



## **Network Fragmentation and Risk in Cruise Tourism Infrastructure Development: Auckland, New Zealand**

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### **Published**

2021

### **Journal Title**

Case Studies on Transport Policy

### **Version**

Accepted Manuscript (AM)

### **DOI**

[10.1016/j.cstp.2021.01.011](https://doi.org/10.1016/j.cstp.2021.01.011)

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## **Network Fragmentation and Risk in Cruise Tourism Infrastructure Development: Auckland, New Zealand**

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## **Network Fragmentation and Risk in Cruise Tourism Infrastructure Development: Auckland, New Zealand**

### **Highlights**

- Stakeholder network fragmentation can impact infrastructure development
- Several risks can arise from network fragmentation in infrastructure development
- Network fragmentation was evident in cruise tourism development in Auckland
- Empirically informed insights were provided to mitigate risks

## **Network Fragmentation and Risk in Cruise Tourism Infrastructure Development: Auckland, New Zealand**

### **Abstract**

Cities across the globe are faced with (re)developing cruise infrastructure because of the increase in the number, size and capacity of cruise ships. Infrastructure development involves stakeholder networks which embrace competing interests, potentially leading to network fragmentation and associated risks. Despite prior studies identifying the risks that can arise from network fragmentation in infrastructure development, there is little research considering this issue explicitly in the context of cruise infrastructure development. This paper explores the extent to which network fragmentation can lead to risks impacting the development of cruise infrastructure. Twenty-three semi-structured interviews were conducted with key stakeholders in Auckland, New Zealand. Results demonstrate that network fragmentation was evident, leading to critical risks. Fragmentation was driven by political instability, competing interests, inadequate governance, and a lack of: a) effective leadership, b) a coordinated national strategy or vision, c) transparency, d) trust, and e) inclusiveness, particularly in the planning phase.

**Keywords:** Cruise tourism; governance; infrastructure; network fragmentation; risk

# **Network Fragmentation and Risk in Cruise Tourism Infrastructure Development: Auckland, New Zealand**

## **1. Introduction**

The dramatic and sustained growth of the cruise tourism sector between the 1980s and the 2010s (see, e.g., Di Pietro & Peterson, 2017; MacNeill & Wozniak, 2018) has prompted coastal cities across the globe to develop new cruise infrastructure or expand their existing facilities (Kerswill & Mair, 2015; London & Lohmann, 2014). Papathanassis (2019) reports that the number of cruise ships grew from about 100 in the 1980s to more than 270 in the 2010s. In the same period, the average gross registered tonnage (GRT) of cruise ships has more than tripled, from 20,000 to 60,000 GRT. Passenger numbers worldwide reached 28.52 million in 2018, a 74.9% increase from 16.30 million in 2008 (CLIA, 2019). This growth is manifested in the number of new cruise ship ports of call being added each year and the need for existing ports to accommodate the increase in the number, size and capacity of ships (Lau et al., 2014; Rodrigue & Notteboom, 2013). While COVID-19 has temporarily dampened the growth of the cruise industry and resulted in the accelerated sale or beaching of older, less efficient and smaller cruise ships (McMahon, 2020; Faust, 2020), the industry's growth indicators are likely to continue unhindered (Allott, 2020; Cruise Industry News, 2020; Maritime Executive, 2020). All the same it is important to emphasise the data for this research was collected prior to COVID-19, with a follow up study suggested to identify changes in the industry generally, and more specifically, to stakeholder behaviour in cruise infrastructure development which may have occurred as a result of the global health shock.

Existing literature on cruise infrastructure development tends to focus on economic development and urban regeneration (see, e.g., Kotval & Mullin, 2010; McCarthy, 2003; McCarthy & Romein, 2012; Ma et al., 2018) and on stakeholders' responses to the anticipated or actual impacts of (re)development (e.g., Hritz & Cecil, 2008; London & Lohmann, 2014; Terry & Smith, 2015). However, there is a distinct lack of empirical inquiry into the establishment and behaviour of stakeholder networks which form to progress cruise infrastructure development. Additionally, there is

a lack of research into the risks which can arise in relation to that development where stakeholder cooperation is absent. Empirical studies in conceptually related areas such as destination marketing (d'Angella & Go, 2009), heritage tourism (Aas et al., 2005) and water infrastructure planning (Lienert et al., 2013) have found that a lack of cooperation, or fragmentation, within a network can create or exacerbate a wide range of risks which threaten development projects in the public sector (see also Beach et al., 2012; Chung et al., 2010).

This study seeks to address these gaps by empirically assessing the risks which can accrue where an absence of effective governance leads to political dysfunction and debate within the stakeholder networks which form to shape proposals for cruise infrastructure development. This study explores those issues through the lens of a case study which focuses on stakeholder involvement in cruise tourism infrastructure development in Auckland, New Zealand. It is against this background that the next section introduces the literature relating to stakeholder networks involved in infrastructure development. Then, through the use of a case study, this study considers the effect of a lack of appropriate governance within the network, a situation which can lead to network fragmentation and consequently, expose the network to risk. A discussion about the findings is then provided, followed by the concluding section.

## **2. Stakeholder networks, fragmentation and risk**

Within the port destination setting, cruise tourism relies on the formation of clusters of various tourism stakeholders, including those responsible to offer local attractions and develop infrastructure (Papathanassis, 2017). Studies examining cruise tourism from the perspective of the cluster theory have focused predominantly on the perceptions of host communities to cruise visitors and cruise lines (Del Chiappa et al., 2018; Del Chiappa et al., 2019). From the more general perspective of infrastructure development, the relevant stakeholders establish formal and informal networks (Krackhardt & Hanson, 1993) to undertake development (Aaltonen et al., 2010; Winch, 2004).

Newcombe (2003, p 842) defines stakeholders involved in infrastructure development as “groups or individuals who have a stake in, or expectation of the project’s performance.” Stakeholder networks are considered vital to successful infrastructure development because of their capacity to

assemble the resources (e.g., funding, knowledge and expertise) required by the project (Beach et al., 2012). Key stakeholders within those networks can include, for example, the project owners, the construction and design teams, and funding and insurance providers (Guo et al., 2014; Newcombe, 2003). Stakeholders who are not directly involved in the project but who may affect or be affected by it are considered to be secondary or external stakeholders (Aaltonen et al., 2010), including, for example, community groups (Castka & Prajogo, 2013). Given the diversity of these stakeholders, it is clear that stakeholders within these networks represent a wide array of often competing interests.

The diversity of views and interests present within infrastructure development stakeholder networks necessitate the implementation of effective governance mechanisms to ensure that projects are completed through productive engagement with the stakeholders within the network (Beach et al., 2012) and the effective use of resources available to them (Hall, 2011). Effective governance is particularly important in the public sector network governance environment where the hierarchical structures of traditional bureaucratic government are supplanted by a broader, more inclusive governance approach (Börzel, 1998; Newell et al., 2017). This approach embraces not only public sector entities (such as national and local government bodies) but also private sector organisations, individuals, partnerships and collaborative ventures (Newell et al., 2017; Parent et al., 2017). Significantly, it also includes community stakeholders who exert increasing influence (power) (Daugbjerg 1997; Hindmarsh & Matthews, 2008; Newell et al., 2017).

