Impact of the COVID Pandemic on the Icelandic Cruise Ports

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Impact of COVID-19 on the Maritime Industry

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Abstract

Maritime sectors have always been dealing with uncertainties and disruptions. The COVID pandemic confronted the cruise industry with severe and wide-ranging challenges on port infrastructure, operation, and services. Understanding the port performance before, during, and aftermath of the disruption helps stakeholders to increase the preparedness and resilience of the port. Therefore, in this study, the impacts of the COVID pandemic on Icelandic ports are explored using secondary and primary data analysis.

The results show that small ports are more affected by the pandemic. These ports require more operational and infrastructural preparedness to service cruise ships in the post-COVID era. However, the impact of the pandemic was less evident on the larger ports indicating that large ports face fewer challenges for servicing cruise ships under the pandemic.

***Keywords**: cruise port, COVID pandemic, adaptation, Iceland.*

1. Objective

Before the COVID pandemic, the cruise industry was the fastest-growing segment in the travel industry. This growth affected the industry with more vessel deployments, an increase in vessel size and capacity, longer and diversified itineraries, and calls to unvisited and less-frequented ports (Tsamboulas et al., 2013). Furthermore, islands have increasingly been attractive destinations due to their unique climates (Sharpley, 2001).

The unprecedented COVID pandemic undermined the growth prospects of the industry due to widespread disruptions that led to the complete cessation of cruise operations.

The pandemic has severely affected tourism-driven countries. Iceland, Croatia, France, and Spain are the most affected European countries concerning cruise ship calls (European Maritime Safety Agency [EMSA], 2021).

The cruise industry has been a source of economic leverage in Iceland with the associated social and environmental impacts. Iceland was performing strongly in tourism, and this industry has shown rapid growth in the last few years. To the best of the authors' knowledge, the impacts of the COVID pandemic on the cruise industry in Iceland have not been studied before in academic literature.

Therefore, this study contributes to the literature by providing an overview of the state of Iceland's cruise industry. The immediate impacts of the COVID pandemic on the cruise industry are examined. Furthermore, the vulnerabilities of the ports of call, that could be addressed in the post-COVID era are highlighted. This is because the selection of ports of call does not only depend on port infrastructure and services provided but the quality of onshore services at destinations also plays a significant role (Gui and Russo, 2011).

2. Method

This paper conducts qualitative research based on the synthesis of secondary and primary data research. Secondary data research allows the collection of already existing data from different sources and helps to identify important information that has not been addressed through previous research (Vartanian, 2010). This approach provides a comprehensive source of information about a topic under study to identify gaps and make arguments to address them.

To gather secondary data, scholarly articles in peer-reviewed literature, official reports, and statistics related to the impacts of COVID were reviewed. The primary data were collected directly from the port authorities.

3. Study Area and Data Used

In this study, the impacts of the COVID pandemic on two Icelandic ports: 1- Faxaflóahafnir Associated Icelandic Ports (hereafter called Faxa ports) and 2- the Ports of Isafjordur Network (hereafter called Isafjordur ports) are explored.

The Faxa ports is the biggest port network in Iceland and is in the capital region and Isafjordur ports is in the northwest of the country (Figure 1). The Faxa ports and the Isafjordur ports Authorities manage five ports (i.e., Gamla, Sunda, Grundartangi, Akranes, and Borgarnes) and four ports (Isafjordur, Sudureyri, Flateyri, and Thingeyri), respectively. In 2019 Faxa ports and Isafjordur ports contributed 39.4% and 3.5% of the total revenue of Icelandic ports (Port Association of Iceland 2020).

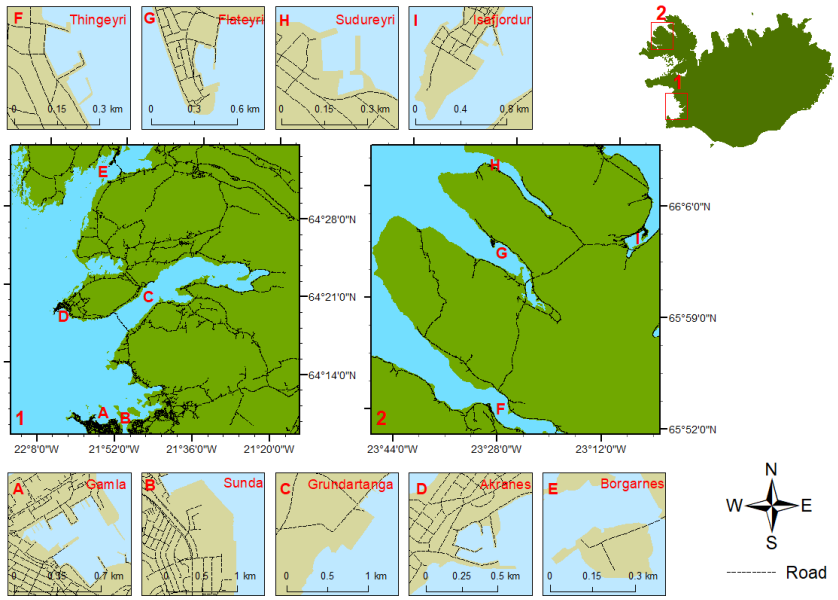

Figure 1- The location of the Faxa ports and Isafjordur ports

The reason for the selection of these ports is the large difference between their size and throughput. This divergence provides good insight to analyze the impacts of the pandemic on (small compared to large) Icelandic ports.

