

Township of Red Rock Ontario Port Assessment Study M-10-05

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Township of Red Rock Ontario Port Assessment study

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Background to the Report

The township of Red Rock Ontario has requested a "Port Assessment Study", to determine the feasibility of attracting visits by Great Lakes cruise ships and cargo ships. The study is broad ranging in nature, but does not require the author to implement the recommendations contained in the report. Study topics are as follows:

Part # 1, Port Assessment Study

1. Examine the costs, impacts and the appropriate design options related to attracting larger cruise vessels as well as cargo vessels to the Township of Red Rock
2. To have a foundation to develop an investment attraction strategy aimed towards the cruise ship industry and the cargo shipping industry

Part # 2 Expectations

1. The Assessment study must provide such benefits as increased knowledge about the viability of deeper water docking facilities in Red Rock
2. The study must provide a catalyst of which the Township can move forward with an implementation strategy, that would attract business development around services to the cruise industry - or conversely to decide that investing in this tourism industry segment is not worthwhile.

The community of Red Rock is aware that a cruise industry is emerging on the Great Lakes and there is a potential for the Township to become involved. This report will enable the Township to make an informed decision.

Township of Red Rock Ontario Port Assessment study

Review of Client's Requirements

The economy of Northern Ontario and particularly along the North shore of Lake Superior is struggling to cope with the current world-wide recession and it is recognized that tourism can play a significant role in improving the lives of residents in both large and smaller centers. Tourism is not new to Red Rock and the North shore of Lake Superior. Over the last 30 years, accommodation providers, operators of attractions, various outfitters, fishing specialists and wilderness lodges have made a huge effort to grow this industry. Tourism associations have developed marketing consortia, the Ontario Ministry of Tourism has played a significant role and the recent historic move towards regional Tourism Organizations (RTO's) bodes well for the North shore of Lake Superior and for Red Rock in particular. Along with these efforts the Canadian Tourism Commission (CTC) is making a federal effort to attract out of country visitors. These collective efforts and are being made to reach the major markets where there are consumers for this region.

The community of Red Rock is aware of the current initiatives to grow the Great Lakes cruise trade as a segment of the tourism industry and they are also aware of the unique opportunity which Nipigon Bay and Red Rock can offer to these visitors. A Lake Superior cruise strategy is currently being developed by the Great Lakes Cruising Coalition which is discussed in this report. The strategy calls for the development of more North Shore ports so that a powerful argument can be made for deploying cruise ships on itineraries around the "big-Lake". This strategy will only work if sufficient ports are market-ready to take their place alongside other North shore (Canadian) and South shore (US) ports and in doing so – send a message to cruise ship firms that Lake Superior is ready for dedicated itineraries.

To participate in this trade, the community of Red Rock will need to have a clear understanding of any cost implications. It will need to decide if any improvements to infrastructure are required. It will have to be aware of any social implications in terms of visitor inflow to the community. It has to decide if there are local attractions which are worth while developing, and if not are the nearby attractions sufficiently attractive to visitors. The community will need to fully understand what financial benefits are to be gained from participating and if there are any downsides. Along with this market intelligence will be the potential to attract waterfront improvement funds as other communities have, both in Canada and elsewhere.

Red Rock is in a unique geographic position along the North shore of Lake Superior, protected by St Ignace Island from the capriciousness of "Gitchee Gumee" and blessed with two deep-water passages through which cruise ships might enter. The Township of Red Rock wishes to fully investigate how this gift of nature can be fully realized as a sustainable tourism asset.

Township of Red Rock Ontario Port Assessment study

Credentials

Stephen Burnett has been involved with the tourism industry for over 40 years and for a considerable part of this time he has worked with various cruise firms in the role of sales partner and as product partner. He is familiar with the development of the cruise trade from the perspective of the cruise line and from the perspectives of the destination, as well as the end user – the client.

Recent related projects include:

Structuring the entry of an expedition cruise-line into South America.

- Making extensive research visits to eight Central and South American countries.
- Working with various maritime authorities, to secure docking facilities at suitable ports.
- Working with various security administrations to understand their local requirements
- Working closely with port operators to ensure the necessary shore-side facilities are available
- Establishing contact with commercial shipping agents and selecting suitable firms
- Establishing contact with tourism receptive organizations and developing shore excursion programs
- Establishing contact with regional tourism bureaux and arranging special assistance as required
- Contacting each embassy representing the nationality of the cruise line for security awareness

Studying the re-commissioning of a historic Canadian steamship for conversion into a period-style classic cruise vessel

- Making a detailed technical inspection of the vessel in its laid-up status
- Reviewing a technical report from a qualified steam-engineer
- Working alongside other specialists to review the market-potential for such a vessel
- Assessing the regulations pertaining to the public commercial use of the vessel
- Assessing the trade requirements for commercial use of a period steamship
- Interviewing various trade experts and accessing their opinion of the initiative
- Working closely with the Naval Architect to review the inventory of staterooms
- Reviewing potential cruise itineraries
- Reviewing potential home ports and turn-around ports
- Reviewing charter or self-marketing options

Stephen's career includes management positions with Globus Holidays in Switzerland, Four Winds Holidays in New York and Japan, Holiday House, Fiesta Holidays and Jonview in Canada. He was President of Toronto-based Horizon Holidays, where he worked closely with Germany's Oberammergau Passion Play - the single largest cultural tourism event in Europe - extending its marketing reach in North America. While at Jonview, he inaugurated Canada's "Learning Travel Forum".

He runs a consulting firm called "Burnett Thorne" which specializes in planning for the marine industry, as well as land-based cultural tourism and cultural master planning. He recently co-authored a proprietary product development process targeted at this segment entitled "The development of the Cultural Corridor".

Township of Red Rock Ontario Port Assessment study

Executive Summary

The Township of Red Rock has commissioned a port assessment study, to determine the potential for attracting Great Lakes cruise ships, as well as being able to accept cargo vessels.

The navigation environment

The navigation environment of the approaches to as well as the water within Nipigon Bay has been examined using Canadian Hydrographic Marine chart # 2312. This reveals that two open passages are available into Nipigon Bay from Lake Superior, through the Simpson Channel to the east of St Ignace Island and through the Nipigon Straits to the west. These access channels are well marked and where necessary there appear to be aids to navigation in place. Some vessels may be obliged to carry a Great Lakes Pilot and others due to their past experience in the region, may not have this same requirement. In either case local knowledge is deemed to be valuable and cruise firms wishing to enter Nipigon Bay are encouraged to invest in this local asset.

The regulatory environment

The maritime environment is mostly regulated by federal statutes which cover safety, security, cabotage, and the maritime workforce. The main issue for The Township of Red Rock will be to certify the Marina of Red Rock under the Transport Canada guidelines. The potential for Red Rock to be programmed for international cruise visits directly from a US port is rather low, but if that were to happen, then Red Rock will be obliged to ask Canada Border Services Agency (CBSA) to attend with officers to handle customs and immigration formalities.

The infrastructure and docking environment

It appears that one cruise line may be able to come alongside the existing inner mooring wall at the Red Rock marina. Currently the marina advertises eight foot depth of water and the ships of ACCL require seven feet in which to operate. To facilitate this, the Red Rock marina may have to invest in some remedial activity to ensure that the mooring wall is safe and the bollards are secure. Other vessels will have to anchor out in Nipigon Bay and tender guests ashore to the Red Rock marina using their lifeboats. In these cases the Red Rock marina may have to invest a modest amount to ensure the landing stage where the tenders will arrive is secure and safe for guests to come ashore. Should Red Rock wish to moor larger cruise ships to a permanent facility, there are two apparent options. First would be building a dedicated 400 feet long (approx) pier or rebuilding the remains of the paper mill dock.

Marine Services

Providing marine services can be an excellent source of revenue for any port community and an extensive list has been included in this report.

The tourism environment

Cruise ships occupy a large tourism niche, often depending on their ability to provide good quality shore excursions for their guests. The Township of Red Rock is encouraged to carefully consider what tourism experiences it can offer to visiting cruise guests and how it can partner with other attractions to enrich their visits. It is critical that Red Rock make an assessment of its ability to provide meaningful tourism experience and to partner with the right type of firms.

The world-wide cruise industry – a snapshot

A snapshot of the dominant mainstream cruise industry is included, to position the type of cruising most appropriate for the Great Lakes. This section identified the firms most responsible for driving the business and how mainstream cruising has segmented into sub-categories of life-style cruising. It also identified the small-ship cruise industry and how this is appropriate for the Great Lakes regions.

The Great Lakes cruise market

After many years the long dormant cruise industry has been awakened and adopted by a formal organization, which is responsible for growing this trade. The Great lakes cruise industry is not growing by accident and the report details how the GLCC, aided by its members has been making a highly focused effort to raise the profile of this region.

Costs of attracting large cruise ships to Red Rock

In calculating the cost of attracting cruise ships this report has identified four principal categories of investment which will be required. These cover any repairs and upgrading to the Red Rock marina and the landing stage. Costs associated with marketing the port, the investment in human capital to assemble the local stakeholders and the certification of the port by Transport Canada.

Impact of attracting large cruise vessels to Red Rock

There are several types of impacts which will be realized if the Township of Red Rock succeeds in attracting cruise ships to the community. On the revenue side, any trades which can be used by the visiting ship such as divers and welders will experience a direct impact. On the tourism side of the ledger there is a considerable amount of revenue at stake, particularly if the community can offer attractions within the township. On the investment side of the ledger it has been shown that a successful cruise industry can drive waterfront development as has been demonstrated in Little Current on Manitoulin Island, as well as by driving civic pride and attracting day-visitors who are interested in the mystique of a foreign cruise ship in port.

Appropriate design options related to attracting cruise vessels to Red Rock

This section deals with the type and style of ships and the facilities they need while in port. Due to the small scale of the St. Lawrence Seaway locks the Great Lakes cruise industry is comprised of smaller ships in the region of 100 to 420 passengers. The depth of water in Nipigon Bay is sufficient to accommodate every ship currently planning to visit the Great Lakes and any docking facilities will have to be designed with this scale in mind

Investment strategy targeted towards attracting cruise ships to Red Rock

The challenge facing the Township of Red Rock is to estimate what investment strategy might be appropriate to secure this business, while not being too financially exposed or committed. Seven linked investments have been identified along with a phased investment process. Membership in the Great Lakes Cruising Coalition and identifying a cruise coordinator is the first step. Parallel with this, certifying the Red Rock marina by Transport Canada and ensuring that the inner harbour mooring wall is safe, would be necessary to welcome smaller ships. Not until a substantial cruise trade has been established should the community consider building a deep water permanent mooring facility.