Despite the postulated benefits of a democratic, network governance approach (Börzel, 1998), the involvement of stakeholders representing competing interests, professional pursuits, perspectives, values and beliefs can lead to a lack of cooperation within, or fragmentation of, the network (Boholm, 2008; Selman, 2000). Network fragmentation can be either horizontal or vertical (Lienert et al., 2013). In the public sector context, for example, horizontal fragmentation can occur when there is little or no cooperation among local stakeholders (Bulckaen, Keseru & Macharis 2016), while vertical fragmentation can emerge where there is little or no cooperation between levels of government (Lienert et al., 2013). Table 1 includes the causes of network fragmentation within infrastructure networks that have been identified in previous studies.

<Insert Table 1 about here>

Fragmentation within the network can create risk as well as lead to or exacerbate risk (Flyvberg, 2009; Chung et al., 2010). It is, therefore, necessary to implement effective governance mechanisms to ensure that the relationships within the network function efficiently (Beach et al., 2012). A critical function of effective governance is to ensure that there is the capacity to identify and manage risks as they arise (Chilvers, 2007). However, when governance becomes less effective, stakeholders' conflicting views and interests can result in the network becoming fragmented, leading to a failure to recognise and manage risk or even exacerbate existing risks (Isaksson, Antonson & Eriksson, 2017)

Given the causes and manifestations of fragmentation evidenced in Table 1, it can be anticipated with a significant degree of certainty that the potential for risk in large infrastructure projects is high (Boholm et al., 2012; De Bruijne & Van Eeten, 2007; Flyvberg, 2009; Johansson et al., 2015; Lienert et al., 2013). However, despite the growth of cruise tourism, there is limited research into the potential for risk related to stakeholder networks in the specific arena of cruise infrastructure development. Based on the previously stated observation that cruise infrastructure development involves more stakeholders than other transport terminal facility development projects (Lau et al., 2014), the potential for the presence of a large number of competing interests and fragmentation in cruise infrastructure development is particularly high.

Compounding the potentially divisive or fragmenting effects of competing interests, cruise infrastructure development projects are often deliberately structured as public-private partnerships (PPPs), thereby exposing them to risks which can affect both the public and private sector partners (Grimsey & Lewis, 2002). These risks can arise from a range of uncertainties which can be classified as either construction-specific or general risks. Construction-specific risks generally fall into five categories, that is, revenue, financial, time, design and expertise (Abdou, 1996; Akintoye, 1997; Borkowski, 2015; Ng & Loosemore, 2007). General risks can arise from any uncertainty (Ng & Loosemore, 2007). Risks can also be classified as to whether they originate from (a) external (exogenous) events, such as changes in the geopolitical environment, natural disasters, external

opposition to the project and legislative or regulatory changes; or (b) internal (endogenous) events, such as fragmentation of the network, the unexpected behaviour of coalition partners and a failure to execute project delivery (Floriciel & Miller, 2001). The structure of PPPs also inherently introduces the potential for risk given the cross-sectoral stakeholders who participate in the project (i.e. the public and private sectors), compounded by the sheer complexity of the project itself (Grimsey & Lewis, 2002). Table 2 outlines examples of the potential risks associated with public infrastructure development, including cruise infrastructure.

<Insert Table 2 about here>

### **3. Study setting**

Auckland is New Zealand's principal cruise turnaround port. It continues to experience substantial growth in its cruise tourism sector (ATEED, 2015). From 2004 to the 2017/2018 season, the number of cruise passengers visiting the city increased from approximately 19,800 to 269,600. In the same period, the number of cruise ships docking in Auckland grew from 27 to 142 (ATEED, 2015, 2019; M.E. Consulting, 2017). Additionally, bigger and heavier ships continue to visit Auckland. This growth is placing pressure on Auckland's planners and other key stakeholders to develop cruise infrastructure which can accommodate the increasing number and size of cruise ships visiting the city.

Larger cruise ships currently berth at the city's main cruise terminal at Queen's Wharf and at the secondary terminal at Princes Wharf. Smaller ships can also be accommodated at The Cloud, adjacent to the Queens Wharf terminal. However, none of Auckland's cruise wharves is capable of accommodating ships longer than 320 metres, thereby requiring ships longer than 320m to moor in the harbour, often tendering thousands of passengers and crew to shore (London et al., 2017). Although Queens and Princes wharves are dedicated cruise wharves, they share some operational infrastructure with the Ports of Auckland Ltd (POAL), New Zealand's largest commercial port (London et al., 2017). POAL is currently owned by Auckland Council and administers the city commercial freight and cruise

ship harbour facilities. It is one of the few sizeable ports in the world to operate within a city's central business district (Kubiak, 2015; World Bank, 2016) (see Figure 1).

<Insert Figure 1 about here>

Several proposals for the further development of Auckland's cruise infrastructure have been tabled since 2008 (see, e.g., Auckland Council, 2014; Orsman, 2010). However, despite the city's positive and welcoming stance towards cruise tourism, each proposal has provoked robust debate (London, et al., 2017). Throughout this period, this debate has exposed significant hostilities between New Zealand's Central Government and Auckland Council (see, e.g., Bull, 2010) and between POAL and other key stakeholders (London et al., 2017). Much of the debate has been characterised by unwelcome assertions of power by each of these entities and on various occasions, by the community's perception of a lack of transparency displayed by POAL and Auckland Council (London et al. 2017; Orsman, 2011, 2015). At the heart of this debate is a city which is transitioning from a city which happens to have a commercial port, *i.e.*, a port city, to one which cherishes and seeks to protect and enjoy its harbour, *i.e.*, a harbour city.

## **4 Study methodology**

### **4.1 Study participants**

This study reports on in-depth interviews with key stakeholders who are actively involved in shaping proposals for Auckland's cruise infrastructure (re)development. A qualitative case study approach was chosen to gain an in-depth understanding of the participants' subjective perceptions of the dynamics within the network, particularly concerning the political landscape and debate surrounding the proposals for Auckland's cruise infrastructure development. Their views on the potential for risk were also elicited. The study's participants included a broad array of stakeholders from the public, private and community sectors who have decision-making responsibility or a substantial interest in Auckland's cruise infrastructure development. This sample allowed for the articulation of a diversity of views, a

diversity which is reflective of the opinions found in other empirical studies undertaken in the network governance environment (Lienert et al., 2013; Newell et al., 2017).

Participants were selected through a variety of methods including (a) their prominence in the New Zealand media (London et al., 2017); (b) identification through their organisational websites, reports or other documents; (c) referrals from other participants; and (d) personal knowledge of the authors (Knoke, 1993). Key stakeholder participants represented agencies and organisations who have responsibility for the development of Auckland's cruise infrastructure and the promotion of its cruise tourism sector. Other stakeholders included the cruise lines; over-arching business and professional organisations; consultants; academics; the media; and the community. The stakeholders who form the core of Auckland's cruise infrastructure development network were identified through Council documents, media reports and other documentary sources collected during the preliminary phase of this study. These stakeholders can be found in Figure 2:

<Insert Figure 2 about here>

#### **4.2. Data collection**

Twenty-three semi-structured interviews were conducted between April and August 2015. Fifteen interviews were conducted in Auckland, six were conducted in Wellington, and two were conducted by audioconference. Eleven other individuals were approached to take part in the study. However, they either failed to respond or declined to participate, citing, for example, political sensitivity or insufficient knowledge. Two interviews conducted in Wellington were eliminated from the analysis because the participants felt that they could not comment constructively on the decision-making process or risks related to proposals for Auckland's cruise infrastructure development. Therefore, 21 interviews were ultimately included in the analysis stage of this study. Table 3 provides a breakdown of the number of participants interviewed by sector and location.

