CRUISE PLATFORM

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Cruise tourism must be developed as an integral part of the tourism industry in a sustainable way

Cruise Norway

CLIA CRUISE LINES INTERNATIONAL ASSOCIATION

EUROPEAN CRUISE SERVICE

This report is built on a document written by Menon Economics on behalf of Cruise-Norway, CLIA and European Cruise Service. Menon Economics is responsible for factual and knowledge base, and the Clients holds the editorial responsibility.

Cruise Norway is a network organization consisting of businesses representing the entire value chain in the cruise business in Norway.

The organization works closely with the industry in Norway and internationally to make the cruise industry sustainable with respect to environmental, social, and economic performance in Norway.

Cruise Norway is together with the major cruise lines partner in the Green Shipping Program, managed by DNV.

The Cruise Lines International Association (CLIA) is the world's largest trade association for the cruise industry and is a global organization with offices on all continents. CLIA represents 95% of the world's ocean-going cruise fleet, as well as 15,000 of the world's largest travel agencies, 70,000 individual travel agents and industry partners that include ports, destinations, ship developers, suppliers and business services. CLIA is a unified voice and leading authority for the global cruise community and supports policies and practices that promote a safe, secure, healthy and sustainable cruising environment for our passengers.

European Cruise Service is the marked leading tour operator and ships agent for the International cruise lines visiting Norway. The company is based in Bergen and has during its 170 years history developed an international quality service product based on the best Norwegian traditions. ECS has operations in North Europe, British Isles and Asia from Singapore to Hong Kong.

European Cruise Service has ambitious programs for cero emissions excursions, better distribution of cruise ship calls and passenger flows and contribute to improved local value creation – improving entrepreneur ship and diversified products.

European Cruise Service has taken a leading role in informing and explain the impact of the cruise industry to Norwegian politics and authorities and together with the complete value chain work for better conditions for the industry in Norway.

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This report was originally made as an input to *«Reisemålsutvalget»* and submitted to the Committee in October 2022. The report is the first presentation of the value Chain in Norwegian cruisetourism, and describes how this tourism interrelates on the total tourism in Norway. Furthermore, the report includes recommendations on how this industry can develop according to sustainability.

The textwork in this updated edition is according to the latest international edition approved by CLIA in February 2023. Tables and figures are updated with numbers from 2022.

Bergen, July 2023.

Summary

The Destination Committee (Reisemålsutvalget) has been given a broad mandate where our understanding is that the main question is how to facilitate more sustainable tourism in Norway. This also includes cruise traffic, which is an integral and important part of the Norwegian tourism industry. The committee's assessments are likely to influence important framework conditions and the further development of cruise tourism in Norway. It's crucial that these assessments are made on the basis of a correct knowledge base about our industry, which we would like to contribute to with this input.

Cruise traffic along the Norwegian coast has grown significantly over the past decade and further growth is expected in the years to come. This development has contributed to strong growth in the land-based tourism industry. At the same time, it has also helped to highlight some challenges of an environmental, social and economic nature with regards to tourism in Norway. Our main message is that cruise tourism must be developed as an integral part of the tourism industry in a sustainable way. In our opinion, this is entirely possible to achieve, while also facilitating a future development of cruise tourism that contributes to increased local value creation and profitability in land-based tourism.

There is room for increased land-based value creation from the cruise industry

A considerable share of the Norwegian tourism industry is built upon the quality of natural and cultural assets in the country. Most of these attractions are location-bound, which means that tourists need to travel to where the attractions are. This is part of the explanation for the interplay (the mutual dynamic) between cruises and land-based experiences.

The arrival of cruise ships and cruise passengers represents a significant share of the tourism at many destinations along the coast and thus provides the basis for businesses offering activities and food and beverage services. Several reports have also found that the location-bound tourism industry along the coast has the capacity to accommodate additional cruise tourists.

How much money cruise tourists spend in Norway is a question that has been reason for debate for several years and is used in arguments both for and against facilitating increased cruise activity along the Norwegian coast. These estimates vary between around NOK 500 and NOK 1,000 per day for cruise passengers. If one assumes NOK 800 as a basis, it means that cruise tourists visiting Flåm account for an aggregate sales revenue of over NOK 220 million annually. This is a good illustration of the importance of cruise tourism in small district municipalities in Norway.

An under-communicated effect of cruise tourism in Norway is that it's an important and, in some cases, decisive factor for several large investments in the land-based tourism sector. A high proportion of visiting cruise tourists go on excursions to local and regional sights when the ships are in port. The predictability of this demand is in many cases the reason why large tourism-oriented investments are carried out near popular ports.

The quality of the services on offer and the number of attractions and activities that are available are decisive for how long a cruise ship wishes to stay in a port, and for the amount of money the cruise tourists spend on shore. One challenge when it comes to strengthening the local land-based tourism industry along the sailing routes of the cruise traffic is that the quality of the services offered on shore varies a lot, between different destinations. A certain volume and predictability of cruise tourists is important to ensure adequate quality. Experiences with rogue operators or low-quality services sometimes result in cruise lines choosing to avoid using local suppliers. This in turn means that more of the value added that could benefit the local land-based tourism industry ends up with the cruise lines. It must be underlined here that this is not an outcome that is desired by the cruise lines.

Another challenge is a lack of compliance with relevant laws. The cruise industry sometimes experiences that local providers of transport services and adventure tours do not have the necessary statutory certifications. Regardless of whether the service provided by these actors is of good quality, this is a challenge for the shipping companies. They have a broad responsibility towards their guests and do not want to risk using rogue operators. The consequence of this uncertainty is that the shipping companies choose not to use local actors, but rather provide services themselves.

If one wants to succeed in increasing value creation from the cruise industry, there are three things in particular that are necessary, beyond strengthened cooperation and solutions to the problems of emissions and overcrowding.

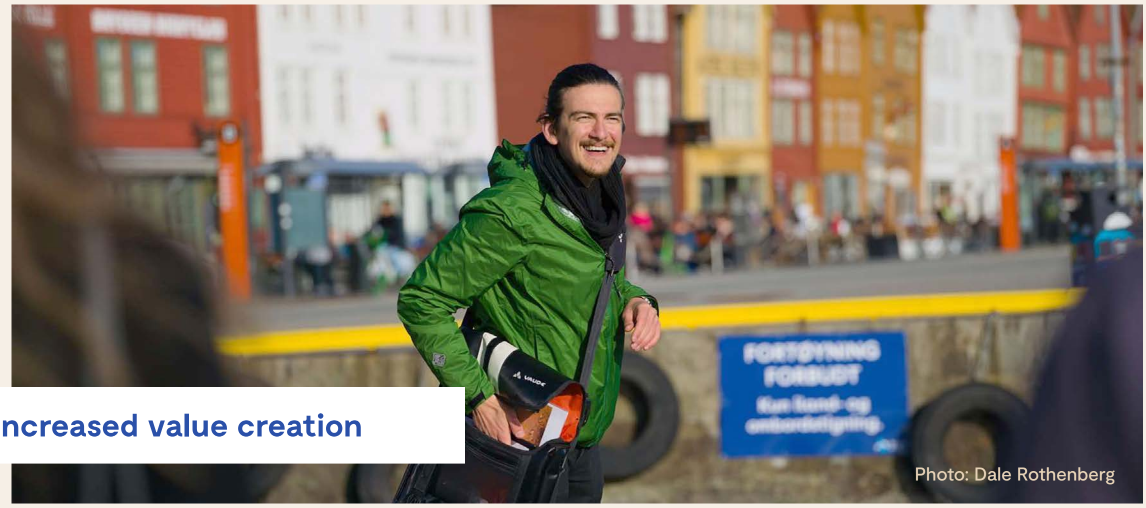
1. More local product development must be facilitated.
2. We need a regime that ensures and maintains standards on the supply side – *«best practice»*.
3. Existing regulations that are relevant for cruise tourism in Norway must be communicated and enforced.

Visitor management in Norwegian cruise destinations needs to be strengthened

News stories about *«overtourism»* in towns and villages along the Norwegian coast usually centre on cruise ships and cruise tourists. Such stories have undoubtedly contributed to creating a perception that it's the cruise industry which is the primary cause of a feeling of *«crowdedness»* at popular tourist destinations in Norway. We agree that poor visitor management at popular destinations along the coast is a challenge.

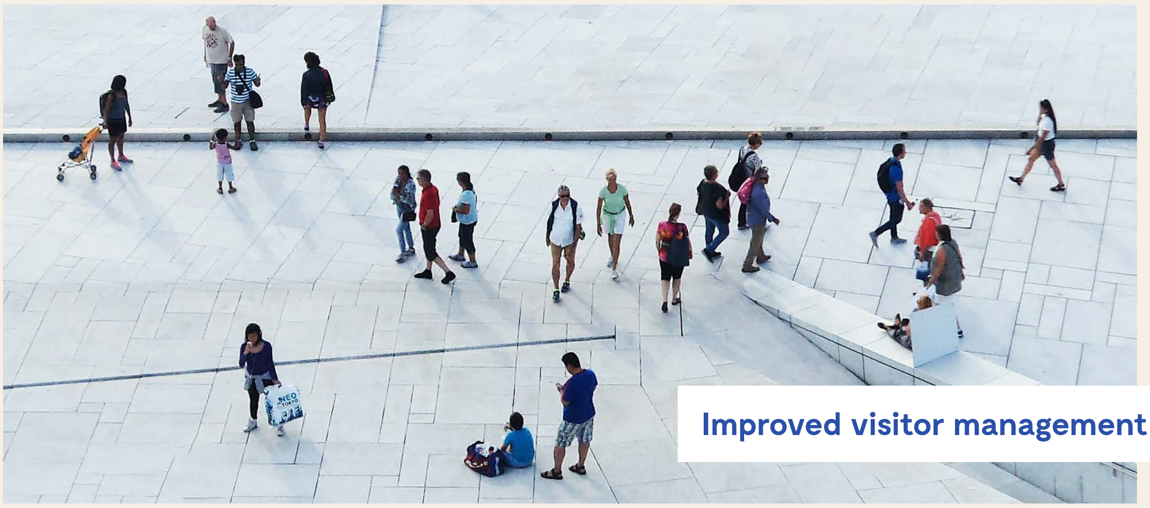
However, it's important to understand that the cruise operators themselves wish to avoid ports and times of call where crowding is a problem. Crowding impairs the quality of the activities and experiences passengers seek out on shore, such as Flåmsbanen in Flåm or Dalsnibba near Geiranger. As the shipping companies to some extent also act as intermediaries in the sale of tickets and transport services, they also miss out on revenues if capacity is exceeded.