Viability of deep water docking in Red Rock

One of the positive aspects of this initiative is the depth of the water in Nipigon Bay. All of the current Great Lakes cruise ships can access the bay and would be able to anchor or come alongside a deep water mooring facility in the appropriate location. There are some issues associated with this, such as the high cost of a newly built facility, or even the renovation of the existing decayed paper mill docks at the west end of the bay.

Potential business strategy for developing a cruise ship presence in Red Rock

The suggested business strategy for developing a cruise trade in Red Rock, is to test the water by joining the Great Lakes Cruising Coalition and to take advantage of their mature marketing and product development process. Rather than investing in costly infrastructure, the Township of Red Rock might consider this as a modest initial approach, which will allow the community to better understand the business culture of this tourism segment and to assess if it is worth investing in more facilities as the business increases.

Shared revenue business model

One of the issues for the Township of Red Rock is how to flow financial benefits to the community from visiting cruise ships. The report talks about revenues derived from the ships expenditures for local service requirements, but these are not always purchased at every location. On the tourism side of the ledger the report suggests the community might consider building a "collaborative shared-revenue business model" with firms who supply shore excursions to visiting cruise ships. This would recognize the investment the port was making to attract the cruise ship industry and the need to recover that investment and flow benefits to the community. It has to be pointed out that it is quite unusual for a receptive to share revenue with a port, but there are some unique aspects to the Red Rock initiative which might assist such an agreement.

Suitable ships now and in the future

There is one cruise line which could potentially cruise into the Red Rock marina and tie up alongside the mooring wall and that is ACCL. This firm does not currently cruise Lake Superior, but it might be persuaded to do so in the future. All other ships can access Nipigon Bay and the five cruise lines talking to the GLCC represent positive potential business for Red Rock.

Other ports – best practices

There are excellent opportunities to review how other ports have approached the cruise business and several models have been included. Little Current in Manitoulin Island is an excellent example how a cruise port has been developed with no new buildings, other than re-constructing a highly decayed mooring wall. Nearby in Thunder Bay is another excellent example of how the community has used an open parcel of bare port-land, to develop a similar port - approach to Little Current. The existing silos were dismantled and the remaining open space has been cleaned up and reasonably gentrified. Both ports work with a high degree of efficiency and with minimum cost to the community.

The Lake Superior cruise strategy

Taking a highly strategic approach, the GLCC recognizes the unique issues facing the Lake Superior ports. These are scant geographic knowledge on behalf of some cruise planners, insufficient ports available for port-calls and the overly dramatized nature of Lake Superior weather, all of which has not helped the cause. To combat this, the GLCC has a long term strategy to encourage more ports to become certified by Transport Canada, which will enable the coalition to build sample itineraries to demonstrate the viability of cruising the big-lake.

Who are your friends ?

This final segment of the report talks about the value which collaboration brings to building this industry, especially when resources are scarce and the potential is so positive. There is an urgent need to expand the base of stakeholders to embrace all of the allied suppliers and to ensure that any go-forward strategy is inclusive of that community.

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Historical and Economic background to The Township of Red Rock

Red Rock is a township on the north shore of Lake Superior, population as of 2007 is 1,063. It is named for the large red rock strata located between Red Rock and Nipigon. The town site is located at the north east corner of Nipigon Bay at the mouth of the Nipigon River and looking south west it commands a broad view of the bay and St. Ignace Island. The view from the lookout above the Quebec Lodge is considered to be on-par with many iconic views in other parts of the world.

Prosperity and progress were the name of the game in the 1950's as the community continued to develop and change. Early in the 50's St. Lawrence Corporation became the operating company and expansion continued. In 1953-54, a new Kraft machine, the largest in North America, was added. The original machine was converted to produce newsprint and a new product division was created. Expansion at the mill meant an increase in population, thus a need for more housing not only for families but also for the single men, so Bayview House was built by the company in 1953. By 1959 there were 260 houses in the town-site and living conditions had improved tremendously. Sidewalks were installed, roads were paved and new buildings appeared.

In 1950 a new Post Office was built on Salls Street. St. Hilary's Catholic Church at the corner of White Boulevard and Bakers Road officially opened, in 1952. In 1956, a new Municipal Office replaced the old jail at the corner of Salls and Steele. This building housed not only the Municipal Office but also the fire and police departments and the public library. Across the street, volunteers spent many hours building the Legion Hall. Also in 1956, St. Hilary's Separate School was completed and the Bank of Commerce moved to its new location. The Red Rock Pharmacy opened its doors for business in March 1957. After much discussion, the decision was made to locate a district high school in Red Rock and an eight room school was added to the town site.



Township of Red Rock

Red Rock's main source of employment was a former Kraft paper mill which was owned by Norampac. The mill originally consisted of two Kraft paper machines but in late 2005 was reduced to running one machine. On August 31, 2006, Norampac announced the indefinite closure of the container board plant. This was due to unfavorable conditions such as the rising cost of fiber, energy and the strengthening Canadian dollar. In September 2007 Norampac announced the sale of its Red Rock plant to American Logistic Services Inc. A new plywood mill was supposed to be operational by fall 2008, but this has been delayed.

During the Second World War a POW camp was established in Red Rock housing primarily German prisoners of war, many of whom returned to work in the town. The Red Rock Folk Festival, held by the Red Rock Folk & Blues Society, is held each year and has become well known across North America.

There are two main accommodations in Red Rock, namely the Red Rock Inn and The Quebec Lodge. These are supported by several Bed and breakfast homes and the nearby campgrounds

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Background to the Nipigon Bay Navigation Environment

Red Rock is located at the mouth of the Nipigon River, in the North East quadrant of Nipigon Bay, which is positioned behind St. Ignace Island, along the North shore of Lake Superior. The eastern entrance to Nipigon Bay from Lake Ontario is through the south end of the Simpson Channel, at a point between Simpson Island and the Battle Island navigation marker Fl (3) 24s 118 ft 15.

Water depths heading towards the Red Rock Marina are indicated at:

- 52 fathoms at the southern entrance of the Simpson Channel mid-point between Simpson Island and the Battle Island navigational marker
- Deepening to 75 fathoms mid-point along the Simpson Channel
- Declining to 18 fathoms just east of Vert Island
- Declining to 10 fathoms just north of La Grange Island
- Declining to 7 Fathoms at a point just west of the Red Rock marina entrance



Navigation marker

Once in Nipigon Bay:

- A red marker J4 protects Barwiss Rock
- A red marker J6 protects McInnes point
- A flashing red light on the south end of Crichton Island
- A red marker J8 protects Holden Shoal
- A red marker J10
- A green marker J11 protects Clay Shoal

A western entry channel exists from Red Rock marina, past remnants of the paper mill loading dock, through the Nipigon Strait which is to the west of St. Ignace Island. This channel links up with Blind Channel and provides an access point for vessels with suitable sea-draft. Further investigation is required to check these depths for accuracy.

From Red Rock Marina to the south end of Nipigon Strait

Depths are indicated from 7 fathoms deepening to 30 fathoms in places

- A flashing red light protects the north end of Burnt Island
- A red marker N8 to port traveling south
- A green marker N7 to starboard traveling south
- The final exit channel runs south/east between Flour Island and the mainland
- A starboard side green channel marker N5 traveling south
- A port side red channel marker N4 traveling south
- A starboard side green marker N3 traveling south
- A port side Red marker N28 when traveling south



NOTE: These markers and depths have been taken from Canadian Hydrographic Services Marine chart # 2312 updated October 23 2009

The Red Rock Marina advertises depths of 8 feet in its slips and can handle 82 recreational boats and several commercial or government vessels. Longer mooring facilities subject to adequate depths are available along the wall. Facilities include mechanical repairs, haul-out, swimming pool and recreational area, laundry, gas, diesel and pump-pout, water, cable TV.

There are various aids to navigation inside Nipigon Bay

Local knowledge is often the key to a successful experience and this is just as important in the marine environment as it is elsewhere. The community of Red Rock might consider providing a local commercial mariner with experience transiting into Nipigon Bay from Lake Superior – as an aid to cruise firms interested in visiting the community. Great Lakes pilotage will be required for some vessels, but not all.

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The regulatory environment pertaining to the cruise industry

IN CANADA

Canadian Border Services Agency (CBSA)
Responsible for admissibility at all ports of entry (customs and immigration)

Transport Canada
Tasked with regulating the conduct of air, road and marine transportation

Canadian Coast Guard
Tasked with marine safety and security

Canadian Citizenship and Immigration (CIC)
Responsible for work permits for non-Canadian crew members on non-Canadian registered ships

Great Lakes Pilots Association
Responsible for assisting vessels safely through the Great Lakes and the St Lawrence Seaway

St Lawrence Seaway Management Corporation
Administrators of the St. Lawrence Seaway along with their US counterparts

IN THE USA

Customs and Border Protection (CBP) (Department of Homeland Security)
Responsible for admissibility at all ports of entry (customs and immigration)

United States Coast Guard (USCG)
Tasked with marine safety and security

Great Lakes Pilots Association
Responsible for assisting vessels safely through the Great Lakes and the St Lawrence Seaway

St Lawrence Seaway Development Corporation
Administrators of the St. Lawrence Seaway along with their Canadian counterparts

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Navigation, security and marine facilities – current and future

Any community wishing to attract cruise ships will be required to offer clearly specified facilities. These are required to service the vessel itself and to handle the visitors who come ashore.

Water depth and clear passage:

Any cruise ship planner considering a visit to Red Rock, will first determine if passage into Nipigon Bay can be made safely, from the perspective of sufficient water depth and no underwater obstructions. Their next task will be to determine if the visiting ship can safely come alongside a permanent docking facility (dock) or if it has to anchor out.

Coming alongside:

Coming alongside a permanent and secure docking facility is preferable for many cruise lines because it avoids the necessity of lowering their tenders (lifeboats) and tendering guests ashore. An unobstructed mooring wall is preferable so that vessels can lower their fenders to cushion their painted ship's side against the concrete. Bollards with sufficient strength are required to tie up the ship. For 200 feet long cruise ships a 60-70 ton bollard is preferable.

Anchoring out and tendering in:

If the docking facility is not suitable and the bay has sufficient water depth, the captain may elect to anchor in the bay and tender in guests. In this case the tenders will require a facility to land their guests with safety and in a location where land-transport (motor coaches) can be accessed.



