concentration of ownership by three publicly-held companies which control in excess of 80% of the cruise market in North America and worldwide as follows.

- Carnival Corporation, consisting of ten different brands worldwide (Carnival Cruise Lines, Holland America Line, Princess Cruises, Seabourn, AIDA Cruises, Costa Cruise, Cunard, Ibero Cruises, P&O Cruises (Australia), P&O Cruise (UK), dominates the markets in North America, the Caribbean, Europe, South America and Australia, and is the largest.
- Royal Caribbean, the second largest, consists of six brands (Royal Caribbean International, Celebrity Cruises, Pullmantur, Azamara Club Cruises, Tui Cruises and CDF Crosiere de France) and the largest cruise vessels in the world.
- Star Group, predominantly consisting of Norwegian Cruise Line, completes the top three largest cruise companies worldwide.

Table 1: World's Three Largest Cruise Ship Companies

	Ships	Berths	Capacity	Market Share %
Carnival Corporation				
Total	83	155,710	7,204,282	46.7
Royal Caribbean Cruises				
Total	34	69,416	3,509,170	22.8
Star Group				
Total	17	32,096	1,653,400	10.7
Total - Three Companies	134	257,222	12,366,852	80.2

Source: Cruise Industry News Annual 2007

This high concentration of ownership and dominance of the global cruise market was also illustrated in the Caribbean, when in 2006 the market was controlled by Carnival Corporation with 47%, Royal Caribbean Cruise Line with 22%, and Star Cruises with 11%, collectively accounting for 80% of the total market share.

Anticipated growth in the industry resulted in demand for mega size cruise ships in the range of 2,000 to 3,100 passengers for 1999-2004 (Cruise Industry News Quarterly: Shipbuilding and Repair, 1999), and according to Wild (1998) created considerable demand for the development of cruise facilities, ranging from relatively modest projects for upgrading, to mega projects involving the creation of vast new tourist facilities. This increase in new buildings and berth availability, though highly capital extensive, exemplified the confidence in the continued growth of demand, and the industry belief that demand is primarily capacity led. Thus it is suggested that the modern cruise industry was truly established as big business in the decade of the 1990s.

The Caribbean situation analysis

The popularity of the Caribbean among holidaymakers is unquestionable, and is recorded in the top six regions in terms of tourism revenues (Jayawardena 2002). Millions of tourists every year travel to the Caribbean in order to experience first-hand what could be termed as the 'Holy Grail' of mass tourism – sun, sea, and sand (Durval 2004). For the cruise market, the Caribbean is an essential part of the global product, presently accounting for more than forty five percent of the world cruise tourism market share (CLIA 2002). Indications are that the popularity of the region will continue to increase (Mintel 2004).

Destinations such as the Caribbean have long been and continue to be the subject of much discussion regarding the ways in which the region and its people have been represented and portrayed within tourism promotion (Palmer 1994; Morgan and Pritchard 1998; Echtner and Prasad 2003; Pinnock 2012). The ubiquitous image most often associated with the Caribbean, a perceived commodity routinely packaged and marketed to tourist and cruise passengers, consists of a pristine and deserted beach of white sand, fronted by an azure sea and framed by iconic palm trees. This common portrayal of the region as a hedonistic pleasure beach purely for visitors' delight is very often far removed from reality and, it could be argued, merely a convenient image used for promotional purposes by commercial tourism organizations (Pinnock, 2012).

Such superficial and often cursory representations of the region as a holiday destination tend to gloss over the complex history of the Caribbean and ignore the darker aspects of the region's past including piracy, slavery, and colonial rule; and certainly the images used to promote cruise tourism do just that, with images of anonymous beaches, quaint harbours and ships being repeated endlessly in company literature for the region. This rather anodyne treatment does not just occur in cruise brochures and other promotional material but is also replicated on board the ships. The reality is there are twenty-eight active cruise destinations in the Caribbean of which twelve are private islands, confirming the fact that the Caribbean can be relatively substituted by private islands making the product generic and faceless.

Size of cruise ships and on-board revenue

The two largest sources of income on modern ships are bars and casinos (Dupoint 2004). In contrast to the 1970s and 1980s when cruise ship bars charged relatively little for beverages - they passed on to passengers - duty-free prices, cruise ships today price their soft drinks, wine, beer and liquor comparable to major hotels. There are a range of bars, including wine bars, piano bars and any number of theme bars. On average, only twenty percent of revenues from sales represent actual costs for the product (Huie 1995). Beverage sales are maximized by prohibiting passengers from bringing soft drinks or alcohol on board (Klein 2002b).