<Insert Table 3 about here>

Prior to undertaking the interviews, information about the study and the interview process was sent to each participant. Participants advised that the purpose of this research was broadly to examine the interaction of stakeholders who either formally or informally are part of a network established to promote proposals for cruise infrastructure development. Interviews lasted between 30 and 90 minutes (Boholm et al., 2012; Lienert et al., 2013; van der Kolk & Schokker, 2016). Interviews were recorded and transcribed, with supplemental notes taken during the interviews.

The topics addressed during the interviews were initially extracted from media reports covering the period from 2008 to 2016, the time frame of this research. Participants were first asked general questions about their involvement or interest in Auckland's cruise infrastructure, port operations or cruise tourism in Auckland, followed by questions relating to the decision-making process, power, governance and risk as set out in Table 4:

<Insert Table 4 about here>

All, but two, interviews were recorded to reduce the potential for error and interviewer bias in reporting and to enable the researcher to focus on visual cues during the interview rather than on taking detailed notes (Doody & Noonan, 2013). All participants agreed to the audio taping despite the potential for sensitive information being disclosed. Transcripts of the interviews were forwarded to each interviewee inviting corrections, but no corrections were notified. Probing questions were asked to encourage participants to provide as much information as possible and to enable them to clarify their thoughts during the interview.

### **4.3. Analysis**

Following an initial review of the transcripts, a thematic analysis was undertaken (Braun & Clarke, 2006). This initial review revealed common, broad themes, namely (a) a lack of cooperation (*i.e.*, fragmentation); (b) a lack of governance; (c) a lack of leadership; (d) political risk; and (e) risk specific to cruise tourism and cruise infrastructure development. The transcripts were then coded by the first author and reviewed by the second author. Relevant comments were imported in full to allow for direct

quotes from participants to be incorporated into the results. The completed interviews demonstrated a high degree of sufficiency, with no new information communicated by subsequent participants (Jennings, 2005).

Interviews were analysed by establishing patterns of meaning according to participants' answers. More specifically, themes were created to allow for the categorisation of responses which gave evidence of network fragmentation. Open coding was used to identify and distil the fundamental issues which were initially identified during desk research and which subsequently emerged from the interviews (Lamont et al., 2014). Axial coding was then used to refine and organise the open codes while preserving the intended meaning of the content conveyed by the participants (Lamont et al., 2014). During this stage, appropriate codes were created, revealing that risk was considered to be both a specific, discrete issue and an issue implicit in the core themes. Themes were further classified according to whether the evidence of network fragmentation was mentioned concerning the Central Government, local government or by other stakeholders. Table 5 shows the classification of the themes.

<Insert Table 5 about here>

At the same time, categories were created to articulate the risks which were mentioned in conjunction with the cited evidence of network fragmentation.

## **5. Study findings**

### **5.1. Network fragmentation**

#### **5.1.1. Leadership, national strategy and governance**

A lack of cooperation or cohesion was evident within the network. An absence of leadership at Central Government level was cited as one reason for the lack of cohesion, prompting a public sector consultant to argue that Central Government needs to be more proactive, to act "*as a coordinator, as a leader, across New Zealand.*" However, there was uncertainty about how the Central Government's role should

be defined. One community activist (CA1) felt that Central Government is merely unable to establish its role with any clarity, thereby exacerbating existing perceptions of the lack of leadership:

*I think Central Government is incredibly involved, but it's involved by thinking that it isn't involved...it's making a mess of it. One of the worse [sic] ways to govern is to think that you shouldn't, not bother. But obviously, meddling, over-meddling, is bad, too. There's a balance to be struck.*

Yet, there was considerable uncertainty about who should take responsibility for cruise infrastructure at the Central Government level (*i.e.*, the Minister of Transport or the Minister of Tourism). A community activist felt that cruise infrastructure would fall between the two, hopeful that “*the Ministry of Transport, in particular, would be advising the Minister, but of course, maybe it falls between Transport and Tourism*” (Community Activist, CA1). There was also a feeling that although there has been significant advocacy at Central Government level with respect to cruise tourism issues, the CEO of an industry association observed that “*I would expect Government to lead, but in my experience, they don't lead – they follow*” (Industry Association, IA1).

The perceived lack of understanding and leadership at the Central Government level was compounded by the absence of clear understanding as to who leads the development of Auckland's cruise infrastructure at the local level. The lack of leadership appears to be systemic, with a former elected official observing that a former Mayor's indecision and “flip-flops” resulted in a dilemma for the Council itself who “*doesn't know which way is up*” (Consultant, CO1). This participant further stated that one elected official in a leadership position “*has tried to step up through the Auckland Development Committee over the last couple of years to try to get it to carry some leadership responsibility,*” while an elected official thought that “*Auckland Council, through its Council Controlled Organisations, is leading this*” (CO1).

In contrast to the comments advocating leadership at the national level, there did not appear to be concomitant support for a national cruise infrastructure strategy. Evidence of vertical network fragmentation was signalled in a government advisor's observation that “*with most national*

*strategies...the national interest isn't the same as the local or regional interest*" (Government Advisor, GA1), adding that any attempt to impose a national strategy would be rejected, given that the ports are owned by their respective Councils who will always seek to protect their independence. This independence was viewed not only as a contributing factor to a lack of cooperation but also as a threat to key stakeholders' positions, with the imposition of any such strategy viewed by a non-elected official as being:

*way too political for any government to take on, but to me, that is really the essential content because having a discussion in Auckland about the cruise industry without talking about the port is disingenuous, really, because one really pre-supposes the other or leans upon the other so, and it's the same thing nationally* (Local Government/non-elected, LG1).

Participants also identified ineffective or incompetent governance as a barrier to the further development of Auckland's cruise infrastructure, mainly where the presence of intense, competing and seemingly intractable interests was seen to be a threat to (a) cooperation as each stakeholder seeks to advance their agenda without any intervention on the network governance level; and (b) communication within the network as the network becomes more dispersed. An infrastructure expert acceded that some comprehensive planning may be being undertaken, but if so, *"it's being extremely poorly communicated across the networks broader than that initial group"* (IA1). A tourism association CEO echoed this view, commenting that governance alone is unlikely to solve the problem of a lack of communication, warning that there is still the potential for risks such as added expense, disruption and the loss of economic opportunities (IA2).

### **5.1.2. Political expediency and instability**

Political expediency, including the election cycle and the threat of political opposition, was a prominent issue that emerged from the data. For example, there was an evident belief among private sector and community participants that decision-making by politicians can be compromised by political motivations, resulting in a predisposition to pursue short-term gain at the expense of the bigger picture.

For instance, it was noted by a community activist that “*the only thing that forced [the Mayor's] hands [to undertake the Port Future Study<sup>1</sup>] is the legal action against the Port*” (CA2). This was evident throughout the findings, advancing the view that a threat of legal action can provoke political stakeholders to act in their own, political interest.

### **5.1.3. Dysfunctional planning environment/competing interests**

Participants were generally critical of Auckland's planning environment, particularly concerning the perceived lack of coherent planning for the city's waterfront. Short-term gain and a failure to mediate the network's competing interests were two critical issues cited by participants. Criticism was voiced by an infrastructure expert over Auckland's propensity to pursue short-term gain for the benefit of specific projects rather than planning for the future or the “*integrated whole*,” merely stating that the needs of “*the cruise industry [are] an integral part of that whole story*” (IA1). However, despite the establishment of City Centre Integration (CCI), a Council agency charged with bringing the Council's CCOs together “*to make coherent integration*” (Elected Official, EO1), another elected official felt that CCI's intervention in respect of cruise infrastructure was ineffective (EO2).

