

Factors influencing the development of a passenger cruise terminal in Sri Lanka from an agency perspective

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ABSTRACT

With the increase of buying power of the average working individual, more people are starting to take increased number of vacations. This may be within the country they are currently residing in or overseas. As more people travel abroad, they look to have more unique experiences or once in a life time experiences. This is where cruise shipping is playing its part. It provides a truly unique experience that cannot be matched by any other and there by enticing more people to hop on board.

A cruise ship is a luxury vessel that takes its passengers on a pleasure voyage and is more than just providing passages a voyage from point an origin point to a destination point. That is the unique selling point that attracts more passengers to the cruise tourism industry. Most cruise ships provide passengers with entertainment centers, restaurants, shops, theaters, gyms and many more amenities making them forget that they are actually somewhere in the middle of the ocean.

Asia is one of the largest contributors to this growing industry and is capitalizing greatly on its benefits. Sri Lanka being centrally located in this region too is looking at capitalizing on cruise tourism and building a passenger cruise terminal at the port of Colombo. In terms of the tourism industry, there is not much more that Sri Lanka can offer to attract more travelers to the country. But in terms of cruise tourism, there is a lot more that needs to be done prior to building a passenger cruise terminal. It needs to have stable long-term policies in place in the maritime industry as a whole which will help to show cruise companies that Sri Lanka is a stable country and that they should not have any fear of any sort of turmoil. Additionally, Sri Lanka needs to develop the cruise tourism industry as a whole through the increase in passenger sourcing as well. This will give confidence to the cruise companies that Sri Lanka has potential in the industry not only to handle ships but also the supply passengers and provide them with greater revenue. If measure like this are put into place, there are many benefits that the economy and the country as a whole can gain from improving the cruise tourism industry.

Key words: (5-7)

Cruise Shipping, Passenger, Port, Terminal

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LIST OF ACRONYMS

- FCCA - The Florida-Caribbean Cruise Association
- CLIA - Cruise Lines International Association
- SLPA - Sri Lanka Ports Authority

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CHAPTER 01

INTRODUCTION

1.1 Background of the research

As a developing nation, Sri Lanka is looking for many avenues by which they can develop their economy and rebuild the country after its many years of being war stricken. One area by which the country can gain such revenue is through the development of cruise tourism in the country. In an effort to assist them in their endeavours, this research will look into the arrivals of cruise vessels to the port of Colombo and their purpose as well as factors cruise companies look for when choosing a port to call at.

1.1.1 Introduction

In the modern world people are more inclined towards travelling to different countries, experiencing different cultures and site seeing. Tourism is growing in recent times due to the increase in personal incomes of people and affordable rates at which many transportation companies provide their services. Social media such as Facebook and Instagram have played a major part in the development of the travel culture and it has developed a desire in people's minds to travel. There are two possible methods at our disposal for travelling purposes, which are travel by air or sea. In this scenario the main focus will be on the development of cruise tourism in Sri Lanka in order to uplift the economy as many other countries have been able to do.

Using a cruise ship to travel is becoming a trend in the contemporary world. Moreover, with the development of ships such as the titanic and the popularity it has gotten, the cruise shipping industry started to become better known. Therefore, majority travelers who are looking for a more exciting experience, cruise ship voyages are the ideal holiday option. In order to make this a memorable and even more exciting, cruise companies are introducing different events and facilities on ships so that the passenger forgets that they are on a ship in the middle of the ocean and can barely feel the time pass by.

Currently there are a few large players in the cruise shipping industry who are dominating the market. They have different brands under their parent companies and use these brands to serve all the regions of the world. Customers are sourced from all around the world as well. This dispersion in consumer sourcing has widened and gone beyond the first world countries of the world.

The government of Sri Lanka is assessing the possibility of making Sri Lanka into a transshipment hub to handle cargo ships as well as cargo that is coming to Asia and going out of it. In addition to this, the government is looking at an investment in a passenger cruise terminal in the port of Colombo in order to attract more cruise ships and tourists into the country. Such an initiative will not only be a boost to the maritime industry of Sri Lanka but also to the tourism industry as well. However, in order to

gain returns out of the investment, the needs of cruise companies and their tourists need to be identified so they could be addressed through the proposed passenger cruise terminal. It is important to know the viability of such a project by looking at the current cruise industry in order to get an understanding of the potential in the industry.

1.2 Research problem statement

Cruise tourism is an area which Sri Lanka needs to capitalize on as it has the possibility of being a large contributor to the economy and increasing the total contribution of the maritime industry to the economy. Additionally, it has the possibility of multiplying this effect through the contributions that can be made by the tourist that are brought to the country by these ships. Hence it is important for the government of Sri Lanka to make the investment in building this passenger cruise terminal in Sri Lanka.

This research will use port data in order to identify the cruise ship arrivals in the port of Colombo. Insight will also be given through interviews with industry professionals regarding factors of importance to cruise companies when looking for ports to call at.

1.3 Research objectives

The main objective of this research is to identify the main attributes cruise companies look for in a port they call at and to identify the current cruise ship arrivals to the country. This research will assist the government of Sri Lanka in the construction of a passenger cruise terminal in the port of Colombo.

- Identifying factors that are important to cruise companies when looking for a port to call at
- Conducting interviews with cruise company agents in Sri Lanka regarding the importance of the identified attributes to cruise companies
- Analyzing data gathered to identify most important factors and make recommendations.

1.4 Research process

Information will be found regarding port infrastructure requirements essential to cruise companies as this data is readily available through industry articles and journals. Additionally, interviews will be conducted with cruise company agents in Sri Lanka regarding the significance of these attributes in practice and the significance it plays in the decision-making process of a cruise company when deciding a port to call at. Through the analysis of this data, conclusions will be drawn.

1.5 Research scope

The scope of this research is mainly focused on the passenger cruise industry with added attention given to the cruise ship arrivals in Sri Lanka in order to check the viability of having a passenger cruise terminal in Sri Lanka. Data from the global cruise industry is taken to check the magnitude of the whole industry and then see the proportion of which is accessible to the Asian market and there in Sri Lanka.

1.6 Significance of the study

This study can be used as a base point when the government is assessing on investing in a passenger cruise terminal in Colombo or anywhere else in Sri Lanka. The government might be able to secure an investor for the project or on the other hand if they are unable to do so and have to invest their own funds, it is better to know the possibility of such a terminal being successful and reaping the rewards they are looking for when making the investment. 2016 saw a total economic contribution of \$126 billion made by the global cruise industry. Additionally, 1 million jobs were created around the world paying \$41 billion in wages and salaries (The Florida-Caribbean Cruise Association, 2018). This cruise terminal will allow the government of Sri Lanka to tap into this revenue.

If there is low demand from cruise companies to call in Sri Lanka, then the investment of such a large sum of money will not be wise and bring in a slower rate of return on the investment made. Therefore, the government has to be careful in making such an investment as it would not be prudent to build such a terminal for the sake of building it and for it not to be used to its full potential. It will also be a drain on the finances of the port of Colombo if it is left ideal as there will be maintenance and up keep required. In this case, the funds allocated for this project could be redirected elsewhere so that the government is guaranteed a better rate of return on their investment. In other words, this study will help to assess the opportunity cost of building such a terminal in Sri Lanka. It is important to note however that passenger sourcing has increased by 20.6 per cent in Asia while there has been an 81 per cent increase in the number of ships being deployed in the Asian region since 2013 (Cruise Lines International Association, 2018). This is an indication of the potential of the market and its ability to grow.

Additionally, just the mere fact of building such a terminal is not sufficient. The government needs to know what sort of infrastructure and services cruise companies are looking for when deciding on a port to call at. These factors are important as well to build demand in the port that currently does not exist. Catering specifically to the need of the cruise line companies will guarantee their satisfaction in the services provided by the port and loyalty towards to port. This is also a good method by which the port of Colombo can compete with other ports that also have passenger cruise terminals such as Singapore, Malaysia and Hong Kong. The port of Singapore received 374 vessels

and the port of Hong Kong received 249 vessels in 2017 (Cruise Lines International Association, 2018). These figures show that the construction of a viable terminal will lead to the attraction of cruise companies to call at this cruise port.

1.7 Chapter breakdown

Chapter one will be an introduction to the study. It will describe how the study was done and purpose of it. It will also show the importance on the study and impact it could make on the country as a whole.

Chapter two will be the literature review. It will outline all the literature papers referred to throughout the course of the research and the findings from them. This section will provide the ideas gained and the data received from reliable outside sources.

Chapter three will be the research methodology. This section will outline how data collection was done and methods that were used. It will also give an insight into the subjects interviewed and why they were chosen.

Chapter four is the section in which analysis will be made into the data that was collected. It will give a detailed elaboration of the data collection with the use of secondary sources of data as well.

Chapter five will look at the conclusions derived from the study and the future direction this study could be taken so that it can be even more helpful and productive. It will also give recommendations based on the data analyzed.

CHAPTER 02

LITRATURE REVIEW

2.1 Cruise Shipping

Initially it is important to identify what a cruise ship is and what purpose it serves. A cruise ship is a luxury vessel that can carry passengers on pleasure voyages or vacations that is used to create a memorable journey for a passenger as well as an unforgettable experience. Cruise ships take its passengers from a single origin to a single destination or to a single destination with multiple stops on the way. This is in contrast to the task an ocean liner performs where its sole duty is to transport passengers from one point to another point in the world across oceans. Cruise liners can take passengers on board their vessel for varied periods of time. This could be from one day to a week or even more in certain instances. Cruise lines provide its passengers enjoyment and recreation, which relaxes the mind and replenishes energies to a great extent (Network, 2016). The voyages itself and the activities onboard bring rich experiences and benefits for cruise passengers. There are also shore excursion along the duration of the voyages that provide them with the same experience along the way (Wang, Wang, Zhen & Qu, 2016). There are many facilities that are offered on a cruise ship including but not limited to dining services, fitness centers, spas, cinemas, theaters, swimming pools and libraries. This provides a different experience to that of what passengers usually get from travelling by air plane from one destination to another.

Cruise companies do not operate in every region of the world and on every ocean. The regions that they operate in are decided on based on customer demand, weather conditions and sea conditions. Cruise companies will also look at the recreational activities that can be offered to passengers during shore excursions when deciding on a region to operate in. Some of the main regions in which cruises operate in are mentioned below;

- Caribbean/Bahamas
- Mediterranean
- Europe
- China
- Pacific – Australia/New Zealand
- Asia
- Alaska
- South America

The voyages and the itineraries provided by these cruise companies mainly focus on these regions. Most of the cruise companies as well as ships have been deployed in the regions mentioned above as well although passengers can originate from all around the world. They may fly to the origin point of a cruise voyage and board the ship at that

point. Hence it is important to understand where such demand lies and where the supply has been deployed to in order to get a better understanding of the industry.

