National Assembly for Wales
Enterprise and Business Committee
Inquiry into Tourism
Evidence from Professor Stuart Cole - TOU 17

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NATIONAL ASSEMBLY FOR WALES
ENTERPRISE AND BUSINESS COMMITTEE
TOURISM

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1. INTRODUCTION

This submission contains an analysis of the cruise market tourism sector as yet largely untapped in Wales. It is based on research into this market over recent years

I have also provided my perception of the recognition Cymru Wales (as a nation and a brand) receives in other countries.

2. CELTIC SEA CRUISES - THE NEW TOURISM CHALLENGE

2.1 The market

The cruising market is the fastest growing tourism segment with financial and economic characteristics making it essential for Wales to acquire a greater part of that global market currently dominated by the Caribbean, Mediterranean and Baltic seas. The *Celtic Sea* (please use in place of the term *Irish Sea* which deflects attention from Wales) provides a significant tourism opportunity for Wales

We do receive visits into Milford and Holyhead from fine smaller cruise ships (under 800 passengers) – including the Marco Polo (on which I have lectured) the luxurious Silver Cloud and Fred Olsen Cruises, ironically a Scandinavian line. They would more easily be attracted to Cardiff but for the tidal docks.

But in the big cruise ship (with over 3,500 passengers) market, Welsh ports had ten ships booked in for 2012. Tallinn in Estonia has over eighty such ships in 2012 while

Bridgetown Barbados offering a different passenger experience of course has up to ten ships calling each week. Subsequent years have seen similar figures in the Welsh market. Cunard offer for summer 2014 has one Celtic Sea cruise but not calling into any Welsh port; Princess Cruises offer seven British Isles cruises, none visiting Wales.

2.2 Invisibility

Wales seems to be almost invisible is in the big ship market. Indeed the map of the British Isles in a Royal Caribbean brochure (2011) shows the name 'England' stretching across from Pembrokeshire to Norfolk. This puts one of our prime potential calling ports in the wrong country and thus makes the use of Welsh culture, food, history and a unique bilingual land with Brand Cymru – Wales as a marketing tool quite very difficult for those trying to attract cruise lines.

This apparent invisibility remains a problem Wales and for our Celtic neighbours. Is it because our Visit Wales teams are not pushing hard enough or is it that we have not enough to offer the cruise companies? Surely we have comparable excursion destinations (an important part of cruise operation profitability) to St Peter Port, Cork, Dublin, Edinburgh or Invergordon?

Only those promotional bodies can answer the first question and one hopes there is a robust plan. The need to promote Wales globally more vigorously as a nation is reflected in constant comments by the First Minister and in the report on Inward Investment from the House of Commons Welsh Committee (2012)

2.3 Baltic v Celtic seas

The Baltic Sea has been very successful as the third biggest cruise market. It has developed a classic cruise area with ships calling at Gothenburg, Travemunde (where? – for Berlin), Copenhagen, Helsinki and Tallinn. But the Celtic Sea can match them.

The weather cannot be a factor as there is little difference in that respect between Celtic and Baltic seas.

The best of Welsh gastronomy is celebrated at various prominent food fair locations where even an experienced international traveller can enjoy some of the finest fish, meat and vegetable dishes. Wales has historic houses and castles, gardens of high repute, scenery unrivalled along the Baltic coasts, and narrow gauge railways all of which hold a great attraction for the North American market.

Princess Cruises see the opportunity to give their largely American market a taste of Wales from their infrequent calls at Holyhead. Caernarfon Castle (with its royal connections) and the historic Ffestiniog Railway are popular destinations on excursions – a very profitable part of the cruise business along with alcohol sales and the casino and on board retailing. However a lack of quayside facilities is a constraint to more regular calls.

2.4 Quayside mooring / tidal operation

The economics of the cruise liner prefers quayside mooring to anchoring in the bay. This provides for loading food, water and drinks, for refuelling, for disposal of waste and for routine maintenance. It also enables passengers to disembark easily to join the excursions which are an important income source.

Non – tidal docking is required to achieve a regular calling pattern (arrive 6am; depart 6pm) for ships carrying 3,500 passengers. Capital investment of £5m could have achieved that at Holyhead if an extension to the Anglesey Aluminium jetty had been constructed following a Welsh Government report (2012) into its feasibility. What this would have given Wales is the opportunity with relatively low government investment to test and grow the market. However even the construction of a brand new purpose built jetty at Milford Haven and / or Holyhead is estimated to cost £40m each.