Our main challenges

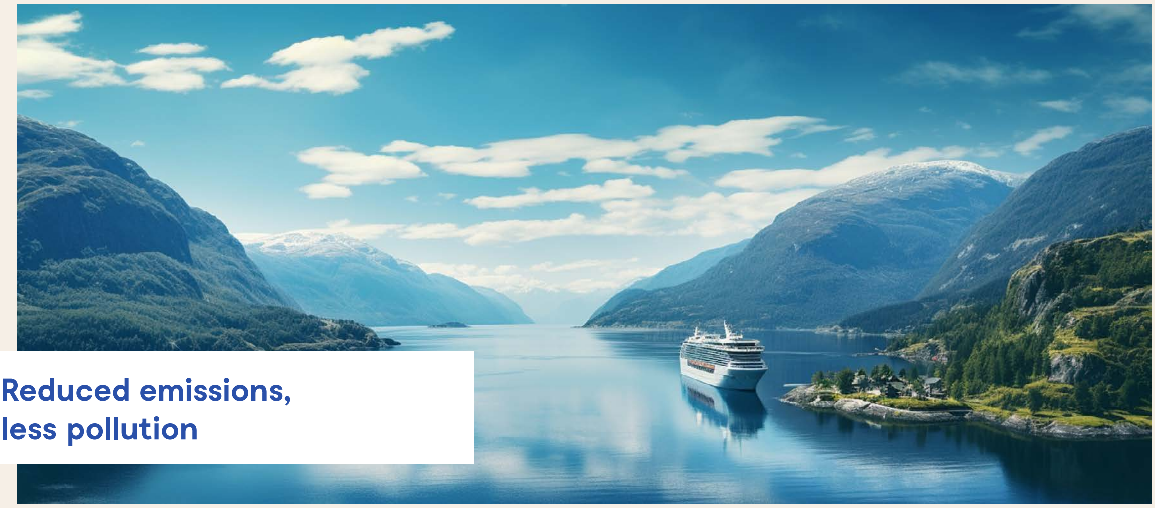


Increased value creation

Photo: Dale Rothenberg



Improved visitor management



Reduced emissions,
less pollution

We believe there is potential to both reduce the negative effects of overcrowding, through improved visitor management at the cruise destinations, as well as increase the positive effects on value creation and employment that can be directly attributed to the cruise industry in Norway. Instead of phasing out the cruise industry, we are advocating for the industry to be given a bigger place in the Norwegian tourism industry in the years ahead. There are two obvious ways to ensure continued growth in the cruise industry in Norway, while at the same time reducing the challenges associated with poor visitor management at individual ports along the Norwegian coast.

1. More of the growth in cruise ship visits should happen at ports that have few or no cruises calling at present.
2. Cruise traffic along the Norwegian coast should be spread out over a longer period of the year.
3. Better facilitation for turnaround operations in Northern Norway will make this part of the country available for weekly cruises from the continent.

This can be ensured by investing in technical facilities at ports and destinations that currently have few visits from cruise ships, as well as through better regional cooperation and coordination in tourism policy between individual destinations and municipalities.

Stronger regional cooperation to market both more ports and the current low and shoulder seasons is absolutely necessary. Today, the cruise ports along the Norwegian coast are largely municipally owned. This means that the municipalities (through the port) have an incentive to prioritize their port company's finances in their assessments of the volume of cruise traffic they wish to allow, only (possibly) moderated by the municipal residents' preferences about crowding in the high season.

Municipalities with popular ports lack incentives to help build up *«competing»* cruise ports in the same region. This is because the municipality in question will risk losing port fees and local value creation. However, for the larger region the municipality is located in, this will be positive. This enables increased value creation for the tourism industry throughout the whole region, and a greater spread of cruise ship visits in the high season.

We believe that cruise policy needs to be lifted from a local (municipal) to a regional level. Such regional cooperation can be facilitated and managed by various types of actors, including intermunicipal companies, regional destination companies and county authorities. This will help to spread out cruise tourists between different destinations and thus also distribute the positive value creation effects that result from cruise ship visits within larger regions.

There is a need to reduce emissions and pollution

If the Paris Agreement is to be achieved, all sectors and industries must reduce their emissions. Also the cruise industry, through the IMO (International Maritime Organization), has committed to working towards a development that meets the targets of the Paris Agreement to reduce CO_2 emissions. In Norway, the industry has worked with this problem through the Green Shipping Programme in particular. In the news here at home, however, it's mainly the specific Norwegian regulations in the World Heritage fjords that have received attention.

An introduction of a zero-emission requirement in the World Heritage fjords from 2026 will lead to a significant reduction in cruise traffic along the Norwegian coast. A lower number of visiting cruise tourists will in turn result in reduced activity in the local tourism industry in communities along the Norwegian coast. Specific Norwegian requirements that seek to force technological development and implementation of solutions that have not even been developed yet, appear too broad and not sufficiently targeted. Nor has it been documented that lower emissions in the world heritage fjords will actually contribute to reduced emissions globally. Firstly, it's possible that a zero-emissions requirement in the world heritage fjords will result in increased emissions, as a consequence of the ships recharging their batteries using diesel engines outside the fjords if such technology is available, in order to satisfy the requirements. Secondly, one must assume that some cruise lines will move their cruises to destinations outside Norway, which potentially increases overall emissions and has a negative effect on the Norwegian tourism industry.

Through international commitments, the cruise industry has shown that it wishes to transition to a more sustainable development. Instead of meeting this with specific Norwegian requirements and regulations, which in practice prohibit cruise traffic in some fjords, good solutions should be sought in cooperation between local, regional and national authorities as well as the cruise industry, tourism and other stakeholders. Investments in future-oriented infrastructure, such as shore power facilities and support schemes for the use of zero-emission solutions, are examples of approaches that are more positive and fruitful than emission bans in individual fjords. Utilising the existing natural infrastructure represented by the sea route to transport a larger volume of tourists to Norway is in line with a desire for sustainable resource management. The infrastructure is there and always has been. Only minor investments and interventions in natural habitats are required to handle large volumes of visiting tourists. This contrasts with forms of transport such as air, road and railway, which all require regular maintenance and, in many cases, both major interventions in natural habitats and polluting emissions in the construction phase. We encourage the committee to look at existing proposals to reduce emissions and pollution from cruise traffic that have already been assessed in more detail. This applies in particular to the recommendations from the pilot project under the Green Shipping Programme.

The industry itself has no problems with being regulated in a way that creates a balance between consideration for the local communities and climate-related limitations, but it's crucial that the right measures and regulations are chosen.

We believe that it's possible to create good framework conditions so that cruise tourism can be developed further in an appropriate and sustainable way that benefits everyone.

Our recommendations to the Destination Committee (Reisemålsutvalget)

To ensure higher value creation from the cruise industry, it's necessary to:

1. Facilitate the development of more and better products locally.

2. Establish schemes that ensure and maintain quality and standards on the supply side – *«best practice»*.

3. Enforce existing laws and regulations (on tourism operators?).

To strengthen visitor management:

4. More of the growth in cruise ship visits needs to happen at ports that receive no or few calls today.

5. Cruise traffic along the Norwegian coast needs to be spread out over a bigger part of the year.

6. Better facilitations for turnaround operations in northern Norway will make this part of the country available for weekly cruises from the continent.

These measures require investments into technical facilities at ports and destinations that receive few cruise visits at present, as well as better regional cooperation and coordination in tourism policy in individual destinations and municipalities.

Emissions and pollution from cruise ships should be reduced through the following measures:

7. Further establishment of shore power facilities (important to reduce both SO_x, NO_x and CO_2 emissions).

8. A requirement for Norwegian ports to use Environmental Reporting Tools.

9. Strengthened cooperation between authorities, destinations and the shipping companies.

10. Extending the World Heritage fjord regulations for NO_x to areas with high population density.

11. State to support the production and deployment of renewable fuels in Norwegian ports.

12. Encourage the use of emission-free organised transport of cruise tourists on land.

1. Introduction

The Norwegian tourism industry consists of activity, accommodation, food and beverage, transport and distribution companies that sell their services to a wide range of customers. Natural and cultural assets are the core of Norwegian tourism products, and the industry's resource base consists of access to pristine nature, waterfalls, deep fjords, bird life, the Midnight Sun, the Northern Lights, fruit blossoms, stave churches and urban life.

The tourism industry mainly consists of many small businesses covering the following business sectors: hotels, restaurants, airlines, ski lifts, festivals, activity providers and many others. The value chain in the various businesses differs somewhat. What binds businesses from this business category together and makes them tourism businesses is the fact that they make their living from people travelling – tourists, business travellers, course and conference guests. These tourism customers demand comprehensive products, which often include accommodation, food and beverage, transport and experiences. This means that the various business sectors deliver complementary products. In other words, the commercial actors jointly contribute to the tourists' overall experience.

This complementarity and interdependence between the sectors and the various actors is precisely what the industry needs to understand and strengthen in order to succeed in developing and improving its competitiveness and attractiveness. As we get into in more detail in this memorandum, cruise certainly has a key role in this respect. Cruise, together with the airline industry, represents a critical function for being able to receive and distribute the large volume of visitors to various destinations in the country.

Norwegian and international tourists are not the only ones affected by the Norwegian tourism industry. The local population doubles as a significant consumer of activities and food and beverage services and a third party that is affected by the overall volume of tourism and the positive and negative effects this has on the destinations. There is an important difference between tourists on the one hand and locals on the other. While the tourists travel to the products to experience attractive tourism products, the locals consume the tourism products *where they live* and at the same time can influence the visitors' impression and perception of the destination. The reputation of Norwegian tourism, particularly concerning the impact on the local environment and sustainable development, is important for maintaining the positive growth and development we have experienced in recent years.

In the Hurdal platform, the government referred to tourism as an industry of the future that will contribute to securing value creation and jobs nationwide, and that determined work must be done to make the industry more sustainable, in part to prevent the consequences of the Corona crisis from being prolonged. The Hurdal platform contains several specific measures for a combined tourism industry[1] in addition to specifying that the government will *«Reduce local pollution by facilitating shore power for cruise ships at the most trafficked ports and in the longer term introduce a ban on heavy fuel oil»*. This and several of the other measures in the Hurdal platform will affect the cruise industry and we are generally positive about the Government's ambitions for the industry.

A public committee for destination development and visitor management was appointed on 26 August 2021. This committee is often referred to in Norwegian as Reisemålsutvalget *(«The destination committee»)*. The committee has been asked to deliver its report in the form of an Official Norwegian Report (NOU) in the autumn of 2022. The committee has been given a broad mandate where our understanding is that the main question is how to facilitate more sustainable tourism in Norway.

The committee's mandate refers to the tourism industry employing more than 170,000 people and creating a combined value of approx. NOK 130 billion in 2019. This corresponds to around 7 per cent of the total employment[2] and, in many municipalities, the tourism industry is among the main employers. Besides being an important employer, especially in the rural areas, tourism is also Norway's fifth largest export industry according to figures from Statistics Norway. Cruise traffic along the Norwegian coast has grown significantly over the past decade and, even though the pandemic had enormous consequences for the industry, the activity is expected to return to previous levels and further growth is expected in the years to come. However, the strong growth helped to highlight some local challenges of an environmental, social and economic nature. A key aspect of the committee's mandate is assessing how to facilitate a more sustainable tourism industry.

When it comes to the cruise industry specifically, there have been numerous of exchanges of opinion in the media and other forums in recent years where individuals, or actors, have expressed strong opinions without necessarily speaking on behalf of a wider industry or having good professional support for their opinions and claims. Consequently, the destination committee's work is very important. The committee's assessments and recommendations are likely to influence important framework conditions and the further development of cruise tourism in Norway. Consequently, it's crucial that these assessments are made on the basis of a correct knowledge base about our industry.

Our input is mainly intended to shed light on the conditions mentioned in point 4 of the committee's mandate as well as what we perceive as key questions and issues for the committee to decide about that are related to our activity. Our main message is that cruise tourism must be developed as an integral part of the tourism industry in a sustainable way. In our opinion, this is entirely possible to achieve, while also facilitating a future development of cruise tourism that contributes to increased local value creation and profitability in land-based tourism.

The senders of this memorandum represent the cruise industry broadly. We will gladly attend a meeting with the committee to elaborate on our input if so desired.

[1] The Hurdal platform. For a government formed by the Labour Party (A) and Centre Party (Sp) 2021–2025, page 16 and 17.

