Cruise Tourism in Scotland: Review & Sustainable Development Opportunities

for

VisitScotland

Scottish Enterprise

Highlands and Islands Enterprise

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EXECUTIVE SUMMARY

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Preface

This review was commissioned in 2019 to examine the cruise tourism opportunity in Scotland, and to provide insights and recommendations for future planning. At this time, and up until early 2020, cruise tourism was a growing industry, and the 2020 cruise tourism season was anticipated to be another significant season in Scotland. This was prior to the onset of the global COVID-19 coronavirus pandemic. As such, the research, resulting analysis and reporting, and therefore the conclusions and recommendations flowing from the study, are informed by and based on a pre-COVID-19 context. However, the COVID-19 pandemic is an exceptional global event. It can be considered a watershed moment and an opportunity to highlight those findings from this research that can help inform the future development of the entire cruise tourism industry in Scotland and more widely.

It is apparent that for cruise tourism, and tourism more generally in Scotland, new markets and new models of operation will come to the fore in a post-COVID-19 environment. Though the recommendations of this report were made in a pre-COVID-19 context, they anticipated the need to ensure sustainability in Scotland's cruise tourism ecosystem, and to take a place-based approach to cruise tourism development. As such, the conclusions and recommendations of this report – and therefore the learnings that stakeholders can take from this research to inform future sustainable planning and decision-making – hold true in a post-COVID-19 environment.

1 Cruise: context and study aims

About the review

1.1 This research is a pan-Scotland study led by VisitScotland in partnership with Highlands and Islands Enterprise, Scottish enterprise and the Scottish Government. It has been conducted by economic development consultants ekosgen, in partnership with associates Reference Economic Consultants and Context Economics. Steering group representation has included each of the study partners.

Context

1.2 The cruise tourism industry had grown year-on-year in Scotland, with almost 900 calls and over 800,000 cruise passengers visiting Scotland in 2019. Following what was considered a successful cruise season, there were ambitions to achieve 1,000 calls and pre-pandemic forecasts of 1 million cruise visitors in 2020. However, there is increasing concern globally about the environmental impact and sustainability of cruise operations. There is also evidence of local negative impacts arising from the high volume of cruise visitors in some locations in Scotland. In Scotland, it is estimated that cruise tourism accounts for 4.3% of overnight tourist visits and 0.5% of overnight and day tourist visits, and 0.8% and 0.4% of expenditure respectively.

1.3 There is increased focus on environmental and sustainability considerations in *Scotland Outlook 2030: Responsible tourism for a sustainable future*, the new tourism industry strategy launched in March 2020. It stresses the importance of taking coherent, integrated place-based approaches to tourism development. Consequently, it is important at this juncture to examine the way in which cruise tourism currently contributes to tourism in Scotland and consider the way in which it can do so in future.

Study aims and approach

1.4 The study was informed by: detailed desk research into the cruise market and cruise operations in Scotland; an extensive programme of consultations with stakeholders from across the cruise ecosystem in Scotland; a large-scale data collection exercise across ports and cruise operators to identify annual cruise calls and passenger volumes; and an online survey with local businesses and communities in cruise destinations. It provides a comprehensive understanding of the Scottish cruise tourism ecosystem and the relative opportunities at individual local ports, and regional and national level, whilst identifying pressure points and impacts on infrastructure, environment and local communities. This will help inform future planning at port, regional and national level and provide the evidence base for local, regional and national cruise development assessments and strategies, aligned to *Scotland Outlook 2030*. Specifically, the research:

- Provides an overview of the size, shape and composition of Scotland's Cruise Tourism market, including an assessment of the economic value of the sector to Scotland;
- Analyses the competitiveness of the Scottish cruise tourism product offering against destinations worldwide;
- Reviews information on market demand, and identifies the most significant sector development opportunities, and any implications that arise from these;
- Identifies challenges and barriers impacting on Scotland's capability to develop the sector sustainably, providing recommendations on how these may be addressed; and
- Establishes an evidence base to inform future planning decisions regarding cruise at the local, regional and national level.

2 Cruise Tourism in Scotland

Global and European trends

2.1 The worldwide cruise industry has grown steadily and significantly over the last two decades, with passenger numbers growing 75% to 28.5 million between 2008 and 2018. Though the precise impacts of the COVID-19 pandemic remain to be determined, growth is expected to continue in the longer term, as new ships enter the market. Further, a significant portion of cruise tourists are first-time cruisers, and around 80% of cruise passengers are likely to book a cruise as their next holiday.

2.2 There is a general trend for cruises of shorter durations and with a wider range of onshore activities, as well as a positive passenger experience in the port and its immediate environs. Expedition and boutique cruises are now emerging as significant niche segments, with vessels serving these sub-sectors typically being much smaller, and providing a luxury offer that can be delivered in destinations in a way that is much more manageable and flexible.