Security requirements:

Any port planning to receive a cruise ship has to comply with very specific federal security regulations. These regulations are administrated by Transport Canada and apply both to the facility and to those who manage it. Many Canadian ports on the Great Lakes have become compliant with this security code and it is suggested that Red Rock should ask for assistance from other Canadian ports and from Transport Canada. There are two components to consider, the *port facility security assessment* and the *port facility security plan*.

The Transport Canada regulations can be located at:

http://www.tc.gc.ca/eng/marinesecurity/regulatory-isps-port_facilities-184.htm

These regulations are designed to separate the public from the cruise ship and to ensure the safety of the ship, the guests and the crew while alongside the dock. Smaller ports may elect to use temporary fencing which can be removed once the ship has departed.

If a visiting ship anchors out and delivers guests to the port by tender, a smaller segment of the facility will also have to be secured in compliance with Transport Canada regulations.

Canada Border Services Agency (CBSA)

Canada Border Services Agency is required to provide customs and immigration inspections if the visiting ship arrives from a foreign (US) port. If the ship arrives from a Canadian port, these inspections may not be necessary. Many larger ports are serviced by CBSA on a 24/7 basis and the agency does not charge for those services. A recent core-services review determined that smaller ports with modest arrivals will not justify a permanent CBSA presence and officers will therefore have to travel from the nearest base of operations. In the case of Red Rock this would be from Thunder Bay. Should these services be required, then CBSA will levy cost recovery charges which will depend on the time away from their base and the number of staff required. This is viewed to be discriminatory by many of the northern ports and a federal lobby is underway, led jointly by the town of Little Current and the Sudbury Airport Authority.

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Marine Services

Cruise ships often purchase commodities and services from ports of call and encouraging the ship to make these purchases can be good for the community. These purchases vary from port to port and it often depends on the nature of their itineraries. A well organized port will offer a printed summary of what they can provide by way of added value services. Creating a welcome package for each cruise ship to introduce them to the community and area is also a good idea.

- Fresh water
- Garbage disposal
- Fuel
- Fresh galley supplies
- Diver availability
- Welding capability
- Transport to the nearest airport
- Medical facilities
- Drug stores
- Dry Cleaners
- Doctor / Dentist name / phone number for short notice appointments
- Flowers delivered to ship
- Chocolates delivered to ship
- Respiratory Supplies
- Medical & Industrial products
- Vessel repairs
- Garbage & Sewage Disposal
- Electrical Contractors
- Paper products
- Internet access for crew
- Receptive tourism services
- Machine Shop - Workshop availability for ship's repairs
- Dock Information
- Name of the dock
- Length of the dock
- Water available alongside
- If bollards are available
- Harbour fees
- Linesmen availability
- Sightseeing tour of town and area
- Shopping
- Theatre
- Birding Tour
- Fly Fishing
- Horse Back Riding
- Garden Tour
- Agricultural experiences
- Golfing
- Guest lecturers

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The Tourism Environment

It should be acknowledged at the outset that cruise ships and their guests love to spend money if there is a valid opportunity and if the goods represent good value. This is as true of shore excursions as it is of diamonds and automobiles. Red Rock therefore has to make a significant and creative effort, to think both inside the box to discover what is obvious and outside the box, to discover what might be possible.

Cruise ship owners are entrepreneurs, who operate in a large and expanding segment of the global tourism industry. They are often competing with similar cruise-lines, who have similar ships and similar management skills. The challenge for these firms is to develop unique cruise itineraries which their competitor have not yet discovered and even in well travel areas to develop unique aspects in those itineraries. This is what sets them apart from their competitors. This is where superior product development and vision can allow them to rise above their competitors. This is where Red Rock must be placed when marketing this port.



Clelia II docked at Pool Six Thunder Bay

Attracting cruise ships takes an entire community and demands that the port and the township review what they have to offer and ask the questions;

- Do we have existing attractions which will be interesting to cruise lines and their guests
- Do we have sufficient critical mass to make it worthwhile to include Red Rock into these itineraries
- Do we have guides with the skill and knowledge to deliver our story
- Is the region geographically appealing
- How far will cruise guests travel if we include nearby attractions
- Is the marine environment safe and secure
- Do we have the skills to execute this program

Red Rock has a superb location at the north east end of Nipigon Bay where it is well protected from adverse weather on Lake Superior. It is a destination in its own right and an interesting unknown port-of-refuge for cruise ships making their way between Sault Ste Marie and Thunder Bay. Scenically the narrow

passages between the big lake and Nipigon Bay and the general elevation of the landscape, is exceptionally appealing. One might easily claim that while land based tourists have been visiting Red Rock and Nipigon Bay for many years, the appeal to those arriving by ship is largely undiscovered. Cruise guests love to sail into places of great beauty and Nipigon Bay easily fulfills that requirement.

Red Rock itself has an undeveloped historical attraction in the World War II Prisoner of War encampment which accommodated several hundred German prisoners. This has largely disappeared, but with some imaginative construction and with the help of local historians and their archives, it should be possible to interpret this historical period and deliver a meaningful story to visiting cruisers. Red Rock also hosts a top quality annual blues music festival and although it might be difficult to schedule a cruise ship arrival during this event, it might be possible to provide some of the music in an arranged concert. Red Rock can also partner with nearby outfitters to offer Kayaking, Bicycle Touring and gentle hiking to the lookout above the Quebec Lodge. The view from the upper lookout ranks alongside many iconic views in New Zealand Switzerland, Greece and South Africa.

Outside Red Rock there are two outstanding natural history attractions, in Ouimet Canyon and Eagle Canyon, both of which could be incorporated in a shore excursion. Across Nipigon Bay there are some interesting petroglyphs and the town of Nipigon has a modest folk-museum, an interesting town center and the new "Paddle to the sea" exhibit.



Eagle Canyon

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The World Wide Cruise Industry – A snapshot

Over the past twenty years the growth of mainstream cruising has been phenomenal in terms of volume, profits, efficiency and branding. The combined owners of the so called "Big-Seven" cruise lines (along with their subsidiary brands) have incubated a power-house of an industry, the likes of which, have hardly been seen in the history of tourism. It is only rivaled by a similar growth in International air travel.

The predominant cruise lines and ownership groupings are:

1. Carnival Cruise Lines
2. Celebrity Cruises
3. Costa Cruises
4. Holland America Line
5. Norwegian Cruise Line/NCL America
6. Princess Cruises
7. Royal Caribbean International
8. Aida
9. Cunard
10. P & O Australia

Their combined fleet equals 164 ships which offer 308,686 berths daily

Their newbuilds on order equal 34 ships which offer an additional 80.684 new berths daily

Their Newbuilds costs from US\$435 Million to US\$1.4 Billion (Genesis class)

- 2002 = 11.2 Million cruised
- 2003 = 12.3 Million cruised
- 2004 = 13.3 Million cruised
- 2005 = 14.5 Million cruised
- 2006 = 15.1 Million cruised

It is important to note that although none of these large "mainstream" ships can enter the St. Lawrence Seaway, they are highly influential in the development of the cruise sector and they are partially responsible for the move to small-ship cruising which is the Great Lakes niche.

Supporting this cast of better known firms, there are several smaller significant firms, with both mainstream and speciality vessels. Some of these are high quality lines such as Silverseas, Hapag Lloyd, Hebridean, and Seaborne as well as lines belonging to the Expedition and Adventure fleets such as the Ex Russian ice-breakers and the fleet of Russian "science" ships.

Along with this growth, we have seen the extraordinary birth of segmented and loyalty-cruising whereby consumer have identified with mainstream segments and gravitated towards lines which best suit their lifestyle. With this level of business sophistication, it is hardly surprising that faced with a potentially catastrophic fiscal situation post September 11 2001, these firms used every shred of their talent and professionalism to emerge stronger, than before these terrorist attacks changed the world we live in.

Moreover, this tale of survival and rebirth was enabled partly because they worked together with a degree of cooperation we hardly see from competing firms in times of crisis.

Segmentation

While this 20 year growth was happening, the nature of mainstream cruising was subtly changing and as lines merged and acquired each other, a degree of homogeneity was taking place, as (in search of more efficiencies and profit) economies of scale were exploited across all aspects of their fleet. It has to be recognized that a degree of segmentation has taken place in the mainstream cruise industry, whereby cruise lines have developed specific styles of cruising, to appeal to their chosen market. The Carnival Cruise Line "Party-Ships" and the Holland America "Traditional ships" are two of the better known segments, with an entire variety in-between.

However as a result of these acquisitions and mergers, some of the cruise lines started to look like cross-bred siblings, as economies were applied to bulk purchasing, entertainment development, bulk shore excursion planning and bulk furnishings. With this level of competition and often bargain basement pricing, it is no surprise that many lines have turned to other aspects of their consumer relationship to squeeze more profit out of their operations. High priced shore excursions, hiring of low cost third world staff whose wages are supplemented by mandatory tipping programs, a ban on personal liquor coming aboard these mainstream ships, are only a few of the devices which are being used to derive more profit from their customers. The cruise tariff alone is now merely a part of their revenue stream.

Birth of small-ship cruising

As this overly aggressive commercial atmosphere was emerging, many of their loyal customers were noticing these changes and as ships with capacities for five thousand to eight thousand guests are being built, a significant number of cruise customers are asking if this is how they want to cruise? Parallel to this and partly driven by the impersonal nature of mainstream cruising, a significant number of cruisers have become interested in small-ship cruising and a sizable industry segment has emerged. This is fueled by a yearning for more connection with their fellow guests, a desire to connect with the crew of the ship and a desire to experience the vessel itself. The planners at these small-ship cruise lines have also taken advantage of their vessel's shallow draft and more modest footprint, to access more interesting ports and an entire small-ship industry segment has developed for the Great Lakes, even though the supply of intimate vessels has been limited.



Grand Mariner - ACCL

Township of Red Rock Ontario Port Assessment study

The Great Lakes Cruise Market

History of the Great Lakes cruise industry

The Great Lakes cruise industry was at one time a substantial factor in travel, between central Canada and the US Mid-West. This was mainly because it offered an efficient and pleasant way to travel between the communities in Southern Ontario and Upper NY State, to the lakeside States of Michigan, Minnesota, Illinois as well as those on Lake Superior. In those days, road and rail transportation modes were not as efficient as they are today and air travel had not yet reached its peak of efficiency and low cost (or its unpleasant current atmosphere). In those days, electing to reserve a passage across the Great Lakes provided a pleasant experience and an efficient mode of transport. It was reflective, congenial, convivial and when the Lakes were calm, it was a memorable and cherished mini- adventure.