2.2 Demand for cruise shipping

The above description gives a background as to why cruise ships are a more unique mode of travel that does not only focus on taking the passenger from one point to another but also looks into providing passengers an experience that cannot be matched. In the recent years, demand for cruise tourism has increased drastically. 2017 was a record-breaking year in the cruise industry as there were 25.8 million global ocean cruise passengers who embarked on cruise voyages. This was a 4.5 per cent increase in passenger numbers in comparison to the numbers achieved in 2016 which was 24.7 million passengers (The Florida-Caribbean Cruise Association, 2018). This is great sign for cruise companies as well as travel agents providing passengers cruise packages. With the increase in the number of passengers embarking on cruise voyagers, demand for cruise voyages too has increased by 20.5 per cent in the last five years (The Florida-Caribbean Cruise Association, 2018). This figure is increasing annually. The increase in buying power of passengers plays a big part in this increase of demand. Additionally, the power of social media has made it easier for cruise companies to advertise and get the word out about their ships and their facilities.

The growth in passenger numbers and the increased interest shown in cruise shipping has made the cruise tourism industry and industry where demand outpaces supply by a great amount (The Florida-Caribbean Cruise Association, 2018). The below figure depicts the increase in passengers demanding and travelling on cruises over the past ten years. This data was published by the Florida-Caribbean Cruise Association in 2018, shows drastic increases in passenger numbers over the past ten years.

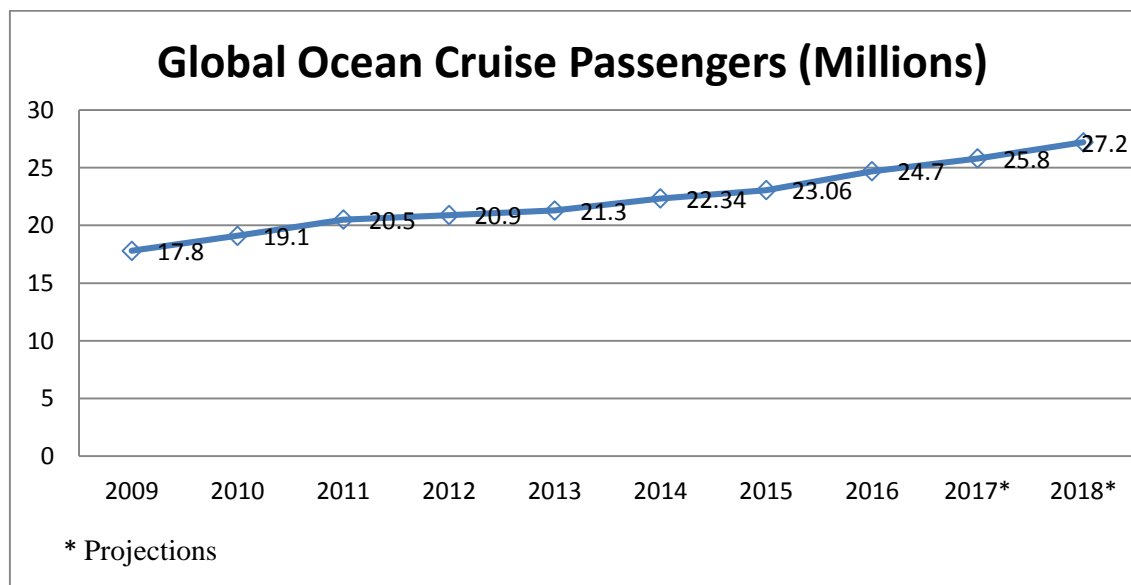


Figure 1

The figure below shows where passengers that travel on these cruise voyages originate from. This table was published by Cruise Lines International Association in the year 2018. As seen in the figure, majority of the cruise passengers that demand cruise voyages and have the buying power to go on them are in the United States of American. This is due to the fact that they have a higher buying power than most counties as well as the advantage of a strong currency. In countries such as the US, going on vacations and going on a cruise ship is more of a fashion statement. It is a means by which a person can show other people that you belong to the affluent segment of society. Also as most cruise companies are based in this region and a large fleet deployed in this region, prices of cruise voyages too may be low.

China and Germany follow after in a close second and third position. With the rapid economic growth in China, more people originating from that country has the means to travel and they look to experience different things. The Chinese market is a huge market for cruise companies to tap into and expand their business on. Some cruise companies are starting to build ships that specifically cater to this market. This is the same ploy they used previously for the European market.

United Kingdom, Australia and Canada follow after when it comes to demand for cruise voyages and regions in which cruise passengers originate from. Here it is import to note that other than from China, there is very little demand being generated from other countries in the Asian region.

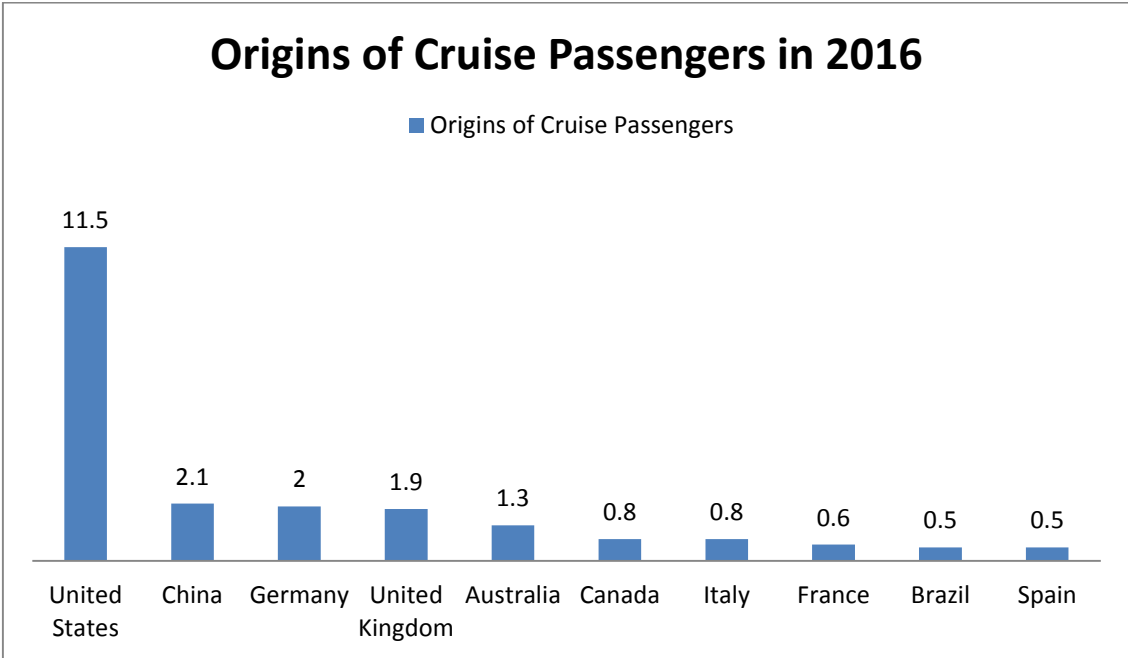


Figure 2

2.3 Supply of cruise ships

With the rapid growth in demand for cruise tourism as mentioned above, cruise lines and parent companies are starting to build more and more ships to be deployed around the world in order to cater to this demand and to curtail the outpacing of demand for cruise tourism in comparison to supply. Shipbuilding companies have had to increase their production capacity in order to cater to this increased demand for new ships as well. It is noted that Florida-Caribbean Cruise Association (FCCA) member cruise lines and Cruise Lines International Association (CLIA) member cruise lines made a new addition of almost 22,000 lower berths through six new ocean-going vessels in the year 2017 (The Florida-Caribbean Cruise Association, 2018). This is not a small number. Each of these vessels have an approximate capacity of well over 500 passengers on order to cater to this demand. This means that not only are these ships bigger, faster and have more state of the art facilities, they are also able to carry more passengers and crew. Forecast of the next few years show that 27.2 million passengers will be sailing the oceans on FCCA and CLIA member cruise lines in 2017. This figure depicts a 10 percent increase in passenger numbers using these cruise lines to the numbers tabulated in 2016 (The Florida-Caribbean Cruise Association, 2018).

The mere fact of increasing the number of ships sailing and increasing the capacity of passengers that can be carried is not enough for a cruise line to be successful. They need to deploy the vessel in strategic locations targeting certain markets in order to gain the maximum number of passengers to travel with them. They will also have to prepare the most attractive itineraries and routes in order to attract the most number of customers. These itineraries will include stops at ports where passengers can disembark the vessel and explore the specific city or country.

When deploying a ship, the company will have to decide from the main cruise operating regions such as Caribbean/Bahamas, Mediterranean, Europe, China, Pacific – Australia/New Zealand, Asia, Alaska and South America. The figure below has been published by the Florida-Caribbean Cruise Association in 2018 regarding the deployment of cruise vessels. As depicted in the figure, it is evident that a larger percentage of the vessels have been deployed in the Caribbean and Bahamas. This coincides with the largest demand that comes from the same region i.e the United States.

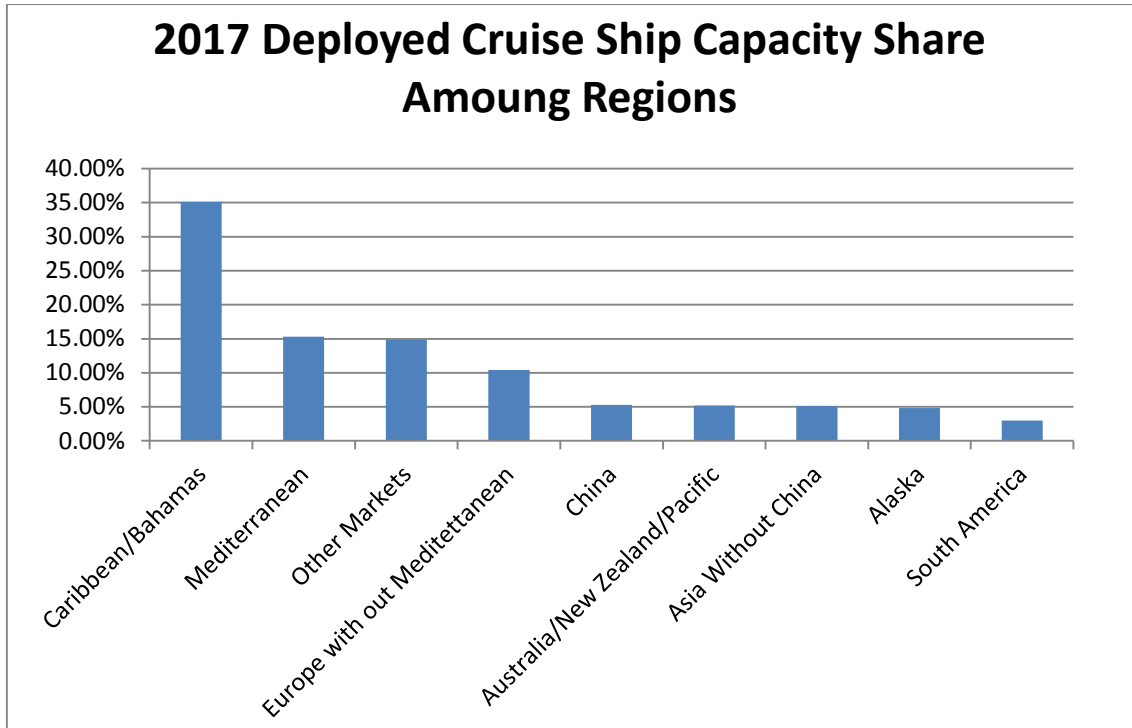


Figure 3

The figure below has been published by the Cruise Lines International Association in the year 2018 also paints a similar picture as above in showing the most cruise companies deploy majority of their ships in the Caribbean region. It accounts for over 35% of total market share compared to other regions and other cruise ship routes used around the world.

