

World Maritime University

The Maritime Commons: Digital Repository of the World Maritime University

World Maritime University Dissertations

Dissertations

8-27-2011

Study on strategy for developing Shanghai cruise home port

Xiaoyu Chen

Follow this and additional works at: https://commons.wmu.se/all_dissertations



Part of the [Marketing Commons](#), [Strategic Management Policy Commons](#), and the [Transportation Commons](#)

Recommended Citation

Chen, Xiaoyu, "Study on strategy for developing Shanghai cruise home port" (2011). *World Maritime University Dissertations*. 1826.

https://commons.wmu.se/all_dissertations/1826

This Dissertation is brought to you courtesy of Maritime Commons. Open Access items may be downloaded for non-commercial, fair use academic purposes. No items may be hosted on another server or web site without express written permission from the World Maritime University. For more information, please contact library@wmu.se.



World Maritime University

Shanghai, China

Study on Strategy for Developing Shanghai Cruise Home Port

By

Chen XiaoYu

CHINA

A research paper submitted to the World Maritime University in
partial Fulfillment of the requirements for the award of the degree of

MASTER OF SCIENCE

2011

©Copyright WMU 2011, Chen XiaoYu

DECLARATION

I hereby certify that all the material in this dissertation that is not my own work have all been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this dissertation reflect my own personal views, and not necessarily endorsed by the University.

(Signature):_____

(Date):_____

**Supervised by Professor
Gu WeiHong
Shanghai Maritime University**

ACKNOWLEDGEMENTS

I am heartily thankful to Professor Gu Weihong, who gives me some meaningful and helpful advices during the research defense and give me the possibility to complete this dissertation. His patience and kindness are greatly appreciated and I have learned from him not only academically but also the professional ethics.

This thesis would not have been possible unless Ms.ZHOU YingChun, Ms.HU FangFang and Ms.HUANG Ying who are in charge of the program support and help me in the two years. All of the professors of MSC program direct me in the transportation and logistics industry.

I extremely want to show my indebtedness to my beloved parents, who offered me full support and encourage during whole my life.

Last but not least, I offer my regards and blessings to all of those who supported me in any respect during the completion of the project.

Abstract

The cruise industry is famed as a “Golden Industry Floating on the Golden Waterway”. Its high scale factor of bringing along the less advanced industries, about 1:10-1:14, makes it the most promising emerging industry. Its enormous capability for stimulating related industries and neighboring region’s economy makes it a new point for economic growth. With the rapid economic development, the Chinese market is gaining more attention of cruise companies all over the world. According to the prediction of China Cruise & Yacht Industry Association (CCYIA), subordinate to China Communications and Transportation Association (CCTA), China’s cruise industry should successively undergo three phases of development: inbound service for international cruise (the first phase), both inbound service for international cruise and outbound service for citizens (the second phase) and developed cruise economy (the third phase).^[1] The recent development shows that China is at the transition period between the first and second phase. Shanghai, Tianjin, Dalian, Qingdao, Ningbo, Xiamen and other ports, are no longer just ports of call for international cruise liners as previously, but gradually develop to be home ports for many newly opened liners. The development of the ports shows the trend in depth.

World famous port cities such as Miami, London, Barcelona, Singapore and Hong Kong are all home ports for large cruise companies. The home port city would benefit from the cruise industry, including consumption by cruise

passengers, procurement by cruises, expenditure for cruise berth, such as restaurants, hotels, tickets for tourist attractions, cruise supplies and maintenance, oil fulfillment, berth fees, fresh water additions. Therefore, to build cruise home port and develop cruise economy has enormous social and economic significance for the port city.

Shanghai is the economic center and important port in China. Its unique geographical advantages, large number of potential tourists and increasingly advanced hardware facilities all provide favorable conditions for constructing Shanghai cruise home port and developing cruise home port. With the construction and operation of Shanghai Port International Cruise Terminal and Shanghai Port Wusong Passenger Transport Center one after another, the construction of Shanghai Cruise Home Port has made a breakthrough formally and entered upon a new phase of fast development. The study explores the question of how to use existing resources to break through the developing bottleneck, and proposes measures and suggestions for developing Shanghai cruise home port from a strategic point of view.

Keywords: Cruise Home Port; SWOT Analysis; Industrial Clusters; Competition and Cooperation

Table of Contents

Chapter 1 Introduction	10
1.1 Background.....	10
1.2 The Purpose of the Study	11
1.2.1 Theoretical significance	11
1.2.2 Economic Significance	12
1.3 Dissertation structure	13
1.4 Literature Review	13
1.4.1 Foreign Studies.....	13
1.4.2 Domestic Studies.....	17
Chapter 2 Identification of Cruise Home Port & Analysis of Shanghai Cruise Home Port	20
2.1 Identification of Cruise Home Port.....	20
2.2 Condition of Shanghai Cruise Home Port.....	21
2.2.1 Condition of Cruise & Cruise Companies with Shanghai as home port	22
2.2.2 Condition of cruise port and supporting facilities	23
2.2.3 Source and Amount of Cruise Passenger Flow.....	25
Chapter 3 Analysis of Industrial Environment for Developing Shanghai Cruise Home Port (SWOT Analysis).....	27
3.1 Strengths.....	28
3.1.1 Geographical Strengths of Shanghai Port.....	28
3.1.2 Passenger Strengths of Shanghai Port.....	29
3.1.3 Hardware Strengths of Port & Infrastructure	32

3.2 Weaknesses	33
3.2.1 Loopholes in the Rules and Regulations	33
3.2.2 Inadequate Service and Support	35
3.2.3 Lack of Local Cruise lines	36
3.2.4 Lack of Information Platform	37
3.3 Opportunities	38
3.3.1 Eastward Shifting of Cruise Industry	38
3.3.2 Construction of Shanghai International Shipping Center	40
3.3.3 National Policy Support	41
3.4 Threats	42
3.4.1 Competition from Domestic Cruise Ports	42
3.4.2 Competition from Asian Cruise Home Ports	47
3.5 Conclusions	50
Chapter4 Wisdom Drawn on International Cruise Home Ports	50
4.1 International Cruise Home Ports	50
4.2 Wisdom Drawn on International Cruise Home Ports	51
4.2.1 Location at or near Developed Regions	51
4.2.2 Area with Abundant Tourist Resources	52
4.2.3 Favorable Factors for Port Construction	52
4.2.4 Customs and Port Affairs Management in Accordance with International Law and Practice	53
4.2.5 Advanced Infrastructure Networks	53

4.2.6 Efficient External Transport System	54
4.2.7 Qualified Personnel	54
4.2.8 Efficiency of Soft Environment	55
4.2.9 Change to Composite Cruise City	56
Chapter 5 Strategies for Developing Shanghai Cruise Home Port	56
5.1 Outlook for Shanghai Cruise Market	56
5.1.1 Forecast for Shanghai Cruise Tourist Reception	56
5.1.2 Forecast about Cruise Lines for Shanghai Market	61
5.2 Strategic Objectives	62
5.3 Strategy Adoption and Implementation	63
5.3.1 Industrial Cluster Strategies & Measures	63
5.3.2 cooperation-competition Strategies & Measures	74
Chapter 6 Conclusions	80

Appendix:

Chart 2.1 Tables for Port Types

Chart 2.2 2007—2010 Cruise Reception in Shanghai Port

Chart 3.1 Strategic Location of Shanghai Cruise Home Port

Chart 3.2 Comparison of GDP Per Capita between Shanghai & the Nation (2005-2009)

Chart 3.3 Aerial View of Tianjin Port

Chart 3.4 Aerial View of Xiamen Port

Chart 3.5 Aerial View of Sanya Port

Chart5.1:Shanghai Transiting Cruise Tourist Numbers(Person-Time)

Chart5.2shows triple exponential soothing results of Shanghai cruise tourist reception

Chart5.3 MSE value of triple exponential soothing when choose different α

Chart5.4 Simple, Double & Triple Exponential Soothing Statistics

Chart 5.5 Cluster Effect of Cruise Home Port Industry

Chart 5.6 Cluster Gradation of Shanghai Cruise Home Port

Chapter 1 Introduction

1.1 Background

Modern cruise industry emerged in North America during 1960s. It has enjoyed a growth of 8%-9% in the past 40 years and is famed as a “Golden Industry Floating on the Golden Waterway”. Its high scale factor of bringing along the less advanced industries, about 1:10-1:14, makes it the most promising emerging industry. In 2008, 17 million tourists choose cruise tour, among which the North America occupied approximately 82% of the international market. Though hit by the international financial crisis, the number of international cruise tourists increased below the previous average, it still reached 4%.

Cruise industry is one of the most thriving industries in the world. Its enormous capability for stimulating related industries and neighboring region’s economy makes it a new point for economic growth. With the rapid economic development, the Chinese market is gaining more attention of cruise companies all over the world. Shanghai, Tianjin, Qingdao, Dalian, Ningbo, Xiamen, Haikou, Shenzhen and other Chinese cities one after another provide ship berthing for luxury liners. Among them, Shanghai has built Shanghai International Cruise Terminal at the North Bund Area and Shanghai Wusong Passenger Transport Center. They, together with others, serve as a reliable guarantee for Shanghai to develop cruise economy and build an influential

cruise home port in Asia.

The State Council has announced to build Shanghai into an international shipping center; this has drawn up guidelines for Shanghai' development. Since the cruise economy is operated as high-end shipping services, its development is conducive to optimizing the soft environment as a shipping center. As a whole, the hardware of an international shipping center should include not only international airports, large cargo container harbors, river ports, but also special terminals for international cruises. In respect of exploring a matching software environment for international shipping, the Customs should operate rapid clearing of cargo and the passengers, and the administration should improve a succession of supporting services, especially to cater tourists and crew of international cruises for their consumption, sightseeing and recreation. International shipping center demands both cargo and passenger flow, pursues developing quantity, scale and quality as well. Developing cruise economy not only improves the soft environment as an international shipping center, but promotes it towards an upper level at the chain of the shipping service industry.

1.2The Purpose of the Study

1.2.1Theoretical significance

The cruise industrial chain consists of shipyards, cruise companies, cruise ports and cruise tourism. In present-day China, the studies about the cruise

industry are still at the primary stage, with most results focus on the domestic cruise industry as a whole, or on the cruise industry in Shanghai, Dalian, Shenzhen, Xiamen and other port cities. The present study, with previous studies for reference, is an attempt to take a comprehensive look into Shanghai Port – one link in Shanghai’s cruise industrial chain, and to suggest the strategic objective, options and proposals for developing Shanghai into a cruise home port. The research has possible implications for the construction of the cruise port, especially from the perspective of strategic theory.

1.2.2 Economic Significance

The cruise industry expands at a rate of 8%-9% per year and is called a “Golden Industry Floating on the Golden Waterway” for its high scale factor of bringing along the less advanced industries, about 1:10-1:14. Since the end of last century, many important port cities in China have adopted vigorous measures to build cruise home ports and to develop cruise economy. Practice proves that all these measures have brought great benefit to local economy and extended profound influence over all industries. The objective of developing cruise industry is to build Shanghai into the core base and testing ground for the development of Chinese cruise economy and furthermore, internationally famous cruise home port. Both the Shanghai International Cruise Terminal and the Shanghai Wusong Passenger Transport Center are constructed in accordance with this objective. Generally speaking, the

economic returns of a home port are ten times that of an ordinary port of call. On that account, the aim of studying the strategy of developing Shanghai cruise home port lies in promoting Shanghai's cruise economy.

1.3 Dissertation structure

The first part of the study may begin with a brief introduction to the background, significance, contents of the study and literature review. The second part may present the current condition of Shanghai cruise home port and conduct an analysis on Shanghai's developing basis. The third part may apply a comprehensive and systematic SWOT analysis on industrial environment. The fourth part may define the concept of cruise home port, brief some important ones in the world, and draw experience from their development. The fifth part makes an outlook on Shanghai cruise home port. Besides, based on strategic theories, may put forward the strategic objective, options and measures, so as to carry some applications for developing Shanghai cruise home port.

1.4 Literature Review

1.4.1 Foreign Studies

1.4.1.1 Study on Influences of Cruise Tour Destination on Cruise Tourist Economy

Rainer Mobus explored cruise ports and cruise control problems in his study, and believed that both tourist appeal and potential tourists in a port attracted

cruise companies to call at it rather than another. Cruise Tourism, as a kind of high-end consumption, even in Europe and the U.S. it was in recent years that cruise tourism began to be affordable by the middle class. As for domestic ports planning to develop cruise economy, only a few of them operated comparatively advanced economy and where the residents could afford the high price.^[2] Therefore, the economic condition of a city and its residents' fashion in tourism had great impact on improving local cruise economy. To boost cruise economy, a country should expand its overall financial state, cultivate potential cruise tourists, conduct propaganda about its ports and improve the ports' environment to attract more liners calling at.