Historic Canadian Pacific Steamship Brochure

The lines were as varied as the locations they served and with few exceptions their house flags no longer exist. However, a few "infrastructure-remnants" of the Great Lakes cruise era are still evident and the rebirth of a maritime community in Port McNichol Ontario is a fitting new-life for a venerable Great Lakes port. A rail line used to bring passengers and freight to this picturesque man-made fjord, where waiting Great Lakes steamships would head west towards Duluth Minnesota, with cargoes of passenger and freight for the US Mid-West and the Pacific – some destined for Japan. As the efficiencies of rail, road and air transport increased and as their cost came down and as personal time became a more valued commodity, the allure of a Great Lakes passage became tarnished and eventually became dormant.

Rebirth of the Great Lakes cruise industry. The GLCC and Cruise Ontario

The rebirth of Great Lakes cruising has been driven by the extraordinary growth of mainstream cruising and it might be useful to review what the Great Lakes have done to take advantage of this.

Back in the early 90's, some of the commercial ports on the Great Lakes funded an initiative to see if the long dormant international cruising industry could be re-established. That initiative emerged as "Cruising the Great Lakes" and after several years this initiative bore fruit and in 1997 a single foreign flagged cruise ship, the "Columbus" entered the Great Lakes for a series of cruises. Following the Columbus was

the French Flagged ship "Le Levant" which initiated early summer and late summer cruises between Chicago and Toronto. It soon became apparent that most of these cruises quickly sold out, and the customer surveys showed a high degree of satisfaction. These cruise lines were impressed with the revenue opportunities in the Great Lakes.

At this point the sponsors of this fledgling organization decided there was a great potential to grow this business, but the promotional efforts had to change in terms of focus, delivery and organization. It was at this point that the "Great Lakes Cruising Coalition" evolved out of "Cruising the Great Lakes". The coalition is no longer a group of commercial ports, but rather an International grouping of commercial ports and destinations from both sides of the US - Canadian border and extending throughout the Great Lakes. It is a non-profit organization, with the mandate to bring passenger cruising back into the region.

Due to the rigid requirements regarding vessel design for transiting the St Lawrence Seaway and Welland Canal, the Coalition has acquired the ex-officio membership and strong support from both the St Lawrence Seaway Development Corporation and the St Lawrence Seaway Management Corporation which are the two operators of the Seaway system.

Currently the promotional activities of the Coalition include:

- Publishing the Cruising the Great Lakes handbook which is distributed to cruise lines and tour operators and the membership
- Funding a marketing representative in Europe who calls on European based cruise lines
- Creation of an expansive list of cruise lines that have vessels capable of operating in the Great Lakes and targeting them with promotional efforts
- Attending and exhibiting at the annual Sea trade Cruise show which is "The" cruise show in North America
- Providing technical support for cruise lines interested in sending ships into the Great Lakes
- Education seminars for ports and communities interested in growing this business
- Annual showcase and inspection visit by a group of chosen cruise-industry influencers
- Sales calls to various cruise lines and tour operators who charter ships
- Involvement in removing the legislative barriers
- Involvement with Homeland Security in the United States
- Involvement with Canada Border Security in Ontario

Over the past three years the Great Lakes and St Lawrence cruise market can be characterized as "cyclical and fragile", but the overarching situation can be described as...

"A cruise region with an under-supply of inventory and a pent-up demand for berths".

The Great Lakes cruise trade has managed to survive the combined negativity of SARS, The Terrorist attacks of September 11 2001, various recessionary periods, as well as the challenges associated with the Western Hemisphere Travel Initiative (WHTI). It is the combined effect of outside influences and, as noted further in this text, the demand for quality small-ship cruising elsewhere, that has impeded its ability to thrive.

The demand for Great Lakes Cruising

We strongly believe there is a considerable pent-up demand for Great Lakes cruising, while the major challenge remains to deliver a sufficient number of berths for the wholesale and retail cruise industry to sell. Every Great Lakes cruise ship in the last ten years has done well in terms of occupancy and yield, which bodes well for any new firm operating in the region.

Supporting this potential is the huge volume of world-wide Blue-Water cruising which is sold by the retail Great Lakes cruise industry on both sides of the border. A meeting with the regional vice presidents of the AAA retail travel group based in Dearborn Michigan confirmed this potential and their continuing interest to provide their Great Lakes offices with a local cruise product to sell.

On the Canadian side of the border there is a very mature retail cruise industry and the emergence of retail and wholesale cruise specialists has placed an entire focus on this vacation segment. Great Lakes cruising, as with most other niche cruising, is driven by demand generated by the mainstream industry. The fact that mainstream cruising has caused such a proliferation of retail experts bodes well for any Great Lakes cruise product.

Marketing and selling in the Great Lakes cruise industry

It is important to note that a variety of distribution methods and business models have been employed in the Great Lakes cruise trade, but unlike mainstream cruising, this has not always been driven by the ownership of each line. In the mainstream cruise industry, most of the marketing and selling emerges from the lines themselves. They carry the liabilities of the loans and the mortgages on their vessels and although the yard-financing is often supported by their governments, which in turn affects the financing models of these newbuilds, it is the lines and their holding companies which eventually are on the hook. Against this background, it is hardly surprising that each line maintains a controlling interest in how its product is distributed and sold.

In the Great Lakes cruise industry we see a combination of sales and marketing methodologies which include the following models:

- American Caribbean Cruise Line – sells itself and sometimes works with tour operators
- Hapag Lloyd – originally sold inbound legs to its German clientele and has worked with local tour operators for the North American trade
- Compagnie Ile Du Ponant (Le Levant) - has never sold itself and relied on chartering and tour operators for sales
- Orion – privately owned- Chartered to a tour operator who look after 100% of sales
- Latitude Amsterdam – selling itself and also through tour operators
- St Lawrence Cruise Line – selling itself and also through tour operators

Township of Red Rock Ontario Port Assessment study

Cost of attracting large Cruise Ships to Red Rock

If the Township of red Rock wish to become active as a port-of-call on Great lakes cruise itineraries the investment can be broken in four principal categories.

1. Investment in infrastructure improvements
 - a. In the Township of Red Rock marina any investment will first have to be directed at the stability of the mooring wall for shallow draft cruise ships and in the case of a tendering operation for deeper draft ships, the landing location will have to be safe and secure. This may require that existing bollards be strengthened or new bollards are positioned. It could require some remedial efforts to improve the facing of the mooring wall. It could also mean surfacing the approach so that a bus can safely pick up guests for their shore excursions in the region. There are federal and provincial programs available to help with this on a cost sharing basis.
2. Investment in marketing the port
 - a. The most cost effective way of marketing the port of Red Rock is to take out an annual membership in the Great Lakes Cruise Coalition and thereby attract the benefits of participating in this broad reaching initiative. The cost is currently \$5000 per year.
3. Investment in human capital to coordinate the initiative
 - a. Coordinating the Red Rock cruise initiative will not be onerous, but it will require an investment in time to familiarize oneself with the owners and operators of the tourism attractions and the shore excursion operators, as well as the supporting marine services in the region.
4. Investment in certifying the port with Transport Canada
 - a. This is an inexpensive study to undertake and the port should consult with Little Current and Thunder Bay to better understand how portable facilities can be utilized to minimize costs.

It is the opinion of the writer that no additional costs be considered until the Township of Red Rock gain some experience as a port-of-call.

Township of Red Rock Ontario Port Assessment study

Impact of Attracting Large Cruise Vessels to Red Rock

Should the Township of Red Rock succeed in attracting larger cruise vessels into its community what might be the impact ?

A successful and mature presence as a cruise port-of-call would make a positive contribution to the wellbeing of this community in several tangible ways.

If the community were able to participate in any of the trades associated with the cruise business, then revenues would flow each time a ship made a visit. In the appended economic cruise study, the report lists a significant number of individual categories where the ship's guests and/or the ship itself can elect to spend disposable income ashore.

On the tourism side of the ledger there are significant earnings at stake providing the community is able to participate. These expenditures are mainly for shore excursions, purchasing of souvenirs, entrance fees to attractions, guide services, hiring of buses for transportation and any of the purchases generally made during the course of a holiday. Visitors also look for items such as first-aid supplies, dental visits, replacement sunglasses etc. It has been pointed out in an earlier section of this report that if a community has few embedded attractions and modest shopping facilities, the visitors might spend almost no time on "main-street" and spend most of their disposable income elsewhere. In this case and until the community were able to develop its attractions, a financial arrangement might be factored into the business model, whereby the shore excursion provider could flow some of their revenue back into the community. After all – if the port had not invested to attract the cruise ship there would be no revenue flowing at all.

On the investment side of the ledger it has been shown that a cruise presence can attract waterfront investment from various tiers of government funders. With a clear business plan the Township of Red Rock should be able to build a credible business model and make a case for developing the Red Rock marina into a mini cruise port, as others have done on the Great Lakes.

If the Township of Red Rock were able to successfully attract visits from cruise ships, the publicity could be considerable on a number of levels. Because ship's schedules are established at least 18 months before arrival, the community would be able to mount a high profile public relations campaign at the minimal cost of several emails and some administrative time. Broadcasting news of a ship's arrival can impact single day tourist visits and by incorporating the ship's schedule into the media briefing, this can be built up over time. Once a port is "on the cruise schedule" it can receive as many as ten visits per season.

Being on the cruise schedule can also have a positive impact on the community by boosting civic pride and interacting with the guests. It would greatly benefit the Township of Red Rock if it were able to establish a cruise action-committee, which was responsible for liaising with the GLCC, developing a welcome and having Red Rock ambassadors available for each visit. This committee could liaise with the ship's agent concerning changes in schedule and with any vendors wishing to trade with the ship.

Township of Red Rock Ontario Port Assessment study

Appropriate design options related to attracting cruise vessels to Red Rock

The dimensions of the St Lawrence Seaway locks are the limiting factor for any cruise ship visiting the Great Lakes. The maximum dimensions of the locks are 740 feet long, 78 feet wide and 26 feet deep, which eliminates vessels from most of the well known mainstream international brands such as Princess Cruises, Holland America and Norwegian. Their ships are too large to pass through these locks. For this reason the Great Lakes is designated as a small-ship destination with guest capacities between 100 and 400 persons.

The world wide fleet of small cruise ships is quite considerable and the list maintained by the Great Lakes Cruising Coalition varies between 120 and 140 vessels. The draft requirement for this small-ship fleet varies between seven and 19 feet with most of the fleet requiring between 12 and 14 feet and one line requiring only seven feet of water. Additionally the maximum air-draft (dictated by the historic Quebec Bridge) is 116 feet, although none of the small-ship fleet comes anywhere close to this restriction.

