

**Fair Sailing** is an initiative by the James Bay Neighbourhood Association (JBNA) to advocate for responsible cruise tourism practices that prioritize the interests of residents, local businesses and the environment of Victoria, Canada's highest volume port-of-call.

James Bay residents want quality of life, clean air, no foreign garbage and a healthy safe community. The impacts of the cruise industry in our neighbourhood include overtourism, air pollution, the import of foreign garbage and threats to public health.

This update page of the Cruise Industry Overview provides comment on changes entering, and during, the 2022 cruise season which saw cruise ships again using Victoria as a port-of-call.

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### *Victoria as a Port-of-Call in 2022*

The COVID -19 pandemic brought significant change to the Cruise-Industry, the Operational "Value Chain", and passengers.

While cruise ships were prohibited from using Canadian ports during the 2021 season, the Alaska runs from Seattle and San Francisco resumed. The US government had created a one-year exception to the US Passenger Vessel Services Act and permitted cruise lines to travel between US ports/states without stopping in Canada.

As the 2022 season began, the schedule changed frequently. The schedules varied from 362 to 336 ship calls, an increase of 30%-35% over 2019. As of June 21, 350 ships have been scheduled to use Victoria as a port of call. During the summer months of June through August, only 4-5 days were to be ship free.

Ships that did stop in Victoria have been at reduced capacity due to Covid Restrictions. The ship schedule also shifted with 58% of the ships scheduled to arrive at 7 PM or later.

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### *Cruise Industry and Operational "Value-chain" in 2022 and forward*

The cruise industry is more than the cruise lines. The operational "value-chain" includes several corporations from creation of tours through to the delivery of passengers and wastes to ports. At the end of the chain are local businesses, many tied into the cruise line excursion system.

#### *The Cruise Lines*

Carnival, Holland America, Princess, and Norwegian cruise lines operate the majority of ships calling into Victoria. Although ship operations on the Alaska run don't appear to have been affected by global events, the parent companies are experiencing some ownership or share changes, financing/debt, staffing shortages and supply chain issues. Impacts of the COVID pandemic and the Russia-Ukraine war may continue to be felt for many years.

#### *Operational "Value Chain"*

In mid 2021, there was some restructuring of corporate entities which directly service, through

contract, the cruise industry in Victoria.

Carrix Inc companies continue to dominate port operations through SSA Marine, with Western Stevedoring Company Limited, part of Western Group Holdings Limited, being the parent company of Pacific NorthWest Transportation Services. (note: Western Group Holdings Limited registered as of April 2021, altered its corporate name to 12970546 Canada Ltd in January, 2022.)

Tymac Launch Services, owned by Tidal Transport and Trading, carries out waste removal for cruise lines under contract. Corrections identifying Tidal Transport rather than a Carrix company have been made on page 2 of the 2021 Overview document which follows.

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This section of **Fair Sailing** provides an overview of the cruise industry, the financial impact of Covid-19 on cruise lines, global and local cruise alliances and the industry’s value chain.

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### *The Value of Victoria as a Port-of-Call to the Cruise Lines*

In 2019 the base value of Victoria as a Port-of-Call for cruise lines was about CAN\$700 million, close to triple the City’s operating budget. This value is based on forgone fines which could be levied on “foreign-flagged” ships transporting passengers between American ports (fine is US\$798/pax or ~CAN\$964/pax). With profits from excursions, the value to cruise-lines is even greater. Although the U.S. Passenger Vessel Services Act (PVSA) has been identified by as a reason for using Victoria as a Port-of-Call, surveys suggested about a third of ship calls were independent from the PVSA.

### *The Cruise Industry*

Just as the automotive industry is more than the “brand-name” automobile companies, the cruise industry is more than the cruise lines. The operational “value-chain” includes several corporations from creation of a tour through to the delivery of passengers to a port. At the end of the chain are local businesses, many tied into the cruise line excursion system.