2.3 There has also been a shift away from passengers on mainstream cruise voyages booking guided tours and itineraries to planning a more independent visit at destinations. Up to 60% of passengers may organise and book their own itineraries, in part driven by a demand for a more personalised experience and a younger passenger demographic.

Cruise tourism in Scotland

Cruise industry and ecosystem

2.4 The Scottish cruise industry supports more than 800 employees, generating an estimated £23 million GVA for the Scottish economy[1]. In some instances it also helps to extend the tourism season into the 'shoulder months', in the case of Orkney and Shetland for example. Scottish ports serve 27 cruise lines operating 67 different vessels, with various fleet sizes, vessel types, target markets, visit frequencies and cruise lengths/types.

2.5 The Scottish cruise ecosystem is complex, with a multitude of actors, relationships and interdependencies. In each destination or port hinterland there are a number of actors that support the cruise tourism sector and interact in some way with cruise operators. These include shore excursion

[1] Scottish Ports Group of the British Ports Association, 2018

companies, visitor attractions, activity providers, local destination or tourism groups, local businesses, ground handlers, port authorities and shipping agents.

Calls and passengers

2.6 In 2019, there were 893 cruise ship calls bringing 817,000 passengers. This was an 8% increase in calls from 2018 and a 17% increase from 2017, across all vessel sizes. Calls from boutique and medium-sized vessels more than doubled over this period, linked to the growing trend for luxury and expedition cruising. Pre-COVID-19 forecasts for 2020 predicted passengers to pass 1 million.

2.7 Scotland's main cruise ports, considered in this research[2], received 862 cruise calls and 773,000 passengers in 2019. This is equivalent to 4.3% of overnight tourist visits and 0.5% of total tourist visits in Scotland in 2019. The numbers of calls and passengers have grown by around 90% since 2014. This is particularly strong growth, and is higher than overall passenger growth at the Northern European level. Scotland's marquee ports[3] – Invergordon, Edinburgh, Kirkwall, Lerwick and Greenock – accounted for almost two thirds (63%) of all Scottish cruise calls and a much higher proportion (85%) of the passengers in 2019, equating to c.80% growth in calls and passengers between 2014 and 2019 (+241 and +338,000 respectively). However, growth rates over time have been stronger amongst the boutique ports, where calls have more than doubled (+111%; +167), and passenger numbers have almost trebled (+182%; +74,000).

2.8 Cruise tourism to Scotland has been strongly concentrated in the Highlands and Islands. During 2019, the Highlands and Islands had almost three in four (73%) of Scotland's total cruise calls, and welcomed 61% of cruise passengers, largely at Kirkwall, Lerwick and Invergordon.

Visitor spend

2.9 It is estimated that £40.6 million was spent directly onshore by cruise passengers and crew in Scotland in 2019, representing 0.4% of all (overnight and day) tourism spend in Scotland. This, however, is a conservative estimate and does not include indirect and induced effects or some spend on tours booked through the cruise operator that is retained in Scotland. In addition, the contribution of cruise spend as a proportion of the local tourism economy varies significantly from port to port and their hinterlands and is estimated to be 2.54% of all tourism volume and 1.50% of expenditure in the Highlands region.[4] Spend is focused in parts of the Highlands and Islands and the Central Belt. The five marquee ports accounted for £9 in every £10 spent by cruise passengers and crew in 2019.

Cruise tourism and sustainable tourism

2.10 The cruise industry is facing pressure relating to its sustainable community and environmental impact – with regard to large vessels in particular. New technology such as LNG, exhaust gas cleaning systems (EGCS, or *scrubbers*) and shore power are being implemented to help limit environmental impacts. However, there are challenges regarding retrofitting vessels and the lack of a developed LNG supply-chain infrastructure, and shore power is only available in a small number of ports (all outwith Scotland). Further recent research has cast doubt on the environmentally sustainable credentials of LNG and scrubbers, and drawn attention to issues such as waste water.

2.11 If these socio-environmental impacts are not correctly managed, there is a risk that the visitor experience will be diminished; that there will be negative impacts on the marine and coastal environment, as well as on coastal and wider communities. With visitor numbers continuing to increase, unmanaged growth is unsustainable.

[2] The 21 ports included in the research are: Lerwick, Kirkwall, Scrabster, Stornoway, Ullapool, Invergordon, Inverness, Portree, Peterhead, Aberdeen, Fort William, Montrose, Tobermory, Oban, Dundee, Holy Loch, Edinburgh, Glasgow (Greenock), Port Ellen, Campbeltown and Eyemouth.

[3] The other 16 ports included in the research are classed as 'boutique ports'. A marquee port is a gateway to a 'must see venue or destination' that plays a key role in attracting customers for a cruise.

[4] The VisitScotland Highlands region: Highland, Moray, Orkney Islands, Shetland Islands and Eilean Siar local authority areas.

