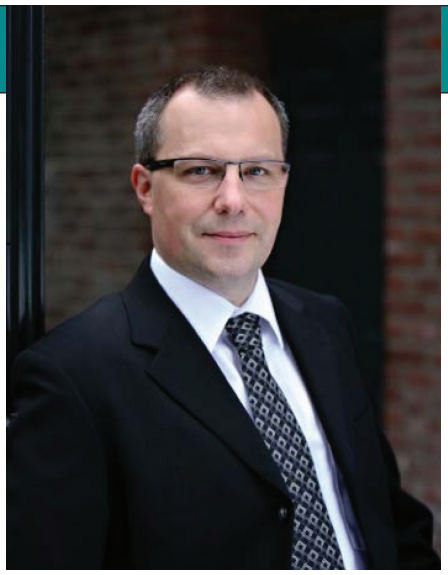

British Columbia's Cruise Industry Cluster

By Darryl Anderson
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The notion and importance of freight gateways is firmly integrated into British Columbia's economic and political thinking and today it functions as a cornerstone of our international trade and transportation policies. This is demonstrated by the fact that the BC Jobs Plan includes the Pacific Gateway transportation strategy objective for Vancouver to become a maritime centre of excellence. Yet, what may be lacking is an economic framework for how to achieve this goal. This article will introduce the concept of maritime business clusters and use examples from B.C.'s cruise sector to illustrate the extent of local industrial linkages and the magnitude of the business-to-business economic contribution to our communities. It will also show how innovation within this cluster is contributing to sustainable shipping on our coast.

Maritime clusters

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a region. Clusters arise because they increase the productivity with which companies can compete.

The concept of business clusters has been widely used in the context of economic and competitiveness policies for maritime-related activities in European countries, reports the 2010 working paper *The Economic Significance of Maritime Clusters.* Most notably, the Friuli Venezia Giulia cruise industry cluster in Italy has 400 members. Their membership includes representatives from chambers of commerce, shipyards, subcontractors, suppliers, cruise tourism destination development organizations, naval engineers, vocational training institutes, among others.

Cruise Industry Association of BC

Compared to the Italian example, British Columbia does not have as fully developed a cruise industry cluster strategy. Yet, there has been a group of operationally minded individuals who have been working to advance the collective interests of B.C.'s cruise sector since 1986.

The Cruise Industry Association of BC (CIABC) is a not-for-profit organization dedicated to promoting British Columbia as a leading destination and supplier of services and products to the cruise industry. Members range in size from small, owner-operated companies to large, multinational corporations and their membership includes business services, crew, medical and transportation services, cruise line agents, electronics suppliers, port authorities, tourism services, ship chandler and supplies, ship services and repair and stevedoring firms.

An ongoing challenge for the CIABC has been the organization's ability to remain as the focal point of the region's cruise industry. This is primarily due to the time commitments of members from the many small and medium-sized businesses that make up the organization. Nevertheless, the CIABC "is blessed with very talented people", said Mary-Ann Isinger, CIABC vice chair.

The CIABC, in recent discussions with the Cruise British Columbia Association, explored the possibility of combining efforts to make the organization more effective. Ms. Isinger stated: "Greater exposure to government information and policies would benefit CIABC members." Time will tell if the recent discussions with Cruise BC will lead to any structural changes with the CIABC, but more immediate efforts saw the two organizations jointly exhibiting at Cruise Shipping Miami in March 2014, the cruise industry's premier global event.

James Collins environmental, health and safety manager for Tymac Launch Services stressed the importance of working together to develop B.C.'s cruise industry cluster. "The CIABC is working with Cruise BC to jointly market the province as a distinct destination," he said. A tangible example of this co-operative effort was the unveiling of a new trade show booth that featured an updated aesthetic giving members great exposure and networking opportunities. The booth also served as the platform where the two organizations co-hosted a business-to-business reception that featured B.C. food and wine products, creating a warm, welcoming environment that proved to be a highly desirable place to strengthen existing business relationships and make new contacts.

Cruise homeport activity

Port Metro Vancouver (PMV) officials forecast 244 cruise ship visits this year. The vast majority of these vessels will use Vancouver as their seasonal homeport and as such, will be used by cruise lines to load supplies and solicit services like maintenance and repair. The cruise industry generated $190 million in local business-to-consumer sales as a result of passenger and crew expenditures. However, nearly $416 million was spent in the business-to-business sphere in 2012. The local industrial sectors where the greatest economic linkages occurred as a result of cruise line purchasing were administrative and professional services, other operating

expenses, transportation and warehousing, food and beverage, fuel, travel agent commissions, vessel maintenance and repair/machinery and equipment.

Passenger safety and the protection of the coastal marine environment while ships transit Canada's Inside Passage account for a significant portion of the professional services purchased by the cruise lines. Yet, the important work of dedicated and highly skilled marine pilots is often invisible to the general public. Bruce Chadwick, Director of Finance for the Pacific Pilotage Authority (PPA), advised that annually, his organization conducts about 856 cruise related pilotage assignments. These assignments account for about seven per cent of the PPA's total workload and generate about 16,000 estimated annual billable hours for members of the British Columbia Coast Pilots who are on board the ships when they are in prescribed coastal waters.