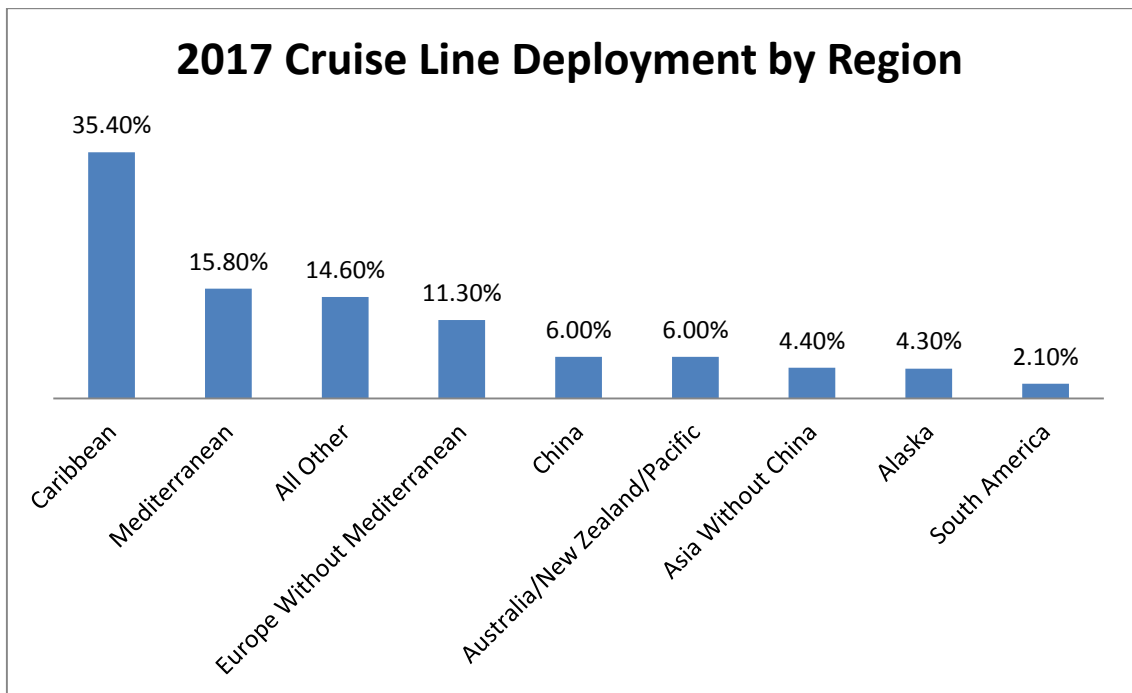


Figure 4

2.4 Global cruise tourism market

When looking at the global cruise shipping industry as a whole, there are many rapid changes that are taking place at this point. This industry is growing at a rapid rate both with the expansion of itineraries to a more global scale and passenger sourcing too becoming more global (The Florida-Caribbean Cruise Association, 2018). Cruise companies are looking at taking its passengers to more exotic locations around the world. They want to set themselves apart from one another by doing so as there is stiff competition within the industry to gain more market share as well as to capture passengers. Passengers look to enjoy all these exotic voyages in two fold. One way is through recreational facilities and entertainment provided to them onboard the vessel. The other way is through shore excursions offered at the ports that the vessel calls at throughout its itinerary. This means that in the itinerary, cruise ships plan out shore excursions in locations where passengers can disembark the ship and enjoy the local attractions that is provided to them by the country the ship called at.

Additionally, cruise companies are increasing their passenger sourcing reach around the world through international travel agents, online travel agents, websites and social media. They may offer these agents higher levels of commission for the number of passengers they source from their home country compared to the sale of airline tickets. There are almost 60 cruise companies operating around the world. These companies do not have the capacity to manage the demand and the requirements of the over 27 million passengers that will be looking to embark on cruise voyages. Therefore, these cruise companies will call on travel agents to fill their inventory (Mallick, 2018). In this instance, travel agents too need to take advantage of this fact and develop the promotion and sale of cruise packages. If they are able to do so and cruise companies can survive on the packages sold by travel agents that would mean that cruise companies will not have to look into methods where they have to get in contact with the customers directly.

There are huge impacts made in the entire cruise tourism industry with the growth in source markets like such as China (The Florida-Caribbean Cruise Association, 2018). Even non-Chinese based cruise lines are fighting to get their foot in this ever growing market by specifically catering to this market as well as offering facilities that are appealing to the Chinese market. They are also making itineraries that are preferred by passengers in that market. This would be in the form of having purpose built ships to cater to the market, increasing the number of Chinese speaking crew members on board ships, the addition of Chinese restaurants and even cultural shows.

This ever-growing cruise industry is contributing to the economic development of the respective cruise company's home country as well as other countries they are associating with. This will be their base countries, countries and the ports they call at, counties they source crew members from, countries that are involved in the ship

building activities and countries they source various raw material from. In 2016, the cruise tourism industry contributed \$126 billion in total economic impact and created 1 million jobs paying \$41 billion in wages and salaries to the global cruise industry (The Florida-Caribbean Cruise Association, 2018). This figure may be even bigger in the subsequent years.

The deployment and the placement of these vessels play a huge part in the performance of this industry. Two of the main reasons for the cruise tourism industry has been performing so well is because large-capacity vessels have been deployed across the industry and the season during which cruise vessels operate have been lengthened (Neoh, 2019). Therefore, it is evident that cruise companies are not only increasing the capacity of vessels but also making the time period the ships are working longer. Earlier, cruise companies would only allow ships to function during a certain time of the year and it would be in berth for repairs or maintenance during the rest of the time in order to capture the large demand that they would have had to otherwise forgo. That has meant that repairs and maintenance is done on a regular ongoing basis and ships are made to function all year round in order to gain more revenue and satisfy customer demand. The vessel Super Star Gemini, belonging to the Genting Cruise Lines has been replaced with the vessel Genting Dream which has 20 per cent more capacity and operates year-round with a home base in Singapore. The vessels Mariner of the Seas and Voyager of the Seas belonging to Royal Caribbean Cruise lines has extended sailing seasons (Neoh, 2019). These are two prime examples of capacity increase and season lengthening happening practically.

Not all things that are happening in this industry are good things even though there is no major negative ramification resulting from it. With the deployment of larger capacity vessels, the number of cruise ship calls at ports has seen a drop of 5 per cent. Therefore, the total number of calls at ports is reflected as 401 calls (Neoh, 2019). This effect has a negative impact on ports that have passenger cruise terminals and handle these ships as they will lose on revenue. One of the main causes of this would be the increase in capacity of individual vessels leading to an increased passenger carrying capacity and fewer trips made to port. This may increase in the future as the number of voyages made by these ships reduce and capacity increases further.

When talking about the industry and its boom, it is important to know how individual countries contributed to this boom and how growth followed. The Australian cruise industry is a prime example that can be used in this situation. Australia has been able to get one of the highest penetration rates in the world into the cruise tourism industry with a rate of 5.3 per cent. This means that one in 19 Australians embark on cruise voyages every year. Initially, capacity was sold on any cruise ship that arrived in the country where most of the cruises sold were voyages that were close to home. Gradually passenger counts from Australia grew. This in turn sent a positive message to cruise companies regarding the growing cruise industry in Australia which led to few more ships calling at Australian shores which were also getting sold out. Ignited a

ripple effect where cruise companies suddenly decided to deploy their vessels to the Australian market full time in order to capitalize on this demand (Mallick, 2018).

2.5 Cruise Companies

In the global cruise industry, there are many companies that are providing cruise tourism services and conducting business. The main players and their market share in the year 2017 have been mentioned below;

Parent company	Market share	Brands under parent company
Carnival Corporation	44.1%	Aida Carnival Costa Cruises Cunard Holland America P&O Cruises P&O Cruises Australia Princess Seabourn
Royal Caribbean	23.9%	Azamara Celebrity Royal Caribbean
Norwegian Cruise Lines	8.8%	Norwegian Ocean Cruises Regent Seven Seas
MSC Cruises	7%	
Genting Hong Kong	4.1%	

("Cruise industry: market share by company worldwide 2017 | Statistic", 2019).

Table 1 – Cruise companies in the world and their market share.

As evident in the above data, the Carnival Corporation is holding close to half the market share in the industry. Its brands are present in all of the main regions of the world serving all the markets that cruise companies operate in. This gives the company a diversified portfolio allowing it to tap into a larger customer base. This global reach and diversification is one of the main reasons why Carnival Corporation has been able to capture such a large proportion of the cruise shipping market.

Royal Caribbean cruise lines follows thereafter but have only a little over half the market share that Carnival Corporation has been able to capture. This may be due the

fact that they have only three brands under their parent company whereas Carnival Corporation has nine brands under their umbrella.

The strength of these cruise ship companies can be looked at in an Asian context as well as to how well they are performing in the market. 64 per cent of the total voyages that occurred in South East Asia was accounted by the top 5 cruise brands in the world. These top 5 global brands are also responsible for over half the operating days in the year 2017 and have been able to capture 79 per cent of passenger capacity in the market. More than 100 sailings within a span of a year is accounted for by the top 6 cruise lines operating in the Asian region at present. 10 cruise lines offer between 20 to 999 sailings during the span of a year, while another 10 cruise lines offer between 9 to 19 sailings each year (Gaille, 2018). This shows the power and the control the top cruise lines have in the industry even on the Asian context. This kind of dominance only increases in the other markets they operate in such as the Caribbean and Europe.