Casinos are a relatively recent but major revenue centre on board vessels. Over the years they have grown in size with larger ships, and because they are an effective source of income, casinos take up proportionately more space. Many of the casinos, like other revenue centres on cruise ships, are operated by a concessionaire rather than by the cruise line itself. The concessionaire pays for the space and shares a proportion of the revenues.

Often the third-largest centre for revenue is art auctions. First introduced by NCL in the mid-1990s, they are commonplace today. Passengers are attracted to auctions by the offer of free champagne and the entertainment value. They are shown serigraphs, lithographs, signed prints, etc., including art from well-known artists such as Picasso, Dali, Erte, and Chagall. The auctioneer provides background about the art, and emphasizes the excellent price available, suggesting that pieces may be had for as much as eighty percent off shore-side prices. USA Today cited a number of people who dispute this claim. In one case, the same piece of art bought on the ship was found at the neighbourhood K-mart and was being sold for a fraction of the price. Whether this is correct or not the point is that art auctions are big business. Park West Gallery, only one of the on-board art auctioneers, reported selling two hundred thousand pieces of art in 2000 (Yancey 2001).

Other traditional sources of income include bingo, spas, photography and space devoted to on-board shops has increased significantly. Rather than a small shop carrying a few sundries and some duty-free items, ships today can have as much as a four-storey-tall shopping mall (Cochran 2003). The same is true for spas, which have expanded into large-scale operations. Steiners Leisure Limited provides services to the majority of cruise ships, although some cruise lines have experimented with in-house operations.

Communication services used to be limited to telephone. Internet cafes were introduced in the late 1990s, wireless Internet connections in 2002 and cell phone service the following year, beginning with Costa Cruises and following on with NCL in 2004. When NCL announced that it would introduce wireless telephone service, some lamented that passengers taking a cruise to relax and to get away from the routines of home will now be bothered by having to listen to someone talk about their stock options as they are on deck by the pool getting some sun. In a newspaper commentary Colin Veitch, CEO of NCL, points out that someone talking on their cell phone is no different from having a rowdy and boisterous person sitting close to you (Pain 2004;Westjet 2004). Time will tell whether wireless telephones present a problem. In the mean time, it will be a lucrative source of on-board revenue, but it also influences the nature of the cruise product and the cruise experience.

New on-board revenue centres

In assessing revenue centre on board cruise ships from the 1980s, Klein (2009) identified a variety of activities through which cruise lines generates additional revenue. These includes:

- Ice skating and rock climbing,
- Golf driving ranges,
- Virtual reality games,
- Pay-per-view movies;
- In-room video games;
- Fees for yoga and fitness classes,
- Wine tasting and other activities such as a culinary workshops (for US$395).

The concept of providing upscale entertainment at additional cost was introduced in the 1990s (Smart 2004). Cruise ships have minibars, automated teller machines (ATMs), and every other revenue centre found at a hotel or resort (Klein 2009).

Income has grown significantly from food. In contrast to the late 1990s, when Princess Cruises was criticized for charging extra for Haagen Dazs ice cream and Royal Caribbean was criticized for charging at its Johnny Rockets restaurant, cruise ships today have a range of food options, and most charge an extra fee. Passengers can spend money at cafes for pastries and premium coffees, and at 'extra-tariff' restaurants; an alternative to the normal dining venue where charges can range from three dollars and fifty cents US to thirty dollars US or more, plus beverages and tip. These optional dining experiences are available across the industry, from the a-la-carte supper club on board Carnival Legend to the Todd English restaurant on the Queen Mary 2 which charges thirty dollars US reservation fee.

The most recent generation of on-board income is seen in NCL America's charge ten dollars US service fee per passenger per day, which is paid through the passenger's on-board account. Previously, many cruise lines automatically charged passengers on-board accounts for gratuities, but the passengers had the option to raise or lower the amount of the charge. NCL America's fee is mandatory. Whether mandatory or not, money paid to a cruise ship as a service fee or as a gratuity is a source of income to be used to pay staff, and presumably to support other activities. Many workers report that they earn less money under this system than they did when they were paid tips directly by passengers (Klein 2009).