1.4.1.2 Study on Development of Cruise Industry

H. Iwata and K. Matsuda pointed out, in his analyses of the supply-demand relations in international cruise market, that cruise industry achieved the most rapid growth in tourist industries. In 33 years from 1970 to 2003, the customers of cruise industry had increased by 1460%. Customers from North America rose from 500,000 to more than 10,000,000 every year. ^[3] They found that the cruise industry, from its birth, had always seen the most dramatic increase in international tourist industry, averagely 8% - 9%, while the latter 4% or so. The international cruise industry was relatively well-developed nowadays, but its main market was still in the Europe and North America, with little development in Asia-Pac regions. The areas covered with liners included Alaska, Caribbean

Sea - Bermuda, West coast of Mexico, Asia - South Pacific, Mediterranean Sea, North-West Europe, etc.

1.4.1.3 Study on Cruise Management

Based on the research in Southampton, a south port of England, Nickie Butt analyzed the effect of cruise ships on home ports and ports of call in term of waste. Research showed that though cruise ships only constituted 1% of all merchantmen, its waste constituted 25%. Butt thoroughly examined the cruise waste management, process options and its influence on ports and at last arrived at the conclusion that for one thing, all cruises should take flexible measures to reduce waste, and for another, ports should be equipped with recycle and reuse facilities to treat the waste. ^[4]Simon Veronneau and Jacques Roy, conducted a systematic research into the global service supply chain management - challenges confronted by the cruise companies. They made filed research on the issue of cruise re-supply of a global cruise company in Florida and worked out measures to handle the supply chain management. The research was focused on the characteristics of cruise supply chain and optimal policy for global supply chain management.

1.4.1.4 Study on Planning Factors of Cruise Terminals

Through analysis of the development of global cruise industry, Dr. Gregory L. Chase indicated that the fast improvement of cruise industry would give

impetus to cruise ports construction worldwide. [6] From the view of increasing design practice, taking into account essential conditions of cruise ports, the study put forward a series of planning factors. The system set out guidelines for port owners or operators to expand and develop the cruise ports so as to better manage increasing passenger flow and cruise transportation.

1.4.1.5 Study on Cruise Consumption

James F Petrick discussed the process of Segmenting cruise passengers with price sensitivity. Petrick held the view that discounts would lower the cost standard of the entire cruise industry and therefore the value-oriented liners would get more competitive advantages. Discounts should bring more challenges since the industry had attracted a more price sensitive market. In such background, Petrick Segmented cruise passengers with price sensitivity, and thereby predicated whether the price-sensitive market added economic values to the cruise industry. The study proved that tourists with lower price sensitivity were more likely to increase expenditure, while those with higher price sensitivity were apt to evaluate their experience positively.

1.4.1.6 Conclusion

According to the foreign studies of cruise industry, the international cruise industry nowadays has well developed, especially in Western Countries. Cruise tourism brings more and more economic benefits and attracts

increasingly attention from that government administrations, business circles, and academic scholars. The cruise economy in Asian nations, especially in China, is being paid more attention. However, whether and how the Chinese cruise industry should spring up ought to explore innovative patterns with Chinese characteristics rather than apply foreign experience mechanically.

1.4.2 Domestic Studies

1.4.2.1 Studies on Cruise Economy

Zhang Bolin made a research about the cruise economy in China, its influence and the restrictive factors of its development. ^[8]Cheng Juehao and Gaoxing defined cruise economy as common development of multiple industries realized by the operation of cruise industry and its influence on related industries in upper and lower reaches. ^[9]Dong Guanzhi and Meng Qingchao analyzed the Strategic significance of China to develop cruise economy, and introduced feasible measures in view of existing situation that more and more cruise liners are calling at China's ports. ^[10]Dong Guanzhi, in his doctoral dissertation named "Space System Study to the World Cruise Economy", discussed the space system of international cruise economy. ^[11]Dong conducted an in-depth space study into six critical factors, including cruise, cruise company, cruise port, cruise liner, cruise passenger and cruise industry. The study explored the growth mechanism, industrial characteristics and developing tendency of international cruise economy, and put forth strategic

measures for sustainable development of cruise economy in China and around the world.

1.4.2.2 Studies on Cruise Port Construction and City Development

Liu Zhiqiang explored the outlook for cruise tourism and resource exploitation in Shanghai. The study expected Shanghai to give priority to the construction of cruise home port other than the development of the entire cruise industrial chain. ^[12] Research showed that a cruise home port may reap economic benefits ten times as large as a port of call. In recent years, Shanghai was served as a port of call for several international liners and Shanghai Port International Cruise Terminal was constructed in accordance with the plan to build a cruise home port. Deng Jinle elaborated the factors and weaknesses of developing cruise economy from the perspectives of Guangzhou Port and external environment, and also made some suggestions. ^[13] Pan Qinfen examined the importance for Xiamen to develop cruise economy, its strengths and weaknesses through an analysis of the history and characteristics of cruise economy and investigation of Xiamen's economy, tourism, port and supporting facilities. The study also made some advice for Xiamen's cruise development. ^[14]

1.4.2.3 Studies on Development of Cruise Industry

Hu Jianwei and Chen Jianhuai, in view of the characteristics and influences of

cruise economy, examined the feasibility of expanding cruise economy in Shanghai from the perspective of industrial cluster, reviewed the necessity of developing cruise industrial cluster from the perspective of industrial core competence, and formulated the basic strategy for the action. ^[15] Though sidewise approach, i.e. several cases in cruise industry, Li Chuanheng revealed the influence made by expansion of international tourism on industrial upgrading of regional tourism in China. Preliminary study indicated the convenience, openness and transference of value chain networks in service industry. ^[16] Zhang Feng and Lin Shanlang explored the current situation of international cruise industry and made an outlook on cruise market. The study believed in domestic cruise market and projected the basic pattern of cruise ports with Tianjin, Shanghai and Guangdong serving as focuses along the coastline.

1.4.2.4 Study on Cruise Tourism Policy

Liu Zhiqiang put forward some opinions and suggestions on how to develop cruise tourism in China. Liu pointed out the difficulties China trapped in due to the fact that cruise industry is highly international, but China lacked appropriate Customs and port affairs management in accordance with international law and practice. The Customs and port affairs management was outdated which extended customs clearing and caused inconvenience.

1.4.2.5 Conclusion

At present, most studies in China focuses on either “cruise” or “cruise economy”, which reflected the characteristics of domestic cruise economy out of economic respect. Undeniably, the cruise economy in China lags behind the international level. Academic studies on cruise economy are in accordance with the development of domestic cruise industry. Though most domestic studies are exploratory, these conclusions and results are of momentous significance to the development of domestic cruise economy.

Chapter2 Identification of Cruise Home Port & Analysis of Shanghai Cruise Home Port

2.1 Identification of Cruise Home Port

Cruise home port, or the base of cruise, is a large port equipped with multi-access and multi-service facilities, able to provide integrated services and support for cruise economies. Cruises companies must choose a cruise home port for the its base, and cruise liners choose one for the base of the route in the course of their business, where their cruises conduct affairs of supplies, waste management, repair and maintenance. Cruise home port is not a simple concept. In fact, it includes not only a port or terminal where the cruise berths at, but also the area around the port or terminal, with relatively complete supporting facilities and advanced related industries. ^[20] If a cruise

company set up regional headquarters or corporate headquarters in a cruise home port, the economic benefits of this cruise home port will in general be 10-14 times that of the traditional port of call.

Port Type	Supply & Maintenance for Cruise	Stopover	Passenger Number	Agency of Cruise Companies
Cruise Home Port	Supplies, Waste Management, Repair & Maintenance	>8h	Port of Departure	Regional / Corporate Headquarters
Port of Call	Some Supply & Waste Management,	4-8h	Some Increase / Decrease	Representative Office/Agency
Dock	No Supply On the Whole	<4h	Small Increase /Decrease	No

Chart 2.1 Tables for Port Types

2.2 Condition of Shanghai Cruise Home Port

The history of Shanghai as a cruise shipping port dates back to 1845. Since 1997 international cruises has frequently berthed here, but are only for general docking. On July 2, 2006, Costa's Allegra for the first time mapped out a cruise liner with Shanghai as the home port. After that, the cruise economy of Shanghai enjoyed unprecedented development. With the construction and operation of Shanghai Port International Cruise Terminal and Shanghai Port Wusong Passenger Transport Center one after another, the construction of

Shanghai Cruise Home Port has made a breakthrough formally and entered upon a new phase of fast development.

2.2.1 Condition of Cruise & Cruise Companies with Shanghai as home port

By the end of 2010, there are three luxury cruises from two companies operating with Shanghai as the home port, including: Legend of the Seas, of Royal Caribbean, transiting voyage for 68 times from March 2010 to October the same year; Costa Classica, transiting voyage for 66 times from April 2010 to October the same year; Costa Romantica, taking the place of the prior Allegra, transiting voyage for 40 times from June 2010 to October the same year. [23]

(1) Main routes of Legend of the Seas, of Royal Caribbean:

- a. Shanghai - Kagoshima – Pusan - Shanghai (6D5N around China, Japan & South Korea)
- b. Shanghai - Miyazaki - Kobe - Fukuoka - Pusan - Shanghai (8D7N around China, Japan & South Korea)
- c. Shanghai - Okinawa - Kagoshima - Kobe - Nagoya - Tokyo (8D7N around China, Japan & South Korea)
- d. Shanghai - Kagoshima - Nagasaki - Fukuoka - Pusan - Shanghai (8D7N around China, Japan & South Korea)

(2) Main routes of Costa Classical:

- a. Shanghai - Cheju - Nagasaki - Yokohama - Kobe - Okinawa - Keelung -

Shanghai (15D14N around China, Japan & South Korea)

b. Shanghai - Hong Kong - Okinawa - Deer Island children - Shanghai (7D6N around China, Japan & South Korea)

c. Shanghai - Fukuoka - Cheju - Shanghai (5D4N around China, Japan & South Korea)

(3) Main routes of Costa Romantica:

a. Shanghai - Keelung - Hong Kong - Sanya - Halong Bay - Danang - Nha Trang - Ho Chi Minh City - Singapore (17D16N around Southeast Asia)

b. Shanghai - Pusan - Fukuoka - Kagoshima - Shanghai (7D6N around China, Japan & South Korea)

2.2.2 Condition of cruise port and supporting facilities

2.2.2.1 Shanghai Port International Cruise Terminal

Shanghai Port International Cruise Terminal is also known as “A Drop” for its shape of a water droplet. It is located in the North Bund in Hongkou District, one of the most prosperous areas in Shanghai.

Shanghai Port International Cruise Terminal can be split into two parts for two different projects: business office and passenger transport. The passenger transport site includes an international Passenger Transport Terminal and the passenger transport center. Covering a length of 880 meters, and reaching 10 meters in depth, the international passenger transport terminal can hold 3 luxury cruisers (of seventy thousand tons) at the same time. The Terminal has

another 300-meter spare terminal, which provides 24-hour services of pilot, tug and inspection. The Port Administration Building is a ball-shaped construction made of steel and glass curtain wall, with the floorage of four-thousand-square-meter.

Covering an area of 260,000 square meters, the business supporting center is reserved for related facilities such as office buildings, dining & entertainment, and greens landscape area. The first part is the green landscape area near the Huangpu River. With much underground engineering and the use of cellular structures sunken plaza, the buildings are hidden under the ground; the huge on-the-ground area comes along as a green park, with levels approaching to the Huangpu River. The second part, or the business area, mainly includes the Port Administration Building and six office buildings on the front. The glass curtain walls of the buildings form dynamic crystal waves, which look like a crystal palace at night with lighting effects. The third part is the supporting service area, with dining and entertainment. It includes a pedestrian street of 400-meter long and an underground parking lot with 2,000 parking spaces.

As the “water portal” of Shanghai, Shanghai Port International Cruise Terminal put into use in July 2006. With a turnover of 1 million people each year, the Terminal has become a new landmark in Shanghai.

2.2.2.2 Shanghai Port Wusong Passenger Transport Center

Shanghai Port Wusong Passenger Transport Center is a supporting project for Expo 2010 Shanghai China and also an important project for the construction

of Shanghai international shipping center. The center can be divided into the terminal berthing port, the core area and related areas.

