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PROSPECTS OF DEVELOPMENT OF THE BLACK SEA REGION AS A CRUISE DESTINATION

The article gives a detailed analysis of the essence and significance of cruise tourism to the economy of the state. The possibilities of the development of cruise tourism in the Black Sea region are analyzed. Recommendations on ways of stimulation and improvement of the cruise business competitiveness are given.

Keywords: *the cruise industry, the cruise destination, the European cruise market, the Black Sea cruise region.*

The cruise industry continues to grow, which benefits communities around the world. In 2013 worldwide economic impact was manifested in nearly 900,000 jobs and economic income of \$117 billion. With more than 22 million people cruising worldwide each year, the cruise industry will invest \$25 billion to launch 55 new ships between 2015 and 2020. In 2015, the industry introduced six new oceangoing cruise ships and 16 new river cruise ships [1].

There are three reasons why Europe is a key market for the global cruise industry. First, with 6.39 million Europeans cruising in 2014, Europe represents the second biggest source market worldwide, after the USA. Second, Europe is also the number two cruise destination in the world, after the Caribbean, having received 5.85 million cruise passengers last year. Third, Europe's world-class shipyards continue to exercise near-total control over the global order book, being scheduled to build 29 oceangoing cruise ships to be delivered until 2018. All of this translates into economic value and jobs for Europe. Our industry's total economic output reached €40.2bn in 2014, up 2% from the previous year, including €16.6bn in direct spending by cruise lines, their passengers and crew. Last year the cruise industry also accounted for nearly 350,000 European jobs – close to 10,000 more than the previous year – amounting to €10.75bn in employee compensation. And yet we are not complacent; quite the contrary. We strongly believe that the cruise industry can and must be an even bigger player in Europe's economy. More can be done, particularly bringing nonEuropeans to our shores. Of the 5.85 million passengers embarking on

their cruises from a European port, only one million came from outside Europe, a fact that underlines the need for regulators to unlock this tremendous potential [2]. The market in the Mediterranean is expected to recover slightly in 2015 as a result of increases in capacity both from European and more particularly American-domiciled operators. There were an estimated 22.04 million global cruise passengers in 2014 (Figure 1). The countries of Europe accounted for 29% of them in terms of a source market. The European market has grown by 128% over the last ten years but with economic growth moderating over the past five years, European-sourced passengers have only increased by about 4% over the past three years. During 2014 an estimated 6.39 million residents of the countries of Europe cruised. The top five source markets – Germany, UK, Italy, France and Spain – accounted for 83% of the market.

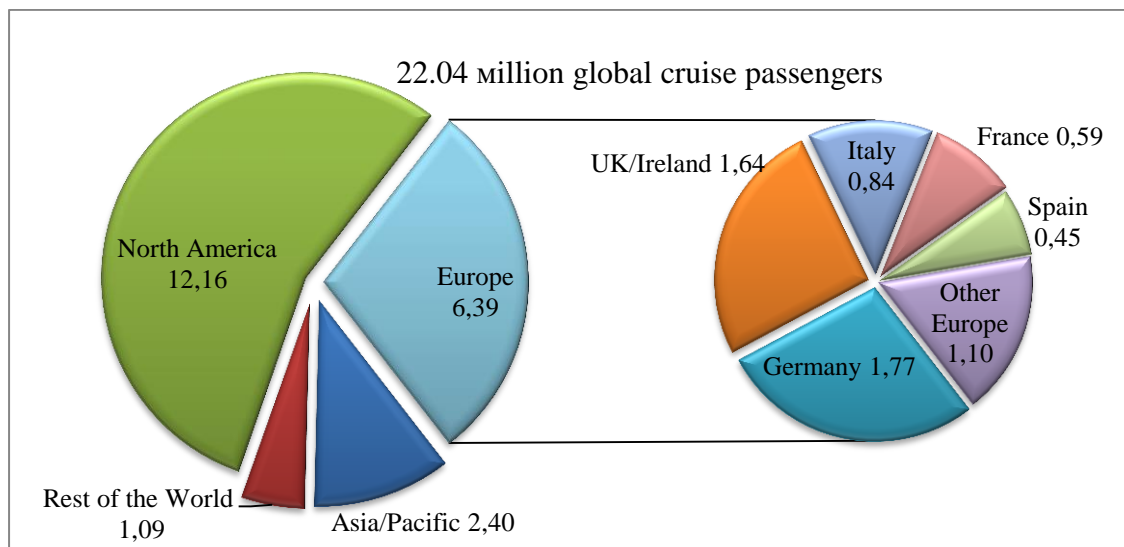


Figure 1. Global Source Markets by Cruise Passengers, 2014 [2]

