



# VANUATU SUSTAINABLE CRUISE TOURISM

## DEVELOPMENT STRATEGY



MARCH 2020



## Dedication:

This Sustainable Cruise Tourism Development Strategy report is dedicated to our project consultant Abel Nako who passed away suddenly but peacefully on July 1st, 2019. Abel was an inspiration to all that knew him and was dedicated to the development of culturally authentic and sustainable tourism that would provide benefits for local communities. GH.



## Acknowledgements:

The Project Consultants Geoff Hyde from Sustainable Tourism International Ltd (STIL) and Abel Nako from Trek Vanuatu would like to express their appreciation to all those that contributed to this project through their assistance with providing research information, fieldwork logistics, office support and for providing feedback comments in the stakeholder interviews and workshops. In particular, we would like to thank:

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## Acronyms

ACTIV	Alternative Communities Trades in Vanuatu
CLIA	Cruise Lines International Association
COM	Council of Ministers
CREST	Centre for Responsible Tourism
CSR	Corporate Social Responsibility
DEPC	Department of Environmental Protection and Conservation
DFAT	Department of Foreign Affairs and Trade (Australia)
DP&H	Department of Ports and Harbour
DOT	Department of Tourism
GEF	Global Environment Facility
GOV	Government of Vanuatu
GSTC	Global Sustainable Tourism Council
HBDP	Handicrafts Business Development Program
IFC	International Finance Corporation
IMO	International Maritime Organisation
ISPS	International Ship and Port Security
JICA	Japanese International Co-operative Agency
MFAT	Ministry of Foreign Affairs and Trade (NZ)
MIPU	Ministry of Infrastructure and Public Utilities
MITHL	Mystery Island Tourism Holdings Ltd.
MoA	Memorandum of Agreement
MPA	Marine Protected Area
NCTMC	National Cruise Tourism Management Committee
NGO	Non Government Organisation
NSDP	National Sustainable Development Plan
P&O	Pacific and Orient Cruise Lines
Pax	Passenger
PLTA	Public Land Transport Authority
POC	Port of Call
RCCL	Royal Caribbean Cruise Lines
SME	Small and Medium Enterprise
SPTO	South Pacific Tourism Organisation
SPCA	South Pacific Cruise Association
SPVELTA	Shefa, Port Vila and Efate Land Transport Association
SSS	South Seas Shipping
UN	United Nations
UNESCO	United Nations Education, Science and Culture Organisation
VAT	Value Added Tax
VCCI	Vanuatu Chamber of Commerce and Industry
VDTP	Vanuatu Discovery Trails Program
VESS	Vanuatu Environmental Science Society
VIT	Vanuatu Institute of Technology
VSTP	Vanuatu Sustainable Tourism Policy
VTC	Vanuatu Tour Company
VTO	Vanuatu Tourism Office
VTPAP	Vanuatu Tourism Permit and Accreditation Program
WW2	World War Two





# Executive Summary

## A. Main Findings of the Cruise Tourism Study

### Cruise Market Definitions

- The cruise tourism sub-sector has three separate and distinct market segments: the large cruise ships carrying from 1,200 to 6,000 passengers, mainly focused on providing fun and entertainment; the expedition ships, carrying between 50 and 600 passengers, mainly focused on providing eco-adventure in remote locations combined with a learning experience; and yachting which can cater for 1 to 30 passengers depending on boat size and different motives from experiencing nature and culture to pleasure and recreation.

### Cruise Tourism Policy Guidelines

- The Vanuatu sustainable cruise tourism development strategy should follow the guidelines as set out in the Vanuatu Sustainable Tourism Policy 2019 to 2030, the Vanuatu National Oceans Policy 2016 and the Global Sustainable Tourism Council destination criteria for tourism development.

### Cruise Tourism Market Analysis

- Policy developers and decision makers should take note of the current market analysis which shows, since 2016, a decline of 49% in cruise ship arrivals into Vanuatu with a corresponding 19.4% decline in cruise day visitors. The market since 2013 has been fickle and volatile and any growth projections will need to factor in the impacts of the COVID-19 pandemic crisis.
- There has also been a staggering 80% decline in yacht visitors since 2016. Expedition ship visits have provided a steady growth from 3 ships in 2016 to 8 ships in 2019 with an overall 2.6% increase in expedition ship visitors since 2016. Both market segments have potential for growth if supported and managed more effectively.
- The Carnival Australia cruise company dominates the Vanuatu cruiseship market with 15 ships undertaking 80.5% of all trips (83 of 103) and visiting 82.1% of all ports of call (124 of 151) in 2019. Royal Caribbean Cruise Ltd. (RCCL) has 5 ships operating which account for 19.4% of all trips and 17.8% of all ports of call visits.

### Cruise Visitors Economic Impact

- Based on previous cruiseship economic impact studies and visitor surveys in Vanuatu, it is estimated that each cruise visitor (disembarking passenger) spends Vt 13,382 across the three main ports of call: Port Vila (63.8% of total expenditure); Luganville

(29.1%); and Mystery Island (7.1%). This compares to the Vt 21,000 that air visitors are estimated to spend per day, which includes their accommodation payments and increased length of stay.

- The estimated total economic impact of cruise tourism in 2019 is Vt 2,127,661,861. This includes: cruise visitor expenditure (Vt 1,678,785,282); on-shore crew expenditure (Vt 79,907,244); plus cruise ship berthing/landing fees (Vt 368,969,335). This has decreased by 18.6% since 2014. This Vt 2.1 billion from cruise tourism compares to the estimated Vt 18.5 billion of revenue from tourists arriving by air in 2019, which is just under 9 times more than cruise visitors.
- There is a need to undertake an Expedition ship and Yacht Tourism Study that reviews and assesses the current legislation, policies and administration of visas, charges and fees in relation to these segments' real economic impacts, value chain linkages and their potential to provide net economic benefits to the Vanuatu economy.

### Understanding the Cruiseship Companies Business Model

- The Government of Vanuatu (GOV) and its representatives need to be more fully aware of the business model being adopted by the multinational cruise ship companies. They are publicly listed corporate giants driven by profit, dedicated first and foremost to their shareholders rather than their stakeholders. Their main asset, the cruise ship, is mobile and moveable, a floating resort. This allows them to literally shift into more lucrative markets when necessary.
- Their business model and development strategy also utilizes a vertical integration approach where companies seek to control the supply chain usually to the exclusion of local enterprises. This is evident in the trend to build larger ships with more passengers per ship and their control, through strict standards and high commissions rates, of the revenue from shore excursions, including leased islands as 'day resorts'.
- The 'day-resort' concept allows for the larger ships to anchor just off-shore specific islands leased for this purpose. The cruise passenger remains 'captive' and revenue streams are controlled by the cruise company. The fact that this is a more a 'manufactured' experience, like a Disneyland theme park, also has implications for not meeting cultural authenticity requirements.
- The proposed Lelepa island project fits this business model concept and it is recommended that the GOV, through the NCTMC, appoint an independent consultant to undertake a more objective feasibility study on the net economic, social and environmental impacts of this proposed project, particularly as it is proposed to be located next door to Vanuatu's only World Heritage site.
- Their business model and approach is also guided by their 'flags of convenience' registration which provides them with a transnational identity that allows them to flout taxation, labour and environmental protection laws and regulations.



## Cruiseships Environmental Footprint

- The GOV and its representatives need to be more fully aware of the negative environmental impacts and costs of the cruise ships environmental footprint, particularly in relation to air and water pollution. Despite their attempts to mitigate negative environmental impacts through improved technology for on-board operations and their sponsorship of environmental programs, they continue to be exposed for breaching environmental regulations and laws.

## Good Governance and Management

- The good governance and management of cruise tourism in Vanuatu should be under the auspices of a revamped and more fully representative National Cruise Tourism Management Committee (NCTMC) who will ensure the sustainable tourism policy and GSTC guidelines are implemented.
- The GOV, through this NCTMC, needs to enter into a more commercially focused Memorandum of Agreement (MOA) with each of the two cruise companies so that both parties better understand, accept and ensure mutual economic and social benefits based on the sustainable tourism policy guidelines and Vanuatu environmental laws.
- The NCTMC needs to acknowledge and respond to the on-going problems, stakeholder conflicts and breaches of security at the Port Vila Wharf. It should revise the terms of reference for the Port Vila Wharf Management tender and re-advertise it internationally, to attract an independent, professional port management company. Criteria already established by the Transport Ambassadors Training Program and the Handicrafts 'Made in Vanuatu' program should be included as part of this Wharf Management Plan.
- The NCTMC also need to have dialogue with the Mystery Island Tourism Holdings Ltd. (MITHL) company to ascertain the exact nature of the company structure, the shareholding agreement, the system for the collection of cruise ship fees and their dispersal as payments to community representatives.

## Cruise Tourism in the Provinces

- Based on the overview provided in this report, the Department of Tourism (DoT) should review and assess the management, infrastructure, product development and marketing opportunities for the Expedition ships and Yacht markets as cruise tourism segments to be developed as part of the update of the six Provincial Sustainable Tourism Management Plans.
- The DoT, through the NCTMC, need to discuss a Cruise Tourism management plan with Provincial community representatives and port of call committees in regard to the future development of cruise tourism products and programs, particularly on Mystery island, Aneityum, Pangi, Wala, Sola and Champagne Beach.

## Market Access Opportunities for Ni-Vanuatu

- The NCTMC should examine the current status and effectiveness of the cruise ship 'on-board' employment program for Ni-Vanuatu and that this be discussed and negotiated as part of the proposed Commercial Agreement between the GOV and the cruise companies.
- The NCTMC, through DoT and VTO, provide on-going support, funding and co-ordination for the numerous training programs that already exist and can be utilized to develop local cruise tourism businesses and employment opportunities. These include: Yumi Partnership Pilot Project; City Ambassadors; Transport Ambassadors; The Business Link Pacific (BLP) Program; Vanuatu Skills Program; and the Vanuatu Discovery Trails Project.
- The NCTMC utilize the case study provided by Aelen Chocolates in section 11.3 and encourage other local suppliers to learn from this example and to assist them to enter into direct supply agreements with the cruise ship companies.
- The NCTMC support the Handicraft Business Development Program (HDBP) to encourage and promote the 'Made in Vanuatu' cultural and business case for the selling of locally made handicrafts at the Port Vila Seafront Handicraft Markets and to develop this area as a focal point for cruise visitors.

## Cruise Tourism Marketing Strategy

- Develop a marketing strategy and plan for the cruise tourism sub-sector based on the steps outlined in section 12 for product development, business development and promotional activities. To work with the cruise ship companies and the inbound tour operators by supplying them with updated information in these three key areas. The main objectives of the marketing strategy should be:
- To create a more positive image and better awareness of Vanuatu as a safe, interesting and sustainable cruise tourism destination.
- To focusing on the global adventure seeker to attract and build on the expedition ships and yachting markets.
- To encourage more cruise ship visitors to return to Vanuatu as stayover type tourists.
- To increase the revenue earned from cruise tourism and retained in-country.

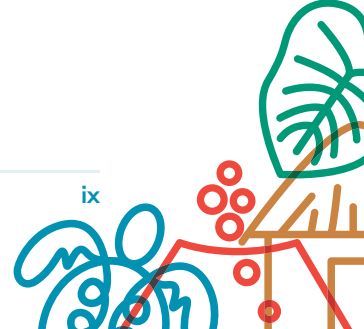


## B. Strategic Action Plan (Based on the Main Findings)

Action	Lead Implementing Agency	Priority	Comments
1. To re-establish, reform the TOR and membership and fully resource the National Cruise Tourism Management Committee (NCTMC) as the peak national body to manage, co-ordinate and supervise all aspects of cruise tourism development.	DoT	Very High	Advise the Council of Ministers (COM) through DoT when required and represent the Government of Vanuatu (GOV) in all matters pertaining to cruise tourism.
2. The GOV, through the NCTMC, to realign its expectations about cruise tourism development and negotiate to enter into a formal Commercial Agreement with each of the two main cruise ship companies.	NCTMC	Very High	This Agreement should focus on increasing the net economic benefits to Vanuatu and to jointly monitor and reduce any negative environmental and social impacts.
3. The GOV, through the NCTMC, to discuss with the Pacific Islands Forum Secretariat the idea of a regional coordination approach to the development and management of cruise tourism.	NCTMC	High	The strategy would be to develop common, regionally agreed, cruise tourism policies and negotiate collectively on a range of economic, social, cultural and environmental issues.
4. To monitor and evaluate each of the cruise tourism segments under the guidelines and criteria provided by the Vanuatu Sustainable Tourism Policy 2018 to 2030, the National Oceans Policy 2016 and the Global Sustainable Tourism Council.	DoT and DEPC	High	This will require more accurate data on disembarking passengers with on-going social and environmental impact assessment and analysis to reduce longer term cost implications.
5. Undertake a Value Chain Analysis of each of the 3 cruise tourism segments to ascertain their current and potential net economic benefits, and to identify infrastructure and capacity development needs.	DoT	High	The study should identify project and program opportunities to support and/or develop each cruise tourism segment – cruise ships, expedition ships and yachting.



6. Appoint an independent consultant to undertake a more objective feasibility study on the net economic, social and environmental impacts of the proposed Lelepa Island project.	NCTMC	Very High	Identify any potential economic leakages and opportunities for net economic benefits for local businesses.
7. Undertake an audit of the landing and berthing fees being paid by each of the cruise ships. Assess their direct economic impact and identify any waivers applied to any fees.	NCTMC and DoF	High	Examine the current formula being used, the legislation requirements and the collection system. Recommend any improvements.
8. Revise the terms of reference for the Port Vila Wharf Management tender and re-advertise it internationally, to attract an independent, professional port management company.	NCTMC	Very High	Develop a Wharf Management Plan that addresses the safety, security, transport and local business issues so that it functions like a normal international passenger terminal.
9. Arrange a meeting with the Mystery Island Tourism Holdings Ltd. (MITHL) company to ascertain the exact nature of the company structure, the shareholding agreement, the system for the collection and dispersal of cruise ship fees.	NCTMC	High	Meet in Port Vila with MITHL Directors, their lawyers, together with village community representatives and NCTMC representatives.
10. Develop Provincial Port of Call Management Plans that review and assess the management, resources, infrastructure, product development and marketing opportunities for each of the cruise tourism segments.	DoT with POC C'ttees	Medium	These to be developed as part of the update of the six Provincial Sustainable Tourism Management Plans.
11. Develop a marketing strategy and plan for the cruise tourism sub-sector focusing on product development, business development and promotional activities.	DoT and VTO	Medium	The strategy should consider destination image, the opportunities for the eco-adventure market segment, repeat visits via air and more revenue being retained in-country



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## 1. Introduction

The Vanuatu Sustainable Cruise Tourism Development Strategy is part of the product development measures being undertaken by the Department of Tourism (DoT) for ensuring a more sustainable cruise tourism sector for Vanuatu.

This Cruise Tourism Development Strategy will be guided by the Vanuatu Sustainable Tourism Policy (VSTP, 2019-2030) recently adopted by the Government of Vanuatu (GOV) and aligned with the National Sustainable Development Plan (2016-2030). These provide a policy framework to address high leakages from tourism earnings, develop measures to minimise the impact of tourism on the environment and the traditional culture, protect traditional knowledge, protect areas of high biodiversity value, promote Ni Vanuatu entrepreneurship, and instill Vanuatu values to guide how the tourism industry is developed.

## 2. Project Objectives

The focus of this Cruise Tourism Development Strategy is on providing recommendations for sustainable planning and management guidelines, identifying and assessing the economic, cultural, social and environmental impacts of cruise tourism, ensuring the community engagement of host populations and supporting a more inclusive industry, which provides more benefits to Ni Vanuatu. The following Project Objectives were provided:

- Assessment and evaluation of the positive and negative impacts of cruise tourism in Vanuatu – cultural, social, environmental and economic.
- Assessment and evaluation of the Government policies, plans and legislation for cruise tourism and the private sector compliance regarding the management and sustainable development of the cruise tourism industry in Vanuatu.
- Review the current brand and marketing activities of cruise tourism
- Develop Recommendations for Monitoring and Evaluation Guidelines
- Present a Cruise Tourism Strategy with Action Plan

## 3. Definition of Cruise Tourism

While most people associate cruise tourism with the large cruise ships that berth at the Port Vila and Luganville wharves or drop anchor at Mystery island and Champagne Bay, there are other market segments that currently visit Vanuatu and have the potential to grow as a market and as a tourism product. These are the Expedition ships and the Yachts. Other cruise tourism products like day charters, riverboats and liveboards are not included in the scope of this study. A Definition of each of the main cruise tourism segments is as follows:

### 3.1. Cruise ship tourism

- Large ships with a maximum passenger (pax) capacity ranging from 1,200 to 6,000.
- High staff to passenger ratio of between 2 and 3 to ensure safety and service standards.

- Floating resorts in a protective, emotionally soothing, controlled environment.
- Atmosphere is focused on fun and entertainment for pleasure and enjoyment. Relaxation and comfort are also important as the experience allows both a focus on oneself, or with the possibility of friendship through social activities.

### 3.2. Expedition ship tourism

- Transoceanic travel in ships with passenger carrying capacity of between 50 to 600.
- Itineraries include remote and isolated places that do not necessarily require berthing
- Market is seeking more adventure and a different natural, scientific, educational and authentic cultural experience away from mass tourism characteristics.

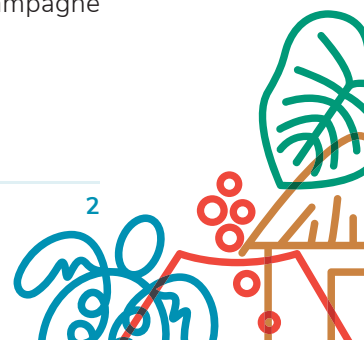
### 3.3. Yachting tourism

- A specialised market segment involving yachting for pleasure, adventure, lifestyle or recreational purposes.
- Includes sailing by private yachts (1 to 5 pax), including superyachts (up to 25 pax), or chartered yachts at the destination (skippered or bareboat) for cruising holidays.
- There are also organized Yacht Rally's and Races where a flotilla of yachts (20 to 50 yachts with 3 to 10 crew each) sail between island countries (e.g. Down Under Rally linking Vanuatu to New Caledonia, Fiji, Australia and NZ).

## 4. Methodology

The following methodology was used to undertake the project which commenced on April 15th, 2019 with the signing of the contract. The field trips to the Outer Provinces were scheduled to synchronise with the arrival of a cruise ship.

- A Literature Review was conducted of 25 cruise tourism plans, policies, regulations and research articles. Notes were taken and used to inform this current study.
- Some 50 face to face interviews were conducted with key stakeholders in the public and private sectors. A list of these interviewees is included in Appendix 1.
- 2 x Special Survey Questionnaires were prepared and emailed to the two major cruise ship companies – Carnival Australia and Royal Caribbean Cruises. They did not respond directly to these surveys but the survey questions were used in follow up interviews with their two representatives when they visited Vanuatu in mid-May, 2019.
- 5 x Special Survey Questionnaires were emailed to each of the five main Expedition ship companies. Only 3 responded.
- Stakeholders Workshops were held in Sola, Port Vila, Aneityum and Malekula (Wala Island and Lakatoro). All feedback and discussion points were recorded.
- 4 Focus Group Discussions were held with selected Stakeholders in Port Vila and Luganville.
- 4 Cruise ship observation days were conducted in Port Vila, Luganville, Champagne Beach and Mystery island.