The Port has unblocked channel with 9-13 meters water depth year round. The first phase of the project, with an investment of 850 million RMB to build two large cruise ship berths, put into use in April 2010. The Terminal is 1,500 meters long and 30-40 meters wide, which can dock three large cruises (of 100,000 to 150,000 tons) at the same time. The second Phase will improve and construct another two cruise berths according to the development and actual needs. The Terminal and the bridge approach are “T” shaped layout; the passenger center is shaped like eyes, with the title of the “Oriental eye”, meaning “the eye of the city, the eye of the Yangtze River.”

The core area of the center covers an area of 48.8 hectares, with the construction area of nearly 40 million square meters. It serves mainly for passenger center, the integrated management center, port units, duty-free shops, hotels, business offices, restaurants, entertainment facilities and riverside landscape. There are old batch plants and old warehouses of artistic style built along history; based on them, Wusong is to create a cluster zone of creative industries, comprising culture of storage and river bank.

2.2.3 Source and Amount of Cruise Passenger Flow

China Cruise & Yacht Industry Association (CCYIA), subordinate to China Communications and Transportation Association (CCTA) launched a research

into the Chinese cruise market. According to the result, the cruise tourists from Shanghai consist of the following parts: First, the young people. These people have or will soon realize economic independence, so they pursue higher quality of life and choose cruise tour. Second, the large enterprises, they tend to choose cruise tour as the carrier of the large business activities, employee rewards and client get-togethers. Third, large communities, they tend to choose cruise tour as a new form of traditional conferences and important events. As for time, the Shanghai cruise market has obvious division for boom and off season. The peak period range from March to October each year, especially in summer vacation and the National-Day Golden-Week, when the family tourists are the main cruise passengers.

In 2008, Shanghai Port International Cruise Terminal was put into operation. Since then, Shanghai has seen a breakthrough of cruise passenger accommodation. In 2008, 2009 and 2010, the turnover of cruise tourists was 130,500, 183,300 and 340,000, each with an increase of more than 30% compared with the previous year. During Expo 2010, both cruise reception scale and passenger flow have reached a historical high.

Chart 2.2 2007—2010 Cruise Reception in Shanghai Port

Year	Voyage Number	Increase	Transiting Passenger	Increase
2007	92		100.0k	
2008	112	21.7%	130.5k	30.5
2009	126	12.5%	183.3k	40.5%
2010	177	40.5%	340.0k	85.5%

Data source: *2009-2010 China Cruise Industry Development Report*

Chapter3 Analysis of Industrial Environment for Developing Shanghai Cruise Home Port (SWOT Analysis)

The research conducts an analysis of the development condition and basic factors of Shanghai cruise home port. From macro perspective, Shanghai cruise industry has developed from the first phase – inbound service for international cruise to the second phase – both inbound service for international cruise and outbound service for citizens. The home port economy is greatly advanced. The research makes an analysis of industrial environment for Shanghai cruise home port from micro perspective.

3.1 Strengths

3.1.1 Geographical Strengths of Shanghai Port

First, Shanghai has advantageous geographical location in China. China's coastline is like a "W" with Shanghai located at the top of the "W", and also at the mouth of the Yangtze River, the point in the Yangtze River Delta. Take Shanghai as the center, a 300 km radius circle can cover 15 cities in the Yangtze River Delta. Take Shanghai as the center, Dalian, Tianjin, Qingdao, Ningbo, Xiamen, Shenzhen, Haikou, Sanya and other ports can be connected to form an arc with Shanghai to be the midpoint of China's coastal cruise route.

Second, Shanghai has a privileged location in Asia. Take Shanghai as the center, luxury cruises can be accessible to South Korea, Japan, Singapore, Hong Kong, Taiwan, etc. within 48 hours. The routes from Shanghai to Hong Kong, Taiwan and other important ports in countries such as Japan, South Korea and Singapore, form another arc. Shanghai is also the center of China's coastal cruise liners and the center of Asia cruise routes.

Third, Shanghai is located in the middle latitudes. Take Shanghai as the home port, cruise companies can work out liners to China's north coastline, Japan and South Korea in summer and liners to the nation's south coast and Southeast Asia. Therefore, the home port economy can be maximized with a minimized off-season period.

The unique geographical location determine the importance of Shanghai at

cruise map, which can effectively promote the competitiveness of cruise industry in Shanghai and even all around the Yangtze River Delta. [25]

Strategic Location of Shanghai Cruise Home Port

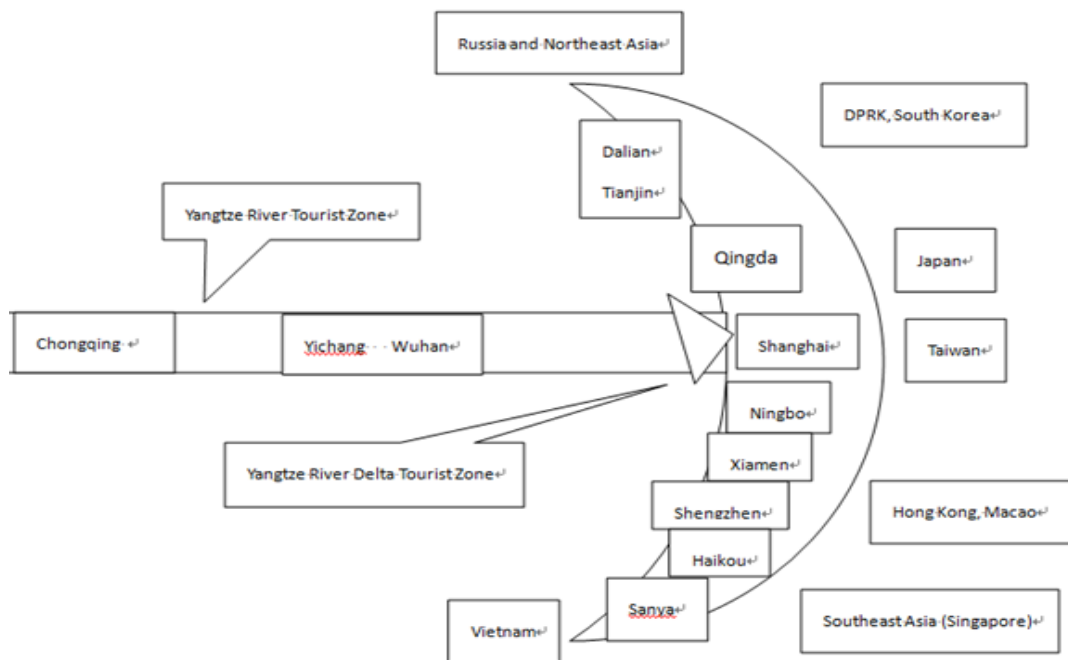


Chart 3.1 Strategic Location of Shanghai Cruise Home Port

3.1.2 Passenger Strengths of Shanghai Port

In the selection of home port, most international cruises give priority to two factors: first, whether the port city can attract tourists and meet the demand of cruise passengers; second, whether the port city has adequate potential passengers and whether it has the ability to attract tourists. The second factor is closely related to the local economic development – people have stronger consumption power and are more apt to make cruise tour in places where there are more developed economy and higher income levels. [26]

Shanghai shows passenger strengths in the following three aspects:

(1) Local Citizens with High Consumption Level

The construction and development of cruise home port need strong economic support. Shanghai, as the economic center of the country, has the most advanced economic development in the country. According to the regular development pattern showed by the international cruise economy, there are favorable factors for cruise economy when per capita GDP reach 6,000-8,000 U.S. dollars in a country or at a region. In 2008, Shanghai's per capita GDP exceeded 1 trillion U.S. dollars, being 3-4 times the national per capita GDP. In addition, there are large numbers middle class in Shanghai, and 15% of the citizens are paying for travel, which is about 17 times that of the national average. All these provide favorable conditions for the development of cruise home port – a high-end consumer market. Therefore, the local cruise tourists in Shanghai offer the most solid market foundation for cruise economy.

Comparison of GDP Per Capita between Shanghai & the Nation

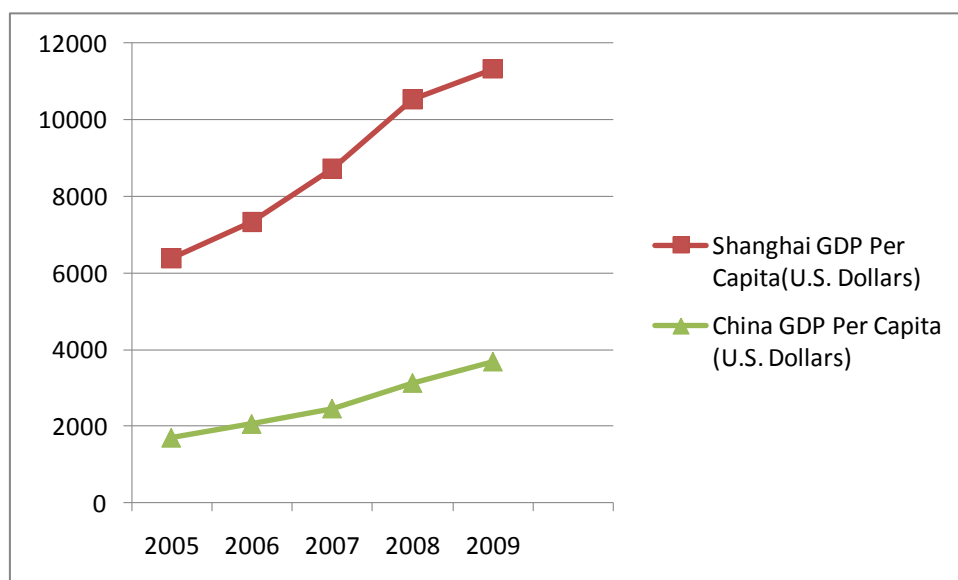


Chart 3.2 Comparison of GDP Per Capita between Shanghai & the Nation (2005-2009)

(2) Large Number of Domestic Passengers

According to *2009-2010 China Cruise Industry Development Report*, there are 790,000 mainland people (Hong Kong, Macao, and Taiwan excluded) took transiting cruise tour to foreign countries, with an increase of 20.1% compared with 2009, or 658,000 people. This is the fastest growth in the world. Shanghai is China's first port of call for international cruises, and is currently the port most international cruise ships docked in China. All these attract a large number of cruise passengers to Shanghai for boarding.

(3) Large Number of foreign Passengers

According to the prediction of World Tourism Organization, by 2020, China would become the world's largest tourist destination. This shows a further development of the inbound market. Start the voyage from Shanghai, passengers can get to Japan, South Korea, Hong Kong, Taiwan and other regions with 48 hours. This exerts irresistible attraction for western tourists interested in oriental culture. In 2000, Shanghai received 1.81 million international tourists, and in 2010, the number goes to 8.5 million, with an average annual growth of more than 11%. As the influence of Expo 2010 shows and Shanghai becomes more famous in the world, Shanghai will attract more inbound tourists.

3.1.3 Hardware Strengths of Port & Infrastructure

Shanghai Port International Cruise Terminal, put into use in August 2009, is a set of mark buildings include international cruise terminal, office, shopping malls, hotels, waterfront greens along the Huangpu River. It is the first domestic cruise terminal to meet the international standards and can berth three 70,000 t class cruise at the same time. Shanghai Port Wusong Passenger Transport Center (the First Phase), a project with a total investment of 1.26 billion RMB, was finished and put into use in April 2010. It can berth three large cruises (100,000 to 150,000 tons) at the same time. Shanghai Port International Cruise Terminal is located at the city center with beautiful landscape. The water depth of Shanghai Port Wusong Passenger Transport Center is more advantaged. Therefore, Shanghai now has two cruise terminals of international standard, complementary developed both of advantages and locations. Shanghai has been playing a leading role in domestic port hardware environment.

In addition, Shanghai has advanced urban infrastructure facilities, which is the guarantee for economic development of the cruise home port. Shanghai transportation, both air and ground, is very convenient. The city has 11 lines, inner, outer and middle ring overpasses, as well as magnetic suspension train formed a convenient transportation network extending in all directions. Shanghai connects with surrounding areas through rivers and roads. Shanghai Pudong International Airport and Hongqiao Airport strengthen the links

between China and foreign countries. Meanwhile, Shanghai is one of the most developed tourist cities in China, with a rich variety of urban tourism products and advanced services and facilities of urban tourism. There are highly internationalized tourist attractions, shopping malls, hotels, travel agencies and other services. Thus Shanghai has the capacity of receiving large number of domestic and international cruise passengers.

3.2 Weaknesses

3.2.1 Loopholes in the Rules and Regulations

Although the central government and Shanghai municipal government have introduced a number of policies to stimulate the cruise economy, the development of Shanghai cruise home port is still in its infancy, and therefore, the related policies, laws, regulations and other soft environment still need further improvement.

