

## Harbor Presentation

### Introduction

Becky Reece

Husband: Jerry Reece

Married 41 years and have 3 children and 4 grandchildren

Moved to Humboldt County in 1990 when we purchased the Bayshore Mall McDonalds.

For the next 23 years we owned at one time or another all 5 McDonald's in Humboldt.

In August 2013 we decided to sell our stores. It was just the right time to do it. Then it became- what are we going to do next.

Jerry was the one who found Cruise Planners. They are the largest bookers of cruise travel in the world. Booking cruises are a big part of Cruise Planners, but they also do land tours, all-inclusive resorts, hotels, airfare and rental cars. After doing a lot of research and discussion, we decided to purchase a franchise. It seemed like such a natural fit because I had been handling all our travel for years and we took our first cruise in 1988. After a week of very intense training in Fort Lauderdale, we went into business and that was over 3 years ago.

One of the best things about Cruise Planners is that it is a home-based travel business. This worked out great because I had been the bookkeeper/office manager for our McDonald's and my office was in our home. So when we sold the business, I turned my McDonald's office into my Cruise Planners office. The other appeal to being a home-based travel agent is that I don't have to support a separate office, so I don't need to add booking fees to reservations.

I want to start out by giving you a overview of the cruise industry.

\$42 Billion is the US economic impact of the cruise industry.

Cruise industry is among the most exciting and fast-growing categories in the leisure market. The Cruise ship industry has had an average passenger growth rate of 7.2% per year since 1990.

I know this will sound silly but 2 events helped to increase the interest in cruising. One was when The Love Boat premiered on ABC. The second were the Kathie Lee Gifford Carnival Cruise Line "The Fun Ship" commercials. Both made cruising a desirable way to vacation.

This type of travel vacation industry is fairly young. From 1980- 2009 over 176 million travelers took deep-water cruises. Of this 176 million, nearly 70% of that has been generated in the past 10 years and 40% of that has been in the past 5 years.

According to CLIA (Cruise Line International Association) in 2016 24.2 million people cruised. This was higher than forecast by 500,000 people.

One reasons so many people like to cruise is because they can sample a variety of destinations on one cruise. When surveyed, 40% of cruisers stated they had returned to vacation in an area first visited during a cruise.

I know I am one of those. On one of our Caribbean cruises, we stopped in the Cayman Islands. We weren't able to do our scheduled excursion because of the weather, so we wandered around Georgetown. When we sold our stores in 2013, we wanted to go some place to celebrate. Jerry suggested going back to the Cayman Islands. We spent a week on the island and had the best time and most importantly, Jerry got to see some Blue Iguanas. There are only about 700 in existence and they only live on the Cayman Islands, and yes they are blue.

Unlike most retail businesses, the cruise industry has not been diminished by the rise of consumers shopping online. CLIA, in 2015, noted that most cruises were sold by travel agents and not through websites. In fact, 75% of cruisers opted to book their vacations using a travel agent. Why this is

important is that if a first time cruiser uses a travel agent, chances are they will cruise again because the agent walked them thru the process, making sure everything was done correctly. If a first timer has a great cruise, they will likely cruise again, helping the industry grow.

**What will cruise ships do for the economy of Humboldt County.**

Jerry and I have stopped in many ports over the years and when the conversation come up about possible cruise ships coming to Eureka, we get so excited. We have been saying for years, even when we were in the Hamburger business, that Humboldt County has so much to offer. We took a cruise to the Mediterranean in 2015. When we told people we were from California, they wanted to know about 2 things: San Francisco and the Redwoods.

Over the years I have heard negative comments in town on the topic of cruise ships. Last year we went on a repositioning cruise out of San Francisco to Alaska. One of the reasons we took that cruise was to see how the port in Astoria worked since that was the model being used for Eureka. They had a passenger friendly, simple set up, but it worked. We also asked businesses and tour guides how they felt about cruise ships coming to Astoria. They all said at first there was a lot of resistance from the businesses in town, but that changed when they saw what the ships did for the economy

When thinking of bring in cruise ships, you need to look at what they will do for the economy of Humboldt County, not just Eureka. In port, passengers will take shore excursions. Some will stay within Eureka like visiting our fantastic zoo, but many will take excursions out of Eureka to places like the Trees of Mystery or Avenue of the Giants. That is why you have to think of a cruise ship coming into Humboldt Bay as benefiting the county as a whole.

if a ship comes into our port, you would probably be looking at 6-10 shore excursions that would be offered, that depending on the size of the ship.