The depth of the passage through the Simpson Channel or past the Nipigon Straits and within Nipigon Bay itself will accommodate any cruise ship currently visiting the Great Lakes, which is quite remarkable. Docking facilities along the wall at Red Rock Marina may accommodate the ships of American Canadian Caribbean Cruise Line (ACCL) which require seven feet of water in order to navigate safely. All other vessels with the exception of C. Columbus may visit Nipigon Bay and will have to anchor out and tender guests ashore.

If the ships of ACCL are to visit alongside the marina wall, the community will have to ensure that the port becomes Transport Canada certified with an acceptable security plan in place and a person nominated to be the designated security officer. It is not necessary for the Red Rock Marina to build any special facilities other than ensuring that the bollards are of a secure nature and can withstand a 70 ton lateral pull.

Township of Red Rock Ontario Port Assessment study

Investment strategy targeted towards attracting cruise ships to Red Rock

It has been pointed out in this report that a phased investment strategy would be most appropriate for this business model, rather than overbuilding and developing false expectations within the community. Overbuilding can also alter the charm of a community and be out of step with the expectations of the visitors.

There are seven investments to consider within the overall strategy of attracting cruise ships to the Township of Red Rock.

1. Ensuring the mooring wall in the Red Rock marina is secure and able to accept shallow draft ships and the bollards are of sufficient strength to secure the ships to the wall.
2. For deeper draft ships that are required to anchor out in Nipigon Bay and tender their guests ashore, an investment may be necessary to secure the landing stage where visitors will come ashore.
3. To provide a deep draft mooring facility the Township of Red Rock would have two options
 - a. To build an extensive deep water pier capable of reaching into Nipigon Bay and being of sufficient strength to accommodate 400 feet of mooring cable.
 - b. To work with the owners of the destroyed paper mill dock and rebuild their facility which is just visible above the surface of the bay.



Remains of the "old" paper mill loading dock

4. To take out a membership in the Great Lakes Cruising Coalition. This would immediately alert all cruise interests that the Community of Red Rock was planning to certify its existing facility and will soon be open for cruise calls.
5. Immediately work with Transport Canada to certify the Red Rock marina for cruise ship calls

6. Immediately appoint a cruise coordinator who will develop a Red Rock cruise committee to determine what is affordable and feasible
7. Invest in a Red Rock brochure/teaser which would position Red Rock as a cruise port and which could be sent out to cruise firms through the GLCC

Township of Red Rock Ontario Port Assessment study

Viability of deep-water docking in Red Rock for cruise and cargo ships

This report has discussed the various options for becoming involved in the cruise business and one of the most significant questions for the Township of Red Rock to answer is “where will the ships actually stop and disembark their guests”.

ACCL are the only cruise firm which can potentially cruise into the Red Rock marina and tie up at the mooring wall. Their ships require a minimum of seven feet of water and they are extraordinarily maneuverable. They are also able to lower their bow platform and literally “lean on” the slope of a boat ramp, so this particular cruise firm has potential to call at the Red Rock marina.

At this point and until a deep water facility is developed, all other ships will have to anchor out in Nipigon Bay, as close as possible to the marina, whilst maintaining sufficient depth to turn and maneuver out of the anchorage.

One option for deep water docking is to build a pier, extending into sufficiently deep water and long enough to accept 400 feet of mooring cable. The cost of building this from scratch and the issues of environmental studies and layers of government permits would raise some concern, until a substantial cruise trade was developed and maturing.

A second option and perhaps more practical might be to rebuild over the existing paper mill loading dock and to use that as an all-purpose mooring facility for visiting cruise ships. There are several advantages in favour of this option over building a new facility. First advantage is the depth of water alongside the existing pier, which was sufficient to moor Great Lakes freighters with greater length, beam and draft requirements than most of the current Great Lakes cruise ships. Second is the potential to avoid new construction and the inevitable ministry issues with disturbing the lake-bed, by building over the top of the existing pilings and in that process to sink additional “sea-legs” to stabilize the structure. This method is subject to a number of agreements being in place with the owners of the land, with various ministries and subject to an exhaustive engineering study.

Township of Red Rock Ontario Port Assessment study

Potential business strategy for the development of a Cruise ship presence in Red Rock

Any business strategy has to be founded on a sound business case and becoming involved in the Great Lakes cruise trade is no different from any other enterprise. A case for Great Lakes cruising should demonstrate that there is a consumer willing to buy Great Lakes cruising, that cruise firms are willing to commit valuable inventory - often for an entire summer in the Great Lakes and that The Township of Red Rock would have the means to reach-out and access these firms. The cost of acquisition should be affordable and any investment should be viewed as having multiple values for the Township of Red Rock. Above all, the community should be confident in embracing this trade and have a clear picture of the benefits of any investments, be they financial or human in nature.

This report has attempted to address all of these topics in a balanced manner, often using successful practices elsewhere to demonstrate viability for the topic being examined. This report is suggesting that for a modest initial cost of membership in the GLCC, a start can be made and intelligence returned to the community about how best to proceed further.

The suggested go-forward strategy is to view the Township of Red Rock involvement into the cruise business as a phased process, investing in GLCC membership and then re-assessing the results before investing further. An association with the GLCC is likely the best initial investment the Township of Red Rock can make. This will allow it to become more familiar with the cruise business and to immediately be working with a group of ports, towns and cruise firms who as a group are leading the initiative to grow the Great Lakes cruise business.

Before investing further and should the Township of Red Rock decide to join the GLCC it, might be prudent to audit the depths inside the marina and particularly alongside the mooring wall. Having a cruise firm which could potentially enter the marina and lie alongside the mooring wall is an excellent opportunity to immediately open a dialogue and to probe the possibility for an early start to this initiative.

Once some successes are enjoyed, a few cruise visits have taken place and the Township of Red Rock cruise-committee are satisfied that the business has been worthwhile, then it might be worthwhile reviewing the potential for a deep water facility either on commercial land or as a stand alone facility.

Township of Red Rock Ontario Port Assessment study

SWOT analysis pertaining to the establishment of a cruise industry in Red Rock

Strengths:

There are many strength associated with the community of Red Rock which will support the establishment of a cruise port. The township is located at a convenient distance between Sault Ste Marie Ontario and Thunder Bay, at a point where cruise ships would consider stopping. Its location inside Nipigon Bay is insulated from harsh weather and protected by St.Ignace Island, Simpson Island, Vert Island and Outan Island. Nipigon Bay has sufficient depth to accommodate most of the current ships visiting the Great Lakes and the Red Rock marina can currently accommodate the ships of ACCL. Additionally the community of Red Rock has a potential tourism attraction, a former World War II prisoner of War camp waiting to be developed. The community is in close proximity to Eagle Canyon and Ouimet Canyon, both with significant shore-excursion potential. There are several outfitters in the region who can supply canoe, kayak and cycle rentals, as well as offer private guided fishing expeditions. The scenery is outstanding from the water and breathtaking from the lookout above the Quebec Lodge.

Weaknesses

Red Rock is currently not on the cruise industry radar and has not yet decided if it is worth investing human and financial capital to attract this business. The marina has not yet been certified by Transport Canada and Canada Border Services Agency (CBSA) would likely charge cost recovery fees if Red Rock were identified as an international port of entry. The depths approaching and inside Red Rock marina are insufficient for all cruise lines to dock alongside the marina wall, except for ACCL. This will oblige all other lines to tender guests ashore by using their lifeboats.

Opportunities

If the township of Red Rock were interested, the Great Lakes Cruising Coalition might be willing to accept them as a member port-community and to assist in promoting the town as a port-of-call. An opportunity also exists to rebuild the degraded paper mill dock just south of the Red Rock marina entrance, where sufficient depths exist to handle the largest of Great lakes cruise ships (C. Columbus 19 feet required). An excellent example of how cruising can drive waterfront revitalization, can be seen in Little Current on Manitoulin Island. A similar opportunity could exist in Red Rock if a business case could be made.

Threats

It would be cost-prohibitive for Red Rock to consider establishing a cruise presence on its own, but even the cost of the Great Lakes Cruising Coalition membership might be seen as excessive to some members of the community. The arrival of 100 people and possibly the docking of a small cruise ship at the wall at Red Rock Marina might be seen as an intrusion my some members of the community.

Township of Red Rock Ontario Port Assessment study

The Great Lakes Cruise Industry

A snapshot of ten years of Great Lakes cruising is quite instructive

Year	Berths	Ships	Vessels
2000	4573	4	M/s C Columbus - M/v Niagara Prince - M/s Le Levant – M/v Canadian Empress
2001	8748	5	M/s C Columbus- M/v Niagara Prince – M/s Le Levant – M/v Canadian Empress M/s Cape May
2002	10086	6	M/s C Columbus – M/v Niagara Prince – M/v Georgian Clipper M/s Le Levant – M/s Nantucket Clipper – M/v Canadian Empress
2003	7236	5	M/v Niagara Prince – M/v Georgian Clipper – M/s Le Levant M/s Nantucket Clipper – M/v Canadian Empress
2004*	11066	7	M/s C Columbus – M/v Niagara Prince – M/v Georgian Clipper M/s Orion – M/s Le Levant – M/v Canadian Empress
2005	6976	5	M/s C Columbus- M/v Niagara Prince – M/v Georgian Clipper M/s Nantucket Clipper – M/v Canadian Empress
2006	6976	5	M/s C Columbus - M/v Niagara Prince – M/v Georgian Clipper M/s Nantucket Clipper – M/v Canadian Empress
2007**	4916	3	M/v Niagara Prince – M/v Georgian Clipper – M/v Canadian Empress
2008	4502	2	M/v Niagara Prince – M/v Canadian Empress
2009	6942	4	M/v Niagara Prince – M/v Canadian Empress- M/s Clelia II M/s Pearl Seas Mist



C. Columbus of Hapag Lloyd in Germany entering Duluth Harbour

These figures represent the number of berths planned by the identified cruise lines and from what we understand the pick-up has been close to 100% and the discounting has been minimal.

*At the conclusion of the 2004 season two significant transactions took place, each having a negative impact on the Great Lakes cruise industry. Orion, after a successful inaugural year, was purchased by an Australian firm, to start a new series of premium priced Australia, New Zealand and South Pacific Island cruises. This acquisition was actually the start of a new cruise initiative, targeting the affluent local traveler, while retaining some of the Orion's North American following. Concurrent with this, the owners

of Le Levant were purchased by a large container fleet and re-deployed into the Mediterranean and South East Asia trade. Both ships were delivering high yields to their owner-charterers. Le Levant had actually developed a loyal North American fan-club which was attracting business to their other ship and in other seasons. Orion attracted high yield per diems in its first year in the Great Lakes.