First, there are all kinds of port charges in China. According to *Regulation of Port Charges* by Ministry of Communications of PRC, the existing port charges include charges for navigation, shifting, anchor, harbor dues, parking, shipping agent, passenger agent, etc. The port fees and taxes are too high.

Second, China still limits foreign cruise companies' operation. Throughout history, all successful cruise companies and their affiliated travel agencies should register in the locality. But China still has restrictions on its opening policies, and as a result, only opened Star Cruises registered a solely

foreign-owned travel agency in Shanghai. The restrictions on foreign investment entry, and the limits on some industries (such as gambling industry, international cultural troupes, etc. on international cruises), makes the government's measures inconsistent with international practices, which as a result, exert an adverse influence on cruise companies in Shanghai to expand its home port businesses.

Third, the legislation on passenger transport of international cruises is lagging behind. For a long time, China's shipping legislation and regulatory measures is not equally advanced concerning passenger and freight transport. The latter is more effective, for it starts earlier and thus has better development. There are loopholes in laws and regulations concerning international passenger transport, especially marine security technology and financial responsibility of operators.

Fourth, Shanghai lacks a unified and efficient administration for its port construction and cruise market. The cruise industry is highly internationalized. There are constraints to its construction and management in the management systems, policies, laws, etc. The fragmentation and multiple administrations make the administrative organizations separated and inefficient. According to *Regulations of the People's Republic of China on International Ocean Shipping*, international ocean travel agent belongs to businesses of international ocean shipping, so the government should introduce standards on agencies' ticket services for international cruise companies.

3.2.2 Inadequate Service and Support

First, the Customs should operate rapid clearing of passengers. Favorable environment and convenient procedure for passenger clearance is an essential part of port services. However, there are no quick clearance measures consistent with China's reality in Shanghai or even all around the country. Chinese government should draw experience from other international cruise home port, and strengthen the co-ordination between Customs and Station of Exit and Entry Frontier Inspection to meet with international standards as soon as possible.

Second, Shanghai should improve its logistics services. As an important link in the supply chain of cruise tourism, cruise home should offer a wide range of products and services to the cruises. The port should not only provide fuel fulfillment, fresh water adding and waste disposal, but also offer maintenance and repair services. All these impose strict requirements on the logistic services of related suppliers. Whether they can offer efficient completion of the supply of a range of products and services will affect the status of the establishment of a cruise home port. At the same time, logistics is one of the most important means of competition among home ports. However, currently Shanghai cannot provide all the services and products and has no standards for cruise logistics service.

Third, Shanghai should improve its techniques of ship repair and maintenance. Large cruise are mainly built in France, Germany, Finland and Japan, while

Shanghai can provide effective repair and maintenance to the cruises. However in the near future, Shanghai is still at the stage of accumulating cruise maintenance experience, improving supporting facilities. So there is still a wide gap between Shanghai and international cruise home ports.

Fourth, Shanghai should improve its services to cruise passengers. In Shanghai and even the nation, there is no standard on service in cruise home port, resulting in poor service and lack of highly standard personalized service. In modern society, service industry occupies an important share in the industrial structure and highly standardized services can no longer meet the individual needs. A modern cruise home port should, in addition to provide highly standardized services, try to meet the service requirements of individuals.

3.2.3 Lack of Local Cruise lines

The international cruise industrial chain consists of shipyards, cruise companies, cruise ports and cruise tourism. The four links can be roughly divided into upper, middle and lower reaches based on integrated use of knowledge, technology, capital and other production factors. Shanghai, at present, carries out operation of cruise home port and cruise tourism, which are in the middle and lower reaches of the industrial chain, but not launches the core aspects of the cruise industry - shipbuilding and cruise companies. Cruise building is both capital intensive and technology intensive: building a

cruise may cost 500 million to 600 million U.S. dollars. Currently all cruises operating in Shanghai belong to foreign cruise companies. The cruise tickets can be sold by travel agents on a commission basis, with 15% commission profit. There is no transatlantic cruise company in Shanghai and even in China. The existing cruise companies conducting cruise tour are of small scale and poor management. If there are local cruise companies or cruise fleets, they can work out liners according to port condition and market need, and thus to be able to gain larger profit.

3.2.4 Lack of Information Platform

An interactive information platform is an important means of publicity. Most cruise home port abroad would build their own website for interaction with service clients. Through the platform, on the one hand, the service clients, such as cruise companies and passengers can get all kinds of information about the port and its services; on the other hand, they can give feedback, including questions and suggestions back to the port. This leads to beneficial interactions between service clients and the port.

Shanghai does not have a high standard, efficient and unified information platform. Most websites, cruiseshanghai.com included, offer unilateral information about cruise news and national policies, but lacks interaction with port service clients. Most platforms are to existing distributed LANs, with no connect and share between that of customs, port, inspection, shipping, finance,

insurance, taxation, industry & commerce. There is no unified platform for cruise information and technology.

The fact that the cruise information platform in Shanghai needs to be promoted affects the notability of the cruise port. It should be overcome in the future development of cruise home port.

3.3 Opportunities

3.3.1 Eastward Shifting of Cruise Industry

The world's cruise market saw limited growth in recent years. In North America, where has for a long time occupies most of the international market, cruise tourist market is saturated. Some traditional tourist destinations such as Caribbean Sea, has been offering unchanged cruise liners for more than a decade. The invariability of routes and lack of new ideas becomes the biggest obstacle for expanding cruise tourist market. Moreover, Alaska has introduced laws to limit the cruises transiting through the area in order to protect the fragile glaciers. Therefore, to cater to tourists' need for new destinations and to expand cruise tourist market, cruise companies begin to pay more attention to Asian market. The international cruise industry is shifting to the East.

Asia-Pacific is regarded as the most important region for development of cruise market in the future. According to the latest statistics, during January and April, 2010, tourism market in Asia increased by 12%, while the world average is 7%. Asia-Pacific is playing a leading role in the recovery of world's

cruise market. Meanwhile, projects of many new ports construction, the strong support from the government and efforts of the cruise business for expansion and promotion, have been attracting more and more Asian people to cruise tourism. These factors will promote the development of Asian cruise market, among which China is seen as an essential driving force.

China is located across two large areas of Northeast Asia and Southeast Asia. It is not only the important port of departure and destination for Asian summer cruise liners, an important port of call for winter cruise routes, but also the only way for round-the-world cruise tours. In addition to that, the Oriental culture in China, enormous tourist resources and tourist market with huge potential, all make China the core of the Asian cruise market, gaining more and more attention from cruise companies. As the global cruise market shift eastward, the Chinese government, enterprises, associations, universities and cruise industry are seeking to make joint effort to take up the opportunities of cruise industry development. In recent years, with Chinese ports as cruise home ports, Costa Cruises, Royal Caribbean International and Star Cruises have one after another opened up new liners to Northeast Asia and Southeast Asia. Shanghai, as one of the most influential domestic ports, is indispensable for inbound and outbound cruises in China and has the main passengers of international cruises. Currently, the international cruise giants all plan to conduct business in Shanghai, and as a result, the city has seen a rapid increase in cruises and tourists visited. Star Cruises, Costa Cruises,

Mediterranean Shipping Company, Royal Caribbean International and other cruise giants have set up branches in Shanghai, and opened several regional liners with Shanghai as the home port. Shanghai should seize this opportunity of the eastward shifting of cruise industry, and put more efforts in the cruise home port economic development in the favorable conditions.

3.3.2 Construction of Shanghai International Shipping Center

Major international shipping centers, such as London, Singapore and Hong Kong have developed cruise economy. International shipping centers are often metropolises of trading and economic center. In these cities where elite gathered, there are many potential customers. Coupled with Shanghai's status as a transport hub of waterways and developed service industry, Shanghai has the necessary factors for cruise industry development.

Cruise industry is important part of Shanghai international shipping center. Since 2000, Shanghai Port has enjoyed a sustained and rapid development. Currently, it has the largest cargo turnover and second largest container turnover in the world. Theoretically, an international shipping center is a complete identification. It should include hardware factors of harbor terminal, international airport, transport network and international cruise wharf and soft environment of convenient customs clearance for passengers and cargos, shopping, tourist, entertainment and other services

Therefore, the construction of Shanghai international shipping center should

rely on the developed cruise industry, and in turn stimulate the development of the cruise industry.

With the construction of Yangshan Deep Water Port, the relocation of the shipping liners, Huangpu River will no longer bear the heavy transport tasks. There will be more berths along the Huangpu River, which will provide a good opportunity for the development of cruise industry. Meanwhile, Shanghai international shipping center will play its role as a transportation hub, to attract cruise investors and consumers to develop the cruise industry and Shanghai cruise home port.

3.3.3 National Policy Support

On October 26, 2009, Ministry of Communications of PRC released policies in *Notice on Permission for Operation of Foreign Cruises Agency*. Therefrom, foreign cruises on international routes can berth at more than two ports instead of one previously. Cruise tourists can debark for sightseeing before getting on board for the entire trip. The introduction of the policy eliminates a major bottleneck for accelerating the development of China's cruise industry.

At the same time, Bureau of Exit & Entry Administration of the Ministry of Public Security, P.R.C. introduced in *Inspection Management for Cruise Exit & Entry* a series inspection measures for cruise passengers. These policies have stimulated the development of cruise industry in Shanghai.

On October 10, 2010, Costa Romantica, joint tenant by Shanghai International

Port Group Co., Ltd and Xiamen Port started the voyage from Shanghai. It is the international cruise permitted by the Ministry of Communications to berth at more than one ports. Its success made a policy breakthrough in the field.

On November 24, 2010, the National Technical Committee 210 on Tourisms of Standardization Administration of China (TC210) organized a meeting of discussion on the *Standards of International Port Travel Service (Draft)* commissioned by the China Cruise & Yacht Industry Association (CCYIA) of China Communications & Transportation Association and Shanghai Municipal Tourism Administration. Recently the China National Tourism Administration approved and enforced the first domestic standard in cruise industry, which was also the first one at Asia-Pacific region. The introduction and implementation of the standard would improve and standardize the quality of tourism services in international cruise ports.

The introduction of the national policies have created a favorable policy environment for the economic development of Shanghai cruise home port, and would attract more international cruises to Shanghai for departure and anchor.

3.4 Threats

3.4.1 Competition from Domestic Cruise Ports

It is obvious that the global cruise industry is to the shifting the East, and therefore a growing number of cruise companies are paying more attention to the cruise market in Asia and China. At present, China's coastal port cities

speed up construction of cruise ports in order to seize the economic opportunities of cruise economy. Apart from Shanghai, Tianjin, Xiamen and Sanya in mainland China have opened cruise liners as home ports. Other ports such as Dalian, Qingdao, Haikou, Beihai, Shenzhen, etc. have been ports of call for international cruises. The competition between ports is more intense than before.

(1) Tianjin Port

Tianjin Port is located in the west of Bohai Bay, lower reaches and the estuary of the Haihe River. It is the nearest inland port to north and northwest China at the Bohai Sea and therefore is called the maritime gateway to Beijing.

Tianjin international cruise home port was completed and put into use on June 26, 2010. The first phase is 70 million square meters, with two large berths for international cruises and supporting facilities. The passenger center in the home port, the largest one in Asia, has a building area of 60,000 square meters and first-class facilities for picking up, waiting, parking, security, shopping, leisure and entertainment. The center can grant clearance for 4,000 immigrants at the same time and has an annual passenger reception of 50 million.

It is estimated that there will be 31 voyages by 12 cruises arriving and 105,000 tourists at Tianjin. (Research source: websites, news, industrial reports.)

Tianjin Port is one of the top three cruise home ports. The hardware factors are at a certain scale and competitive in the country. But Tianjin cruise home port,

compared with Shanghai, is deficient in related industries, tourism resources, and dining, shopping, hotels and other facilities.



Chart 3.3 Aerial View of Tianjin Port [28]

(2) Xiamen Port

Xiamen Port is an important port of natural deep water at southeast Chinese coast with favorable natural conditions. Greater Kinmen, Lesser Kinmen, and some islets around the harbor form a natural barrier, with silt- and silt-free wide deep waters of small wave. The port has 154 km coastline.

The Xiamen International Cruise Center is 3 km distant from the city center. It can be divided into two parts: the passenger terminal and the joint inspection building (a total construction area of building over 82,000 square meters). The port can berth large cruises of 140,000 tons. The port can accommodate 3,000 passengers at the same time in the peak season. Its annual turnover of passengers is 1.5 million people. (Research source: websites, news, industrial reports.)