2.6 Ports around the world

Ports around the world are reacting to the boom in this industry and looking for ways to attract cruise companies to call at their ports as well as to invest in their ports to make them more cruise tourism friendly and to build passenger cruise terminals in order to entice cruise ships to call at their port. Ports have able to tackle the challengers brought forward to them through the increased demand and the associated economies of scale with the emergence of the cruise tourism industry and thereby reactive positively to the industry as well as its growth (Pallis, 2018). Due to the sheer size of the of the cruise tourism industry as a whole, once ports market themselves and their country as a cruise ship destination, they will be able to tap into a large number of cruise ship calls as well as passenger arrivals. This will help the ports to reap the rewards of the associated economies of scale and in turn see increases in revenue generated.

This will mean an increase in revenue and traffic for ports as well as creation of jobs for the workforce. Not to mention the added economic benefits that comes with so many cruise passengers disembarking at said port. These passengers will be going to tourist attractions, shopping and dining within the country which will lead to an influx of foreign currency in to the country. This is one of the main advantages of cruise tourism and why many ports are fighting to get the cruise companies to call at their port.

2.7 Factors cruise companies are looking for in ports

Ports that are trying to get cruise ships to call at their port have to know what these companies are looking for when choosing a port to call at in order to cater those needs. Geographical location of the port is one of the most important factors to look at and a

cruise company will also assess the tourism industry in the country as well. In addition to this, there are many other factors that cruise companies will look at when looking for ports to call at while building their itineraries. Mentioned below are some of the factors that cruise companies look at.

- Berth allocation
- Appropriate port infrastructures
- Appropriate areas for passenger handling
- Adequate parking areas
- Variety and quality of services to cruise ships and cruise passengers
- Port efficiency
- Ability from the port to handle increased traffic (multiple cruise calls at the same time)
- Focus on quality from the port perspective
- Adequate passenger terminals
- Fixed port tariffs for a period of >2 years
- Port environmental profile and efficiency
- Safety and Security strategy and application
- Penalties for non-show

(Vaggelas, 2018)

One of the main factors assessed by cruise companies is the number of berths that are available in the port for ships to call at. Berth allocation may be difficult in some busy ports due to the traffic in the port. Some ports have specialized berths allocated for cruise ships. Such allocations are important in order to attract more cruise companies however, not viable if you do not have adequate traffic coming through the port to occupy those berths.

Thereafter, they have to look at if the port has adequate infrastructure to manage all the activities of the cruise ship. This will vary from have well trained, capable piloting service to assist the ship the berth at the port, ship mooring services, baggage handling services and professional immigration and customs staff to clear the ship. These ships could also require bunkering services and waste management services.

Ports should also have adequate area and infrastructure for passenger handling. This includes arrival stamping, immigrations and customs clearance, money exchange services, taxi services for the transportation of passengers and providing customers with tours excursions for the passenger to explore the country they have just disembarked at. Ports also have to have the facility to allow embarkation of passengers at the same time that others disembark in some cases in order to reduce the turnaround time of the vessel.

Having adequate parking areas for the cruise ships is important especially with the increase in size and dimensions of ships to accommodate greater passenger demand. Ports need to have adequate depth and berth size to allow these ships to safely park at the port and disembark passengers.

In addition to providing basic services to cruise ships, cruise companies look at additional services that can be provided to them and the variety of these services that can be provided in order to attract the vessel to the port.

Another factor looked at by vessel operators will be the port efficiency. If the port is not efficient and the turnaround time of a vessel is too long, then it will not be a viable option. Ports should also keep in mind that a delay in one port could lead to delays throughout the itinerary of the cruise vessel. Therefore, cruise companies and specially captains of the ship are vary of this fact and try to avoid ports that will give them unnecessary as well as unwanted delays.

Additionally, cruise companies will look at if port charges levied by the port and if these charges have been the same and constant over a period of time. This is mainly for costing and budgeting purposes. However, this is an indicator of the stability of the port, its management and the stability of the government it is run under. In order to be profitable, they will also look for ports that are less expensive and are able to provide more value for money for the cruise company as well as the passengers onboard. These will be in services provided to the vessel but more importantly, the services provided to the customer to keep them happy and make their trip a more pleasurable one.

2.8 Asian Cruise Shipping market

In the ever-growing cruise industry, the Asian market is playing a major role towards the industries growth and expansion. Asia saw an increase of 20.6 per cent in passengers that were sourced within the region in 2017 to 4.052 million embarking on an ocean cruise. However, even with a slower growth rate from mainland China compared to previous years, China still managed to source 59 per cent of all Asian passengers. Reduction in cruise ship deployment in the region due to demand in other areas and regulatory issues imposed on China contributed to this slowdown in passenger sourcing (Cruise Lines International Association, 2018). This shows that even though demand in Asia is strong, it's not strong enough to outpace the demand that is being generated in other regions of the world such as the Caribbean or Europe. This could be due to the higher buying power of the passengers in that region. However, Asia is contributing greatly to the development and growth of this industry. China is one of the main contributors to this factor. Even with the recent economic and political turmoil that has affected the country and its cruise tourism, it has still managed to show a strong growth figures in passenger numbers that cannot be matched by other

countries in the region. 986,000 passengers were sourced from mainland China in 2015 compared to 703,000 passengers sourced from the country in 2014. This is almost half the total volume generated from Asia (Lynch, 2016). This is an increase of over two hundred thousand passengers in the span of one year. It would be difficult to duplicate in any other markets or even country around the world. The population number is the greatest contributing factor to this.

In the Asian region itself, there may be many countries that contribute to this demand in the cruise industry. However, the major contributors are a few countries apart from China that account for the majority of passengers. Taiwan contributed with 374,000 passengers, Singapore with 267,000 passengers, Japan with 262,000 passengers, Hong Kong with 230,000 passengers, Malaysia with 188,000 passengers and India with 172,000 passengers to passenger sourcing figures from Asia in the year 2017 (Cruise Lines International Association, 2018). These numbers are very promising and looking to be a greater number in the future. A record-breaking 4,060,000 Asians embarked on ocean cruises in 2017, according to Cruise Line International Association (CLIA). This represents a 20.5 per cent increase in Asian passengers in comparison to 3,370,000 Asian passengers in 2016. The most promising fact of these figures were that seven countries made it to the top 20 countries that contributed to cruise passenger volume. China, Taiwan, Singapore, Japan, Hong Kong, Malaysia and India all saw double-digit year-on-year growth and most of these passengers vacationed in the ASEAN region itself. Hong Kong and Malaysia stood out from the rest as the fastest growing markets, adding 80 per cent more growth from the figures they achieved in 2016 (Lynch, 2018). These figures speak for themselves. This means that as time goes on, the Asian market will be able to compete and even out play the demand created in other markets such as the United States and Europe.

Even though these passengers are sourced from the Asian region, it is important to know where these passengers prefer to travel and the duration of their travel in order to cater to that demand. In 2017, 91 per cent of the passengers that embarked on cruise voyages travelled within the region. This is a large majority of the total number of cruise passengers that are sourced from the region. The next top destination chosen by the passengers was Europe. This would be a long-haul cruise voyage. Besides Europe, 25 per cent of passengers that travelled outside Asia travelled to the Western Mediterranean. 9 per cent travelled to the Eastern Mediterranean and 8% travelled to the Baltics. 24 per cent of Asian passengers travelled to the Caribbean and 11 percent travelled to Alaska. These seem to be popular destinations outside Asia for Asian passengers to travel (Cruise Lines International Association, 2018). This data is important in identifying that these passengers do not prefer to travel on long haul cruise voyages. Majority tend to stay within the Asian region itself while only a minority looked to travel to other parts of the world though cruise ships. Short haul sailing of about 4 to 6 nights are the most popular voyage durations among the passengers from the Asian region. This would be voyages in the region itself. Asia is procuring some of the youngest cruise travelers in the world with a weighted average age of 44.6 years

(CLIA Asia, 2018). The fact that Asia is generating some of the youngest cruise passengers globally speaks to the spending power of the younger generation of Asians and the demographic that cruise companies should focus on. This will again have an effect on the type of vessel that should be deployed in the region and the facilities that should be offered on board.

The above data is important for cruise companies in order to identify where they should deploy their vessels, how many they should deploy in that region and their passenger carrying capacity. It is also a contributing factor to itinerary preparation and deciding the sailing calendar of these vessels. There has been an 81 per cent increase in the number of ships being deployed in the Asian region since 2013. This has led to a 19 per cent increase in the number of cruises and voyages taking place within and through the region. 2018 showed an increase passenger capacity to 4.26 million from 1.51 million in 2013. This means that passenger capacity has almost tripled over the years. However, there was a marginal decrease in the number of cruise vessel calls at ports in Asia from 7196 calls in 2017 to 7169 calls in 2018. Japan saw the most number of calls in the Asian region with 2,601 calls. Mainland China followed with 1,012 calls and Thailand with 581 in 2018. Shanghai was one of the top ports in the region attracting 416 vessels. While Singapore attracted 374 vessels, Taipei attracted 322 vessels, and Hong Kong attracted 249 vessels in 2017 (Cruise Lines International Association, 2018).

The supply within the Asian region as a whole look very promising. However, it is important to look at supply and port calls within each segment of Asia as well. 2018 will see an increase of over 20 per cent in port calls of cruise vessels in South East Asia. A total number of over 7,100 port calls will be made in Asia with Japan, Mainland China, Thailand, Vietnam and Malaysia looking to receive the greatest number of cruise vessels. East Asia accounts for 60 per cent of the port calls, followed by South East Asia accounting for 36 per cent and the remaining 4 per cent will be in South Asia (CLIA Asia, 2018). This break down of the vessels calling at each region of the Asian market is important in analyzing which regions have the most demand and it will help the other region in the development of that demand.

With the accumulation of so much demand, supply and cruise routes within the region, many cruise companies are basing their vessels in Asia. There will be 38 cruise company brands active in Asia in 2018. This is a slight increase from 37 brands that were active in 2017. From those brands, 78 ships will be deployed in Asia compared to 66 ships that were deployed in 2017. 17 of these ships will be based in the region year around. This in turn has led to 1,922 cruises and 119 voyages being scheduled in Asia. However, this is a decrease of 2.2 per cent compared to the cruises and voyages scheduled in 2017. There has been a 1 per cent increase in passenger capacity in 2018 compared to that of 2017 to 4.26 million (Cruise Lines International Association, 2018). 31 cruise brands were active in Asia in 2016 having 60 ships deployed in the region. These brands operated 1,560 cruises in 2016, in comparison to the 1,095 cruises

operated in 2015. Total Asian cruise passengers in 2016 were 3.1 million. This was an increase 2 million passengers in 2015. Most of the capacity in the region is on mega-ships. There are currently two mega ships deployed in the region. Additionally, there are 15 large ships deployed in the region. Twenty-one mid-sized ships will sail in Asia. There will also be 16 upscale smaller ships and six expedition ships in Asia. Cruises within the Asian region itself and short cruises will dominate the itineraries of cruise companies. More than 1,473 voyages were planned and another 87 voyages will pass through the region. Almost 50 percent of those voyages will be four-to-six-night cruises, while almost 38 percent will be two-to-three-night cruises. Approximately 5,500 port calls were scheduled in the year 2016 in Asia. Japan, China and South Korea welcomed the most number of calls. Sixteen Asian ports each hosted more than 100 calls in 2016 (Lynch, 2016). These figures were strong even in 2016 and it is important that this data be looked at in order to assess the growth in the market over the years. 2018 will see 38 cruise brands deployed and more ships in Asian waters.

