

The Virgin Islands Consortium

Op-Ed: A True Picture Of The Cruise Industry In The USVI: Data Is Imperative, But Context Is Crucial

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While data is imperative in analyzing the cruise industry in Charlotte Amalie and throughout our Territory, it is crucial that data be evaluated within context. Passenger counts are an important consideration, but the measure of success for the West Indian Company, Limited (WICO) and other port operations in the Virgin Islands can only be understood by the economic contribution to the destination in expenditures. From this perspective, we can get a true picture of the state of the cruise industry within our territory.

From a historical viewpoint, WICO reached its highest number of passenger arrivals very recently in 2014. Since 1994, one year after the acquisition of the WICO property by the

Government of the Virgin Islands, WICO's port operation has seen steady growth. Back then passenger arrivals totaled 1,226,559 and by 2014, arrivals had reached their zenith at 1,979,926, before declining to 1,694,008 in 2016. There are various interpretations on what this recent drop in numbers means and whether it's an aberration. However, all agree that within the last few years, the cruise industry has undergone dramatic change.

The Florida Caribbean Cruise Association (FCCA) several years ago hired a firm, Business Research and Economic Advisers (BREA) to conduct research of the cruise industry in the Caribbean. The report is issued every three years and for this analysis of expenditures, we will use 2006, 2009, 2012 and 2015 and the "Big Three" destinations,

St. Thomas, St. Maarten and the Cayman Islands:

St. Thomas		St. Martin	Cayman Islands
2006	\$288 million	\$184 million	\$138 million
2009	\$384 million	\$230 million	\$174 million
2012	\$340 million	\$356 million	\$158 million
2015	\$344 million	\$423 million	\$208 million

There are two primary reasons for the decline in expenditures from cruises in St. Thomas and the dramatic rise in St. Maarten. First, and still controversial, is a decision made in 2006 by the government of the Virgin Islands to permit the Virgin Islands Port Authority (VIPA) to enter into a 10-year berthing agreement with the two highest passenger spending cruise lines at that time, Princess Cruises and Holland America cruise lines. The best spending passengers were removed from the WICO/Yacht Haven complex with over 125 stores and now were docked at the Crown Bay complex with less than 25 stores. Additionally, this move did not add cruise calls to the destination; it merely shifted the passengers' arrival to a different location.

Another consideration is that, depending on the itinerary, where the ships coming from South Florida stop FIRST impacts expenditures. If ships stop in St. Thomas before sailing to St. Maarten, then passengers spend more at our destination.

The second reason for decline in expenditures in St. Thomas was caused by the enhanced Homeland Security and Border Protection regulations instituted after 9/11. Since that time, it has been difficult to get foreign vessels carrying foreign passengers and crew to visit our shores because of customs and border protection issues known as a "closed loop" system. So European ships that sail the Caribbean winter season go to destinations such as Barbados or Tortola. If these foreign ships came to the Virgin Islands, there would need to be a full inspection of passengers and crew which could be lengthy and delay the disembarkation. WICO has approached the CBP and the private sector to assist with seeking some remedy to this problem.

In 2017, the cruise outlook has once again changed. WICO has entered into ten year agreements with Carnival Corporation (and all its brands) and Norwegian Caribbean lines

effective October 1, 2016, which will return those passengers to the WICO/Yacht Haven complex where there are more diverse retail outlets. We anticipate that the BREA study results for 2018 will see significant change.

Also, China is now the big player as the big lines are deploying a number of their new assets to this region. One only needs to look at the “order book” to see the trend. Regionally, private islands operated by the cruise lines in the Dominican Republic have become significant players, somewhat to the detriment of St. Maarten which saw its arrival numbers decline significantly in 2016 to 1,668,863 (less than St. Thomas) from a high of 1,901,617 in 2015.

The summer of 2017 shows some projections in cruise calls as follows:

1. Significant retail opportunities will accrue in St. Thomas again with the return of the higher spending ship passengers to the WICO/Yacht Haven basin. The refurbishing of the Havensight Shopping Mall certainly enhances the retail appeal.
2. Increasing ship calls is only part of the equation to increasing expenditures. Passengers must be enticed off the ships to come and spend in the VI. This means that the Virgin Islands must offer a diversity of exciting shopping experiences and activities.
3. The government and private sectors must join together to tackle the issue of streamlining disembarkation of foreign passenger ships with the customs and border protection services. There are significant revenues that can be generated from this market if this matter can be resolved.
4. Dredging of the St. Thomas harbor is imperative and must be accomplished expeditiously by the VIPA. This dredging will allow all vessels currently in the “order book” to enter and successfully maneuver in the main harbor. WICO and VIPA are in active talks about this issue.
5. WICO supports “a permanent festival park” along the St. Thomas waterfront. We share the vision that “the park would be a green space and garden designed as a center for locals and visitors to engage in culture, history and commerce in a beautiful setting overlooking the Charlotte Amalie harbor.” It is our position that the dredging of the harbor would generate all or most of the “fill” needed for the park.

Before we commit to a long-term capital project such as expanding berthing capacity, let’s make sure that such development will really deliver a return on investment and make business sense for all residents of the Virgin Islands, especially for our all-important retailers.

Submitted by: Rhe Board of Directors of the West Indian Company, Limited

Feature Image: A ship docked at WICO. (Credit: Ernice Gilbert, VIC)