The Xiamen International Cruise Center is to be a regional cruise home port, mainly for cruise liners across the Taiwan Strait and for international cruises as well. On October 12, 2010, the Costa Romantic, with 1,182 passengers,

docked in Xiamen International Cruise Centre, and left for Taiwan that night. It was the first time that an international cruise took a direct route from Xiamen to Taiwan. The Ministry of Communications gave the first special approval for route of multi-port berth from Shanghai to Xiamen to Taiwan. It is an important breakthrough in policy concerning multi-port berth along China's coastline and direct route across Taiwan Strait. Xiamen became the first city benefited from the policy, and gave a positive example for attracting more international cruises berthing at Xiamen port.

Xiamen makes clear its target orientation and geographical advantages, and claim the superiority over Shanghai port as for cruise liners to Taiwan. However, compared with Shanghai, Xiamen port is short in cruise berth and international notability.

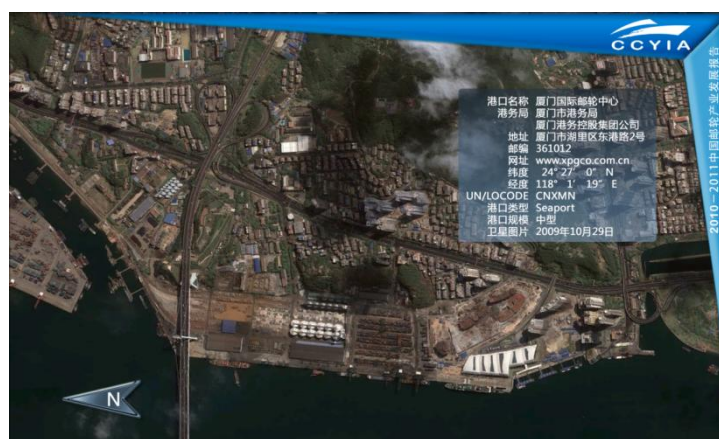


Chart 3.4 Aerial View of Xiamen Port [28]

(3) Sanya Port

Sanya Phoenix Island International Cruise Port is located at the estuary of Sanya City. The Phoenix Island is an artificial island of 547.6 acres reclaimed from the sea around the reefs. The cruise port is to build three berths, 25 ton,

10 ton and 5 ton respectively. As a special cruise port, it has the most excellent facilities in China. The 10-ton berth was finished in 2006, along with the international passenger inspection building of 100,000 square meters and supporting facilities. The rest construction is to be finished in 2014.

When finished, the Phoenix Island International Cruise Port will be the largest Asian port of departure for international cruises to China's coastal cities, Japan, Korea, Russia and Southeast Asia and parts of the world. The port is expected to berth 18 international cruise voyages and 220,000 cruise tourists. (Research source: websites, news, industrial reports.)

Sanya, with regard to the low latitude, is similar to the city of Miami, U.S. It holds competitive edge for its excellent climate, year-round cruise operation and abundant tourism resources. However, since the Phoenix Island International Cruise Port has not finished, Sanya has currently only a 10-ton cruise terminal. Compared with Shanghai, it has much smaller cruise voyages and passengers.



Chart 3.5 Aerial View of Sanya Port [28]

3.4.2 Competition from Asian Cruise Home Ports

Shanghai is facing competition from more advanced cruise home ports in Singapore, Malaysia, Japan, and South Korea, Hong Kong, Taiwan and other Asian countries and regions, where the cruise economy is more developed. Compared with those domestic cities, these cruise home ports are more difficult for Shanghai to catch up.

(1) Hong Kong

Hong Kong is one of the most important cruise home ports in Asia. It had 87 cruises 1,078,404 passengers visited in 2010.

There are four cruise ports in Hong Kong: Ocean Terminal, Merchants Terminal, Container Terminal and Kai Tak Cruise Terminal. The Ocean Terminal, located in Tsim Sha Tsui in Kowloon Peninsula, is a three-story building, part of Harbor City. Merchants Terminal, in the west region of Hong Kong Island, has efficient transport, 10 minutes to city center by car. Container Terminals is in Kwai Tsing the New Territories. Kai Tak Cruise Terminal, located where previous was Kai Tak Airport, has two alongside berths without clearance restrictions. It can berth the largest international cruises when completed. The first berth is expected to put into use in the middle of 2013.

(Research source: websites, news, industrial reports.)

Hong Kong is the home port with the most developed cruise industry in China. Its notability and facilities are all well matched with Shanghai. With its turnover of over 1 million passengers, Hong Kong holds competitive edge as a cruise

home port.

(2) Singapore

Singapore is a country with great potential for cruise industry. The Cruise Center, at the opposite bank of Sentosa, has two super large-scale and four large scale cruise berths. In 2009, Singapore planned to invest in its second cruise port – the Singapore International Cruise Centre, at Marina South. The construction of the terminal is not only to increase the berthing capacity in Singapore, but also to improve the construction of the city's new area and to set a new standard for efficiency and service of cruise port. (Research source: websites, news, industrial reports.)

Over the past decade, the Singapore cruise industry has experienced a rapid development. In 2009, there were more than 1,000 voyages of 384 cruises arrived in Singapore, taking in 1.138 million tourists, reaching a historical high. In 2011, 48% of the cruises visiting Asia are expected to berth in Singapore. As the home port or port of call for many cruises, Singapore has varied liners ranging from general holiday cruises to luxury cruises and of adventure routes. According to estimation of Singapore Tourism Board, there will be 1.6 million cruise tourists to Singapore every year after 2015.

(3) Japan

The developed economies and advanced tourism in Japan provide a good

foundation for the country's cruise tourism. Moreover, Japan as a marine nation, has unique geographical characteristics - being surrounded by sea, which is in favor of port construction and diversity of cruise liners. According to latest data released by tourism department in Japan, there are 23 cruise ports throughout the nation. Among them, Yokohama, Kobe, Naha and Nagasaki are all cruise home ports, and the rest are ports of call.

Yokohama is located in the Tokyo Bay. With this strategic location, it has become the largest cruise home port in Japan. There are four cruise berths, surrounded by diverse tourist attractions. As the gateway to Tokyo, the Metropolitan and eastern and northern Japan, the port has been playing a vital role. Kobe has two cruise terminals, which can berth large cruises (150,000 ton), connecting the domestic shipping network to western Japan around the Inland Sea. Naha, as the southernmost port in Japan, is of special importance. During 2010 and 2011, many cruise companies including Costa, Regent Seven Seas, Princess Cruises and Royal Caribbean International planned cruise liners with Naha as the home port or port of call. Nagasaki, as an important tourist port of call for Japan, is the first port to be able to berth large cruises (100,000 ton) in Japan. (Research source: websites, news, industrial reports.)

Currently, the cruise fleets operating in Japan belong mainly to its domestic cruise companies, and more than 97% of tourists come from Japan. The main problem in the Japanese market is that its consumers are mostly Japanese. The "self-sufficient" business model makes the Japanese market hard to

expand. In March 2011, 8.8 magnitude earthquakes occurred in Japan. This is a severe hit to its tourist industry, cruise industry included. Safety would be the most serious concern for cruise companies and tourists in deciding whether to take Japan as cruise home port and tourist destination.

3.5 Conclusions

In summary, Shanghai' unique geographical advantages, potential cruise tourists and better hardware facilities all provide favorable factors for Shanghai to develop cruise home port. Although Shanghai has advantageous edge over other domestic ports, there is still a gap with advanced cruise home ports in Asian. With the eastward shifting of the cruise industry, and construction of Shanghai international shipping center, Shanghai is facing with new opportunities for the development of cruise industry. Therefore, it is vital to seize the opportunity and develop practical and feasible strategic planning, taking into consideration of the above scientific analysis and forward-looking decision.

Chapter4 Wisdom Drawn on International Cruise Home Ports

4.1 International Cruise Home Ports

The rise of the cruise tourism in Europe is dated back to decades ago. There

are three major cruise destinations in the world. The first is the Caribbean and the Gulf of Mexico, with the main port of Miami, America. Miami berths more than 3,000 cruises each year, with port revenues of more than 100 million. The second cruise destination is the Mediterranean, with the main port of Barcelona, berthing nearly 2,000 cruises each year. The third cruise destination is the South China Sea and the Gulf of Thailand. For example, Singapore berths more than 1,000 cruises every year. With the sustained and rapid growth of cruise economy, and the in-depth development in many countries and regions, the current international cruise ports are located in the distribution of a more stable global layout.

The researcher conducted study by visiting the websites of world famous home ports, such as Miami, Port Canaveral, Singapore, Port Kelang and the Los Angeles World Cruise Center, consulting relevant studies and documents, contact with famed ports by Email so as to draw on their success and experience for the development of Shanghai cruise home port.

4.2 Wisdom Drawn on International Cruise Home Ports

4.2.1 Location at or near Developed Regions

The construction of cruise home port should have developed economic background. All important cruise home ports, without exception, are located in or adjacent to the economically developed regions. For example, as the Asian international cruise home ports, both Singapore and Hong Kong are backed

with world-renowned business, financial and shipping centers.

Moreover, tourism is a product of economic development. People have desire for tourism consumption only when they get sufficient income. The larger the city scale, the deeper the hinterland, the higher the citizens' disposable incomes, the higher the tourist rates and tourist spending, the more passengers depart from this port.

4.2.2 Area with Abundant Tourist Resources

A cruise home port is the base for the cruises. Passengers stay for a longer time than at ports of call. Therefore, abundant tourism resources may attract more tourists for a home port. Most of the world's leading cruise home ports are themselves world famous tourist cities. Barcelona is a world-renowned tourist destination for Mediterranean scenery and also a world famous historical and cultural remain. Hong Kong, the City of Life, is a famous tourist shopping paradise. Miami, Singapore, and Seattle are all a popular tourist resort.

4.2.3 Favorable Factors for Port Construction

As the cruise economy develops towards larger scale, cruises have larger displacement, carrying capacity and length, and thus have higher requirements for ports of call. Therefore, the home port must meet certain requirements of water depth, shoreline length and channel conditions, and set

convenient embarking and debarking facilities, independent front terminal operation area, so as to ensure the segregation of logistics and passenger flow.

4.2.4 Customs and Port Affairs Management in Accordance with International Law and Practice

Whether the customs clearance fast and convenient or not is the first step for tourism, and it is decided by the customs procedures and port management procedures. The clearance quality is an important indicator of whether the port has high-level reception, and would affect cruise companies' choice in home port.

High-quality customs clearance requires macro-policy support from the government. For example, in the United States, Singapore and Hong Kong, the international and integrated policies and mechanisms for industrial operation provide favorable environment for the operation of customs procedures.

4.2.5 Advanced Infrastructure Networks

A cruise home port should have well-equipped supporting facilities, mainly for cruises and cruise passengers. First, it should provide for cruises: cruise terminals of international standard and ancillary facilities; materials supply, waste disposal, repair and maintenance and other services. Second, it should

provide for cruise passengers: embarking and debarking facilities and services; catering, accommodation, business, shopping and entertainment facilities.

4.2.6 Efficient External Transport System

Advanced external transport system is the key factor for a cruise home port. It has two senses, broad and narrow respectively.

External transport system, in the broad sense, refers to the transportation network between the area where the cruise home port located and other regions, including roads, railways, aviation, and water carriage, etc.

External transport system, in the narrow sense, refers to the transportation network between the cruise home port and the port city, including roads and railways, mainly with means of buses, taxis and metros.

4.2.7 Qualified Personnel

Many cruise companies set up offices, branches and even headquarters in the cruise home port. Therefore, a cruise home port should be equipped with not only onboard staff, but also onshore staff such as professionals at operations, sales, coordination, management, and technology. For its internationalization, the cruise industry has a high demand for the personnel in the industry chain. Since cruise home ports have connection with many links in the cruise industry chain, a high-quality service personnel can guarantee its efficient operation.

4.2.8 Efficiency of Soft Environment

The domestic cruise home ports should focus on, in addition to the construction of hardware facilities, the improvement of efficient services and soft environment.