3 Scotland's port infrastructure

A port typology

3.1 The research developed a **typology of ports**. This provided an overview of where individual ports sit in terms of cruise traffic volumes, port infrastructure, growth aspirations and targeted marketing activity, as follows:

- Leading: Ports already have significant cruise activity and are looking to continue to grow, including through further investment as required. This includes Forth Ports, Greenock, Orkney, Invergordon, Lerwick.
- Aspirational: Looking to invest or currently investing in port infrastructure to grow cruise business and move to/towards leading status. This includes Aberdeen, Stornoway, Scrabster.
- Growth potential but financially constrained: Notably local authority ports, including Portree, Fort William.
- Reactive: Smaller ports aiming to benefit from overall market growth but with limited marketing effort and investment.

3.2 Cruise traffic volumes vary considerably between Scottish ports. However, most of them receive only a very small/small percentage of their total annual income from cruise. Recent and planned investments demonstrate the ambition of some ports to increase their cruise activity and secure a larger market share. These include new/extended piers to accommodate an increased size of vessel and, at Greenock, a new cruise berth. However, port infrastructure constraints are still a considerable challenge for the development of the cruise industry in Scotland and whilst targeted investment at some ports is seeking to attract a larger market share, the cost of such investment means that in many cases, public sector intervention is required to support development.

3.3 Very few ports appear to be near capacity for cruise activity. This reflects that most ports see a low absolute number of calls and smaller passenger capacity vessels. However, there is some evidence of local and hinterland areas nearing capacity. Orkney has a cap on the maximum number of cruise passengers per day. The longer pier being constructed at Scrabster will not take ships of more than 3,000 passengers based on the perceived limits on what the local onshore infrastructure can accommodate. Other ports (e.g. Portree, Fort William) limit the number of cruise calls to one ship per day. That is either for port operational reasons or due to limitations of the port infrastructure.

3.4 Given their geographical distribution across Scotland there is limited competition between ports. Competition comes mainly from the geographical overlap of visitor attractions and activities that can be reached from two ports. For example, Edinburgh and Greenock, and Oban and Fort William.

4 Destinations and communities

4.1 The appeal of a destination for cruise visitors depends both on the inherent attractiveness of the area – its natural landscape, attractions or urban environment – and its ease of access, with locations up to 90 minutes from the port and within range for cruise ship coach tours. Scotland has a wide range of attractive urban, rural and island destinations for cruise tourists.

4.2 The research developed a **typology of destinations**:

- Large international urban destinations – the cities of Edinburgh and Glasgow, with their world class cityscape and attractions.
- International rural destinations – notably the Highlands, Loch Lomond and Royal Deeside in Aberdeenshire although not all of the Highland area is accessible within the 90 minute rule and so not able to form part of cruise itineraries for passengers.

- The islands – the key island destinations for cruise visitors in Scotland are Orkney, Shetland, Skye and the Western Isles.
- Mixed urban/rural – there are several secondary urban centres which benefit from cruise tourism given their ease of access from ports, including Fife, Dundee, Forth Valley and, to a lesser extent, the Clyde Valley.
- Other important rural destinations – within which there are some internationally recognised areas and attractions, including destinations in the Borders, and Argyll & Bute, with the city of Aberdeen also a draw for cruise visitors to north east Scotland.

4.3 There are other parts of Scotland that are strong destinations with large numbers of visitors, but not easily served by the current port infrastructure. These areas include the southern part of the Borders, Dumfries & Galloway, Perth & Kinross and the Clyde Valley east of Glasgow. Angus is also not easily served by the ports used by most cruise ships.

4.4 For many destinations, the cruise visitor market is growing. The increases in cruise visitor numbers can bring economic benefits and opportunities, but also challenges in managing visitor numbers and growth in a sustainable way.

4.5 **Economic impacts** vary according to the size of the cruise tourism visitor market and in relation to the size of the local economy. Positive impacts are greatest for destinations/communities where cruise visitors represent a higher proportion of the economy, such as the islands, than in other areas where cruise tourism is just one, sometimes smaller, part of the overall visitor market, such as the City of Edinburgh.

4.6 The economic impacts are not always evenly distributed, and this can be a challenge for effective destination management. Benefits can be concentrated in certain locations (e.g. near the port) or at certain attractions within the hinterland to the port location in question, where one attraction benefits by being on the tour route and others do not. Caithness, Shetland and Skye are three destinations seeking to broaden the economic benefits more widely beyond the port area and key routes/locations.

4.7 For other locations, the challenges are capturing a greater proportion of the cruise tourism market. These include those destinations with a port but few attractions or product offerings (or perceived to be few). An example is Greenock, Inverclyde, where the vast majority of cruise visitors travel out of the area to destinations including Loch Lomond, Glasgow and Edinburgh.

4.8 **Social impacts** for destinations/communities are also both positive and negative. Positive social impacts are greatest where the cruise tourism brings economic benefits that would not otherwise have been derived, building and retaining wealth in the local community. For rural areas, economic and social benefits are very closely linked, and indeed given the nature of more remote rural communities it can be difficult to separate the two as income generated by tourism helps to support livelihoods, retain people in an area and sustain services. Positive impacts include people staying in the local area for job opportunities and awareness amongst visitors of the local area, culture and history.