There will be a greater variety of cruise products being sold in the region with a significant increase in large vessels that can accommodate almost 2,000 to 3,500 passengers as well as small upscale ships deployed in the Asian region (CLIA Asia, 2018). Larger ships being deployed in Asia speak to the sheer volume of passengers. However, the fact that upscale ships are being deployed alludes to the type and the spending capacity of passengers in the Asian market. This means that more passengers that are originating from the Asian market are looking for higher end cruise vacations which need to be catered to by cruise lines. Cruise vessel capacity has increased in all metrics in the region since 2013. The fleet of cruise ships which are deployed in the region has grown by 53 per cent over the years. At the same time, there has been an increase of 25 per cent in the number of voyages and cruises within the region (Gaille, 2018). These numbers look to be growing even more in the future.

In comparison to other regions and markets in the world, Asian cruise tourism is still behind and has a lot of room to grow and expand. Currently US, Caribbean and Europe markets are much more mature than the Asian market. The penetration rate of the Asian cruising market and in particular the South East Asian cruising market, is still insufficient in comparison to the other regions, so there's significant opportunity for growth to be driven upwards in the future. Asia is yet to establish itself as a year-round homeport, but it will be possible in the years to come (Neoh, 2019). The weather condition and the tourism industry in the Asian and South Asian region are built to be year round homeports. However, due to the lack of demands for the region as a cruise tourism destination as led to this not being a reality as yet. It is the job of the countries in the region and the related authorities to persuade passengers and cruise companies to come their region year round. Passengers can be drawn through the marketing of the countries in the region and the marketing of the cruise packages within the area. Cruise companies can be attracted by better ports, lesser operating costs and dockyard services that can be offered of ship repair or maintenance is required.

Asians have taken to cruising like no other region, and the cruise industry is scrambling to keep up with demand, a new report into cruise trends in the region shows. The report confirms Asia as the world's fastest growing source of cruise passengers, with an unprecedented 24 per cent increase in numbers last year. Most cruise within Asia – eight out of ten chose to stay in the region, and only 16 per cent travelled to Europe and other areas. The 2016 Asia Cruise Trends study released by Cruise Lines International Association (CLIA) shows 24 per cent growth and no signs of the market slowing. More than 2.08 million passengers sailed in the region last year (Lynch, 2016). This ever growing market keeps growing as time goes on and cruise companies will have to keep playing the catch up game when it comes to meeting that demand. But with all things considered, this is not a bad place to be. This is a very good sign for the longevity of cruise companies and its business as well. Most passengers originating from Asia tend to travel within Asia initially and thereafter to other markets as they experience cruise voyages more. Although most Asian cruisers prefer to travel within Asia, there is still a good outbound market that prefers seven- to 13-day cruises (Lynch, 2016). Seven to thirteen day cruises will mean that the passenger will have the capacity to travel to other markets outside Asia and experience new things.

The mere fact that there is demand in the market is insufficient. There has to be cruise companies and cruise ships that are sailing through Asia and having Asia as a destination. 2016 saw 1,560 sailings being scheduled throughout Asia. This is a 43 percent increase from 2015. There has been a drastic increase in the number of days cruise ships operate in Asia. These figures have gone from 4,307 in 2013 to 7,918 in 2016. Sixty ocean cruise ships sailed throughout Asia in 2016. This is eight more than in 2015. Fourteen operate year-round while another 12 have extended deployment in Asia (Lynch, 2016). All these are good signs for Asia and its market. The cruise companies too have trust in the demand that is created in the region and want to fulfill it rather than leaving it as an opportunity cost where they only concentrate on other markets such as the Caribbean. The fact that the number of cruise days are also increasing is a very important factor as it shows that there is demand in the market all year-round to be fulfilled.

In the sections below, elaborations will be made on three major ports that are located in Asia in close proximity to Sri Lanka as example of what we can do and what we should be doing with regards to cruise tourism and how it should be leveraged.

2.8.1 Singapore

Even though Singapore is one of the most developed countries in Asia at the moment, it started with humble beginnings just like Sri Lanka. Some historians would say that Sri Lanka was far superior to Singapore in the past, at present however there is a lot that a

developing country such as Sri Lanka can learn from a developed country like Singapore and the way in which they are capitalizing on cruise tourism.

Singapore cruise industry again surpassed itself when it attracted some 1.87 million passengers in the year 2018, notching a 35 per cent growth rate that doubled the growth of 2017 and continues for more than three years of double digit growth (Neoh, 2019). In 2016, over 1.2 million passengers were served by the Singapore cruise industry in some way. In just 6 years, the industry has been able to grow by more than 36 per cent (Gaille, 2018). These are very impressive figures for a single country and this growth is continuous. This is also a reward of the fact that Singapore has continuously been working on developing and enhancing its tourism industry as a whole. As a by product, the cruise industry as well has seen development in great ways.

One of the reasons for this impressive growth is its location. To explore South East Asia, one must first come through Singapore when cruising. With its modern cities and ancient temples, there is plenty to see and do at this port of call (Gaille, 2018). In addition to being a modern port and offering great infrastructure in terms of a passenger cruise terminal and port, Singapore offers a great experience to its visitors through excursions.

In 2016, the Singapore cruise industry contributed \$706 million to the local economy. That is a 36 per cent increase from the revenues that were generated in 2010 by the industry (Gaille, 2018). This is greater justification for capitalizing in this industry and the benefits that can be reaped by doing so. This amount is a major contributor to the economy as a whole. Also it should be noted that it does not make any mention of the contribution that is made through the employment of personnel to the industry and the economic impact of that. If that figure too is taken into account, then this figure will be much greater.

However, there are some Singapore faces some problems with the vessel capacities they can accommodate due to infrastructural inadequacies. Cruise ships which wish to call Singapore a stop on their itinerary may accommodate up to 4,000 guests at any time. The cruise ships themselves are a minimum of 140,000 gross tons, both of which are difficult for Singapore's current infrastructure to handle (Gaille, 2018). This can be a great hindrance to the cruise industry in Singapore if this issue is not addressed and better facilities are provided to cruise companies as ships are only getting bigger and growing in capacity. Although the number of calls is increasing in the region, Singapore is falling behind in the number of total port calls received. Japan received over 800 calls, followed by China (306) and Thailand (218). Port call growth occurred in Taiwan, Hong Kong, and the Philippines as well, but not in Singapore (Gaille, 2018). The lack of capacity in the port may be a factor to this.

The number of operating days for cruise providers in Singapore and Southeast Asia has expanded by 137% between 2013 and 2017 (Gaille, 2018). One of the major

contributors to this is the fact that Singapore has good weather year-round and does not face any problems when it comes to seasonal changes. Therefore, passengers are able to travel here anytime, especially when other countries are experiencing these seasonal changes. Cruise companies too have identified this fact and increased the number of operating days in the region.

For international cruises which sail out of the Singapore, Singaporeans comprise up to 60 per cent of the passenger manifest. The cruise industry of Singapore has seen a 22 per cent increased capacity in the ships that service local ports of call. By 2020, 35 new ships are expected to serve the region when compared to 2014 figures. Passenger throughput for the Singapore cruise industry is expected to outperform the forecast CAGR in the coming years. Passenger throughput is expected to rise by up to 8%, while the growth of the local industry is expected to be 4%. Although there are 39 turnaround ports in South East Asia, Singapore ranks second and, with Shanghai, hosts the vast majority of them. In 2016, there were 329 turnarounds hosted. The Singapore cruise industry estimates that they hosted 748,000 passenger destination days in 2017, which would be an increase of 47,000 destination days from the year before. Although 0.5% growth was achieved, that is far less than the 15% growth achieved in 2014 in total calls (Gaille, 2018).

2.8.2 India

Being our closest neighbor, India has many things in common with Sri Lanka in many aspects. Sri Lanka is also able emulate that is done in India due to the many similarities that is shared. India continues to forge ahead as one of the largest sources of cruise passengers with 160,000 arrivals, notching a healthy 27% increase compared to 2017 (Neoh, 2019). Even though India is a developed country, there are many in the population living under the poverty line therefore, achieving such figures cannot be easy. But on the other hand, it has one of largest economies in the world. This will mean that India should be achieving close to the same numbers as China. However, this is not happening at the moment. World's second largest country in terms of population, seventh largest by area and one of the most endowed regions of the world in terms of its tourism attractiveness, India currently having 128 port calls doesn't figure in the top ten in her continent – Asia in terms of cruise lines' port calls (Mallick, 2018). This figure should be improved to a great extent. India as a country initially need to identify as to why it is unable to attract as many cruise ships to its port as other countries in Asia are able to. They are not lacking in many aspects such as culture but there may be some factors that are affecting the arrivals of the cruise ships.

In order to address these issues, India is taking action to bring in policy and reform to the cruise tourism industry. They are also brining in ways in which the arrival of cruise ships and passengers can be made more efficient and streamlined. A work in progress

for a few years now, a new cruise tourism policy, with the main thrust to increasing the cruise line traffic to 700 vessels a year, is expected to see the light of the day soon. Other developments on this front include cruise hubs to be developed in Mumbai, Goa, Mangalore, Kochi and Chennai, a 30 per cent rebate on all cruise vessels related charge, number of the days a cruise ship can dock to be raised from one to three, foreign flag vessels, as part of cabotage reform, carrying passengers have been allowed to call at Indian ports without securing a license from the Director General of Shipping, eVisa facility for Mumbai, Goa, Kochi, Chennai and New Mangalore ports have already been initiated and foundation stone for a new 300 crore international cruise terminal at Mumbai that is expected to be ready by June 2019 (Mallick, 2018). He also pointed that with 94 ships on order by the global cruise line industry; there is also significant employment opportunity that India can take advantage of. “The industry is looking at 80,000 employees that will be hired,” he pointed. (Mallick, 2018) in terms of passenger destination days India only does 140,000 compared to over 4.3 million of Japan. “The economic impact is significant when we look at the number of visits. With over 8 million visits in North Asia (Japan, China, South Korea and HK), the direct expenditure through cruise tourism was to the tune of US \$ 3.23 billion (Mallick, 2018).

