



GREAT LAKES CRUISE STRATEGY FOR ONTARIO'S PORTS

Task 2: Business Case and
Cruise Industry Strategic Action Plan

Prepared for: Town of Midland
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EXECUTIVE SUMMARY



With an annual investment of ~\$625,000 for the creation/operations of a new Regional and local Ontario-based cruise tourism association structure to move the cruise opportunity forward over the next ten years, the Region could host more than 1.7 million passengers to its Ports and some 356,000 cruise visitors to the Ports of Ontario.

With the development of the cruise consumer market, 143 new jobs could be created anchored by cruise tourism, and ~\$71.1 million in personnel income, ~\$85.7 million in business revenue, and ~\$9.8 million in provincial and local taxes in total would be generated from 2019 to 2028. Thus, a \$6.25 million investment would generate more than \$11.3 million in additional income/revenues/tax – moving the Region and Ports of Ontario from a period of natural growth to a new reality of Small Ship Luxury / Exploration Cruising in the Great Lakes.

This growth is predicated upon the redevelopment of two Associations whose goals are the growth of the consumer market (B2C) and the advancement of cruise destination infrastructure, in conjunction with the cruise industry (B2B), to meet the needs and expectations of the cruise brands and their visitors over the next 10 years.

Small-ship and exploration cruising is a long-established business in the Great Lakes. For hundreds of years, ships have carried touring passengers to various ports in the region. In recent years, there has been a resurgence in interest from cruise operators wanting to do business in the Great Lakes. In order to capitalize on this renewed interest in the region—and sustain growth in cruise activity over time—a cruise tourism industry action plan must be developed. Bermello Ajamil & Partners, Inc. (B&A) has been retained by the Town of Midland, Ontario, to assist the Ontario Ports to develop a cruise tourism business case and action plan for cruise for the next 10 years.

Key Cruise Action Items

- The goal for the Great Lakes region could be to become a **world-class cruise destination** with a higher volume of exploration / luxury cruise passengers passing through its ports, as well as establish a close, secondary domestic source market to generate substantial socioeconomic impacts for Ontario.
 - One message to be communicated throughout the strategy that needs to be strong, credible, encouraging, and shared by all: **The Great Lakes is a world-class small ship luxury / exploration cruise destination!**
 - **Increase cruise consumer demand for the region.** Focusing on this aspect for the region overall will provide more sailings into the region. From there, all of the Great Lakes Ports, inclusive of the Ontario Ports, will have an opportunity to capture.
 - **The Ontario Ports** are well positioned to capture additional cruise tourism calls and passengers in the next 10 years.
- While it is vital to create an effective **Great Lakes Cruise Brand and Identity** that is recognized by the consumer source markets, it is equally as important to ensure that the whole of the region delivers on its marketing promises as a tourism destination.
 - The long-term development of the Ontario Ports cruise business is directly tied to the development of the Great Lakes as a successful tourism destination recognized for delivering memorable experiences.
 - **Provide for a strong business functional and operational foundation for cruise lines.** This element touches upon the aspects of vessel deployments to the region, including onboard destination support, port infrastructure / operations / cost structure, upland tourism, venue and shore excursion operations, safety & security, and a strongly supported regulatory environment that encourages deployments to the Great Lakes region and the Ports of Ontario.

Great Lakes and Ontario Ports Growth Opportunities

- There is a limit to the cruise capacity for the Great Lakes region due to the:
 - Accessibility factor of the St. Lawrence Seaway and lock systems (740-ft. LOA; 78-ft. beam; 26.3-ft. sea draft; 116.6-ft. air draft), allowing for a defined vessel range.
 - Seasonality of the Great Lakes (likely limited over the term at 22/26-weeks or May – October).
 - Other regions competing for the summer deployments of the small luxury / exploration cruise vessel market, as this passenger volume opportunity is further reduced as the Great Lakes competes against other summer regional destinations, such as Alaska, Norwegian Fjords, Iceland/Greenland, Central America, Caribbean, South Pacific, Baltic Sea, Mediterranean / Greek Isles, and others that are traditional consumer draws and known to the market.
 - Total potential market size worldwide is **~38,000** cruise passengers.

