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Lisbon as a Home Port for Cruise Tourism

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Abstract

Over the last decade, cruise tourism has become a significant source of revenue for many regions like the Mediterranean. Passengers who (dis)embark on a cruise typically spend two to three nights in the (dis)embarking city, therefore spending more money than tourists on transit, who typically only spend about eight hours in town. However, most cruise tourists who arrive in Lisbon are on transit. This work project aims to discuss ways to increase the number of cruises that begin/end their journeys in Lisbon, considering factors such as incentives and promotion, as well as the recent investment on a new cruise terminal.

Keywords: cruise tourism, turnaround, Lisbon port, cruise terminal

1- Introduction

Tourism has become one of the main engines of economic growth in Portugal. In fact, Portugal has become worldwide renowned for its cities, golf resorts, beaches, weather, gastronomy and culture. The city of Lisbon is certainly no exception, and has been one of the main contributing regions to the observed increment in tourists over the last years (PWC, 2014). While Lisbon is not yet a major cruise destination, activities related to cruise tourism have also been increasing there, mainly due to foreign cruise tourists. An important distinction between cruise tourists should be made. Currently, the vast majority of cruise tourists who visit Lisbon are referred to as transit passengers. They typically arrive aboard their vessel in the morning, spend about five to ten hours visiting the city and then leave for their next port of call stop. While the economic contribution of these tourists is always positive and welcome, they do not spend as much as the so-called turnaround passengers. These are simply passengers who embark or disembark in a given port. As an illustration, a passenger that embarks in Lisbon, stops for a visit in Cadiz and disembarks in Barcelona, is considered a turnaround passenger in both Lisbon and Barcelona, but a transit passenger in Cadiz. Turnaround passengers tend to spend more in their embarking/disembarking destinations since they typically choose to stay up until three nights in that city. This may be due to the desire of visiting that destination more thoroughly or simply because they want to make sure they do not miss their ship, should their flights be delayed or cancelled. Hence the economic contribution of these tourists is bigger than that of transit passengers (EU, 2009). In that case, in order to maximize the economic benefits of being a cruise destination, a city’s port should aim towards increasing the volume of turnaround operations, by having more ships starting and ending their circuits there. A port that sustains a relatively big turnaround traffic is usually referred to as a home port. In order to do so, the port can develop a set of solutions which can include incentives, infrastructure, marketing and promotion, or a combination of these, and has also to take into account competition from other ports.

With that in mind, the purpose of this study is to discuss and provide recommendations with the goal of increasing the number of cruise turnaround operations in Lisbon. The educated belief that Lisbon has the potential to become much more like a home port for cruise tourism is the main motivation for this work project. First, the trends and markets involved in the global cruise industry will be analysed, as well as its economic impacts. Then, the cruise line companies' point of view will be taken in order to find what the drivers are behind itinerary planning and what constitutes a worthy port for undertaking turnaround operations. In the third section, the case of Lisbon will be described, namely the city's profile in terms of cruise activities and their impact on the city. Then Lisbon will be benchmarked to four important European home ports. In addition, a SWOT analysis will be performed. Finally, suggestions to increase the number of turnaround operations will be provided and discussed. These will cover aspects related to infrastructure, incentives, promotion, partnerships, competitiveness, city appeal, among others.

2- Cruise Tourism Overview

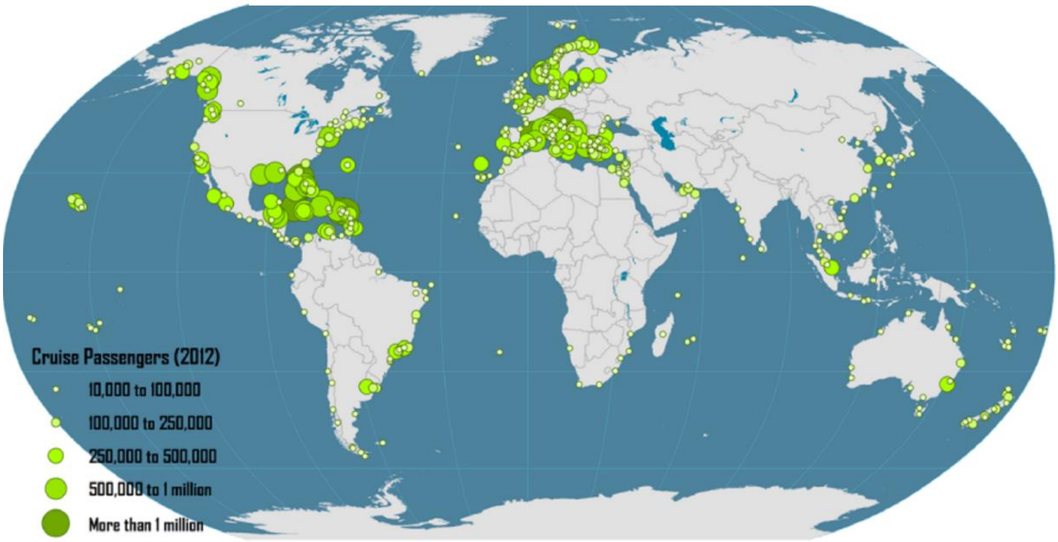
2.1- Cruise Tourism Trends

Over the last ten years, demand for cruising has increased about 68% worldwide (CLIA, 2016). This year, twenty-four million tourists are expected to cruise, an increment of one million relative to 2015. Historically, most cruise tourists used to be seniors, many of them already retired, who saw cruise traveling as a safe, peaceful and quiet vacation. While these clients still play an important role in cruise demand, this stereotype is starting to fade, as cruise lines look to attract younger segments of tourists by providing new types of services and experiences, more intense and dynamical in nature. Furthermore, some cruise line companies are now specializing in different segments (i.e. budget, premium or luxury) as a differentiating factor. Overall, there are currently 471 cruise ships operating worldwide, with 27 more ships on order for 2016 (CLIA, 2016).