[2] National Tourism Strategy 2030

2. About the cruise industry

Since the 19th century, foreign tourists have been coming to Norway on cruise ships to experience fjords, mountains, the Midnight Sun, our homes and our culture. In fact, cruise is the oldest form of transporting a large volume of foreign tourists to Norway. These cruises have traditionally called at around 100 ports in Norway. However, the bulk of the passenger flow comes to around 30 of these. The value creation is discussed in more detail later in this memorandum. The challenge now is to adapt this form of tourism to an era where sustainability is central. We hope the committee shares our view and that its work and recommendations will reflect this.

Strong growth in the cruise traffic along the Norwegian coast in the years up to the pandemic

Over the past decade, the cruise calls and number of cruise passengers visiting Norwegian ports has experienced significant growth. The number of cruise tourists visiting the ports virtually doubled from 2010 to 2019 (98 %).[3] The figures below show that particularly in the final two years before the pandemic there was significant growth in the cruise traffic along the Norwegian coast.

Figure 2-1: Number of visiting cruise tourists on cruise calls in Norway, 2010-2021.

Source: The Norwegian Coastal Administration.

Figure 2-2: Number of visiting cruise tourists on cruise calls in Norway in the months of June, July and August.

Source: The Norwegian Coastal Administration.

[3] Note that we are not counting the number of cruise tourists, but rather the number of passenger calls. If a cruise tourist is on a cruise that calls at two Norwegian ports during the cruise, then the person is counted twice.

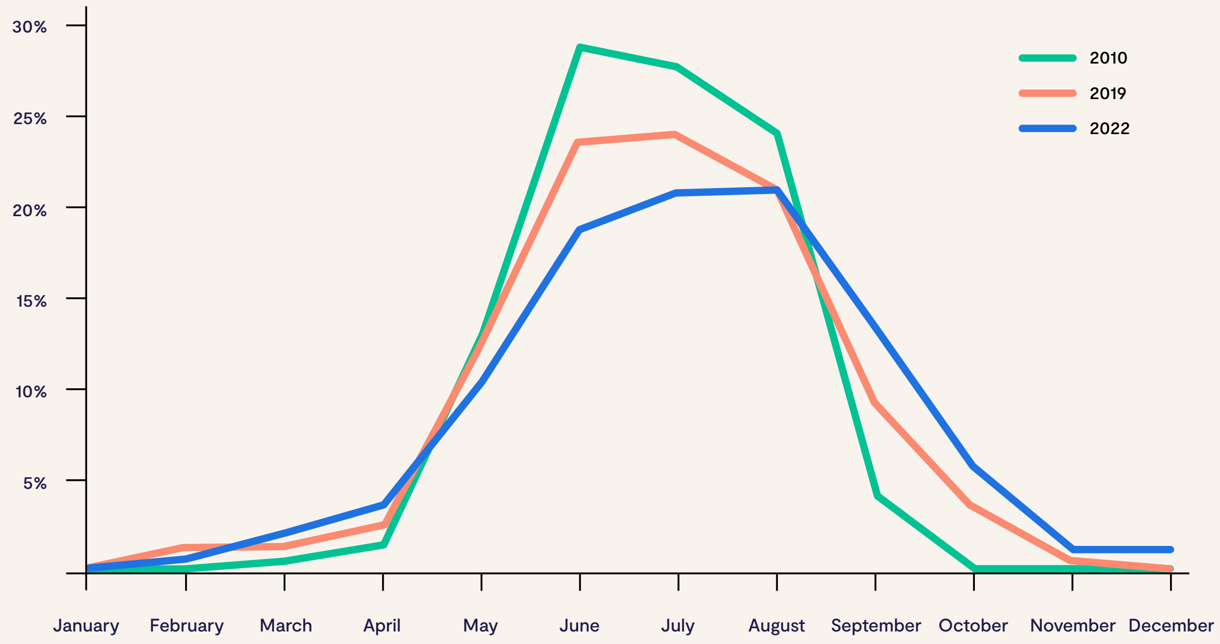
Based on preliminary figures for the number of calls and passengers for 2022, the pandemic does not appear to have had a lasting negative effect on the demand for cruise experiences along the Norwegian coast. Looking solely at the summer months (June, July and August), the combined passenger volume in the summer of 2022 was about 8 % lower than in the record year 2019, but still higher than in 2017.

Beyond general high growth, another trend is that the growth in the number of cruise calls – i.e. the number of times a cruise ship calls at a port – has been lower than the passenger growth. While the growth in the number of passengers was almost 100 %, the growth in the number of calls was 65 %. The discrepancy between the growth in the number of cruise passengers and cruise calls that arrived at Norwegian ports in this period can mainly be attributed to the fact that the average size of the cruise ships that sail along the Norwegian coast has steadily increased.

The summer months are peak season for cruise traffic

The cruise traffic in Norway has always been seasonal with a peak season during the summer. Although this was still the case in 2019, as in 2010, there has been a trend in Norway that the cruise season has gradually extended over more months of the year. This is illustrated in the figure below. This development probably reflects the market situation to some extent. As a tourism product, the value of a cruise experience along the Norwegian coast is higher when there is low congestion at key ports and on sailing routes. Consequently, the cruise lines have scheduled increasingly more sailings in the late summer and early autumn.

Figure 2-3: Cruise passengers (passenger calls) in Norway by month in 2010 and 2019.



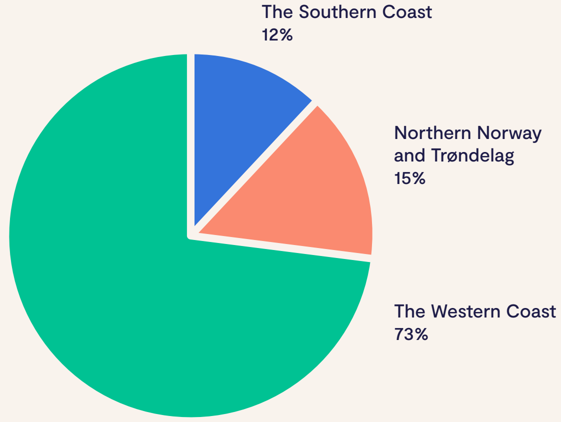
Source: The Norwegian Coastal Administration.

Western Norway dominates as a cruise destination, but winter cruise in Northern Norway is experiencing strong growth

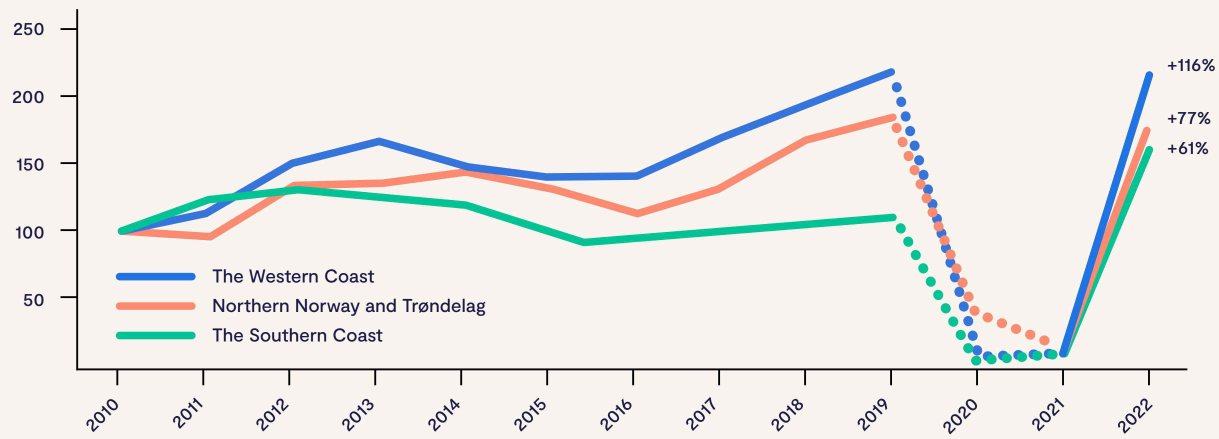
The British pleasure yacht Nereid is regarded as being the first tourist ship to sail into Geiranger, in 1869.[4] To this day, the majority of cruise traffic to Norway goes to the fjords along the West Coast of the country. In 2019, more than 75 % of the visiting cruise passengers disembarked at ports in Western Norway.[5]

The ports along the West Coast of Norway experienced the highest growth in cruise traffic in the decade leading up to the pandemic. However, another interesting feature of ***Figure 2-4*** is the strong growth in cruise traffic in Northern Norway in the period from 2016 to 2019. During this period, the number of cruise passenger visits to ports in Northern Norway and Trøndelag increased by almost 65 %. This is more than 10 % higher than the corresponding growth along the West Coast. The statistics also show that most of the increase in cruise passenger calls in Trøndelag and Northern Norway were outside the traditional peak season in the summer. This growth can be

Figure 2-5: Number of cruise passenger calls (day visits by cruise tourists) in various regions along the Norwegian coast in 2019.



Source: The Norwegian Coastal Administration.



Indexed (2010=100).

Figure 2-4: Development in cruise passenger calls to Norwegian ports, by coastal region, 2010-2019.

Source: The Norwegian Coastal Administration.

[4] News item from abcnyheter.no (13.08.2017), *«Historiske bilder: Den første cruiseturisten i Norge»*.

[5] The counties of Rogaland, Vestland and Møre og Romsdal

traced to the winter months of January to March and the autumn months of September and October. However, this is far from the earlier pattern in the cruise traffic in Norway where around 80 % of the calls in the years up to 2000 went to Northern Norway. This change may be attributed to strong growth in cruises with a duration of around seven days. So far, this has excluded Northern Norway, but this has the potential to be changed at the turnaround ports in the region.

The figures illustrate the distribution of cruise passenger visits in 2016 and 2019 respectively, for the two parts of the country where the cruise traffic has grown most in recent years. In Trøndelag and Northern Norway in particular, there has been a remarkable turn in the profile of the cruise traffic in a few years from a situation where virtually all cruise calls arrived in June, July and August to a situation where there is also significant cruise activity in the region in the winter months.

Figure 2-6: Cruise passengers (passenger calls) along the coast of Trøndelag and Northern Norway by month in 2016 and 2019.

Source: The Norwegian Coastal Administration.

