

The unintended consequences of regulatory complexity: The case of cruise tourism in Arctic Canada



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ABSTRACT

The cruise tourism industry in the Canadian Arctic has the potential to be an important contributor to the northern economy, but undue complexity in the permitting and regulatory process represents a major barrier to cruise operators and as a result seems to be limiting development potential and other cultural and educational benefits related to tourism in the region. Based on a set of interviews and follow-up interviews with Arctic cruise operators and government permit issuers ($n=48$), investigative phone calls ($n=22$), and follow-up verification calls ($n=20+$), analysis of the management system that currently governs cruise tourism in Arctic Canada is provided including recommendations for improvement. There are currently over 30 permits, approvals, and notification processes for cruise companies operating in the Canadian Arctic (collective called 'permits and permissions'). Permits and permissions are required for vessel safety, environmental protection, gaining access to national parks, and visiting heritage and archaeological sites among others. They are issued by numerous agencies under multiple jurisdictions and statutes with no integration or organizing system. The result is a process that is overly complex, repetitious, and costly for operators. In comparison, the permitting systems in Greenland and Svalbard are more streamlined, causing some cruise companies to consider abandoning Canadian waters in favour of these less bureaucratic regions. Federal and territorial attention is required to create efficiencies in the cruise permitting process in Arctic Canada if the economic, socio-cultural, and educational benefits of the industry are to be fully realized.

1. Introduction

The circumpolar Arctic is predicted to garner investments ranging from C\$100bn (Lloyds, 2012) to €225bn [49] over the next decade as climate change improves international shipping routes, accessibility to natural resources, and draws tourists to the region (also see [33,37,44]). Though the greatest bulk shipping advantages lie in the growing access to natural resources in the region, Canada is also well positioned to benefit from economic opportunities related to the increased accessibility of the Northwest Passage, which has emerged as an important tourism destination over the past decade [16,53]. Recent discovery of HMS *Erebus*, and HMS *Terror*, the two famous ships of the ill-fated 1845 Franklin expedition, found in shallow waters in the southern regions of the Northwest Passage is further stimulating tourism demand, with some operators already offering Franklin-themed cruises (see: [8]; [45]).

The expected benefits of cruise tourism in Arctic Canada may be stifled however, because the regulatory framework that is in place

appears to be having the unintended consequence of limiting growth and working against economic development strategies that are in place to nurture the local tourism economy. As an example, the *Coasting Trade Act (CTA)(cabotage)*, which is designed to protect and encourage the Canadian shipping industry generally, is in reality having the opposite impact on the tourism industry by penalizing itineraries wholly within Canada (see [22,36], no date; [21,15,16]). The majority of cruises now begin in Greenland before transiting to Arctic Canada in order to avoid the expensive duty tax associated with the CTA and thus national tourism opportunities are lost. In essence, Canadian regulation that is in place to benefit Canadians is actually benefiting Greenlanders. The complexity of the remainder of the regulatory framework (collectively referred to in this paper as 'permits and permissions') may well be further suppressing industry and local development in Arctic Canada.

As the territorial governments and small Canadian Arctic communities begin to plan for what they are being told could be a major opportunity related to an expected increase in marine tourism stem-

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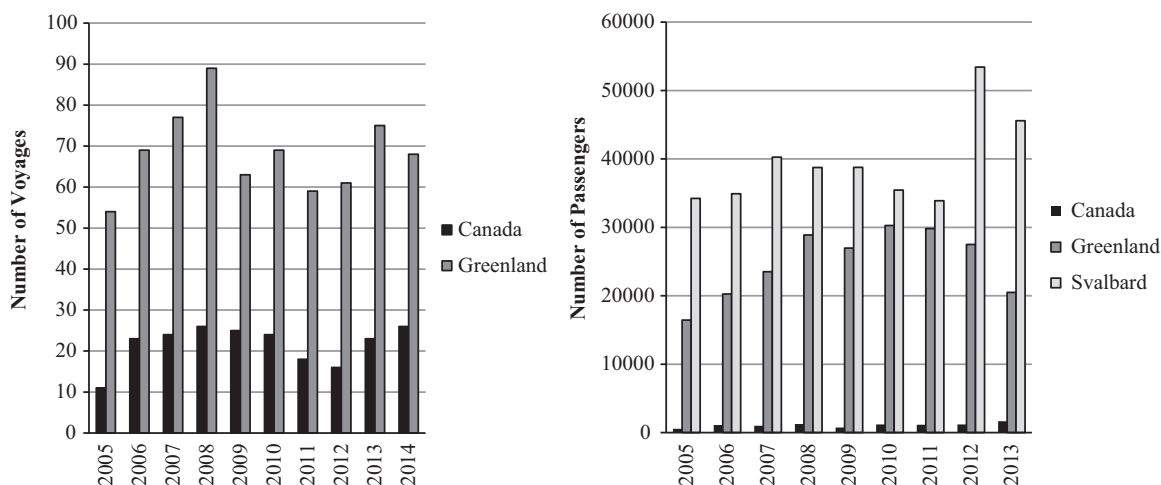


Fig. 1. Number of cruise voyages and number of passengers in Arctic regions (2005-14).

ming from climate change and improved access, it is vital that the nation comes to terms with the numerous yet unintended consequences of existing cruise tourism regulation. This paper directly responds to this need for more analysis of the permitting and policy environment by focusing on the views of cruise operators and agencies that issue cruise tourism permits and permissions. Recommendations for addressing existing regulatory challenges in ways that will support cruise tourism growth while enhancing economic and socio-cultural benefits for local host communities and national interests are also provided.