- The Draft Report was distributed to 70 stakeholders requesting feedback comments on the 19th July, 2019. 10 stakeholders replied, all with a positive endorsement.
- A Cruise Tourism Forum for all stakeholders was held in Port Vila on Nov 6th, 2019 where the DoT and the consultants provided an overview of the major findings and recommendations of the Cruise Tourism Strategy report. Feedback comments were recorded.

## 5. Cruise Tourism Policy Guidelines

The initial Vanuatu National Cruise Tourism Action Plan was released in December 2012. This focused exclusively on the larger cruise ships and provided an overview of the issues and visitor numbers at each port of call and a description of the role of each of the key stakeholders. It also outlined 44 action tasks under 5 main Key Result Areas.

However, there was not a dedicated budget to support the implementation of many of these initiatives. It was more descriptive rather than analytical, more hopeful than strategic. While there was a desire to increase cruise visitor numbers according to what itineraries the cruise companies deemed to be suitable to their economic modelling, there was very little resources or planning provided for making Vanuatu market ready as a cruise destination.

Nevertheless, it did bring Cruise Tourism into the spotlight as an important sub-segment of the national tourism sector. It also encouraged the establishment of a National Cruise Tourism Management Committee which was formed to implement the Action Plan and to establish and supervise 6 separate Provincial Port of Call Management Committees from 2013.

### 5.1 Vanuatu Sustainable Tourism Policy, 2019 to 2030

As mentioned in the Introduction this Cruise Tourism Development Strategy should be guided by the Vanuatu Sustainable Tourism Policy (VSTP). This Policy outlines a sustainable tourism approach to development which involves achieving a balance between three key elements:

- economic viability
- social acceptability
- environmental responsibility

The VSTP aligns with the GOV adopted National Sustainable Development Plan (NSDP, 2016-2030) for Vanuatu by focusing on the principles of sustainability, by minimising and mitigating against negative environmental, economic and sociocultural impacts. It incorporates responsible tourism where operators, governments, local people and tourists share the responsibility to demonstrate a focus on ethics and human rights in making Vanuatu a more resilient destination. Some of the key objectives identified in this VSTP document that will have direct relevance on the development of cruise tourism will be:

Infrastructure development and transport access is determined by social and environmental assessments

Higher product standards through the Vanuatu Tourism Permit and Accreditation Program (VTPAP) criteria, Corporate Social Responsibility (CSR) and Global Sustainable Tourism Council (GSTC) recognition and certification.

A nationwide waste management campaign to ban plastic straws, polystyrene containers and plastic bags in Vanuatu is launched alongside the promotion of the reduce, reuse and recycle campaign. Waste education programs become part of the school curriculum.

Higher product standards of quality, health, safety and security of visitors is enforced through VTPAP. Where appropriate, VTPAP ensures tourism products and sites are accessible to all, including those with disabilities and specific requirements.

An incentive scheme is initiated for the purchase of responsible products and experiences.

Tourism products that support authenticity, local cultures, kastom and social protection are guaranteed support through a certification program.

Responsible Visitor to Vanuatu campaign that requires every visitor to pledge to positively impact on the natural and social environment. A code of conduct is created for tourists to ensure responsible and ethical behaviour.

Legislation is introduced and enforced which allows only operators with a Sustainable Tourism Standard certification to operate in areas of high cultural or environmental significance.

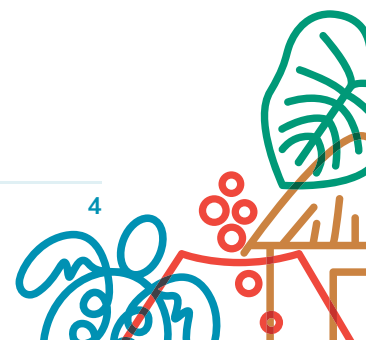
Community-based adaptation projects are developed through collaborative partnerships between tourism operators (cruise companies?) and tourism dependent communities to reduce vulnerabilities to climate change.

Local communities' aspirations, concerns, and satisfaction with destination management are regularly monitored, recorded and publicly reported in a timely manner.

## 5.2 The Vanuatu Tourism Market Development Plan 2019 – 2030

The *Vanuatu Tourism Market Development Plan 2019 – 2030* was launched by the Vanuatu Tourism Office (VTO) and also has some policy implications for cruise tourism development. While most of their destination marketing work concentrates on stimulating demand from the longer staying air tourists they also recognize the necessity of providing better meet and greet information services for cruise visitors, particularly in Port Vila. They play an important role in ensuring that destination messaging through social media and a positive word of mouth by cruise visitors while in-country can also translate into cruise visitors returning as air tourists.

The destination branding and market positioning can also be used to attract cruise tourism visitors, particularly the *global adventure seeker* for the expedition ship and yachting segments. The Global Adventure Seeker is defined as a cohort or tribe of people who revel in remote, undiscovered, and authentic destinations. Mass tourism is abhorrent to them and travelling is a lifestyle. They see themselves as people of the world seeking to understand and connect at the real level. Vanuatu's outer islands should be especially appealing to this market segment.



### 5.3. Vanuatu National Oceans Policy 2016

Under the Dept of Environmental Protection and Conservation (DEPC), the Vanuatu National Oceans Policy was adopted in 2016. This also outlines certain guidelines for what they term marine tourism development. The Strategic objectives for marine tourism are to:

Facilitate the ecologically sustainable growth of the marine tourism sector in Vanuatu, whilst providing further employment opportunities; and

Promote economic diversification of new and existing marine sectors which support tourism activities.

Although marine tourism represents a significant economic activity to Vanuatu, if not properly managed tourism activities can potentially pose significant problems in terms of environmental sustainability.

Work with other relevant government departments and other stakeholders to adopt measures to ensure that environmental impacts of tourism development and activities are avoided, minimized or mitigated, ensuring for example that:

- tourism infrastructure is not located in environmentally sensitive areas and the impacts of tourism infrastructure are minimized, both on- and off-site (e.g., impacts from the extraction of building materials and waste disposal).
- species and habitats are not disturbed or damaged by inappropriate practices such as: approaching turtles, dugongs and other marine animals too closely, approaching breeding sites, littering, reef walking, poor practices in snorkeling or diving, dumping of rubbish and sewage by cruise ships, or destructive anchoring.
- collection and sale of souvenirs (e.g., shells, corals, etc) follows all relevant national regulations, as well as international and regional obligations.

The DEPC also manages the Marine and Coastal Biodiversity Management in Pacific Island Countries Project (MACBIO) in Vanuatu, particularly for implementing the National Oceans Policy and protecting the value of Ocean resources (Vanuatu EEZ valued at about Vt 6 billion!). They are also responsible for the Biodiversity and Protected Areas Management Project (BIOPAMA) under SPREP funding up until 2023.

All marine vessels, including cruise ships, expedition ships, yachts and all other craft are subject to these marine based policy guidelines and regulations.

The National Oceans Policy Committee is also conducting Marine Spatial Planning workshops in each of the six Provinces to involve community leaders and their members in the planning of Ocean Zones that protect marine species and ecosystems and to develop a national network of marine protected areas for the sustainability of livelihoods, food security and cultural kastoms.

Vanuatu has also just been elected to Chair the UN International Maritime Organisation (IMO) Technical Co-operation Committee, a specialized agency that sets the global standards for the safety, security and environmental performance of international shipping, including cruise ships.

## 6. Market Overview and Analysis

### 6.1. Cruise Ships

As outlined in Table 1 below the number of cruise ships arriving into Vanuatu in 2019 has declined by 49% since the peak year of 2016. A slight overall increase of 11 ship calls or 7.2% was expected for 2020 but growth projections will need to be adjusted once the full effects of the devastating coronavirus crisis are known. It will take the cruise operators many months to recover, particularly in overcoming the negative public image created by their handling of the coronavirus crisis on board their ships.

The two main cruise operators report that Australia's homeport capacity has stalled over the past 2 years as Sydney's cruise berths have been fully booked over the peak cruise season (November to March). This has prevented current operators from adding to their Australia-based fleets and prevented new entrants into the market. The average size and capacity of ships operating in the region has increased, partly in response to the lack of available berths in Sydney. While this has marginally grown the homeport market in total, the destinations/itineraries available to the larger ships has been somewhat limited, especially at the South Pacific destinations.

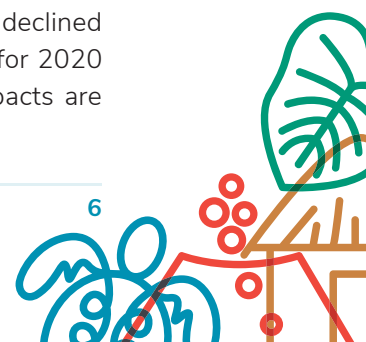
This has resulted in a significant proportion of the homeport growth being directed towards New Zealand as a destination. Competitive cruise destinations such as regional Australia (particularly Tasmania) and PNG continue to develop their destination offerings making them an attractive alternative destination to the South Pacific.

**Table 1: Cruise Ship Arrivals per Port of Call in Vanuatu, 2009 to 2019**

Port of Call	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Port Vila	50	57	73	111	126	123	104	139	117	111	70	79
Mystery Island	23	21	57	55	74	67	63	103	95	81	64	61
Wala	9	11	15	18	18	5	0	0	0	0	0	0
Champagne Bay	6	4	13	17	16	19	29	26	27	4	7	9
Pangi, Pentecost	3	5	5	3	2	5	4	3	1	5	0	1
Luganville	2	2	6	15	16	25	26	25	28	13	10	12
Totals	93	100	169	219	252	244	226	296	268	214	151	162

Source: DoT \*2020 stats from [www.cruisetimetables.com](http://www.cruisetimetables.com)

As indicated in Table 1, between 2016 and 2019 the Port Vila port of call (POC) has declined by 49% (less 68 ships), Luganville POC has declined 56% (less 14 ships), Champagne Bay POC is down 77% (less 20 ships) and Mystery Island POC has declined by 40% (less 41 ships). Some slight increases were predicted for three POC's for 2020 cruise ship arrivals but these will need to be revised once the coronavirus impacts are



known. It is more than likely that major declines will be recorded. Land and clan disputes in Wala Island, off the coast of Malekula, in 2014 and more recent disputes in Champagne Bay in Santo and Pangl in Pentecost have curtailed actual ship arrivals at those POC's.

Brisbane's new cruise terminal facility at Luggage Point is scheduled for completion in October 2020 and is expected to add significant additional capacity to the market. It will be the first Australian port facility to be capable of handling the largest cruise ships (+360m in length) which enables the newer, larger and more modern class of ships to be deployed in Australia. With Brisbane being the closest Australian homeport to Vanuatu, the impact on Vanuatu's cruise tourism sector could be significant.

Table 2 below shows Total Cruise ship visitor arrivals (passengers) to Vanuatu, despite a spurt in 2016, have shown an overall decrease of 39.2% between 2013 and 2019. There have been less ships arriving with less passengers. This reflects a very volatile and unstable growth pattern.

Table 2: Cruise Passenger Arrivals 2013 to 2019 and % growth p.a.		
Year	Arrivals	% Growth p.a.
2013	247,296	
2014	220,205	- 10
2015	197,471	- 10
2016	256,482	+30
2017	223,551	- 12
2018	234,367	+ 4.8
2019	135,357	- 42.2
Average over 7 years =	182,626	- 39.2%

Source: VNSO and DoT, with Consultants analysis

There is also a concern with the official statistics which seem to only record each of the cruise ships' passenger load factor (i.e. actual pax on board), multiplied by the different ports of call (usually 1, 2 or 3 in Vanuatu). They do not accurately record the actual number of passengers disembarking (i.e. day visitors) at each port of call, a figure much more relevant for the planning and marketing of Vanuatu as a cruise destination. In other words, 'cruise ship arrivals' do not always equate to actual 'cruise day visitors', a term often used mistakenly.



**Table 3: Number of Cruise ship Arrivals and Potential Visitors per Port of Call in 2019**

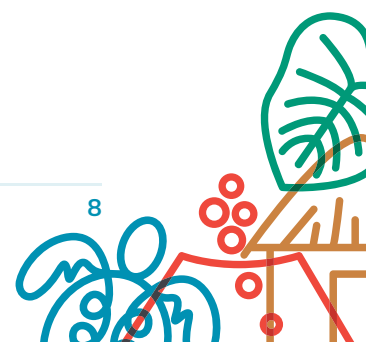
Port of Call	No. of Cruise ship Arrivals (%)	Number of On-board Pax Arrivals	Actual Visitors Disembarking* (92.5%)	Average Visitors Disembarking per ship call
Port Vila, Shefa	70 = 46.3%	62,670	57,970	828
Mystery Island, Tafea	64 = 42.4%	57,391	53,086	829
Luganville, Sanma	11 = 7.3%	9,881	9,387	938
Champagne Bay, Sanma	7 = 4.0%	5,414	5,008	715
<b>Total =</b>	<b>151 = 100%</b>	<b>135,357</b>	<b>125,451</b>	<b>Av = 827</b>

Source: Consultants Analysis from DoT data, N.B. \*Disembarking – Carnival have 83% of arrivals with an average of 94% disembarking and RCCL with 17% of arrivals with 91% disembarking. Average disembarkation rate = 92.5%

Table 3 uses the data from Table 2 and some recent and previous ship surveys, to estimate the number of passengers that actually disembark to become a day visitor. It is estimated from previous studies (IFC Economic Impact Assessment, 2014) that an average of 94% of total pax disembark from Carnival Cruise ships and RCCL inform that their disembarkation rate is 91%. It is unfortunate that this information is not officially available and neither the cruise companies nor the local shipping agent would reveal these statistics for examination. This information should be readily available to GoV authorities and is required to allow wharf managers, retail businesses and transport operators to plan ahead so as to better service the cruise day market.

The Average number of disembarking visitors is 827 per ship call over the 4 main ports of call. But actual day visitor numbers will have a wide range depending on the size of the ship according to its maximum load factor for passenger capacity. Table 4 below breaks down the different cruise ship arrivals for 2019 by cruise company, number of voyages/trips, POC's with passenger and crew capacity for each ship. Carnival Cruises have 15 ships undertaking 83 trips to 124 POC's. This is an average of 1.5 POC per trip meaning there are more trips with 1 or 2 POC's than there are with 3 POC's. This reflects the current market trend to sell more of the shorter 7 to 9 day cruise packages that link New Caledonia and Vanuatu and why the P&O budget market ships Pacific Dawn and Pacific Aria dominate the number of trips and calls.

More importantly, these figures show Carnival's dominant position within the Vanuatu market with 15 ships undertaking 80.5% of all trips and visiting 82.1% of all POC's. Royal Caribbean Cruises (RCCL) has 5 ships operating which account for 19.4% of all trips and 17.8% of all POC's visits. It should also be noted that RCCL are currently using larger ships and have 28.4% of potential passenger capacity, compared to Carnival with 71.8% of potential passenger capacity (i.e. with a full load factor).



**Table 4: Cruise Ship Arrivals per Port of Calls and Capacity, 2019**

Cruise Company	Ship	No. of trips/ Voyages	Port Vila	Mystery Island	Champagne Bay	Luganville	Total POC Ship Arrivals	Pax Capacity	Crew Capacity
<b>Carnival Ships = 15</b>									
<b>Carnival Aust</b>	Carnival Spirit	16	7	16		1	24	2124	961
<b>Holland America</b>	Noordam	1	1	1	1	1	4	1924	800
	Maasdam	2	1	2		1	4	1258	580
	Amsterdam	1	1	1		1	3	1380	647
<b>P&amp;O</b>	Pacific Dawn	21	20	1	1	1	23	1548	725
	Pacific Jewel	1	-	1		-	1	1672	621
	Pacific Aria	19	14	7	2	2	25	1512	558
	Pacific Explorer	12	10	11	1	1	23	1998	924
	Arcadia	1	1	-		-	1	2388	976
<b>Princess</b>	Sea Princess	2	2	2	2	2	8	2016	850
	Sun Princess	1	-	1		-	1	1998	924
	Golden Princess	2	2	-		-	2	2600	1100
	Ruby Princess	2	1	1		-	2	3600	1200
<b>Costa</b>	Costa Atlantica	2	1	1		-	2	2866	1100
<b>Norwegian</b>	Jewel	1	1	-		-	1	2652	902
	Sub-total =	84	62	45	7	10	124	31,536	13,968
<b>RCCL Ships = 5</b>									
<b>Celebrity</b>	Celebrity Solstice	1	1	1		-	2	2850	1250
<b>Oasis</b>	Ovation OTS	6	1	6		-	7	4905	1500
	Explorer OTS	7	1	7		-	8	3114	1180
	Radiance OTS	4	4	4		-	8	2501	859
	Voyager OTS	2	1	1		-	2	3138	1181
	Sub-total =	20	8	19	0	0	27	16,508	5,970
<b>Grand Totals</b>		<b>104</b>	<b>70</b>	<b>64</b>	<b>7</b>	<b>10</b>	<b>151</b>	<b>48,044</b>	<b>18,838</b>

Source: DoT and Consultants Analysis

## 6.2. Expedition Ships

There are 9 ships travelling to Vanuatu in 2019, under 4 main companies: Bremen-Hapag Lloyd (Germany); Ponont (France); Noble Caledonia (UK and Silver Seas (USA, 75% owned by RCCL).

Table 5 below outlines the total number of expedition ships and passengers arriving in Vanuatu between 2014 and 2020 (from published schedule). It shows a somewhat unpredictable growth pattern with a major spurt in 2017, followed by a decline in 2018 and an expected boost in 2019 and 2020.

Table 5: Total Expedition ships and Passengers 2014 to 2020				
Year	No. of Ships	POC's (PV)	Total Pax*	% Growth p.a
2014	6	24 (2)	2,200	
2015	3	13 (1)	1,410	- 36%
2016	3	8 (2)	830	- 41%
2017	6	33 (2)	4,350	+ 424%
2018	3	18 (1)	3,000	- 31%
2019	8	31 (2)	4,462	+ 48.7%
2020	13	41 (5)	8,155	+ 82.7%
Averages	6	24	3,487	63.8%

Source: Pacific Shipping Agencies with Consultant analysis \* Total Pax (not crew) = Per Ship pax x POC's

The Expedition ships take in more ports of call mostly in the more remote outer islands. Very few of them call into Port Vila, usually for provisioning and/or a cultural show. Expedition ship tour operators segment the Pacific market by cultural heritage into Polynesian, Melanesian and Micronesian. Expedition ships travel out from European ports and are not based in Australia. Many passengers use the options of fly in/cruise and cruise /fly out.

Cruise Lines International Association (CLIA) have recently stated that 'Expedition cruising has surged in popularity in recent years as travelers demand more immersive experiences'. In response to this the keynote speaker at their upcoming Annual Conference in August 2019 will discuss the topic of 'Reimagining Shorex – the increasing demand for authentic and engaging experiences'.

## 6.3. Yachting

Changes to Vanuatu's Immigration legislation in 2010 seems to have had a significant and detrimental effect on yacht tourism with a major decrease in yacht visitors since 2010. Nearly 600 yachts visited in 2010, but this number reduced to 312 in 2014. According to the Customs Border Control agent in Port Vila and the three Yacht Servicing Agents,



Vanuatu will receive about 120 yachts in 2019, including about 30 superyachts. This is down by around 80% from the 600 that arrived in 2010.