There are five main points that have been highlighted by India that need to be addressed in order to ensure the development and progression of cruise tourism in the country. These points have been mentioned below.

- Government cooperation
 - Addition of infrastructure to facilitate cruise tourism in India
 - Consistent and stable condition for cruise companies to operate in
 - Stakeholder collaboration. This will include stakeholders such as travel agents, tour operators and investors
 - Increased profitability
- (Mallick, 2018)

Achieving these goals will help India tap into the vast cruise tourism industry that they have barely touched. One of the most important factors that should be addressed is having consistent and stable conditions within the country. This should be maintained no matter what change happens in the country. This includes political changes as well. This is highlighted because cruise companies especially like to plan out their itineraries and budgets years in advance. Therefore, this sort of stability in cruise tourism policy will aid the cruise companies to do so and carry on their business with ease.

The following points too should be highlighted as aspects that are needed to be readily available to cruise companies in India in addition to cruise tourism and maritime policies.

- Development of port infrastructure that is well-equipped, accessible, convenient and up to international standards for the use of passengers.
 - Passenger services such as linkage, fast immigration and transit passages through the port and its cruise terminals
 - Adaptation of training programs for crew members and personnel that work with cruise ships in order to make them aware of safety and security regulations as well as the cruise tourism industry as a whole.
- (Mallick, 2018)

India is not only lagging behind the rest of Asian in the attraction of cruise ships and cruise companies but also the sourcing of passengers that take cruise voyages in comparison with economic growth in the country and the spending power of their citizens. There are many Indians that travel abroad, however, only a small number travel by cruise ship. This needs to be expanded and travel agents need to play a big part in it (Mallick, 2018). As mentioned previously, travels agents play a big part in the sourcing of cruise passengers from their home country. This is where the authorities and the government need to call on the travel agents to develop this area and give them incentives to do so. They do not have to give travel agents the incentives themselves but this can be done through the involvement of cruise companies with the aim of developing a new market for them.

Data shows that passengers that travel out of India do not care if they are vacationing of land or at sea. They will know the destination they want to travel to and their available budget to travel and experience that destination. At they end they will decide on the mode that offers most value for more and better overall experience. Over the past three years, Northern Europe has become a very attractive cruising destination because the hotel, dining and transportation is expensive in the Indian market and in Asia. If you compare a cruising vacation to Northern Europe and are telling about having the same experience at much less total cost and value-adds, you will find great value. This is one of the most powerful ways to sell cruise vacations (Mallick, 2018). The grater overall cost coupled with the exchange rate conventions would mean that travelers from Asia will have to pay a greater amount to travel by air plane and stay in hotel accommodation in comparison with what they will pay to take a cruise to that destination and have excursions in the countries within the itinerary. This point is very valid in attracting more passengers to cruise tourism not only in India but all around Asia.

2.9 State of Cruise shipping in Sri Lanka

Sri Lanka is centrally located in the shipping lane of the world. It has the opportunity to tap into this vast market that is the cruise shipping industry of Asia. It has not been able

to do so thus far even though cruise ships are calling at ports such as Colombo, Galle, Trincomalee and Hambamthota. These vessels however are casual call vessels and not regular vessels that use one of the ports in Sri Lanka as a point of call in their itinerary. The government of Sri Lanka has recognized this problem and look to correct it. The prospect for developing cruise activities in the South Asian region is promising. Even without adequate facilities, Colombo handles a limited number of cruise vessels at present. Sri Lanka Ports Authority has to improve the facilities at the present passenger terminal to be on a par with international cruise terminals. Other connected facilities such as customs, adequate transport connections, immigration and easy access should be made available. The Government will encourage the development and promoting of Sri Lanka as a cruise destination and examine the infrastructure requirements and the funding of such facilities ("National Ports & Shipping Policy Of Sri Lanka", 2003). Out of all the ports in Sri Lanka, port of Colombo has been able to capitalize on these passenger cruise vessels the most. Sri Lanka Ports Authority (SLPA) said 45 cruise ships have called at Port of Colombo from January to October of 2018, which is a 28.8% increase against the corresponding period in 2017 (FT, 2018).

A detailed breakdown of the passenger cruise vessels that have called in the port of Colombo have been mentioned below;

Table 2 – Cruise ship arrivals in the port of Colombo

Vessel name	Date of calling in Sri Lanka	Cruise line	Passenger capacity
Grand Classica	2 nd January 2018	Bahamas Paradise Cruise Line	1680
Nautica	13 th January 2018	Oceania Cruises	824
Aidacara	13 th January 2018	Aida Cruises	1186
Artania	14 th January 2018	Phoenix Reisen	1260
Celebrity Constellation	24 th January 2018	Celebrity Cruises	2038
Pacific Venus	29 th January 2018	Japan Cruise Line	680
Silver Discoverer	4 th February 2018	Silversea Cruises	128
Silver Spirit	8 th February 2018	Silversea Cruises	600
Nippon Maru	15 th February 2018	Mitsui O.S.K	532

Europa 2	25 th February 2018	Hapag-Lloyd Cruises	516
Costa Victoria	1 st March 2018	Costa Cruises	1928
Seabourn Sojourn	5 th March 2018	Seabourn Cruise Line	450
MSC Lirica	5 th March 2018	MSC Cruise Line	1560
Mein Schiff 1	6 th March 2018	Marella Cruises UK (TUI Cruises)	2894
Seven Seas Navigator	20 th March 2018	Regent Cruises (Seven Seas Cruises)	490
Amsterdam	20 th March 2018	Holland America Line (HAL)	1380
Arcadia	25 th March 2018	P&O Cruises	1968
Europa	27 th March 2018	Hapag-Lloyd Cruises	408
Costa Luminosa	29 th March 2018	Costa Cruises	3570
Seabourn Encore	30 th March 2018	Seabourn Cruises	604
Sapphire Princess	2 nd April 2018	Princess Cruises	2674
Columbus	6 th April 2018	P&O Cruises (Australia)	1817
MSC Splendid	8 th April 2018	MSC Cruises	3959
Crystal Serenity	8 th April 2018	Crystal Ocean Cruises	980
Queen Elizabeth	9 th April 2018	Cunard Line	2300
Silver Whisper	11 th April 2018	Silversea Cruises	486
Queen Mary 2	12 th April 2018	Cunard Line	1300
Azamara Journey	17 th April 2018	Azamara Club Cruises	694
Seven Seas Voyager	1 st May 2018	Regent Cruises (Seven Seas Cruises)	700
Ocean Dream	23 rd May 2018	Carnival Cruise Line	1422

Sea Princess	21 st June 2018	Princess Cruises	1950
Viking Orion	12 th September 2018	Viking Ocean Cruises	930
Boudicca	17 th October 2018	Fred Olsen Cruise Line	830
Skysea Golden Era	28 th October 2018	Celebrity Cruises	1814
Silver Muse	29 th October 2018	Silversea Cruises	596
Azamara Quest	14 th November 2018	Azamara Club Cruises	694
Mein Schiff 3	26 th November 2018	Marella Cruises UK (TUI Cruises)	2506
Costa Neoriviera	4 th December 2018	Costa Cruises	1727
Aidabella	12 th December 2018	Aida Cruises	2500
Marella Discovery	15 th December 2018	Marella Cruises (TUI Cruises)	1830
Le Laperouse	21 st December 2018	Compagnie du Ponant	264

(Sri Lanka Ports Authority, 2019)

CHAPTER 03

RESEARCH METHODOLOGY

3.1 Introduction

In this section, elaborations will be done on the methods used to collect and analyze data during the course of this research. There are two main methods by which data was collected for this research. Initially secondary data collection methods were used in order to get and set a foundation for this research. Thereafter, primary data collection methods were used in order to elaborate on the findings and get an industry view.

Secondary data collection methods used were journals, articles, reports and port data. Through these methods a large amount of data was gathered due to the studies done on the research area. The main method of primary data collection used was through structured interviews of cruise company agents in Sri Lanka. For this purpose, a sample size of five cruise company agents were used representing different cruise companies functioning in the industry as well as having ships calling at the port of Colombo.

3.2 Conceptual framework

The conceptual framework related to this research was formulated with the help of literature found and mentioned in the chapter 2. Based on the literature below mentioned conceptual frame work has been drawn up for the purpose of this research. This framework is built up to show that the factors found through the literature review are actually fundamental in the construction of a passenger cruise terminal in Sri Lanka from the view of cruise company agents. The framework is depicted below. It looks at two aspects. One aspect is the independent variables which are the factors that are assessed and given importance in order to be included in the construction of the passenger cruise terminal. The other aspect is the dependent variable which is the port. This is the area in which the independent factors play its part.