4.9 At the same time, cruise visitors, notably from large ships in small rural or island locations, can result in negative social impacts. Issues include pressure/congestion on the local transport network, demand for amenities such as public toilets and services and overcrowding, not just at visitor attractions but also in town centres, and these effects can be considerable. Between 60% and 90% of those businesses and communities surveyed in Orkney and Shetland report significant negative impacts at certain times, with overcrowding and pressure on services and amenities also highlighted as issues in the Western Isles and in Edinburgh.

4.10 With large numbers of visitors concentrated in certain locations, site-specific **environmental challenges** also exist. These are caused where there are large numbers of passengers repeatedly converging on an area or site at the same time. Ineffective management results in erosion and other environmental degradation. Pressure points exist in Orkney, Shetland, Skye and the Western Isles. They are greatest where infrastructure is modest, outdated, and where there are few route alternatives.

4.11 There are no direct environmental impacts from cruise tourism, although the increased income generated via cruise tourism can (and does) fund environmental management via infrastructure usage charges to cruise (and other visitors) which can be used by local authorities to support environmental management activities. However, such measures address the environmental impact in destinations and at attractions, rather than addressing the wider environmental impact of cruise vessels.

4.12 For many destinations, there are opportunities to develop and scale-up the benefits of cruise tourism in a sustainable way, although this is not always easily achieved.

- **Developing the offer/tour packages**: To marshal the offer and to package experiences and attractions better. What is required is more proactive engagement with excursion planners and tour operators in the first instance who deal directly with the cruise companies in developing new products and offers.
- **Capturing the independent traveller**: More cruise passengers want to travel independently, and technology (e.g. online booking; itinerary research) increasingly makes this easier. Destinations need to be better at tailoring and presenting their offering, including digitally. This is both at the pre-cruise journey planning stage and during trip online research and booking.
- **Accessing cruise companies**: Even where an offer has been developed by a destination, this is not easy to present to cruise companies. Many destinations report this as a challenge. Tours and excursions can have a relatively long lead time before they are adopted by cruise companies, who are often regarded as risk averse.
- **Infrastructure**: Having the right infrastructure (and supporting ecosystem) in place to manage cruise passenger demand is necessary for maximising economic and social benefits, and for mitigating against environmental impacts. This can be a considerable challenge, particularly for popular, remote rural locations.

5 Challenges and opportunities

Challenges

5.1 Challenges exist which inhibit sustainable development of cruise tourism in Scotland. Weaknesses in port infrastructure are impacting on the number of cruise calls in Scotland, either limiting the capacity or capability of ports to accommodate cruise vessels, or by reducing the attractiveness of ports. This also serves to concentrate cruise activity in a smaller number of ports. Scotland's port infrastructure, specifically in smaller ports, is in need of modernisation and refurbishment. This also restricts the sustainable development of other sectors reliant on port facilities, due to limited access to finance or co-ordination failures between different interest or user groups.

5.2 At a destination level, there are constraints associated with attracting and managing cruise tourists. These include weaknesses in the destination infrastructure (and the supporting ecosystem) which can limit the ability of a destination to capitalise on the potential benefits of cruise tourism, and results in negative impacts. Close-to-port infrastructure challenges and transport/access infrastructure can also serve to limit the range of attractions and destinations that cruise passengers can visit, e.g. by restricting travel from port distances as a result of congestion on road networks and public transport links. There are also site-specific infrastructure constraints, whether this be toilet facilities, coach parking or food and drink provision which affects both paid-for and free attractions.

5.3 In some cases, there is a weak articulation of the cruise tourism offer at a destination. This often relates to an ineffective packaging or marshalling of an otherwise strong offer, and is typically a result of low levels of destination group, business or community capacity. Additionally, destination groups often find engaging with tour operators and cruise ship shore excursion planners a challenge.

5.4 Those destinations where the DMO or local tourism strategy explicitly addresses cruise tourism are strongest at harnessing and managing cruise tourism. Almost half of respondents to the business and communities survey think that their local visitor management strategy is at least moderately effective in managing cruise visitors, yet more than half do not. Feedback from some destinations (e.g. the Western Isles, Edinburgh and Orkney) suggests that the lack of an effective visitor management strategy will constrain future cruise tourism growth. Stronger and more effective visitor management strategies would be beneficial to supporting sustainable cruise tourism growth and securing the co-operation and support of local businesses and communities.

5.5 At a regional level, different destinations can work more effectively together to support sustainable cruise tourism growth, through better communication and information sharing. This is partly related to the challenge faced by destination groups and other partners of engaging with cruise companies, to promote alternative destinations. Cruise Forth has sought to address this (in part) by developing the idea of the 'next port' box, where information on the next stop is available on board for independent passengers to book ahead.