- From a cruise call and passenger tourism growth perspective, a significant sea-change is required, such as the development of the river cruise phenomenon in Europe, to push cruise growth in the region.
 - From 2019 – 2028 the **Great Lakes** could host **1.59 to 1.78 million revenue passengers** at ports in the many states and provinces of Ontario that make up the rim of the Great Lakes region with more than **10,405 cruise calls**.
 - To make a move from the current natural growth scenario in the Great Lakes to the projected growth that could be achieved, the Ports must intervene in the current cruise tourism process and redevelop, invigorate and define a new strategy to increase cruise consumer demand for the region and to meet the needs of the cruise visitor and brands in order to generate additional positive impacts for the port communities that host these cruise ships.
 - The growth rates shown are equal to, or somewhat higher than, comparable cruise regions worldwide. However, the overall passenger numbers are smaller, due to the limiting factors of the region. If the regulatory environment related to border access and pilotage factors were revised, the region could provide a platform on par with European river cruising.
 - That is a range from 15,176 passengers / 94 sailings (Low Market Capture) to 18,798 passengers / 104 sailings (High “River Cruise” type market Scenario) by 2028.
 - Based upon the ability of the Great Lakes region to expand over the next 10 years, the **Ports of Ontario**, which is the largest contingent of ports in a state or province, would host from **318,535 (natural growth) to 356,070 (highly achievable) revenue passengers on 1,663 cruise calls**.
 - ~19.9% of the overall cruise passenger / 15.9% cruise calls is captured by the Ports of Ontario.
 - The capture rate per Ontario Port is based upon many factors inclusive of geography, marquee value, and revenue production / costs for the cruise brands based on their consumer demographic / vessel type.
 - If the Ports of Ontario has the ability to capture additional calls / revenue passengers to their ports through the implementation of the action plan items shown in the strategy, it will provide for higher potential cruise revenues while in port, expand the overall consumer demographic, and allow the cruise brands to be rewarded for the Ontario Ports exceeding passenger expectations.
 - The range of passengers per ship for each port moves from Kingston (128 passengers – due to its geographic position in relation to the St. Lawrence Seaway) to a high of 339 passengers per call (Toronto – due to its primary homeport role and marquee value). The remaining six Ontario Ports range from 202 – 233 passengers per call.
- Cruise growth requires effort on behalf of the ports, cities, provinces/states and regions. To compete, there is a need for good cruise infrastructure, operations and balanced costs, but the main issue moving forward is developing consumer demand, and working with various cruise lines that fit into the region to grow it accordingly. Therefore, to be successful, the region and individual ports must differentiate themselves from other competitors!
- Working with key cruise brands and tour operators to generate demand and efficiently use marketing dollars is required, due to the limited overall passenger throughput and impacts to tourism throughout Ontario and the Great Lakes region.

- Unless there is a significant sea-change, the growth of the Great Lakes market will not reach its optimum range of cruise passenger visitors over the next 10-year period. Our best assumption is that growth will fall somewhere between the low and mid-range (basically natural growth) if there is a status quo approach to cruise tourism in the Great Lakes ranging from 15,176 – 16,618 passengers sailing in the region by 2028. In theory, due to the limiting factors of the Great Lakes that no other competing region has, it is possible that the region may lose new traffic prospects as brands choose to go elsewhere where there are less restrictions and more revenue opportunities, such as those regions shown above.
- If there is a change to the Great Lakes Cruise Tourism approach as outlined in the Strategic Action Plan, one can be relatively certain that the region would retain its current levels of traffic and have the opportunity to meet and exceed the high projection model of 18,798 passengers and quite likely could capture the 21,278 passengers as shown in the scenario 2 approach, whereby building on the North American consumer focus and capturing the European and Adventure/Exploration Markets as well. This is the sea-change discussed within this action plan. There is a further possibility of modifying the regulatory elements to such an extent and expanding the consumer market to create a new cruise tourism market opportunity on the level of the river cruise phenomenon in Europe. This would surely exceed expectations, but moving toward that goal now could improve the overall opportunity tremendously into the long-term.