A cruise ship alongside a berth in Vancouver harbour is the most visible indicator of the industry's impact on the local economy where crowds of tourists are disembarking and embarking. Expertly overseeing the stevedoring activity is Cerescorp Company (Ceres). Ceres has a long-term cruise ship service and terminal management agreement for the PMV's Canada Place and Ballantyne Pier cruise terminals. The relationship commenced with the 2006 cruise season and was Ceres' first major cruise terminal operation.

Ceres Vancouver has eight full time and six seasonal staff involved with cruise shipping, yet local employment impacts extend beyond the individuals employed directly by their firm and include members of the International Longshore and Warehouse Union. Ian Nichol, manager of dispatch at the BC Maritime Employers Association estimates that total cruise hours worked in 2013 (excluding DPW Nanaimo coastwise) were 118,305, up from 99,825 hours in 2012.

Innovative companies in B.C.'s cruise industry cluster are also making a significant contribution to local environmental and sustainability efforts. While it is currently fashionable for some pundits to decry port infrastructure investment as having a negative environmental impact, a closer look often reveals a different picture.

Tymac Launch Service Ltd. provides comprehensive waste services (garbage, recycling, hazardous waste) to PMV's cruise ship traffic. On a typical year, the company will handle about 17 regular ships and a handful of one-time ship visits for about 232 cruise ship calls in total. During a homeport call, there are at least five Tyamc employees handling each ship visit: a tug-master, a deckhand, two yard workers, a couple of truck drivers, and an administrator.

James Collins, Environmental, Health and Safety Manager at Tymac, noted that in 1991, Tymac installed a barge ramp at their facility and as a result, the company has been able use their barges to segregate a variety of waste product streams (solids such as electronics, batteries, metal, etc.). In addition to their barge operation, Tymac may also send one of their B Train tanker trucks out to the PMV dock to handle liquid products that may not fit with regular disposal methods.

Last year, Tymac began to pro-actively prepare the cruise lines for changes that would be occurring in local waste handling. Metro Vancouver, which manages waste for the region, made a policy decision to ban organic materials (including food scraps) from all sources starting in 2015. "Tymac implemented a program to separate compost on board vessels," noted Collins. Cruise lines that participated in the introduction of Tymac's pilot program in 2013 included Holland America, Princess Cruises and Royal Caribbean and Collins expects that the majority of cruise lines will be involved in the program in 2014.

Port-of-call cruise activity

Participants in B.C.'s cruise industry cluster are not limited to Vancouver. Rebecca Penz, Manager, Stakeholder Engagement & First Nations initiatives for the Greater Victoria Harbour Authority (GVHA) forecasts 214 ship visits in 2014.

The 2013 report, *The Economic Contribution of Cruise Tourism in Victoria 2012*, revealed that cruise lines spent an estimated $15.6 million with businesses in Victoria and the surrounding region in direct support of cruise calls in Victoria and Victoria Shipyards. Expenditures by the cruise lines for port and navigation fees accounted for 46 per cent of their total spending. These included passenger and vessel-based fees charged by the port for berthage, Transport Canada harbour dues and pilotage. Another $1.8 million was spent for port-based services such as waste removal, stevedoring and related activities.

In 2012, Seaspan's Victoria shipyards had eight cruise ship repair projects resulting in a local expenditure of $6.25 million. A December 2013 *Victoria News* article with Victoria Shipyards vice-president and general manager Malcolm Barker provided further insight on the company's deep cruise sector experience. Having had a relationship with Princess Cruises since the 1970s, Mr. Barker said that going forward, "the company will be doing projects on the Grand Princess at various points over the next six to seven years." These projects are expected to provide work for up to 400 shipyard workers. Victoria Shipyards has already received inquiries about doing major refit work on two other cruise ships for 2014 and more for 2015.

A number of Victoria companies also make a significant contribution to sustainable cruise shipping. For example, Tervita Corporation is involved in offering bunker sludge, oily water processing services and the management of hazardous and solid waste streams. Tervita was also the first Canadian company to offer land based "live-load" service. With this system, all recyclables, compostables, and solid waste is transported on enclosed trailers. One trailer can hold the waste generated by one ship and virtually eliminates the need to utilize conventional garbage bins. An added benefit is the reduction of traffic by a factor of at least four trips, according to Peter Lehmann, Senior Service Manager - Marine and Past President CIABC.

Conclusion

BC Shipping News readers will no doubt watch with interest for any future developments from the CIABC. The promotion and development of B.C.'s cruise industry cluster ought be an important economic priority for governments, companies and academic institutions and not just for those in the maritime sector. This article also raises the question of whether the benefits of a maritime cluster approach to sustainable development in B.C. would complement the work of the ongoing gateway infrastructure initiative and help us reach the goal of Vancouver becoming a maritime centre of excellence.

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