5.6 At the national level, there appears to be a lack of co-ordination amongst strategic actors. This constrains Scotland's ability to manage visitor numbers across destinations or respond to changes in consumer preferences. There is a growing awareness amongst consumers of the environmental issues around cruise tourism, and so there is potential for this to constrain future cruise tourism growth. This presents an opportunity for the cruise tourism sector – and for national, regional and local stakeholders – to develop and promote a much more sustainable approach to opportunities and challenges, and thus a sustainable future model of cruise tourism development.

Opportunities for sustainable development

5.7 How cruise tourism is viewed should be reframed, so that its development is not considered in isolation. It is important to view cruise tourism as part of wider economic development activity and consider its role in the **place-making** of cruise destinations. Cruise can and does contribute to the economic development and prosperity of places, but this needs to be managed sensitively. A joined-up, coherent approach involving all stakeholders is required to ensure that cruise develops in line with capacity, appetite and, importantly, the development priorities of the cities, towns and communities that support the cruise tourism industry in Scotland. The place, i.e. the destinations and communities that support cruise tourism, must be at the heart of this partnership approach – so that cruise tourism becomes driven more by what communities need and can offer, rather than what is demanded. This reinforces findings from research on wider tourism and destination development issues, on the need for joined-up, holistic approaches to place-based development. It also aligns with the direction of travel in the new national tourism strategy, *Scotland Outlook 2030*. Destinations must define what the cruise tourism offer is, in a way that is in keeping with the characteristics and needs of each place, and complementary to sustainable development ambitions at local, regional and national levels.

5.8 To that end, **better and co-ordinated engagement with cruise industry operators** is needed, with management dealt with at the national level. This offers two key opportunities – the communication of a coherent offer from all destinations to the cruise operators; and support to destinations to be able to develop such an offer where relevant and in a responsible, managed way. A single conduit for this activity will be invaluable for destinations and attractions. This can be done through specific collaboration between industry and public sector as seen in relation to other sectors. In particular, new and bespoke itineraries can more readily be taken to cruise operators. Some ports or destinations may also be able to position themselves as 'pre-embarkation' or 'post-disembarkation' areas for cruise visitors, or to produce a specific offer for crew members. Taking a partnership approach such as this will help to improve passenger experience, but can also serve to determine what works for destinations, attractions and their communities.

5.9 **Diversifying the offer in terms of product and destination development** can help to spread tourism visits around Scotland, and mitigate any negative impacts that may arise from the volume of cruise passengers at particular destinations. There is a specific opportunity in responding to a market opportunity in expedition and boutique cruises, since smaller vessels – which can have a smaller environmental impact – can serve more destinations and ports in Scotland. Further, Scotland's existing port capability is suited to smaller vessels – particularly on the west coast. Diversification in passenger market segments can also help to move away from high-volume cruise tourism, and spread benefits to other, less-frequented parts of Scotland. Scotland's strong brand, and perception as a safe destination, can help to facilitate this diversification.

5.10 Taking **proactive steps to preserve attractions and manage the volume of visitors**, in conjunction with all partners including cruise operators, can safeguard attractions and help to mitigate any negative socio-environmental impacts from cruise tourism. Taking open and transparent decisions in dialogue with all stakeholders can secure agreement and buy-in from the local community and cruise operators alike. Such approaches lead to better destination stewardship, and could also tap into the increasing popularity of smaller-scale and lower impact green or eco-tourism. This will ultimately help to generate strong buy-in and positive perceptions of the sector.

5.11 **Port infrastructure development should be targeted** at specific opportunities and where capacity exists. Aligning development to serve other sectors besides cruise can achieve economies of scale, but the associated transport infrastructure requirements should not be overlooked. Implementation of **sustainable power solutions** at ports can help position Scotland at a competitive advantage. Whilst these may require a relatively expensive capital outlay, the industry direction of travel for vessels is towards more sustainable fuel and power sources. This is a clear opportunity that could help to offset negative impacts from cruise tourism activity – and could also benefit other uses and activity at ports that serve multiple sectors.

5.12 There is also an opportunity to **respond to recent market trends** in an achievable, and importantly sustainable, way. Whilst a small number of Scottish (marquee) ports can handle larger cruise ships, many of Scotland's ports are better suited to smaller cruise vessels – putting them in a good position to serve the **boutique and expedition** market segments. This includes passenger market segment diversification, including:

- **Young passengers** seeking alternative attractions and destinations;
- **Returners** desiring follow-up itineraries; and
- **Independent travellers** seeking to avoid high-volume package tours.

5.13 Finally, given the paucity of consistent and robust data, there is an opportunity for Scotland to provide a lead on **data collection and analysis**. Improvements in data collection can help to inform better policy, legislative and operational decision-making for cruise tourism. International stakeholders are also demonstrating an interest in the findings of this study, and more widely in how Scotland is approaching data gathering on cruise tourism.