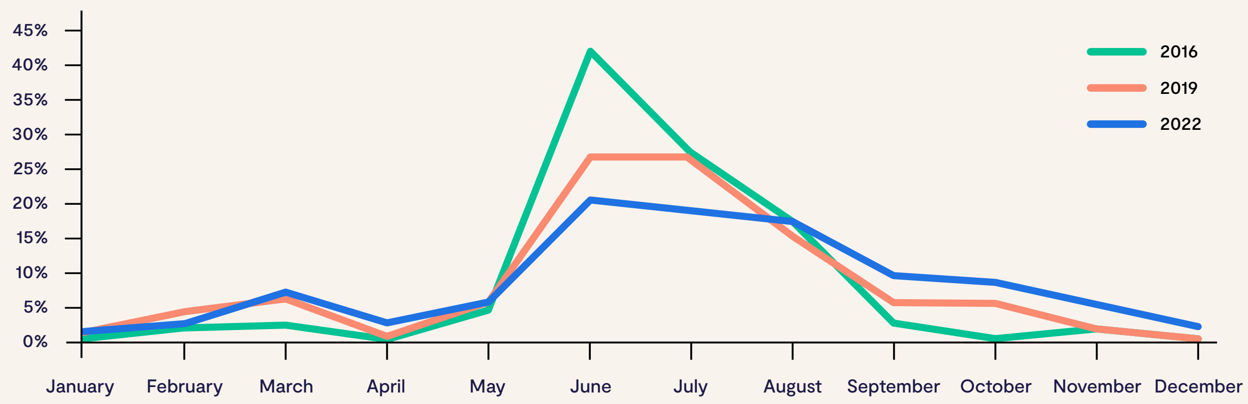
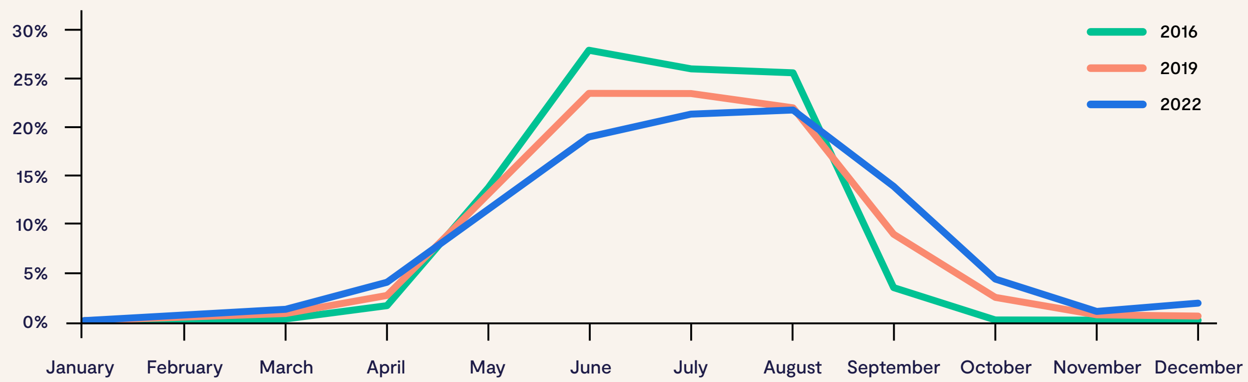


Figure 2-7: Cruise passengers (passenger calls) along the coast of Western Norway by month in 2016 and 2019.

Source: The Norwegian Coastal Administration.



The development in the northern regions of the country has occurred because the actors in the market have seen the potential that lies in winter cruise in these regions rather than because of regulations or measures by the authorities. This development is also an asset for the tourism industry in Trøndelag and Northern Norway. The fact that the demand for experience activities, food and beverage and retail trade from cruise passengers is spread more evenly throughout the year contributes to the tourism industry in the region becoming more economically sustainable.

An increasingly greater proportion of cruise calls to the cities

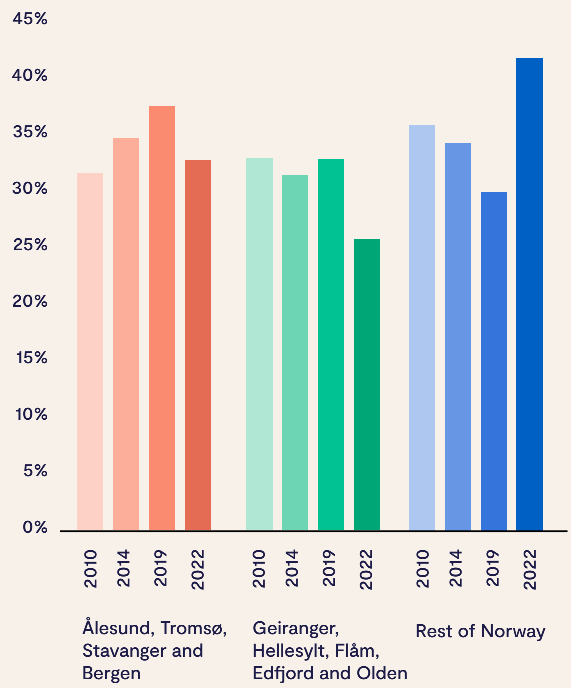
The cruise calls along the Norwegian coast are to a large extent concentrates to a few destinations and ports. Almost 40 % of the cruise passenger visits in 2019 were to the cities of Bergen, Stavanger, Ålesund and Tromsø. In comparison, the five destinations Geiranger, Hellesylt, Flåm, Olden and Eidfjord, which are situated in municipalities with a combined population of around 15,000[6], had more than 1.3 million cruise tourist visits in 2019 – one-third of all such visits at Norwegian ports in 2019. In other words, more than 70 % of the cruise tourist visits in Norway in 2019 took place in four cities and five smaller local communities.

It's obvious that the arrival of large cruise ships and visits from the cruise passengers are far more noticeable in small villages such as Geiranger and Flåm than in the cities along the coast. In the summers leading up to the pandemic in 2020 and 2021, there were news stories every year about how many tourists left their mark on small places like Geiranger and Flåm, and that more and more tourists were visiting these places every year.

Part of the tourist growth in some of the most visited villages in Norway, such as Geiranger, Hellesylt, Flåm, Eidfjord and Olden, came from calling cruise ships.

However, statistics from the Norwegian Coastal Administration shows that calls to these destinations are not the primary driver for the overall growth in cruise traffic to Norway. It's the calls to the larger cities along the coast, such as Ålesund, Tromsø, Stavanger and Bergen, that have grown most in the past decade.

Figure 2-8: Cruise passenger visits at Norwegian ports distributed between cities, popular small districts and the rest of Norway.



Source: The Norwegian Coastal Administration and Statistics Norway.

[6] Stranda, Aurland, Stryn and Eidfjord.

Three main challenges related to the cruise traffic

The cruise traffic represents many visitors and there is little doubt that the cruise industry contributes to significant value creation and to maintaining many jobs, especially in several smaller tourist destinations around the country. We elaborate on this below. However, the cruise traffic and the growth that has taken place over several years has not come without some negative effects that there is an increasing political desire to limit. This primarily applies to impacts on the climate and environment as well as measures to avoid overcrowding in popular cruise destinations during the peak season.

The public debate about the cruise industry is strongly polarised and dealing with various claims and subjective opinions can be challenging without sufficient evidence. It would be unfortunate if this is allowed to affect the perception of an entire industry that plays an important role in Norwegian tourism. We believe it's entirely possible to address these challenges without destroying the positive effects from the cruise industry.

The industry itself has no problems being regulated in a way that creates a balance between considerations for the local communities and the climate. However, having the right measures and regulations is crucial. We believe that it's possible to create good framework conditions that enable cruise tourism to be developed further in an appropriate and sustainable manner that benefits everyone.

In the following chapters, we will address what we perceive as the three main challenges for future cruise traffic:

1. How to facilitate **greater value creation** from cruise?
2. How to **improve the visitor management** at Norwegian cruise ports?
3. How to **reduce emissions and pollution**?

3. How to facilitate greater value creation from cruise?

There is an interplay between the cruise industry and the land-based tourism industry. The cruise traffic creates the basis for the land-based industry, while the offer from the land-based industry makes a destination more attractive for cruise lines. When discussing how to best facilitate further value creation in the cruise industry, it's important to understand some key characteristics of the tourism industry of which cruise is an integral part:

1. The industry comprises of five complementary sectors (transport, distribution, activities, food and beverage and accommodation).
2. The attractiveness is often linked to the quality of natural and cultural assets.
3. The tourists often visit several destinations on one trip.
4. Most of these attractions are location-bound, which means that tourists need to travel to where the attractions are. The applies mostly to natural and cultural assets.
5. Since the attractions are location-bound and the tourists travel to where the attractions are, the tourism creates an extremely high number of jobs in rural areas. This is reinforced by the fact that most activities in the industry are labour-intensive.
6. Adapted commercial products.

The above-mentioned conditions explain the strong interdependence between the actors in the industry. Cruise, together with air transport, are clearly the two main forms of transport to facilitate access to Norwegian destinations. As the cruise passengers stay overnight on board the cruise ships, the activity, trade and food and beverage sectors are the main ones that complement the cruise industry. In order to increase the value creation from cruise tourists, we need to find solutions that contribute to the cruise tourists spend more money precisely in these industries. Increased value creation can be achieved by developing better adapted activities, services and commercial product. This will stimulate higher demand.

3.1. Cruise tourists represent a significant share of the value creation and are a decisive factor for major tourist investments along the coast

The cruise industry was hit hard by the pandemic. However, the activity has quickly picked up again in 2022 towards levels from before the pandemic and strong growth is expected in the years ahead. We are interested in ensuring that this development occurs in a way that is profitable and sustainable. The best way to achieve this is with close and good dialogue between the authorities at various levels and the industry. The cruise industry and cruise tourists represent an opportunity that the destinations themselves must want.

Cruise calls and passengers represent a significant share of the tourism at many destinations along the coast and thus provide the basis for local businesses offering activities and food and beverage services. Numerous reports have also found that the location-bound tourism industry in most places along the coast has the capacity to receive additional cruise tourists. To put it simply, there are 2 million tourists with a combined consumption of NOK 2 billion per day off the Norwegian coast who very much wish to visit.[7] This expresses the enormous potential for value creation that lies in continued growth in the cruise traffic along the Norwegian coast.

We are interested in ensuring that further growth takes place in a way that is climate- and environmentally friendly as well as economically sustainable. Measures to ensure that the cruise traffic becomes increasingly more climate-friendly, as well as measures to reduce the consequences of poor visitor management, are discussed in the following chapters. We will explain the actual economic impact the cruise industry has for local and regional value creation along the coast, as well as present measures for how further growth in the cruise industry can make a further contribution to the Norwegian economy.

3.1.1. A predictable volume of cruise tourist visits is a decisive factor for investments in the land-based the tourism sector

An under-communicated effect of cruise tourism in Norway is that it's an important and, in some cases, decisive factor for many major investments in the land-based tourism sector. A high proportion of visiting cruise tourists go on excursions to local and regional sights when the ships are in port. In many cases, the predictability of this demand is the reason why large tourism-oriented investments (e.g. experience centres, museums and cable cars) occur near popular cruises ports.

This is well illustrated by the example in Bergen. The recent investment in the Fløibanen funicular (approx. NOK 250 million) would have been *out of the question* if there were plans to throttle cruise tourism to Bergen. A wonderful Fløibane and upgraded Ulriksbane make Bergen an attractive destination for many types of visitors in addition to the cruise tourists, including those who need to stay at hotels and dine at the restaurants. Consequently, the entire tourism industry in Bergen benefits from this investment, which can be largely attributed to the stable visitor volume from visiting cruise tourists.

There are numerous similar examples, including the recent investments in cable cars in Loen, Voss and Åndalsnes, as well as the experience centre, Sagastad Viking Centre, in Nordfjordeid. The investments in the cable car up to Fløya in Tromsø is a similar example. These investments create significant extended economic effects in the form of increased value creation and employment locally and nationally, during the construction period.

[7] Innovation Norway estimated that the cruise tourists' combined land-based expenditure in Norway in 2019 amounted to NOK 1.8 billion.

3.1.2. Cruise lays the foundation for large value creation and employment in the land-based tourism industry

How much money cruise tourists spend in Norway is a question that has been reason for debate for several years and is used in arguments both for and against facilitating increased cruise activity along the Norwegian coast. We have illustrated the cruise industry's value chain below. This is divided into two parts, where the green parts of the value chain represent the demand aimed at the land-based tourism industry. As it appears, the main demand from visiting cruise tourists is for experiences and transport services. These are developed and facilitated by national and local tour operators which offer these to the cruise lines. Between 40 and 70 % of the cruise passengers make use of such offers. In addition to this, the cruise tourists also visit souvenir shops and other retailers as well as cafés and restaurants, etc.