European cruise home ports have only routine inspection facilities, but no exit & entry inspection facilities, customs checkpoint or three inspection checkpoint, which are common in China. In Barcelona Cruise Terminal, for example, exit and entry inspection is usually carried out immediately after the cruise berth. The government officials get board to check passports and visas; meanwhile, there is dedicated staff responsible for the management of tourist passport and visa services on board. Therefore, the whole process only takes 20 minutes. The favorable clearance is convenient for the tourists. ^[21]

In addition, most cruise home ports have their own websites as interactive platforms and information services. Through the platform, the service clients can get various kinds of information about the port and its services and give feedback, including questions and suggestions back to the port. This leads to beneficial interactions between service clients and the port. Foreign cruise home ports hold advanced technology of conducting such interactive platforms. They can provide comprehensive information for service clients. For example, people can get information, whether about berths in the terminal or about annual report of the port on the website of Canaveral

4.2.9 Change to Composite Cruise City

Cruise harbor districts is not only the place for boarding and debarking of the cruise tourists, but also takes the responsibility of a city. The construction multi-functional cruise city of cruise terminal with commercial, entertainment, office, hotel, residential has become a modern trend for cruise port development. This pattern can not only better meet the needs of tourists, but also increase commercial revenue and accelerate the investment recovery of the port. By this means, investors can solve the problem of huge investment costs long payback period. Taking the Harbor City, where the Hong Kong Cruise Terminal located for example, it not only offers services for cruise passengers, but also is a shopping and entertainment center for Hong Kong people.

Chapter 5 Strategies for Developing Shanghai Cruise Home Port

5.1 Outlook for Shanghai Cruise Market

5.1.1 Forecast for Shanghai Cruise Tourist Reception

Shanghai cruise market is, in a sense, underdeveloped, as there is no official statistics for cruise tourist reception. The researcher should look for the numbers of transiting cruise tourists over the years in various news reports and

calculate the number of next three years based on them. The following chart shows the numbers of transiting cruise tourists over the past years.

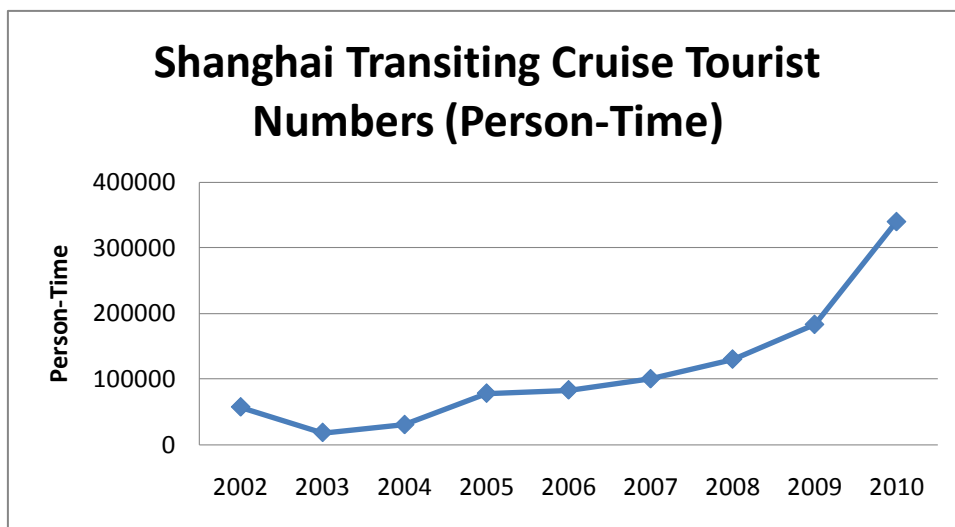


Chart5.1:Shanghai Transiting Cruise Tourist Numbers(Person-Time)

(1) Exponential Smoothing Method

The forecasting model adopted in the research is Exponential Smoothing Method , or ES. It has three common models: simple (single) exponential smoothing, double exponential smoothing and triple exponential smoothing. Triple exponential smoothing has more accurate prediction for nonlinear changes in time series. Therefore, this study adopts triple exponential smoothing for analysis and forecasting.

Triple exponential smoothing is a kind of time series prediction. Its model is:

$$Y(t+1)=aX(t)+(1-a) Y(t) \quad (1)$$

$X (t)$ refers to the actual number of phase t; $Y (t)$ refers to the prediction number of phase t.

a is the smoothing factor. If time series are $X_1, X_2, X_3, \dots, X_n$; S is the Exponential smoothing value; simple exponential smoothing at phase 1 is $S_t^{(1)}$,

double exponential smoothing $S_t^{(2)}$ and triple exponential smoothing $S_t^{(3)}$.

So the formulas of exponential smoothing are:

$$S_t^{(1)} = \alpha X_t + (1-\alpha) S_{t-1}^{(1)} \quad (2)$$

$$S_t^{(2)} = \alpha S_t^{(1)} + (1-\alpha) S_{t-1}^{(2)} \quad (3)$$

$$S_t^{(3)} = \alpha S_t^{(2)} + (1-\alpha) S_{t-1}^{(3)} \quad (4)$$

As to exponential prediction Y_{t+T} with T years of prediction period and t as the base year, its triple componential model is:

$$Y_{t+T} = a_t + b_t T + c_t T^2 \quad (5)$$

a, b, c are all soothing factors; formulas are:

$$a_t = 3S_t^{(1)} - 3S_t^{(2)} + S_t^{(3)} \quad (6)$$

$$b_t = \frac{\alpha}{2(1-\alpha)^2} [(6 - 5\alpha)S_t^{(1)} - 2(5 - 4\alpha)S_t^{(2)} + (4 - 3\alpha)S_t^{(3)}] \quad (7)$$

$$c_t = \frac{\alpha^2}{2(1-\alpha)^2} [S_t^{(1)} - 2S_t^{(2)} + S_t^{(3)}] \quad (8)$$

(2) The choice of weighting coefficient

The key to the exponential smoothing is the choice of α , for the amount of α specifies the proportion of new statistics to previous statistics. The larger the, the proportion of new statistics is larger, and vice versa. In fact, the amount of α set not only the responsive effect of the prediction model to time series changes, but also its capacity of smoothing errors.

In practice, α is chosen according to the time series changes. Values of α close to one, e.g. 0.6-0.9 have less of a smoothing effect and give greater weight to recent changes in the data, while values of α closer to zero, e.g. 0.1-0.3 have a

greater smoothing effect and are less responsive to recent changes. Actually, there is no formally correct procedure for choosing α . Sometimes the statistician's judgment is used to choose an appropriate factor.

Generally, prediction error can be measured by MSE, as the following formula:

$$MSE = \frac{1}{n} [\sum_{i=1}^n (V_i - F_i)^2] \quad (i=1,2,3,\dots, n) \quad (9)$$

V_i and F_i are the actual value and prediction value of phase i .

(3) Choosing α

Chart5.2 shows triple exponential soothing results of Shanghai cruise tourist reception, when $\alpha=0.9, 0.8, 0.7, 0.6$.

Year	Shanghai Cruise Tourist Reception (Ten Thousand Person-Time)	Prediction			
		0.9	0.8	0.7	0.6
2002	5.7	5.7	5.7	5.7	5.7
2003	1.5	2.6382	3.5496	4.2594	4.7928
2004	3	2.81316	3.02736	3.47736	4.02816
2005	7.8	6.456702	5.429664	4.808886	4.582848
2006	8.3	7.905954	7.172512	6.351014	5.66544
2007	10	9.470898	8.796166	7.941402	7.016563
2008	13	12.08755	11.11644	10.02133	8.801767
2009	18.3	16.69074	15.0413	13.32339	11.50956
2010	34	29.44007	25.16918	21.16171	17.37968

Chart5.2 shows triple exponential soothing results of Shanghai cruise tourist reception

According to formula (9), the researcher gets the MSE value of triple exponential smoothing when choose different α .

α	0.9	0.8	0.7	0.6
MSE	3.09	11.63	24.81	42.01

Chart5.3 MSE value of triple exponential soothing when choose different α

When $\alpha=0.9$, MSE gets the smallest value. Therefore, choose $\alpha=0.9$.

(4)Case Prediction

First, calculate simple, double and triple exponential soothing according to formula (2), (3), (4), as Chart5.4

Year	X1	St(1)	St(2)	St(3)
2002	5.7	3.4	3.4	3.4
2003	1.5	1.69	1.861	2.0149
2004	3	2.869	2.7682	2.69287
2005	7.8	7.3069	6.85303	6.437014
2006	8.3	8.20069	8.065924	7.903033
2007	10	9.820069	9.644655	9.470492
2008	13	12.68201	12.37827	12.08749
2009	18.3	17.7382	17.20221	16.69074
2010	34	32.37382	30.85666	29.44007

Chart5.4 Simple, Double & Triple Exponential Soothing Statistics

Prediction for Shanghai Transiting Cruise Tourist Reception

According to Formula 5 - 8, the prediction model of Shanghai transiting cruise tourist reception is

$$Y_{t+T} = 33.99155 + 19.53774T + 4.073044T^2$$

Y_{t+T} is the prediction for Shanghai transiting cruise tourist reception in year (t+T); T is specific years of trend extrapolation; 33.99155、19.53774、4.073044 are a_t , b_t , c_t , the prediction model factor. According to this formula, with 2010 as the base year, the prediction results for 2011, 2012 and 2013 are as following:

Prediction Year	2011	2012	2013
2010 as Base Year	57.60233	89.3592	129.2622

According to the prediction, Shanghai cruise market will see an enormous growth during the next three years. Accordingly, there will be various needs in the cruise market, which will lay a solid basis of market demand for the cruise economic development. Shanghai will assuredly enjoy great success in cruise economy.

5.1.2 Forecast about Cruise Lines for Shanghai Market

The 2011 cruise liners released by Royal Caribbean International and Costa (both berth Shanghai as home port), this year, Shanghai is expected to berth

nearly 200 cruise voyages, a similar number with that of 2010. Among them, the frequent callers, Legend of the Seas, of Royal Caribbean International to take 48 voyages, and Costa Cruises, 72 voyages, take Shanghai as their home port.

There are various cruise vacation choices on Legend of the Seas, of Royal Caribbean International. There are different liners ranging from short-distance voyages of 3 nights to in-depth tour of 9 nights. As for cities along the cruise liners, there are traditional hot pots of Fukuoka, Kagoshima, Pusan, Ha Long Bay, Keelung and Kaohsiung, as well as Beppu - the largest hot springs paradise in Japan, Osaka – the economic and cultural center of Japan, Cheju – the Honeymoon Island of South Korea and Taichung – the Heart of Taiwan. These cities would leave happy memories for the cruise vacation.

5.2 Strategic Objectives

The Strategic Objectives of Shanghai cruise home port include: to become one of the top three Asian-Pacific cruise centers with Singapore and Hong Kong, to become a leading international cruise hub in the East Asia, to become the home port for 5-8 cruises, to send 300,000 to 500,000 cruise passengers, to have 500 entry & exit cruises and 1,000,000-1,200,000 cruise passengers.

Specifically, Shanghai should improve its port infrastructure, optimize the terminal layout, promote the supporting facilities, standardize the service and management, enhance the business environment, deepen the industrial chain,

increase the industry influence, advance the port status and form an industrial structural trinity of economic, social and environmental effects. By 2015, Shanghai is to establish its status of international shipping center and become a crucial composite cruise home port in the Asia Pacific region. [29]

5.3 Strategy Adoption and Implementation

5.3.1 Industrial Cluster Strategies & Measures

The cruise industry is a marginal industry. The cruise, originally a tool of transportation, contain the characteristics of tourist destination once connect with tourism. Therefore, the cruise industry is a composite of transportation, tourism, sight-seeing and entertainment, cross-collection, a typical cluster economy. Once adopt industrial cluster strategy, the effect will be reflected in two aspects (Chart 5.5): first, various cruise terminal companies, passenger service facilities and main bodies of the cruise market will gather in the harbor district, to provide timely and effective services for cruises and passengers. This will attract more cruises to berth and make the port a high-quality home port for more cruises. Second, more cruises will be attracted to the high-quality home port. It will be contributing to the further development of the harbor district, related industries and its transport system, namely, to be an impetus for regional economic development.

Chart 5.5 Cluster Effect of Cruise Home Port Industry

Home Port	Cluster Factors	Industrial Outreach	Cluster Effect
Miami	12 super large-scale cruise terminals; berth of 20 cruises simultaneously; quick inspection and convenient facilities; headquarters of large cruise companies; easy access to downtown hotels, restaurants and shopping malls	Close to several scenic resorts in U.S.; close to Caribbean and Gulf of Mexico	Largest turnover of visiting cruises in the world; 4 million cruise tourists in 2008
Barcelona	7 cruise terminals; berth of 9 cruises simultaneously; hotels and restaurants; efficient transport	Tourist resources and related industries along the Mediterranean Sea	Continuous passenger flow; 2.07 cruise tourists in 2008
Singapore	2 international waiting stations; 2 super large-scale cruise berths; 4 large-scale cruise berths; aviation hub; convenient shopping, dining and accommodation	All related industries in Singapore	1,200 international cruises visited; the most efficient operator of cruise port

Hong Kong	4 cruise berths; good location; convenient picking-up; high-class facilities; shopping center	Related industries in the whole Hong Kong and the Pearl River Delta	A vital cruise home port in Asia; 1.08 cruise tourists in 2008
-----------	--	--	---

Resource: *Study on the Cluster Motive Mechanism of Shanghai Cruise Industry*

As regard to the concentration of location, extent of government support, innovative environment of the cruise industry, Shanghai cruise home port has the basic conditions for developing industrial clusters. Shanghai Port International Cruise Terminal at the North Bund Area and Shanghai Port Wusong Passenger Transport Center are both constructed with essential function as cruise home port, relying on surrounding port infrastructure and tourist service facilities, to be a gradated cluster of cruise passenger transport, cruise operation services, corporate headquarters and commerce, entertainment and leisure (Chart5.6). The city has drawn up cruise industrial cluster strategies and measures to improve Cluster Core Area, to build Cluster Sub-Core Area and to promote Cluster Outreach.