6 Conclusions and recommendations

As a result of the current COVID 19 pandemic level there is an opportunity to reconsider the scale and scope of the cruise tourism sector for Scotland going forward. The pandemic is likely to disrupt and therefore negatively impact current cruise activity for the next 12 months at a minimum. It may even take two to three years for the market to recover to 2019 volumes and/or shift its focus in terms of itinerary and destination preferences. The findings of this study can be used to inform the recovery process for the sector in Scotland.

6.1 Cruise tourism in Scotland has developed into a significant tourism sector in line with global growth trends in the cruise tourism industry, accounting for 4.3% of overnight tourist visits and 0.5% of total (overnight and day) tourist visits. It is estimated that £40.6 million was spent directly onshore by cruise passengers and crew in Scotland in 2019, 0.8% of overnight and 0.4%[5] of all tourism spend although much of the spend was concentrated in specific parts of the Highlands and Islands and the Central Belt. Whilst the cruise industry undoubtedly brings economic value, the impacts felt in communities and destinations do not always equate to positive benefits nor are the economic benefits evenly – or equitably – spread across Scotland.

[5] N.B. Includes only visitor spend and not supply chain impacts

6.2 Cruise tourism can sometimes bring a range of demonstrable social benefits, such as local wealth building and increased vitality in town centres. For more rural and isolated destinations in particular, economic and social benefits are interlinked and income generated by tourism helps to support livelihoods, retaining people in an area and helping to sustain services. Negative impacts are evident in some areas, particularly in island or remote destinations and attractions where there is limited capacity in transport infrastructure and amenities to cope with short-term and significant increases in demand. This in turn affects how the communities that support cruise tourism perceive the industry, and causes concern about the viability of local services and amenities.

6.3 Cruise operators look to destinations and their strategic partners to develop and lead visitor management strategies and approaches to address such issues. Cruise visits need to be managed carefully, and within the carrying capacity of cruise destinations and the communities that serve the industry. Specific examples of environmental challenges and negative impacts within destinations typically relate to site-specific issues arising from large numbers of passengers converging on an area or site at the same time, and repeatedly. This pressure is greatest where the infrastructure is modest or not fit for purpose and where there are few travel or visitor attraction alternatives.

6.4 Orkney's approach to visitor management is well-regarded, and there are some important lessons to be learned from other destinations where this is done well (e.g. Juneau, Alaska), and also less so (e.g. Barcelona; see Technical Annex B for further details). In **Bergen, Norway** the city council's cruise tourism strategy includes limiting the number of passengers and ships docked in port in any one day as well as an ambition to become fossil-free by 2030. The latter involves plans to provide shore power to all vessels by 2020 and the development of a new system characterising each cruise ship's environmental footprint, an Environmental Port Index to be implemented in all of Norway's 11 ports. In **Juneau, Alaska** sustainable cruise tourism development is driven by their Tourism Best Management Practices programme that brings together stakeholders, including industry and community tour operators, cruise lines, transport providers and other businesses involved in the industry. Some 130 organisations have agreed to operate within programme parameters which include for example, following congestion-related guidelines and conducting training sessions with new employees hired mid-season; the TBMP group also runs a hotline for local residents to report any immediate concerns.

6.5 Whilst the cruise industry is trending towards cleaner vessels with new developments such as LNG, shore-power and scrubbers helping them to limit their environmental footprint, cruise tourism does not bring any distinguishable environmental benefits, and the measures currently being implemented arguably do not go far enough to offset the negative environmental impacts of cruise operations. Further, there are doubts around the efficacy of scrubbers, as well as increasing awareness of the scale of impacts from issues such as waste and bilge water. Better environmental monitoring systems at ports could help to encourage more environmentally sustainable vessels, and port-side developments such as shore power could also help to offset any negative impacts arising from cruise tourism. Such developments are currently expensive, and are likely to be unachievable without public sector intervention, and collaboration with other port user groups.

6.6 Changing consumer responses to climate change may also have a significant impact on the future growth of cruise tourism. Whilst this may be a *negative* impact on the current pattern of cruise tourism, there is also the prospect of *positive* impacts through different modes of cruise tourism, particularly where the environmental impacts are lower, or more easily mitigated. Coupled with the opportunity to increase the provision of sustainable, low-carbon infrastructure on land at ports and within destinations, Scotland can be positioned at the vanguard of a more sustainable mode of cruise tourism.

6.7 There is frequently a lack of joined-up consideration of a wide range of tourism and non-tourism issues, such as infrastructure and service provision that serve to make tourism a success in many destinations and meet the needs of host communities. This is a challenge that must be addressed through the management of cruise tourism, as well as in other forms of tourism. A coherent, integrated approach is essential for sustainable development; a 'do nothing' approach or maintaining the current management strategy and growth trajectory is not an option. Cruise tourism considerations must be part of planning and strategy for economic and community development and indeed environmental management, and vice versa, and this must be done at the local, regional and national levels.