Infrastructure Needs and Use

During the next 10 years, there will be a need to manage the existing berths within the peaking periods, which will allow for more control of berth use in ports. Ports should alleviate any foreseeable issues by working in conjunction with cruise brands as they are planning their deployments.

- **Kingston** is in need of a berth that can accommodate the cruise vessels that could take advantage of its geographic positioning, marquee value, and upland offerings.
- **Toronto's** existing cruise facilities accommodate homeport and port-of-call demands during the study term. However, the ability to provide for a more centralized location as part of a downtown waterfront PPP may provide a boost in economic impact.
- **Midland** has a downtown berth that can provide for the future needs of the cruise industry. There is an option to develop a new waterfront cruise berth as part of a PPP that could provide for a more robust reception facility for potential homeport operations.
- The **Little Current** berths have the ability to accommodate two cruise vessels simultaneously, based upon dimensional attributes of each. Drafts may challenge larger vessels at the port, and further assessments should be conducted to determine the ROI on a project to alleviate this issue. It is unlikely that the ability to berth a few cruise vessels per year would make the project viable. But due to its location in the Georgian Bay, it is more likely to see some multiple-call traffic for vessels entering and exiting the area.

- The destinations of **Windsor, Parry Sound, and Thunder Bay** do not require additional berths during this period. Each already has the ability to accommodate a single vessel at good to excellent facilities.
- The ability for each port to accommodate the design vessel minimum is a key factor in the Great Lakes' ability to serve as a primary regional market in the mid- to long-term. Additionally, the ports should also recognize the potential opportunity of both the larger ocean calling (on a one- or two-call seasonal basis) and small coastal and river-type cruising vessels, which may be locally-based or run along the St. Lawrence Seaway.
- Based upon the findings of the site visit and the Ontario Ports projections, a Business Case is illustrated for each Port in Chapter 6 as to the required hard and/or soft infrastructure needed to obtain the HIGH projection range, which is more of the push and pull scenario for the Great Lakes region and Ontario Ports that, for comparison, is similar to that of the *European River Cruise Industry* success in Europe, whereby consumer demand, the use of primarily existing port and soft tourism infrastructure, and regulatory came together to rapidly build the small ship river cruise industry of today that continues to move forward.
 - Limited resources are required for hard infrastructure development, but there is a need for consumer development, port / tourism operations coordination, and providing for a fair share of revenues for the ports on itineraries to provide for the changing needs of the river cruise industry.

Economic Impacts

- The potential cruise activity at Ontario Ports in 2019 is projected to generate \$6.4 million in revenue to businesses supplying services to the cruise vessels, passengers and crew.
 - By 2028, the NPV could range from \$63.7 to \$71.1 million; thus, should the Ports of Ontario and Great Lakes region invest the time and monies to create a new cruise environment, this could be an increase of an additional ~\$7.49 million over the period.
- By 2028, \$9.7 million of business revenue is projected in Ontario under the MEDIUM scenario and more than \$10.9 million in 2028 under the HIGH scenario.
 - This is a potential NPV of \$85.7 million on the HIGH scenario, with an added return of ~\$9.0 million over the period.
- The cruise activity in 2019 is estimated to generate about \$733,000 of provincial and local tax revenue, growing to \$1.1 million for the projected cruise activity at Ontario Ports in 2028 under the MEDIUM scenario and \$1.26 million under the HIGH scenario.
 - This is ~\$9.89 million (NPV) in additional tax dollars over the period.
- Some 143 new jobs could be created in Ontario over the period if monies are invested into cruise tourism as outlined in this plan, providing for the impetus of the additional revenues and tax dollars shown.
- While the overall cruise passenger throughput and corresponding tax revenues may be small, there is a significant direct benefit for each port and the surrounding communities.

