



Cruise terminals site selection process: An institutional analysis of the Kai Tak Cruise Terminal in Hong Kong



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ABSTRACT

This paper undertakes an institutional analysis on how the site of Hong Kong's Kai Tak Cruise Terminal (KTCT) was selected following the closure of Kai Tak Airport in 1998. The focus is on how the existing cruise terminal struggled to accommodate new demand, which prompted the idea of constructing a new terminal. Data collected via semi-structured, in-depth interviews with a number of key personnel involved in the decision-making process and planning reveal how public opinion and inputs from various institutional agents forced the Hong Kong Special Administrative Region government to abandon alternative development plans, paving the way for the development of the KTCT, with the final decision representing a compromise between opposed political forces. The study provides insights into the institutional factors at play during the location of and site selection for cruise terminals, including evidence that more societal actors are involved than is the case of other transport terminal construction projects, and illustrates the interaction between terminals and urban land use.

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1. Introduction

A cruise has been defined as 'any fare paying voyage for leisure on-board a vessel whose primary purpose is the accommodation of guests and not freight normally to visit a variety of destinations rather than to operate on a set route' (Wild & Dearing, 2000, pp. 319–320). Once seen as the 'transportation of pleasure-seeking travellers on ocean voyages offering one or more glamorous ports of calls' (Kendall, 1986, p. 360), cruises today are taken in a more relaxed atmosphere and are generally provided in large ships, or 'floating hotels', that choose particular ports to provide their customers with excellent in-port experience.

Cruise tourism, which is among the most internationalized and dynamic sectors of the world economy, is seeking to expand its source markets. Cruise lines are attempting to attract younger passengers, offer fly-cruise options, raise cruise capacities, provide wide-ranging shore side activities and change cruise durations, prices and itineraries. They provide differentiated services that aim to fulfil the expectations of travellers of different backgrounds, ages and interests. Premium cruises focus on quality, comfort, style and destination itineraries and are generally offered in intermediate-sized ships. Luxury cruises provide a high standard of accommodation and service and generally use smaller-sized

vessels. Adventure cruises offer specialised itineraries to ports and are characterized by sporty shore excursions (Gui & Russo, 2011).

In this context, ports aiming to host cruises need to develop specialised terminals. Cruises are willing to change itineraries and drop specific ports of call if inordinate numbers of customers experience dissatisfaction (Henthorne, 2000). The transportation and itinerary planning elements are core essential considerations in the evolution and structuring of the sector (Vaggelas & Pallis, 2010).

In addition, the observed increase of vessels' size imposes important questions regarding the development of a cruise terminal or the selection of a site to develop a new one. To cope with the increasing number of passengers, 'super-sized' cruise ships carrying more than 2000 passengers emerged in the mid-1980s. As of 2014, 55 cruise ships with maximum capacities of more than 3000 passengers, lengths of more than 290 m and beams of 36 m or more are in operation, and 20 more are under construction. This new generation of cruise ship is reliant on economies of scale (i.e., the mass tourism market), at the cutting edge of design and technical innovation and offers a multifaceted recreational shipboard experience.

As one of the fastest-growing industries in the world (cf. Soriani, Bertazzon, Cesare, & Rech, 2009), this capital-intensive industry with high fixed costs develops its plans based on the planning and capacity of cruise terminals to accommodate these modern vessels in an efficient and effective way.

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On these grounds, the present study redirects research towards the understanding of the institutional factors at play when planning a cruise terminal. Surprisingly, in recent decades the cruise industry has received research interest focusing on the tourism dimension, such as through exploring cruise passengers' experience, behaviour and patterns. Cruise port have received less attention, with some researchers (e.g. Gui & Russo, 2011; McCalla, 1998; Vaggelas & Pallis, 2010) investigating the service offered and location qualities of cruise port operations. The cruise industry also remains an under-researched topic in maritime geography, economics, policy and management. Most studies have endorsed specific geographical perspectives, notably that of the Caribbean, which is the most popular cruise region in the world. Almost no research has studied developments in the Asia-Pacific region (with an exception being Qu & Wong, 1999).

This study examines the institutional factors at play during the development of the new cruise terminal in Hong Kong, the Kai Tak Cruise Terminal (KTCT), which was officially opened in June 2013. The aim is to understand how these factors affected the site selection process and extract the lessons that the KTCT case provides for future research and policymaking on the location and site selection of transport and logistics terminals.

2. On the importance of studying KTCT evolution

The government of the Hong Kong Special Administrative Region (HKSAR) has long focused on the development of a modern cruise terminal, aiming to make Hong Kong a major cruise hub within the region and maintain the city's glory of being the 'Pearl of the Orient'. Despite the importance of the project, however, the process of deciding where KTCT should be eventually located (e.g., at the abandoned site of the former Kai Tak Airport (KTA), which served as Hong Kong's major airport before 1998, or elsewhere) is an interesting, yet under-researched, topic.