From the stakeholder interviews and literature research undertaken for this cruise strategy and from a report written by a Yachting Tourism Consultant to Vanuatu (Eric Simmons, July 2015) there are four main issues that negatively impact on the growth of the yachting segment in Vanuatu:

- Very high entrance fees which include separate fee payments to immigration, biosecurity and ports (mooring and anchorage fees are extra) making them the highest of all the Pacific Islands, 95% more than Fiji and 100% more than New Caledonia and Samoa, neither of whom charge any yachting fees.
- Vanuatu only grants a one month visa to each yacht visitor otherwise extra charges are including Vanuatu, between the USA, South America and applied for any extensions. This restricts each yacht from cruising around the islands of Vanuatu. By contrast New Caledonia offers an immediate 3 month visa and Fiji offers a 4 month visa.
- Yachties have been generally perceived as a low budget market, spending little in a destination and as polluters of the ocean. Recent studies in Fiji refute both of these myths. The yacht market is segmented into three main sectors – single sailing/cruising yachts; superyachts (up market larger motorized ocean cruisers, carrying up to 25 pax and which is longer than 24m) and charter operations (day tours or fly in visitors who hire yachts for pleasure sailing in a destination). All of these sectors have recorded high expenditure patterns in Fiji, particularly if services are provided in a protected marina.
- More recent negative publicity about yachts being involved in illicit drug running through Pacific island routes, to Australia/NZ. It seems that charging higher entrance fees does not deter such illegal activities.

There are several yacht rallies and races that occur each year, usually with 20 to 30 yachts participating in a flotilla, but these are usually only promoted within the network of enthusiastic yachties. These include:

- The Island Cruising Association ([www.islandcruising.co.nz](http://www.islandcruising.co.nz)) leads cruising rallies from New Zealand to Tonga, Fiji, Vanuatu and back again to New Zealand.
- Noumea to Port Vila Yacht Race is held each September/October
- The World ARC Rally in July 2019, a round-the-world cruising Rally with Yachting World Agents in Port Vila being one of the hosts.
- Go East Down Under Cruisers Rally ([www.downunderrally.com](http://www.downunderrally.com)) commencing in May out of Australia and including New Caledonia and Vanuatu. Port of Call Yacht Services in Port Vila are part of the organizing committee.

The Vanuatu Cruising Yacht Club (VCYC) was founded in 1979 but has struggled to survive as well intentioned managers and patrons come and go. From 1989 to 1999 it was based at the Waterfront bar and restaurant and from 2006 to 2012 at the Anchor Inn. In 2014 the Port Vila Boatyard offered to house the club at the Boatyard Bar on Ifira Point which is where the VCYC continues to 'stay afloat' by offering sailing training programs and social activities.

Vanuatu needs to undertake a market study on yacht tourism, particularly a survey or value chain analysis on expenditure patterns per market segment to determine the multiplier effect of expenditure and employment. Issues raised by stakeholders that could also be considered in a Yacht Tourism Study include:

- Review the current legislation and administration of charges and fees to develop a more competitive Yacht Tourism Policy
- Develop a yacht charter base in Santo.
- Conduct a feasibility study for a Marina at either First lagoon, Fatumaru Bay, Erakor and/or Santo
- Promote the comprehensive electronic guidebook (<https://cruising-vanuatu.com>) which has been lauded as one of the best by both yachties and ship captains.
- Assist the Vanuatu based Yacht Service Agencies to attend the major trade shows to promote Vanuatu as a yacht tourism destination, particularly for superyachts.

The recently released study *Economic Impact of International Yachting in Fiji* (Nov 2018) reveals that the yachting and related support industries contribute a total of FJ\$60.6 million (Vt 3.16 billion) to the Fijian economy each year. It is also one of the highest yielding tourism segments with an average spending of F\$7,808 per person (Vt 407,000). Although yachting arrival numbers are modest in comparison to cruise tourism, the 4,473 yachties that arrived in 2018 spent a total of F\$34.9m (Vt 1.8 billion) on fuel, maintenance, dockage, food provisioning, restaurants and a range of other tourism activities.

The Fiji report recommends developing the yacht and superyacht segments further by focusing on supporting growth, competitiveness and increasing market share, particularly through improvements to Government regulations and processes. Initially, this should include the incorporation of yachting tourism statistics in national tourism accounts to better track economic contribution and growth. Vanuatu should adopt a similar course of action.

#### **6.4. Review of Economic Impacts**

The August 2014 report on the *Assessment of Economic Impacts of Cruise Ships to Vanuatu* was jointly commissioned and sponsored by Carnival Australia Cruise Lines, the International Finance Corporation (IFC) and the Australian Government (through DFAT). It was conducted by independent consultants Net Balance Management Group Pty. Ltd. using data and surveys supplied by the cruise companies Carnival Australia and Royal Caribbean Cruises International (RCCL).

The report and its results are somewhat dated, particularly in light of the more recent decline in cruise ship tourism to Vanuatu. However, some of the passenger expenditure data is relevant once adjusted for VAT, inflation and currency exchange rates. The consultants present this expenditure data as a guide only.





**Table 6: Passengers On-shore Average Expenditure (Vatu) for Selected Items at 3 Main POC's (recorded in 2013, adjusted for 2019)**

Expenditure Item/POC	Port Vila	Luganville	Mystery island	Totals
Pre-purchased Shore Tour (local share)	4,742	3,788	0	8,530
Local Tour/Activity	4,831	3,311	1,508	9,650
Duty Free	4,063	3,010	0	7,073
Local Transport	1,755	2,046	0	3,801
Food and Beverage	1,270	926	651	2,847
Handicrafts/Souvenirs	1,401	955	698	3,054
Clothing	1,863	1,540	968	4,371
Watch/Jewellery	2,913	690	446	4,049
Entertainment (venues)	4,574	3,097	1,920	9,591
Other shopping	3,453	2,878	1,572	7,903
Average spend on all items	3,087	2,224	1,109	6,420
Weighted per pax expenditure across all disembarked pax*	9,028 (63.8%)	4,112 (29.1%)	1,005 (7.1%)	14,145 (100%)

Source: IFC Study 2014\*(Footnote: Weighted Average spend of all passengers going ashore at each port, including local portion of tour spend). Only includes pax who actually spent money on the listed items. Not all items are purchased by the same pax. The same pax are likely to spend at all 3 POC's. Adjusted by an increase of 15% to account for inflation and exchange rate fluctuations, plus another 2.5% VAT which was introduced in Jan 2018.

The IFC report of 2014 says cruise passengers spent A\$96 (Vt 7442 plus 15% = Vt8,558 plus 2.5% = Vt 9,028) per day in Port Vila, A\$45 ( Vt 3,489 plus 15% = Vt 4,012 plus 2.5% = Vt4,112) per day in Luganville and A\$11 (Vt 853 plus 15% = Vt 981 plus 2.5% = Vt1,005) per day in Mystery Island

The Vanuatu Cruise Visitor Survey of 2014 conducted by Acorn Tourism Consulting, through the SPTO, reported the average spend of a cruise visitor in Vanuatu was Vt 10,739. If we add the extra 17.5% this would equate to Vt 12,618 in 2019. If we take the average of the two amounts of Vt 12,618 and Vt 14,145, we have a more definitive figure of Vt 13,382 expenditure per disembarking passenger. If we apply that figure to the expected number of disembarking cruise visitors from Table 3 we can extrapolate the potential cruise visitor spend for 2019 as 125,451 passengers x Vt 13,382 per pax = Vt 1,678,785,282 or say Vt 1.7 billion.

## Crew Spending On Shore

The 2014 IFC report also estimated that on average 21% of the crew disembark at the 3 main ports of call and spend on average Vt 6,733 (AUD 85) each on local transport, food and beverage. In 2019 this would equate to a further Vt 79, 907, 244 (3,956 crew x Vt 6,733 x 3 POC's).

## Ship Landing and Berthing Revenue

All ocean going vessels are subject to landing fees under the Ports Act which is administered by the Dept. of Ports and Harbour. Cruise ships and Expedition ships are charged an array of different fees based on their handling, tonnage and length. Despite numerous requests to the Department of Customs and Inland Revenue and to the Department of Finance, information and statistics on the amounts collected for these fees remain curiously unavailable.

The Dept of Ports and Harbor reported that the total amount collected in 2015 for pilotage and tug fees, plus 12.5% VAT, based on 250 cruise and expedition ship visits was Vt 493,109,704. If we adjust this to 15% VAT and 182 ship visits in 2019 the figure would be Vt 368,969,335. (AUD 4.6m)

**Table 7: Comparison of Direct Economic Impact (Vatu) 2014 to 2019**

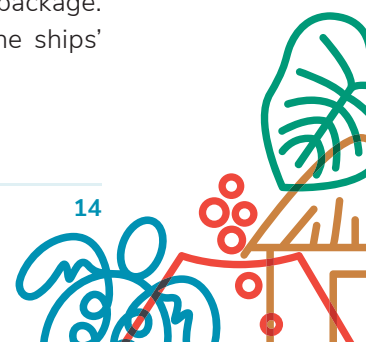
Year	Ship Calls	Ship Landing Fees	Visitor Spend	Crew spend	Total
<b>2014</b>	201	493,447,000	2,025,830,000	95,457,300	2,614,734,300
<b>2019</b>	151	368,969,335	1,678,785,282	79, 907, 244	2,127,661,861

Source: Consultants analysis based on IFC 2014 Report and 2019 estimates.

Table 7 above compares the total economic impact figures from the three main sources of revenue. This shows, with less number of ship calls, a decrease of 18.6% in cruise ship revenue from Vt 2.6 billion in 2014 to Vt 2.1 billion in 2019. This decrease was offset to some extent by a 2.5% increase in VAT in early 2016.

It should be noted that the 2018 *Vanuatu International Visitor Survey* reported that tourists who arrive by air spend about Vt 21,000 per day over an average length of stay of 10 days. The World Travel and Tourism Council state in their 2019 *Vanuatu Tourism Economic Impact Report* that air tourists account for a direct spend of Vt 17.9 billion in 2018 and this is estimated to increase to Vt 18.5 billion in 2019. That's just over 7 times more than cruise visitors. Perhaps a sobering thought to be considered by the tourism policy analysts, decision makers, investors, planners and marketers.

But for those on cruises their accommodation travels with them, removing a third of the destination's potential income. Another third is affected because cruise passengers often return to the ship for lunch and dinner, which is included as part of their cruise package. Some passengers never get off the ship in port, preferring to make use of the ships' amenities, which are then at their least busy.



**Table 8: Ship Capacity and Optimum Visitors with Pax/Crew Ratio**

Cruise Company and Brand	Ship	No. of Trips	Pax Capacity	Optimum no. of Visitors	Crew Capacity	Pax/Crew ratio
<b>Carnival Ships (x 15)</b>						
<b>Carnival Aust</b>	Carnival Spirit	15	2124	31,860	961	2.21
<b>Holland America</b>	Noordam	1	1924	1,924	800	2.40
	Maasdam	2	1258	2,516	580	2.16
	Amsterdam	1	1380	1,380	647	2.13
<b>P&amp;O</b>	Pacific Dawn	21	1548	32,508	725	2.13
	Pacific Jewel	1	1672	1,672	621	2.69
	Pacific Aria	19	1512	28,728	558	2.70
	Pacific Explorer	12	1998	23,976	924	2.16
	Arcadia	1	2388	2,388	976	2.44
<b>Princess</b>	Sea Princess	2	2016	4,032	850	2.37
	Sun Princess	1	1998	1,998	924	2.16
	Golden Princess	2	2600	5,200	1100	2.36
	Ruby Princess	2	3600	7,200	1200	3.00
<b>Costa</b>	Costa Atlantica	2	2866	5,732	1100	2.60
<b>Norwegian</b>	Jewel	1	2652	2,652	902	2.94
	Sub-total =	83	31,536	153,766	12,868	Av = 2.43
<b>RCCI Ships (x 5)</b>						
<b>Celebrity</b>	Celebrity Solace	1	2850	2,850	1250	2.28
<b>Oasis Class</b>	Ovation OTS	6	4905	29,430	1500	3.27
	Explorer OTS	7	3114	21,798	1180	2.64
	Radiance OTS	4	2501	10,004	859	2.91
	Voyager OTS	2	3138	6,276	1181	2.66
	Sub-total =	20	16,508	70,358	5,970	Av = 2.75
	<b>Grand Totals</b>	<b>103</b>	<b>48,044</b>	<b>224,124</b>	<b>18,838</b>	<b>Av = 2.59</b>

Source: DoT and Consultants Analysis

## Falling Short of Optimum Passenger Levels and Expenditure

Table 8 above shows optimum visitors if each ship had 100% capacity load factors by number of calls. But the 2019 figure of 135,357 actual passenger arrivals is only 60.4% of the optimum number of 224,124 potential arrivals. That's 88,767 arrivals short at 92.5% disembarkation rate = 82,109 visitors @ Vt 13,382 each, equals an opportunity cost of Vt 1,098,782,638 or say Vt 1.1 billion of lost potential revenue!

High average passenger to crew ratios of 2.59 reflect the high priority placed on passenger safety and service. The newer, larger, better designed ships have higher ratios of around 3.0 meaning a potential cost saving for the cruise companies.

## 7. Cruise Ship Companies Structure and Strategy

### 7.1. Carnival Australia

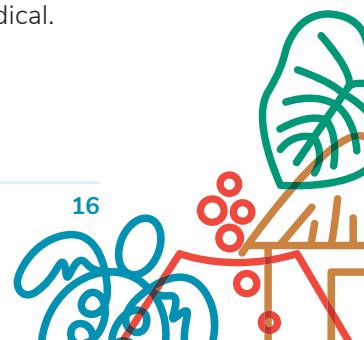
Headquartered in Sydney, Australia, Carnival Australia is a subsidiary of the American-British owned Carnival Corporation, whose global headquarters are based in Miami, Florida, USA. Carnival Corporation is the world's largest cruise operator with 10 brands worldwide and over 100,000 employees globally.

Carnival Australia represents seven leading cruise brands in the Australian and New Zealand market, including Carnival Cruise Line, Cunard Line, Holland America Line, P&O Cruises Australia, P&O Cruises World Cruising, Princess Cruises and Seabourn. Carnival Australia is overseen by the Carnival Corporation's UK Management Committee.

Carnival's has a dominant position within both the Pacific and particularly the Vanuatu market with over 80% of the total ships, the number of trips made and the number of ports of call visited. Vanuatu's proximity to the Australian home ports of Sydney and Brisbane makes Port Vila a strategically significant port of call for the company's strategic itineraries in terms of its economic modelling for costs and geographic location (including linkages with New Caledonia) and for logistics, supply of provisions and safety drills in port.

Carnival Australia have outlined their preferred strategy for continuing to utilize Vanuatu as a destination under the following main points:

- Continuing with year-round cruises
- Generating more demand by communicating Vanuatu's magic of people and adventure
- Enhancing existing destinations and experiences
- Continuing the YUMI Partnership for business training and product development
- Developing new destinations (i.e. ports of call)
- Continuous employment of ni-Vanuatu crew
- Helping to address maritime operational areas (hydrographic surveys, bathymetric charts)
- Offering more opportunities for Vanuatu suppliers
- Continuing with Corporate Social Responsibility (CSR) programs, e.g. ProMedical.



## 7.2. Royal Caribbean Cruises Ltd. (RCCL)

RCCL is a global cruise holding company incorporated in Liberia and based in Miami, Florida, USA. It is the world's second-largest cruise line operator, after Carnival Corporation. RCCL owns and operates three global brands: Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises. RCCL is a 50 percent joint venture owner of the German brand TUI Cruises, a 49 percent shareholder in the Spanish brand Pullmantur and a 67 percent shareholder in Silversea Cruises, an upmarket expedition ship operator. Together, these brands operate a combined total of 61 ships and employ 65,000 people.

In Vanuatu, RCCL operate 5 ships which account for 19.4% of all trips and 17.8% of all POC's. RCCL's strategic approach is to service the corridor between, China, Asia and Australia, with the Pacific as an extension, which can then be serviced out of Australia with a new facility in Sydney as a homeport. So, the itineraries would be mixed between Sydney, Auckland, New Caledonia and Vanuatu probably needing 8 to 10 nights as a product. They are also looking to develop fly/cruise products for the Chinese market.

RCCL have outlined their Vision for Vanuatu as follows:

- To be the number one South Pacific destination for the RCCL brands
- To become a member of RCCL's global Perfect Day portfolio through the Lelepa Island project
- To be the world's leading example of an environmentally sustainable cruise destination
- To be the leading destination for Royal's larger Oasis class ships

This would be achieved through two key strategies:

- Go Broad - more destinations (ports of call) which will entail the development of marine and landside infrastructure with the ability to handle continuous growth with vessel and size capacities. This includes the opening of new destinations within the Vanuatu archipelago and, where necessary, involve the use of floating jetties in order to protect the environment.
- Go Deep - more local authentic community experience which will entail increasing the destination capacity and capability at Vanuatu's major cruise destinations as well as focusing on providing unique and relevant cultural and adventure activities for guests of all ages.

RCCL have also outlined the main activities to improve Vanuatu as a cruise destination, as follows:

- Gain better access to the cruise industry supply chain
- Demonstrate a commitment to the protection of the destination and its marine environment
- Developing Employment Training at the Maritime College
- Developing aviation linkages with the Chinese cruise market



### 7.3. The Lelepa Island Project Proposal

A recent investment proposal has been submitted by RCCL to lease and develop a section of land on Lelepa island for them to construct an exclusive 'day resort' facility. A range of activities and facilities would be available for the exclusive use of their cruise ship guests who will be there as part of a day call to the island. This is part of a trend to develop such shore experiences where the cruise passenger remains 'captive' and revenue streams are controlled by the cruise company. The fact that this is more a 'manufactured' experience also has implications for not meeting cultural authenticity requirements.

The proposed investment value is USD 61m (Vt6.7 billion) offering a range of economic benefits in terms of local employment opportunities, local procurement of building materials, food and beverage supplies and business services. Although it is a private investment project not seeking any direct public or donor funding, it has already (some think prematurely) been deemed by COM to be a project of national significance and a special agreement (MOA) has been drafted between the GOV and RCCL, represented by a locally registered company whose shareholders and Directors do not appear to be officially listed. The State law Office has been highly critical about many of the concessions granted to RCCL in the MOA.

RCCL has indicated that this investment will also drive an increase in calls to other Vanuatu destinations. With future cruises originating from both Brisbane and Sydney, average cruise durations will be between 7 and 12 days and the itineraries for these cruises will require additional destination calls in Vanuatu.

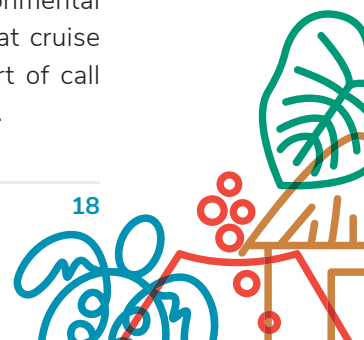
While a project of this magnitude sounds like a tempting offer, it would be more prudent to have an independent and objective feasibility study undertaken to examine more thoroughly any economic leakages or opportunity costs that may be associated with such a major project. The figures quoted in the investment proposal need to be more fully analysed, tested and justified. What is the exit strategy?

It should also be noted that the project is still subject to an environmental impact analysis and a social impact analysis should also examine any implications if RCCL substitute the Mystery island POC with the new Lelepa Island POC and whether the Lelepa POC is meant to be an alternative to Port Vila POC or an addition? Section 13 of this cruise strategy outlines the Monitoring and Evaluation Guidelines using the GSTC destination criteria which could provide a useful checklist and assessment tool for this Lelepa project, particularly as RCCL make a point in their investment proposal of having a partnership with GSTC.