On-shore revenues

A significant percentage of on-board income accrues from commissions earned from activities on-shore. Shore excursions programmes and shopping in ports are the major categories of on-shore revenue. They are convenient for passengers, fifty to eighty percent of whom buy a pre-booked excursion while in port, and contribute solid revenue to the shipping company – one half to one-third of the shore excursion prices are the real cost paid to companies offering the shore excursion. For example, a local company may only be paid twenty dollars US or less for a pre-booked excursion, which is sold to the passenger ninety dollars US on board the vessel (Klein 2002b; Sandiford 2003). According to Sandiford the cruise lines and their pre-booked shore excursion management company accounts for most of the revenues. This leaves the local shore excursion company to provide ninety dollars US value to the passengers from twenty dollars US.

Three companies dominate the shore excursion management programmes for the North American-based cruise lines. These include On-Board Media, International Voyager Media, and the PPI Group. The concessionaires arrange the excursion sales. However, in Alaska, the general arrangement differs from the traditional North American approach. In the case of Alaska, the large cruise companies operate and manage their own tour companies and own the infrastructure. For example, Carnival Corporation owns Westours and Princess Tours, which combined manages and operates the largest fleet of motor coaches and railway cars (Klein 2005a).

According to Klein (2005a), on-board promotions became a major source of income for the transnational cruise lines by the mid-1990s, and continue to grow today. As the vessels increased in size, they created more opportunities to offer wider varieties of onboard services, which have become main income stream for cruise lines. In the past, hotel staff including the cruise director collected commissions and royalties from shops on shore. This was later streamlined and taken over by the cruise ships themselves as mainstream income source (Reynolds 1995; Klein 2005a). Today, concessionaires manage this stream of income and the major share is left for the cruise lines. The concessionaire is increasingly being squeezed as the cruise lines demand larger and larger margins. The largest, On-board Media, Louis Vuitton Moet Hennessey (LVMH); manages and operate a chain of shops on board several vessels. Like the PPI Group and International Voyager Media offers art auctions (Klein 2005a).

Klein (2003) went further to assert that a cruise ship might also derive income from onshore, not only from on-board sources. According to Klein, Panama in 2000, launched a new strategy to attract cruise ships, which went beyond the ordinary as they paid a fee per passenger landed in Panama to cruise lines. This fee stood at twelve dollars US per tourist landed and saw Panama moving from zero passengers to attracting multiple cruise vessels by 2003.

Some ports use cash incentives for reaching a target number of passengers. For example, San Juan, Puerto Rico rebates three hundred and sixty thousand dollars US to the cruise line for every one hundred and twenty thousand passengers landed (Guadalupe-Fajardo 2002; Klein 2003). In the case of The Bahamas, the island refunds half of the cruise passenger head tax, which amounts to fifteen dollars US if a cruise line lands five hundred thousand passengers or more in any one year. Similarly, Jamaica charges a gross fifteen dollars US per passenger head tax and in the case of Carnival and RCCL over fifty percent is refunded as rebate based on the large number of passengers landed in the island (O'Hara 2004; Klein 2003). Ports appear willing to offer incentives to ensure that cruise ships continue to visit, to the benefit of the cruise lines.

Major ports and islands served by major cruise lines

The ideal itinerary includes a diverse variety of destinations with optimum distance between ports. This is even more important owing to the fact that sailing speeds are kept within economical range especially given the escalating global fuel prices. Cruising offers both quality and quantity itineraries where a variety of marquee and new ports are presented. The more ports of call on the itinerary, the greater the demand. In addition, the facilities in a destination determine if the ship can be docked alongside or be held at anchorage, and having to employ a tender to transfer passengers between land and the vessel, which could have major cost implications. Usually when a vessel is at anchorage the crew is at work for the entire time as the demand to operate the tender, safety and to monitor the vessel have to be kept going without any downtime. Infrastructure considerations include dependability of access to the port, political stability, safety and security. In addition the range of services that are available to cruise lines are also important, which include shore side attractions and airlift services. The table below summarizes the itinerary of Royal Caribbean's fleet in the major cruising islands of the Caribbean.

Table 2: RCI's Caribbean Itinerary Market Segments

Region	Cruise frequency	Length
Bahamas	Short cruises	2 -5 days
Western Caribbean	Weekly cruises	6 – 8 days
Eastern Caribbean	Weekly cruises	6 – 8 days
Southern Caribbean	Longer cruises	7 – 11 days
Trans Panama Canal	Long cruises	10 – 14 days
Trans Atlantic	Voyage cruises	14 + days

Source: Tercek 2009; Pinnock, 2012.