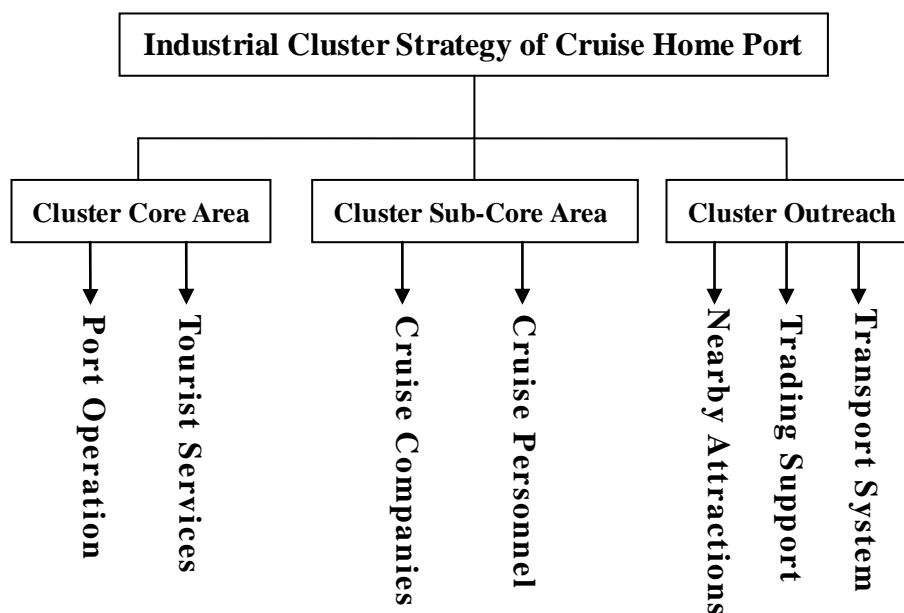


Chart 5.6 Cluster Gradation of Shanghai Cruise Home Port

5.3.1.1 Strategies for Cluster Core Area

(1) Efficiency of Port Operation

The core area of cruise home port industrial cluster is the operation district of the terminal. It is critical to improve the operational efficiency of Shanghai cruise home port terminal. Specifically, measures include improving the capacity of cruise berthing, supply and maintenance and the convenience of on-board facilities.

The berth depths of Shanghai Port International Cruise Terminal and Shanghai Port Wusong Passenger Transport Center are 10 and 13 meters respectively. Since the tide rises and ebbs every day, it is important to give accurate predictions on cruises' entry and exit to ensure the safety and efficiency of

cruise berthing.

Two cruise ports should both be equipped with advanced cruise supply and maintenance facilities, including programs of 24-hour pilot, tugs, oil adding, fresh water supply, waste disposal services. It is advisable to make sure the space for front working area, so that the ports can be able to transport luggage and supply in time. The front working area of Terminal D in Barcelona is 22 meters wide, and that of the new cruise terminal in Hong Kong is up to 30 meters wide.

In addition to adequate working space, easy access to cruises is also important for a cruise home port. Shanghai can learn from foreign cruise terminals, to use several gangway ladders and boarding bridges for convenient embarking and debarking. Gangway ladders can be adjusted horizontally and vertically to connect the passenger facilities and embarkation entrance on the back of the gangway ladders. It is a convenient and safe boarding channel, for its closed management.

(2) Quality of Tourist Service

To improve the quality of tourist service, Shanghai cruise home port should speed up the clearance of passengers and luggage.

It should take no more than two hours to clear 2,000 cruise passengers. With more and larger cruises visiting Shanghai, much more cruise tourists will get to Shanghai port. This imposes higher requirements on Shanghai Port

International Cruise Terminal and Shanghai Port Wusong Passenger Transport Center.

First, in order to quicken the speed of customs clearance for passenger, the ports should open up more tourist channels. However, like cruise liners, the cruise home ports show seasonal changes. Unchangeable channel opening would lead to idle facilities, waste of construction costs operation costs off season. Therefore, to make temporary visitor access is a more sensible practice. For example, Shanghai Port International Cruise Terminal can open 5 temporary channels at peak season, in addition to the 10 existing tourist channels.

Second, it is important to have efficient handling of luggage, so that tourists can get their luggage without delay. Most cruise tourists have two or three piece of luggage, more than domestic passengers. The luggage is sent before ticket checking and taken after customs clearance and taken over in the passenger's room on board. All these require workable measures for management. Shanghai should set up special facilities for luggage handling in Shanghai Port International Cruise Terminal and Shanghai Port Wusong Passenger Transport Center. Many cruise home ports have not only traditional airport-style luggage conveyor system, but also a number of innovative measures. In Los Angeles International Cruise Center, baggage is conveyed to the ground by rotating vessels and is classified in the luggage storage room according to different colors for passengers.

5.3.1.2 Strategies for Sub-Cluster Core Area

(1) Gathering of Cruise Companies

Seven of the largest eight cruise companies are headquartered in the United States, the other one, Star Cruises in Asia. The concentration of cruise company headquarters shows the importance of the America in the international cruise industry. It should be noted that among the even cruise companies headquartered in America, four of them have headquarters in Miami. It is obvious that Miami is at the center of American cruise industry. Therefore, the more concentrated the cruise companies, the more important of that port city Shanghai, if gathers cruise companies in the two harbor districts, is more likely to take the initiative to develop cruise industry and have advantageous edge in science & technology, management experience, human resources, tourist market. It will stimulate Shanghai cruise economy and bring about comprehensive economic effects. Specific measures include the following three aspects:

First, it is vital to attract foreign cruise companies to set up headquarters or offices in the two harbor districts. Large international cruise companies have unrivalled international notability, strong financial support, professional human resources and advanced management experience. Shanghai should take the advantage of cruise companies beginning business in the city, be active in contact and negotiation with them. It can encourage cruise companies to settle

down by means of joint developing cruise terminal, leasing office and facilities in harbor districts.

Second, it is important to cultivate and encourage local cruise companies to station in the two harbor districts. It is unfavorable factors for developing cruise that there is no local cruise company in Shanghai and even China. Therefore, Shanghai should cultivate local cruise companies with the resource and market advantage. The companies would better meet the demands of local tourists in the liner design, product promotion, facilities and services.

Third, it is crucial to attract and set up professional cruise travel agents stationed into the two harbor districts. Professional cruise travel agents are helpful in ticket sales and marketing of cruise companies and cruise ports. They can offer professional services in the harbor districts and cultivate local cruise markets with the cruise home port.

(2) Improvement of Cruise Personnel

As the cruise industry is a highly international and marginal industry, it is important to have professional and skilled staff. Therefore, shanghai should develop some cruise research institutes, training sites and experimental centers at the two harbor districts and establish a base for cruise personnel.

Specific strategic measures include the following three aspects:

First, it is important to establish a high school cultivation system. Shanghai Port should strengthen the cooperation with high schools, especially with the

schools of characteristics (such as the Shanghai Maritime University, Shanghai Ocean University, Shanghai Customs College, Shanghai Institute of Tourism, etc.) to establish joint personnel training mechanisms, for example, to establish cruise related majors, by order-style training and interactive teaching methods, to speed up personnel training in cruise crew, shore services, equipment and manufacturing techniques, so as to solve the personnel problems in cruise economic development for Shanghai port and cruise companies.

Second, it is important to give further training to current personnel. Personnel, whether senior managers or technical or service staff, should have long-term training plans, to continuously improve their professional skills. It is advisable to attract the high-end talents from abroad. It can make it faster and easier fill the gap with the foreign advanced management of the cruise business.

Third, it is also important to make use of the human resources effectively. At different periods of its cruise economic development, Shanghai should regularly employ experts from cruise ports, cruise tourism management, cruise economic research institutes and cruise industry associations to form economic consulting groups. They can offer advices in Shanghai cruise home port and home port economies through professional forums, international academic exchanges, etc.

5.3.1.3 Strategies for Cluster Outreach

(1) Improvement of Nearby Attractions

The surrounding tourist environment is a key factor for cruise companies to choose home port, and also the first impression on the cruise tourists. So it is important to improve the tourist environment around the port area.

Shanghai Port International Cruise Terminal, located at the North Bund in of downtown Shanghai, is part of the landmark along the Huangpu River. Huangpu River has abundant tourist resources, the Bund International Architecture Exhibition, the high Shanghai City People Heroes Tower, the famous Garden Bridge of Shanghai and Huangpu Park; the first park in Shanghai on the one bank, one side is the Oriental Pearl Tower, Jin Mao Tower, Shanghai World Financial Center and other famed tourist attractions on the other bank. The North Bund can, based on these, build cultural landscapes with Shanghai characteristics. With further improvement of Huangpu River water quality, development of the Huangpu River ship access facilities, renovation project of the new Bund, the cruise tourists can experience a high-quality shore journey.

Shanghai Port Wusong Passenger Transport Center, though not located in the city center of Shanghai, has its unique natural tourist attractions. The confluence of three rivers at Wusongkou is known as the “first glance,” and to the east side of it is the Paotaiwan Wetland Park. In addition, there are old batch plants and old warehouses of artistic style built along history; based on them, Wusong is to create a cluster zone of creative industries, compromising

culture of storage and river bank so as to achieve the combination of creative industry development and historical architecture protection.

(2) Advancement of Trading Support

First, cruise harbor districts is not only the place for boarding and debarking of the cruise tourists, but also takes the responsibility of a city. It can be a cultural or shopping center of the city. For example, the Harbor City, where the Hong Kong Cruise Terminal located, not only offers services for cruise passengers, but also is a shopping and entertainment center for Hong Kong people. There are nearly twenty thousand restaurants of all kinds of food in New York to accommodate cruise tourists from Manhattan and Brooklyn ports.

Shanghai should, according to the local factors, make advancement for supporting facilities in Shanghai Port International Cruise Terminal and Shanghai Port Wusong Passenger Transport Center and to develop the cluster outreach gathered with cruise tourist attractions, business services, dining & entertainment, and hotels. As to dining facilities, the city can construct a food street of “tour of the Huangpu River, taste of Shanghai food,” combining with boat dinner in the Huangpu River. As to business facilities, the Port can build conference centers, exhibition centers and other facilities for various cruise activities, just as the International Cruise Conference in Miami every March, so as to enhance the impact of home port. As to shopping facilities, the North Bund can rely on the three commercial circles of Beijing East Road,

Nanjing Road, Sichuan Road to improve its shopping environment and the Wusongkou can build a pedestrian shopping street with Shanghai Characteristics in the harbor district.

(3) Promotion of Transport System

The external transport system refers to the transportation between the cruise terminal and the city, including large shuttle buses, taxis, and metros, etc. Cruise harbor district is the place for boarding and debarking of the cruise tourists and the downtown is the place for many activities. Therefore, tourists need convenient transport system to go between the downtown and the harbor. Shanghai cruise home port should develop an advanced external transport system for tourist shuttles. There can be, at the terminals, waiting point for shuttle buses and taxis to the downtown area, famed tourist attractions and airports, and special tourist distribution centers to offer advice, maps, ticket and other tourist services. The Brooklyn Cruise Terminal has 17 bus stops to meet the varied needs different routes. Such kind of transport system often takes some inner-city functions, to meet the demands of other tourists and citizens.

5.3.2 cooperation-competition Strategies & Measures

The cooperation strategies of a cruise home port refer to cruise home ports in different regions to combine with each other resources and operations, in order

to achieve better and faster development. Such strategy can lead to complementary and systemic groups, combining the Core competencies and resource advantages at a region with reliable competitive resources of another, and thus to develop the local strengths to overall competitiveness. Through this, cruise home ports of different regions can make up their own deficiencies, achieve breakthrough of bottleneck, and get to a win-win situation.