2.2- Cruise Market Analysis

Within the cruise industry, one can consider two different markets: a destination market, where the agents are the port cities that welcome cruises, and a passenger source market where the cruise tourists themselves are the agents (BREA, 2013). The world map below shows the state of the destination market in 2012, where it is clear that the hotspots of cruise tourism lie in the Gulf of Mexico, Caribbean Sea, Mediterranean Sea, Northern Sea and Baltic Sea. Nowadays, the regions in Eastern Asia such as the Gulf of Thailand, Australia and China's coast line are also turning into intense cruising waterways and ship deployment in those regions is expected to grow due to high demand.

Figure 1: Cruise Passengers by Region



Source: Rodrigue (2013)

Moreover, due to the recent diplomatic interactions between the US government and Cuba, American cruise lines are expecting permission to include Cuba in their circuits. This will, in principle, be a new major destination that will contribute to an even higher ship deployment rate in the Caribbean area.

Regarding the passenger source market, although the USA is the world leader in terms of cruise passengers, accounting for half of the total cruising demand, the European and Asian markets have been expanding at a faster rate (MedCruise, 2015). In particular, Asia is currently the fastest-growing market, both in ship capacity deployed and as a passenger source market (CLIA, 2014). Indeed, the number of cruise travellers from Asia has nearly doubled since 2012 (see annex 6.2, graph 2). Most of this growth is attributable to China, where the number of cruise tourists is increasing at a nearly 80% compound annual growth rate, and it is already first placed in what concerns the passenger source market in that region. The most important destinations there include Japan, Malaysia, South Korea, Singapore and Thailand. Furthermore, about 91% of Asian cruise tourists choose to cruise in Asia, usually in short circuits, while 60% of those who cruise outside of their region, do it in Europe. Within Europe, the two leading countries in passenger source are Germany and the UK, which together account for more than half of the European cruise demand, followed by Italy, France and Spain (CLIA, 2015). In fact, the number of German cruise tourists has been rising over the last years, having dethroned the UK as a passenger source market. Besides Germany, only the French cruise tourists seem to be increasing steadily over the last years. It is also worthy to mention that river cruising is another modality which is becoming increasingly important, especially in Europe (CLIA, 2016).

2.2- Economic Impacts

The total economic impact from the cruise tourism industry was almost 120 $ billion in 2015 (CLIA, 2016). Moreover, the cruise industry is responsible for about 939000 jobs worldwide. Nevertheless, cruise tourism is only a niche tourism product in the context of the global tourism industry, which generated 7.6 $ trillion during the same year (WTTC, 2015). According to CLIA (2015), in 2014 a total of 42 cruise line companies operated 123 ships in Europe. About 6.4 million European residents booked cruises during the year, a slight decrease relative to 2013, but still representing 30% of the world demand. A total of 5.85 million passengers embarked at a European port, of which 4.9 million were European residents. The total economic impact of most tourism activities is usually sub-divided into three categories: direct, indirect and induced impacts. In the case of cruise tourism, the direct impact corresponds to the production, employment and compensation by businesses that supply goods and services to cruise lines, passengers and crew. In 2014, these direct expenses were found to be about 16.6 € billion in Europe (CLIA, 2015) (See annex 6.3, table 5). On the other hand, the indirect impact accounts for the spending by directly impacted businesses for the goods and services they require to support the cruise industry. Finally, the induced impact takes into account the spending by the impacted employees for household goods and services. Overall, the sum of these three distinct impacts was estimated to be around 40.2 € billion in 2014 (See annex 6.3, table 4). These economic benefits span across many different industries, among which the manufacturing industry, financial services, transportation and utilities appear to be the top benefiters. As a result, cruise tourism is thought to have been responsible for nearly 350000 jobs. The economic benefits generated from cruise tourism have a greater impact in the coastal regions that welcome cruise passengers. On the one hand, given the limited amount of time that transit passengers spend in each destination, all of their expenditures are usually done in the cities where they arrive. There are some exceptions such as the port of Civitavecchia, where almost all spending done by cruise tourists is done in Rome, rather than in Civitavecchia itself. On the other hand, turnaround passengers typically book a hotel for two to three nights in their respective (dis)embarkation city, which further enhances the positive economic impact in those regions. Hence, a major differentiating aspect for the magnitude of the economic impact in each city is whether the respective port is frequently a home port, or not. To show this, some figures regarding the number of passengers and crew as well as a very simplified estimation of the total direct expenditures for some of the major Mediterranean ports are shown in the table below. The calculations made to derive the following results are described in Annex 6.4.