Some understanding of RCCL's business model as outlined below in section 7.4 and their environmental track record as outlined in section 7.5 should also be of benefit when negotiating the terms and conditions of any agreement for this project.

### 7.4. The Business Model of the Cruise Companies

The two main Cruise companies have their Head Office's based in Florida, USA and while Vanuatu deals directly with their Pacific based offices in Australia, the head offices also exert strategic control and influence within the Pacific region. The main strategic issues that are driving their business decisions are higher fuel costs, compliance with environmental regulations, including climate change issues, and the growing number of repeat cruise passengers demanding new destinations and experiences. Fuel costs and port of call standards also seem to be the driving economic factors in deciding on itineraries.



Both cruise companies are multinational, private sector, profit driven corporate giants. Both companies are publicly listed on the USA stock exchange (S&P 500) with Carnival the only company listed on both the USA and the UK stock exchange (FTSE 100). Simply put, they are by corporate nature, dedicated first and foremost to their shareholders rather than their wider stakeholders.

Their main asset, the cruise ship, is mobile and moveable, a floating resort. This allows them to literally shift into more lucrative markets when necessary. They have also built up a loyal customer base, reflected in the global market growth rates (8% p.a.), based on the consumer perception of relatively cheaper priced holiday packages. In reality, they make more money from their captive cruise passengers at the on-board bars, casinos and commission driven (up to 100%) sales of shore excursions than they do on the price of a cruise ticket.

However, more than their competitive advantages in asset mobility and marketing, the major economic advantage is the legal loopholes provided by 'flags of convenience'. This allows the cruise companies to register their ships in other 'less developed' countries (Panama, Liberia, Bahamas, Malta) separate from their countries of ownership (USA). This provides them with a pure transnational identity that allows them to circumvent national borders, laws and regulations. This allows for lower registration fees, virtually no payment of income tax and a heightened freedom to employ extremely cheap labor (they pay the lower minimum wage rates of the country of registration). They also avoid adherence to environmental regulations (unenforceable if 3 nautical miles out of port). This helps lower the operating costs, to compensate for the ever-increasing fuel costs. But, for them, it's a business model made in paradise!

On top of this, the cruise company goliaths can notoriously use their wealth and power to negotiate 'subsidies' for lower port and berthing fees or passenger head taxes, particularly with the small exotic island countries they visit (e.g. Vanuatu) by threatening to cut the destination out of their itineraries. The fact that this revenue can be used by the destination country to build and maintain wharf infrastructure, provide better harbour services and help offset the costs of any environmental impacts, is generally ignored as not being part of their business model.

Also, as the ships are built larger to handle more passengers (up to 6,500 pax.) with interior space designs and technological improvements to operate more efficiently (and they hope, more environmentally friendly), the business model is adapted to one of a floating city, a destination within itself. So, the cruise companies are now purchasing or leasing their own islands (e.g. Lelepa Island project) to provide an add-on to 'their' destination. They may share a few crumbs with local operators but the bulk of the revenue collected will be kept in-house by the cruise company operator.

Part of this strategy, apart from the fact that the newer, larger ships are becoming too large to berth at the existing wharfs, considers the need for passengers to be relieved of the psychological stress of 'containment'. By funneling 'their' passengers onto 'their' island they provide not only the concept of a Perfect Day of fun and entertainment, but where the cruise passengers remain 'captive' and revenue streams (destination leakages) are controlled by the cruise company. The fact that this is more a 'manufactured' experience lacking in cultural authenticity and providing minimal economic benefits for the local businesses in the destination, will not bother the cruise company executives or shareholders.

If small island country David's need to restore the balance of argument with the cruise company Goliath's perhaps the words of the harshest and strongest cruise company critic Ross Klein, as described in his book *Cruise Ship Squeeze: The New Pirates of the Seven Seas* (New Society Publishers, 2005) will provide some insight. As one reviewer puts it:

*This book is about modern pirates: those who sail huge cruise ships from one port to another, offloading thousands of visitors a day. While the industry rakes in billions of dollars a year, paying virtually no income tax, the ports that ships visit are left with relatively few crumbs. It exploits workers onboard ships, uses graft from its deep war chests to shape political decisions and influence media, and bullies administrations into accepting, for example, that Carnival's 50 percent-plus market dominance is not anti-competitive, or that its abysmal environmental and health practices are responsible. It represents capitalism at its worst.*

Many critics argue and numerous studies indicate that Cruise ship tourism is undergoing such rapid economic, geographic and passenger expansion that cruises operate within an economic model inherently at odds with community and sustainable development (refer to the Host v Guest articles in the bibliography).

### 7.5. Cruise ships and their Environmental Footprint

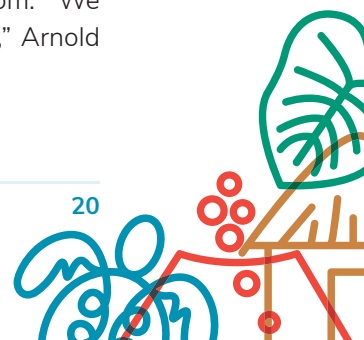
Despite their stated commitment to good environmental management and support of conservation and humanitarian issues the image of the cruise ship companies is often tarnished by the regular negative publicity about their environmental pollution. Even worse, they have often been exposed for attempting to cover up such improper, unethical and at times illegal acts. While many of the examples given are for the USA based cruise operators these still represent the brands of Carnival and RCCL. As such, their overall image, credibility and trust as a business or destination partner is often eroded.

For example, in June 2019, according to a report in the Sydney Morning Herald, Carnival Cruises in the USA was fined \$US20 million (A\$28 million, Vt 2.24 billion) in a US District court because its ships continued to pollute the oceans despite a previous criminal conviction aimed at curbing similar conduct. ([www.smh.com.au/world/north-america/cruise-ship-company-carnival-fined-28m-for-pumping-pollution-into-oceans-20190604-p51uaj.html](http://www.smh.com.au/world/north-america/cruise-ship-company-carnival-fined-28m-for-pumping-pollution-into-oceans-20190604-p51uaj.html)).

Carnival admitted violating the terms of a probation order from a 2016 criminal conviction for discharging oily waste from its Princess Cruise Lines ships and covering it up. Carnival paid a \$US40 million fine and was put on five years' probation in that case, which affected all nine of its cruise brands that boast more than 100 ships. Carnival also had to acknowledge that its ships have committed environmental crimes such as dumping "grey water" in prohibited places such as Alaska's Glacier Bay National Park and knowingly allowing plastic to be discharged along with food waste in the Bahamas, which poses a severe threat to marine life.

The company also admitted falsifying compliance documents and other administrative violations such as having clean-up teams visit its ships just before scheduled inspections. The exchange between Carnival's CEO and the judge is telling:

"The company pleads guilty," CEO Arnold said six times in a packed courtroom. "We acknowledge the shortcomings. I am here today to formulate a plan to fix them," Arnold added.



"The proof will be in the pudding, won't it?" the judge replied. "If you all did not have the environment, you would have nothing to sell."

RCCL have also been previously fined for the illegal discharge of toxic chemicals and bilge oil. The cruise companies chief tormentor but ever vigilant watchdog, Ross Klein, also runs a website called [www.cruisejunkie.com](http://www.cruisejunkie.com) which documents and records all cruise ship incidents and court rulings. He justifies his motive with "My page is not anti-cruising; it's just information you won't find at the cruise line website". It provides a factual public account of the many indiscretions.

To rescue their image and to improve ship operations that will lower costs, the cruise companies have adopted very comprehensive Sustainability Policies and Environmental Management practices. Carnival Corporation produce an annual Sustainability Report which monitors their environmental footprint and aligns their *Ship to Shore Sustainability Goals* (environmental, safety, labour and social) with the 15 UN Sustainable Goals. It's impressive but somewhat restricted to on-board operations.

Royal Caribbean Cruises have gone a step further by partnering with the World Wildlife Fund (WWF) to set new sustainability goals to reduce Royal Caribbean's environmental footprint (particularly through sustainable procurement practices), raise awareness about ocean conservation among the cruising guests and support WWF's global oceans conservation. RCCL is also encouraging Global Sustainable Tourism Council (GSTC) accreditation for its shore excursion operators and products. They also have guest programs to gather oceanographic and atmospheric data, to utilise in climate change research.

Cruise operators acknowledge the challenges that they face when it comes to reducing their environmental footprint and improving sustainability across all aspects of their businesses. Both major operators admit they have faced some issues with poor environmental practices and have acknowledged their past mistakes. As members of the Cruise Lines International Association (CLIA), both cruise operators say they are committed to protecting the oceans and improving their environmental sustainability as they recognize this is not just a responsibility but a business imperative as cruise passengers demand pristine environments and consumers seek out sustainable business practices. CLIA's environmental factsheet is can be found at <https://cruising.org/my-clia-page/my-clia-profile/visual-sharables/sustainability-fact-sheets>.

Both companies are adopting 'green' technologies (e.g. solar panels, scrubbers to reduce air pollutants) and employing environmental officers on board ships to monitor and enforce best practices, particularly for waste recycling and making sure nothing goes overboard! In some ports, they are switching their noisy and dirty engines off and plugging into the electrical grid.

However, environmental monitoring and compliance is notoriously difficult for both regulators and the cruise companies. Waste materials from a cruise ship includes solid rubbish (mainly compacted on board and taken back to the homeport), hazardous waste (chemicals), sewage, greywater (from washing, cooking and cleaning) and ballast water which is usually released into another area often transporting invasive species.

The Centre for Responsible Tourism (CREST) reports “an average cruise ship produces ten swimming pools worth of raw sewage a day and emits as many air pollutants as five million cars going the same distance. While it is legal to dump only treated waste within 3 nautical miles of the coast and untreated waste beyond 12 miles, cruise lines have frequently found it cheaper to pay fines rather than stop dumping.” (Refer to the recently published book *Cruise Tourism in the Caribbean*, 2019)

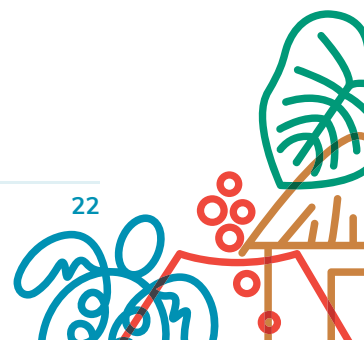
Despite the cruise companies fitting out new ship builds (for 2022 and 2024) with a cleaner LNG fuel system to reduce emissions, the *Clean Shipping Coalition*, reports that “Most large ships burn heavy fuel oil. It’s a residual product from the refining industry, so after the refiners have produced the petrol and diesel we put in our cars, they’re left with what is essentially a waste product. It’s called residual fuel, or heavy fuel oil.” Such fuel is infamous for having a high sulphur content. In port and coastal areas, risks from environmental impacts from cruise ships also include air and noise pollution from berthed ships, improper disposal of black (fuel oil) and gray water and hazardous waste. Ships anchoring offshore can also damage coral reefs with their anchors.

More recent reports by the *Global Energy Monitor* (<http://ggon.org/fossil-tracker>) a US-based research and advocacy group that tracks fossil fuel development, found that the proposed tripling of global LNG capacity, based on the gas fracking boom, risked introducing decades of emissions of methane, a potent and difficult-to-monitor greenhouse gas, at odds with the Paris climate agreement. Even more surprising to the cruise ship companies is the plunging costs of renewable energy that are now making LNG uneconomical. Will the cruise ship builders now turn to wind and solar powered ships? Perhaps their innovative design and engineering skills can create ships powered by wave energy?!

In terms of climate change, shipping (both cruise and cargo) is estimated by CREST to contribute 2.4 percent of total greenhouse gas (GHG) emissions globally and is one of the fastest growing sectors in terms of emissions. In addition, cruise ships and their coastal ports facilities are especially vulnerable to increasingly fierce storms and sea level rise.

The Global NGO *Friends of the Earth* provides an annual Cruise Ship Report Card (refer to criteria and methodology used at [www.foe.org/cruise-report-card](http://www.foe.org/cruise-report-card)), an evaluation of 16 major cruise lines on 4 environmental factors:

- **Sewage Treatment:** Whether a cruise line has installed the most advanced sewage and wastewater treatment systems available instead of dumping minimally treated sewage directly into the ocean water.
- **Air Pollution Reduction:** Whether a cruise line has retrofitted its ships to “plug in” to available shoreside electrical grids instead of running polluting engines when docked.
- **Water Quality Compliance:** To what degree cruise ships violated 2010-2018 water pollution standards.
- **Transparency:** Did the cruise lines respond to our requests for information regarding their environmental practices.



**Table 9: Friends of the Earth 2019 Cruise Ship Environment Compliance Report Card**

CRUISE LINES/ Criteria	Sewage treatment	Air pollution reduction	Water quality compliance	Transparency of Policy and Practice	Criminal violations	2019 FINAL GRADE
<b>Carnival Corp</b>						
Carnival Cruise line	F	D	A	F	961	F
P&O Cruises	D-	F	N/A	F	800	F
Princess	B	C	A-	F	580	F
Costa	F	F	N/A	F	647	F
Holland America	B+	D-	A	F	725	F
Seabourn	A	F	B+	F	621	F
Cunard	A	F	N/A	F	558	F
RCCL					924	
Royal Caribbean	A	F	N/A	F	976	D
Celebrity	A	D-	N/A	F	850	D+
Silversea	D	F	A	F	924	D
Norwegian Cruises					1100	
Norwegian	A	D-	A	F	1200	C-
Oceania	C-	F	C+	F	1100	D-
Regent Seven Seas	C-	F	A	F	902	D
Others					1180	
Disney	A	D+	A	A	859	A-
MSC Cruises	C-	F	N/A	F	1181	F
Crystal	F	F	N/A	F		F

Source: [www.foe.org/cruise-report-card](http://www.foe.org/cruise-report-card)

Carnival Cruise Corporation has been a very poor student with all their cruise brands recording failures and very naughty boys with all of them also recording criminal violations. RCCL ships recorded a bare minimum pass but were well behaved. Disney Cruises is the standout student for environmental management. They should all try and emulate the new boy in the case study below.

**Case Study:** Virgin Voyages, Richard Branson's newest Virgin brand, will launch in 2020 with four state-of-the-art, environmentally friendly ships that utilize cutting edge technology. These innovations include the Climeon system which turns engine heat into clean electricity, and Scanship products such as an advanced wastewater purification

technology. Onboard, Virgin Voyages offers more than 20 eateries, rather than large dining halls with buffets, thereby cutting down on food waste. (*Cruise Tourism in the Caribbean*, CREST, Routledge, 2019)

## **8. Governance and Management of Cruise Tourism in Vanuatu**

Despite the fact that cruise ships have been arriving in Vanuatu since the late 1970's it wasn't until around 2008 when the first serious market research study was conducted for the Department of Tourism. This prompted them to seek some funding from Carnival Australia (through P&O), to develop the *Vanuatu National Cruise Tourism Action Plan*, published in December 2012.

This outlined five key areas for the organization and management of cruise tourism development:-

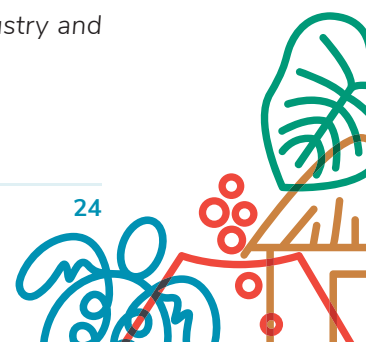
- i. Strengthened Institutions and Partnerships
- ii. Improve Infrastructure and accessibility
- iii. Increase Investment and Product Development
- iv. Enhance Marketing of the Destination
- v. Deliver and Strengthen Education and Training

The Cruise Tourism Plan also established a Vanuatu Cruise Tourism Committee to implement the Plan.

### **8.1. National Cruise Tourism Management Committee**

The Terms of Reference (Nov 2015) stated that the National Cruise Tourism Management Committee (NCTMC) "is the national coordinating mechanism for the implementation of the National Cruise Tourism Action Plan" and "has overall jurisdiction for coordinating and overseeing the management and operation of all cruise ports of call committees throughout the islands. It is the body that will make decisions on the expansion and further development of the cruise and yachting industry in the country." The members of the initial committee, appointed by the Minister of Tourism, were:

- a) Director, Department of Tourism (Chair)
- b) Director, Department of Environment
- c) Director, Department of Fisheries
- d) Director, Department of Ports & Harbor
- e) Director, Department of Customs & Inland Revenue
- f) Director, Department of Finance
- g) Managing Director, South Sea Shipping
- h) Commissioner of Police, Department of Police
- i) Director, Department of Public Works
- j) Policy Coordinator, Corporate Services Unit, Ministry of Tourism, Trade, Industry and Ni-Vanuatu Business





The Cruise Tourism Officer under the Dept. of Tourism (DoT) acts as the Secretary to this Management Committee. However, this initial NCTMC has not been able to function according to its charter for the following reasons:

- It was meant to report directly to the Tourism Council of Vanuatu, a body that only met once and has not functioned since 2015.
- It's objectives as outlined in the TOR were based on unrealistic growth rates and target development dates because no independent research and analysis was undertaken.
- The National Cruise Action Plan was not properly resourced through DoT budgets
- It's role and functions were usurped by the Port Vila POC Committee where the membership also includes representatives who are less independent, with more private vested interests, acting without a national focus.

The DoT has indicated that a new National Cruise Tourism Management Committee (NCTMC) is currently being reconstituted and reformed under a new terms of reference. It will still be chaired by the Director of Tourism with membership comprised mainly of GOV members at Director level. Private sector interests could be represented through their respective Associations rather than as individual companies. There will also be a clearer demarcation with the role and functions of the Port Vila POC Committee. The new NCTMC will ensure cruise tourism is guided by the Vanuatu Sustainable Tourism Policy.

An issue for the NCTMC is that despite the Ports Act regulations and because of some non-transparent arrangement, some cruise ships are allowed to initially clear in Aneityum as they anchor next to Mystery island on their only stop in Vanuatu. Stakeholders in Port Vila believe this deprives them of potential business as there are less 'cruise days'. Such ad hoc arrangements give further impetus to the need for a more official and transparent agreements between the GOV and the cruise ship companies. The Cruise operators have indicated their support of a reinvigorated NCTMC and seek to engage with them.

## **8.2. Ports of Call Cruise Management Committees**

The old National Cruise Tourism Committee was also meant to establish "on an ad hoc basis" smaller technical working groups to be responsible for specific tasks in the overall process of coordinating the implementation of the National Cruise Tourism Action Plan. It was envisaged this would include at least six cruise ports of call management committees, one in each Province to provide relevant experience and input to the overall operation of cruise tourism. They were expected to work closely with the Provincial Tourism Product Development Officers of the Department of Tourism and the VTO Travel Centres. While these have been established in Port Vila, Luganville, Champagne Beach and Pangi, the latter two struggle to maintain effective overall management because of the lack of budgetary support and other resources (capacity, time commitment) as well as disruptive land disputes.

## **8.3. Roles of Key Stakeholders**

The National Cruise Tourism Action Plan explained the role of various key stakeholders which have been updated for this report from the stakeholder interviews.

## Department of Ports and Harbour

The Department of Ports & Harbor is part of the Ministry of Infrastructure and Public Utilities (MIPU) and is mandated to manage both Port Vila and Luganville port activities. It acts as a pseudo Ports Authority and domestic regulator through the Harbour Masters who offer pilotage and tug services, management of the stevedores and collection of revenue. As well as managing wharf logistics, including security and safety, they play a vital role to ensure that the port area is well prepared before the arrival of a cruise ship and during the stay of the ship at berthing.