#### *The Cruise Lines*

Cruise line revenue in 2015 was US\$40 billion rising to \$47 billion in 2019. By 2019 there were 50 cruise lines with 272 ships and 340 “partners” catering to 30 million people, almost 4% of vacationers. Half of passengers are Americans. Chinese passengers form the largest Asian group while Germans form a third of European cruisers.

Carnival Corporation’s 2019 revenue totaled US\$20.8 billion which put the company in the top 160 on the Fortune 500 list. Carnival Corporation was No. 312 on the Forbes Global 2000 list of the world’s largest public companies, and ranked No. 94 on the Forbes list of America’s largest public companies. Record 2019 earnings were more than double the company’s earnings in 2013.

*“The three companies that transport three-quarters of all passengers—Carnival, Royal Caribbean and Norwegian Cruise Line—raked in combined operating profits of \$6.6bn on revenues of \$38bn*

*in 2019 . . . .”* (the Economist, May 29, 2021). These conglomerates control 80% of the cruise market (passengers carried) and 72% of revenues. These companies own most ships that visit Victoria.

Corporations often own several cruise lines; for example, Carnival has 10 cruise line brands with over 100 ships including Holland America and Princess ships while RCCL Royal Caribbean owns the Celebrity line.

Cruise companies with headquarters in the States, are not generally “American” domiciled. For example, Royal Caribbean is a Liberian corporation. Carnival is dual-listed with Carnival Corporation headquartered in Florida and UK-based Carnival plc in Southampton, and they function as one economic entity. Such corporate status alters obligations to corporate tax regimes and labour laws.

## How Cruise Lines Fared during the Pandemic

The industry sailed throughout the pandemic. While many cruise ships sailed with only crew aboard, some cruises continued with passengers aboard.

In much of 2021, **Carnival Corporation's** 59 vessels in the 90-ship fleet were abroad and not under US CDC restrictions. Carnival Corporation's cruise-lines carry over 80% of passengers on voyages around the world, on oceans and rivers.

Carnival's three cruise lines which dominate the Seattle market are **Holland America, Princess, and Carnival**. These three lines constitute somewhat over half of Carnival Corp's fleet.

Although Carnival Corporation has experienced quarterly net losses of almost \$2billion, it has stated that it has enough liquidity to return to full operations in 2022, with cash and short-term investments of US\$11.5 billion.

By the end of 2020, Carnival reported it had lost US\$10.2 billion, but had raised US\$19 billion in debt and equity, ending the year with \$9.5 billion in cash. In a report to investors, Carnival said it could survive 2021 without sailing a single ship. Part of the equity boost occurred by April, 2021, when the ownership of about 8.2% of Carnival Corp shares by the Saudi Arabia's Public

Investment Fund (PIF) was announced. PIF's 43.5 million shares valued at more than US\$500 million. The PIF held no stock in the firm at the start of 2020. The news resulted in a share price increase of 20%, the company's biggest percentage increase on record.

The financial health of the industry recovered further according to an article in the Economist (May 29, 2021) which stated "**Carnival has had little trouble raising \$24bn of debt and equity over the past 12 months to tide it over; its rivals have also been able to tap the market.**"

Howard Sherman, an executive vice president at **Norwegian Cruise Lines**, said his company ended 2020 in a similar position as Carnival. (Seattle Times July 17, 2021) Although it referred to 2020 as its "most challenging year" losing \$4 billion, a half decade's worth of profit with thousands of crew members lost their livelihoods, it ensured that its executives did not share the pain. Frank Del Rio, its chief executive officer collected his biggest-ever pay package: \$36.4 million.

Looking forward to resumption of cruise activity in North America, in May 2021 Norwegian Cruise Line Holdings announced a donation of US\$10 million to six Alaska port towns.

## The Operational "Value-chain"

In Victoria, the major marine-directed corporations which are part of the industry include **Carrix Inc**, a large US conglomerate, through its subsidiary companies including **SSA Marine, Western Stevedoring, and Pacific North West Transportation Services (PNWTS)**.