More far-reaching, though, were comments signalling a lack of cooperation, thereby failing to recognise and marshal the resources of the network's stakeholders. An unelected official criticised the agency responsible for the city's waterfront<sup>2</sup> stating that its plans for the whole waterfront were developed in isolation and “*didn't reflect the whole of Council thinking*” (LG2). The same unelected official also stated that although there was an attempt to introduce a broad approach to the further development of Auckland's waterfront, this participant believed that the Central Wharves Strategy (CWS)<sup>3</sup> is too narrow in scope. Moreover, this participant commented that the inclusion of the CWS in

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<sup>1</sup> See Port Future Study, <http://www.portfuturestudy.co.nz/>.

<sup>2</sup> Waterfront Auckland is now incorporated into Panuku Development, the agency responsible for the city's urban regeneration as a whole.

<sup>3</sup> The strategic document which seeks to address the expected growth to occur in ferries, cruise ships, public space/events and freight. The Central Wharves are the finger wharves that jut out into the harbour and include Princes Wharf, Queens Wharf, Bledisloe Wharf, Captain Cook Wharf and Marsden Wharf. [www.greaterauckland.org.nz/2015/02/10/the-central-wharves-strategy/](http://www.greaterauckland.org.nz/2015/02/10/the-central-wharves-strategy/)

the *Downtown Framework* (Auckland Council 2014) was done “*with the purpose of being provocative*” (LG2).

Fragmentation of the network was also evident in participants' comments relating to POAL's observed assertion of power, effectively dividing the network by circumventing the Council's planning consent procedures. A media reporter bluntly stated that POAL's actions were due to POAL's status as an independent, commercial (albeit Council-owned) business which “*operate[s] sort of in isolation to the wider city interests although that's now been challenged [by the court action]*” (Media Reporter, MR1). This participant also stated that POAL's commercial objectives are “*increasingly becoming a conflict between their commercial business and the city's wider interests in the waterfront*” (MR1). Recognition of POAL's commercial objectives was evident in an elected official's comments that it is “*paid to be a port [and not] worry about the harbour and the aspirations of the people of Auckland, seascapes and landscapes ...they are there to get on and make money*” (EO1).

These comments further corroborate the view recorded in the previous section that stakeholders involved in Auckland's waterfront development tend to pursue their own, and often competing, interests. This independence and its consequent impact on the network appears to have compromised Auckland's cruise infrastructure development. For example, a tourism association CEO observed that cruise infrastructure “*doesn't make sense to the port alone, but it does make economic sense to the wider community because of the benefits*” (IA2). According to a community activist, the lack of collaboration between Auckland Council and POAL exemplifies a long-standing problem which has foreclosed efforts to adopt any long-term planning vision, an issue which has threatened many public infrastructure projects not only in Auckland but across the globe. However, this view was tempered by an elected official who acknowledged that POAL is beginning to recognise at least some of the economic benefits of cruise tourism, commenting that POAL “*has only slowly woken up to the financial dividends that can flow out of cruise*” (EO2).

#### **5.1.4. Lack of transparency/trust and inclusiveness**

Evidence of a lack of cooperation or fragmentation was also apparent in participants' comments relating to a lack of transparency in respect of POAL's actions, especially among stakeholders from within the

wider community. A community activist, reflecting on the secretive, non-compliant process whereby POAL was granted consents to extend Bledisloe Wharf (*see Orsman, 2015*), felt that “[*POAL is*] *not equal in the law...[t]hey are above everyone else...[t]hey have their own special law.*” This participant added, “[*t]he public should be made aware of [the plan to extend Bledisloe Wharf],*” that it “*should be notified [as part of the planning consent process] and there should be some input*” (CA3). However, these views were not confined to POAL’s actions and behaviour, but also to other actors within the broader decision-making process. For example, a tourism association CEO, an infrastructure expert and a media reporter were critical of the way the CWS (Auckland Council, 2014) was managed, noting that there is community opposition, particularly with respect to the proposed expansion of the Port. A tourism association CEO further argued that the public needs to be consulted with respect to developments which affect the port, observing that “*the need to have a proper cruise facility has sort of been lost in the murk of the whole debate*” (IA2).

As primary users of cruise infrastructure, the cruise lines can be considered central to any cruise infrastructure development network. However, two reasons were cited which militate against the cruise lines' full participation in the network. First, an elected official expressed the view that decisions about cruise infrastructure development should be made by local, key stakeholders. This elected official commented that the cruise lines expect Auckland to sort out its problems, saying that the cruise lines will take the position that “*we are not part of your problem.*” However, according to a tourism association CEO, the cruise lines have unwittingly found themselves in the middle of the “*argument between the Port and its owner, the Council*” (IA2). The second reason, also articulated by this participant, relates to both the structure and organisation of the cruise lines themselves. This participant further commented that even though the cruise lines may have sales offices in New Zealand, the physical distance of the cruise lines' decision-makers from New Zealand and their reluctance to share information effectively renders them passive network participants. However, an elected official said there was also a view that there has been no direct, ongoing consultation with the cruise lines, recognising that “*the cruise lines have a view...they have been briefed, but not consulted.*” (EO1). Whether there was a conscious failure to include the cruise lines or a reluctance on their part to be involved, a tourism

association CEO expressed the view that the “the cruise industry needs [to] be an integral part of that whole story” (IA2).

Another recurrent theme was the failure of the Council (including the CCOs) to embrace Auckland's ratepayers within the network. For example, criticism was voiced about the inability to consult the ratepayers over the negotiations which involved a complex basket of property swaps affecting the waterfront, adjacent public spaces and the siting of cruise infrastructure. A former elected official commented that “*the public are being short-changed in the transactions which are occurring*” (CO1). This informant also stated that Waterfront Auckland (see footnote 2) did not reflect “*whole of Council*” thinking, leading to “*knee-jerk decisions for cruise ship infrastructure or port expansion to enable a greater discussion to occur which would take the whole waterfront and all of its users into account rather than just one organised sector group*” (CO1).

## **5.2. Risk**

During the interviews, participants articulated a variety of risks which potentially can affect Auckland's cruise infrastructure development. Participants were aware of the risks which a lack of network cohesion or cooperation, that is, network fragmentation, has on Auckland's cruise infrastructure development. These risks ranged from the paramount risk of a loss or reduction of New Zealand's cruise tourism sector to the alienation of the community. For example, a tourism association CEO expressed alarm that a lack of leadership or coordination could potentially lead to economic risk nationally because “*if Auckland fails to provide a facility...cruise ship[s] may not come to New Zealand at all, so every other [port] in New Zealand [will] miss out*” (IA2). The CEO of an industry association argued that the aversion to taking a leadership role is “*all probably about risk,*” expressing the general sentiment that risk will accrue if the relevant Ministry fails to adopt a “*clear sort of statement of being or intent or direction... in terms of approvals and decisions and political momentum behind it*” (IA1). On a local level, the same participant said that the risks flowing from fragmentation include the dangers of haphazard construction of infrastructure and the drive for short-term gain, thereby potentially compromising the needs of all stakeholders. He added that “*out of desperation, we have to resolve this situation*”(IA1). On the community level, a tourism association CEO (IA2) and a former elected official