## Shipping Agents

Shipping agents act as representatives of cruise ships while they are in port. In Vanuatu, shipping agents organize the berthing of the ship, provide information about ship disembarkation processes and liaise with the port authority in relation to security issues. Agents are also responsible for ordering and delivery of fuel and stores (including food and beverages and engineering parts), coordinating access to the ship, liaising with customs and quarantine and facilitating the removal of waste. Shipping Agents should not be members of the NCTMC but rather sit on the Port of Call Committee.

## Municipal and Provincial Councils

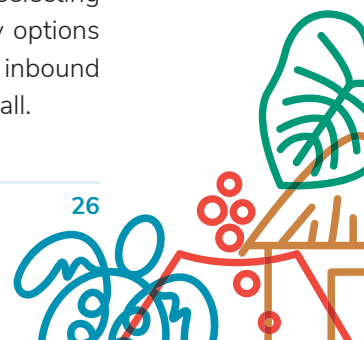
The Municipal or Provincial Council that has a cruise port of call plays a key role in ensuring that the whole destination is safe and is providing the necessary services that should be provided such as water, public facilities, roads, shops and other basic infrastructure needs. The responsibility for security and safety of foreign visitors in any municipal or provincial boundary is an important role for these local governments.

## Office of the Maritime Regulator (OMR)

The OMR was established under the Maritime Sector Regulatory Act in 2016 as an independent government agency which is outside of the Public Service. This Act governs the regulation of the maritime sector within Vanuatu including matters related to shipping, crews and the regulation of port operations. It focuses on the promotion of safer shipping and to ensure Vanuatu achieves compliance with the many international maritime convention obligations it has signed up to. The OMR oversees the enforcement of safety and security within Vanuatu waters and fair and equitable access to Vanuatu's port infrastructure and services, including exercising the powers under the Shipping Act of 2014 for registering vessels, carrying out surveys and inspections of vessels and general welfare and certification of seafarers, particularly fishing vessels and pleasure craft (yachts, jetskis, tourist charter boats). The Director of OMR should become a member of the NCTMC.

## Inbound Tour Operators

Inbound tour operators source business from the cruise line operators and package a range of onshore tour programs, arranging local attractions and local transport companies. Cruise line companies, through their shore excursion itinerary planners and port development managers, identify ports of call and cruising destinations likely to appeal to consumers and tour wholesalers in the source markets. They consider a range of factors when selecting their cruise destinations, particularly the safety and security issues, tour diversity options and transit capabilities of the port. Typically, cruise companies will contract only one inbound tour operator to coordinate the tours that meet their strict criteria for each port of call.



## Transfer and Transport Operators

Transfer and Transport Operators also play an important role as they provide the link for transporting cruise visitors from one place to another by van. Many of them acts as ambassadors and tour guides during the short time a cruise ship berths in a port of call. They have a responsibility for providing a reliable, clean, comfortable and a friendly service to the cruise visitors. The establishment of clear standards and published transport rates are also part of the important role that the Public Land Transport Authority (PLTA) together with the taxi and minivan transport associations play in this network of services for the cruise visitors.

## Department of Tourism

The Department of Tourism (DoT) is responsible for ensuring that the National and Port of Call Cruise Management Committees function properly. They also ensure that the various tourism products on offer have met the minimum standards and are packaged together for cruise visitors to experience during their short stay in the destination. They assist the various key stakeholders in the cruise tourism industry.

## Vanuatu Tourism Office

The Vanuatu Tourism Office (VTO) ensures that the destination is marketed as a cruise tourism destination by preparing and providing all marketing and promotional information in advance to the cruise line companies. They also provide tourist information to the cruise visitors on cruise ship days.

### 8.4. Government of Vanuatu Relationship with the Cruise Companies

Despite numerous enquiries by the consultants to various Government agencies, there appears to be no evidence of any formal agreement or MOU between the GOV and the two main cruise ship companies, Carnival and RCCL, who continue to utilize Vanuatu as a cruise destination. Council of Ministers (COM) decisions made over the years have not been documented into formal agreements. This has caused considerable confusion as to who supervises and controls the Good Governance of Cruise Tourism. As outlined above in sections 8.1. and 8.3. various stakeholders play a certain role but overall lines of responsibility and governance has become blurred, particularly as the National Cruise Tourism Management Committee has not properly functioned as the governing body or GOV representative in recent years.

The main shipping agent is South Seas Shipping (SSS), a private company with ship agent agreements with both main cruise companies, and as a representative member of both the previous National Cruise Committee and the Port Vila POC Cruise Committee, seems to have taken control of all functions, logistics and services for each cruise ship arrival, including the functions and duties normally associated with the role of the Department of Ports and Harbour and/or the Office of the Maritime Regulator (OMR), particularly for overall wharf management and security. Unfortunately, Vanuatu does not have a properly constituted Ports Authority which could act more commercially and perhaps with more authority.

As a commercial shipping agent with exclusive contractual agreements with both of the two cruise companies it is questionable whether a potential conflict of interest may arise, particularly if the shipping agent, as reported by other stakeholders, is also directly involved in the following activities:

- The collection of berthing/landing fees for payment to the Dept of Finance
- Control of the distribution of shipping schedules to other cruise business stakeholders
- Direct involvement in wharf management issues, including security issues and use of commercial spaces for retailers.
- As Chairman of the Port Vila POC Cruise Committee had assumed authority and direct contact with land and water taxi transport operators and the mamas retailers, which has led to ad hoc arrangements causing major disruption during cruise days and breaches of port security.

There is no doubt Port Vila has a major strategic advantage as a port of call, particularly for the current and potential market demand for South Pacific itineraries and as the larger cruise ships need to do their safety drills and perform maintenance tasks which apparently cannot be done as efficiently in other South Pacific ports. This should be used as a strong bargaining argument in negotiating a more formal written Agreement with the cruise companies. Other issues to be negotiated include:

- Enforcing cruise ships to undertake a proper initial clearance through Port Vila POC rather than allowing them to by-pass or skip Port Vila and go straight to Mystery island.
- A documented and transparent schedule of all POC berthing, landing fees paid, collection methods and how the revenue is used.
- Formally including the deal about Ni-Van employment on board the cruise ships.
- Clearer explanation on the roles and responsibilities of the National Cruise Tourism Management Committee and each of the key stakeholders, particularly the roles of 'Ports Authority' and 'Wharf Manager'.

## 9. Wharf Management Issues

For cruise ships full of excited and expectant passengers, the arrival at a main port for berthing is very sensitive in terms of safety, security and destination image. Unfortunately, the Cruise ship operators report their main concern with Vanuatu as a port of call is with the wharf management issues at Port Vila.

By contrast, the Luganville wharf security and management operates much more smoothly as the Harbour Master is in sole command and other stakeholders respect his authority, particularly with security issues. He is ably assisted by the Luganville Cruise POC Committee. The Sanma Provincial Dept of Tourism also assists with the management of the shore tours, both pre-sold on board and purchased on the day at their tour desk. This is a good example of a well functioning model for wharf management in a recently built terminal, despite the fact that the number of cruise ship arrivals has decreased so drastically.



The Mystery Island ship anchorage and jetty access from ship tender boats is managed very proficiently by the locally based company Mystery Island Tourism Holdings Ltd. (MITHL) and their Cruise Committee from the neighbouring mainland island of Aneityum. Champagne Bay also operates as an anchorage/jetty set up and operates smoothly in partnership with the on-shore cruiseship crew members supervising the tender boat transfers, passenger disembarkation and re-embarkation and the first aid post.

### 9.1. Port Vila

The main wharf for most cruise ships is in Port Vila. From observations made at the wharf during cruiseship days and from the feedback from numerous stakeholders it is obvious that the Port Vila Wharf Management Plan, despite valiant attempts by the PV POC Cruise Committee, has never really functioned properly. In fact, a ships arrival is anything but welcoming and generally a very poor first impression of the destination. For many cruise visitors it's a frightening first experience as they feel harassed and disorientated. If they catch a water taxi to the Seafront cafes and market, it gets worse for some as they are physically accosted and forced into a minivan. Many return quickly to the safety of 'their' ship.

The arrival of every cruise ship is met with excitement and fervor by numerous local salespeople, all clamouring for the tourist dollar. As soon as the cruise visitor steps off the ship they are being sold a range of products – souvenirs emblazoned with a Vanuatu label (the vast majority of which are made in China!), hair-braiding, massages, taxi rides, minivan tours and duty free shopping sprees. Visitors who have pre booked excursion tours purchased on board the ship are separated from the others upon disembarkation and are channeled into waiting tour vans without too much hassle.

The Office of the Maritime Regulator (OMR) reports that an independent audit undertaken by the US Coast Guards International Port Security Program (IPS) in early 2017 for the GOV has identified numerous safety and security concerns at the main wharf and have placed the authorities on notice. Their covering letter states "The IPS Program has determined that the Republic of Vanuatu is not substantially implementing the ISPS Code." The International Ship and Port Facility Security (ISPS) code and the Safety of Life at Sea (SOLAS) code are part of the International Maritime Organisation (IMO) Convention that Vanuatu is a signatory to. Indeed, Vanuatu has just taken over the Chairmanship of the IMO Technical Co-operation Committee to ensure these codes are enforced. In terms of wharf security and management for the cruise ships, the main issues are:

- The mamas market stalls and taxi operators are operating illegally inside the restricted port security area and there are no measures or processes to deal with any threats or risks.
- There should be a 100m clearance from the ship just like in most international airports.
- The port requires night security lighting and a back-up power system for security monitoring.

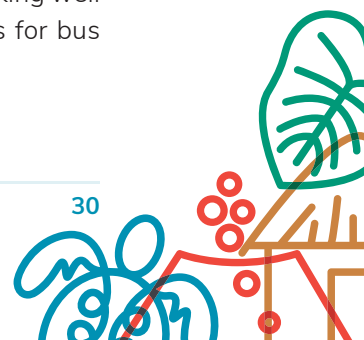
The Dept of Ports and Harbor (DP&H) reports major confusion as to who the designated authority (DA) is to manage and take charge of Port Vila wharf security and management. Under the current Ports Act they have the authority to supervise the wharf. They claim there is too much interference from too many other stakeholders, particularly the shipping

agent SSS who is also Chairman of the Port Vila Cruise Tourism Committee and the Ifira Trustees and Port Development, who also represent the landowners.

While the Ministry of Infrastructure and Public Utilities (MIPU) is the official DA, they delegate this responsibility to DP&H and the OMR. But the PV Cruise Tourism Committee, whose members include many with vested interests, comes under the jurisdiction of the Ministry of Tourism. MIPU did advertise for tenders to undertake the Wharf Management but this process was delayed and eventually postponed as the final two proponents both had a conflict of interest. Apparently, the tender will be re-advertised and hopefully opened up to international bidders who will have more independence to operate as professional wharf managers without having to please vested interests.

Many stakeholders, during interviews and discussion groups, have contributed ideas to improve the PV wharf security and management issues. These include the following suggestions:

- The core concept is a terminal, so it should operate like Luganville, with visitors moved through quickly and into town or tours. People should not be kept at the wharf.
- Adopt the Brisbane Port Model by renovating the current main building in front (stevedoring building) to house all authorities for clearance, border control, money exchange and selling of tours, then design laneways for tourists to follow in a controlled fashion to catch buses and taxis.
- The Mamas to be moved out and re-located to the purpose-built Vanuatu Handicraft Market building with a workable/affordable management and marketing plan. Reposition it as an entertainment complex with demonstrations and performances as well as 'Made in Vanuatu' only handicrafts.
- Provide welcoming entertainment for visitors, kastom singing and dancing, more greenery, City Ambassadors to meet and greet and inform, VTO office to sell tour vouchers.
- Hydrographic survey and bathymetric mapping still needs to be done for the Lapetasi wharf to allow berthing for a second cruise ship which would provide greater flexibility and open up further cruise business opportunities
- Wharf needs upscaling, landscaping and beautification, including traffic management barriers and security checkpoints. A Wharf Maintenance Fund also needs to be established.
- PLTA to enforce a regulation to only allow the taxi and van drivers who are members of a legitimate association and who have completed the Taxi Ambassadors training program be allowed to service the cruise visitors.
- Wharf needs a site plan showing parking facility, split laneways for different permit holders, security checkpoints, for a more orderly throughput of tour drivers. Need to hire a security firm rather than using police as they are too threatening, and some are too political!
- Vanuatu Tour Operators Association (VTOA) says water taxis seem to be working well as there is a standardised price at Vt 600 per trip. Standardisation of prices for bus tours and taxi fares would also help for a smoother wharf operation.



- Many businesses raised the issue about Water taxis dropping pax off at the Seafront area where local ni-Van taxi and van drivers were physically harassing them trying to escort them into their vans. Many visitors are not happy with being treated in this manner and returned to the ship.
- Need to put the new pontoon in a safer spot on other side of the main jetty, to allow for safer access. Also need to erect some signage re tours and prices so tourists know it is legitimate.

## 9.2. Luganville

Luganville is the capital of Sanma Province and was established as a main town in 1942 by American soldiers during World War 2. Luganville has remained an important Commercial Centre for the four Northern Provinces of Vanuatu, providing a focal point for trading between the northern islands and abroad. Approximately 50,000 tourists come to Luganville each year, including 12 large cruise ships with almost 2,000 people on each ship.

The Sanma Province Strategic Development Plan 2017 to 2026 has recognized a number of issues related to the development of cruise tourism. These include:

- To improve Luganville Harbor Channel Navigation by installing navigation lights and buoys for maritime safety of ships entering the harbor.
- Facilitate road access to remote areas of Sanma Province.
- Promote protection and conservation of marine and terrestrial habitats
- Provide effective and efficient waste management services in Sanma and Luganville

Many stakeholders, during interviews and discussion groups, have contributed ideas to improve the Luganville wharf security and management issues. These include the following suggestions:

- It's difficult to dock the larger ships in Santo wharf because of the strong current. The Harbour Master has requested that this could be alleviated if a tug boat was provided.
- Harbour Master also requires two more navigational buoys and a proper budget for the maintenance of all navigational equipment
- Needs to hire a couple more security guards at the wharf on cruiseship days
- Any ships over 315m will require two extra bollards (e.g. Ovation OTS is 348m)
- Luganville Beautification Plan still requires a funding agency to improve landscaping, road access, signage, waste management planning, linkages between the wharf, town and Unity park.
- Need to have the Private taxi tours sold inside the wharf terminal building.
- Need to organize the Handicraft Business Development Program (HBDP) workshops for the mamas to encourage the selling of better quality, well priced and 'Made in Vanuatu' handicrafts and souvenirs rather than the imported Asian trinkets.



- Business compliance and insurance costs need to be reviewed when cruise business is down.
- Develop more Tours to the small islands of Aore, Malo, Bokissa and Tutuba.
- DoT and Vanuatu Skills Program (VSP) to provide Cruise Tourism Ambassador Training.

### 9.3. Mystery Island/Aneityum

The strategic location of Mystery Island in relation to New Caledonia en route from Australia and Port Vila renders it the most suitable location for a one day stop over for cruise passengers to enjoy an exclusive and remote tropical beach Island with all its exotic ambiance. It is uninhabited but only a 10 minute boat ride from the neighbouring mainland island of Aneityum.

Management of cruiseship tourism at Mystery island is undertaken by the Mystery Island Tourism Holdings Ltd. (MITHL) a company set up by community shareholdings purposely to manage all operations to do with Cruise ship visits to Mystery Island. It is meant to represent the Analgauat village community of seventeen tribal groups, with all having a vested interest. One of the Chiefs believes it should be 28 families in 5 clan groups that should be sharing the benefits.

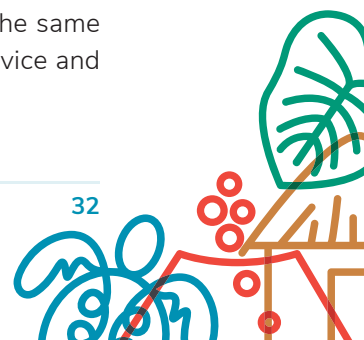
However, recent reports suggest that representation has been restricted to four tribes only, represented by four directors. It is reported that three of these directors are suffering ill health and are currently inactive, leaving one newly appointed non-local director to manage the company.

MITHL Management is responsible for receiving landing fees (estimated at Vt 1.8m per ship) on behalf of the whole community and the seventeen tribal groups. There is little transparency as to how these fees are being utilized which is creating real concerns amongst community members in terms of the fair distribution of financial benefits and the continued organization and management of cruise ship tours.

It was reported that the Vt 1.8m landing fee is paid by the cruise companies to South Seas Shipping (SSS) as the shipping agent, who then takes their agents fee and pays the balance to the GOV, who then pay RCCL a down payment on the loan provided to build the jetty, with the remaining Vt450k is paid to MITHL. Apparently, MITHL uses two lawyers in Port Vila, one to handle land issues and the other to handle business matters. It would be prudent to commence some dialogue with them and the MITHL Directors about the exact nature of the company structure and the shareholding agreement.

While there has been a large economic impact, with the cash incomes from cruise tourism to the village communities having generally improved their standard of living, there have also been many negative impacts, many of which take longer to detect. Many stakeholders, during interviews and in workshop discussion groups, have contributed ideas to improve the Mystery island cruise tourism management issues. These include the following suggestions:

- Need a workshop on pricing of products and tours as there is too much of the same thing. Need Continuous training in boat handling, tour guiding, customer service and food hygiene.



- There is an extensive range and quality of products for sale but only one stall selling 100% 'Made in Vanuatu' handicrafts products. There is a need to introduce MIV training and criteria.
- Waste Management on Mystery Island is supervised by the cruise ships who carry away most of the rubbish. Beer bottles are collected and left in storage for the local community to transport and cash in, presumably on another boat heading for Port Vila.
- Need to install buoys so that boat operators will not cause any damage to the reefs.
- Quite severe environmental impacts have been detected, including sea level rise, coral bleaching and sand erosion exposing the coral rock. Mainly caused by tsunamis and sea surges.
- One proposed solution was to divert half of all passengers from each ship to the mainland island of Aneityum. This would require planning for facilities development (jetty, tar sealed roads, waste management) safety aspects and tours management, including insurance, certification and training. Perhaps a Vanuatu Discovery Trails Program (VDTP), managed through DoT and VSP, could be considered.
- There is already a Marine Conservation Area and a coastal management plan is being developed by the Dept of Fisheries. JICA previously established the Vanuatu Coastal Adaptation Project which is now under a volunteer manager who needs support funding, maybe through the Global Environment Facility (GEF) or the Vanuatu Environmental Science Society (VESS).
- Many negative social impacts were reported including poor diets (more spent on buying rice, and less time on harvesting root crops), more smoking (tobacco and marijuana) and more drinking (alcohol and kava).
- Many in the local community were not happy with cruise ships arriving on church days (Saturday and Sunday) nor on special feast days (Christmas and Boxing Days).
- While the increased money earnings have helped to develop businesses, pay for school fees, build houses and protect cultural resources, poor money management is also evident as most is spent rather than saved or invested.
- There was also a feeling of more competition rather than traditional co-operation. Referred to as "letting the money talk" and causing disrespect and tension between tribes.
- Cruise days also meant children missing school to help parents in the selling booths and overharvesting of coconuts, fruits and fish, depleting resources for future use.
- There was a need for life saving and beach patrols for all water activities. Lifejackets were not used in glass bottom boats. Many of the boat captains were not certified.
- The French embassy were to rebuild the school and the plan was to use the old building for a Maritime Training College (for small boat captains).
- Need a training program for the development and marketing of eco-tourism activities that would show off authentic culture and nature products.