2. Context and background

Tourism-related businesses generated more than \$40 million in revenue across the Arctic territory of Nunavut, Canada in 2011, representing 3.2% of the overall Gross Domestic Product for the region. Cruise tourists in Nunavut spend the most during their visits to the region, averaging C\$7,079 per person per trip compared to C\$4,450 per person per trip for land-based leisure travelers (Nunavut [40]). The tourism industry in general is seen as important in Arctic Canada as it has the potential to help diversify a largely resource based economy that is prone to extreme variability (Nunavut [4,40]; Government of Nunavut, 2013). Tourism also is viewed as having the potential to be well-aligned with the culture and traditions of the predominantly Inuit coastal communities of the region ([48, 59]). The seasonal nature of the industry enables local residents to be employed part time while still allowing time for engagement in non-wage-based traditional economies such as subsistence hunting, berry picking, and other traditional activities that a full time position would not allow [57].

The Governments of Nunavut (GN) and the Northwest Territories (GNWT) have developed official tourism strategies that include promoting the cruise tourism industry [19, 20] and the GN has recently finalized a specific marine tourism management plan. In addition, over a decade of focused research has been conducted on cruise tourism in Arctic Canada, indicative of its increasing prominence. For example, Marquez and Eagles [36] provided one of the first comprehensive examinations of the policy and regulatory challenges of cruise tourism development in Arctic Canada starting a flurry of follow-up studies. [53, 54, 55] examined the historic development of the industry and focused on understanding the impacts of its establishment on Inuit communities and local residents (also see [47]). Maher and Meade [35] examined the expectations and experiences of cruise tourists to national parks and protected areas. Johnston et al. [25, 26] focused on understanding federal decision-makers and their role in managing cruise tourism development (also see [42]), and Dawson et al.

[13,15,16] identifies the implications of climate change for cruise tourism including governance and policy needs for the effective management of climate related risks (also see [24,30, 52, 53, 56]).

Few studies have explicitly considered operator perspectives in this growing literature on cruise tourism in Arctic Canada, thus representing a major research gap and key omission in the overall understanding of the industry as a whole. With exception is the work of Lasserre and Têtu [31] who examined how cruise tourism operators make decisions about itinerary locations and what barriers they experience when trying to operate in Canada (also see [5], under review). Based on 66 interviews with representatives from cruise ship companies from across the global Arctic, Lasserre and Têtu [31] found that operators were reluctant to run tours in Canada for three overarching reasons: 1) presence of variable and hazardous ice conditions requiring ice strengthened vessels for operation; 2) a lack of infrastructure to support larger cruise vessels; and, 3) costs incurred by operators as a result of Canadian legislation. These findings led Lasserre and Têtu [31] to conclude that unless regulatory challenges are addressed the cruise sector in Canada is unlikely to experience much more growth in the near term future, despite increased opportunities related to climate change.

Media articles indicating an estimated 'boom' in Arctic cruise tourism traffic for Arctic Canada began appearing over ten years ago and although a moderate increase has occurred since 2005 it has been at a much slower pace than initially imagined (compare [53] with [16]). The Canadian Arctic region now attracts on average 22 ship voyages per season carrying approximately 3,500 tourists [16,17]. By comparison, Greenland now attracts over 65 voyages per year and approximately 25,000 tourists and Svalbard, while Norway hosts between 35,000 to 50,000 tourists annually (Fig. 1). Both Greenland and Svalbard have been able to attract larger vessels as well, while the cruise industry in the Canadian Arctic has been limited to the smaller expedition vessels (exceptions being: the *World*, a condominium style luxury vessel in 2012; and the *Crystal Serenity*, a cruise ship in 2016).

Concerns about the nature and effect of the Canadian regulatory framework on arctic cruise tourism development have been raised in a variety of venues and some initial efforts have been made to understand and even resolve them (see [31,15,16,3]). For example, in 2005 when Arctic Canada first began to witness a consistent number of commercial cruise operations, Transport Canada produced a regulatory guidance document for operators outlining the necessary permits and permissions called: *Guidelines for the Operation of Passenger Vessels in Canadian Arctic Waters* [58]. However, the 2005 guidance document has not been updated in over a decade despite clear changes in the operating environment.

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