That might not sound like a lot but you have to look at what is involved with those excursion. You have drivers who get people to their destinations, guides for a tour thru the redwoods or Fern Canyon, entry tickets for something like the zoo, cost for food if the excursion is for oyster tasting. You have the beer from a sampling tour or souvenirs from visiting the Holly Yashi. Then you have activities like kayaking on the bay or taking a boat trip to go salmon fishing. All these cost are pay for by the passenger going on the excursions, with the money goes into our local economy.

From industry figures I could find, the actual economics of being a port-of-call, including direct expenditures by the cruise lines themselves, as well as onshore expenditures by passengers and crew, amounts to about \$170,000 per average-sized cruise-ship call for a port like ours.

*Cruise Ship expenditures: moorage cost, ship-chandler services, passenger levies and the services like waste management and recycling services.*

Another figure I saw was from a 2014 CLIA Cruise Industry Global Economic Impact report that noted the average daily passenger spends \$134.72 in a port of call. You times that by a ship carrying 700 to 1500 passengers.

When looking at the economic impact a cruise ship has on a local economy, you need to not only look at the passenger but also look at the crew. For a seven day cruise, the crew works probably 6 days. They usually get 1 day off when the ship is in port. Some will go sightseeing, but many will need to stock up on their personal supplies. When we were on a shore excursion in Juneau, our tour guide told us that one of the busiest places when a ship is in port was the local variety store like Target or Costco. The crew need to buy their toiletries, clothes and other items not available on the ship. Crew members have a 6 month contract with the cruise line, so it's not like at the end of 7 days they can go home and pick up fresh supplies.

One of the biggest issues Eureka faces is the lack of a dock. There is Schneider Dock but that is not always available. If Eureka wants to seriously go after the cruise ship business and I know there are limitations on how much of that business we can tap, we might want to look at having a dedicated dock for ships like Dock B. I was down there recently and the area has some real possibilities. Yes, the dock would need to be rebuilt, but the water is deep enough and the area has parking for vans and buses for shore excursions. Plus, the Wharfinger Building would make a great visitors area or even a place to sell local products, which is common at all cruise ship ports.

The dock doesn't have to be glamorous. Most docks that I have seen are working docks. The dock in Sitka, Alaska is a working dock. The day we were there, they had an area where lumber waiting to be loaded onto a ship. The same thing can be said about Astoria, Oregon. When a cruise ship is not in port, that dock area is used for other industries. We are a coastal community, we should have several docks to service the industries that use the bay, whether it is recreational use, cruise ship visits or our fishing industry.

I'll be honest with you. When we moved here 26 years ago, the economy of Eureka was strong. We had 2 pulp mills running 24 hours a day. The lumber mills were working non-stop. Those industries are either barely alive or gone. The sad thing is we haven't found industries to fill the void. One of the things we have is thousands and thousands of miles of natural beautiful. That is why tourism in Humboldt County need to be develop more. We have an abundance of nature that people want to visit, we just need to figure out how to build our tourism industry to capitalize on what we get to appreciate on a daily basis.

Many people think cruise ships won't come here because we are not a viable stop. The way things are now, they are right. If we want to entice cruise ships to stop here, we need to get our ducks in a row. Monterey, CA has 10 ships stopping there between now and November and more next year. The cruise lines scheduled to stop there are Princess, Celebrity, Seabourn, Crystal and Silverseas. Some of those ship's itineraries are ones that would not include us. They are the San Francisco to Los Angeles itineraries. The itineraries that we could capitalize on are the San Francisco

to Vancouver itineraries. One note: the cruise ships don't even dock in Monterey. The passengers have to be tendered in.

One trend that is helping the smaller port like ours, is that several cruise lines are focusing on building the Mega ships which hold between 4000-5000 passengers. When these ships entering the fleet and itineraries are changed to accommodate the new, larger ships. When that happen thought, the cruise lines need to design new itineraries for the smaller ships. I believe this is one of the reason for some of the growth on the West Coast.

To conclude, I do believe that putting the money and effort into developing Humboldt Bay to accommodate cruise ships would be profitable in the long run for the county. The real question is whether we can make that commitment or if we spend the next 10 years discussing if we should or shouldn't and having the boat pass us by, so to speak.

Thank you