The continuance of the city's maritime leadership, including the cruise sector, has been one of the most important objectives of the Hong Kong government since 1995. After Hong Kong was handed over to China from the British in July 1997, the HKSAR undertook *The Study on the Cruise Market of Hong Kong* (Legislative Council (LegCo) of the HKSAR, June 1999) and thereafter it consistently claimed the necessity to build new cruise facilities. Based on a study on the development of the area in 1999, entitled Feasibility Studies on the Revised Southeast Kowloon Development Plan (hereinafter, the Feasibility Studies), the HKSAR government proposed a new development plan of the old KTA site (unrelated to the cruise terminal), which included reclaiming a significant area of the Victoria Harbour. This plan was later abandoned for two reasons. First, the general public expressed substantial objections. Second, the Hong Kong Court of Final Appeal ruled that no reclamation plan for the Victoria Harbour could be introduced unless it passed an 'overriding public interest' test. Throughout the early 2000s, uncertainties about what to do with the abandoned site prevailed, with only a few old buildings and facilities being temporarily used for government offices, automobile dealerships, showrooms and other recreational facilities. Finally, the government announced its plan to construct KTCT at the tip of KTA's runway 31, and issued an open tender in 2007.

Anticipating a growing market and respective deployment strategies in the foreseeable future, KTCT has been built to accommodate two large 360-metre-long 100,000-tonne-class vessels, disembarking a total of 5400 passengers and 1200 crew members at the same time. Compared with other cruise regions of the world (e.g., Caribbean, North America, Europe) Asia is a new market, currently experiencing a growth phase (Table 1). The growing trends over the last decade, as well as the forecasts for the immediate future (Table 2), reflect the changing economic trends in the region. An emerging middle class developing in the Far East is ready to enjoy cruise vacations. About 1.7 million Asian passengers went on cruises in 2011, or about 10% of the Cruise Lines International Association's (CLIA's) estimate of 16.4 million passengers

Table 1

Cruise growth and deployment trends in major regions (2008–2013).
Source: CLIA, 2013.

Region	Growth of capacity (2008–2013)	Share in 2013	Share in 2008
Asia	302%	3.60%	1.20%
Australasia	155%	4.10%	2.20%
South America	57.0%	3.40%	2.90%
Mediterranean	57.0%	9.80%	8.30%
Caribbean	49.0%	19.90%	17.60%
Europe	33.0%	37.30%	37.20%
Alaska	–5.40%	5.4%	7.60%

globally for that year. CLIA has predicted that by the end of the decade, Asian passengers will account for one in every five cruisers, about double the ratio today. Asia will deliver about 3.7 million passengers a year by 2017 and about 7 million by 2020. This trend is supported by an increasing number of tourists from Europe and North America who look for attractive new cruising destinations. Located at the heart of the Asian maritime world, Hong Kong has an excellent geographical location for this growing cruise market. In addition to the notable attractions in the region, and the variety of itineraries that could sail from Hong Kong, the residents of Hong Kong and nearby regions are more ready than before to consider cruise vacations as one of their holiday options (Hung & Petrick, 2011).

A number of research questions have been raised due to the controversial process and the installation of the KTCT on a site that was not the initial plan of the government. Is the revised decision an outcome of careful evaluation of the market and economic developments? Is it a choice of convenience to balance development and needs for reclamation? Or is this simply an intention to avert any further political controversies?

This paper presents a historical review on the process of site selection of the KTCT since the closure of KTA in 1998. We focus on how the existing cruise terminal, i.e., Ocean Terminal, struggled to accommodate demand and prompted the idea of constructing a new cruise terminal. We then investigate how public opinions (or objections) to reclamation, and inputs from different institutional agents, forced the government to abandon alternative development plans and paved the way for the installation of the KTCT at the old KTA site. Finally, we analyse how the final decision to establish the KTCT on the old KTA site is a compromise solution between different political forces.

3. Methodology

A qualitative approach has been endorsed for the collection of substantial unpublished, qualitative information. In particular, the researchers conducted 14 semi-structured, in-depth face-to-face interviews with key personnel involved in the redevelopment of KTA and the planning of the KTCT. Without explicitly listing all details of the interviews, as a result of confidentiality agreements, the sample included department heads and senior managers of the cruise terminals (both Ocean Terminal and KTCT), senior government officials of the

Table 2

Evolution and forecast of Asian cruise travellers (millions of cruise passengers).
Source: Ocean Shipping Consultants (2012).

Regions	2005	2010	2015	2020
Japan	0.23	0.27	0.32	0.36
East Asia (China, South Korea and Taiwan)	0.44	0.72	1.00	1.20
South East Asia and others	0.04	0.55	0.07	0.82
Sub-total (Asia)	1.07	1.54	2.02	2.38
Total (Global)	13.6	18.0	22.6	27.0
The proportions of Asia region to global	8%	9%	9%	9%
Growth rate of global		29.5%	11.1%	19.0%
Growth rate of Asia regions		43.9%	31.2%	17.8%

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