Table 1: Direct Expenditures Quick Estimate in 2015

Port	Total Passengers	Transit Passengers	Turnaround Passengers	Crew	Direct Expenditures
Barcelona	2 540 302	1 176 548	1 363 754	1 058 459	247 543 995
Civitavecchia	2 271 644	1 403 501	868 143	946 518	208 363 005
Venice	1 582 481	218 437	1 364 044	659 367	173 243 779
Marseille	1 451 059	947 734	503 325	604 608	131 201 019
Savona	982 226	334 862	647 364	409 261	100 156 835
Piraeus	980 149	695 908	284 241	408 395	86 560 144
Dubrovnik	830 684	768 887	61 797	346 118	66 733 723
Livorno	697 955	693 774	4 181	290 815	54 304 372
Valletta	668 277	527 765	140 512	278 449	57 046 101
Istanbul	589 314	386 179	203 135	245 548	53 236 940
Lisbon	512 128	469 592	42 536	213 386	41 306 429

Source of data: MedCruise (2015), own calculations

With high volumes of both transit and turnaround passengers, Barcelona and Civitavecchia distinguish themselves as the two biggest ports considered in terms of overall traffic and direct economic benefits (where Civitavecchia is referred to Rome). Nevertheless, Venice is the largest home port in terms of turnaround passengers received. Even though Venice does receive approximately 131 thousand more passengers than Marseille, the difference of approximately 42 million € in direct expenditures between these two ports is explained by the much larger turnaround revenue in Venice. This is also clear when comparing the ports of Livorno and Valletta. While Livorno welcomed a higher number of passengers than Valletta, its turnaround share is relatively small. For that reason, the direct economic impact was greater in Valletta than in the cities served by the port of Livorno, namely Pisa and Florence. It is, of course, important to keep in mind that the direct expenditures taken into account are only a portion of the total economic impact, that both indirect and induced impacts are usually greater than the direct impact alone, and that their magnitude might vary considerably between regions that show similar cruise traffic patterns.

2.3- Cruise Line Industry and Ports

The market for cruise tourism is approximately an oligopoly (Bull, 1996) with the three largest cruise line companies, Carnival Corporation, Royal Caribbean, and Norwegian Cruise Lines, accounting for more than 76% (see annex 6.5, graph 8) of the market share. One of the main differences between cruise tourism and other tourism activities is that cruise lines can operate essentially as multinational corporations (Brida and Zapata, 2010), having the liberty of choosing where to obtain and deploy their factors of production so that their marginal productivity is optimized. Bull (1996) has shown that cruise line companies maximize their profits when their ships travel at full passenger capacity, implying it is preferable to keep the highest possible occupation rate by giving discounts. It is also better to have the ships operating during the maximum number of days as possible, since the time during which any ship is stationed is considered to be wasted. As a result, cruise lines tend to deploy ships in regions where they are sure they will get nearly full occupation rates or, in other words, where the demand is higher. This means that the geographical proximity between ports, though important, is not the only factor that has to be taken into account when designing an itinerary. In particular, the attractiveness of a given destination which, unlike geographical location, may be considered to some extent a control variable of destination's tourism administration, comes into play in the decision making of a cruise company.

We have seen that if a port wishes to maximize the economic benefits from this activity it will want to have the highest volume of turnaround operations possible. One way to accomplish that is by convincing the cruise operators that these will in fact attain very high occupancy rates by including their city as a home port in their itineraries. In practice, a destination can assure that most effectively by promoting itself as a unique destination with respect to the experiences it provides, namely regarding passenger reception, on-shore activities, cruise tourist support and by highlighting the city's strengths in its natural, social and cultural dimensions. An additional requirement to be a home port is the existence of appropriate infrastructure for handling turnaround operations. This consists mainly of one or more functional cruise terminals able to deal with passenger and luggage logistics easily, quickly and safely, as well as providing (dis)embarking passengers with commodities and services such as shops, cafeterias, internet access, information desk, transportation, among others. Yet another channel through which ports can attract cruise operators is by offering specific incentives that reduce the costs incurred by the cruise lines during their stay at the port. Similarly to any shipping activity, the cost structure of operating a cruise line can be divided into three types (Bull, 1996):

Table 2: Cruise line main costs

Capital Costs	Ship purchasing and depreciation.
Fixed Running Costs	Insurance, wages and compensation, stores, management, maintenance and repairing.
Voyage Costs	Port taxes, fuel costs, agency costs, other port services, etc.

Cruise line companies can reduce these costs in a variety of ways. On one hand they can make use of economies of scale by operating larger ships. Secondly, they can sail more slowly or they can also spend more time at each port of call (two days instead of one, for example) in order to save fuel. This means that the geographic location of a port is of great importance in the process of itinerary planning. Nevertheless, a port that wishes to increase its volume of turnaround operations can play a role in the reduction of the voyage costs. For instance, the port may choose to reduce the value of their charges applied to ships in turnaround, or instead share some of the fuel costs for those ships. Furthermore, ships usually require certain services from the ports such as pilotage, waste disposal and repairs, for which discounts might also be offered. Once a city is integrated in a circuit, cruise companies evaluate the performance of that city as a turnaround stopover through instruments such as client satisfaction surveys, where among other insights, the client typically states his or her willingness to return to that site. This helps determining whether the cruise line will include that city in its future itineraries.