(CO1) felt that a failure to engage with the community was seen to risk their support for cruise infrastructure development. Table 6 summarises the risks cited by participants:

<Insert Table 6 about here>

## **6. Discussion**

It is clear from this study that the development of cruise infrastructure capable of accommodating the increase in the number, size and capacity of cruise ships visiting Auckland is a crucial economic issue for the city. However, the debate surrounding proposals for this development reveals a lack of cooperation, or fragmentation, within the stakeholder network. It is therefore vital for planners and other key stakeholders to avail themselves of an enhanced understanding as to how fragmentation can arise in stakeholder networks. This conceptual rethinking is particularly crucial given the main characteristics of network governance, that is, that it is collaborative and non-hierarchical, involving both public and private sector actors (Hall 2011; Provan & Kenis 2008). To avoid horizontal fragmentation, it is imperative that Councils and other public sector bodies which have adopted a network governance approach implement an appropriate governance structure and an adherence to effective communication practices. Among the many applied findings of this study, participants' suggested that a traditional, hierarchical government structure and related culture still exists between Auckland Council, its CCOs and other local organisations involved in the city's waterfront development. This culture appears to be responsible for engendering a culture of distrust and a perceived lack of transparency, within local government organisation itself and between local government and the community.

With respect to vertical fragmentation, the results show that a lack of leadership and unwelcome assertions of power from a higher level of government resulted in a fragmented network. Both types of fragmentation can contribute to risk. Key stakeholders and planners also need to understand that these risks can extend beyond the extant project. For example, in the circumstances, such as those found in this study, the effects of vertical fragmentation potentially resulted in significant risk for other stakeholders. In this case, a failure by the Central Government to provide policy leadership supporting

Auckland's cruise infrastructure development could result in cruise ships avoiding New Zealand altogether.

Given the potential for far-reaching economic risk, as well as direct risks to large scale public infrastructure development, such as cruise infrastructure, evidence from the Auckland case study shows that it is incumbent upon planners and other key stakeholders to find ways to thwart fragmentation. Adequate governance is vital, given that successful stakeholder participation in infrastructure development projects requires strong relationships between and a muting of competing interests among stakeholders in the network (see also Beach et al., 2012; Boholm et al., 2012; Klijn & Koppenjan, 2000). As suggested by Head (2007), the results from this study also suggest that the implementation of a governance framework, which includes rules, values and expected forms of behaviour, can eliminate or at least reduce fragmentation. This can be achieved by helping key stakeholders understand the relative power of the stakeholders, the resources they contribute to the network and the extent to which they agree to be bound by the outcomes. Governance mechanisms which eliminate or reduce fragmentation also strengthen the network's ability to manage risk (Daugbjerg, 1997; Head, 2007). Furthermore, stakeholders need to understand that instead of being a threat to their interests, the network governance structure can provide them with a stronger environment in which to consider risk because the presence of other stakeholder viewpoints can be beneficial. However, this change in attitude may be difficult for local government stakeholders who originate from traditional hierarchical, bureaucratic structures where collaborative support is not available.

Examples of such mechanisms include (a) developing a shared knowledge base; (b) reaching agreement on a long-term strategic vision; and (c) demanding transparency. In Auckland's case, the absence of a shared knowledge base appears to have contributed to network fragmentation. POAL's failure to take into account the goals and beliefs of all stakeholders profoundly alienated community stakeholders, as it has been seen in other similar studies (e.g., Dooms et al., 2013). At the same time, it was clear that community stakeholders lacked detailed knowledge and experience about the port's requirements for the day-to-day efficiency of its operations and its long-term development plans. This highlights the importance of sharing relevant information to reduce the potential for network fragmentation. Key stakeholders also need to ensure that they focus on the longer-term strategic vision

rather than on short-term gains that can be sub-optimal and that accordingly, which can contribute to fragmentation (Dominguez et al., 2009). For example, influential or essential stakeholders such as POAL may seek to use their power to further their short-term, operational objectives, thereby forsaking network cooperation. A common theme amongst participants in this study was a lack of transparency, particularly concerning POAL's covert attempt to gain consents for its commercial port expansion. Meaningfully community engagement seems to be particularly crucial in seaport and airport development projects given the impact on and relationship of these projects with the urban community (Dooms et al., 2015; Flyvberg, 2009). The unilateral actions of an influential stakeholder in this study illustrate the need for the implementation of governance rules which require transparency, thereby mitigating against the significant risk of community alienation and fragmentation of the more extensive network.

Thus, adequate governance is required to ensure that stakeholders cooperate to identify and mitigate risk. In this study, POAL sought to assert its authority and undermine the planning consents process by engaging in secret negotiations with Auckland Council. By doing so, POAL subjected the entire network to potential risks, including the loss of public trust (similarly to what was identified by Flyvberg, 2009; Rhodes, 1996). Therefore, the adopted governance structure must also anticipate and mitigate against the possibility that planning authorities, whose culture is still entrenched in traditional hierarchical structures, may take a defensive posture, opting to become less transparent. If such positioning continues, the threat of further loss of public trust will continue. However, the identification of risk in a political environment is not a precise exercise but instead depends on the extant technical, economic, organisational and political culture. In this context, risk identification becomes a collective action, so that if the network becomes fragmented, the ability to identify and manage risk becomes weakened. Also, risk management may be threatened by stakeholders who have the most power (see Flyvberg, 2009; Head, 2007) and who seek to override legal protections (e.g. Johansson, 2015). Governance policies need to be adopted, which ensure that no single stakeholder has the power to do so. Figure 3 is a key contribution to knowledge by this paper, providing a conceptual model of the factors which may contribute to network fragmentation, the risks which can arise from that fragmentation and strategies for mitigating that risk:

<Insert Figure 3 about here>

## **7. Conclusions**

This study sought to examine the impacts that a lack of cooperation within stakeholder networks has on cruise infrastructure development. Results demonstrated that network fragmentation could be traced to eight main factors, allocated among three main stakeholder groups, that is, Central Government, local government and other stakeholders (see Figure 3). These factors were noticeably evident in the debate which continues to surround Auckland's cruise development, thereby likely to give rise to risks which can affect this development as well as undermine the network's engagement with the community. More specifically, this study considered the relationship between weak governance and risk.

A key finding of this study is that fragmentation of Auckland's cruise infrastructure network threatens Auckland's ability to (a) continue to realise economic gains from its cruise tourism sector; and (b) sustain its increasing popularity as a premier turnaround port and cruise destination (ATEED, 2015). While there appears to be agreement among key stakeholders that further investment in cruise infrastructure is urgently required, there is also recognition that the highly-charged public debate between stakeholders exposes Auckland's cruise sector to considerable risk.

Given the lack of previous research on the formation and governance of stakeholder networks in respect of cruise infrastructure development, the critical contribution of this research can be considered to be its empirically informed insights into the potentially destructive effects of a fragmented network. Additionally, it demonstrates how risk can be mitigated through cooperation within an existing network.