- These jobs, business revenues and income would not be seen without cruise tourism in the small Ports of Ontario. This is an additional piece of tourism income that would not be there otherwise, as through past surveys it is clear that consumers clearly choose to cruise to specific regions, inclusive of the Great Lakes.
- There are additional direct revenues available for ports and cities through the implementation of a more uniform tariff system in the region and per port. We are not recommending a wholesale increase in tariffs, but a more tailored system for cruise vessels tied to passenger counts, LOA/GT charges, utilities, etc. that could produce additional revenues over the timeframe.

Primary Organization and Structure

- The Great Lakes is a large, relatively protected region separating the U.S. and Canada (mainly the province of Ontario and multiple states), tourism entities, and local jurisdictions, all with a stake in the cruise tourism opportunity.
 - Two specific organizations with a support network is required for the Great Lakes to grow cruise tourism – **B2C and B2B Association Models**.
 - As Ontario has the greatest number of ports used by the cruise industry as compared to the individual states, it could be a driving force behind the resurgence of Great Lakes cruising.
- To expand cruise tourism to the region, the primary goal of an association should be the development of a consumer market to demand cruise in the Great Lakes.
 - To achieve this goal a regional association should be formed with this primary purpose – creating a consumer market for cruise tourism – primarily North American and secondarily World.
 - The Great Lakes Cruise Association would focus on **B2C market development** with cruise brands, tourism boards, tour operators, and travel agents and direct to consumer programs that target key demographic markets to produce new and repeat cruise passengers to the region.
 - While these associations can be unwieldy due to the many jurisdictions involved, there are other examples of successful similar entities as outlined in this action plan.
 - Keep it simple in terms of a controlling board, budget contributions and strategic plan. Keep a specific focus on cruise consumers and work with the individual ports and stakeholders throughout the region.
- The secondary goal is to develop/evolve the necessary products and services in the ports visited, as well as to meet the needs and expectations of the cruise industry.
 - To achieve this goal, an **Ontario Ports Association** should be created with a foundation of **Local Cruise Networks** that are the heart of the **B2B directive**.
- The broader Great Lakes Cruise Association should work with and encourage the development of Local Cruise Networks in all ports throughout the Region (United States and Canada) to take on the role of **B2B with the cruise industry**.
 - The Local Networks would be made up of key stakeholders such as the Port, Tourism, Port Agent, Tour Operator, Venues, Chamber of Commerce, Retailers, etc.

- Direct funding would be minimal for these organizational structures as not full time staff is required; no offices, etc. The funds would be directed toward FAM trips for cruise line executives, B2B market trips, and local development, as required.
- The plan outlines numerous responsibilities for each of the associations illustrated, as well as the key leadership positions in each.

Strategic Action Plan

A detailed roadmap and strategic action plan is focused on achieving cruise development and growth for the Great Lakes region. The plan includes recommendations for the levels of business (operations and business development), port (hard infrastructure), and tourism (soft support infrastructure, such as transportation, tour offerings, commercial and venue options and marketing), in order to ensure that all the pertinent elements are aligned for success.