**At the conclusion of the 2007 cruise season the Georgian Clipper was purchased by a Montreal firm to serve as the platform for a creative development in cruise tourism. Latitude 45Nord had failed to locate a Dutch style barge from which to run "barge and cycle tours" and were purchasing steel for a 65 berth new build in a Quebec yard, when they bumped into the Georgian Clipper. The Clipper represented a low cost and low risk way for them to test the water with this new concept and the Clipper temporarily left Great Lakes service to trade in Quebec. Having enjoyed a solid first season the Georgian Clipper will be returning to the upper St Lawrence in 2010 with an Ontario version of their boat and bike tours.

Township of Red Rock Ontario Port Assessment study

The business case for establishing a cruise industry in Red Rock

Any business case for becoming involved in the cruise industry has to take into account the investment required, in terms of financial resources and human capital and what might be the return. There are many similarities between Red Rock and Little Current that are worthwhile considering.

Any infrastructure investment to enable ships requiring seven feet draft to tie up alongside the Red Rock marina should be as modest as possible, *but as much as necessary to ensure the safety of the ship and its guests*. If the mooring wall has to be upgraded it should be executed so that ships can be tied up securely and guests moved ashore with safety. Ships requiring more depth can be anchored in the bay and guests brought ashore by ship's tenders (lifeboats). In this case a marina location should be identified and any improvements made so that guests can safely land ashore. This is viewed as minimum and modest infrastructure investment. Most if it is available through grants and cost-sharing formulas from several tiers of government. Another investment is the \$5000 per year fee for membership in the Great Lakes Cruising Coalition.

Community income in most ports will flow to local suppliers of shore transportation for excursions, local attractions owners, local guides, local fishing outfitters, float plane companies and rental outlets of canoes, kayaks and bicycles. Income will also flow to the community from docking fees and the potential to purchase water supplies, garbage disposal and the offloading of black and grey water. It is not clear how much revenue retention the community of Red Rock will experience until the community creates an inventory of suppliers.

It might be possible for the community of Red Rock to make a financial arrangement with suppliers who offer services to visiting cruise ships, to share in their revenue, which would go towards supporting the port's costs in developing this business. If the port was not available then none of these businesses would have access to the cruise business and a reasonable accommodation might be possible. A business model might be developed which would enable this to work.

Township of Red Rock Ontario Port Assessment study

How is the cruise business transacted ?

The cruise business is a segment of the global tourism business and is a relatively newcomer. However the impact that cruising has recently made on the tourism industry is significant. Cruising as we know it today grew out of the years when making a passage on an ocean liner was the only way to cross an ocean, or move from one side of the Great Lakes to another. For some travelers it was a premium tourism experience and the preferred mode of travel. For others in so called "steerage", it was the least costly way to cross an ocean.



The mainstream cruise industry has developed several exceptional tourism enterprises, which operate at the very peak of professionalism, with outstanding staff and substantial resources. They have collectively developed a strong competitive product segment and they are fierce competitors of each other and of other segments within the tourism field. How these firms distribute their product and how they relate to the consumer relates to how a Great Lakes cruise trade will be built.

Most large mainstream cruise firms have two main methods of distributing their products. These are through a network of travel agencies and directly to the consumer.

Their network of travel agents, allow them to access broad representation in every corner of the developed world through trained travel councilors who are conversant with their programs. A sliding scale of commission is paid to these travel agents to compensate them for these sales. This has become a lucrative source of revenue for many of these retailers.

However once a traveler takes a cruise, just about every cruise line captures their contact information and directs a series of sales messages to their homes, in an effort to secure a repeat cruise. These repeat cruises are often reserved though the same retail travel agent, but with special offers being given to multi-time travelers, there is a temptation for the consumer to book directly with the cruise firm.

With small ship cruising the picture is similar but with some interesting differences. Just as mainstream, firms have a network of travel agents and often sell direct to the consumer, so do many of the small-ship

cruise firms. There are also several small-ship cruise firms that mostly sell direct to the consumer and some that prefer to only operate their ships and leave the selling to other travel firms. The Great Lakes cruise ships engage in all three methods of distribution and the region may have a future role in assisting cruise firms in this regard.

Township of Red Rock Ontario Port Assessment study

Suitable ships now and later

When we study the ships which have been committed to Great Lakes cruise service in the next three years, every one of these vessels can access Nipigon Bay, all can anchor-out and tender their guests ashore and one line, with a particularly show draft can actually come alongside the wall in the Red Rock marina.

These lines are as follows;

- C. Columbus owned and operated by Hapag Lloyd in Hamburg, Germany.



C Columbus of Hapag Lloyd in Germany

This firm has been bringing the C. Columbus to The Great Lakes for the past seven years with two exceptions, when they cruised the ship in Europe. The Hapag Lloyd cruise in the Great Lakes is part of their prestigious round world cruise. They spend several weeks cruising between Toronto and Chicago and make a point of cruising Lake Superior from Sault Ste Marie to Thunder Bay and onward to Chicago. This routing is also maintained on the reverse itinerary between Chicago and Toronto.

- Grand Mariner, Niagara Prince, owned and operated by American Canadian Caribbean Cruise Line (ACCL)



Grand Marine from ACCL

This is a unique Warren Rhode Island based firm which builds its own ships in its own shipyard and operates in the Great Lakes and the eastern Seaboard in the summer and in Central American during the winter. Their ships have several unique features including the ability to operate in seven feet of water, a retractable bow platform which enables them to beach the ship and load guests ashore and a retractable wheelhouse, which enables their ships to slide under bridges in some of the more remote US Canals. They are re-entering the Canadian Great Lakes after fifteen years absence

- Pearl Seas Mist owned by Cruises in The Chesapeake Bay

This firm has been building this brand new 225 guest all-suite five-star cruise ship, in the Irving shipyard in Halifax Nova Scotia. Unfortunately the yard and the US owner are litigating over the delivery of the ship and we are waiting for this to be resolved before we welcome Pearl Seas Mist into the Great Lakes.

- Nantucket Clipper owned by Cruise West in Seattle



Nantucket Clipper from Cruise West

The Nantucket Clipper was successfully cruised in the Great Lakes for many years by Clipper Cruise Line based in St Louis. Five years ago the ship was sold to Cruise West based in Seattle and has not been that successful. Discussions are ongoing with the owners of Cruise West to return the Nantucket Clipper to the Great Lakes where she always enjoyed excellent occupancy.

- Lo Boreal owned by Ponent cruises of Marseille France

Lo Boreal's owners have considerable experience cruising the Great Lakes with their previous flagship Le Levant. They have chartered the ship to Travel Dynamics International and for many years they were full and making money. A container fleet purchased the parent firm and moved Le Levant to Europe, but due to their excellent results in the Great lakes we are expecting Lo Boreal to be deployed here in 2011.

Township of Red Rock Ontario Port Assessment study

The GLCC – Cruise Ontario Economic study

In March 2004 the Great Lakes Cruising Coalition and its Canadian affiliate Cruise Ontario, developed an economic study to determine what impact a modest number of small-ship cruises might have on the economy of the region. The parameters for the study were discussed with the province of Ontario and with several respected cruise firms, as well as several US retail distributors. The methodology used was to extract gross revenues from current cruise tariffs to estimate the spending of the consumer group. Discussions took place with respect to on-board and shore excursion spending and a significant effort was made to determine the parallel marine expenditures.

The study identified that a significant impact was made by nine modest size cruise ships during a 150 day season on the Great Lakes. The full study is appended to this report and an extract shows the extent of the economic footprint made by these cruise firms. The Township of Red Rock might be encouraged to study the categories of expenditures to become familiar with what they might offer to visiting ships.

Extracted from the Great Lakes Economic Study delivered Monday, March 08, 2004

<u>COST CATEGORY</u>	<u>REVENUES</u>	<u>REVENUES</u>
	US\$	CA\$
Pre cruise revenue	1.137.340.00	1.535.410.00
Post cruise revenue	786.685.00	1.062.025.0
Cruise revenue	28.032.627.00	37.844.047.0
Sightseeing revenue	2.127.305.00	2.871.862.00
Guest's gift revenue	726.100.00	980.236.00
Marine Handling revenue	3.012.355.00	4.066.679.00
Seaway fees ships & guests	335.318.00	452.680.00
Welland fees ships & guests	47.413.0	64.08.00
Great Lakes pilots	614.274.00	829.270.00
GRAND TOTAL	36.819.421.00	49.706.219.00

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Terminology

It might be useful if Red Rock Township were familiar with some of the acronyms and terminology used in this industry.

CBSA – Canada Border Security agency

CTC – Canadian Tourism Commission

CBP – Customs and Border Protection (USA)

Cabotage – Federal laws pertaining to the passage of foreign flagged ships through Canadian waters

TC – Transport Canada

RTO – Regional Tourism Organization

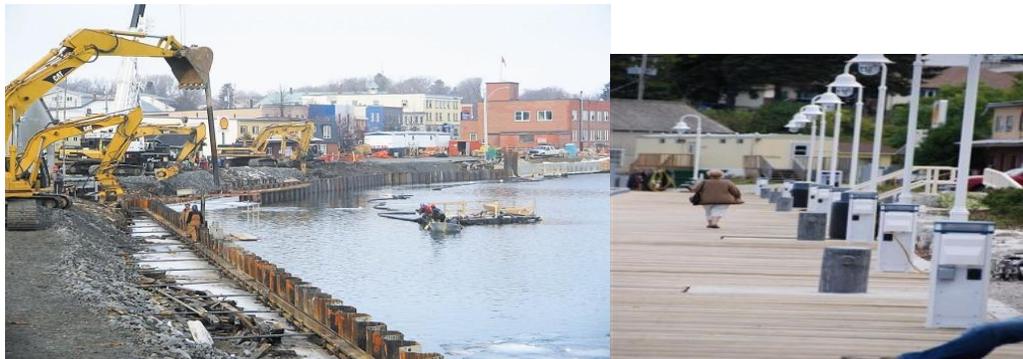
WHITI – The Western Hemisphere Travel Initiative

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Other ports – Best practices

Red Rock might compare its current position to other Great Lakes ports, to understand what options are available when developing a small-scale cruise port. It is also critical to understand what business models have previously been successful and because of the dominance of the mainstream cruise trade, it is important to challenge the impression that size-of-infrastructure matters when building a cruise business.