Numerous studies and surveys have mapped the expenditure of visiting cruise tourists in Norway. These estimates vary between around NOK 500 and NOK 1,000 per day for cruise passengers.[8] A common finding in such studies is that the level of expenditure varies significantly between various cruise segments and between various ports.

Naturally, the significance of visiting cruise tourists varies enormously between various cities and villages along the coast. In cities such as Oslo, Bergen and Stavanger, which all receive a significant volume of cruise tourists, that are few businesses that have cruise tourists as their dominant customer group. However, the opposite is the case in villages such as Geiranger, Hellesylt, Flåm and Eidfjord, where the tourism industry accounts for a significant part of the private sector and cruise tourists represent by far the largest customer group.

Figure 3-1: The value chain in the cruise industry.

[8] See Innovasjon Norge og Epinion (2019), *«Cruiseturismen i Norge i 2019»*, TØI (2019), *«Cruiseturisters forbruk i Norge»* and Menon (2018), *«Cruiseturismens økonomiske betydning i Bergen»*.

Flåm is a good illustration of the importance of cruise tourism for the local economy

In 2019, almost 270,000 cruise tourists visited Flåm, which made the village the sixth most visited cruise port in the country (three of the five destinations that had higher visitor numbers than Flåm were the cities Bergen, Stavanger and Ålesund). Over the years, the tourism industry in Flåm (in Aurland municipality) has made investments that have created a considerable breadth in the services on offer, including one of Norway's largest souvenir shops. Owing to the well-developed land-based services on offer and the high quality, the port has one of the highest shore excursion rates in the world (approx. 70% of arriving cruise tourists) and the average docking time of the cruise ships in Flåm is high (approx. 10 hours).

The good offer of services for cruise tourists in Flåm gives us reason to believe that the average expenditure level among this type of tourist is higher than in some of the nationwide surveys mentioned above. Consequently, in the calculation presented below, we have used NOK 800 per cruise tourist per day as a basis.

Based on registered accounting figures for all the companies, as well as their branch offices, we can quantify the aggregate sales venue in the private sector in Flåm. Moreover, based on the registered industry codes, we can identify typical *«tourism companies»*.

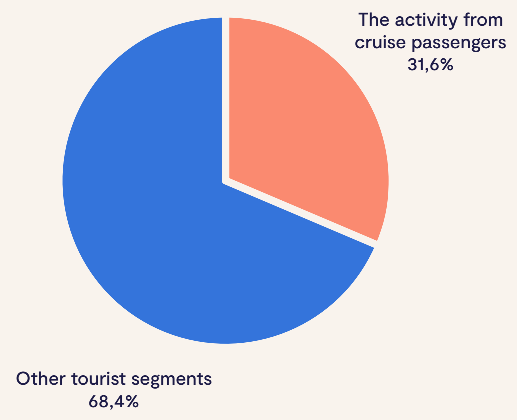
We find that the tourism industry in Aurland municipality had an aggregate sales revenue in 2019 of over NOK 360 million. This accounted for just over one-third of all value creation in the private sector in the municipality that year. Visiting cruise tourists in Flåm generated an estimated aggregate sales revenue for the local tourism industry of over NOK 220 million. Consequently, more than 30 % of the value creation in the tourism industry in Aurland municipality in 2019 can be attributed to visiting cruise tourists in Flåm.

Measured in terms of jobs, based on the ratio between value creation and the number of registered jobs in the tourism industry in the municipality, the cruise ships that called created more than 90 jobs in Aurland in 2019. To put this into perspective, the population in the entire municipality is about 1,700.

Cruise also contributes significant value creation in the cities

The example of Flåm as a much-visited cruise port in a small Norwegian municipality illustrates the importance of cruise tourism in small district municipalities in Norway.

Figure 3-2: Value creation in the tourism industry in Aurland municipality in 2019. The proportion linked to cruise tourist visits and other customer segments.



Sources: The Norwegian Coastal Administration, Innovation Norway and Menon Economics.

Although the relative significance of cruise tourism is clearly greatest, or most visible, in several smaller places like Flåm, it's also important to be aware of the significant value creation and employment cruise tourism lays the foundation for in larger cities. In 2021, Menon Economics were commissioned by the Port of Oslo[9] to take a closer look at the economic significance of cruise tourism in Oslo. This report estimates a total direct consumption from passengers and cruise lines in 2019 of NOK 226 million, which equates to an average consumption of NOK 980 per arriving cruise tourist. Based on the estimate of NOK 226 million, the report concludes that in 2019 cruise activity laid the foundation for 180 full-time equivalent positions in the Oslo region in 2019 and that cruise tourism contributed just under NOK 166 million in value creation.

In recent years, numerous other reports show the economic importance of cruise tourists. In 2019, the Norwegian Hospitality Association (NHO Reiseliv) had 10 destination analyses prepared that focus on the development in the tourism industry and the significance of this. Several of the analyses concern important cruise destinations such as Bergen and Ålesund. The analysis of Bergen shows that the cruise passengers accounted for a turnover of NOK 545 million in 2018, while the cruise tourists in Ålesund represented the most important tourist segment during the summer season. Looking at the combined figures for 2018, the cruise tourists accounted for 43 % of all *«guest days»* in Ålesund. The corresponding figure for Bergen was about 18 %. Based on an assumed average land-based consumption of NOK 790 per cruise tourist per day, the report finds that the cruise passengers' consumption in Ålesund in 2018 equated to NOK 5,000 per resident in the municipality. This is significantly higher than destinations such as Oslo, Bergen, Trondheim and Tromsø, where the corresponding amount varies from NOK 250 to NOK 1,950 per resident.

3.2. Realising further value creation from the cruise tourists is possible

The quality of the services on offer and the number of attractions and activities that are available are decisive for how long a cruise ship wishes to stay in a port, and for the amount of money the cruise tourists spend on shore. This is supported by the experiences from Flåm. A wide range of land-based activities has been developed here over time. We have about 20 ports of this quality in Norway. A relevant question is what needs to be done to raise the quality of other cruise ports, as well as ensure that the achieved standard is maintained.

The starting point for a cruise call is that the passengers/cruise lines wish to experience and use local service offers. The national and local operators investigate whether such offers exist or can be developed. A lack of volume or local businesses can lead to the cruise lines investing in their own activities, e.g. their own bicycles, etc. However, the cruise lines' own customer satisfaction surveys among passengers show that Norway is among the very best in the world when it comes to land-based offers.

In the main, the control of quality and safety is good when it comes to the products offered at cruise ports. However, it may still be an advantage if there is standardisation based on *«best practice»*. Equally important is the development of a wider product range. In this context, initiatives involving the exchange of experiences can be a useful tool, e.g. it would be an advantage if knowledge about relevant legislation and regulations was made more accessible.

[9] Menon Economics (2021). Cruise industriens økonomiske betydning for Oslo. Menon publication nr. 144/2021

3.3. Recommendations

The key to increased value creation during cruise calls is more and better adapted products. This can be achieved, for instance, through increased intersectoral cooperation. It's also important to look at how the cooperation between the industry and the public sector can be strengthened. We will also return to this in the discussions about reducing emissions and improving visitor management. Strengthened cooperation would make it easier to share knowledge and contribute to the development of the industry in a direction that benefits everyone. This may include new investments and product development as well as measures to raise the quality and standard of existing offers. It should be a common goal for the entire industry to find solutions that strengthen the competitiveness of the Norwegian tourism industry in a way that also increases the visitors' willingness to pay.

The tourism industry is characterised by the fact that there are many small actors and often low margins. This makes it challenging to undertake product development and make major investments. Consequently, it's all the more important that regulations are not introduced that limit demand and weaken the basis of income and predictability for the land-based tourism industry.

We have shown above that the cruise traffic represents major values and that there is great potential to increase this. In our opinion, there are three things in particular that are necessary, in addition to strengthened cooperation:

1. More local product development must be facilitated.
2. We need a scheme that ensures and maintains quality standards on the supply side – *«best practice»* must be key when it comes to quality development.
3. Existing legislation and regulations of relevance for cruise tourism in Norway must be enforced.

Previous surveys show that the greatest potential probably lies in the development of more attractive cultural offerings. A key finding in the project *«Bærekraftig cruise – kunnskap om og optimalisering av sosiale, miljømessige og økonomiske effekter av cruiseturisme»*[10] is that there is a potential for increased income from cruise tourists through better developed cultural offerings. They find that cruise tourists place emphasis on 1) wonderful views and natural attractions, and 2) cultural experiences and insight into the current cultural lifestyle.

[10] Researchers at the Western Norway Research Institute, TØI, the University of Stavanger, NHH/SNF and BI have, in collaboration with the county administrations in Hordaland, Sogn og Fjordane and Møre og Romsdal, studied how the cruise industry can become more sustainable.

The study shows that offering cultural experiences at the destination provides opportunities for income if this is facilitated.[11] This also corresponds well with a previous survey by Innovation Norway which found that cruise tourists who visit Norway to experience cultural activities have the highest consumption.[12]

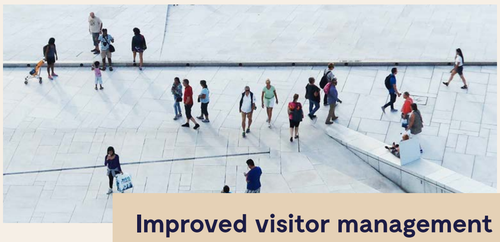
Another challenge is ensuring and maintaining high quality in the land-based tourism industry, so that cruise lines cruise lines use of the services offered by the business where they call to the greatest extent possible. We believe a good solution in this respect is to introduce norms for best practice within the experience industry. This can be achieved by introducing guidelines or more formal requirements for the suppliers of activities such as guiding and other tours, events and activities.

We believe the third challenge lies in enforcing current legislation and regulations so that quality is ensured, and rogue operators are excluded. This applies, for example, to the Regulations concerning professional transportation.

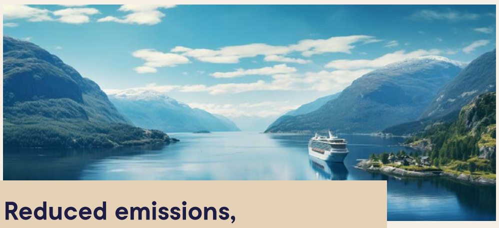
Increased value creation from cruise is also closely linked to how one solves challenges associated with visitor management and pollution. We will go into this in more detail in the following chapters.

Our main challenges

Increased value creation



Improved visitor management



Reduced emissions, less pollution

*Photo: Dale Rothenberg.

[11] https://www.vestforsk.no/nn/project/berekraftig-cruise-kunnskap-om-og-optimalisering-av-sosiale-miljomessige-og-okonomiske

[12] Innovation Norway's cruise survey in 2014

4. How to improve visitor management at Norwegian cruise ports? Regional and local distribution

No form of tourism is more manageable than cruise tourism. The ability of the calling ships to manage the flow of tourists is virtually unlimited. This includes managing where and when the tourist flows from the ships go. However, this is currently underutilised in some contexts.

News stories about *«overtourism»* in towns and villages along the Norwegian coast during the summer usually centre on cruise ships and cruise tourists. Such stories have undoubtedly contributed to creating a perception that it is the cruise industry which is the primary cause of a feeling of *«crowdedness»* at popular tourist destinations in Norway. We agree that poor visitor management at popular destinations along the coast is a challenge. However, we believe that it is oversimplified to claim that the cruise industry alone is the cause of these challenges.