Athens, 26 May 2015 – CLIA Europe, the association representing the 40 billion euro cruise industry in Europe, and MedCruise, the association of cruise ports in the Mediterranean and its adjoining seas, have signed a strategic partnership agreement to collaborate, sponsor and support the advancement of a European travel agent training program. Set up in Rome in 1996, MedCruise is the Association of Mediterranean Cruise Ports. MedCruise's mission is to promote the cruise industry in the Mediterranean and its adjoining seas. The Association assists its members in benefiting from the growth of the cruise industry by providing networking, promotional and professional development opportunities. Today, the association has

grown to 74 members representing more than 100 ports around the Mediterranean region, including the Black Sea, the Red Sea and the Near Atlantic, plus 31 associate members, representing other associations, tourist boards and ship/port agents. Countries represented in MedCruise: Croatia, Cyprus, Egypt, France, Georgia, Gibraltar, Greece, Italy, Malta, Monaco, Montenegro, Portugal, Romania, Russia, Slovenia, Ukraine, Spain, Syria, Tunisia, Turkey. MedCruise members in Black sea are Batumi, Constantza, Odessa, Sevastopol, Trabzon, Sinop, Sochi [3]. The total of cruise passenger visits at the 72 MedCruise port members for which data are available in 2014 reached 25,8 million (Figure 2). Comparing to the previous year, this number is 7,28% lower, as the cruise passenger movements that had taken place in 2013 were 27,8 million. 2013 stands as the year when all records were broken [2].

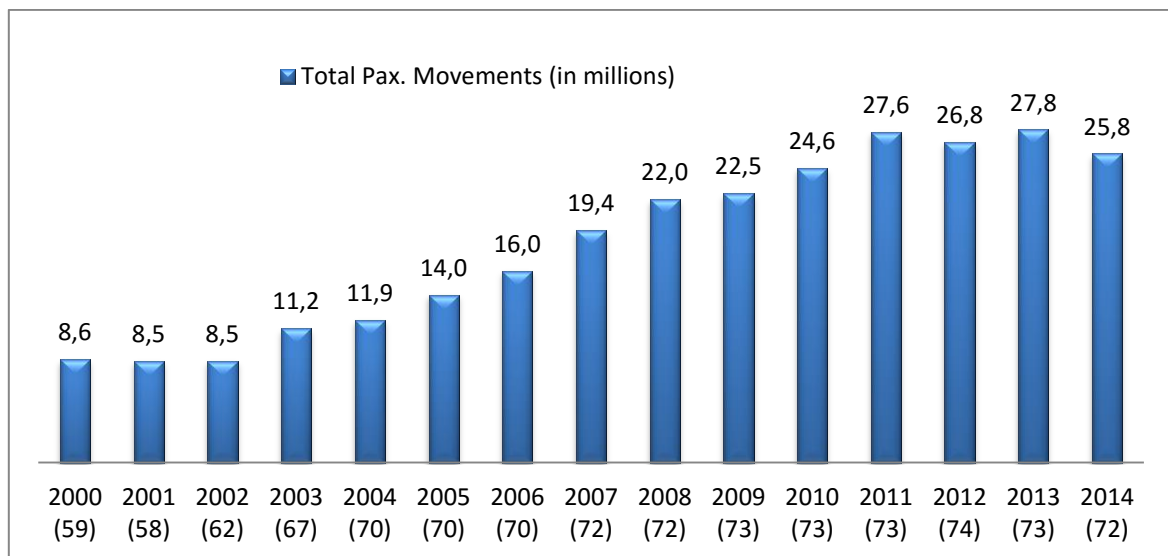


Figure 2. Cruise passengers growth on MedCruise ports (2000-2014) [2]

As for Ukraine, the ports of the Black Sea region have enough great potential for the development of cruise tourism. In the basins of the Caribbean and Mediterranean Seas cruise ship are crowded. The fight for customers makes the cruise companies to seek new markets for their services. Black Sea region is suitable for this like no other, because, in fact, is part of a Mediterranean cruise market [4].

