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Turkey's potential on becoming a cruise hub for the East Mediterranean Region: The case of Istanbul

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ABSTRACT

Cruise lines seek for new markets in order to accommodate the growing demand for cruise tourism. In this context, East Mediterranean and Black Sea ports would be alternatives to the current cruise destinations in the West-Med region. However, the Black Sea and East Mediterranean regions currently do not have a hub port (or homeport) functioning as a gateway for cruise passengers. Based on existing cultural and social attractions, Turkey and Istanbul would be a potential candidate on serving as a homeport for the region. This paper first explores the general determinants and conditions to serve as a cruise homeport from micro, meso and macro perspectives. It assesses the potential of cruise development in Istanbul based upon the findings of in-depth interviews with cruise industry experts and local stakeholders. Furthermore, a port portfolio analysis of a range of selected regional ports in the period 2006–2011 is executed, and coupled to insights from the expert and stakeholder interview panel. As a result, the paper offers first insights into the potential application of port portfolio analysis for cruise ports, as well as policy and managerial recommendations for cruise industry stakeholders within the Eastern Mediterranean Region, with regard to the development of a homeport.

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1. Introduction

Cruise tourism is a unique industry in which sets of inland destinations and port cities are combined successfully with diverse on-board amenities. The industry constantly introduces new ships and itineraries and grows with an undisturbed trend despite the recent global economic turmoil. The basic element of the cruise industry is its itinerary system. A typical itinerary system is a set of ports at which a ship calls in a specific order, beginning and ending at a certain homeport (also referred to as a hub port).

These homeports play the key role in vessel deployment and itinerary design policies of the cruise lines. Homeports should be strategically located in a geographic area in which attractive inland destinations and port cities are abundant and at close proximity; thus cruise lines need to design competitive and flexible itineraries. Sufficient airline connectivity of the homeport city is another vital element in terms of passenger satisfaction and schedule reliability of the itineraries, given the global market within which costumers are recruited. Generally, the itineraries start one after another at the same homeport facility. Therefore, the synchronization of the ingoing and outgoing passengers needs to be arranged precisely by both ship and port operations. In addition to passenger handling, homeports are challenged to deal with extensive ship-supply operations of the gigantic cruise vessels within limited time frameworks.

The Eastern Mediterranean (or in short, East Med) region is getting increased attention among global cruise lines, by providing alternative itinerary combinations to meet the growing global cruise market, as an answer to currently congested cruise destinations. Some of the most prolific destinations in the East Med such as Piraeus, Ephesus and Istanbul are already included in the current itinerary systems. However, these East Med ports are served by Western Mediterranean homeports such as Venice or Civitavecchia, which show signs of congestion given their inclusion in West Med itineraries. Adding longer haulage (with increasing fuel costs) from the current West Med homeports, leading to difficult synchronization with other itineraries, the potential development of a new homeport in the East-Med region needs consideration. Turkey and the port city of Istanbul are ideally located with close proximity to both East Med and Black Sea destinations. Additionally, based on existing touristic attractions and available airport capacity and connectivity, Turkey and Istanbul would be a potential candidate on serving as a hub/homeport for the global market and emerging economies in the region.

This paper includes an analysis of the competitiveness factors for cruise homeports, based on a literature review and expert interviews of stakeholders in the East Med cruise industry. Additionally, we apply port portfolio analysis on the cruise industry, in particular for the East Med market. Based on the portfolio analysis, coupled to the expert interviews, an integrated assessment of the competitiveness of Istanbul as a potential homeport in the East Med market is presented.

The competitiveness analysis of Istanbul as a cruise homeport is based on the current cruise terminal facility. However, in the coming

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years, projections of a new terminal are under planning. Therefore, policy recommendations for successful homeport operations in Istanbul are suggested.

2. Literature review

2.1. Determinants of home port status: micro, meso and macro determinants

Cruise ports are generally classified into three categories based on passenger embarkation/disembarkation volume shares: transit ports, homeports and hybrid ports (Lekakou, Pallis, & Vaggelas, 2009). Homeports are the crucial link of the itinerary system as the continuity of the system depends on the performance of the homeport (given the turnaround operations). The general characteristics of homeports have been analysed both from the port side and the selection criteria of the cruise lines. These determinants can be broken down into micro, meso and macro elements, with an influence of stakeholder perspectives in terms of assessing the most salient determinants.

In the extant academic literature, North American cruise homeports are analysed based on two criteria (Marti, 1990). First, 'site' characteristics are a criterion, mainly consisting of port infrastructure. Second, the 'situation' feature of homeports is analysed, representing the destination's attractiveness potential. Site conditions of the port refer to physical factors of outstanding significance (such as port infrastructures and superstructures) whereas situation conditions refer to physical or cultural qualities, such as the proximity to markets of cruise passengers and the attractiveness of the port region for cruising (Lekakou et al., 2009). Site conditions can be classified as *micro level determinants* as they are linked with the basic physical infrastructure availability and requirements, and the local marine services to handle ships and passengers effectively, such as a deep approach channel and/or port basin, long piers and a sufficiently large terminal site to handle passengers effectively (such as luggage and bus operations).