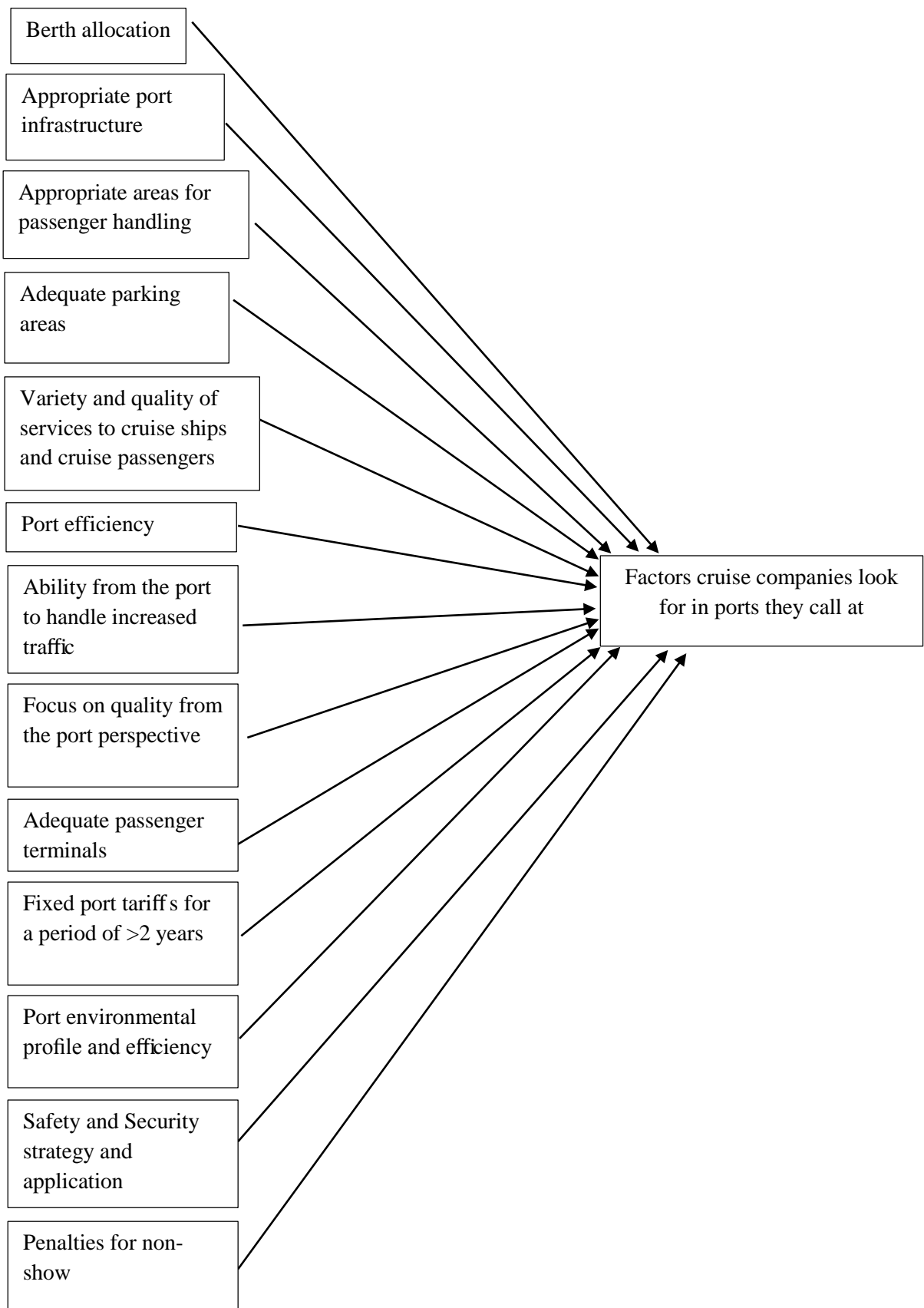


Figure 5 – Factors cruise companies look for in ports they call at

3.3 Interview Design

Prior to the actual interview taking place, the structure of the interview was designed and the sequence of the questions that will be asked were designed. This is helpful in the flow of the interview and to make sure that no points are missed out in the process of the interview. This was done by listing down the thirteen factors found in the literature review and ensuring that the respondents had an area to rate each factor from a scale of one to five where five gave the greatest weightage to the factor and 1 gave the least weightage. Thereafter, respondents will be given the opportunity to give their ideas on the factor they just rates. This maybe an amendment to the factor or their thoughts on the factor and its importance. A sample of the interview questionnaire is given in the appendix. Once this data was gathered, statistical methods where used to analyze the data and give it value for research purposes.

The respondents were chosen according to the criteria mentioned below

- Currently a local agent for cruise companies in Sri Lanka
- Handled passenger vessels in the port of Colombo as well as other ports in Sri Lanka
- Currently having direct contacts with cruise companies
- Awareness of national ports policy
- Awareness of requirements of cruise companies when looking for a port to call at in their itinerary
- Been in cruise tourism industry for a minimum of 10 years

CHAPTER 04

ANALYSIS OF DATA

4.1 Introduction

This section of the research will include the overall analysis of the collected data using statistical methods. The analysis will be carried out on structured interviews conducted with shipping agency professionals. A descriptive analysis is carried out of the raw data collected in these interviews to derive factors affecting to establish a cruise terminal in the port of Colombo.

4.2 Factors influential to development of a cruise terminal

In the interviews conducted with the shipping agency professionals, they were asked to rate each factor on a scale of 1 to 5 with a score of 5 showing the greatest significance allocated to the factor. Therefore, mean values of responses for each factor has been calculated in order to depict the consensus of priority given to each factor by respondents. The table below indicated the mean values given to each factor.

Table 3 – Mean value of interview factors

Factor	Mean Value
Berth allocation	4.8
Appropriate port infrastructures	4.2
Appropriate areas for passenger handling	4.2
Adequate parking areas	2.8
Quality of services to cruise ships and cruise passengers	2.6
Port efficiency	3.8
Ability from the port to handle increased traffic	4.2
Focus on quality from the port perspective	3.0
Adequate passenger terminals	3.8
Fixed port tariffs for a period of >2 years	4.6
Port environmental profile and efficiency	3.4
Safety and Security strategy and application	5.0
Penalties for non-show	1.4

According to the mean data found above, percentages were assigned to factors in order to identify the importance of each of the factors in the research. The chart representing the same can be found below.

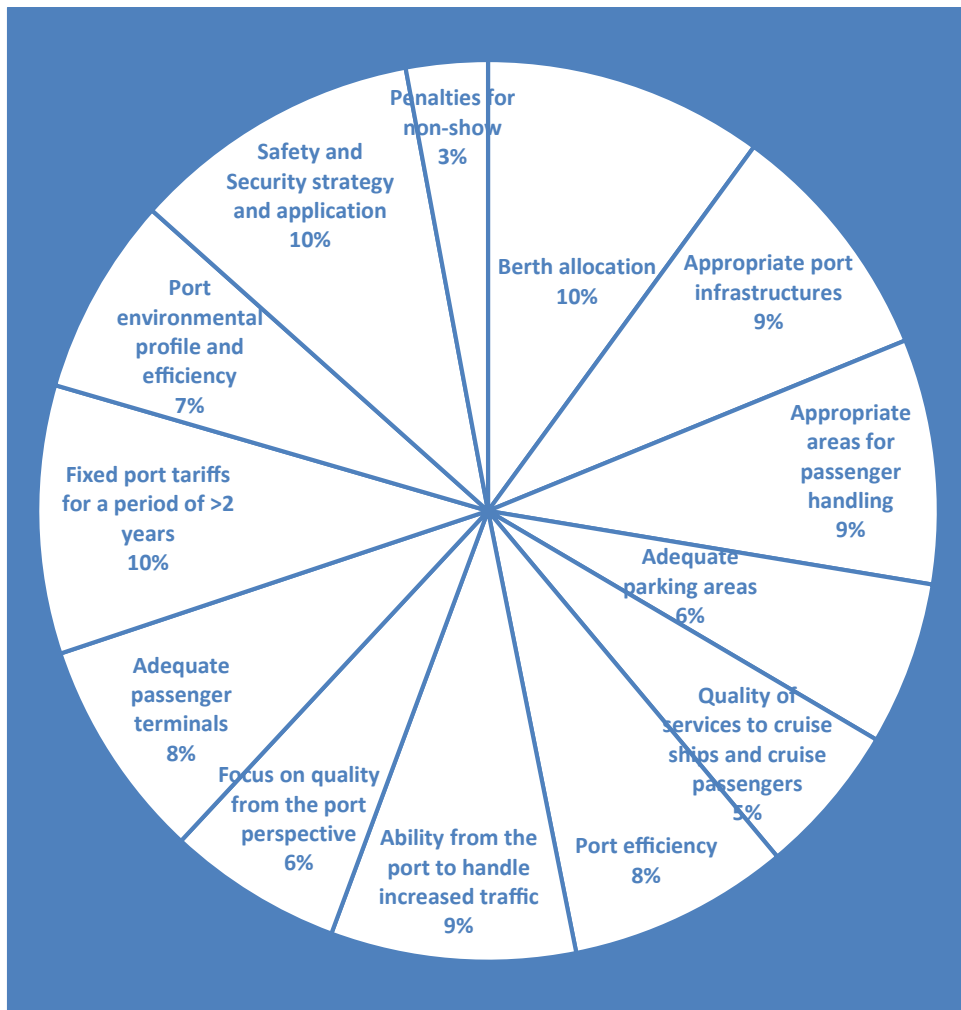


Figure 6 – Percentage of interview factors

Accordingly, it can be identified that the most important factors according to the interviews conducted were the as follows;

- Safety and security strategy and application
- Berth allocation
- Fixed port tariffs for a period of greater than 2 years

All three of these factors have received 10% of importance. In the case, these are the most important factors that need to be addressed in the construction of a passenger cruise terminal in Sri Lanka and the factors that cruise companies pay the most attention to when selecting a port to call at during their itinerary selection.

4.3 Detailed description of factors

In this section detailed qualitative descriptions will be given on each factor according to the responses of the agents interviewed.

4.3.1 Berth allocation

Respondents were of the opinion that it was critically important that the vessel gets a berth so as to assist the cruise company in the management of the vessel schedule and for it to be able to move on to the next port of call in a timely manner. This means that the berth should be available at the time it will be requested for the entire duration of the vessels call at a port. Here embarkation and disembarkation activities of passengers will take place as well as other ancillary activities such as bunkering.

Allocation of berths can be done in different methods according to the port in question and as such is an integral part of the functioning of the port as well as its attractiveness to cruise companies (North Sea, 2012). Some of the methods by which cruise ports allocate berths for vessels are mentioned below;

- Best fit – Transit time, turnaround time, size and length
- Vessel size – nautical information
- Practicability
- First come first serve
- Turnaround vs transit
- Bigger ships will go where they fit, others will be allocated accordingly
- Frequency of visits
- Good relation to companies gives a better spot
- Berthing spot will be decided on the day
- Allocation according to ship stars
- The more a company pays, the better the spot
- Tours booked

(North Sea, 2012)

In this sense cruise ports are free to decide what method of berth allocation they want to use or a combination of the above.

4.3.2 Appropriate port infrastructure

These high value vessels require expert handling in order to ensure that no damage is done to the vessel. Additionally, the handling needs to be efficient and as a result turnaround time of the vessel can be reduced so that the vessel can reach its next destination without and delays or interruption to its schedule. In order for these to happen, the port needs to have appropriate infrastructure in place both in the sense of physical equipment as well as appropriate manpower capable of handling such a vessel. The manpower too needs to be equipped with the appropriate skills and knowledge in

order to handle the vessel as well as any sort of situation that may arise in the handling of the vessel or in the port itself.

There are infrastructural barriers that need to be looked at and avoided when deciding on a place to construct a passenger cruise terminal. There can not be low bridges in the vicinity that will hinder the process of the vessel reaching the terminal. The turning basins need to have adequate width in order to accommodate even large vessels that may call at the terminal. Wharves can not be too short as it will also damage the vessels (R London, 2012).

4.3.3 Appropriate areas for passenger handling

It is important that passengers have all the facilities they require within the port premises in order to ensure they are a safe and efficient transit in and out of the port. However, most respondents were of the opinion that passenger handling areas were part and parcel of the port infrastructure and it should be made a part of it. When talking about passenger cruise terminals, these areas play a major role in its infrastructure and should not be thought of separately.