Ukraine could initiate establishment of an international cruise cluster of ports of the Black Sea. Black Sea by its geographical location is not transit, therefore, in order to stand out in an independent direction for mass cruise tourism at least five ports should have infrastructure capable of handling vessels up more than 300 m.

Today this infrastructure have two Black Sea ports - Odessa (Ukraine) and Constanta (Romania). Now the modernization of facilities for receiving passengers is going on in ports of Burgas (Bulgaria), Sochi (Russia) and Batumi (Georgia). After this the Black Sea region can declare itself as cruise ship direction for the mass segment [5]. The cruise market in Ukraine is in a state of decline. According to the operative data of the Department of Tourism Service and European integration of the Port Authority, the number of passenger ships' visits to Odessa this year was 13, which is 15 ship calls less than last year and 93 ship less than in 2013. Head of Department Elvira Leshchinskaya in a brief comment said that for the season 2016 the port administration has already received 33 requests for visits by cruise ships. However this number may vary in one and in the other direction, depending on many factors. Among the negative factors the first place can be given to the transformation of the Crimea in "gray" area for cruise line operators. The historically formed ship courses Odessa-Yalta, Odessa-Yalta-Sevastopol were brands in the regional market. Odesa, by itself, remainis very hospitable and very attractive place for tourists, but it cannot recoup the costs of the charterer in the north-western part of the Black Sea [6]. However, positive things do occur. Thus the administration of the Odessa seaport successfully passed the audit of quality management system for compliance with ISO 9001-2008. A certified quality system improves the production activity of the company, strengthens its image, competitiveness and investment attractiveness of the market, allows to expand the range of services [7]. Through membership in MEDCRUISE (since 2008), the port of Odessa failed to effectively implement several image projects, gave notable impulse to the development of the industry of sea travel in the Black Sea region. Among other things, it should be noted the success of the international conference Black Sea Cruises. But the main result of this partnership, of course, was an increase in the number of visits to Odessa cruise ships under foreign flag in 2013 (more than 100 calls).

Another big problem of the cruises industry (especially in some areas of the Mediterranean and Black Sea) is the lack of modern port infrastructure, appropriate new passenger ships (larger, faster, more luxurious, etc.) in several ports, and the

existence of different national regulations on environmental protection, safety of the ship, navigation and passengers etc. So, it is necessary that contractual and economic relations between ports and cruise companies are developed as long-term projects. This cooperation should not be just a business relationship but a complex “contract” for cooperation between companies - local and central authorities, ensuring sustainable development of tourism areas, directly related to economic efficiency, environmental marine and terrestrial protection. A good example would be that of cooperation between airlines and airports in many parts of the world, even if they are different realities. Another concern is the uncertainty of political, social and military field in some destinations in North Africa, Eastern Mediterranean and Black Sea. Political and economic stability are critical factors on business and management and marketing of passenger companies. The Arab Spring, instability that was installed in the area, the war in Syria, piracy, terrorist threats, the crisis in Ukraine have forced companies to rethink their strategy quickly and suddenly change their itineraries planned, with serious economic repercussions on the profitability of companies, and the planned tourist destinations, now avoided due to high degree of risk [8].

The 48th MedCruise General Assembly will take place 22-25 June 2016, in Odessa, Ukraine. This major cruise event will mark the celebrations of the 20 years of the Association. During the General Assembly meeting, MedCruise member representatives together with other esteemed guests will discuss the latest developments of the cruise sector, as well as the implications and prospects of cruising in the Med and its adjoining seas. In line with the MedCruise tradition, all regular and associate members will have a first class opportunity to discuss the developments in the region, while they will also devote time in B2B meetings and interactive Workshops with cruise line executives [3].

Positioning of Ukraine as a maritime state requires a consideration of global trends in world maritime trade and keeping those trends that occur in the Black Sea region. The necessity of the development of national marine economy and port infrastructure is dictated by the high profitability of market cruise services through a world-recognized competitive advantages of waterway transport (environmental

friendliness, low cost, investment attractiveness, etc.). Thus, government authorities, port and cruise business entrepreneurs need to make significant efforts to promote Black Sea tourist region in the European market of cruise tourism. The development of cruise shipping stimulates the development of related sectors of the regional economy (hospitality, catering, transport, shipbuilding, ship repair, etc.). It promotes investment, creates a multiplier effect for regional economic development, and therefore - helps to create new jobs.

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