Micro-level determinants of cruise homeports are mainly limited to infrastructure competency. However, there are other relevant determinants with a broader perspective including regional stakeholders. This range will be analysed under the meso-level determinants of cruise homeports, which lie in the 'situation elements' as described before. According to empirical research of McCalla (1998), ports have more frequently ranked the situation conditions as the most important features in their success as a cruise port; e.g. the availability of regional attractions, which can be categorized as a situation element, has been the highest voted criteria.

Additionally, we discuss an empirical study, which is also based on 'site' and 'situation' elements (Lekakou et al., 2009). The results of this empirical study reveal that both site and situation factors (*meso-level determinants*) are perceived equally important by cruise lines on assigning a cruise homeport while 'port services to cruise ships', is the leading criteria for the cruise lines. The main reason for this preference from the perspective of cruise lines is that they are looking for efficient passenger and ship handling operations along with the availability of diverse ship supply services, rather than the touristic attractiveness of the homeport. For instance, Southampton and Civitavecchia are leading homeports in Europe, despite that these ports and their immediate local surroundings are not prolific touristic destinations.

The governance and ownership structure of the cruise industry, as a meso type determinant, also plays an important role in the selection of homeports. The cruise market is concentrated in the hands of a few actors, as 77% of the cruise industry capacity (calculated in terms of berth utilization) is accounted for by the top five world cruise line companies (Di Vaio & Medda, 2010). Therefore, cruise lines like to affect cruise port operations in order to sustain their power in terms of market shares.

The current cruise port capacity is often inadequate in the Mediterranean Region. As a result, in recent years, the cruise companies have started to invest in the companies that manage port infrastructure by concession (Di Vaio & D'Amore, 2012). Of the 11 cruise port projects in Europe, five projects were financed by either the EU, the port authority or the state, by a combination of these sources or all of them. For the remaining six projects, private concessionaires funds were involved (Reyna, 2009, in Lekakou et al., 2009). However, Ajamil (2008) examines that other than the port-operated facilities, there is no predominant way of operation model for the cruise terminals. The 'line involvement' trend is confirmed by an analysis on Mediterranean ports (Di Vaio, Medda, & Trujillo, 2011) that shows the growing presence of cruise companies in the ownership structure of cruise terminals. However, Di Vaio and Medda (2010) show that given the highly regulated system in Italy, the management structure, whether public or private, does not influence the efficiency of the cruise terminals.

In addition to the operational importance of homeports to cruise lines, also port-cities would like to serve as a homeport. Vaggelas (2011) states that as vessels tend to stay more in homeports, more revenue would be generated for the port operator and the city and regional economy as well. Therefore, as new itinerary systems are being designed ranging from Egypt to Russia, governments and regional authorities seek for cruise lines to include their destinations into itineraries, especially as homeports. Considering the interest of cruise lines into terminal operations to control the passenger flow, a sustainable cooperation model should be developed between the local governments and the cruise lines to establish win-win solutions between micro-level objectives of the cruise lines and the meso- and macro-level objectives of the cities and regional governments (tourism and regional development).

Even though a homeport has, in principle, sufficient infrastructure capacity, equipment and labour force to handle mega size vessels efficiently, the passengers also want to be provided with different options of touristic attractions (so called 'shore excursions') once they are onshore. The touristic potential of the city and its surroundings is the unique reason why the operators are considering a specific port on a given itinerary planning. If there is untapped touristic potential, it is possible to reach those destinations with the adequate infrastructure (port and land transportation links) and appropriate public–private cooperation policies within the meso-environment (between government agencies for tourism and private sector providers). For instance, the city of Rome is not a port city. Therefore, the terminals located in Civitavecchia, which are privately operated by cruise lines, are selected as a gateway for cruise passengers who would like to visit Rome. A homeport needs thus to be close to the cruising area, but not necessarily in its heart. Homeports such as Miami, Port Everglades or New York are examples of major ports on the edge of cruising areas and close to, if not within, the market area they are trying to serve (McCalla, 1998). In the same sense, the port of Kusadasi in Turkey is a good example of a gateway in the East Med region close to the proximate dominant touristic attractions, such as Ephesus and Pamukkale.

As the cruise industry is highly interrelated with global socio-economic dynamics, the future of the markets, and hence, necessary port developments, also need to be evaluated in broader *macro determinants*. Dwyer and Forsyth (1996, 1998) highlight the economic contribution of cruise tourism while the European Cruise Council (ECC) (2012) calculates that the number of direct and indirect jobs generated by the cruise sector in Europe is well over 315,000, compared with some 180,000 five years ago. However, Robbins (2006) states that the relative prosperity of Europe as a cruise destination is inevitably linked to the health of the industry worldwide as cruise lines will have to operate their vessels outside Europe during the winter months. Therefore, the global political, economical and also natural elements have very important impact on the volatility of cruise demand, and the development of new itineraries and the associated homeports.

The cruise industry is undoubtedly highly sensible to global political and economical changes, since it is serving international markets with a product of port of calls throughout the world. Rodrigue and Notteboom (2013) confirm that the political instability in the Southern Mediterranean region restricts itinerary generation by cruise lines, sticking to the northern part of the Mediterranean Region. Additionally, the cruise

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