The Faxa ports and the Isafjordur ports are the first and third ports of call for cruise ships in Iceland. In 2020, the Faxa ports and the Isafjordur ports expected 203 and 140 cruise ship calls, respectively, but only the Faxa ports had 7 calls. In 2021, the Faxa ports and the Isafjordur ports expected 198

(about 217,000 passengers) and 153 (about 132,000 passengers) cruise ship calls, respectively. However, there were only 68 calls at the Faxa ports and 60 calls at the Isafjordur ports (Figure 2).

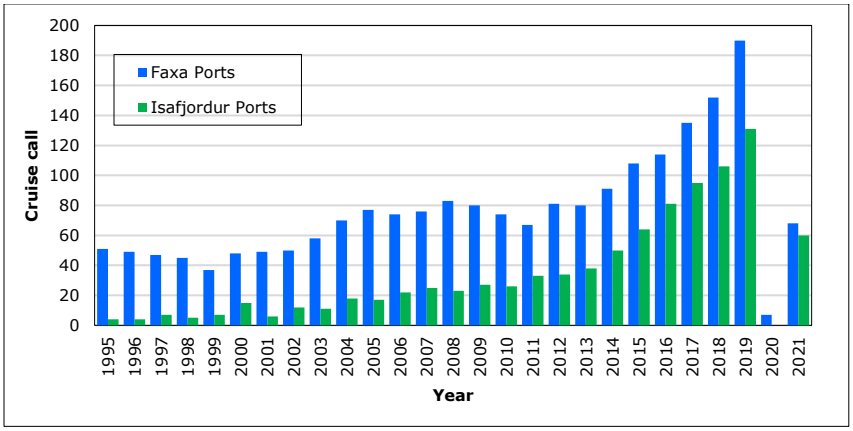

Figure 2- Cruise ship calls at the Faxa ports and the Isafjordur ports

4. Study Results and Recommendations

The results of two case studies of Icelandic ports show that the impacts of the COVID pandemic are more evident on the smaller port and consequently surrounding communities that heavily depend on the cruise industry.

The annual revenue of the Isafjordur ports is significantly dependent on services they provide to cruise ships and thus there was about a 50% loss of annual total revenue in 2020. However, the Faxa ports provide various services to different vessels, and the drop in cruise calls caused about a 15-18% loss of its annual revenue.

Infrastructure is the bottleneck of small ports as they do not meet the requirements of cruise ships (in terms of call and size), as well as the number of passengers. These ports need to be upgraded to accommodate cruise ships and they require adaptation to operational procedures.

Congestion is a major concern for ports and cruise lines, especially relatively small cruise operators. The Port Authorities can relieve the congestion at the marquee ports by decentralizing the service of cruise ships and making more use of the small ports in the port network. This not only adds new destinations to itineraries and involves a wider tourism area in cruise operations but also valorizes the small ports and their surrounding communities. However,

improvement of onshore services and utilities, shore excursions, safety and security of passengers in the small ports are required.

Furthermore, effective and timely engagement of stakeholders, often with diverging and even conflicting objectives, facilitates decision making (Eskafi et al. 2020) to cope with the effect of the COVID pandemic.

In this line, the Icelandic government has provided guidelines and instructions to strengthen the preparedness of the cruise port business under and post the COVID pandemic. Ships should inform the Icelandic coast guard about the declaration of health regarding COVID 19 before arrival at the Icelandic ports. In case of a (suspicion of) COVID-19 infection on a ship, close collaborations between key stakeholders including port authorities, the Directorate of Health's epidemiology department, police, coast guard, customs, and the cruise ship are formed to assess the risk and control the infection (Icelandic Directorate of Health, 2020).

4.1 Managerial Implications

The present study provides support in decision making to formulate strategies to not only recover and resume the cruise calls but also increase the preparedness and resilience of ports aimed at sustainable cruising under the COVID pandemic.

The cruise industry has been promoting strategies to rebuild trust, attract customers, and resume cruising under and post the COVID pandemic. Under the COVID pandemic, however, infrastructure may not be the main factor to increase the attractiveness of ports, whereas the provision of specific services and procurement needs play a crucial role.

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