2.5 Economic impact

One ship per week could inject £12m each year into the local economy of which thirty per cent represents labour costs or 90 jobs. Three ships each week could create 270 jobs and make Wales, Ireland, Scotland, Cumbria and Cornwall a part of the world's fourth biggest cruise location. The benefit cost ratio (BCR) over a modest 20 year period with an allowance for maintenance and refurbishment, and assuming limited market growth would be at least 4:1 and as high as 15:1. This requires public investment through government borrowing as ports themselves make little profit form cruise ships. There is docking income but a low stevedore charge.

This step change in big ship 'calling' cruises will require extensive joint marketing of the Celtic Sea as an alternative to the Baltic Sea. Based on Dublin as the terminal port the calling ports can then be Belfast, Greenock (for Glasgow). Barrow in Furness (for the Lakes), Holyhead (for north Wales and anywhere Liverpool currently serves), Milford Haven (for south Wales), at anchor of Cornwall, Cork and Dublin. - a journey covering 7 days with all but one quayside port.

The Baltic Sea has for some cruise travellers exhausted its destinations available so the time is right to attract between 20% and 40% of that market over the next ten years. This requires more robust marketing (price, product, place, promotion) than has hitherto ben in evidence. There is a need for one call per week (preferably more) if a ship's agent is to be established at, for example, Holyhead with regular employment for suppliers, coach operators and attraction owners can then gear themselves to the cruise market which in turn provides jobs. The National Assembly

Enterprise and Business Committee have rightly included the cruise market in its current tourism inquiry.

That is the challenge facing Visit Wales. To date it has not been met in terms of the only relevant measures – the number of cruise passengers and the expenditure (direct and indirect) in the local / regional economies.

3. POTENTIAL SOURCES OF NEW CRUISE SHIP TOURISM

3.1 Types of customer

In the passenger transport business, it is possible to identify two types of customer, who may be the same person. There is the 'customer' who pays, and the 'customer' who travels.

3.2 Marketing ports and hinterlands to cruise operators.

The nature of the cruise business makes marketing and developing new business difficult. Traffic for ports is often based on existing customers, existing products and existing destinations. The Baltic Sea ports and their hinterlands have become established cultural / historical / natural beauty destinations. A proportion of this market is what the Celtic Sea ports now have to attract. The characteristics of hinterlands, the destinations and the ports involved are set out below

4. PORT CHOICE

Port choice seems to be either a question of habit and inertia, and also is often based on imperfect information. There is relatively little genuine competition.

The 'habit' element can be seen as ports tend to build traffic from their current customers, and range of destinations, i.e. the people that already know them. Cruise operators are generally very reluctant to change established business patterns. In describing their ports, even the operators and port authorities typically refer to the current hinterland accessible by road and current types of traffic rather than potential growth.

5. PROVIDING FOR THE CRUISE MARKET

A number of questions arise when considering the reasons why the Celtic Sea has not generated the level of business achieved by the Baltic Sea who's historical, cultural and geographical features are similar. The latter is now the third biggest cruise market after the Caribbean and the Mediterranean.

5.1 Deep water ports suitable for 2500+ passenger ships – characteristics which attract cruise operators

The return to the local economy however can be considerable. At a spend level of £100 - £150 per person a large cruise liner such as the Golden Princess, (109,000 tonnes with 2600 passengers) which has called at Holyhead, may generate £250,000 per one day visit through tourist spend (on excursion coaches, restaurants, souvenirs etc.) and vessel servicing.

It has been suggested that such a ship can flood an area with visitors and may detract from the visitor experience, and that ships of 1300 passengers are preferable. However the number of ships of the latter size is limited but they are able to operate into smaller tidal berths such as Cardiff and Newport.

A larger cruise liner has called at Holyhead four times in a year and some cruise companies see a potential expansion in that level given the right berthing conditions. Many of the passengers are North American looking for a taste of Welsh / Celtic ancestry history, culture and scenic beauty. Special entertainment was provided on board when the Golden Princess called at Holyhead on US Independence Day

However the development of the cruise market for Ynys Mon and north Wales is restricted by inadequate infrastructure at Holyhead. Although there is sufficient deep water for large ships to currently anchor off Holyhead the quayside length is insufficient to enable the ship to berth.