3- Cruise Tourism in Lisbon

3.1- Lisbon Profile

Lisbon was ranked 15th in 2014 in terms of total cruise tourists received, ahead of the Baltic ports of Tallinn and Stockholm, but behind St. Petersburg and Hamburg (see annex 6.6, graph 10). It is clear, however, that Lisbon is not yet one of the main cruise destinations in Europe. On the other hand, the number of stopovers has been increasing over the last ten years, having welcomed a maximum of 558040 passengers in 2013. In 2014, for the first time, the number of passengers visiting Lisbon registered negative growth with only a slight recovery in 2015 (see annex 6.6, graph 9). The reason behind this has most likely to do with higher ship deployment in other expanding markets such as the Asian one. Within the Iberian Peninsula, Lisbon ranks 5th in stopovers, total and turnaround passengers, only behind the ports of Barcelona, Baleares, Santa Cruz de Tenerife and Las Palmas, and ahead of Cádiz, Funchal, Málaga, Valencia, Cartagena and Vigo (APL, 2014). At a national level, in 2014 there were a total of 807 stopovers, of which 319 were in Lisbon, making the capital the main Portuguese cruise destination. Interestingly though, Funchal welcomed more transit tourists than Lisbon. Nevertheless, Lisbon accounts for about 87% of all turnaround passengers in Portugal! Yet, the ratio of turnaround passengers with respect to total number of passengers is only 8.2% in Lisbon, which is very low compared to other European ports, like Venice, Savona, Genoa, Copenhagen and Hamburg (see annex 6.6, graph 11). Regarding the passengers themselves, the British make up about 47% of all passengers arriving Lisbon, followed by the Italian and the German which together represent 25% of the total (see annex 6.6, graph 12). As shown in the pie chart below, however, only 5% of the turnaround passengers are British. This means that the great majority of British tourists embark on other ports, Southampton being the most likely. On the other hand, Americans, who make up for only 10% of the total cruise tourists, actually account for 35% of all turnaround passengers (see annex 6.6, graph 13). Finally, a quarter of all turnaround passengers are Portuguese. It is very natural that the national tourists represent a large share of the turnaround passengers in any country, since they frequently prefer to embark/disembark in their country in order to reduce costs. This is most likely the case of Southampton for British cruisers or Hamburg for German cruisers. On the one hand a share of 25% may actually seem rather small, reflecting the fact the Portuguese passenger source market is very small. This fact shows how important it is to attract international tourists. Nevertheless, given that cruising is not yet very popular to the Portuguese tourists a share of 25% can instead be considered to be quite high, indicating that there are not many turnaround passengers altogether to begin with. Hence, assuming that the Portuguese passenger source market does not expand significantly in the near future, increasing the number of turnaround operations implies that the share of Portuguese turnaround passengers will diminish. In what concerns the journeys which include Lisbon as a stopover, the main three types of circuits fall into the categories of Atlantic Ocean, Northern Europe/Mediterranean and Western Mediterranean.

Regarding the economic impact of cruise activities in Lisbon, from table 1 (p. 8) the direct expenditures estimate for the city (about 41 million €) is far below the economic impact in all the other ports considered. Given that Lisbon is the main cruise destination in Portugal, the result is that Portugal does not enter the European top ten in terms of economic impact (CLIA, 2015). In fact, these economic benefits would have been much greater if the share of turnaround operations had not been so low.

According to a survey by OTL (2015) (see annex 6.7) done to international passengers who stopped in Lisbon in 2015, the average age (35-44 years) of those tourists is much lower than in previous years, which goes in agreement with the current trend. Furthermore, only half of the passengers were cruising for the first time. While 29% of the passengers had already visited Lisbon in the past, 19% did so by cruising. The main reason for cruising was entertainment, rather than just resting, which is typical when the passengers are younger. Also, it is important to state that 76% of the passengers admit that visiting Lisbon was an important factor when deciding to take the cruise, while about 31% claim that they would have not chosen that particular cruise if it hadn't stopped in Lisbon. Regarding their visit in Lisbon, a considerable share of passengers (38%) chose to visit the city independently. By far the most used means of transport in that case were the touristic buses, taxi, or simply walking. The most visited sites include the downtown of Lisbon, Belém, Parque das Nações, Cascais and Sintra. In terms of client satisfaction, the most positively reported features were the low prices, restaurant service, climate and gastronomy. Overall, the port of Lisbon was rated 9,31/10 by the cruise tourists, while the city itself was given a mark of 9,39/10. Lisbon exceeded the expectations of 68% of the tourists, with 48% considering repeating their cruise trip to Lisbon, and 75% considered returning to Lisbon by other means. It is important to note that, although client satisfaction regarding port of Lisbon was quite high, the great majority of international passengers interviewed were transit passengers, which means they did not spend as much time in the port itself as they would have if they were (dis)embarking.