Recommendations

A much more strategic, co-ordinated approach is needed at each level of the cruise ecosystem to address the challenges and opportunities presented by the cruise tourism sector in Scotland and ensure that the sector follows a sustainable pattern of development that contributes to the realisation of benefits for communities, destinations and visitors. The following recommendations directly address this need for a strategic approach and the right levers to be in place and applied for sustainable development at the national, regional, destination and local/community levels.

National level

Recommendation 1: Pursuing sustainability as an opportunity. The evidence suggests that Scotland has a timeous opportunity to gain a competitive advantage versus a number of other cruise destinations in Europe. There is a growing awareness amongst consumers of environmental issues in general and those associated with cruising. Changing consumer responses to climate change will have a significant impact on the future perceptions and type of growth of cruise tourism, therefore there is an opportunity to use consumer perceptions as a driver for more sustainable cruise tourism development. Scotland should grasp the opportunity to develop as a world-leading, responsible cruise destination for the 21st Century.

Government and key partners must ensure that the sustainable tourism approach influences all planning and investment decisions by strategic stakeholders and partners and engage with the cruise industry on this issue. For example, considering investment in the provision of on-shore powering at key port locations, or in renewable energy and storage infrastructure at ports. This type of investment would also provide a number of social and environmental returns rather than economic returns alone for local communities and Scotland as whole, e.g. affordable heating in winter for local communities. Equally, targeting market segments that operate smaller and less polluting vessels, e.g. expedition or boutique, can help to drive a more sustainable pattern of development in cruise activity in Scotland.

Putting this approach at the heart of all decision-making represents an opportunity to promote cruise tourism in Scotland as more environmentally friendly and as adopting a sustainable approach. This approach may consider some of the practices adopted in comparable cruise locations. As mentioned earlier in **Bergen, Norway** the city council's cruise tourism strategy includes a number of visitor management strategies and an ambition to become fossil-free by 2030. In **Juneau, Alaska** sustainable cruise tourism development is driven by their Tourism Best Management Practices programme that brings together stakeholders and industry to design and operate a programme which includes a range of activities to minimise congestion and ensure businesses follow guidelines. (More details can be found at Technical Annex B: Case Studies).

Recommendation 2: **Addressing the lack of clear Industry Leadership** within the sector. This is a key priority for future planning and sustainable development. All players across Government, the public and private sector need to collectively recognise the contribution of the cruise market to the wider tourism sector and that it is an integral part of place-making in cruise destinations. A lack of co-ordination amongst key actors in the sector and confusion as to the roles and responsibilities of individual organisations and the cruise industry inhibits the responsible development of priorities for the cities, towns and communities that are part of the cruise tourism ecosystem. It also constrains the ability to sustainably manage visitor numbers across multiple destinations at a regional level, develop new or alternative offers or more bespoke products, and respond to changes in cruise visitor preferences. Ports would also benefit from a clearer understanding of overall cruise industry plans to inform development and investment decisions.

The establishment of a leadership group or representative body for the cruise sector, is a key priority. Any such body or group must include public and private sector representation.

Recommendation 3: **Adopting a co-ordinated approach to public sector planning and investment in cruise related infrastructure**. Currently there is a patchwork of development approaches across regions and local authority areas and this must be more joined up. Not all actors are involved; there is especially no direct dialogue with cruise lines. There is a requirement to bridge the gap between what ports require, what destinations and communities need, and what cruise lines and passengers demand. An overarching strategy should be developed and led by a central organisation or representative body (refer to Recommendation 2). Flowing from this partners and stakeholders must develop an Action Plan, allocate roles and responsibilities and implement the strategy for sustainable cruise tourism development.

Recommendation 4: **Engaging and including the supply side of the industry**. Steps should be taken to establish a closer working relationship between strategic public sector bodies and port authorities, cruise operators and key intermediary organisations. This will help to set priorities and inform planning and investment decisions. A recognised lead body should facilitate regular communication and inclusion of supply side actors (see recommendation 2 above). Cruise operators in particular, are unfamiliar with the national and to a lesser extent the local landscape and would respond well to a single point of contact in the sector.

At a national level there is an opportunity to put in place the recommendations 2 and 3 as part of a process which will be required to reconsider the scale and scope of the sustainable cruise tourism opportunity for Scotland as a result of the current COVID 19 pandemic.

Recommendation 5: Investment in port and destination infrastructure should be considered at a national level. Closely linked to the Recommendation 4 above, adopt a more joined up and strategic approach nationally to investment decisions. This includes rationalising the number of individual business cases for project development and subsequent investment and giving greater consideration to where investment in ports (and their destinations) can achieve the most benefit and growth for the cruise tourism sector alongside the wider tourism sector and its supply chain. Doing so will also better ensure the provision of necessary public services and benefit the wellbeing of local communities in cruise destinations.