Different cruise segments have different ports that are desirable. For example, in the luxury segment, visiting exotic places are of paramount importance (PSA 2003). According to Lingard (2002) the wealthy and experienced cruisers are drawn to less trampled parts of the world. Cooper (1981) points out that the more affluent are drawn to smaller remote areas and sites. Conroy (2004) points out that timing and place are important in itinerary planning in luxury segment of the industry and often prefer exclusivity in that they do not like to be in a port with mass market cruise vessels (Lingard 2002). This factor has led major cruise lines to the concept of private islands.

Private Islands

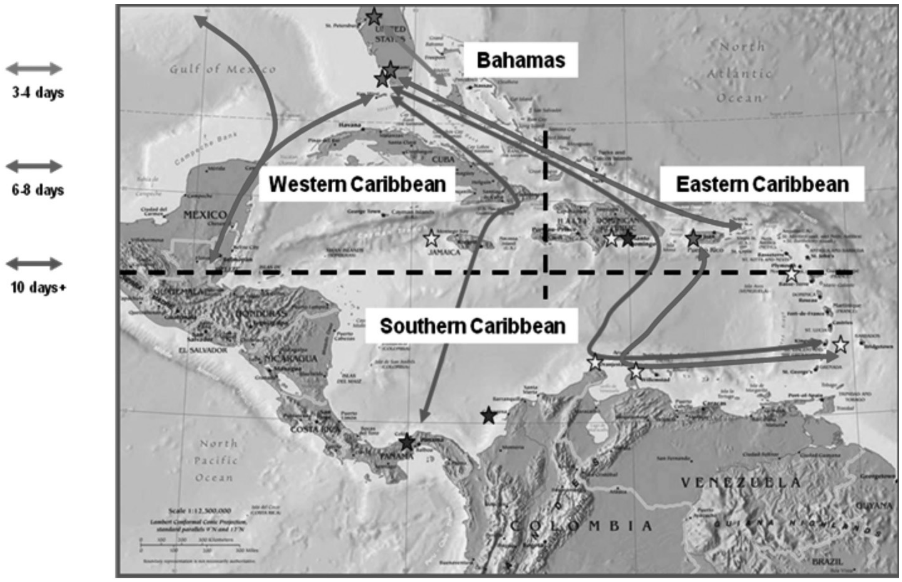
Private islands are another way to generate income. NCL was the first to introduce the concept. The innovation provided an alternative to landing passengers in already congested ports. It could also be used on Sundays when passengers would often complain about shore-side shops being closed.

The private island has several economic benefits for the cruise lines. For one thing, passengers on a private island are a captive market. The cruise line runs all beverage sales and concessions, such as tours, water activities, souvenirs, and convenience shops. It has no competition; so all money spent on the island contributes to its revenue and profit. An added benefit is that passengers tend to enjoy the experience. This provides a positive impression of the cruise line and is an indirect source of increased revenue in the form of future passenger referrals (Lloyd's List 1991).

Private islands also contribute to the economic bottom line of the cruise line because of their location. Most are located in The Bahamas, Dominican Republic or Haiti. With a stop at the island, ships are able to save fuel by cruising at a slower speed between two primary ports. Rather than sailing non-stop from St. Thomas to Miami, a ship may reduce speed between the two ports with its scheduled stop at the private island. The ship saves money and at the same time increases passenger satisfaction.

Furthermore, reducing costs is as effective a means of improving the economic bottom line as it is generating income. This has been a key force driving consolidation in the industry. There are clear benefits from economies of scale. Both Carnival and Royal Caribbean projected savings of one hundred million dollars US a year from the synergies achieved by their merger with P&O Princess and Celebrity Cruises. Carnival's experience indicates that actual savings have exceeded projections. There are multiple ways the industry, and in particular the cruise lines continue to turn water into money.

Figure 1 : The four major Caribbean Cruise itineraries



Source: Tercek ,2009; Pinnock, 2012.: The four major Caribbean cruise itineraries.