3.2 - Benchmarking and SWOT Analysis

In order to identify flaws and aspects to improve in the port of Lisbon it is useful to compare it with several European home ports that have some of the highest turnaround passenger shares. For this purpose, we consider four different ports from different countries, namely the ports of Barcelona, Copenhagen, Marseille and Venice.

Benchmarking	
Barcelona	Copenhagen
❖ Total Passengers: 2 540 302 ❖ Turnaround: 1 363 754 (54% of total) ❖ 7 Cruise Terminals ❖ Terminal Features: air conditioning, shops, bar/restaurants, táxi, shuttle bus, telephones, foreign Exchange ❖ Close to La Rambla (leading to city centre) ❖ Port Charges: cheaper passenger taxes for longer stays and cheaper vessel taxes for usual operators (min. 12 calls/year)	❖ Total passengers: 680 000 ❖ Turnaround: 370 000 (54% of total) ❖ 3 Cruise Terminals ❖ Access to city centre by taxi or by metro/train, and transfers to airport ❖ Port charges: cheaper ship dues for vessels in turnaround and discounts for usual operators (min. 7 calls/year) ❖ Miscellaneous: convenient geographical location

❖ Miscellaneous: leaders in security and logistics, private investments in terminals, good city-port relations, great geographical location	
Marseille ❖ Total Passengers: 1 451 059 ❖ Turnaround: 503 325 (35% of total) ❖ 2 Cruise Terminals ❖ Terminal Features: cafeteria, tourist office, shops ❖ Access to city centre by shuttle bus, taxi or public transport. Port is 20 minutes away from two airports. Shuttle bus is free ❖ Port charges: cheaper for usual operators (min. 13 calls/year) ❖ Miscellaneous: great geographical location	Venice ❖ Total passengers: 1 582 481 ❖ Turnaround: 1 364 044 (86% of total) ❖ 2 Cruise Terminals ❖ Terminal Features: shops, newsstand, first aid services, food and beverage areas, info desks, assistance to disabled, luggage acceptance points ❖ Access to city centre by shuttle bus (may be free), tram, land taxi, water bus or water taxi (or some combination of these) ❖ Miscellaneous: great geographical location, plans to invest in port/city interface, concerns about environmental issues,

Aside from very large turnaround passenger shares, these four cities have in common a number of features. Firstly, they are all great geographical locations for cruise tourism, less peripheral than Lisbon. Secondly, they all have functional cruise terminals that provide a large range of commodities and services to tourists. The port of Barcelona appears to be rather close to the city centre, similarly to Lisbon, while the port of Marseille is strategically located between two different airports and provides easy access to the city centre. In terms of port charges, they all provide discounts for operators who choose their cities frequently enough, whereas the port of Copenhagen charges cheaper ship dues for turnaround ships. A comparison of passenger and terminal fees between several cities is shown in annex 6.8, table 6. Furthermore, the ports of Barcelona and Venice are also currently investing in upgrading their port or cruise terminals even further. To describe Lisbon as a turnaround port itself a SWOT analysis is now carried.

SWOT Analysis	
Strengths ❖ Port close to city centre ❖ Pleasant climate ❖ High quality hospitality and restaurant services ❖ Historical and Cultural Attractions ❖ Relatively competitive prices ❖ Capital city ❖ Safe City	Weaknesses ❖ Low number of turnaround operations ❖ Lack of infrastructure for turnaround ❖ Imperfect geographical location ❖ Insufficient promotion ❖ Small domestic demand ❖ Seasonal Activity
Opportunities ❖ New cruise terminal ❖ Wharf area rehabilitation	Threats ❖ Competition from other European ports ❖ High ship deployment rate in Asia

❖ American market ❖ Promote environmental sustainability ❖ Stronger promotion of Lisbon as home port ❖ Lower port charges and discounts ❖ Develop partnerships with stakeholders ❖ Provide memorable experiences	❖ Economic uncertainty ❖ International security issues

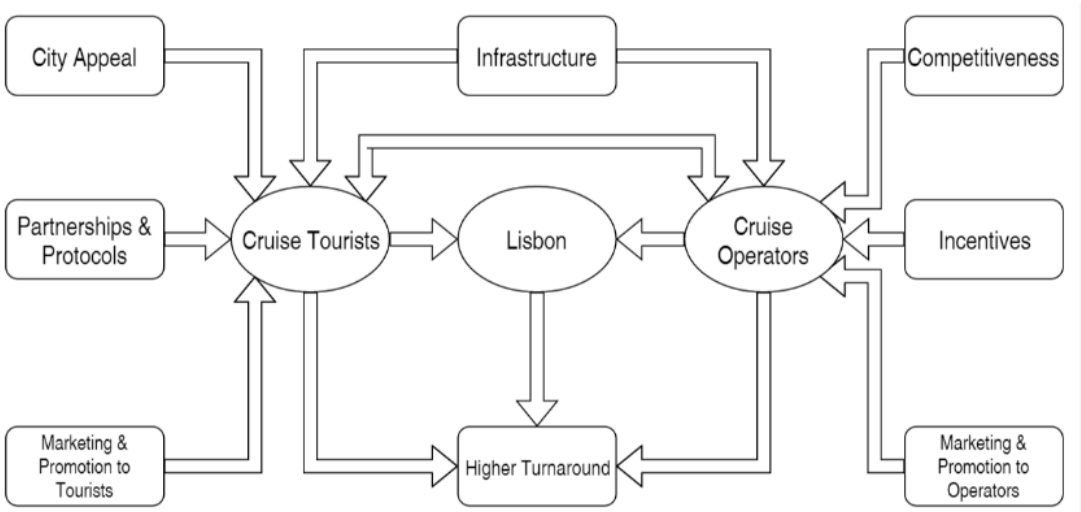
The outcomes of this analysis are now going to be explored in greater detail and some recommendations will be derived.

