



# Lessons Learned from 50 Years of Cruise Tourism in the Caribbean

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GLOBAL CONFERENCE ON JOBS & INCLUSIVE GROWTH: PARTNERSHIPS  
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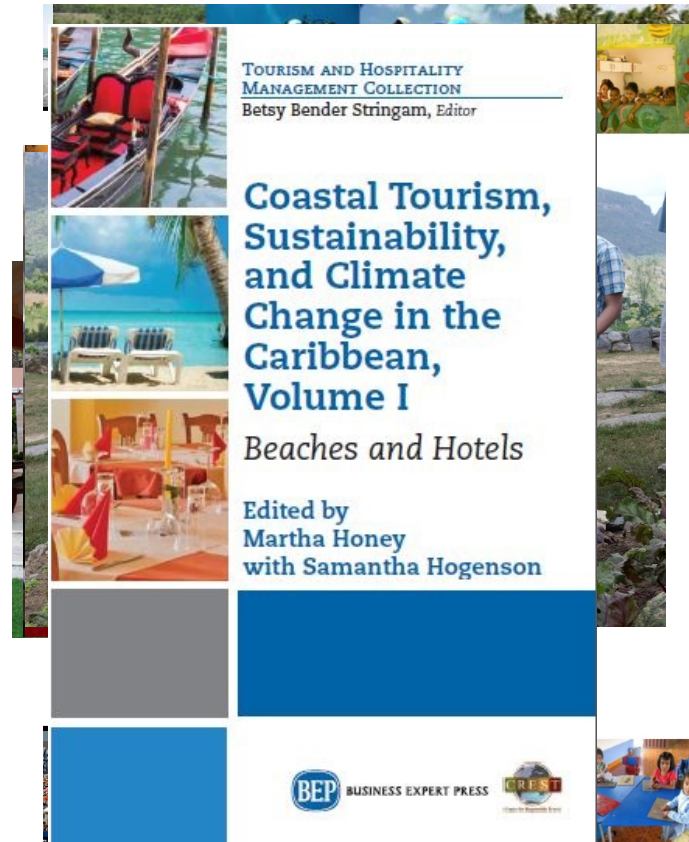
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# Cruise Tourism: Lessons Learned from Other Destinations



Carnival's *Adonia* arrives in Havana, May 2016



# Cruise Tourism: Lessons Learned from Other Destinations

## Table of Contents

Executive Summary

Overview of Cruise Tourism

Chapter 1: History and Growth of Cruise Tourism

Chapter 2: Overview of Cruise Tourism in Cuba

Chapter 3: Economic Model and Impacts

Chapter 4: Environmental "Footprint"

Chapter 5: Impacts on Historic Cities:

- Venice; Barcelona; Charleston, SC; Cartagena, Colombia

Chapter 6: Case Studies

- Bermuda: Managing Cruise Tourism
- The Dominican Republic: A Caribbean Tourist Mecca
- Costa Rica: Cruise Tourism Competes with Ecotourism

Chapter 7: Lessons Learned and Recommendations

Appendix 1: Cruise Line Associations and Data Analysis



# Overview of Cruise Tourism

Modern cruise industry in Caribbean began in Florida in 1960s; Cuba excluded.

Fastest growing sector of leisure tourism industry.

35.5% of cruise tourism takes place in Caribbean, leading region in world.

Capacity to adjust prices & itineraries to meet political, environmental, & economic conditions.

Cruise ships run at ~ 100% capacity.





# Growth of Cruise Tourism

3 major lines: most consolidated industry sector.

Ship size & numbers, passengers, ports, & profits all rising.

Mega-ships: 'floating cities.' Average: 3500 passengers & crew; largest ~ 10,000.

Passengers: increased 40-fold since 1970.

Most lucrative sector of tourism industry: estimated revenues of ~\$40 billion in 2016.

Profits: projected to double between 2008-2018.





# Profile of Caribbean Cruise Passengers

> 90% from United States.

Race: 75% White, 7% African-American, 14% Latinos, 7% Asian-American.

Average age = 49. Average income = \$114,000.

Consider cruise tourism = best type of vacation.

Loyal to cruising. Don't return as 'stayover' vacationers.





# Cruise Tourism: Economic Model & Impacts

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# “Flags of Convenience”

Centerpiece of economic success .

3 mega-lines: headquartered in Florida, traded on US stock exchange & carry mainly US passengers.

BUT: Registered in foreign countries which keeps down labor costs & avoid taxes & environmental & safety regulations.

- Liberia, Panama, the Bahamas, Bermuda
- Only requirement: pay handsome registration fee; Pay no U.S. federal tax

Crew work long shifts for wages far less than in US or EU.

- Most crew from poor countries: Philippines, India, Eastern Europe
- Only about 10% of crew in Caribbean is from Caribbean
- Base pay for waiters \$50/month; subsidized by passengers' tips





# Onshore Spending: Tours, Shopping, Commissions

Cruises in Caribbean = increasingly “destinations in themselves” with ports-of-call “merely added attractions.” (UNWTO).

