

Governance Case Study (I): Security and Sea Cruises (Fictional Scenario)

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On November 20, six militants stormed a cruise ship in the Adriatic Sea and took control of the ship by force. After a three day stand-off, Croatian security services boarded the ship. The rescue operation went badly. Four militants were killed; twelve tourists were also killed. The other two militants were arrested.

This event has sent shock waves around the security world but also the tourism world, and particularly the cruise ship industry.

The US

In light of these new security concerns, the American dollar surged; it is trading twenty percent higher than before the event. It is presently about 75 cents U.S. for one Canadian dollar.

The US government set up a rapid task force committee to review security at all American seaports, and practices concerning cruise ships in particular. The committee is set to publish its report in the coming weeks, which will almost certainly increase and tighten (and slow) security practices at borders and seaports. It will also likely drive up the cost for cruise liners. The Canadian government has already said it will do its best to harmonize its practices with newly recommended practices in the US.

Media coverage of the event in Croatia was intense in tabloid and broadsheet press and television news. It was covered extensively in social media. Since the event, media coverage has lessened but continues.

Cruising and the Insurance Industry

Certain insurers are no longer prepared to offer coverage for cruises; others are suggesting they will increase premiums substantially.

North American cruise lines are estimating a 30 to 50 percent drop in demand for cruises this year. All cruises are likely to be affected to a degree but which routes will take the biggest hit is not yet clear.

Cruise Ships and Tourism in Nova Scotia

Generally American tourism in Nova Scotia has been on a downward trend. After peaking in 2002, US visits to Nova Scotia declined 38% by 2010. Ship cruises, on the other hand, have surged. The two major ports of call for cruise ships in Nova Scotia are Halifax and Sydney. The number of vessels making calls in Halifax and Sydney has been increasing steadily, with passenger counts last year topping 250,000 in Halifax alone. These numbers do not take into account the crews, which also contribute marginally to the economic impact of cruise ship tourism.

Cruise Ships and Passengers in Halifax and Sydney

Year	Number of Ships		Number of Passengers	
	Halifax	Sydney	Halifax	Sydney
2007	92	27	176,742	37,411
2008	125	56	228,133	76,447
2009	127	45	227,797	61,901
2010	122	50	261,217	68,560
2011	134	46	243,577	62,687
2012	134	52	252,847	86,662

Source: Halifax Port Authority; Nova Scotia Department of Tourism, Culture and Heritage; data has been adjusted for the purposes of this exercise.

Halifax

Halifax has benefited from the trend towards 4-5 day cruises and most of its growth has come from this segment, with operators such as Carnival Cruise Lines, Princess Cruises and Royal Caribbean International offering this type of product. Today, close to 20 major cruise lines and over 100 cruise ships visit Halifax. There are as many as 10,000 visitors a day in peak season.

Growth has also come from the introduction of larger vessels, mostly in the same 4-5 day market, but also on the New York- Montreal or Boston-Quebec City itinerary. Vessels such as Carnival Victory, Voyageur of the Seas, Grand Princess and Queen Mary 2 all exceed 100,000 GRT and with the exception of the QM2, carry more than 3,000 passengers.

Cruise season typically starts in April and ends in November. Vessels call at each port for a day, allowing passengers to disembark and tour the local area. Impacts from cruise ships include expenditures outside the "cruise package", such as local packaged tours purchased ashore, expenditures in restaurants and bars, walking tours, rickshaw rides, shopping and museum visits, and attending local events.

The unemployment rate in Halifax as of January 2014 is 6.6%.

Logistics: Selected Notes

Piers 22 and 20 are the principal cruise ship berths offering passengers direct ship-to-shore access to HPA's dedicated cruise passenger terminals, Pavilions 22 and 20. Pavilion 22 offers cruise passengers and crew unique and friendly shopping experience and Pavilion 20 offers an open, barrier-free space ideal for gathering for tours. Tour buses, taxis and limousines are conveniently located in front of the terminals.

Sydney

Over the past decade, the cruise market in Sydney has grown substantially. From 2001 to 2011, the number of cruise ship passengers visiting has more than doubled. The Sydney Ports Corporation has led the charge toward this increase. The cruise ship season is having a significantly increasing economic impact, with estimates from the Sydney Ports Corporation suggesting cruise passengers contributed \$21 million to the local economy in 2013.

The Ports of Sydney collectively employ 2,400 people directly and indirectly and contribute \$60 million annually to the local economy. The harbour covers an area of some 40 km² (15 square miles) but the principal activities are concentrated at five points: Sydney Marine Terminal, Nova Scotia Lands Wharves, International Coal Wharf, Sydport Industrial Park, and Marine Atlantic - North Sydney. The Ports are serviced by a short line rail operating between Sydney and Truro, connecting into Canadian National's North American intercontinental network. Sydney is also serviced by a regional airport designated as a Level III airport within Canada's National Airport System.

The Sydney Marine Terminal is operated by the Sydney Ports Corporation and welcomes over 80,000 cruise passengers per year over approximately 50 vessel calls. Facilities at the SMT serve as a marshalling and entertainment facility for cruise passengers.

Retail activity occurs through The Pavilion's visitor centre, art gallery, shops, boutiques, exhibition centre and licensed bar.

The unemployment rate in the Cape Breton region as of January 2014 is 14.1%.