3.3- Discussion and Recommendations

3.3.1 – Model and Instruments

Plans and initiatives that aim to increase the turnaround in Lisbon must take into account specific characteristics of both cruise tourists and cruise operators. In practice, one should match the needs of tourists and operators to what Lisbon as a cruise destination can offer.

Flowchart 1: Model for increasing turnaround activities in Lisbon



Cruise tourists are in general well educated with high expectations about the destinations they are to visit. For this reason, it is important for the city to be appealing, in the sense that these tourists feel that time was well spent there and wish to return in the future. Furthermore, tourists enjoy having their lives facilitated, so certain services, discounts and special offers should be made available to them by having the different organizations involved in the cruise tourism sign partnerships and protocols. Finally, marketing and promotion should be targeted to tourists who may be interested in beginning or ending their journeys in Lisbon. On the cruise operator side, marketing and promotion is equally important, though in this case, promotion activities should stress how effectively Lisbon attracts cruise tourists and how the city sets itself apart from other competitive port cities. Furthermore, incentives such as discounts in taxes and services may also be provided to cruise ships in turnaround. Finally, the quality of the infrastructure and efficiency in logistics can be important in attracting both tourists and operators for turnaround operations.

3.3.2 - Past and Current Measures

In order to promote Lisbon as a cruise destination, the APL has already taken a number of measures (APL reports, 2008-2014):

Past and Current Measures

- ❖ Participation in several international meetings and conferences
- ❖ Cooperation protocols between APL and Lisbon's tourism association, police and other ports
- ❖ Offering celebration plates to captains and tokens to passengers in turnaround operations
- ❖ Taking part in the Atlantic Alliance to promote the Atlantic as a cruise destination
- ❖ Winning World Travel Awards for Europe's leading cruise destination and leading cruise port
- ❖ Creating the Lisbon Cruise Club (LCC) aiming to improve cruise tourism and tourists' experience

While the measures taken so far have definitely been useful to increase cruise activity in Lisbon, much more can and should be done in order to increase the number of ships in turnaround and make the most out of the recent investment in the new terminal. For that purpose, some suggestions to increase turnaround will now be provided.

3.3.3 – Infrastructure

One of the main reasons behind such a low turnaround passenger share has to do with the lack of the appropriate infrastructure necessary to offer turnaround services. Nevertheless, that is about to change as Lisbon’s new cruise terminal, located very close to the city centre, right between Sta. Apolónia and Jardim do Tabaco, is currently being built and is expected to be fully operational by the end of this year. Furthermore, the new terminal is also relatively close to the airport which is helpful to most international turnaround passengers. The entity responsible for the management of cruise tourism, and in particular the new terminal is the Lisbon Cruise Terminals (LCT), which is a group composed of some of the most influential entities in the business such as the Global Ports Holding and Royal Caribbean. With the new terminal, the port of Lisbon should see an upgrade in terms of services provided, security and operational efficiency. In particular, the luggage handling service in a turnaround operation should become much quicker and effective. Furthermore, the new terminal will be top notch in terms of security just like the terminals in Barcelona, by installing the latest technology on video surveillance systems. Finally, similarly to the cruise terminals of the benchmark homeports, Lisbon’s new terminal will offer a number of commodities so as to make the tourists’ waiting time as enjoyable as possible. These commodities include a cafeteria, restaurants, shops and free Wi-Fi. In addition, eighty parking slots will be made available to touristic vehicles and taxis. Finally, the area between Sta. Apolónia and Terreiro do Paço is also currently being subject to rehabilitation. This is particularly relevant since cruise tourists who disembark in the Sta. Apolónia terminal usually have to go through there to reach the city centre.

3.3.4 – Incentives

Cruise line operators often have to incur in large voyage costs, such as port charges and fuel costs. Therefore, one way to attract cruise operators is to help them reduce these costs in exchange for more visits and turnaround operations. Even though APL is accountable in the sense that it has to make a profit, it can still play an important role in providing incentives. On the one hand, APL could negotiate a specific deal with fuel suppliers to reduce the fuel costs for cruise ships. On the other hand, it can adapt the port tariffs to incentivize turnaround in