This research is limited to a single case study. However, it reveals a pattern of key stakeholder behaviour that may occur in other contexts where there has been a shift from a traditional, hierarchical form of local government to a more democratic, networked governance model. For example, participants' responses revealed a climate of distrust, itself a characteristic which needs to be understood if key stakeholders are to progress proposals for large public infrastructure development projects,

including cruise infrastructure. The concerns expressed in this study are unlikely to be atypical. In fact, although the issues and controversy portrayed in this case study focuses on Auckland, they are not dissimilar to the debates taking place in other cities considering proposals for large public infrastructure development projects, including cruise infrastructure. Coastal cities experiencing opposition to proposals for cruise infrastructure development include Charleston, South Carolina (Terry & Smith, 2015), Bar Harbour, Maine (McGuire, 2017), The Gold Coast, Australia (Ardern & Harbour, 2014) and Greenwich, London (The Guardian, 2016). Moreover, the same issues and concerns can arise to other large public infrastructure development process including, for example, sports stadia (Scherer, 2016), windfarms (Walker et al., 2010), public housing estates (Norris & Hearne, 2016) and airports (Griggs & Horwarth, 2007).

It should also be recognised that this study took place in the midst of an ongoing, high profile and fractious debate. Furthermore, stakeholders' responses may have been affected by their political, bureaucratic or industry position. However, these limitations are not inconsistent with the environment in which planners, consultants and other advisors involved in large scale infrastructure development projects function.

Future research could focus on applying quantitative methods to map the stakeholder network. This would allow the researcher to visualise the network's structure, including an assessment of where power is concentrated and whether that concentration of power is a factor in exposing the network to risk. It would also provide more precision in determining whether factions in the network are present. Such an approach, if monitored longitudinally, could also lead to an understanding of the changes in the cohort of stakeholders and how individual stakeholder's interests may change throughout the project's lifecycle (Aaltonen et al., 2010; Beach et al., 2012). This analysis could result in the use of different governance strategies to manage the same stakeholder over the tenure of the project (Jawahar & McLaughlin, 2001), mainly to mitigate the potential for risk. Another aspect to be considered is how to manage conflicts when there are community or other stakeholders hostilities and what role they play in slowing down the process of developing large transport infrastructure projects (Elias, Jackson, & Cavana, 2004). Each of these extensions to this study can contribute to a better understanding of the

fabric of cruise infrastructure development networks to predict their potential exposure to risk and how that risk can be managed.

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**Table 1. Causes of network fragmentation**

<b>Context</b>	<b>Cause</b>	<b>Source</b>
Governance	Lack of clarity around: <ul style="list-style-type: none"> <li>• the definition of governance</li> <li>• how external stakeholders should be managed</li> </ul>	Beach (2008)
Large-scale public-private partnerships (PPPs)	The long elapsed time of large-scale projects means that the cohort of stakeholders who form the network are likely to change over time, with some stakeholders having only a short-term interest	Beach et al. (2012); Newcombe (2003)
Dispersed networks	The geographical remoteness of one or more stakeholders (e.g., cruise lines and Central Government may not have a presence in the community where the infrastructure is being built)	Hustedde (2014)
All infrastructure projects	Changes in or to government or legislation	Steenhuisen, Dicke, & Bruijn (2009)
	Application of a burdensome number of regulations and policies	Johansson (2015)
	Incompatibility with other stakeholders in the network	Newcombe (2003); Steenhuisen et al. (2009)
	A fragmented bureaucratic structure involving many agencies on many different levels	Johansson (2015)
	A fragmented knowledge base	El-Gohary, Osman, & El-Diraby (2006)
	Gratuitous assertions of power by individual stakeholders	Flyvberg (2009)
	Factions within the network organise themselves with the intent of dividing the network by asserting their power and thereby circumventing the network's governance scheme	Steenhuisen et al. (2009)

**Table 2. Examples of risks which can attach to public infrastructure development**

Construction-specific risks	General risks	PPP-specific risks (exogenous/endogenous)
<p><b>Revenue</b> (endogenous)</p> <ul style="list-style-type: none"> <li>● Competition</li> </ul> <p><b>Financial</b></p> <ul style="list-style-type: none"> <li>● Inflation (exogenous)</li> <li>● Unrealistic financial structure affecting cash-flow (endogenous)</li> <li>● Cost overruns (endogenous)</li> <li>● Creditworthiness (endogenous)</li> <li>● Inability to service debt (endogenous)</li> <li>● The imposition of onerous penalties (exogenous)</li> </ul> <p><b>Time</b> (endogenous)</p> <ul style="list-style-type: none"> <li>● Delay</li> </ul> <p><b>Design</b> (endogenous)</p> <ul style="list-style-type: none"> <li>● Poorly drafted specifications</li> <li>● Overly technologically complex</li> <li>● Poor materials</li> </ul> <p><b>Expertise</b> (endogenous)</p> <ul style="list-style-type: none"> <li>● Poor project management</li> <li>● Disorganised project team</li> <li>● Unduly heavy workload</li> <li>● Poor suppliers</li> <li>● Lack of understanding of technology</li> <li>● Withdrawal of a coalition partner or financial institution</li> </ul>	<p><b>Political</b> (exogenous)</p> <ul style="list-style-type: none"> <li>● War</li> <li>● Changing political landscapes, including nationalisation</li> <li>● Political interference</li> <li>● Sovereign risk</li> </ul> <p><b>Legislative/compliance</b></p> <ul style="list-style-type: none"> <li>● Failure to comply with regulations (e.g., labour, environmental) (endogenous)</li> <li>● Unexpected new legislation or regulation (exogenous)</li> <li>● Refusal by the government to grant permits (exogenous)</li> </ul> <p><b>Commercial</b> (endogenous)</p> <ul style="list-style-type: none"> <li>● Poorly drafted contracts</li> <li>● Inadequate insurance</li> <li>● Inefficient tender process</li> </ul> <p><b>Social/labour</b></p> <ul style="list-style-type: none"> <li>● Susceptibility to organised or individual opposition from local groups, economic development agencies and influential pressure groups (exogenous)</li> <li>● Court challenges from pressure groups (exogenous)</li> <li>● Strikes (endogenous)</li> <li>● Accidents (endogenous)</li> </ul> <p><b>Economic</b> (exogenous)</p> <ul style="list-style-type: none"> <li>● Unexpected economic downturn</li> </ul> <p><b>Unexpected events</b> (exogenous)</p> <ul style="list-style-type: none"> <li>● Climate change</li> <li>● Natural disaster</li> <li>● Unexpected geological activity</li> </ul>	<ul style="list-style-type: none"> <li>● Refusal by public sector actors to work with the private sector</li> <li>● Shifting of an excessive risk to the private sector</li> <li>● Unreasonable expectations by the private sector</li> <li>● The reluctance of actors to work in the PPP environment (e.g., banks)</li> </ul>

**Sources:** Engel et al. (2002); Flyvberg (2009); Floricel and Miller (2001); Grimsey and Lewis (2002); Lessard and Miller (2000); Ng and Loosemore (2007)

**Table 3. Semi-structured interview participants**

<b>Sector</b>	<b>Local focus (Auckland) n</b>	<b>National focus n</b>
Community representatives	2	
Media	1	
Private sector	6	
Public sector (elected and non-elected officials)	7	2 <sup>(a)</sup>
Representatives of over-arching industry and professional organisations	1	4 <sup>(a)</sup>
	<b>17</b>	<b>6</b>

**Note**

- (a) One interview was excluded from analysis from each of these cohorts because of the participants' self-assessment of insufficient knowledge.