This approach will in turn **inform investment decisions at the regional and individual port level**. Specific port infrastructure improvement projects should be underpinned by a multi-party approach to investment including the private sector, with due consideration given to the national strategic position. Port investment must meet the needs of other port uses, and the public good where modernisation is addressing safety issues for example. The planned upgrade of port infrastructure must sit alongside/ go hand in hand with onshore infrastructure investment for cruise and other sectors. Whether this is significant investment in a single port (e.g. a marquee port or port targeting larger cruise vessels), or a package of investment across a group/network of ports this should be informed by the scale and equitable distribution of these benefits.

Regional level

Recommendation 6: **Addressing inter-regional competition between ports and destinations**. Collaboration across all Scottish cruise ports, Cruise Scotland and regular (and potential new) cruise operators is needed to better spread the economic benefits amongst destinations whilst minimising negative environmental and social impacts. A recognised industry sector lead (refer to Recommendation 2) must facilitate this type of planning and co-ordination activity.

Competition between destinations (and their ports) as a result of a lack of co-ordination limits the ability to respond to emerging market opportunities, for example, the expedition and boutique cruise market, more suited to the smaller ports in Scotland. Recognising the complementarity (as well as competition) between ports and destinations through more partnership working and itinerary planning for example, would allow the further development of the 'Next Port' planning approach as discussed earlier in this report, allowing visitors to enjoy a seamless journey around and through Scotland whilst maximising economic impacts and minimising negative impacts on communities and the environment.

Destination level

Recommendation 7: National lead(s) to promote co-ordination at destination level. Currently visitor management and wider cruise strategies are 'owned' by different groups across cruise destinations. This can range from the DMO, a local cruise tourism partnership, a BID group, the local authority, an individual port, or individual visitor attractions (or their owner organisation, e.g. HES). Whilst some destinations have an area tourism strategy, the extent to which cruise tourism features is variable. Where there are groups proactively working to manage cruise tourism in a sustainable way, many are under pressure due to limited resources and working outside their remit in many instances.

Consequently, a mechanism (for example a programme or guidelines) to implement/ensure a joined-up, co-ordinated and effective approach that all actors at a destination can sign-up to should be established. Local guidelines or strategies for cruise tourism development, based on a sustainable model, must be considered as part of wider area-based tourism development. This may require the design and promotion of a new delivery model, or development of the reach and influence of existing models, i.e. destination groups like a DMO or BID group. It should be about the destination 'speaking with one voice' and building appropriate and desired capacity and the ability to access financial resource to overcome visitor management challenges and exploit market opportunities. Managing and addressing infrastructure and visitor management challenges alike is best done collectively and in partnership across the industry.

Recommendation 8: **Working with onshore excursion operators**: The approach to engaging cruise operators at a national level as at Recommendation 4 above can be replicated at a destination level. Excursion providers/companies and their local sub-contractors/agents are important influencers and conduits to cruise line companies directly. They understand both the commercial requirements of cruise operators and the trends in passenger demand for experiences. Establish and co-ordinate a number of regional fora where activity providers and attractions, who wish to target both large and smaller expedition/boutique cruise operators directly, can engage with operators. This activity can link to national efforts as excursion operators are more likely to 'come to the destination table' if cruise operators are also engaging and sharing plans and requirements.

Local/community level

Recommendation 9: **Connect local communities with the cruise ecosystem**. Evidence from this research shows that there are few barriers to implementing proactive measures for sustainability and conservation at specific tourism attractions and sites of interest. However, taking these decisions with the full involvement of local communities as valued stakeholders (alongside other stakeholders and tour operators) is likely to result in much more positive management of attractions, and of visitors. It will help to generate stronger buy-in and positive perceptions of the cruise industry and increase the understanding of the economic benefits that cruise tourism can bring to local communities. Widen community involvement in destination groups and provide a variety of channels which will allow individual members of a community to feedback and contribute to decision making. It can also help to identify opportunities to maximise social impact (e.g. population retention and creating sustainable employment opportunities) and ensure that sector development reflects the appetite and capacity of local areas to accommodate cruise tourism.

Further research

Conducting this study has highlighted a number of areas which merit further research to provide a clearer picture of the cruise sector and its contribution to Scotland. This includes:

- Fundamentally, planners ought to be able to compare the value of other significant tourism sectors in Scotland, to help guide investment decision-making – comparable research and analysis into other tourism sub-sectors should therefore be conducted;
- Examining opportunities for implementing more robust data gathering and analysis, to fully understand cruise tourism and its impacts on an ongoing basis. This is crucial for the sustainable management and development of the sector;
- Designing and conducting bespoke local level economic impact assessments for certain destinations to guide planning and investment decisions;
- Carrying out research with cruise passengers and crew members to identify actual spend onshore and at destination towns and attractions. This could be done through regular surveys at major destinations, combined with online surveys targeted at cruise passengers with the engagement and co-operation of cruise line companies; and

- Research into the extent to which current and future planned environmental legislation can/will affect the cruise market and what the implications are for investment in port facilities.