Port-City relationships and small islands

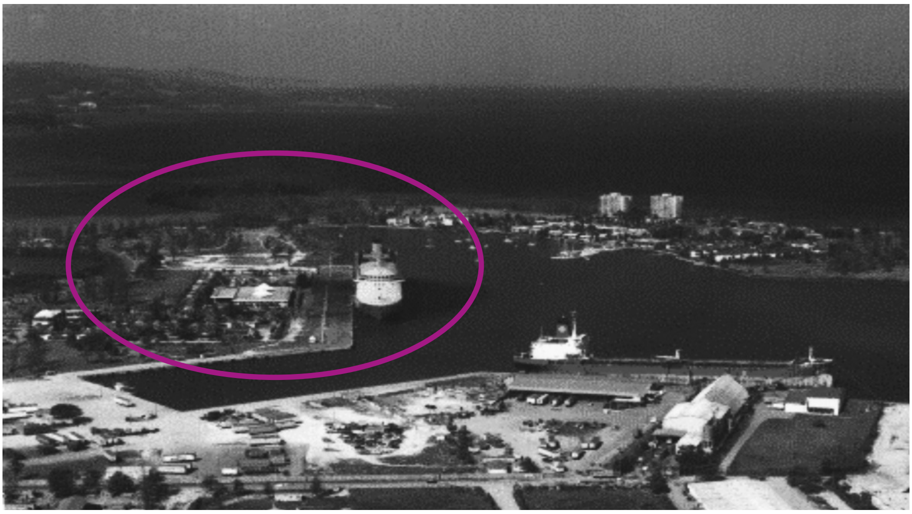
With the advent of mega cruise liners in the late 1990s, there has been a disconnect between the cruise ships visiting ports and the city in most Caribbean countries. In an attempt to increase the throughput of large number of passengers in the shortest possible time, new cruise terminal have been built. Majority of these terminal offer retail shopping and branded stores, but many owners find it difficult to cover the high cost real estate rental due to the high seasonality of the cruise shipping industry and low passenger spend. In the previous decade, the cruise ship season in many case would begin in early October and extend through to April and May. With the cruise lines receiving higher per diem in North West Europe, Mediterranean, and other globally competitive markets, the Caribbean seasons has been shortened significantly and the number of calls reduced as the smaller high end ships have been replaced with mass cruise vessels. The stakes for the cities to attract and maintain cruise vessels are very high as they have been lured with the notion that bigger ships brings bigger profits and that each passenger leaves an average of US$100 in the wake of each mega ship. Pinnock (2012) in assessment of the industry concludes that there is an inverse relationship between the size of cruise vessel and the net revenue that accrue to the destination. In the case of Falmouth, Jamaica where capital expenditure of US$250 million dollars was outlay for the development of a new cruise terminal with many promised benefits to the local communities. This has translated into a mere illusion, while the Jamaican tax-payers are left holding the handle of the knife. Calculation reveals that it will take 289 years to repay the capital without interest and it will take 245 years for one taxi operator to recover the capital investment for one vehicle.

Many Caribbean countries have to resort to water taxis in helping to ease the congestion when cruise vessels are in port as the carrying capacity of these small islands are challenged. In fact in islands such as St. Maarten on days with multiple cruise ships in port, there are more cruise passengers on the island than local residents. Several local residents perceive cruise passenger as visual pollution. Based on the value that mass cruise tourism offers there is very little spend in the community of the local resident. On the other hand, most of the local shops carry the same line of products and does not offer much variety to the cruise passengers and with very little local high authentic products.

The Caribbean is not perceived for its culture, cuisine, and inherent beauty as many destinations such as the Baltic Europe and Antartica and hence the cruise lines always have the option of substituting one island for the other and in many cases the private islands. According to Pinnock (2012), the value capture by the cruise lines are very high and seventy cents of one dollar spent by a cruise passenger finds its way back to the ship. There is very little link between the port cities and the cruise ships as the passenger time in ports are highly structure and are concentrated on going on tours organized by the cruise lines and any spending on T-Shirts and trinket are usually done within two hundred meters of the ship accounting for the half an hour to one hour for departure from port. (see the figures below).

Figure 2: **St. Maarten cruise ship port (integrated terminal facilities)**

Figures 3: **Montego Bay cruise ship port (low level of integration)**



Revenue management for port authority, the city and the country

Cruise lines have evolved in their operations and structure and have become highly sophisticated, efficient and profitable organizations. On the other hand, the Caribbean nations have done very little to improve their revenue streams and have seen the net reversal of income. The primary revenue to the port authority and the Government is that of the passenger head tax which ranges from US$1.00 up to US$15 with the average hovering around US$4 per head per country. Other nominal revenues include berthing fees of an average of US30 cents per meter per ship with the number of ships declining, as mega ships replace smaller ships. Capital costs escalating security costs and general operations and management costs are passed on to the government and Port Authorities with no increase in revenues. In the case of Falmouth Jamaica, the new port facility was built in 2011 sees the cruise lines collecting rentals from large duty free chains resulting in gross revenue exceeding that of the government by over 200 percent who is left with the entire overheads and operating costs for the port facility.