Firstly, the cruise traffic along the Norwegian coast contributes to significant value creation and employment in the tourism industry. The cruise tourists who disembark at Norwegian ports during their cruise make use of numerous locally produced goods and services. This contributes to value creation and jobs that would not otherwise exist in these places. This effect is particularly important in the district municipalities, where the demand from cruise tourists contributes to countering the general negative trend of population decline owing to urbanisation. The flexibility of cruise traffic also provides an opportunity for more local communities to share the value creation if this is facilitated.

Secondly, it's a paradox that the challenge of overcrowding is solely linked to the cruise industry. Bergen is one of the cities where the debate about tourist congestion and cruise tourists has been extensive. Temporary maximum limits concerning the number of calls and passengers that can be received per day during the peak season have been introduced in Bergen on several occasions in recent years. Although there may be good reasons for introducing such a cap on cruise calls, it's striking that Bergen hosts numerous concerts, festivals and sports events during the summer and that the visitor numbers at these events are much higher than the record number of cruise tourists to visit the city on one day. Concerts attracting crowds of more than 15,000 are regularly held at Koengen and Brann stadium, while almost 36,000 visitors came to the city during the Road Cycling Words Championships in Bergen. A survey of the economic effect for Bergen of this sports event also found that the visiting spectators had no higher consumption during their stay in Bergen than an average cruise passenger.[13, 14]

In a discussion about cruise traffic and its effect in terms of overcrowding, it's also worth noting that cruise lines wish to avoid overcrowding. The reason for this is that crowding impairs the quality of the experience and that the capacity of the excursion options, such as the Flåmsbanen in Flåm or Dalsnibba near Geiranger, will be more limited in the event of overcrowding. As the cruise lines to some extent also act as intermediaries in the sale of tickets and transport services, they also miss out on revenues if capacity of activities and attractions at relevant destinations is exceeded. This means that the cruise lines' willingness to call the most popular ports limits itself if there is poor visitor management at these cruise ports.

Furthermore, it's much easier for the cruise lines to sell cruises to customers who have previously sailed along the Norwegian coast if they can promote *«new»* ports and destinations to visit. This is a further incentive for the cruise lines to set up the sailing routes in such a way that the overcrowding at the ports is low and to make use of a varied range of cruise ports.

The success of the cruise traffic is based on attractive offers of experiences and activities in a region around each port of call. By calling at more ports, the traffic is spread out and the congestion of visiting tourists is avoided. In this way, better experiences are created for the guests, value creation increases and negative burden on the local population is reduced.

Cruise ships cannot simply dock anywhere. They require port facilities. An individual port is more attractive to the cruise lines if good technical facilities are installed, including shore power facilities and the possibility to refuel biogas.

We believe there is potential to both reduce the negative effects of overcrowding, through improved visitor management at the cruise destinations, as well as increase the positive effects of value creation and employment that can be directly attributed to the cruise industry in Norway. Instead of phasing out the cruise industry, we are advocating for the industry to be given a bigger place in the Norwegian tourism industry in the years ahead.

The growth of cruise traffic in recent decades has largely focused on week-long cruises. In the past, a cruise usually lasted longer than a week. This development has led to a large increase in traffic in Southern Norway. However, if Northern Norway is to enjoy a similar development, better facilitation for turnaround operations must occur so that a weekly cruise can start and end in this region.

There are three obvious ways to ensure continued growth in the cruise industry in Norway, while at the same time reducing the challenges associated with poor visitor management at individual ports along the Norwegian coast.

1. More of the growth in cruise ship visits should happen at ports that have few or no cruises calling at present.
2. Cruise traffic along the Norwegian coast should be spread out over a longer period of the year.
3. Better facilitation for turnaround operations in Northern Norway will make this part of the country available for weekly cruises from the continent.

Such growth can occur at the same time as the targets for reducing emissions are achieved.

[13] Menon publication 2/2018, *«Ringvirkningsanalyse av sykkel-VM»* and Menon publication 85/2018, *«Cruiseturismens økonomiske betydning i Bergen»*.

[14] The average visiting spectator during the Road Cycling World Championships had a consumption of just over NOK 1,100 for their entire stay in Bergen, while an average visiting cruise passenger has a consumption of just under NOK 1,100 per day.

4.1. Spreading to more ports in the peak season

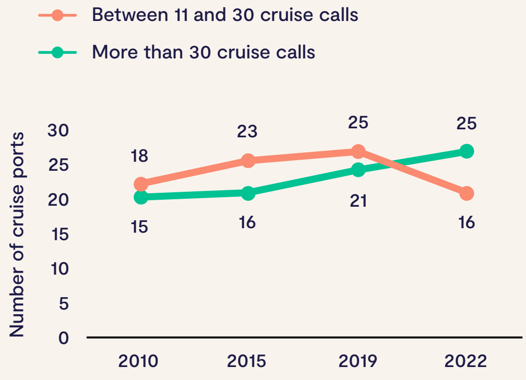
The attractiveness of a cruise port is linked to both the quality of the services offered to cruise tourists on shire and the technical facilities at the port itself. A cruise line is far more inclined to call at a port if the destination has a good range of land-based activity operators and good food and beverage services. However, the land-based tourism industry is dependent on a sufficient volume of guests to be able to develop and maintain such services. This is a coordination problem: the cruise line won't call unless the port offers good services, but the development of such services requires sufficient calls.

Investing in the technical facilities that are necessary and desirable for cruise lines to call is expensive for the ports. It's common in the cruise industry to work on the basis that a port needs at least 30 cruise calls per year for the port company to cover its investments and operating costs.

Data from the Norwegian Coastal Administration shows that over the past decade the number of cruise ports in Norway with between 11 and 30 calls per year has risen roughly as much as the number of ports with 30 or more calls. Even in line with a significant growth in the overall number of calls in Norway over the past decade, there has been an *increase* in the number of ports that have *«too few»* cruise calls to operate in an economically sustainable manner.

As we see in ***Figure 4-1***, the development over the past decade illustrates both a challenge and an opportunity for sustainable economic growth in the cruise industry. The *challenge* is to *«flatten out»* or reduce the number of cruise ports that have fewer than 30 cruise calls per year. This requires that these ports can offer good technical port services and that the land-based tourism industry at these ports can offer attractive activities and food and beverage services. The *opportunity* is to achieve further growth in the cruise industry along the coast at destinations that currently have few visits. More cruise calls at these destinations will contribute to increased value creation and employment among the land-based businesses while strengthening the financial position of the port companies.

Figure 4-1: The number of cruise ports along the coast with between 11 and 30, or more than 30, cruise calls per year.



Source: The Norwegian Coastal Administration.

Nordfjordeid is a good example of how value creation in the region has been increased through growth. The statistics show that in the space of four seasons the number of calls has increased from 0 to approx. 80 calls in 2023, which will then represent around 250,000 cruise passenger visits. If one uses a consumption of NOK 800 per passenger as a basis, this represents a turnover of NOK 200 million.

4.2 Extension of the cruise season to *«shoulder»* and the winter months

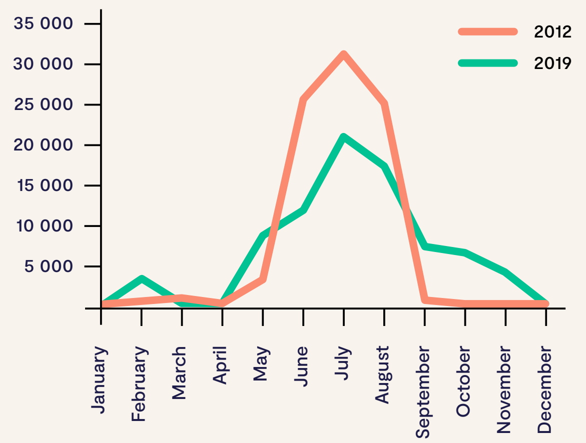
Cruise calls and visits by cruise tourists provide a strong and important economic impulse for many villages along the Norwegian coast. However, a high proportion of this activity is concentrated in a few months of the year – the summer months of June, July and August. It's during these months that the residents at the most visited destinations along the coast experience that the volume of tourists can be a nuisance. In addition to introducing measures that contribute to spreading cruise calls at more ports during the peak season, the committee should also consider measures that contribute to spreading cruise tourism in Norway over more months of the year. This involves extending the current peak season to the so-called *«shoulder»* months (May and April, as well as September and October) and developing *«winter cruise»* along the Norwegian coast as a tourism product.

The Northern Lights traffic to Alta and Tromsø has a key role in this respect and means that several cruise lines now keep their ships in Northern Europe during the winter instead of moving them to the Mediterranean and Caribbean. Alta is now up to 50 winter calls and its value creation is well above the average for Norwegian destinations.

A source of inspiration here may be Åndalsnes – one of the ports in Norway that have received the most cruise passengers in recent years. An interesting feature of the development in cruise tourism to Åndalsnes throughout the 2010s is that it has gradually changed character. An increasingly higher proportion of cruise calls to the port have come during the winter season or the so-called *«shoulder»* months. The numbers are clear. In 2012, a full 95 % of the cruise tourist visits were during the summer months of June, July and August. However, in 2019, this proportion had dropped to just over 60 %.

The extension of the cruise season in Åndalsnes has led to less crowding during the peak season, which benefits the residents. Spreading the calls out over the entire year also contributes to developing a healthy and sustainable local tourism industry. Data from Menon Economics shows that the sectors of the Åndalsnes tourism industry that are particularly aimed at cruise tourist visits, such as the activity and food and beverage sectors, have experienced strong growth in the period from 2012 to 2019.

Figure 4-2: The number of cruise tourist visits to Åndalsnes by month in 2012 and 2019.



Source: The Norwegian Coastal Administration.

4.3. Recommendations

By spreading cruise calls along the Norwegian coast over more ports and a greater proportion of the year, we believe it's possible to facilitate further growth in the cruise industry in Norway while reducing challenges related to overcrowding at certain destinations. This can be ensured by investing in technical facilities in ports and destinations that currently have few visits from cruise ships, as well as through better regional cooperation and coordination in tourism policy between individual destinations and municipalities.

Dialogue and negotiations about whether a cruise ship calls at a destination takes place between a cruise line and a port. The negotiations involve the time and duration of the call and the scope of the port fees. Such fees can be high if the demand to call at the port is high. The cruise ports along the Norwegian coast are largely owned by the municipalities (through municipal enterprises). This means that the municipalities (through the port) have an incentive to prioritise their port company's finances in their assessments of the volume of cruise traffic they wish to allow, only (possibly) moderated by the municipal residents' preferences concerning crowding in the peak season.

However, the municipalities do not have an incentive to consider the positive effects of the cruise activity for the surrounding region. This is a challenge because the effects of the value creation from a cruise ship will naturally not be limited to the municipality in which the port is situated. The visiting cruise tourists often go on excursions to villages and attractions in surroundings municipalities and employees in the local tourism industry typically live in other municipalities than where the actual port is situated. In other words, the geographical impact area of the economic effects of the cruise tourists is larger than the geographical perspectives of the actors that can influence the volume of calls to the individual ports.

This coordination problem means that municipalities lack incentives to help build up *«competing»* cruise ports in the same region. This is because the municipality in question will risk losing port fees and local value creation. However, this will be positive for the wider region the municipality is located in. This enables increased value creation for the tourism industry throughout the entire region, and the economic impulse from cruise tourism will be spread over a wide impact area. A further positive effect of greater spreading of cruise traffic is that there will be less crowding in certain destinations during the peak season.