During the last 30 to 40 years, the international cruise tourism has shown the characteristics of the regional development without exception. The world regional cruise regions include Caribbean, Mediterranean, Alaska, Scandinavia, the West Coast of Mexico, Asia Pacific and other regions. The history has proved that all regional ports should combine into a union, cooperating for common interests instead of competing with each other. By such means port cities can expand regional market and raise the overall image.

[1]

Shanghai, when plan out its cruise home port development strategy, should take full account of regional cruise ports, as “prosperity for all prosperous, loss for all lost.” It is vital to seek effect interaction and cooperation between Shanghai Port International Cruise Terminal at the North Bund Area and Shanghai Port Wusong Passenger Transport Center, to build a combination of cruise home ports, to promote regional cruise brands and to associate with Asian home ports and to raise the attractiveness and competitiveness of Shanghai cruise home port by enhancing the overall image of the cruise home

port.

5.3.2.1 Combination Ports of North Bund & Wusongkou

World famous cruise home ports often have more than one cruise harbor districts. It should be taken into account how to strengthen the linkage between the ports and give full play to the advantages in the strategic decision. Shanghai Port International Cruise Terminal at the North Bund Area and Shanghai Port Wusong Passenger Transport Center should make analysis of each strength and reality take practical strategies and build combination ports. The two harbor districts should maintain effective competition and cooperation, by for example, exploring service standards in operation and raise the overall service quality, so as to enhance international notability of Shanghai cruise home port.

Taking the future of Shanghai cruise economy into consideration, the economic environments of the Wusongkou and the North Bund Development have each strengths and deficiencies. Wusongkou has favorable water conditions and economic development conditions in Baoshan District, which provides constructive foundations for large cruise home port. The North Bund has not only advanced tourist reception facilities, but also good location of downtown area, with first-class facilities for business and tourism. It also has the Bund International Architecture Exhibition and modern architectures at the other bank of the Huangpu River. These all show the cultural and economic

background of Shanghai and are the most attracted sites for international cruise tourists.

Therefore, one of Shanghai's Competition Strategies is to achieve complementary development. North Bund emphasizes on high-end industrial services, advanced business support facilities, and to build a business district of Shanghai cruise economy. Wusongkou is to build a cruise town of large or medium-sized cruise berth and services. The two harbor districts should share resources and link with each other to build the Shanghai combination cruise home port.

5.3.2.2 Regional Cooperation of Ports at Yangtze River Delta

World famous cruise home ports are often of regional development, such as Miami in the Caribbean region and Barcelona in the Mediterranean region. The ports of the same region often have economic radiation and diffusion, and thus boost the entire regional market.

The ports in the Yangtze River Delta have spatial integrity, cultural identity and resources complementation. Shanghai as the core of the Yangtze River Delta, is the most attracted city for foreign cruise lines. Its development of cruise home port has a direct radiation effect on the cruise tourism in the entire Yangtze River Delta. The promotion of the image of the Yangtze River Delta is also conducive to enhance the competitiveness of Shanghai cruise home port. First, conduct propaganda for the cruise tourism in the Yangtze River Delta.

Governments and ports in the region should, through television, newspapers, the Internet and other marketing channels, introduce to the international cruise companies and tourists the natural landscape and cultural attractions, such as the international architectures in Shanghai, picturesque scenes in Suzhou and Hangzhou, historical remains in Nanjing and seafood cuisine in Zhoushan. By such means the Yangtze River Delta can enhance its public awareness and raise regional cruise tourism attraction.

Second, build a unified information platform. Most cruise home port abroad would build their own website for interaction with service clients. Through the platform, on the one hand, the service clients, such as cruise companies and passengers can get all kinds of information about the port and its services; on the other hand, they can give feedback, including questions and suggestions back to the port. This leads to beneficial interactions between service clients and the port. The ports in the Yangtze River Delta should build an efficient multi-functional platform for international cruises. As a public service platform for information exchange and product sales, it has multiple functions: not only raise the notability of the ports, but also make it easy for management and monitoring.

Third, reform the regional systems. On the one hand, the governments of all levels should change the antiquated ideas, strengthen the awareness of regional cooperation for cruise tourism, so as to heal divisions of regional administration and enforce shares in tourism market. On the other hand, the

Yangtze River Delta may draw experience from the EU approach, to implement innovative system of customs clearance. They may grant unified cruise passes and remove the duplicated, cumbersome customs clearance and approval procedures.

5.3.2.3 Alliance with Asian Cruise Home Ports

With the massive port constructions, governments' strong support and rapid expansion of the cruise companies, Singapore, Malaysia, Japan, South Korea and other Asian areas has more advanced cruise home ports. They are regarded as the driving force for the world's cruise market in the future. Shanghai, as an important port city in Asian, if may form strategic alliance with Singapore, Hong Kong, Taiwan and other famous home ports, it can cooperate with these matured ports, learn from advanced operational experience and management mode, and thus bring about a rapid development for the Shanghai cruise home port market. Feasible measures include: First, strengthen cooperation with Pusan, Cheju, Hong Kong, Singapore, Nagasaki and other world famous cruise home ports, and develop fixed-point docking liners. Shanghai should compete with these ports in cooperation and, develop itself in competition. Second, conclude agreements with Asian ports for joint product promotion and port development, with the platform of Asian Cruise Association. For example, in 2009, Hong Kong, Fujian, Guangdong, Guangxi jointly launched a cruise tourism plan in South China. The plan is conducive to

the establishment and promotion of cruise tourism in South China through destination integrated marketing, sharing of regional tourists.

Chapter 6 Conclusions

Cruise industry is one of the most thriving industries in the world. Its enormous capability for stimulating related industries and neighboring region's economy makes it a new point for economic growth. A cruise home port would get much more of the social and economic benefits from the cruise industry.

Shanghai is the economic center of China. The unique geographical advantages, large number of potential tourists and increasingly advanced hardware facilities all provide favorable conditions for the development of Shanghai cruise home port, making its competitiveness leading in the country.

As the global cruise industry shift to Asia and China, as Shanghai speed up the construction for international financial and shipping centers, as the government implement the *Twelfth Five-Year Plan for Shanghai Cruise Industry*, Shanghai will usher in new development opportunities. Therefore, Shanghai should seize the historic opportunity to exploit the existing resources to break through the developing bottleneck. Shanghai should give priority to the cluster development of the two districts in North Bund and Wusongkou, encourage further cooperation with ports in the Yangtze River Delta and even in Asia, so as to realize the strategic objectives to build leading international cruise

combination home port in Asia-Pacific region.

References:

- [1] Cheng Juehao. Condition and Problems of China Cruise Economic Development [J], Port Economics, 2010, (2)
- [2] Rainer Mobus. Multi-object Adaptive Cruise Control, April 3-5, 2003
- [3] Iwata H. Matsuda K. Haptic walkthrough simulator: its design and application to studies on cognitive map. The 2nd International Conference on Artificial Reality and Tele-existence, ICAT. 2003, PP: 185-192.
- [4] Nickie Butt. The impact of cruise ship generated waste on home ports and ports of call: A study of Southampton. Marine Policy, 2007, 9(31): 591-598
- [5] Simon Veronneau, Jacques Roy. Global service supply chains: An empirical study of current practices and challenges of a cruise line corporation. Tourism Management, In press, Corrected Proof, Available online, 2008, 8
- [6] Chase, Gregory Lee. The economic impact of cruise ships in the 1990s: some evidence from the Caribbean. Ph. D Kent State University, 2001, pp150
- [7] James F. Petrick. Segmenting cruise passengers with price sensitivity, Tourism Management Volume: 26, Issue: 5, May, 2005, pp753-762
- [8] Zhang Bolin. Rising of Cruise Economy, Opening Up, 2003 (9)
- [9] Cheng Juehao and Gaoxin. Study on Development of International Cruise Tourist Market [J], Global Sea Transport, 2004 (4)
- [10] Dong Guanzhi and Meng Chaoqing. Analysis on Cruise Economic Development in China [J], Market Modernization, 2005 (8)
- [11] Dong Guanzhi. Study on Cruise Economy Space, Doctoral Thesis at Sun Yat-sen University, 2006
- [12] Liu Zhiqiang. Study on Cruise Economic Development in Shanghai [J], Water Transport Management, 2004, (10) 23-26
- [13] Deng Jinle. Strengths and Suggestions for Guangzhou Port to Develop Cruise Economy [J], Water Transport Management, 2005, (05) 5-8
- [14] Pan Fenjin. Strategic Analysis on Xiamen Cruise Home Port Construction [J], Transport Construction and Management, 2007 (5)
- [15] Hu Jianwei and Chen Jianhuai. Dynamic Mechanism of Shanghai Cruise Industrial Cluster [J], Tourism Tribune, 2004 (1)
- [16] Li Chuanheng. Expansion of Service Chain and Upgrading of Regional Tourism: Case Study on Cruise Industry, Shangdong University Tribune, 2007

(4)

[17] Zhang Feng and Lin Shanlang. Analysis on Condition and Tendency of International Cruise Industry [J], China Port, 2008 (8)

[18] Porter, Michael Eugene. The Competitive Advantages of Nations [M], Huaxia Press. 2002-02

[19] Liu Jingbo. Industrial Competition-Cooperation-Network & Systems, Shanghai Academy of Social Science, 2007

[20] Li Yaoding. Approaching of Chinese Cruise Economy [J], China Water Transport, 2005, (07):14-15

[21] Zhao Jintao. Characteristics & Experience of European Cruise Port Operation [J], China Port, 2009 (8)

[22] Jiang Xiumin. Study on Shanghai Cruise Economic Potential, Master's Thesis at Shanghai Maritime University, 2006

[23] 2009-2010 China Cruise Industry Development Report

[24] Shanghai Municipal Develop and Reform Commission. Report of Shanghai Cruise Economic Development, 2004: 1

[25] Wu Di. Develop Cruise Economy – To Promote Construction of Shanghai International Shipping Center [J], Communication and Transportation, 2006.5:23-24

[26] Zhang Li. SWOT Analysis & Coopetition Strategy for Shanghai Cruise Home Port [J]. Marine Technology, 2008Supplement II

[27] Zhu Jinqu & Shen Shanzhou. Shanghai's Leading Role in Domestic Cruise Industry [N]. Wenhui Daily. 2010-10-24

[28] 2010-2011 China Cruise Industry Development Report

[29] Suggestions for Shanghai Tourist Development & Tourist City Construction

[30] Yu Sijia and Sun Shan. Get to Know the Cruise Economy [J], Urban Economics, 2005, (2)

[31] Gan Zhexin and Liang Tingwei. Developing Tendency of Cruise Economy and Planning for Cruise Port Region [J], Thesis Collection for 2005 Annual Session of City Planning

[32] Qian Yongchang. 2006. China Cruise and Yacht Conference, Shanghai, 2006

[33] Yu Kehui and Liu Zhiqiang. Study on International Cruise Tourist

- Destination and Cruise Home Ports [J], Business Economics, 2007:94-95
- [34] Lin Guotai, et al. Cruise Economy: A New Concept of Service [J]. Shanghai Comprehensive Economics, 2003, (03)
- [35] Rising of Chinese Cruise Economy [J], Water Transport Abstract, 2004, (08)
- [36] Li Junjun. Cruise Economy Boost Shanghai International Shipping Center [J], China Distribution Management, 2006, (05)
- [37] Li Yijun. Current Condition and Developing Tendency of International Cruise Ships [J], Water Transport Management, 2005, (02)
- [38] Mai Youhong. Great Expectation for Cruise Industry [J], Transport Construction and Management, 2006, (07)
- [39] Ye Weilong. Cruise Agency: An Important Link for Chinese Cruise Economy [J], Report on Ocean Navigational Affairs, 2004, (08)
- [40] Ye Xinliang and Sun Ruihong. Study on Shanghai Cruise Tourist Market Based on Client Requirement [J], East China Economic Management, 2007, (03)
- [41] Sun Ruihong and Ye Xinliang. Measures for Shanghai Cruise Tourist Market Expansion [J], Research on Economic Issues, 2007, (03)
- [42] Sun Guangxin. Study on Cruise Economy and Its Development in China [J], China Port, 2005, (01)
- [43] Han Hongtao. Study on Shanghai International Cruise Economy, Master's Thesis at Shanghai Maritime University, 2005
- [44] Ouyang Jie. Development of Sea Passenger Transportation and Cruise Economy [J], Port Economics, 2005 (1) pp.46-47
- [45] Huang Jue. Opportunities and Challengers for Chinese Cruise Economy [J], China Economic Weekly, 2008 (28)
- [46] Report on Development Research (by State Council). Cruise Economy: An Economic Growth Pole for Port Cities