An extension to the Anglesey Aluminium jetty using a dolphin (a long concrete slab enabling the ship to ‘tie up’) at an estimated cost of £3m was proposed in 2009. The jetty itself is considered large enough in area to accommodate excursion coaches and freight vehicles. This is no longer available as a low cost option

Quayside mooring is an important part of cruise operational and financial success. It is the single most important criterion in determining the calling points on a cruise. The alternative is to ferry passengers to and from the quayside by tender which has a cost attached to it. The most important aspect however is the inability to work on the ship, to offload and reload food, drinks, fresh water and diesel fuel.

There is a three year lead time for companies to determine new routes and calling ports. Constructing such a facility at Holyhead (and at Milford Haven which has deep water but where a new jetty would have to be built at a cost of £20m - £30m) would not guarantee its development as a calling port but would be a prerequisite for consideration. There is therefore a risk but one with considerable potential economic and employment impact particularly as the Anglesey option has such a low capital investment and might be justifiably used to test the market.

The latest cruise liners (223,000 tonnes) such as the Oasis of the Seas (Royal Caribbean) have a passenger capacity of 5,400 to 6,200.

5.2 Funding a cruise terminal

This would be public investment not one by Stena Line / ABP as the return to the port operator is relatively low , certainly below the 13% - 15% which a commercial port operator would expect from a capital investment project.

The major benefit would be to the wider local economy with jobs in the retail, coach operations, catering and historical / culture business sectors.

5.3 On shore attractions for cruise passenger excursions in north or south Wales in the hinterlands of the ports which could be so developed?

Potential to replicate the Baltic Sea with Celtic Sea - Wales, NW England, Ireland (especially Dublin), Scotland – destinations would provide the ideal short trip multi visit conditions which give best profitability. Comparisons with the operations in the Baltic, Canary / Madeira / west Spain and the eastern Mediterranean fly - cruise show the economics of cruise shipping could fit into the Celtic Sea. The Princess Cruise operation already includes Dublin, Belfast and Edinburgh as part of its programme.

5.4 Replicating in the Celtic Sea the success of the Baltic Sea as a cruise destination

The cruise operations below are particularly useful because of the similarity of their operation with that which might be developed in the Celtic Sea as an internal operation.

Most cruise operators in the Baltic Sea call into five / six visited ports per seven day cruise. These may be in different orders and not all are the same. The choice in general is:

Copenhagen
Gdansk
Tallinn
St Petersburg
Helsinki
Stockholm
These might operate back to back e.g. Copenhagen – Stockholm; Stockholm – Copenhagen alternate voyages or as a full circle. This operation over say three months would bring a total of twelve or more cruises.

The ports for the Celtic Sea equivalent could be

<u>Key Terminal Port</u> (with direct air links to the USA and Canada)

Dublin

<u>Calling Ports</u>

Belfast
Glasgow
Barrow in Furness (for the Lake District)
Holyhead
Liverpool (though preferably served via Holyhead)
Milford Haven (future)

<u>Standing – Off Ports</u> (calling ports for smaller vessels)

Cardiff
Cornwall (standing off only)

6. PERCEPTION OF A WIDELY TRAVELLED ECONOMIST

As a traveller on both business and pleasure I have many opportunities to derive the knowledge of Wales held by both those groups in overseas markets. This is not a new perception. It is one that has been evident for over 40 years of travelling to north and south America, Africa, India, China, the old eastern Europe (ex-Soviet Union) and of course all the countries of western Europe.

The failure to distinguish Wales form England is the most frequent perception. This is not the difference between Wales and the UK or Great Britain but the lack of understanding that England is not the collective name for four nations. Many European countries are probably the worst case scenarios. In 'rugby' countries the performance is generally good and Pays de Gales is understood but the collective noun 'Angleterre' is widely used. If potential visitors have never heard of us then how can they consider visiting?

An international tourist exhibition was held in Beijing in November 2013. I was there (from the University of South Wales) to give a paper on urban mobility at an international conference sponsored by the European Union and the Chinese Government. On the UK stand (organised by the Foreign and Commonwealth Office) representation was there from Inverness, Edinburgh, Bath and England. This is one of the fastest growing high income markets in the world but neither Cardiff nor Wales was represented. Not only disappointing but given that also there were other widely travelled people the opportunity to enthuse about Wales was lost.

This perception is I accept anecdotal and subjective. But as set out in my paper on integrated transport to the Committee (2013) information is the basis of any travel decision.

Professor Stuart Cole

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