Lisbon and mitigate seasonality, among cruise line companies. In general, cruise operators have to pay many different charges, the nature of which varies between different ports. In Lisbon these include a port usage fee, terminal fee, passenger taxes and the SEF (Serviços de Estrangeiros e Fronteiras) fee, among others. Just like in the case of the ports of Barcelona, Copenhagen and Marseille, cruise operators who include Lisbon as a stopover in their circuits more than five times during a year will get a discount in the port usage fee (with a base value of 0,064 €/GT) which starts at 5% and can go up to 35% for operators that include Lisbon more than a hundred times. This fee is also cheaper for longer stays. Passenger taxes are about 0.20€ per passenger and are the same irrespective of whether the passengers are in transit or in turnaround. Both the port usage fee and the passenger taxes are imposed by the APL and do not appear to make any distinction between transit and turnaround ships. It would, however, make sense to provide some discount in at least one of those charges, as it would clearly be an incentive for cruise ships to choose Lisbon as a home port. The same can be said regarding the terminal fee, which is imposed by the LCT itself. It has the same value per transit or turnaround passenger (~3.70€/passenger) unlike, for example, the equivalent fee in the port of Copenhagen. The SEF fee is also not very helpful in the process of increasing turnaround. While the service that SEF provides is no doubt important, a 3€/passenger fee (only 0.70€ less than the fee imposed by LCT, which handles all the logistics) seems excessive. In addition to port charges and fuel costs, cruise ships typically require services which the port can provide. These services may include pilotage, moorage, towage, sanitation, food and water supply, among others. Another way to attract cruise operators is to provide discounts for these services for ships in turnaround operations. In Lisbon, in particular, water supply is provided rather inefficiently since the port pays the same amount for the water as any ordinary consumer, which means that this service ends up being more expensive for the cruise line in Lisbon than in other cities. One way to solve this is through negotiation with the original water suppliers for discounts.

3.3.5 - Marketing and Promotion

The new cruise terminal by itself will hardly attract any new tourists or cruise line companies. The fact that Lisbon has a slightly peripheral geographical location for Mediterranean circuits makes promotion of the city to be even more important, in the sense that visiting Lisbon has to be perceived as one of the main reasons for choosing a particular cruise vacation. In order to accomplish that, the strengths of Lisbon as a general touristic city should be boasted, namely its historical heritage, culture, climate and relatively competitive prices. Moreover, if having more turnaround operations imply that more tourists will typically spend two to three nights in the city, then it is crucial to mention the large variety of high quality hospitality, shopping and restauration services available to those tourists. However, even though general promotion of the city is important to achieve that goal, and has been done to some level, in order to truly increase cruise activities, in particular turnaround operations, some of that promotion should focus on Lisbon specifically as a cruise destination. This is mostly a branding issue. In particular, Lisbon should be seen as one of the best cities to visit right before or after cruising. It is also absolutely crucial to let the cruise operators know that Lisbon will be perfectly capable of hosting turnaround operations efficiently and that the tourists will be provided all the necessary commodities and information. Furthermore, the LCC could make a promotional video showing cruise ships arriving in Lisbon, the new cruise terminal, the passengers' reception, shore excursions, etc. Targeting is also a key element for the success of any promotion campaign. American tourists already account for a substantial share in turnaround. However, in terms of the global amount of passengers that pass through Lisbon, they are not the most common. This means that a considerable part of the Americans who cruise to Lisbon, decide to embark or disembark there. It follows that by promoting Lisbon in the US (and also in Canada), an increase in the number of American tourists should have a major positive impact in the number of turnaround passengers. The Brazilian tourists have been up until now another potential source of turnaround growth, since they could see Lisbon as the front gate of Europe and it could be more convenient for them to embark in a city where Portuguese is the official language. Unfortunately, however, Brazil has been going through some economic and political turmoil which might reduce the number of Brazilian tourists. Nevertheless, it is still a market worth keeping an eye on for in the medium/long term. If the average age of the cruise tourists who visited Lisbon in 2015 was not too high, that has not been the case in previous years. In fact, more could be made to specifically attract younger tourists, such as families with kids, or even young groups of friends. In order to do this, Lisbon should be promoted as a destination that offers great and fun group sharing experiences. Lastly, while the Portuguese passenger source market will never be comparable in size to the American, British or German source markets, it may have some growth potential. On the one hand, the simple existence of a modern new cruise terminal close to the city centre might cause Lisbon citizens to become curious about the idea of cruise tourism and eventually embark on a journey. On the other hand, there are some simple activities which can be organized to promote cruise tourism at a national level, namely talks and guided tours at the terminal.

3.3.6 - Partnerships and Protocols

In order to support turnaround operations, it can be very useful to establish partnerships with entities that can make it easier for cruise tourists to arrive in Lisbon to embark on a ship, for instance. A good example would consist of a partnership with airlines such as TAP, Emirates, US airlines or even low-cost airlines. Such a partnership could involve providing discounts to tourists who will go on a particular cruise starting or ending in Lisbon. Alternatively, a partnership with ANA should involve passenger transportation or even luggage transfer between the airport and the cruise terminal for tourists who arrive on the embarkation day. On the other hand, turnaround tourists who instead wish to spend a couple of days in Lisbon before or after the cruise could benefit from hotel and restauration discounts, implying that partnerships with hospitality institutions would be very useful. In addition, there are some emblematic monuments or other hotspots in Lisbon commonly rated as “must-visit”. Cruise turnaround tourists would be encouraged to spend some time in Lisbon if, besides discounts to museums, galleries and historical sites, special priority passes that allowed them to visit those places without having to endure long waiting lines were given to them (for example, at Pastéis de Belém).