Ports may invest US\$ tens of millions in cruise facilities and infrastructure; may take many years to recover.

Cruise model: control as much as possible onshore spending.

- Often control land & infrastructure, from Tourism Villages with duty free shopping, to busses to private islands.
- Dominated by large companies.

74% of passengers purchase onshore tours on board ship.

- Cruise lines commissions/mark-ups: up to 100%
- “Preferred” onshore shops also pay commissions





# Comparative Value: Ports-of-Call, Home Ports, & Private Islands

## Ports-of-call & “Day trippers”

- Ships dock for less than a day
- Country benefits from cruise & passenger spending; taxes & fees; cruise line purchases of goods & services

## Home Ports

- Generate more revenue for port
- Passengers may spend time before & after cruise
- Cruise lines may buy supplies
- Hotels, airlines, restaurants benefit
- Not many home ports in Caribbean: DR, Puerto Rico, Jamaica, Costa Rica, Cuba
- Mostly smaller European cruise lines

## Private Islands & Enclaves

- Leased & controlled by cruise line
- Generates very little for host country.
- Increasingly popular model for big cruise lines:
  - ~ 12 in the Caribbean





# Economic Competition

There's "a significant rivalry between cruise ships and their shoreside destinations."  
(UNWTO)

Island states also compete with each other to attract cruise tourism. Often, cruise lines play islands off against each other.

Can lead to "race to the bottom."

Head (passenger) Taxes: ranges from \$1.00 (Dominican Republic) to \$60.00 (Bermuda);  
Average = \$8.92.

Onshore passenger spending: ranges from \$43 (Trinidad) to \$191 (St. Maarten). Average = \$104/passenger. Most spent on excursions & duty free watches and jewelry. (2015/BREA)

Cruise line commissions on shore excursions and "preferred" shops: range up to 100%. From excursions alone, estimated to have earned \$273 million (2015). Details closely held secret.





# Stay Over vs. Cruise Tourism

Caribbean, 2015:

Total onshore spending = \$30 billion

Cruise passengers = \$2.4 billion

Stayover tourists = \$ 27.6 billion or  
*11.5 times* > cruise passengers

--- CTO Statistics, 2016

Stay over visitors to Central  
America (Costa Rica,  
Honduras, and Belize)  
spend between *6 and 18  
times more* than cruise  
passengers.

-- Center for Responsible  
Travel (CREST)

*Stay over tourism is  
far more beneficial  
to the local economy  
than cruise tourism.*





# Cruise vs. Stay Over Tourism: Jamaica

	Arrivals	Expenditure	Daily Spending/ Visitor	Average Length Stay	Total Spending per Visit per Person
<b>2013</b>					
Stayover	2,008,409	\$2,011 million	\$117	8.7 nights	\$1,020
Cruise Passengers	1,265,268	\$102 million	\$76	1 day	\$76
<b>2014</b>					
Stayover	2,080,181	\$2,130 million	<b>\$122</b>	8.7 nights	<b>\$1,061</b>
Cruise	1,423,797	\$118 million	<b>\$82</b>	1 day	<b>\$82</b>

Source: Jamaica Tourist Board, 2014 & 2015





# Cruise vs. Stay Over Tourism: Grenada

## VISITOR EXPENDITURE (US\$): 2015

	Arrivals	Total Expenditure	Total Spending/ Visitor
<b>Stayover</b>	140,735	\$134 million	\$950
<b>Cruise</b>	280,518	\$11 million	\$39
<b>Yachters</b>	22,115	\$48 million*	\$2182

Source: Grenada Tourism Authority, 2016

\*2012 statistics from *Marine & Yachting Sector in Grenada, 2013*





# Lessons Learned

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# Bermuda: A (Partial) Success Story

## Negotiated single destination status for Bermuda

- Most ships spend 3-4 days of 7 day itinerary in Bermuda. Dock at 3 ports.
- Head tax of \$60/passenger. Regional average = \$8.92.
- No cruise ships on weekends.

## Goal: protect image as 'high value' destination

- Preserve local way of life.
- Limit & control number of ships & passengers.
- Increase economic benefits to island.
- Reduce competition with hotels.

## Economic Benefits

- Passengers = tourists, not 'day trippers'.
- Spend more time & money on shore.
- Spreads money around island & leaves more behind.

## Yet gap between cruise and air visitors still wide

- 2016: Cruise passenger spent \$112 & stayover tourist spent \$1289 per visit. Difference is nearly 12:1.





# Lessons for Caribbean States

Land-based stayover tourism far more valuable than cruise tourism.

Increase economic benefits through home ports, multiple stops, higher taxes, cutting commissions, promoting local artisans ~ not duty-free imports.

Don't invest government funds in cruise industry infrastructure.

Collective bargaining: Cuba & other Caribbean states should negotiate together with cruise lines.

Governments should make cruise tourism only a small part of tourism sector. **This is even more imperative in the era of climate change.**



# Thank you!

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