**Table 4. Interview questions**

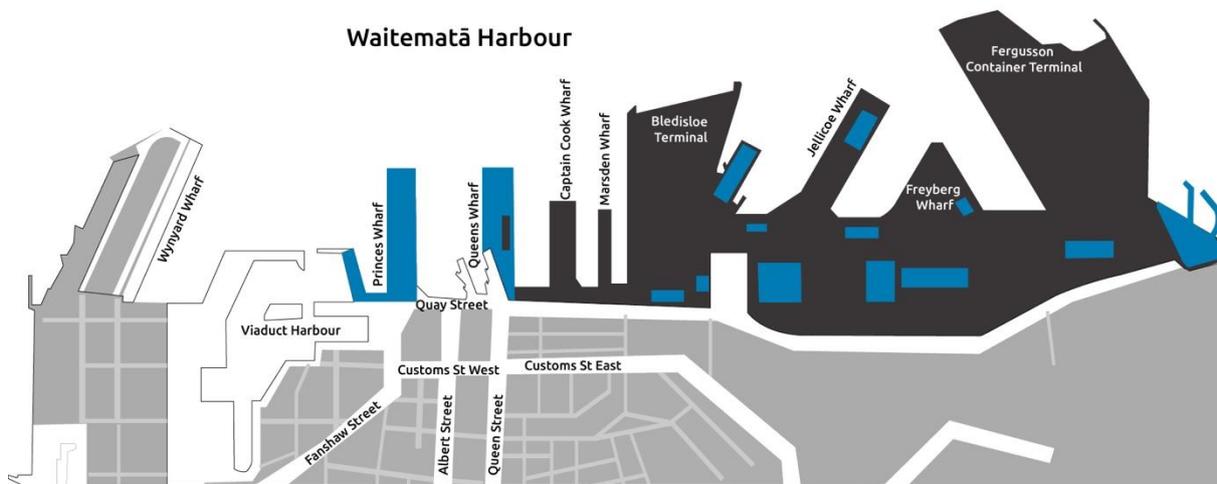
<b>Broad area</b>	<b>Questions</b>
Decision-making process	<ul style="list-style-type: none"> <li>● Who do you think are the decision-makers with respect to the development of cruise infrastructure (and where relevant, more broadly, port infrastructure and wharves)?</li> <li>● How are decisions made, and what happens once those decisions are made?</li> <li>● Who else is involved in this process, e.g.:               <ul style="list-style-type: none"> <li>(a) are the cruise lines involved, and if so, what is the nature of their involvement?</li> <li>(b) is Central Government involved, and if so, what is the nature of their involvement?</li> </ul> </li> </ul>
Power	<ul style="list-style-type: none"> <li>● Who do you think holds the power with respect to the decision-making process in Auckland?</li> <li>● Who do you think holds the most power with respect to cruise infrastructure development?</li> </ul>
Governance	<ul style="list-style-type: none"> <li>● Are there any formal governance structures in place with respect to cruise infrastructure development? If so, what are they? If not, do you think there should be?</li> <li>● Who do you think has responsibility specifically for cruise infrastructure development?</li> </ul>
Risk	<ul style="list-style-type: none"> <li>● Do you think there are any risks associated with the development of cruise infrastructure development and if so, do you have any ideas on how they could be mitigated?</li> </ul>

**Table 5. Themes evidencing network fragmentation**

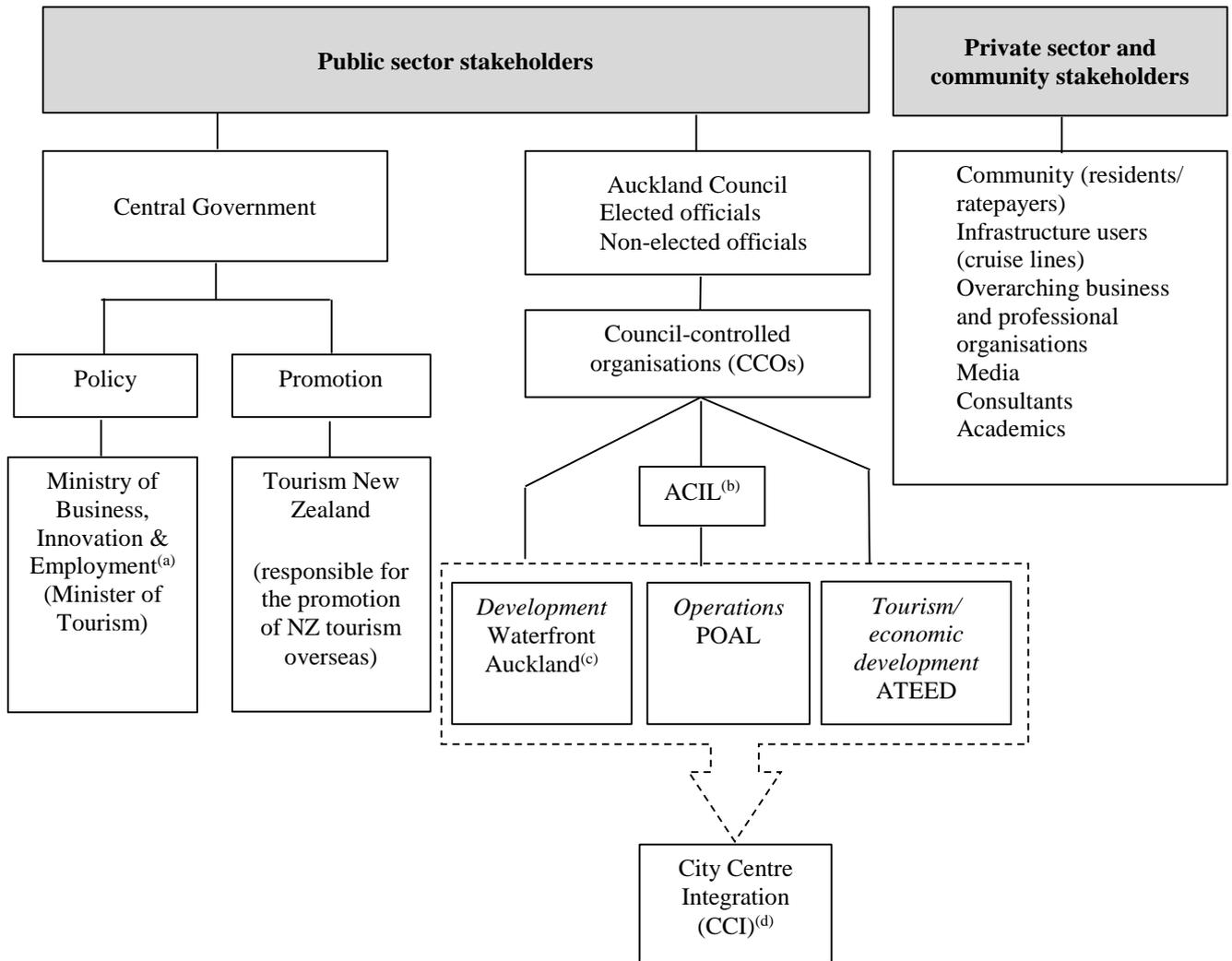
<b>Central Government</b>	<b>Local government</b>	<b>Other stakeholders</b>
<ul style="list-style-type: none"><li>• Lack of leadership and understanding</li><li>• Lack of a national strategy</li></ul>	<ul style="list-style-type: none"><li>• Lack of leadership</li><li>• Political expediency</li><li>• Dysfunctional planning environment/ differing aims and objectives</li><li>• Inefficient/inadequate governance</li></ul>	<ul style="list-style-type: none"><li>• Lack of transparency and trust</li><li>• Lack of inclusiveness</li></ul>