On the Great Lakes, the best example of how a small port can carve a significant niche for itself in the growing cruise business has to be **Little Current Ontario** located on Manitoulin Island. Little Current has a significant history in Great Lakes shipping and during the early part of this century this community was an important transit point for passengers and freight. Similar to many other Great Lakes ports, with the changing nature of economies and the advances in air, road and rail transportation, Little Current's days as a credible port seriously declined and along with this came the degradation of the waterfront. Happily this is now being reversed by an enthusiastic group of private and public sector partners who are active on the GLCC and active in promoting the cruise market.



Little Current before restoration

Little Current, the final result

The added value of regenerating the cruise trade has been the opportunity to attract waterfront investments by the province of Ontario and the federal government of Canada. As a result of this Little Current is now considered to be one of the pre-eminent ports-of-call on the Great Lakes. It should be noted that when cruise ships are not in port, the restored waterfront is a magnet for recreational boaters and a classic strolling areas for residents and visitors. *It is import to note that not a single building has been erected or renovated to accommodate the cruise business. A solid mooring wall with adequate bollards and a supply of fresh water has been the main focus of the investment.*

Erie Pennsylvania has approached the building of their terminal as an essential component in the restoration of their extensive waterfront. The port authority and the city were faced with considerable degradation of a waterfront with both a protected inner-harbour of considerable natural beauty. Their task was to redesign a substantial waterfront, restore contaminated land, retain character and heritage assets and build a modest multi-purpose cruise terminal which could be used for other purposes. This was achieved over a period of several years with the help of federal redevelopment programs which were augmented by city and state funding. The terminal was built with the future growth of cruise business in mind, fully realizing that it would take time before cruise passengers in any volume would use the facility.

Erie have attracted several types of business to the terminal including passenger cruising, freight and The Department of Homeland Security.

Closer to home **Thunder Bay** have recently moved their cruise-port to "Pool Six", which is a former industrial dock in the downtown waterfront of that city. Rather than build dedicated infrastructure, they are using an existing industrial low-rise office building to accommodate their tourism office and the center for their cruise administration. Work has been done to clean up the site and more work is planned to gentrify the area. Pool Six looks clean and welcoming, but it is essentially an expanse of port-land with views of the city and the outer harbour.



Clelia II at Pool Six Thunder bay

Important to note:

Many of the small-ships hoping to cruise the Great Lakes will also be visiting off the beaten-path destinations on their winter-sun itineraries. Part of the charm of these itineraries is their ability to cruise where larger mainstream ships dare not cruise. This is possible because the Great Lakes small-ships have shallower draft and carry a modest number of guests. Also many of these smaller ports are often located well off the beaten track and have very modest docking facilities. As long as the environment is safe, this is often viewed as part of the charm. Therefore a modest mooring wall will be perfectly adequate as long as the water depth is adequate and the facility is secured.

Thunder Bay. Of these ports only Thunder Bay, Sault Ste Marie Ontario and Duluth can accept international calls from each other's country.

For a Lake Superior strategy to work successfully, more ports on the Canadian side of the lake will have to be certified by Transport Canada and serviced by CBSA. This will increase the options required by most itinerary planners and allow Lake Superior to be considered to be a cruise destination in its own right.

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Current Cruise itineraries

One of the most daunting challenges in developing "The Lake Superior Cruise Strategy" is the lack of appreciation which most Great Lakes cruise firms have for the geography of our inland seas. Distances alone are often difficult to comprehend, although once these planners start comparing marine charts and road maps of the region, this rapidly becomes clear to these professionals. Borders also seem confusing for the newcomers to Great Lakes cruising and the passage from the Gulf of St. Lawrence through the St. Lawrence Seaway, onward through the Welland Canal flight of locks and even further to the upper Great Lakes can be daunting.



This extract from a recent cruise brochure shows an itinerary which commences in Toronto and ends in Chicago. It virtually ignores Lake Superior and represents a conservative approach to itinerary planning. Happily other lines do understand the potential of Gitchee Gumee and the Lake Superior Strategy is dependent on additional ports being available.

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**Circumnavigating Lake Superior.
A unique experience in urban and wilderness cruising**



This distinctive Great Lakes cruise itinerary showcases the magnificent scenery and the endless fascination, which Lake Superior has to offer. From wilderness-based national parks and marine conservation areas to vibrant cities, heritage attractions and First Nations people, Lake Superior is a complete and unique experience. The circumnavigation of Lake Superior can be undertaken in either direction and the sequence of ports might have to be altered to comply with federal cabotage and border security regulations. Any way that Lake Superior is cruised, it will deliver a memorable and unique experience.

These ports and attractions represent the most developed and immediately accessible options for cruisers in Lake Superior. In addition to those ports which are listed, Lake Superior has many more potential ports which are very attractive and which would support a Lake Superior cruise program. A recent announcement by the Federal Government of Canada, that most of the North shore of Lake Superior will be developed as the largest freshwater marine conservation area in the world will bring a new dimension to this cruise route.

Port 1. Sault Ste Marie Ontario Canada

- Mooring: Downtown at Roberta Bondar Place 18 feet depth of water
- *Main attractions.*
- The Agawa Canyon six hour round trip wilderness rail tour
- Potential to visit the "Canadian lock" from Lake Huron to Lake Superior and tour the world's first electric lock, a national historic site
- The Bush plane Heritage Museum
- Casino Sault Ste Marie
- Art Gallery of Algoma
- Downtown fishing at the St Mary's River Rapids

Port 2. Marathon Ontario Canada for Pukaskwa National Park

- Mooring: Deep water port in Marathon – Mooring availability at the Pulp paper mill private dock
- *Main attraction:*
- Pukaskwa National Park. Three 45 minute hiking trails, First Nation Ojibway Pick River tribal encampment, Park Visitor center, National Park interpretive staff
- Hiking trails including a unique wheelchair accessible "hiking-Trail"
- Neys Provincial Park, site of a World war II prisoner of war camp
- Potential to place national Park lecturers on board from Sault Ste Marie to Thunder bay
- Peninsula Golf Course in Marathon - a challenging North of Superior 9-hole course designed by Stanley Thomson
- Aboriginal interpretation program
- Historic paper mill interpretative tour
- Gold Mine interpretive tour

Port 3. Thunder Bay Ontario

- Mooring: Deep water commercial terminal
- *Main attractions:*
- Fort William national historic site
- Eagle Canyon tour
- Thunder Oak authentic Gouda Cheese farm
- Terry Fox interpretive center.
- Kakabeka Falls, "the Niagara of the North".
- Whitewater Golf Course near Thunder Bay – an 18-hole course designed by Tom McBroom, situated between the Kaministiquia River (a historic river route used by First Nations and Voyageurs) and the Rosslyn Oxbow Wetland
- Fly-in fishing excursion to a remote first nations reserve
- "In-town" Kayak touring

Port 4. Duluth Minnesota

- Mooring adjacent to the convention center – deep water port
- *Main attractions*
- Historic Town Tour
- Glensheen Historic Estate
- Lake Superior Railroad Museum and Depot
- Great Lakes Floating Maritime Museum
- Lake Superior and Mississippi vintage Railroad
- North Shore Scenic Vintage Railroad

Port 5. The Apostle Islands Wisconsin National Park and the village of Bayfield

- Mooring: Tender in from the bay
- *Main attractions*
- Village of Bayfield
- Big Top (900 person tent) Chautauqua stage show between Washburn and Bayfield
- Apostle Islands three island cruises (140 pax and 80 pax capacity)

Port 6. Houghton-Hancock and the Canal across the Keenaw Peninsular

- Mooring
- *Main attraction*
- The 28 Mile Houghton Canal completed in 1860 across the Keenaw Peninsular, a great way to "cut the corner" en route to Marquette and provide a Houghton Canal interpretive experience

Port 7. Marquette in the "U.P." of Michigan

- Mooring. Deep water commercial harbor with 20 feet depth at the dock
- *Main attractions*
- Iron Ore mining story
- Cultural tours

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Who are your friends ?

For Red Rock to enjoy any success as a cruise port, it will have to partner with a significant **allied tourism community** and take advantage of the combined awareness which coalitions can bring. This type of partnering is one of the most effective methods of spreading scarce financial resources and benefiting from existing expertise. The generosity of cruise ports towards one another is quite encouraging and Red Rock can expect help from several certified ports along with free and valuable expertise.

Red Rock has the advantage of close proximity to the port of **Thunder Bay**. This north shore port has already gone through the certification process necessary to bring its Pool Six up to the standard required by the authorities to accept visits from cruise ships. It can accept both domestic and international calls and is an excellent example of how the tourism and marine communities can work closely together.

Shore excursion providers can also be an excellent source of partnership support and Red Rock has an opportunity to partner with **Lake Superior Visits**, a firm which is based in Thunder Bay and which possesses depth and knowledge in handling cruise ship guests.

First Nations partners are an important element in the development of any tourism enterprise and no less so than in Red Rock. There is a considerable interest in First Nations history voiced by overseas and US cruise visitors and examples of how this comes together can be found in the community of Little Current on Manitoulin Island.

Sister communities can always be viewed as valuable resources and the nearby **town of Nipigon** with its folksy town museum and it's newly build "Paddle to the Sea" outdoor exhibit should be considered as partners in this endeavor.

Regulatory authorities might not always be viewed as "partners for progress", but in growing the cruise industry, a significant degree of cooperation and advice has been given to the cruise community by various Canadian regulatory agencies and any development of the Red Rock marina into a cruise port should approach all agencies with this spirit in mind.

The GLCC is an organization which can help Red Rock to become active in Great Lakes cruising once the port has been certified. The coalition uses the concept of "one portal" for the entire Great Lakes cruise region, promoting one-stop-shopping for information and making it easy for cruise firms to understand where to go for information.

Appendix 1

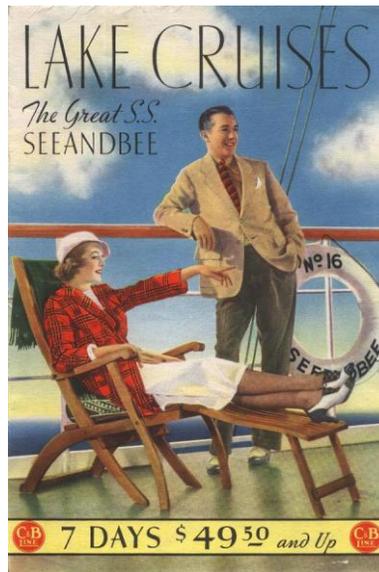
Township of Red Rock Ontario Port Assessment study



**ECONOMIC ACTIVITY STUDY
FOR THE 2004 GREAT LAKES CRUISE SEASON**

Monday, March 08, 2004

Amended April 19 2004



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Background:

This study was developed by the Great Lakes Cruising Coalition, a non-profit organization based in the Great Lakes of North America. The basis for this study, were the nine overnight cruise vessels publishing schedules for the 2004 season and the economic activity generated as a result of their presence in the Great Lakes and the St Lawrence River combined.