Carrix is the world's largest privately held marine and rail terminal operator, headquartered in Seattle, Washington. Carrix is able to capture the value generated along the cruise industry service chain, partnering with cruise lines.



**Tymac Launch Services**, owned by Tidal Transport and Trading, carries out waste removal for cruise lines under contract.

Select cruise-industry lobby associations and consultants serve the industry throughout the world.

**Cruise Lines International Association (CLIA)** is the cruise industry's lobby organization. It intercedes with ports and governments, promoting and advocating for cruise-lines.

**Business Research and Economic Advisors (BREA)** has created economic impact studies to the Cruise Lines International Association (CLIA) for about 20 years. Reports on passenger and crew expenditures and the economic impact of the industry are used around the world.

## The More Local “Value-chain”

The Greater Victoria Harbour Authority society (GVHA) commissioned several reports as it began the latest Ogden Point MasterPlan project in 2012.

**Bermello, Ajamil & Partner (BA)** creates market assessments and strategic planning efforts in support of cruise activity. BA modelled scenarios of cruise growth, suggesting that Victoria would not be able to meet the intended industry growth without expansion. The consultant stated that the **“cruise-industry needs to have a sense of ownership of Ogden Point”**.

**Martin Associates**, specializing in economic and planning studies for port terminals, explored opportunities for GVHA to diversify revenue sources from activities at Ogden Point.

GVHA has been clear on its commitment to cruise activity stating **“The cruise-industry is our client”**. Regarding small business access to cruise ship passengers at Ogden Point, such as walking tours, GVHA spokesperson stated did **“not want anything to compete with Shore-Ex”**.

GVHA commissioned or created four studies exploring the feasibility and cost of shore power. **Moffatt & Nichol** completed a study in 2020, recommending that the GVHA have shore power installed on Pier B to service the two berths. The cost is estimated at somewhat under \$25 million.

**Victoria Cruise Industry Alliance (VCIA)**, an industry service provider group comprised of CARRIX owned businesses and local businesses is located at Ogden Point.

Within the greater Victoria region, *many* businesses are associated with the cruise-industry through business or service arrangements, or as retailers near the inner harbour. They are not part of the industry itself as they deal widely with other commercial and retail businesses. Significant business interests are Butchart Gardens, taxi companies, businesses/vendors on GVHA property. PNWTS has taken over as the exclusive supplier of coach bus shuttle from Ogden Point to Downtown Victoria and provides coaches for shore excursion tours.

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## Looking Ahead

Man-made contributions to greenhouse gas and climate change, the impacts of mass tourism, and the recognition of need for clean air and water will drive change. The cruise industry has not yet adapted to changes being demanded in many parts of the world. The impact of court rulings, such as the recent “Shell” ruling in the Netherlands may have a ripple effect. Judge Alwin’s stated: *“Companies have an independent responsibility, aside from what states do . . . Even if states do nothing or only a little, companies have the responsibility to respect human rights”*. Looking ahead, the energy source that will be used by cruise ships is an unknown. Shore Power may be a transitional phase as alternate energy sources are being developed: LNG, hydrogen, or nuclear.

The tax status of cruise lines who use flags of convenience may be altered in the years ahead. As the G20 Global Corporate Tax initiative develops, the cruise industry may be caught in the changes demanded.

The value of cruise to local economies is being questioned around the world. Industry assertions of benefit are no longer globally accepted; *“Long-touted economic benefits of cruise ships far overstated”*.

**Fair Sailing’s** section on **Overtourism** highlights characteristics of overtourism and attempts of communities to constrain, and often reduce, mass tourism including cruise ship activity. Communities challenging the cruise industry include residents of Venice, Amsterdam, Bergen, Dubrovnik, Key West, Bar Harbor, and most recently, Milford, New Zealand.

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## What Residents say

*“It would be naive to think that Victoria is going to ban cruise ships from visiting. I am sure the City continues to labour under the illusions created by inflated figures relating to passenger/crew spending while ashore and a belief that the cruise ship industry has a positive impact on the local economy.”*