**Table 6. Risk as a consequence of network fragmentation**

<b>Risk category</b>	<b>Consequences of network fragmentation</b>	<b>Potential risks</b>
Financial and investment	Network fragmentation threatens the network's ability to develop and understand the business case where each stakeholder seeks to promote its own interest.	A lower than anticipated return on investment and over-capitalisation because of a failure to take into account all stakeholders' views and interest
Design and operation	Network fragmentation can threaten the network's ability (including the cruise lines and POAL) to ensure that the planned infrastructure meets the needs of its users with respect to: <ul style="list-style-type: none"> <li>• Terminal design and services, including passenger and crew access; adequate space for regulatory services (e.g., Immigration, Customs and Bio-Security) and support services (e.g., transportation, baggage and provisioning services); and ancillary services (e.g., toilets, rubbish collection, tourism information services, etc.)</li> <li>• Port infrastructure (including wharves and seawalls) which can support increasingly heavier and bigger ships</li> <li>• Interaction with the CBD and other infrastructure projects (including transport) to facilitate passenger access to and from the waterfront</li> </ul>	The cruise ships will go elsewhere, resulting in economic/ investment loss to New Zealand's cruise sector
Regulatory	A lack of cooperation and an understanding of the economic contribution of the cruise sector by Central Government regulatory authorities can potentially result in unnecessary port costs, direct taxes or onerous visa requirements being imposed.	
Future planning	A fragmented network will result in individual stakeholders engaging in short-term planning (including building something which is inadequate or has a limited life-span rather than focusing on long-term, inter-generational planning.	
Policy/governance	Lack of leadership can lead to fragmentation which threatens not only Auckland's cruise infrastructure development but also the viability of other ports if Auckland (as New Zealand's principal turnaround port) fails to develop adequate cruise infrastructure.	
Environmental/ social	A lack of cooperation can compromise the city's ability to manage environmental impacts (e.g., noise, air, sea and crowd pollution); surface transportation pressures; and the visual impact of new infrastructure and the ships berthed there.	
Competition/ promotion	A lack of support from all key stakeholders (including Central Government) will threaten Auckland's aspirations to become the principal South Pacific cruise hub as well as its (and the rest of New Zealand's) continuing growth as a desirable cruise destination.	will emerge as the South Pacific cruise hub, resulting in economic/investment loss to New Zealand's cruise sector.



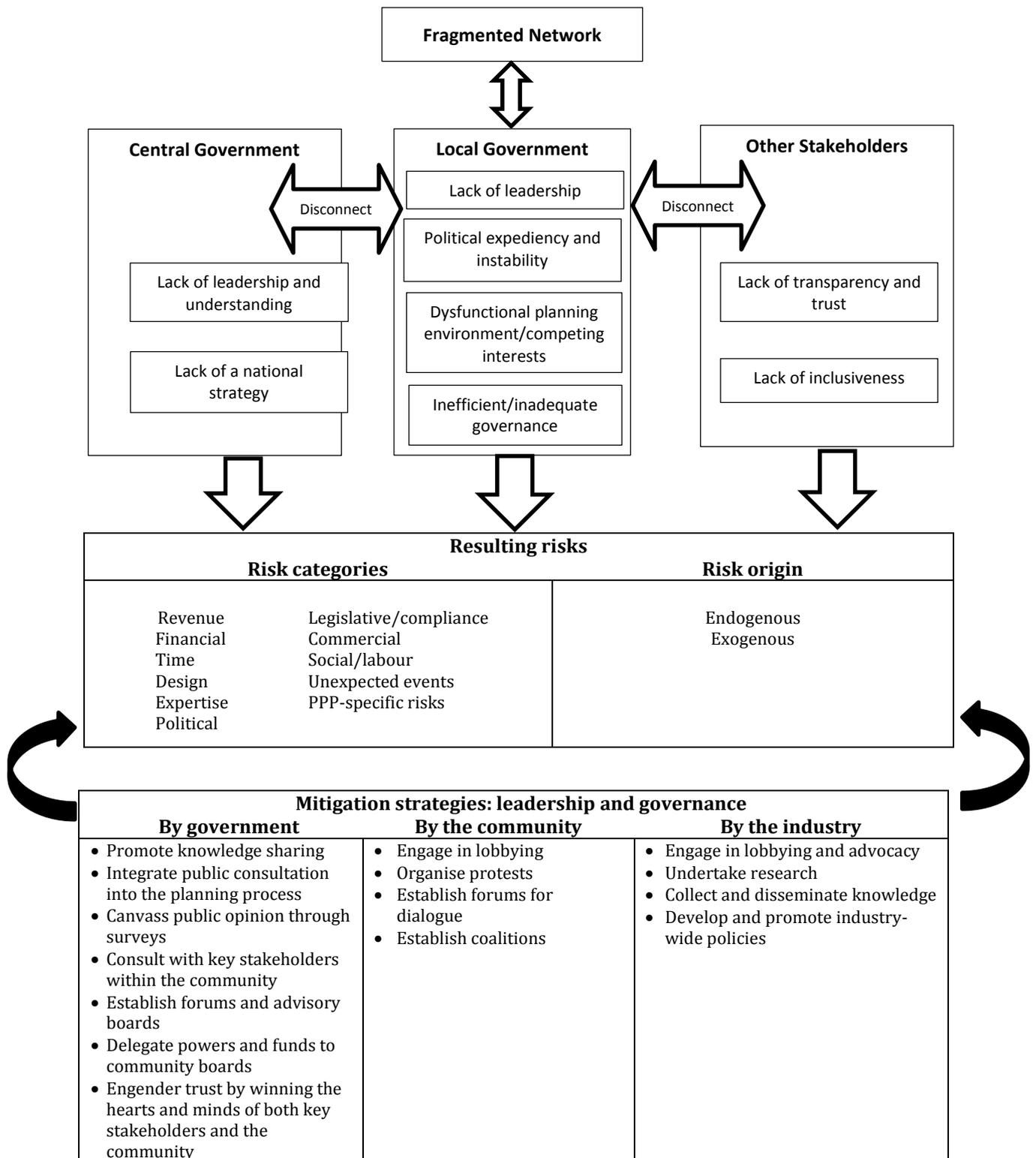
**Figure 1: The Port of Auckland, with the cruise terminals (left), the container and car terminals (right) (with permission from the Auckland Council)**



**Notes:**

- (a) In 2012, the Ministry of Tourism was disestablished, with policy functions being assigned to the newly created super-ministry, the Ministry of Business, Innovation & Employment (MBIE)
- (b) ACIL owns 100% of POAL's shares, on behalf of Auckland Council.
- (c) In 2015, Waterfront Auckland was merged into Panuku Development Auckland, the CCO now responsible for the rejuvenation of the city of Auckland.
- (d) City Centre Integration (CCI) also includes other agencies, but Waterfront Auckland, POAL and ATEED are the agencies relevant to this study.

**Figure 2: Stakeholders involved in Auckland's cruise infrastructure development network**



**Figure 3: Factors which may contribute to network fragmentation, resulting risks and mitigation strategies**

**Author contribution**

**Network Fragmentation and Risk in Cruise Tourism Infrastructure Development: Auckland, New Zealand**

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*Contribution:* As the first author, lead the writing of the paper, significant parts of data collection, and data analysis

**Gui Lohmann**

*Contribution:* Research design, part of data collection, design of data analysis, writing.

**Brent D Moyle**

*Contribution:* Research design, design of data analysis, writing.