The community would like to diversify and develop other tourism activities on the mainland of Aneityum and there is potential to broaden the attractions to include village tours, historic whaling sites, bushwalking tours, church history (site of the first ever Presbyterian Church in Vanuatu) and other cultural activities. This seems to have been hindered by the safety requirements of the cruise companies and their agents who require compliance with safety criteria in knowing where and how passengers are moving around. However, the training of tour managers and guides could help to develop an ecotourism program with all the built-in safety and security requirements.

## 10. Cruise Tourism in the Provinces

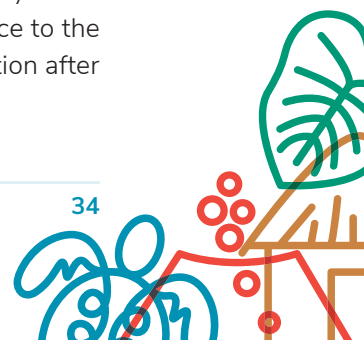
While much of the cruise ship action takes place in the main towns of Port Vila and Luganville the remote areas and outer islands in most of the Provinces, apart from Mystery island, attract a smattering of expedition ships and yachts. Nevertheless, there is much potential for further development of these market segments, particularly as they tend to lessen the impacts caused by 'overtourism' (large numbers of visitors in a restricted time period) and spread the benefits of cruise tourism to the more remote island village communities.

### 10.1. Shefa

Outside of the Port Vila municipal region and disregarding the proposed Lelepa island project, the development of cruise tourism in the Shefa Provincial region has the potential to attract more of the Expedition ships and yachts. Expedition ships generally use their zodiacs and tender boats to come ashore so are not so limited in which ports they can access. Yachts simply need a safe mooring and dinghy access. Efficient immigration clearing services with sensible logistics for entry and exit are the main consideration. Expedition cruise visits have been limited to Makira Island with only one visit per year over the last three years as well as an occasional visit to Port Havannah Harbour by three different expedition ships.

The likelihood of these same ships returning more regularly in the future is very unpredictable and relies to some extent on the repositioning of the ships from the Northern to Southern hemisphere or vice versa. Distances from Europe and the USA to the Pacific locations are simply too far otherwise. Hence, Shefa as a host for expedition ships is reliant on more traffic from the major world ports and the extent to which companies are willing to maintain their specialist crews, staff and utilize local resource people, based in remote destinations, which are often poorly serviced with higher risk factors.

Despite this unpredictable situation there are potential sites that offer real natural and cultural attractions for future expedition visits such as Lamén Island and Lamén Bay in Epi with the marine conservation area in the Bay and the historical village setting of Lamén Island. In the absence of any expedition ship visits this area remains a frequent and popular spot for yacht visits. However, data is lacking on the number of yacht visits per year to show the types of yachts and the level of income this particular category of cruise impacts on the local economy. During the 1990s Lamén Bay was a host destination for P&O Cruises ship visits but only for a few years and was short lived due to local land disputes. This area has since been abandoned as a destination with the jetty facility left to fall into ruins. More recently, the chiefs and landowners have given their assurance to the Shefa Provincial Authority for the return of expedition cruises without any disruption after community resolutions were undertaken by the chiefs and community leaders.



Other potential attractions are in Epi for cruise visits including the uninhabited Island of Namuka on the southern end of the Island off Votlo area. Also, sail-by scenic attractions include the volcanic Island of Lopevi and the underwater marine volcano situated somewhere between the island of Epi and Tongoa. Cultural activities, if authentic and developed with the community's involvement could also see a potential for the spread of benefits from more regular expedition and yacht visits. The schools located at Lamén Bay and on Lamenu Island also have potential to participate with proper management that mitigates against negative impacts. The natural enthusiasm of the children with the ability to sing and interact with guests from the expedition ships in a meaningful way with could be considered beneficial. However, with the P&O ships and larger groups who are less well supervised or guided, this may be more problematic and less manageable.

The Island of Makira has played host to a number of Expedition visits over the last three years at least once a year with the village community and the topographic layout of the Island as the two main forms of attractions with adventure hikes over the mountain surrounds to special look outs over the cluster of Islands of the Shepherd group. Future planned visits to Makira from the expedition ships is unknown but the Shepherd group presents itself as major attractions for yachts sailing through with stops here and there in the Islands. Cooks Reef off Emae Island offers great potential for snorkeling alongside the Sulua white sandy beach that attracts infrequent visits from yachts.

The Shefa Provincial Tourism Department has conducted ongoing awareness programs with respective communities in order to appraise and inform them about the potential for future expedition ship and yacht visits. The off shore Islands of Efate to the North being Lelepa, Pele, Nguna and Emau offers a lot of attractions with Lelepa and Pele Island receiving small numbers of cruise ship passengers when in Port Vila as well as day cruises to Moso Island operated by the Congoola Day Cruises which seems to be a popular tour. Expedition ships have also engaged with the Roimata community and chiefs on the mainland of Efate for their heritage and historic tours which is a declared UNESCO World Heritage site, with zodiac expeditions to the Roimata Domain to view the historic sites. Expedition ships have in the past also booked tours across to Lelepa Island for snorkeling and for entertainment and relaxation on the beach.

In Shefa the Expedition ships will also sometimes stop into Port Vila and book organized tours usually with an educational, historical or environmental theme. In more recent years several have also tried the fly in and fly out model with some passengers departing from Port Vila to the airport and some flying in to join the ship in Port Vila. On these occasions they have booked restaurant meals and guided tours prior to embarkation or subsequent to disembarkation. Only a few tourists have come in independently to join the ship and also booked accommodation upon arrival or on departure. This is something that could be marketed in the future.

Unfortunately, the year that this was trialed was also the year the main airport runway issues had not yet been resolved. If the logistics can be worked out with the expedition ship companies it is worth looking at packaging accommodation and tours pre and post arrival with expeditions ships in conjunction with Air Vanuatu, VTO and DoT.

Shefa Province Tourism Office report that product development work continues through their Vanuatu Discovery Trails Project (VDTP) where there are 5 products servicing the cruise ship tours but this could be scaled up. Most cruise ship tours in the mini-vans and taxis go as far as Eton Beach but not around the island so the Efate Ring Road is still underutilized during cruise ship days.

## 10.2. Sanma

Luganville is the main town and capital of the Sanma Province and has already been discussed under section 9.2. The Sanma Province Dept Of Tourism is wanting to promote cruise tourism based on their new branding “ Blue and Green Sanma” where they are showcasing the unique attractions of the blue and pristine waters and the fine white sandy beaches and nature walks, as well as highlighting the outdoor green adventures of their rainforests and natural caves.

Cruise visits to Sanma, in particular to Santo Island, continue to be promoted and sold as a destination renowned for its WW 2 historic attractions and the iconic wreck dive of the President Coolidge. This is a renowned product and marketing feature for visiting cruise ships to Santo.

Expedition ships on the other hand choose Santo for many of the same reasons but select anchorage sites that are closest to these natural wonders where possible with most choosing Paradise Lagoon off Mavea Island and Oyster Island as their most preferred anchorage spot so that they are directly accessible to the pristine blue rivers along the eastern side of Santo with shore excursions to the WW2 tours. Champagne beach is also a popular anchorage for these Expedition ships for the unique swim experience from the beach and it is also being slowly developed more as a venue for cultural events and performances.

Other areas in Sanma Province do offer potential attractions for Expedition ships in the region of Tangoa Island to the South, around the Big Bay area to the North and West Coast Santo but Expedition ships much prefer to be closer to Luganville, including the nearby smaller islands of Aore and Malo.

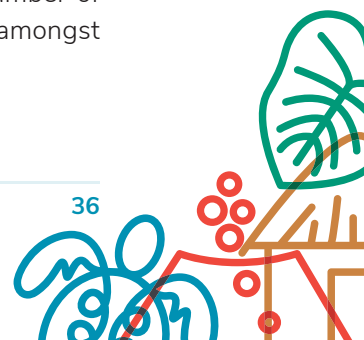
## 10.3. Tafea

Cruise ship tourism in the Tafea Province is predominantly centered on Mystery Island, next to the island of Aneityum, with regular visits from both Carnival Australia and Royal Caribbean cruises. This is discussed in section 9.3. above.

In the same way Expedition ships are also choosing Mystery Island as a destination although with only one or two visits per year with a usual split of the day between the two Islands with more organized tours on Analgauat village on the mainland island of Aneityum with cultural performance, history tours and then across to Mystery Island for a leisurely beach walk and swim in the afternoons.

Yachts are also quite frequent visitors to Mystery Island and it is a declared port of call for inward clearance however there is no physical presence of border control officers. As such, yachts tend to come prior to the cruise ship visit and capitalize on the border control for clearances. In the event they cannot do this then Tanna is the next port of call for yacht clearances.

Expedition ship visits to the Island of Tanna is more frequent with an average of three to six in any given year over the last ten years with Waisisi Bay as their main port of call mainly due to its proximity to the volcano. Port Resolution played host to a number of these ships until around three years ago when a fierce land dispute erupted amongst landowners causing a closure to that port of call.



Sulphur Bay Port is often talked about as a potential port of call for Expedition ships but this has not materialized as yet. The main attraction to Tanna is the Yasur volcano without which is highly unlikely that expeditions would choose Tanna as a destination as they highlight this as a main feature of their voyages. During most visits Tanna communities are mobilized to stage cultural activities by way of a Tanna style of welcome prior to the main feature visit to the volcano.

The volcano visit is usually by way of Four-Wheel drive vehicles and can often range between twenty and forty vehicles depending on numbers. The state of the road is problematic particularly with this number of vehicles in convoy with some tours to the volcano being cancelled in wet weather due to safety concerns. The access from Waisisi crosses a dry riverbed but this can flood quickly in heavy rain and be impassable. The access road from Waisisi is risky and is in need of ongoing maintenance and grading after heavy rains. Deep side ravines where the road is prone to fall away are an inherent risk that the expedition teams currently have to make judgment calls on as to whether these tracks are safe on the day or not. Continuing tours by Expedition ships to the volcano are heavily dependent on the state of the road.

Whilst the Entani Company, who control most of the volcano tours, has undertaken some effort to build facilities at the top of the volcano, much was lost during cyclone Pam in 2015 and it is a concern about the fragility of the volcanic environment to support much building close to the caldera. As a tourist attraction the volcano is an extreme environment that has inherent risks and rewards as an extreme adventure destination. However, in terms of long term planning the volcano has its own agenda and efforts to maintain infrastructure other than a good access road seem to be rather misplaced.

Tourists are usually anxious not to hang around in the area after viewing at dusk, there is a limited viewing window of time and limited control on viewing conditions. Guides have been trained but the volcano is unpredictable, and the insurance waivers signed and application of these in relation to the risk have fortunately not been tested to date. Expedition ships wish to explore but sometimes their clientele are on the older side of middle aged and how suitable the conditions are for these types of clients is questionable. There is no access to emergency services and whilst expedition ships usually travel with their own doctors and first aid trained crews there are still levels of risk that are bordering on unacceptable that are difficult to mitigate in the current circumstances. Additionally, the cost of this tour has risen since cyclone Pam to a level that some Expedition cruise ships have decided to cut Tanna out of their itinerary.

Aniwa also receive Expedition cruises probably one to two per year over the last five years but mainly for diving and snorkeling as it offers some of the most interesting under water canals combined with its coral reefs. This is normally operated from dive platforms. Shore excursions are limited on the Island due to unsuitable landing sites and difficulty accessing the main beach due to the tides and currents and channels that are very narrow and have narrow windows of opportunity to access.

The community is keen to have visitations to the island but like many islands Sundays are usually not suitable due to their church commitments and they are not set up to cater for large numbers of guests going ashore. Aniwa has in the past provided ship supplies for events and will sell coconut fronds, coconuts, and fruits in season and fresh lobster if quantities warrant this.

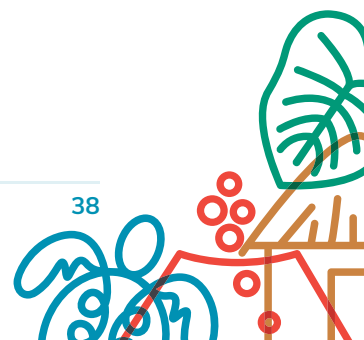
The adjacent location of Aniwa to the Island of Tanna makes it possible for Expedition ships to reposition splitting a day between these two Islands with a one- hour turn around between snorkeling and volcano scenic tour in the evenings. The possibility of the larger cruise ships visiting to Tanna is highly unlikely due to inadequate infrastructure like wharf facilities and the poor state of access roads to the volcano for large numbers or trucks in convoy. Currently, Lenakel wharf is unsuitable for even Expedition Ships to berth due to strong tidal currents. The most suitable area for wharf infrastructure for these purposes is said to be Lowanatom in the White Grass area but to date no progress has been made on this particular proposal. Erromango Island offers some potential sites for Expedition Cruises but has not received any visits as yet.

#### 10.4. Malampa

Malampa Province plays host to some of the most authentic cultural dances with many idyllic Island settings and white sandy beaches. These are the very features that set the basis for the larger cruiseship calls to Wala Island in the late 1990s and early 2000's. During that time Wala Island successfully hosted both the P&O and Royal Caribbean Cruises with at least one cruise call a month combining the attraction of the pristine water, the white sandy beach and the authentic village tour with cultural activities showcasing mainly dances from the big nambas tribe of Malekula Island. The strategic positioning of Wala en route to Port Vila and Santo made it possible for these cruise ships to spend a full day in Malekula. Unfortunately, these cruise ship calls were short lived due to conflicting parties disputing over rights for performances and landing fees. Today with the assistance from the Malampa Provincial Government the people of Wala, having understood clearly the mistakes of the past and the harsh economic impact on the community, have through the chiefs and community leaders, reconciled and requested through the Malampa Provincial Government for the return of the cruise ships to Wala Island. They have an undertaking to establish a governance structure that is more communal and participatory. The location has a good anchorage and beautiful beaches suitable for large numbers for water sports and other activities. The jetty is currently in ruins needing reconstruction and maintenance.

Other parts of Malampa that play host to Expedition ships on an annual basis include South West Bay area in Lawa Village, Dickson Reef, Lembinwen , Caroline Bay and Melip Bay with one to two visits per year. The main attractions in these areas remain the authentic dances of the Smol Nambas tribe of Malekula with the colorful hair dressing. Other parts of Malekula including the Maskalyne group of Islands in the South remains a potential Expedition Cruise site with the Island clusters. Banam Bay area located to the north of Southern Malekula remains a potential site for Expedition Cruise together with Crab Bay in the northern area with its widespread conservation area as the main attraction. Also Vao Island has successfully hosted some cruise ships in the past as well as its neighbor Rano Island, both close to Wala.

In Ambrym, Ranon Village in the north receives the most number of Expedition Cruise calls, around five per year, which are more frequent than the others and are mainly for the ROM dance showcasing the colorful and pronounced head masks. There are also treks to Fanla custom village with offerings of unique carvings and sometimes snorkel/dive sites that are reported to be first class. Treks to the volcano are possible during full day visits for those with a high level of fitness.





Many stakeholders, during interviews and in workshop discussion groups held at Wala island and at Lakatoro on the main island of Malekula, have contributed ideas to identify and provide solutions for the development of cruise tourism in Malampa. These include the following suggestions:

- There had been a reconciliation process and ceremony done between the Wala and main island communities and the Provincial Government to sort out all of the past issues. The name is no longer “Wala” port of call Management Committee but “Malekula” to cater for all the communities that want to be involved.
- The Malekula Port of Call Management Committee would allow more communities and local businesses to have ‘ownership’ and take responsibility for the development of cruise tourism using a more commercial approach.
- More Conservation and Marine Protected Areas (MPA’s) sites would be planned and managed.
- Waste management policies and programs, including the removal of boat wreckages, would be put in place as part of the Malampa Province Strategic Development Plan.
- More yachts and Superyachts would be encouraged to use the Maskelyne’s as a base for supplies and cruising opportunities.
- The DoT and VSP could use the VDTP to play a critical role in getting the products and businesses market ready for cruise tourism.
- More market research, data collection and site inventories (safe harbours, provisions, clean water supplies, moorings, bathroom facilities jetties, accessible roads) to be done for proper planning and policies for developing cruise tourism, particularly for yachting and expedition ships.
- More inclusive and accessible cruise tourism programs with fair distribution of benefits.
- Strengthen communications between the shipping agent, the Provincial Tourism office and the shore excursion operators.
- DoT, VSP and tourism associations to develop training programs for tour operators, hospitality skills for young people, financial literacy and business development programs.
- Utilise the Malampa Handicrafts Centre for cruise tourism opportunities.
- Utilise the Malampa Travel Centre as a cruise marketing tool and booking agent.

The workshop groups suggested the potential sites for Expedition ships and yachts include: Tip Point in West Ambrym; Votekai in Paama; South West Malekula, Melip in SW Bay; Banana Bay in South Malekula; Maskalyn Islands; AOP in Central Malekula; Walla and Rano Islands in the N/E; and Malua Bay, Wiawi/Leviamp in the N/W.

## 10.5. Penama

In Penama Province, cruise tourism is not as popular as the other Provinces except for the Island of Pentecost with its unique Land Diving (Nagol) in Pangi and Londot in the south, as the main attraction. During the early 2000's Pangi was doing well with regular visits from the large P&O cruise ships. A jetty facility was built specifically to accommodate the ships tender boats for disembarkation from which tourists would walk some two hundred metres to the dive tower. Normally, the shore excursion would be a full day experience of nagol, village visit and a swim.

But the number of cruise ship visits to Pangi have dropped drastically in more recent times due to land disputes and the unequal share of landing fees which resulted in higher and inconsistent demands for entry fees from the local landowners. The only scheduled visit to Pangi in May 2019 was cancelled due to these ongoing disputes and the likelihood of these ships returning in the future is very unlikely due to these unresolved disruptions.

On the other hand the Port of Londot, approximately a kilometer north of Pangi, has played host to the Expedition ships of at least two per year where the land dive is staged for its visitors and has been going on for more than five years with the full community cooperation and participation. These expedition trips are normally half day and are combined with Ranon Village Rom dance in Ambrym. If the disputes in Pangi continue Londot may be an option for the larger cruiseships but some consideration for infrastructure and jetties is warranted.

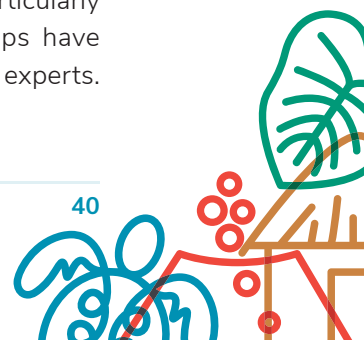
The area called Waterfall in central Pentecost has also played host to one or two smaller Expedition ships in the past with the waterfall and picnic area as the main attraction. Other areas in Penama such as the Port of Lolowai in East Ambae and Asanvari in South Maewo play host to yacht visits from time to time.

## 10.6. Torba

Torba Province has a myriad of small island destinations and has received between 3 to 8 expedition style ships in any given year over the last ten years. Loh, Ureparpara, Moto Lava, Sola and their reef islands are suitable for snorkeling and swimming. All of these have advantages and disadvantages and are each unique in their own way. They are particularly suitable for expeditions ships that like to go to places less visited however are also fragile environments and require environmental conscious decision making.