A good illustration of how this coordination problem can be solved is the collaboration between the ports of Molde and Åndalsnes, to attract more cruise calls to the region in the winter season, in the mid-2010s. The two ports, which are in different municipalities, entered into an agreement that cruise lines only paid one port fee for calls to both ports. Lower port fees, combined with collaboration between the two municipalities when it came to marketing the region to the cruise lines, were considered important reasons for the successful effort to attract cruise ships to the region outside the peak season.[15]

What is the background for this successful cooperation between the Port of Molde and the Port of Åndalsnes? The two ports are owned by a joint company – Molde og Romsdal IKS – which in turn is owned by five municipalities in Romsdal. We believe this illustrates the greatest challenge in the current management of the cruise ports along the Norwegian coast. The coordination in the management of various cruise ports within various tourism regions is too weak. This leads to two main problems: insufficient new cruise ports being developed in popular coastal areas and major overcrowding at a few destinations.

The solution to this coordination problem is lifting the management of the popular cruise ports to a greater extent from a local (municipal) to a regional level. Such regional cooperation can be facilitated and managed by various types of actors, including inter-municipal companies, regional destination companies and county authorities.

[15] Web-based article, Åndalsnes Avis (23.02.2013), *«Nå er vintereventyret i gang»*.

5. There is a need to reduce emissions and pollution – from cruise ships too

The world is facing a major common problem owing to man-made global warming resulting from greenhouse gas emissions. Through the Paris Agreement, the countries of the world have committed to a common ambition to limit climate change to keep the rise in the mean global temperature below 2 °C above pre-industrial levels and preferably limit the increase to 1.5 °C.

The Paris Agreement can be seen in connection with the UN sustainable development goals. These goals include taking urgent action to combat climate change (#13), protecting life below water and life on land (#14 and #15), while at the same time facilitating economic growth (#8). The adopted climate targets require a rapid green transformation of the global economy. A sufficient green shift will require major investments in new technology and infrastructure in industry, transport and the energy sector.

The cruise industry is working globally to reduce greenhouse gas emissions, and has, through the International Maritime Organization (IMO), committed to working to achieve a development that meets the target of the Paris Agreement to reduce greenhouse gas emissions. In 2018, an Initial IMO Strategy on Reduction of GHG Emissions from Ships *(«Initial Strategy»)*[16] was adopted as the first important step of a larger long-term work called Roadmap for developing a comprehensive IMO Strategy on reduction of GHG emissions from ships.[17]

The objective of the Initial Strategy can be summarised in the following points:

1. Enhancing IMO's contribution to global efforts by addressing GHG emissions from international shipping. International efforts in addressing GHG emissions include the Paris Agreement and its goals and the United Nations 2030 Agenda for Sustainable Development and its SDG 13: *«Take urgent action to combat climate change and its impacts»*.
2. Identifying actions to be implemented by the international shipping sector, as appropriate, while addressing impacts on States and recognising the critical role of international shipping in supporting the continued development of global trade and maritime transport services.
3. Identifying actions and measures, as appropriate, to help achieve the above objectives, including incentives for research and development and monitoring of GHG emissions from international shipping.[17]

[16] https://www.imo.org/en/MediaCentre/HotTopics/Pages/Reducing-greenhouse-gas-emissions-from-ships.aspx
[17] https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/Resolution%20MEPC.304(72)_E.pdf

Furthermore, the IMO has developed its own indices to classify the energy efficiency of ships (EEXI - Energy Efficiency Existing Ship Index) and carbon intensity (CII - Carbon Intensity Indicator), which will be implemented on 1 January 2023. Some countries have also made proposals to the IMO about various instruments to reach stipulated emission targets, including a proposal from Norway for a global emissions trading system for shipping.[18,19]

In other words, there is a significant focus on developing more environmentally friendly solutions for existing ships as well as new ships. A combined global industry recognises the climate effects and challenges that result from greenhouse gas emissions from its own industry and that sees the need for measures.

This is also clearly expressed from the Cruise Lines International Association (CLIA) and its members, who have committed to pursuing net-zero carbon cruising globally by 2050. The cruise lines that are members of CLIA have adopted a 40 % reduction of emissions across the fleet by 2030 compared to 2008 levels. In 2022, about 40 % of the CLIA fleet capacity had the necessary infrastructure to connect to shore power systems and by 2028, around 75 % of the fleet capacity will be equipped to be able to connect to shore power.[1,20] At the same time, a full 98 % of new ships have the necessary infrastructure for shore power or are adapted so it will be possible in the future. The figures show that the industry is following up on its obligations through tangible measures and investments in its own fleet.

In Norway, the industry and affected actors have addressed this problem through the Green Shipping Programme (GSP), where a pilot project was started in autumn 2019 with the aim of defining a road map for environmentally friendly and sustainable cruise traffic in Norwegian fjords and ports. An important premise for the work was that the actors agree that *«you achieve the greatest reductions from the cruise ships' combined emissions if you can jointly find the best possible measures.»*[21]

[1] CLIA Environment Technology Report, 2022 : https://cruising.org/en/Sustainability-Data

[18] https://www.tu.no/artikler/norge-kjemper-for-strengere-utslippskrav-gjennom-imo/520284?key=lhuj8QRp

[19] https://imokorea.org/upfiles/board/44.%20GHG%2012%C2%F7%20%B0%E1%B0%FA%BA%B8%B0%ED%BC%AD%28%BF%B5%BE%EE%29.pdf

[20] https://travelweekly.co.uk/news/cruise/clia-lines-commit-to-carbon-zero-target-by-2050

[21] Participating partners in the pilot project are: The Norwegian Maritime Authority, the Ministry of Climate and Environment, Wärtsilä, MSC Cruises, Royal Caribbean International and Carnival Corporation

5.1. Cruise traffic in the World Heritage fjords

In Norway, the combination of cruise traffic and the World Heritage fjords has particularly shaped the debate about the industry's impact on the environment. The West Norwegian Fjords – the Nærøyfjord, Aurlandsfjord, Geirangerfjord, Sunnylvsfjord and the innermost part of Tafjorden – were inscribed on the UNESCO World Heritage List in 2005. The World Heritage fjords[22], except for the Tafjord, are currently trafficked by cruise ships, especially during the summer.

For several years, there has been talk of regulating the cruise traffic and setting stricter requirements for emissions from the cruise ships. In 2019, requirements for emissions of SO_x, NO_x, sewage and greywater in the World Heritage fjords were introduced. As part of work by the Norwegian parliament, the Storting, on its climate strategy for 2030, it was unanimously decided to set a requirement for the government to impose a zero-emissions requirement for the cruise traffic. Resolution 672 of 3 May 2018 requests that the government introduces zero-emissions requirement for all cruise traffic in the Norwegian World Heritage fjords as soon as technology permits and no later than 2026.

In the same resolution, the Storting also requests that the other suitable instruments are implemented to ensure the phasing in of low and zero-emissions solutions in shipping by 2030.

5.1.1. National regulations create unfavourable distortion effects

Introducing requirements for zero emissions in the World Heritage fjords from 2026 will have significant consequences for the cruise lines, which in turn will affect the tourism industry and local communities along the Norwegian coast. Most of the cruise ships that visit Norwegian fjords, including the World Heritage fjords, sail most of the time outside Norway. Naturally, cruise ships that sail in various parts of the world also need to comply with international requirements. Consequently, countries that introduce stricter national requirements for emissions create a challenge for the cruise lines because ships are not designed and built to comply with individual national requirements.

A strict requirement for zero emissions, which is understood as meaning that ships must run on batteries or fuel cells that use hydrogen or ammonia, appears to be a poorly balanced measure that has not been sufficiently investigated and documented. The battery technology is currently insufficient to be the only fuel solution for most of the cruise ships, while technologies related to ammonia and hydrogen are at an even earlier stage of development. A report from DNV GL and Menon Economics from 2020[23] assesses the potential for new technology on board existing ships. They write (our emphasis):

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[22] The delimitation of the World Heritage fjords is stipulated in Section 10a of the regulations on environmental safety for ships and mobile offshore units.

[23] DNV GL (2020). Revised prognoses for calls of cruise ships at Norwegian ports.

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With an average lifetime for the cruise ships of more than 40 years, the system choice for propulsion and hotels is a given for most of the fleet for a long time to come. It has been claimed in some forums that new technology can be installed on existing ships to meet possible future environmental requirements. Examples mentioned in the media include propulsion based on batteries or fuel cells.

We believe it is unrealistic that we will see the installation of this on existing ships to meet the environmental requirements. The reason is high conversion costs that give negative cost-benefit calculations, a lack of space on board to place new equipment, and the fact that the maturity of the regulations for application on board cruise ships is low – especially related to hydrogen as a fuel.

We expect new technology to come on the ships of the future, where we will see some pilot solutions tested on existing ships. These installations will mainly be for carrying out tests and will probably not be of a magnitude that affects the emissions from the ship to an extent worth mentioning.

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A strict requirement for zero emissions will have significant consequences for the cruise industry. This will also be the case for much of the tourism industry and the business community, which will be hit hard with fewer calls and visitors.

A more realistic definition of zero emissions, e.g. that tourist ships and ferries in the World Heritage fjords must reduce greenhouse gas emissions by 95 % compared with conventional technology, appears to be a somewhat less intrusive measure. In this case, the use of biofuel could be a possible solution for the cruise ships. However, it's worth pointing out that even this scenario could lead to a significant decrease in the number of calls in the relevant fjords and thus to negative consequences.

Report by the Norwegian Maritime Authority

The Norwegian Maritime Authority is currently investigating various alternative regulations and the consequences of these. We encourage the committee to wait for the results of this work before deciding about, or having an opinion on, any requirements for emissions from cruise ships in the World Heritage fjords. The cruise industry is represented in the reference group that is following the work by the Norwegian Maritime Authority. While we will also provide our input there, we wish to communicate our views about this to the Destination Committee.

As we have demonstrated above, cruise tourism represents significant value creation locally and nationally and lays the foundation for many jobs, especially in the rural areas. These specific Norwegian requirements that seek to force technological development and implementation of solutions that have not even been developed yet appear unfortunate in a global industry, despite good intentions and a desire to reduce adverse effects on the climate and environment. Nor has it been documented that lower emissions in the world heritage fjords will actually contribute to reduced emissions overall. The regulations have the potential to create distortion effects between the ports and other destinations in Norway, but also internationally, if the regulations lead to the cruise lines moving their routes outside the world heritage area. Another perspective, which also appears to be overlooked in this context, is the negative impact on nature and the environment of establishing new infrastructure. Expanded bunker facilities, adaptations for shore power and increased transmission capacity in the power grid will involve interventions in natural habitats and could change the landscape for tourists and others. This is a cost that must be factored into the equation.

It's too early to say with any certainty how the cruise lines will adapt to the requirements relating to emissions from 2026, but it's likely that the cruise lines will choose various adaptations. Some cruise lines will probably change the operating pattern to meet the requirements (charging with diesel engines outside the World Heritage fjords), while others will investigate the possibility of installing new technology (retrofit) so that the ships will meet the requirements.[24] Several will probably choose another Norwegian fjord as a destination and two ends, while finally some cruise lines will choose to move their ships to routes and destinations outside Norway. If the ships are moved to other fjords in Norway, this will not achieve a national climate effect and the positive effects from the cruise tourists will simply be redistributed. As we will discuss in more detail below, there is reason to believe that there will be fewer positive effects overall if the cruise activity is moved to another port where the services related to land-based and complementary tourism are not as well developed. The final adjustment mentioned, i.e. that the ships are moved to routes outside Norway, will have absolutely no effect on the global climate and environment globally, but will have a negative effect on the value creation and employment in Norway.