- The action plan provides a template that identifies specific items in each category, the level of importance (priority), linkages, timelines, and primary responsibilities for implementation of the action items.
 - There are action items illustrated in the plan that are specific to the primary stakeholders, inclusive of the Ports, Cities, Tourism and business-related stakeholders. These are items within the control of this group.
 - Regulatory items shown within the plan are mostly out of the direct control of the primary stakeholders, but they do have influence on the direction and modification of the regulatory items shown.
- While the world cruise market has increasingly become a dynamic offering in terms of new cruise vessels, shoreside offerings, service levels, port infrastructures, and other tourism requirements, the Great Lakes region to date has not followed a similar trend.
 - The Action Plan is intended to change this trajectory and provide for a plan moving forward to expand cruise tourism through the development of a consumer market and the right type infrastructure to provide a platform for the success of the cruise tourism industry.
- The dynamics of the action plan recommendations will change over time, and will require a greater or more rapidly adapting emphasis as the industry matures further in the region, cruise-line brands deploy, vessels increase in size, and the demographic range modifies.

The overarching goals of the plan are the following:

- **Increase cruise consumer demand for the region.**
Focusing on this aspect for the region overall will provide more sailings in the region, from which all of the Ontario Ports will have an opportunity to capture. The primary focus is on the development of a North American consumer-source market with a secondary goal of expanding the presence and passenger throughput of the international consumer market, which is mainly a marketing and education (software) endeavor.
- **Provide for a strong, functional and operational business foundation for cruise lines.**
This element touches on the aspects of vessel deployments to the region, including onboard destination support, port infrastructure / operations / cost structure, upland tourism, venue and shore excursion

operations, safety & security, and a strongly supported regulatory environment that encourages deployments to the Great Lakes region.

- **Increase overall cruise visitor satisfaction.**

If decision-making focuses on this aspect as a primary goal then the plan will fall into place much easier, which is primarily an operational and software exercise.

The Action Plan is built to achieve the following:

- Build a new market and drive deployments to the region as demand increases, with higher ticket revenues.
- Create high levels of cruise visitor satisfaction, and further promote the region for return visits via land-based or cruise holidays.
- Support new activities and shore excursion options that provide increased daily spending to build additional cruise line and stakeholder revenues.
- Ensure the infrastructure provides for a seamless visitor experience for homeport & port of call operations.
- Provide a regional environment that is supportive of cruise industry growth and renders the highest possible socioeconomic impacts to the communities visited.

Action Plan Budget Items

The preliminary budget for those key items associated with the creation of the organization structure and annual marketing monies is ~\$600,000. It is assumed the GLCA and Ontario Ports Association monies are annual. Grants or other funding mechanisms from association partners, such as government agencies, tourism, economic opportunities agencies and others, may provide for part of the contribution. Larger projects related to joint marketing efforts with cruise brands and tour operators, as well as specific consumer marketing campaigns, will need to be approached on an individual basis and rated on a Return On Investment (ROI) scale related to their impact on new additional cruise passenger throughput to the Great Lakes and the Ontario Ports, specifically related to the subsequent socioeconomic impacts.

Summary

To capitalize on growth of global cruise tourism, the Great Lakes region must focus its energy and resources on delivering a small-ship luxury / exploration cruise experience that is second to none, and that appeals equally to the demographics of the brands sailing to, and wanting to sail to, the Great Lakes. This cruise experience must be consistent with the brand philosophies of the diverse range of cruise lines that operate within the region, as well as include equally diverse and high-quality landside products that complement onboard products.

There must be a unified public voice of the Great Lakes cruise region: an Alliance between a **Regional Cruise Association** and the **Local Cruise Networks (in conjunction with an Ontario Cruise Association)** charged with spearheading efforts to increase consumer demand and deliver superior hospitality, unique activities, and authentic local experiences to small-ship cruise brands and their customers. Over time, the Great Lakes region has a genuine opportunity to position itself as a premier small-ship luxury / exploration cruise destination for visitors from around the world. Realizing this future vision will require not only significant effort by all parties and stakeholders in the region, but also new and innovative approaches to partnerships and unprecedented collaboration amongst stakeholders. *ADDENDUM 1 (Page 220) provides an overview of the **Great Lakes Cruise Related Organizations** that are currently active in promoting and/or working to improve the cruising industry in the Great Lakes.*