Expedition ships like to take in Torba due to its proximity to the Solomon Islands and as a thoroughfare to PNG to do the Melanesian leg of themed expeditions continuing through to South East Asia. For USA ships this sometimes has a WW2 theme and for German and French ships there is more interest in culture and the remoteness of island communities. The more they move towards the Solomon Islands the better the diving and snorkeling. Torba is positioned in the furthest part of Vanuatu but in the richest marine environment. "The last of the real islands with it's place and people" is the provincial branding of tourism in this region and it fits very well with the realities of the remote location, authentic culture and pristine environments. This is what the local communities want to highlight and retain.

Ureparpara is a horseshoe shaped outer caldera coming out from the sea and is particularly appealing for ships interested in landscapes and geology. Many of these ships have geologists, volcanologists and anthropologists on board, as well as photographic experts.



They can take a half to full day tours combined with a swim in the reef islands. The culture is also particularly amazing with the snake dance and incredibly intricate headdresses. Moto lava is most popular for the snake dance. The lack of mainstream tourism and the fact these are natural and pristine settings with real people living in remote villages are prized by expedition ships for their authentic experiences.

Sola, on Vanua Lava, is also rich with many locations for ships to discover and explore the coastline. With some preplanning communities are happy to welcome and host day visitors keen to explore their world and experience how it is to live in a subsistence economy living off the reef, forests, gardens and rivers with amazing waterfalls and places to swim and relax.

Gaua is home to the water music women who are unique and always interesting to expedition ship visitors. However, Gaua is rarely visited except by yachts whose visitors then canoe across Lake Etas to also trek the volcano and waterfall. The water music performance is unique but because of lack of opportunities the performers have based themselves in Santo at Leweton village and have been a major attraction for the larger cruise ships and expedition ships. They are also hired to perform in many other locations throughout Vanuatu.

Loh is also a good community to visit with unique culture and remote village experiences. They also provide lobster and coconut crab in quantities to expedition ships in season if advance notice is given. The beach is particularly good for swimming and they have good dive locations and good bird watching tracks.

## **11. Developing Market Access Opportunities**

Market access opportunities for Vanuatu businesses, including local employment opportunities, despite some success stories, still remains challenging. Cruise operators have considerable health and safety requirements, quality controls, and cost sensitivities which sometimes makes it challenging for local providers whether they be potential employees, product suppliers or tour operators.

### **11.1. Employment for Ni-Vanuatu**

Since 2009 Carnival Australia have employed a certain number of Ni-Vanuatu as crew on board some of their P&O branded ships, in return for a reduction on the payment of port berthing/landing fees. RCCL have a fairly strict policy not to employ any Pacific islanders as they recruit staff mainly from Asia.

Port Vila based South Sea Recruitment Services operates under a direct contract with P&O to screen applications, interview and recruit local Ni-Van staff. Employment contracts have increased over the years from 80 to 500 'at sea' crew positions on the current database. Usually there are around 150 local staff employed on 3 ships at any one time, with all 'on board' training included.

Employment contracts are active 'on-board' for 45 day periods, normally for 8 to 10 hrs a day for 7 days a week. Contracts can be renewed over an 8 month period but most staff usually only complete 2 contracts. Most of these positions are hospitality skill based in the housekeeping, kitchen support, food and beverage divisions. They can earn an average of Vt60-90k per month.

Port Vila and Luganville based Vanuatu Tour Company (VTC) also has exclusive contracts with the cruise companies to screen, select and manage the shore excursion tours sold on-board the ships. These tourism products meet the strict safety and security standards demanded by the risk averse insurance policies. They also tick the right boxes in providing a diversity of fun, adventure and entertainment demanded by the cruise visitor. VTC also sub-contracts other local tour operators (e.g. Adventures in Paradise, Evergreen Tours, Santo Adventure Tours, Santo Heritage Tours etc.) to provide the transport and tour guiding services required. These companies do provide employment opportunities for Ni-Van people and cruise ship tourism, as another target market, does provide some stimulus to this. Other businesses and tourism products within the tour itinerary also benefit.

However, for the majority of local transport operators in Port Vila who do not meet the required cruise ship company tourism product standards, the expected bonanza from offering local transport services and tours to the cruise visitors has not been fully realized. Since 2014, based on unrealistic growth statistics, many local Ni-Vanuatu have borrowed money and sold land to purchase taxis and minivans to service the expected increases in cruise visitors. The authorities have also allowed far too many transport licences to be approved without applying proper criteria in relation to vehicle, driver or tourism product standards.

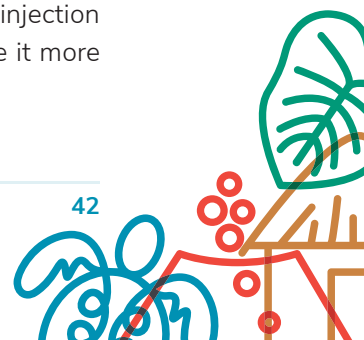
Despite better Transport Ambassador training programs now being offered by DoT and stricter regulations established by the PLTA, there are just too many transport businesses flooding the same market, usually on the same cruise ship day! Too many operators competing for too few market opportunities (visitors). Supply is dominating demand with the consequent price wars and low returns, much of which is not realised as profit but used to cover costs and pay down debts.

### 11.2. Training Programs for Local Enterprises

There are a number of existing training programs targeting local businesses who service the cruise tourism market. These are supported by the Cruiseship companies, donor agencies and GOV. They could be combined together and included with some proposed training programs to become an on-going Cruise Tourism Training Program. They are provided here as good examples or models to be scaled up so as to create market access opportunities.

The Australian consultancy firm The Difference Incubator (TDI) is conducting the *YuMi Tourism Partners Pilot Project* in Port Vila and Santo. This training program is sponsored by Carnival Australia and DFAT to develop, grow and promote Pacific entrepreneurs to be market ready to service cruise visitors. They are working with four businesses in Port Vila: FANSA Foodie Tours; Chief Roi Mata Domain Tour (World Heritage Site); WEAVE Handicrafts; and Manples Cultural Tours. Depending on the results and lessons learned from the pilot testing, this training program could be extended to take in other cruise related businesses in Port Vila, Santo and perhaps Mystery Island and Champagne Bay.

The VTO, DoT and MFAT sponsor the *City Ambassadors Program* which, since 2017, recruits and trains local Ni-Van volunteers to act as roving tourist information officers who meet and greet all visitors, particularly cruise visitors on cruiseship days, in both Port Vila and Santo. The program has been launched successfully but needs an injection of sponsorship funds from local tourism operators and retail businesses to make it more sustainable.



The DoT and MFAT sponsor the *Transport Ambassadors Training Program* in partnership with PLTA, SPVELTA and VIT. Some 300 taxi and van drivers have graduated since 2017. Special business development workshops and seminars have also been offered utilizing resource speakers from the tourism industry. Water taxi operators have also been included. Again, an injection of sponsorship funds from local tourism operators and retail businesses would make this program more sustainable.

The *Business Link Pacific (BLP) Program* is a business mentoring program funded by MFAT through the VCCI. This could also be explored for targeting cruise tourism businesses and products. They target local SME's, do a one to one consultation, undertake a full business diagnosis, then present a business report with recommendations for business mentoring with a selected local business consultant, called a 'service provider'. The Service provider provides a quote and if the client agrees to proceed a 50% subsidy is paid by the BLP.

The *Vanuatu Skills Program (VSP)*, funded through DFAT, already has an MOU with DoT which could be utilized in conjunction with the VTO's Market Ready Program and the MFAT funded *Vanuatu Discovery Trails Project (VDTP)* to develop and deliver training workshops and seminars targeting cruise tourism businesses and focused on upscaling and upskilling. Many stakeholders have suggested a range of topics including; pricing techniques, social media marketing, website content development, selling techniques, customer service and using signage to sell your message.

The Vanuatu Tour Operators Association (VTOA) have also suggested partnering with DoT, VTO and VSP to organize cruise company shore excursion managers to visit Vanuatu products on site *familiarization tours*. This is an idea both cruise companies have already shown an interest in.

### **11.3. Purchasing of Local Supplies**

Several locally based companies have, at times, met the strict criteria to be able to supply their products to Carnival Australia, mainly through their P&O ships, for sale to 'on-board' passengers. These have included Tanna Coffee, Volcanic Earth cosmetics, Pandanus handicrafts and jewellery and more recently ACTIV's Aelan chocolate. Some of these have been trialled on a temporary basis and only met with mixed success. Most struggle to meet the strict criteria for quantity, quality, price and consistency of supply. There is also a requirement to pass the Hazard Analysis Control Certification Process (HACCP), particularly for food and beverage products.

Such opportunities exist with a limited number of businesses that are already exporting and/or deemed to be local market leaders. It should also be remembered that the cruise ship companies do want to protect their own 'on-board' duty free shopping revenues. However, both Carnival Australia and Royal Caribbean have indicated they are working on supply chain plans that will enable them to offer more locally sourced products on board. P&O Cruises Australia is the first cruise line to incorporate Vanuatu's products in its supply chain.

The Port Vila based Aelan chocolate provides an interesting case study, a model for other businesses to learn from.

## Local Supplier Case Study – Aelan Chocolate

Vanuatu's Aelan Chocolate is a boutique chocolate manufacturer that sources cocoa from across the country's many island communities. The brand opened its doors in 2007 and has worked closely with a range of growers to produce a unique dark chocolate based on traditional mixtures of cocoa beans and sugar. Aelan is an ACTIV Association product. This association encourages socially responsible enterprises to thrive and empowers many disadvantaged rural communities throughout the Vanuatu archipelago.

In June 2019 Aelan supplied its first chocolate to Carnival Australia's P&O cruises. Chefs aboard P&O ships incorporate the dark chocolate into a range of desserts as well as selling bars on board for passengers to purchase. Carnival Australia acknowledged the challenges of meeting the stringent requirements to supply its brands with food and works closely with ACTIV to encourage more businesses to meet these standards.

Supplying P&O has ensured strong demand for cocoa beans around the country and it has given producers confidence in their own businesses and farms. Aelan's example demonstrates that it is possible for a wide range of local Vanuatu companies and producers to share in economic benefits from the cruise industry through supplier arrangements despite high food safety and production requirements.

### 11.4. Supporting the Handicrafts Business Development Program

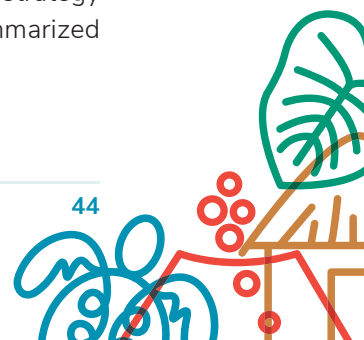
The Handicraft Business Development Program (HDBP) is managed by the Dept of Industry and based on the *Handicraft Sector Action Plan* of 2017. The HBDP promotes a 'Made in Vanuatu' cultural and business case for the selling of local handicrafts and manages the Port Vila Seafront Handicraft Markets which have become a focal point for cruise visitors. This program is already supported by an MOU between the GOV,

DFAT/VSP and MFAT/DoT and a partnership management agreement with the Port Vila Municipal Council (PVMC). The HBDP also supports and promotes cruise tourism by:

- Providing a central market space for handicrafts from all Provinces to be displayed and sold to tourists and cruise visitors
- Displaying Biosecurity signs explaining what handicraft products are allowed back into Australia and New Zealand and to promote the *Made in Vanuatu* message at all Provincial markets, airports and ports of call.
- Supporting the concepts outlined in the *Seafront Management Plan* for the effective management of retail and public spaces through providing an attractive venue for the mix of visitors, tourists and residents to enjoy their leisure time with an enjoyable, safe, inclusive, accessible, welcoming and culturally enriching experience.

## 12. Marketing Cruise Tourism

While it is outside the scope of this cruise tourism strategy to produce a separate marketing strategy and plan, several stakeholder feedback comments from interviews, workshops and focus group discussions provide a good foundation to develop a marketing strategy and plan for the cruise tourism sub-sector. These have been recorded and summarized under the following headings:



### 12.1. Product Development

- DoT needs to develop a database and fact files with all the technical and descriptive information for each port of call that is available for cruise ships, expedition ships and yachts.
- Cruise companies and Expedition ships should provide their market research data and information to match supply with demand factors. What can we offer them to get them off the boats? We have to provide a good on-the-ground experience and we have to improve on the word of mouth, which is a major factor in stimulating interest and demand for Vanuatu.
- People want different experiences, while some new products are always interesting we need to improve on existing products at a higher level, particularly for when more upmarket ships arrive. What is the new product we need to have ready to go?
- We need to improve the diversity of products available by improving the standards to match the products that have been certified to be sold 'on-board'. This should be our benchmark.

### 12.2. Business Development

- We need to be talking with, meeting and networking with the cruise companies and their agents. Providing them with updated destination, technical and product information. This is part of making sure the products are market ready, before we adopt a marketing strategy.
- We also need to be talking more to the expedition ships and the Yacht services companies, communicate more with them from a commercial perspective as tour operators.
- Use attendance at the various yacht and boat trade shows for networking opportunities, getting to know the key players and generate exposure of Vanuatu as a cruise tourism destination, not just for selling product. Be more strategic, include industry operators in the delegation and seek commercial opportunities.
- Need to allocate some GOV budget towards the development and promotion of cruise tourism.

### 12.3. Promotional Activities

- Need to keep producing, developing and updating content for the cruise tourism page on the VTO destination website. Also use films and documentaries on new cruise content.
- The VTO Sydney office representative to meet more regularly with the cruiseship company representatives and liaise more regularly with CLIA and the SPCA . Issue regular product update information to the cruise companies, the cruise travel trade and relevant media.
- Regularly provide the cruise companies, expedition ship companies, yachting associations and agents with destination and product information for them to use for promotional purposes.



- Sponsor Vanuatu based yacht agents to attend the main yacht trade shows.
- Should attend the Seatrade Cruise trade shows in Sydney, Shanghai and Miami.
- Should join the South Pacific Cruise Association (SPCA) through the SPTO.
- Use Social Media Marketing to communicate to cruiseship passengers
- Provide cruise product content for the Bucket List app and Google maps
- Organise product familiarisation tours for Cruise shore managers to acquaint them with port operations, land based tours, shopping facilities and the main tourists attractions.

#### 12.4. Cruise Tourism Branding

As mentioned in section 5.2 under cruise tourism policy guidelines the destination branding and market positioning outlined in the *Vanuatu Tourism Market Development Plan*, although targeting the air arrival tourists, can also be used to attract cruise tourism visitors, particularly the global adventure seeker for the expedition ship and yachting segments.

The destination brand platform is that *Vanuatu Offers a Real, Life Changing Adventure*. This can act as the foundation for the destination's tourism identity, messaging and visual presentation. The brand attributes that support this brand positioning include:

- Vanuatu is its people - Kastom and Culture (Villages, food, music, languages, history) with warm hospitality (friendly, smiling, happy, genuine).
- Vanuatu has a diversity of spectacular natural sights and sounds (volcanoes, reefs, rainforests, beaches, rivers, tropical islands);
- Vanuatu provides a raw, edgy and liberating experience (ancient, simpler, less regulated lifestyle).
- Vanuatu takes you on an adventure and you become part of the Vanuatu story!

The adventure can be adapted according to different market segments – soft, hard, education or thrill seeking, or a bit of each. Also identified as a new market segment to develop is the *Global Adventure Seekers*. Global Adventure Seekers are a cohort or tribe of people who revel in remote, undiscovered, and authentic destinations. Mass tourism is abhorrent to them and travelling is a lifestyle. They see themselves as people of the world seeking to understand and connect at a real level. Their characteristics are:

- They seek out some of the most remote and authentic experiences in the world
- They actively seek out opportunities to be where others are not or least visited places
- They are motivated to understand, experience, engage and connect
- They want to be amongst nature, with thrill seeking and cultural immersion as the driver
- They are from all nationalities and walks of life and travelling is a lifestyle.
- They regard the journey is part of the experience



- They are digitally connected and take advice from their own tribe of travelers
- They are motivated by the stories you tell and which they will actively seek out
- They are highly attuned to travel stories and experiences and will tend to be opinion leaders in this arena rather than followers.

This type of traveler has been identified as critical to the development of travel to the Outer Islands and the more remote regions and tend to fit the profiles of the expedition cruiser and the yachtie. No doubt some of the cruiseship passengers also see themselves as sharing some of these characteristics as they perceive Vanuatu as a remote island adventure.

### 12.5. Proposed Marketing Strategy

The market analysis and overview of the cruise tourism industry in section 6 shows that the cruise ship market segment is controlled by the world's two largest cruise ship operating companies – Carnival and Royal Caribbean. Both of these companies operate out of Australian and New Zealand ports for their Pacific itineraries, of which the Vanuatu and New Caledonia cruise product is highly regarded. However, port of call visits have declined by 49% since 2016. The expedition ship market currently comprises 4 companies operating 9 ships to 31 ports of call, showing steady growth but from a small base. Yacht visitors have also declined by a staggering 80% since 2016, largely because of excessive landing fees.

The marketing strategy should take account of these current market trends and the following industry characteristics:

- The cruise companies control the distribution system of the cruise products. This is becoming even more streamlined as cruise ship operating companies consolidate by acquiring expedition ships, to diversify their markets and become more efficient and profitable.
- New cruise ship builds are becoming larger to carry more passengers (up to 6,500 pax) with more innovative interior spacing and technological design to make them more efficient to operate and to become floating 'destinations'. They may not need to berth at a wharf!
- Expedition ships may begin to operate homeports in the Asia/Pacific region making remote Pacific islands easier to access and operate within.
- the main marketing strategy for the cruise ship and expedition ship segments is for the DoT through the NCTMC to more effectively communicate with the two main cruise ship companies and the four main expedition ship companies so that Vanuatu can send the message that it is serious about wanting to develop its cruise tourism. By working with these companies and the SPCA and CLIA it is more likely that Vanuatu can be developed as a viable and sustainable destination in their itineraries.
- The NCTMC, through DoT and VTO should undertake the product development and business development activities as outlined in sections 12.1. and 12.2. to ensure the destination is market ready to supply a diversity of relevant and properly accredited and certified products. Such information to be regularly distributed to the cruise ship and expedition ship companies either directly or through their local inbound tour operators.

- The VTO would require a specific cruise tourism budget to concentrate on targeting existing cruise passengers to facilitate their experience when they disembark from the ships and to encourage them to return and stay longer as an air arrival.

The main objectives of the marketing strategy should be:-

- To create a more positive image and better awareness of Vanuatu as a sustainable cruise tourism destination.
- To establish Vanuatu as a new, different, safe and interesting destination.
- To encourage more cruiseship visitors to return to Vanuatu as stayover type tourists.
- To increase the revenue earned from cruise tourism and retained in-country.

### 13. Monitoring and Evaluation (M&E) Guidelines

The following are the GSTC proposed guidelines for developing and managing sustainable and responsible tourism destinations. The authors have been involved in the consultations to provide inputs into their drafting (GSTC-D v2.0 for second round consultation, June 2019). They are presented here in full as being the most appropriate set of guidelines to monitor and evaluate cruise tourism development in Vanuatu.