3.3.7 - Competitiveness

Competition can be divided into two layers. Firstly, there is competition for ship deployment. This consists mainly of regional competition. For example, the Mediterranean region may compete with the Caribbean region for demand. In the second layer, there is competition within a given region. For instance, the port of Piraeus may compete with the port of Savona for cruise tourists. In the first layer, ports usually work together in promotion through associations such as the MedCruise in the Mediterranean, of which Lisbon is a member. In that case, while the Caribbean has the lead in terms of market share, one of the Mediterranean’s (and therefore Lisbon’s) main competitors is the Asian market, which keeps growing at a higher rate. One way to tackle this tendency is by promoting the Mediterranean on to Asian cruise tourists. If such promotion is successful, then the growth rate of the Asian market will start to decelerate, as the Mediterranean ports (Lisbon included) welcome increasingly more Asian tourists. Within Europe, Lisbon has very strong competition from the already well established home ports such as Barcelona, Venice and Hamburg which keep undergoing investments in their port/terminal facilities. For that reason, Lisbon will have to differentiate itself from the other destination, either through quality, low costs, marketing or some other unique aspects.

3.3.8 - City Appeal

If marketing and promotion are fundamental to attract cruise tourists, it better be that once they do visit Lisbon they do not leave disappointed. For this reason, there should be many ways to innovate in such a way to increase the city's appeal and create a visiting experience. For example, in today's digital world, rarely does one live without almost constantly checking their technological gadgets, even on vacation. For these tourists' convenience, an app specifically designed for cruise tourists could be created and made freely available. It could contain all touristic information and would additionally allow tourists who decide to visit the city independently to plan and customize their routes through the city. Nevertheless, in order to truly stand out as an exceptional turnaround port, tourists need to be impressed. For that to happen, one needs to make sure that they live a memorable experience which will make them want to return. This is often the case with Venice, where a cruise tourist can overlook the city from the ship's deck. Even though Lisbon is not the same as Venice, it should be possible to engineer similarly great experiences. For instance one could install speakers in the terminal, welcoming the passengers in several languages. Or, one could perhaps introduce a hot air balloon system near the city centre, in which tourists would be able to overlook the city from above. Alternatively, a cable car system could be installed, which could take cruise tourists from the terminal all the way up to the S. Jorge Castle. Moreover, as the ship sails on the banks of the Tagus, water shows can be performed. Finally, given that first impressions are usually of most importance, passengers that (dis)embark in Lisbon could be welcomed with musical performances.

3.3.9 - Further Issues

Environmental sustainability is one of the most important values in our society, nowadays. For this reason, cruise line companies enjoy having the status of "environment supporters". As such, one way for them to obtain that status would be to have their turnaround operations made in a port which also follows the same sustainability principles. Like Venice, the port of Lisbon could adopt a “green” initiative by monitoring air quality, minimizing water contamination, reducing noise pollution, evaluating the effects of wave motion caused by large vessels and by promoting the use of renewable energy. Another relevant issue that may contribute to a higher turnaround share has to do with the fact that there is a reasonable amount of Portuguese crew working aboard many cruise ships. In some cases, the cruise operators pay the crew at least part of their return travels. Then, for cruises employing Portuguese crew, ending their circuits in Lisbon implies they can save costs as they will not need to pay their return ticket. Lastly, since climate and natural resources (beaches, Sintra, etc.) are a defining feature of Lisbon as a touristic city, the best time to visit the city is arguably during the summer, when the weather is sunnier and stable. This is also when demand for cruising is higher since it coincides with the people’s major holidays. However, there has been a seasonality issue with cruises arriving in Lisbon, given that the great majority take place during the spring and autumn. The reason for that has to do with the fact that some cruise destinations, like the Baltic Sea, are usually only visited during the summer, which causes very high ship deployment rates at those locations and lower rates in the circuits that include Lisbon as a stopover during that season. As a consequence, the Portuguese tourists who wish to cruise in the Mediterranean during the summer, for example, often have to embark somewhere else (i.e. Barcelona). With the new terminal and through suitable promotion and incentives, that will hopefully occur less frequently.

4 - Conclusion

All in all, as a cruise destination Lisbon has several characteristics and tools at its disposal to increase the volume of turnaround operations. On the one hand, the city and its outskirts have a large diversity of touristic sites, the climate is generally pleasant, prices are relatively low and the new terminal sits conveniently close to the city centre and the airport. On the other hand, while the new cruise terminal may be seen as the cornerstone of such a project, infrastructure alone does not suffice, given competition from elsewhere. In addition, it is necessary to provide incentives to both tourists and cruise lines, as well as promoting the city as a home port for cruise tourism. Incentives for cruise operators should focus on reducing the cruises' voyage costs by providing discounts in port charges or fuel, whereas incentives for turnaround tourists should rely on hospitality issues such as transfers, discounts and special offers. Promotion activities should focus on American, Asian and national tourists, as well as marketing the new terminal on to cruise operators. Even though Lisbon suffers from it peripheral geographic location if the stakeholders involved play their cards well enough by applying an appropriate mix of instruments, the city has the potential to play a much more important role in cruise tourism operations. This will hopefully boost the economy at a national level and help stimulate the city's environment as well as the residents' interest in cruise tourism.

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