In other words, the various adaptation options will potentially have a direct negative effect on Norway's tourism and export income and thus on value creation and jobs. The response from the cruise lines will also have an impact on the overall CO_2 emissions. For example, the CO_2 gains will be reduced, and perhaps even negative, if the ships meet the requirement by charging with diesel engines outside the World Heritage fjords or by sailing elsewhere in the world.

[24] As mentioned, retrofits are already planned for many cruise ships owned by CLIA's members, regardless of any Norwegian regulations. These assessments are made by the cruise lines from a global perspective. There is little reason to expect that a Norwegian regulation for the World Heritage fjords in isolation will contribute to even more ships having retrofit.

When it comes to costs for the cruise lines and impacts on the tourism industry resulting from national requirements for the cruise industry, we have noticed that the Norwegian Maritime Authority has previously stated the following:

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> ***In the socio-economic calculation, we disregard the costs incurred by the cruise lines. Nor do we expect the tourist revenues to Norway to be affected by the diversion of cruise tourism from the World Heritage fjords to other Norwegian fjords. There will probably be sufficient capacity in other relevant fjords, so that the cruise lines will choose this rather than discontinuing all activity in Norway. Consequently, we expect that requirements related to discharge of wash water from scrubbers will have social return on investment.***[25]

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We perceive this as problematic and wrong. As we understand it, the reason why the costs of the cruise lines are ignored is that, based on guidance from the Ministry of Finance, socio-economic analyses do not emphasise effects for actors outside Norway. This is unfortunate and, in this case, contributes to weakening the results of the analysis because it does not sufficiently consider how foreign cruise lines will choose to adapt their operations because of the increased costs resulting from specific Norwegian regulations. There can be no doubt that this will entail real costs for the cruise lines. We find it strange that this is not emphasised in the analysis because (most) of the cruise lines are not Norwegian enterprises. However, of even more importance, the analysis is based on an incorrect understanding of the consequences of such a regulation. The reasoning is that the requirements will lead to a redistribution of the cruises to other ports and destinations in Norway, rather than discontinuing all activity in Norway. As we have pointed out, there are several alternative adaptations that are likely and relevant. It's not a case of one port or another for the cruise activity, but specific Norwegian requirements that make it more expensive for the cruise lines will lead to reduced activity in Norway. This may have a positive and desired effect on greenhouse gas emissions, but the analysis must also consider what this means in terms of lost value creation and employment.

[25] https://www.sdir.no/sjofart/regelverk/rundskriv/endring-av-forskrift-om-miljomessig-sikkerhet-for-skip-og-flyttbare-innretninger2/

Another weakness of this statement is the assumption that there will be sufficient capacity in other fjords to enable the cruise lines to easily change their routes and offers. This completely overlooks the importance of the strong reciprocity between the cruise industry and, in particular, the experience and food and beverage sectors. It's of little help that other ports in nearby fjords have available capacity if the offer from the local tourism industry at these destinations is not of a similar quality and scope. These sectors are characterised by an especially high degree of location-bound activity, so the experience and food and beverage sectors cannot easily follow the cruise ships. Over time, one will see that the tourism offer deteriorates at places where the cruise industry used to call, while it develops at new destinations. However, this will take time in all cases. During that period the cruise passengers will encounter a weakened tourism offer, which will result in lower demand and poorer marketing of Norway as a tourism destination.

Extension of the requirements in the World Heritage fjords

Some have advocated that the regulations being considered for the World Heritage fjords should also be extended to other fjords or, for that matter, apply to all cruise activity in Norway. Naturally, we strongly oppose this. The fact that such regulation could have dramatic consequences for the cruise industry and a corresponding impact on a large proportion of the tourism industry and local communities is supported by recognised professional environments. Once again, we refer to the socio-economic analysis for the Norwegian Maritime Authority by DNV GL and Menon Economics.

This report considered an *«All Fjords»* scenario, which implies that the regulations for the World Heritage fjords are extended to the other fjords in Southern Norway. The report states that *«the number of calls is expected to more than halve and stagnate until 2025, as a result of there being insufficient ships available that satisfy the regulatory requirements and, as a consequence, Norway will be less attractive as a cruise destination»*. Furthermore, the report states that *«This scenario will represent a dramatic reduction for Western Norway»*. An important explanation for that is that they find it unlikely that technical modifications to the existing fleet will occur to meet the Tier III level. The assessment is based on cost estimates from DNV GL and Menon Economics as well as feedback from the actors.

5.2. Recommendations

As mentioned, we understand the desire for an ambitious climate policy and that Norway should push for this. However, the reality is that specific requirements and regulations in Norway are not able to speed up the required technological development and the implementation of this in an international fleet of cruise ships.

The cruise ships operate in an international market. It's important that Norwegian destinations are not subject to regulations that prevent them from competing on equal terms in the tough competition with international cruise ports and destinations. If one also introduces specific Norwegian regulations based on local conditions and limited areas of operation, it contributes to creating different competitive conditions within the Norwegian tourism industry, and thus unfavourable distortion effects, as well as between Norwegian ports and destinations.

Climate change is a global problem, and greenhouse gas emissions contribute to this problem regardless of where in the world they are released. Consequently, effective climate policy addresses emissions across geographical areas and preferably across sectors. This contributes to the market identifying the most cost-effective measures to reduce emissions and reduce the risk of *«spill overs»*, i.e. that emission reductions in one place contribute to increased emissions elsewhere. More general schemes will also have lower administration costs because they reduce the number of measures and the management of these. General charges, regulations or quota markets are therefore more efficient from a social-economic perspective than local or sector-specific measures.

In short, we believe there are two options when it comes to facilitating the reduction of emissions. The authorities can either facilitate a sustainable cruise industry that benefits everyone, or they can tighten up with specific Norwegian rules that divert the cruise traffic away from Norway and the Norwegian tourism industry. Through international and European commitments, the cruise industry has shown that it wishes to transition to a more sustainable development. Instead of meeting this with specific Norwegian requirements and regulations, which in practice prohibit cruise traffic in some fjords, good solutions should be sought in cooperation between local, regional and national authorities as well as the cruise industry, tourism industry and other stakeholders.

Investments in future-oriented infrastructure, such as shore power facilities and support schemes for the use of zero-emission solutions, are examples of approaches that will contribute to influence the cruise lines' incentives in a positive and desired way. As well as being able to contribute to reduced emissions, it will strengthen Norway as a destination for new and climate-friendly cruise ships. In this way, one also facilitates further growth that will occur in an efficient and sustainable way that will benefit other parts of the tourism industry along the entire Norwegian coast.

Utilising the existing natural infrastructure represented by the sea route to transport a larger volume of tourists to Norway is in line with a desire for sustainable resource management. The infrastructure is there and always has been. Only minor investments and interventions in natural habitats are required to handle large volumes of visiting tourists. This contrasts with other forms of transport such as air, road and railway, which all require regular maintenance and, in many cases, major interventions in natural habitats and polluting emissions in the construction phase. As such, the sea route and cruise traffic are a far more sustainable and resource-effective alternative. The fact that emissions related to maintenance and construction of new infrastructure are omitted in calculations that attempt to compare and rank emissions from various forms of transport is an example of a measurement error made in such exercises. In our opinion, there are currently no analyses that have actually managed to compare *«apples with apples»* and unfortunately as a rule it's the cruise traffic that unfairly comes out the worst.

Need for more rapid construction of infrastructure for shore power and biofuel

There is broad agreement that shore power and biofuel will be important instruments in the transition of the shipping and cruise traffic. However, it's problematic that there is currently limited *«green infrastructure»* and if the necessary infrastructure, such as shore power or infrastructure for biofuel, is not in place from 2026, this will have significant consequences for the cruise and the tourism industries.

However, it's of little help that the industry itself wants to transition to more sustainable solutions and lower emissions if the industry is not supported with the necessary infrastructure. The fact that the establishment and development of a supply chain for biofuel is not going quicker is creating uncertainty in the market and is preventing the industry's ability to transition and achieve its own obligations for 2030. In our opinion, it's crucial that this is boosted as soon as possible. One way in which this can be achieve, and which should be assessed in more detail, is the establishment of a CO_2 fund where the funds collected are earmarked for the development of infrastructure for a green transition.

Shipping will be incorporated into the EU's Emission Trading Scheme as of 2024 and this will lead to a payment from the industry of several billion Norwegian kroner. These are funds that, in our opinion, should be earmarked for investments in technology and infrastructure development that contribute to the necessary transition in the industry. A CO_2 fund, based on the same model as the NO_x fund, would be a targeted and effective measure to achieve the necessary progress on the development of measures such as the supply chain for biofuel.

We have demonstrated above that a large proportion of the fleet already has the necessary technology on board to connect to shore power as do most new ships. In other words, the land-based infrastructure is likely to be the bottleneck, not the ships.

Measures that can contribute to reduced emissions and pollution from the cruise industry

We strongly urge the committee to look at good proposals that already exist, which were compiled by a larger community of stakeholders. This applies to the above-mentioned pilot project as part of the Green Shipping Programme, as well as an initiative by 13 of Norway's largest cruise ports which in 2019 presented a series of measures that can contribute to achieving a more climate friendly cruise industry.

We recommend the following measures to the committee when it comes to reducing emissions and pollution from the cruise traffic:

Our recommendations to reduce emissions and pollution from cruise traffic

1. Establishment of shore power facilities will be the most effective measure to ensure zero emissions while ships are in port. Shore power is important for reducing SO_x, NO_x and CO_2 emissions.

   a. *There should be a standardised interface connection/disconnection for shore power so that all calling cruise ships can use the same equipment at all ports.*

   b. *One should look at the need to further strengthen Enova's work in this area. Is there a need for other priorities and/or to allocate more funding to ensure more rapid development of shore power at Norwegian ports?*

   c. *One should look at the possibilities for multi-purpose use that exist when it comes to shore power to increase utilisation as well as investigate possibilities to cover the cruise ships' needs for heating when they are berthed. This need is in addition to electricity, as cruise ships are dependent on heating, which is usually supplied through a fossil-fuelled heating system and is powered by steam.*

2. Norwegian ports should be encouraged to use environmental reporting tools (such as EPI Environmental Port Index) and to link the use of these tools to clear incentives and benefits for the more environmentally friendly ships, e.g. port fee reduction, or berthing allocation.

3. Cooperation should be established between destinations and cruise lines to ensure the right balance between the number of guests and the destination's capacity. Correspondingly, cooperation between authorities and the cruise lines should be established to find operational measures to reduce emissions.

Extend the World Heritage fjord regulations for NO_x to areas with high population density, e.g. regulations for: Tier I from 2023, Tier II from 2026 and Tier III from 2030. The regulations should be pragmatic in the sense that, for instance, one accepts a Tier II ship can arrive if it can connect to shore power and/or that an engine is Tier III compliant, and that it is used when berthed. When it comes to SO_x, ones sees that the international regulations are sufficient.

To ensure that in the relatively short term one can contribute to reducing the emissions, public authorities should support financially the production and supply of renewable fuels to the cruising sector in Norway. This could contribute to reduced CO_2 emissions at both the national and global level.

4. There are currently major uncertainties about which solutions for zero emissions will materialise in the long term. Consequently, close cooperation should be established to share updated results and be able to identify common barriers to facilitate carbon-neutral sailing in the future. This was identified through the pilot project in GSP as critical for solving this challenge because this requires effort from the cruise lines as well as from energy suppliers and for land-based infrastructure.

5. Encourage the use of emission-free organised transport of cruise tourists on land.

CRUISE PLATFORM 2023

Design by Haltenbanken