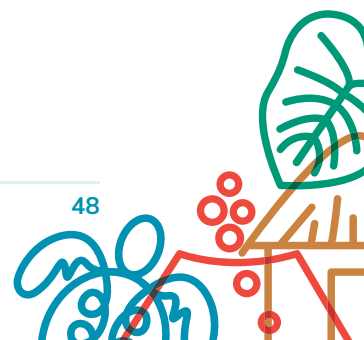
#### 13.1. SECTION A: Sustainable Management

##### A(a) Management structure and framework

**A1 Destination management responsibility.** The destination has an effective organization, department, group, or committee responsible for a coordinated approach to sustainable tourism, with involvement by the private sector, public sector and civil society. This group is suited to the size and scale of the destination, and has defined responsibilities, oversight, and implementation capability for the management of environmental, economic, social, and cultural issues. This group works with a range of bodies in delivering destination management, has access to sufficient staff capacity, including personnel with experience in sustainability, and its activities are adequately funded.

**A2 Destination management strategy and action plan.** The destination has established and is implementing a multi-year destination management strategy and action plan that is publicly available, is suited to its scale and was developed with public participation. The strategy includes an identification and assessment of tourism assets and considers socio-economic, cultural and environmental issues and risks. Actions and outcomes are monitored, evaluated and reviewed periodically. The strategy is politically supported and relates to and influences wider sustainable development policy and action in the destination.

**A3 Monitoring and reporting.** The destination is implementing a system to monitor, publicly report, and respond to environmental, economic, social and cultural issues and the impacts of tourism on them. Results are regularly reported and the monitoring system is reviewed and evaluated periodically.



## **A(b) Stakeholder engagement**

**A4 Enterprise engagement and sustainability standards.** The destination regularly informs tourism enterprises about sustainability issues and encourages and supports them in making their operations more sustainable. The destination encourages take-up of sustainability standards, promoting the application of GSTC-I Recognized standards and GSTC-I Accredited certification schemes for tourism enterprises, where available. The destination makes publicly available a list of sustainability certified or verified enterprises.

**A5 Resident engagement and feedback.** The destination encourages public participation in destination planning and management on an ongoing basis. Local communities' aspirations, concerns and satisfaction with tourism and destination management are regularly monitored, recorded and publicly reported, and action is taken in response to them.

**A6 Local understanding of tourism.** The destination has a system to enhance local understanding of the opportunities and challenges associated with tourism, including the importance of sustainability, and to build the capacity of communities to respond.

**A7 Visitor engagement and feedback.** The destination has a system to monitor and publicly report visitor satisfaction with the quality and sustainability of the destination experience and, if necessary, to take action in response.

**A8 Promotion and information.** The destination ensures that promotion and visitor information is accurate with regard to the destination and its products, services, and sustainability claims. Promotional messages reflect the destination's values and approach to sustainability and treat local communities and natural and cultural assets with respect. Visitors are informed about the part that they can play in addressing sustainability issues in the destination.

## **A(c) Managing pressure and change**

**A9 Managing visitor volumes.** The destination monitors and takes action, as appropriate, to reduce or increase and to manage the volume of visitors at certain times and in certain locations, working to balance the needs of the local economy, community, cultures and environment.

**A10 Planning regulations and development control.** The destination has planning guidelines, regulations and/or policies that control the location of development, require environmental, economic, and socio-cultural impact assessment and integrate sustainable land use, design, construction, and demolition. Regulations also apply to operations, including property letting and concessions for tourism purposes. The guidelines, regulations and/or policies are designed to protect natural and cultural resources and the wellbeing of local communities. They were created with local inputs from the public and a thorough review process, are publicly communicated, and are enforced.

**A11 Climate change adaptation.** The destination identifies risks and opportunities associated with climate change. Climate change adaptation strategies are pursued for the development, siting, design, and management of facilities, and in the provision of information on climate for both residents and tourists.

**A12 Risk and crisis management.** The destination has a risk reduction, crisis management and emergency response plan that is appropriate to the destination. Key elements are communicated to residents, visitors, and enterprises. The plan establishes procedures

and provides resources and training for staff, visitors, and residents, and is updated on a regular basis.

## 13.2. SECTION B: Socio-economic impacts

### B(a) Delivering local economic benefits

**B1 Understanding the economic contribution of tourism.** The direct and indirect economic contribution of tourism to the destination's economy is monitored and publicly reported. Appropriate measures may include visitor expenditure, revenue per available room, employment and investment data.

**B2 Decent work and career opportunities.** The destination's enterprises commit to providing equality of opportunity for local employment, training and advancement, a safe and secure working environment, and fair wages for all.

**B3 Supporting local entrepreneurs and fair trade.** The destination encourages the retention of tourism spending in the local economy through supporting local enterprises, supply chains and sustainable investment. The system promotes the development and purchase of local sustainable products based on fair trade principles and that reflect the area's nature and culture. These may include food and beverages, crafts, performance arts, agricultural products, etc.

### B(b) Social wellbeing and impacts

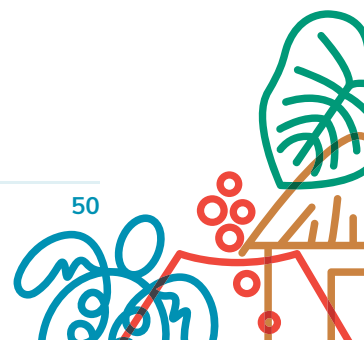
**B4 Support for community.** The destination has a system to enable and encourage enterprises, visitors, and the public to contribute to community and sustainability initiatives in a responsible manner.

**B5 Preventing exploitation.** The destination has laws, practices and an established code of conduct to prevent commercial, sexual, or any other form of exploitation and harassment of anyone, particularly of children, adolescents, women, and minorities. The laws and established practices are publicly communicated and enforced.

**B6 Property and user rights.** Laws and regulations regarding property rights and acquisitions exist, are documented, are enforced, comply with communal and indigenous rights, ensure public consultation and do not authorize resettlement without prior informed consent and/or reasonable compensation. Laws and regulations also protect user and access rights to key resources.

**B7 Safety and security.** The destination has a system to monitor, prevent, publicly report, and respond to crime, safety, and health hazards affecting both visitors and residents.

**B8 Access for all.** Where possible, sites, facilities and services, including those of natural and cultural importance, are accessible to all, including persons with disabilities and others who have specific access requirements. Where such sites and facilities are not immediately accessible, access is afforded through the design and implementation of solutions that take into account both the integrity of the site and such reasonable accommodations for persons with access requirements as can be achieved. Information is made available on the accessibility of sites, facilities and services.



### 13.3. SECTION C: Cultural impacts

#### C(a) Protecting cultural heritage

**C1 Protection of cultural assets.** The destination has a policy and system to evaluate, rehabilitate, and conserve cultural assets, including built heritage and cultural landscapes.

**C2 Cultural artefacts.** The destination has laws governing the proper sale, trade, display, or gifting of historical and archaeological artefacts. The laws are publicly communicated, including to tourism enterprises and visitors.

**C3 Intangible heritage.** The destination supports the celebration and protection of intangible cultural heritage, including local traditions, arts, music, language, cuisine and other aspects of local identity and distinctiveness. The presentation, replication and interpretation of living culture and traditions is sensitive and respectful, seeks the involvement of local communities and provides visitors with an authentic and genuine experience.

**C4 Traditional access.** The destination monitors, protects, and when necessary rehabilitates or restores local community access to natural and cultural sites.

**C5 Intellectual property.** The destination has a system to contribute to the protection and preservation of intellectual property rights.

#### C(b) Visiting cultural sites

**C6 Visitor management and behaviour at cultural sites.** The destination has a system for the management of visitors within and around cultural sites, which takes account of their carrying capacity and seeks to optimize visitor flow and minimizes adverse impacts. Guidelines have been prepared and published for visitor behaviour at sensitive sites, which are made available to visitors and tour guides before and at the time of the visit.

**C7 Site interpretation.** Accurate interpretative material is provided which informs visitors of the significance of the cultural and natural aspects of the sites they visit. The information is culturally appropriate, developed with host community collaboration, and clearly communicated in languages pertinent to visitors and residents.

### 13.4. SECTION D: Environmental impacts

#### D(a) Conservation of natural heritage

**D1 Protection of sensitive environments.** The destination has a system to monitor the environmental impacts of tourism, conserve ecosystems, habitats and species, and prevent the introduction of invasive species.

**D2 Visitor management and behaviour at natural sites.** The destination has a system for the management of visitors within and around natural sites, which takes account of their carrying capacity and seeks to optimize visitor flow and minimizes adverse impacts. Guidelines have been prepared and published for visitor behaviour at sensitive sites, which are made available to visitors and tour guides before and at the time of the visit.

**D3 Wildlife interaction.** The destination has a system to ensure compliance with local, national, and international laws and standards for wildlife interactions. Interactions with free roaming wildlife, taking into account cumulative impacts, are non-invasive and

responsibly managed to avoid adverse impacts on the animals concerned and on the viability and behaviour of populations in the wild.

**D4 Species exploitation and animal welfare.** The destination has a system to ensure compliance with local, national, and international laws and standards that seek to protect animal welfare and species survival (both plants and animals). This includes their harvesting or capture, trade, display, and sale. No species of wild animal is acquired, bred or held captive, except by authorized and suitably equipped persons and for properly regulated activities. Housing, care and handling of all wild and domestic animals meets the highest standards of animal welfare.

#### **D(b) Resource management**

**D5 Energy conservation.** The destination has targets to reduce energy consumption, improve efficiency in its use, as well as increase the use of renewable energy. The destination has a system to encourage enterprises to measure, monitor, reduce, and **publicly report their contribution to these targets.**

**D6 Water stewardship.** The destination encourages enterprises to adopt a contextually appropriate response for measurement, monitoring, publicly reporting and managing water usage. Water risk in the destination is assessed and documented. In case of high water risk, contextual water stewardship goals are identified and actively pursued with enterprises.

**D7 Water quality.** The destination monitors water quality for drinking, recreational and ecological purposes using quality standards. The monitoring results are publicly available, and the destination has a system to respond in a timely manner to water quality issues.

#### **D(c) Pollution and waste management**

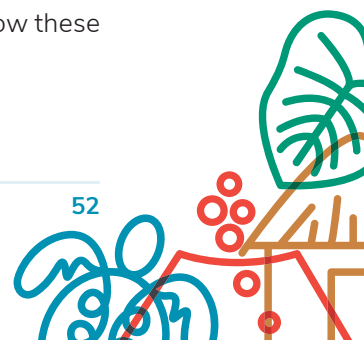
**D8 Wastewater.** The destination has clear and enforced guidelines in place for the siting, maintenance and testing of discharge from septic tanks and wastewater treatment systems, and ensures wastes are properly treated and reused or released safely with minimal adverse effects to the local population and the environment.

**D9 Solid waste.** The destination has targets for reducing waste generation. The destination encourages enterprises to reduce, reuse, and recycle solid waste, including food waste. Action is taken to eliminate or reduce single-use plastics. Any residual solid waste that is not reused or recycled is disposed of safely and sustainably.

**D10 Greenhouse gas emissions.** The destination encourages enterprises to measure, monitor, reduce or minimise, publicly report, and mitigate their greenhouse gas emissions from all aspects of their operation (including emissions from service providers). Offsetting of any remaining emissions is encouraged.

**D11 Low-impact transportation.** The destination has targets to reduce transport emissions from travel to and within the destination. An increase in the use of sustainable, low-emissions public transport and active travel (e.g., walking and cycling) is sought in order to reduce the contribution of tourism to air pollution, congestion and climate change.

**D12 Light and noise pollution.** The destination has guidelines and regulations to minimize light and noise pollution. The destination encourages enterprises to follow these guidelines and regulations.



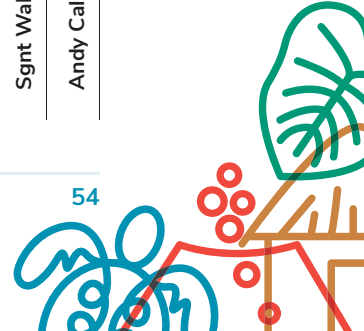




## Appendix 1:

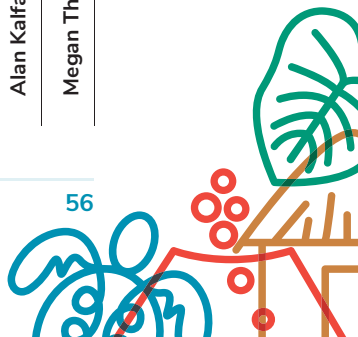
### List of Stakeholder Consultations: 51 interviews completed

Category/Name	Company	Contact	Email	Status and Follow Up
<b>Cruise Companies</b>				
<b>Paul Mifsud</b>	Carnival, Director of Operations		paul.mifsud@carnivalaustralia.com	Completed 20/5. Q survey emailed 7/5. Checking with Pres on reply.
<b>Neil Linwood</b>	RCCL, Director of Operations		neillinwood@rcclapac.com	Completed 21/5. Q survey emailed 7/5. Will send presentation doc and paper.
<b>GoV Authorities</b>				
<b>Capt. John Nasak</b>	Ports & Harbour	7799763	hnasak@vanuatu.gov.vu	Completed 9/5. AN to meet
<b>Meriam Seth Toalak</b>	Biosecurity- Director	23519	mseth@vanuatu.gov.vu	Completed 10/5. AN to meet Armstrong the Deputy Director
<b>Mr Reginald Tabi</b>	Land Transport Authority	5489241	rtgerian@vanuatu.gov.vu	Completed 9/5
<b>Donna Kalfatak molli</b>	Environment Department Director	7741259	dkalfatak@vanuatu.gov.vu dkmoli@gmail.com	Completed 14/5. GH and AN to meet.
<b>Peter Sakita</b>	Port Vila Municipality Town Clerk	7751531	psakita@pvmc.gov.vu	Completed 16/5
<b>Allan Faerua</b>	Director for MIPU.	33460	afaerua@vanuatu.gov.vu	Completed 21/5. AN and GH to meet. Also met Minister and PA. To meet with DG Harrison Luen
<b>Kembro Manderson</b>	Office of the Maritime	35445	kmanderson@vanuatu.gov.vu	Completed 15/5. AN to meet
<b>Roy Mickey Joy</b>	DG, Ministry of Tourism	33410	rmjoy@vanuatu.gov.vu	GH and AN to meet together. Sent 6/5 and 14/5. Need to confirm. Not available!
<b>Dorothy Erickson</b>	Department of Finance	22605	dandrew@vanuatu.gov.vu	Completed 13/5. GH and AN to meet together.
<b>Jimmy Rantes</b>	Industry Department Director	33415	jantes@vanuatu.gov.vu	Completed 30/4. Also spoke to Ian Bani and Roy re HBDP and Peter re PV Handicraft market
<b>Sgnt Walter Malau</b>	Tourism Police	7343724	mwalter@vanuatu.gov.vu	Completed 16/5. AN to meet
<b>Andy Calo</b>	VNSO Director		acalo@vanuatu.gov.vu	Completed 13/5. GH and AN to meet.



<b>Melton Aru</b>	Act Director C&IR			cgesa@vanuatu.gov.vu	Completed 13/5. GH and AN to meet.
<b>Sakaria</b>	Shefa SG				Completed 19/6
<b>Mark Kaltap</b>	DoT Manager Shefa			mkaltap@vanuatu.cgov.vu	Completed 19/6
<b>Tommy Kalven</b>	Planner, Sanma Province				Completed 7/6
<b>Shipping Agents</b>					
<b>Mr John Tonner</b>	South Sea Shipping	5576170		john@sss.vu	Completed 23/4. Need a follow up meeting.
<b>Mr Russell Mitchel</b>	Ifira Ports Dev- GM	22929		gm@ifira.com.vu	Completed 7/5. GH and AN to meet
<b>Mr John Solomon</b>	Pacific Shipping Agencies	26571		jsolomonpacshipagencies@vanuatu.com.vu	Completed 3/5
<b>Transport/Tours</b>					
<b>Simone Pritchard</b>	Vanuatu Tour Company	5501922		simone@vanuatutourcompany.com	Completed 24/4. Send docs. Check DFAT and Carnival's Business Incubator Program
<b>Donald Massing</b>	Shefa Port Vila Land Transport Assoc'n	7752192		pveltapresident@yahoo.com	Completed 24/4. Wants a wharf site plan for taxi/van laneways and security checkpoints
<b>Rae Ernst-Kelly</b>	Vanuatu Tour Operator Association			vtoasecretary@gmail.com	Completed 25/4. Send ST Policy
<b>Patrick Li</b>	Adventures in Paradise /MG Global	23388		Patrick.mgglobal@gmail.com	Completed 24/4. Wants ST Policy doc sent.
<b>Mr Harold Kara</b>	Water Taxi president	7766456			Completed 9/5. AN to meet
<b>Rob McAllister</b>	Vanuatu Ecotours	5403506		info@vanuatuecotours.com	Completed 7/5.
<b>David Wu</b>	Evergreen Tours	23050		david.wu@bluespringsgroup.com	Completed 30/4
<b>Mike Crawford</b>	Big Blue Tours	5540104		mm@bigbluevanuatu.com	Completed. 10/5
<b>Christine Shaw</b>	VESS and Big Blue Tours	5510026			Completed 30/4. Also a shareholder in Big Blue.
<b>Justin Jenkins</b>	PV Yacht Club/Boatshed	7719174		info@vanuatuyachtservices.com	Completed 8/5
<b>Andy Bennett</b>	Vanuatu Helicopter Tours	7744106		info@vanuatuhelicopters.com	Completed 18/6

Dave Cross	Santo Adventure Tours	7743911	davcross@thebeachfrontresort.com	Completed 7/6
<b>Private Sector Business</b>				
Virginia Craig	Port of Call Vanuatu Yacht Services	7356630	info@portofcallvanuatu.com www.portofcallvanuatu.com	Completed 27/5
Simon Troman	Café du Village	27789	simontroman@hotmail.com	Completed 8/5. GH to meet
Kevin Fung Kuei	Duty Free		trevorfung@fungkuei.com	Completed 8/5. GH and AN to meet
Leitonga Kalsakau	Mama market wharf	7745430	kalsakauleitonga@gmail.com	Completed 9/5. AN to meet
Rosalie Vatu	Mama market town	5656828	rosavatu@gmail.com	Completed 10/5. AN to meet
Maggie Crawford	Jill's Cafe	25125	jillscafe@vanuatu.com.vu	Completed 9/5. GH to meet
Ivan Oswald	Nambawan Cafe	25246	cafe@nambawan.com	Completed 8/5. GH to meet
Niall Haughey	Jungle café	22428	junglecafe@vanuatu.com.vu	Completed 9/5. GH to meet
<b>Training</b>				
Olsen Tama	Tourism School VITE	5904210		Completed 9/5. AN to meet
Yvonne Taiki	Chamber of Commerce	27543	vanuatu@businesslinkpacific.com,	Completed 30/4. Astrid Boulekon unavailable.
Fremden Shadrack and Warren Gamma	Vanuatu Skills Partnership	7743920	fremden@vanuatutvet.org.vu warren@vanuatutvet.org.vu	Completed 25/4. GH to meet
Carissa Jacobe	Director, SS Recruitment	7799881	crew_mgr@vanuatu.com.vu	Completed 9/5. GH to meet
<b>VTO</b>				
Gregil	Cruise Information Officer		Tourism Office at Wharf	Completed 1/5. Met at the Wharf
Adela Aru	CEO		aissachar@vanuatu.com.vu	Completed 20/5. Also, Nick, Seb and Henry
Alan Kalfabun	Marketing Manager		akalfabun@vanuatu.com.vu	Also, Director of Ifira Trust
Megan Thompson	TA		mthompson@vanuatu.com.vu	Phone call 29/4 to update her



## Appendix 2:

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