Evaluation of positive and negative impacts of cruising to island fragile ecosystems

Industry experts have pointed out that worldwide cruise tourism currently accounts for about 2% of total world tourism. However, due to the industry's faster growth over the last two decades, its impacts for many island destinations and port cities are becoming relevant. Wood (2000), points out that numerous islands are already receiving substantially large number of cruise tourists than stopovers, and in many other regions of the world, the market for cruising is beginning to develop at a fast pace.

The opportunities for positive impacts of cruise travel on local governments and businesses appear undeniable, as the influx of ships and people generate significant revenues from head tax, port charges, and the purchase of goods and services. However, despite increased economic activity, there may be a net cost to an economy rather than a net benefit. Cruise expenditures can increase overall output in an economy, but only to the extent that these expenditures are greater than the increased costs of factor inputs (Chase and McKee, 2003). Thus, smaller island destinations may incur costs, which are relatively more substantial.

Pinnock (2012) examined a central question of whether the growth in cruise passenger arrivals translates into increased profit for the cruise lines at the extent of development for the Caribbean region. The anomaly of the Caribbean region receiving 50 percent of passenger deployment and less than 5 percent of gross revenue point to the inequitable balance of power between the cruise lines and the Caribbean region.

Social challenges are equally significant, particularly for isolated coastal and island communities, which are increasingly attractive to cruise visitors because of their lifestyles and local traditions. Nilsson (2007) suggests that when big ships arrive at small ports, the congestion which arises will have an impact, not only on nature but also on the traditions and social behavior of the local residents, similar to the St. Maarten example. Thus, cruising has the potential to affect even the most peripheral destinations, resulting in many "paradises lost" through development.

Therefore, while there is generally a positive perception of the cruise industry, specifically in terms of additional income to local businesses and governments generated by cruise visitors, some smaller cruise destinations share mixed views of the value of cruise ship business to their tourism industries.

Employment generation

Presently there is less than seven percent of the total crew working on cruise ships being Caribbean nationals. There is an imbalance with almost half of the world’s cruise deployment taking place in the Caribbean, particularly against the background of a region with high unemployment. Most of the crew working on-board cruise lines operating in the Caribbean is from the Far East and East European countries. The logistics costs to get crewmembers to and from vessels are very high; these could be offset against higher wage rates if the Caribbean can be positioned to be a good source market. All the major flags from North West Europe and the USA stipulate a minimum percentage of nationals to be in the crew mix onboard vessels from their region. This could also hold for the Caribbean.

Governance for tomorrow cruise industry in the Caribbean

According to Vollmann (1996), to dominate an industry is not just to attain but also to sustain influence. Two fundamental components of dominance are rivalry and power. Vollmann further points out that dominant firms usually have good infrastructure and strategy, and that they are typically goal and process oriented. Papatheodorou (2006); Pinnock (2012) argue, however, that in the cruise tourism industry, dominance is highly structured and market driven. The term applies to situations where market share is concentrated in the hands of a few major brands. In industries where concentration is in the hands of a few major firms, there is a risk that they will form an effective oligopoly using price-fixing, high barrier to exit and other covert practices to deter new entrants (Court of First Instance 2002; Papatheodorou 2006; Pinnock, 2012). These authors believe that the dominance per se is not necessarily a problem but it can easily lead to abuse of market power and anti-competitive practices which is a serious problem. In general, most regulatory authorities are concerned more with controlling the ability of a firm to affect the competitive environment and the customers as opposed to other competitors. Provided that a firm does not attempt to curtail competition, most authorities take the view that firms should not be penalized for being successful (Papatheodorou 2006).

In essence, the focus of the modern cruise tourism industry has shifted from the Caribbean destinations to the internal facilities of super post-panamax resort ships. The industry has been transformed in relation to its product and geography and the power balance has shifted in favour of the cruise lines. The Caribbean destinations approach to assessment of cost and benefits, environmental and social impacts needs to change for the industry to be sustainable.

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