Most ports have identified that it is important to allow continuous flow of embarking and disembarking passengers from vessels and to ensure smooth of passengers to their onward journeys or excursions (Thanos, 2015). In order to avoid situations of overcrowding, some ports set limits on the acceptable number of cruise passengers allowed in a terminal during a certain day (North Sea, 2012). This will be helpful in locations like Colombo as well as overcrowding could lead to slower transfer to passengers out of the port premises in order to make room for other incoming vessels.

4.3.4 Adequate parking areas

Drop off and pick up of passengers are important in order to ensure that they are able to leave and arrive at the port premises more efficiently. However, there is no requirement for there to be parking areas close to vessels or its berths. In other words, this factor does not play a major role or importance in passenger cruise terminal development. Passengers could be allowed a shuttle service in order to get to a separate location where there is parking available however, if most passengers are of foreign origin, then access to taxi services or other modes of transportation to get around the city and sightsee would be adequate. These parking areas refer to long term and short-term parking as well and could be utilized by coaches, taxis and private vehicles.

4.3.5 Variety and quality of services to cruise ships and cruise passengers

Even though there are many services that can be offered to cruise vessels as passengers that arrive at the port. The respondents are of the opinion that offering the basic services well will suffice. These services include customs, immigration and appropriate baggage handling of passengers. In this case, customs and immigration services will include the clearance of passengers, crew, the vessel and its cargo.

In the case of other port around the world, there are many other services offered to passengers so as to occupy them while they visit the port. Ports offer retail facilities, restaurants, and amenities such as meet and greet services, foreign exchange services, telecommunication facilities and transportation services. These are well beyond the basic purview of the functions of the port but can bring in additional revenue to the port and the terminal. Majority of the passengers will spend their port call shopping and others will take part in shore excursions. Therefore, cruise ports need to provide an inviting retail environment where prices are not inflated (R London, 2012).

4.3.6 Port efficiency

In most instances, ports are judged and ranked according to its efficiency. However, in the case of passenger vessels, it plays less significance than it does with cargo vessels. This does not mean that it is overlooked. There is some significance given in this instance. It is more important for ports to be more mindful of the passengers arriving in these vessels and the handling of them as opposed to the efficiency of the port and its handling of vessels. One vital factor in doing so is to have appropriately trained staff to handle passengers or on the other hand, with the development of technology, there can be appropriate systems and software in place to make sure passengers are handled well. Having appropriate signage, direction boards and other information systems will be helpful for the passengers to find their way and to make transferring them more efficient.

4.3.7 Ability from the port to handle increased traffic

With the growth in the industry, there is a high propensity for there to be an increased number of passenger vessels calling at ports. Therefore, it is of utmost importance that the port is able to handle increased traffic and individual vessels are not penalized with delayed and inefficient handling of the vessel and its passengers. The proper handling of passengers plays a key role. When there is an increase in traffic, there is a higher possibility of mishaps such as mishandling of passenger luggage to take place. Due to this fact, ports need to be equipped with adequate berthing areas, manpower, systems

and infrastructure to handle greater number of vessels. All this does not need to be available at the inception of a passenger cruise terminal. However, there should be room for expansion when there is adequate traffic coming in.

Port of Miami handles 4.8 million passengers in the year 2016 which made it the busiest port in the world. Port of Canaveral and port Everglades came in at second and third respectively by handling over 7.5 million passengers combined (Forgione, 2017).

4.3.8 Focus on quality from the port perspective

Some of the areas that attention needs to be paid when talking about the quality of services provided by the port are in provision of facilities for berthing, passenger embarkation and disembarkation as well as passenger pick up and drop off. These are some of the main areas that ports need to look at. However, from a cruise company point of view, the respondents are of the opinion that cruise companies pay more attention to the ease at which passengers can access sightseeing and shopping areas. Most vessels do not call at ports for a long period of time. Therefore, the passengers that disembark the vessel during this period for tourist purposes and not as a final destination should be able to do so quickly in order to be able to make it back to the vessel in time for sailing.

4.3.9 Adequate passenger terminals

While this is an important factor, respondents are of the opinion that it is more important to ensure that passenger vessels calling are handled efficiently and without any berthing delays. Minimum number of passenger terminals will be sufficient if the services provided by them are efficient and all the vessels can be handled. Therefore, it is important to assess the services provided by the terminal rather than just looking at the physical terminal itself.

4.3.10 Fixed port tariffs for a period of > 2 years

This is one of the most important factors from a cruise company agents' point of view. Fixed port tariffs assist in the planning of passenger ticket prices in advance as well as assist in the financial budgeting of the company. Cruise companies are also able to have an idea on how much it will cost them to call at each port in the itinerary. This is also a good indicator of the stability of the port and its policies as regular fluctuations in port tariffs are an indicator of instability within the port.

4.3.11 Port environmental profile and efficiency

It is important for ports to ensure a vessel's garbage disposal, disposal of grey water, black water and sludge are handled efficiently and not disposed in a way in which it can damage the environment. With the state of the environment and pollution being a hot topic nowadays, cruise companies too are looking at ways in which that can reduce their impact on the environment and will give prominence to ports that will help them in their mission to do so. Cruise companies, especially prominent ones do not want to find themselves associated with ports who pollute the environment and tarnish their names in the process.

4.3.12 Safety and Security strategy and application

It is important to ensure safety of passengers and the vessels. With the ever-growing rate of terrorism in countries around the world, this has become a prominent factor. Not only terrorism but also piracy is playing a major role in cruise companies looking into the safety and security. As the factor mentions, the mere fact of having a safety and security strategy is not enough. It is also important to see that application of it and how it has been done. One such application is by checking of staff and passengers embarking and disembarking the vessel. Their identification as well as luggage and body checks can be done to ensure security of vessels and port.

4.3.13 Penalties for non-show

Respondents are of the opinion passenger vessels do not normally have no shows. Therefore, there is less significance given to this factor. Cruise vessels have pre planned itineraries which they strictly adhere to so the possibility of having no shows is no existent. Additionally, passengers too plan out their travel according to these itineraries so cruise companies will be causing inconveniences to customers if they were to have no shows.

CHAPTER 05

CONCLUSION

4.1 Introduction

The government of Sri Lanka has opened up an expression of interest for the construction of a passenger cruise terminal in the port of Colombo. With this in mind, in this section, conclusions will be drawn from the analysis of the data collected through primary and secondary sources. These conclusions will provide perspective on what sort of attributes are deemed important to be included in the construction of the passenger cruise terminal in Colombo. This will also assist in making sure that this venture is profitable and bring economic gain to Sri Lanka

4.2 Discussion of research findings

The data collection methods used revealed there are mainly a few important factors that cruise companies look for selecting a port to call at. These factors are mentioned below;

- Berth allocation
- Appropriate port infrastructures
- Appropriate areas for passenger handling
- Adequate parking areas
- Variety and quality of services to cruise ships and cruise passengers
- Port efficiency
- Ability from the port to handle increased traffic (multiple cruise calls at the same time)
- Focus on quality from the port perspective
- Adequate passenger terminals
- Fixed port tariffs for a period of >2 years
- Port environmental profile and efficiency
- Safety and Security strategy and application
- Penalties for non-show

(Vaggelas, 2018)

According to these factors' interviews were conducted with cruise company agents in Sri Lanka who were able to identify the most important factors from the ones mentioned that they believe should be incorporated into a passenger cruise terminal in Sri Lanka. The main factors that got the highest rating from these interviews were the importance on berth allocation, the need to have fixed port tariffs for a period longer than 2 years and the safety and security strategies in place. They are of the belief that

these factors play a major part in the selection of cruise ports. Additionally, they also identified the availability of appropriate port infrastructure, the availability of appropriate passenger handling areas and the ability of the port to handle increased traffic too could play a big part in the minds of cruise companies. The factor that was given the least importance was the availability of no-show penalty as most cruise vessels have to work on a tight schedule.

4.3 Conclusions

With the establishment of the fact that there is a great and increasing demand for cruise tourism in the Asian region, the Sri Lankan government is moving in the right direction in order to capitalize on this ever-growing industry. Also, as in the container shipping industry, there can be many consolidations seen in the cruise companies around the world. Many brands are being taken over and the Carnival Corporation has managed to consolidate most of the cruise shipping market.

Therefore, in order to truly capitalize on this industry, it is important that the government of Sri Lanka knows the exact requirements of these cruise companies when choosing a cruise and cater to them. Hence, insight was taken from the agents of these cruise companies in Sri Lanka in order to tap into their vast experience and knowledge. This was helpful in identifying these important factors and as such present them so as to be considered to be apart of the passenger cruise terminal in the port of Colombo.

Greater priority can be given to factors such as berth allocation, safety and security policies and ensuring that tariffs stay the same for longer periods of time in order to ensure cruise vessels call at this new terminal and Sri Lanka is given the opportunity to tap into this vast demand that is available in the region. The implementation of these factors will be helpful for the port of Colombo to compete with other cruise ports in the region and even take away calls from their ports. We are already having 41 calls at the port Colombo during the last year. This number needs to be increased and it is important to make sure that the port get into the regular schedule of the vessels that go through the region.

Additionally, the government needs to look into the investment into promoting tourism as well and cruise tourism in Sri Lanka in order to make it into a cruise tourism destination in the region. It also needs to look into streamlining other factors such as access to public transport by cruise passengers calling at the port with least disruption. This will be helpful in making sure that the passengers have a pleasant experience in the country.

4.4 Future research directions

- Assessing if there are private companies that are willing to invest in the development and improvement of the cruise tourism industry.
- See the potential of becoming a cruise tourism hub in Sri Lanka.
- Look at the ancillary services that Sri Lanka can offer to cruise lines that might be difficult to procure or too expensive in other countries.

CHAPTER 05

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Appendix

Please rate each factor mentioned in the list below on a scale of 1-5 dependent on the level of importance given to the factor to be included in a passenger cruise terminal in Sri Lanka.

1. Berth allocation

1 2 3 4 5

Comments -
.....

2. Appropriate port infrastructures

1 2 3 4 5

Comments -
.....

3. Appropriate areas for passenger handling

1 2 3 4 5

Comments -
.....

4. Adequate parking areas

1 2 3 4 5

Comments -
.....

5. Variety and quality of services to cruise ships and cruise passengers

1 2 3 4 5

Comments -
.....

6. Port efficiency

1 2 3 4 5

Comments -
.....

7. Ability from the port to handle increased traffic (multiple cruise calls at the same time)

1 2 3 4 5

Comments -
.....

8. Focus on quality from the port perspective

1 2 3 4 5

Comments -
.....

9. Adequate passenger terminals

1 2 3 4 5

10. Fi: Comments -

.....

1 2 3 4 5

Comments -

.....

11. Port environmental profile and efficiency

1 2 3 4 5

Comments -

.....

12. Safety and Security strategy and application

1 2 3 4 5

Comments -

.....

13. Penalties for non-show

1 2 3 4 5

Comments -

.....