It should be recognized that ships wishing to trade in the Great Lakes system have to fit within the physical dimensions of the St Lawrence Seaway and Welland Canal locks and comply with various health and safety regulations. The maximum dimensions for vessels wishing to negotiate of the Seaway and Welland locks, are 740 feet overall length, 78 feet overall beam and 116.47 feet (35.5 metres) Air Draft. These current dimensions which are subject to change preclude many of the mid size and larger cruise vessels belonging to the mainstream cruise lines from entering the Great Lakes trade. At this time the economic activity from cruising in the Great Lakes and St Lawrence is based on vessels no larger than approximately 450 berths and mostly between 100 and 420 berths.

If it were possible to open the Great Lakes to larger vessels with passenger capacities between 1500 and 2500 berths, this type of volume would dramatically and positively impact the economic benefits in the region. It would cause a number of new enterprises to be established and accelerate the building of new terminal facilities.

When planning this study the author was concerned that it not be misinterpreted as a formal economic statement commissioned by, or on behalf of the cruise lines. The G.L.C.C. is an independent non-profit organization, with no formal economic ties to any commercial firms, other than an associate membership category, which carries no voting rights. Voting members of the G.L.C.C. are publicly-owned Great Lakes ports, cities, communities, U.S. States and the Province of Ontario. Currently there are no cruise lines registered as members.

This independence has allowed the GLCC to form assumptions based on independent commercial experience, which carries no directional bias and implies no pre-conceived assumptions on its behalf. The results in this study were arrived at by examining the typical trading history of similar cruise lines. This data was then extrapolated over the published departures and itineraries of each firm. Variable performances were identified and values were adjusted in accordance with the history and price point of each line included in the study.

The reason for this study was to identify the various categories of revenue caused by cruise ships working in the Great Lakes. These categories include the cruise cost itself and lesser-known areas of garbage disposal, fresh drinking water plus the mandatory pilot fees and the Seaway & Welland Canal tolls for both passenger and ships. These discoveries were then amalgamated into a global picture of the

economic activity most likely to be generated by cruise ships working in the Great Lakes overnight passenger cruise trade

SUMMARIES OF REVENUE ACTIVITY:

Pre and post cruise holiday revenue:

Many, but not all cruisers, purchase what is termed as "pre and post" cruise arrangements or packages. These can range from an entire week of structured activity including transfers from the airport, accommodation, sightseeing and specialty dining - to a simple night in a hotel to lessen the risk of "missing the boat" on the day of departure. Most cruise programs featuring the Great Lakes seem to offer a modest variety of pre-post cruise arrangement and this has been reflected when assessing the economic value of this activity. This study also concludes that only 30% of cruisers will take pre cruise packages and less than 20% will take post cruise packages. It was considered that within the current roster of cruise ships working the Great Lakes trade, it was important to use variable per diems for pre-post package rates, in order to fairly represent the different price points in this segment of the study.

Basic cruise cost revenue:

Basic cruise revenue is important to identify, because it is central to the survival of each line in this study. Basic cruise revenue is also tied to "yield", which is the net revenue each cruise line looks for, when running costs (operational overhead) and expenses are paid. Yield can be impacted in many ways, including the need to discount in a soft market, over-spending by the marketing arm of each firm, unaccounted for operating expenses and countless other business-fiscal control issues. Some of these issues are outside the control of any cruise line and the terrorist attacks of September 11 2001, are a sad example of this factor. The end of the so-called "dot com" boom and the current stock market jitters impacted by corporate malfeasance is another example. Election years in the United States, B.S.C. and S.A.R.S. in Canada are examples of issues outside the control of the cruise line.

Travel industry revenue:

The distribution channel most widely used by the cruise industry is to distribute and sell to the consumer through retail travel agents. In the Great Lakes we have several channels of distribution in use. Direct to consumer sales by some lines. In other case ships are chartered by wholesalers, who then re-sell the cruises, either directly or partially through travel agents. In other cases we have lines which both sell direct and through travel agents. What this study has identified is the typical revenue which accrues to re-sellers, be they wholesale or retail.

In-Cruise sightseeing:

The majority of cruise customers chose this type of holiday for two basic reasons.

1. Cruising itself is a popular tourism segment.
2. Because they are attracted to a particular cruise lines itinerary,

It should be noted that a small minority choose the ship itself as the dominant destination. Various lines operating in the Caribbean, have developed vessels which are positioned as the dominant destination for the cruise, and a "*cruise to nowhere*" has been advertised out of Florida.

However, ports-of-call and well planned shore excursions are an integral part of the cruise experience and an integral part of the revenue program. In the Great Lakes we have mainstream (look-see) cruising where cruisers are interested in mainstream sightseeing in each port. We also have enrichment cruising, where on board enrichment lectures and themed shore excursions are integrated into the cruise experience. With this in mind we have calculated 80% of overall participation in some form of shore visitations during the cruise itinerary.

Gift purchases:

Most cruisers buy some form of gift while cruising, either for themselves, for each other and more often for relatives and friends back home. These gifts are mostly purchased while on shore visits and leave a modest imprint in the ports-of-call along the way. A cost range has been established of between \$23 and \$45 per gift and an average of three purchases have been used per person per cruise.

Various marine fees:

It takes many services and a great variety of suppliers to service a cruise ship during a typical cruise season on the Great Lakes. These suppliers and services have been categorized as "marine fees" for the purpose of distinguishing them from "tourism related expenditures" and they mostly deal with the business of running the ship, as opposed to delivering the tourism experience.

Line Handling:

Most cruise ships require several port based "line handlers" who are present when the ship arrives and departs from each port on a cruise itinerary. They typically catch the "lead lines", which are thrown to them as the ship prepares to come alongside the berth. They use these lightweight lines to haul ashore the mooring lines, which due to their weight and mass cannot be thrown and which are used to secure the ship to the berth. Smaller ships may not need these line handlers, as they are often more agile and can maneuver themselves alongside, at which point crew members can jump ashore and perform this function themselves.

Berthing fees in port:

Not all ports charge berthing fees and therefore not all cruise ships have to bear this cost. This study has attempted to identify wherever berthing fees are currently levied, although the current requirement to comply with the new International Port and Ship Security Code (I.S.P.S.) may change this.

Fuel:

The per-day fuel burn for each ship has been estimated and a calculation has been made based on the length of each cruise itinerary and the length of time spent in the Great Lakes.

Water:

The per-day fresh water consumption for each ship has been estimated and a calculation has been made based on the length of each cruise itinerary and the length of time spent in the Great Lakes.

Food:

The per-day food consumption for each ship has been estimated and a calculation has been made based on the length of each cruise itinerary and the length of time spent in the Great Lakes.

Garbage:

The garbage generated per-day for each ship has been estimated and a calculation has been made based on the length of each cruise itinerary and the length of time spent in the Great Lakes.

Agency fees:

These are best described as the fees levied by the ship's agent for arranging many of the services described in this study. Agency services can vary and are dependent on the requirements of each cruise line. Many of the lines with smaller vessels may dispense with an agent and make these arrangements themselves.

Security:

Soon after the September 11 terrorist attacks on the United States, the International Maritime Organization (I.M.O) wrote a new set of security regulations for both ships and ports. These regulations, called the "International Ship and Port Security Code" (I.S.P.S.) were then handed to each nation's maritime authority (world-wide) for implementation in their respective countries.

In the United States, the Department of Homeland Security and its agency Customs and Border protection (CBP) has the responsibility for implementation of the code and in Canada this is handled by Transport Canada. The code demands a specified level of security from both ships and ports. It is mandatory for them to comply and no exceptions will be allowed. Many of the elements in the code will have a cost attached to them, for purchasing equipment, hiring security staff and making changes to their infrastructure.

Crew changes:

Crew changes can generally occur at the home port or turnaround port at the end of each cruise. Costs are generally borne for transport to and from the local airport and one night accommodation plus dinner and breakfast.

Stevedores:

Some ports have union agreements which leave cruise lines with few alternatives for hiring non union labor. In these cases line handling and luggage handling is carried out by union labor

Luggage handling:

In some ports the cruise line crew handle luggage and transfer it from ship to bus or transfer van. In some ports this is handled by union labor.

Seaway and Welland Pilot fees:

The use of pilots is necessitated in many locations of the Great Lakes and particularly in the Seaway and Welland Canal. Costs are based on a formula which has been factored into the study.

Port Pilot fees:

The use of pilots is necessary for entry in and out of many ports. Costs are based on a formula which has been factored into the study.

Seaway and Welland tolls:

Tolls are based on a formula, which includes both passengers and vessels and the costs in this study are based on that formula.

Sources for data:

Passenger orientated data used for this summary, was sourced from 2004 material and from commercial firms, which supply various services. For example, ship's costs were taken directly from cruise brochures and percentages of participation on pre and post cruise arrangements were obtained by speaking directly to the wholesaler involved. Similarly participation in cruise sightseeing (shore excursions) and the pattern of gift purchases were sourced from the wholesale cruise trade. Data for the commercial marine side of this summary was obtained from commercial firms supplying these services to the cruise ships. Similarly, costs for pilot fees for canal lock transit were sourced from those agents retained to pay these costs on behalf of the cruise firms.

Direct effects tourism:

In this study, direct effects are the economic activity that resulted from the expenditures by cruise tourists before, during and after their cruise.

Direct effects marine handling:

In this study, direct effects are the economic activity that resulted from the expenditures by ship owners and operators, paid for on their behalf by marine agents.

Indirect effects:

These are the effects, which are felt in a community as a result of both tourism and marine handling expenditures. *These have not been taken into account in this study.*

Induced effects:

These are the effects, which are caused when vendors of services, re-spend their earnings derived from either tourism or marine handling revenues. *These have not been taken into account in this study*

Ripple effect:

These are the effects when earnings from tourism and marine cruise revenues are spent and then re-spent in the community. *These have not been taken into account in this study*

How was the study compiled ?

The Great Lakes Cruising Coalition surveyed all of the published data and assembled this into various categories. Where necessary calls were made to vendors in order to verify costs or cost variations and these were factored into the study in order to maintain a clear and balanced picture.