

Article

Iceland's Cruise Infrastructure Fee: Policy Rationales, Stakeholder Tensions, and Governance Ambition

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Highlights

What are the main findings?

- The fee was framed around user-pays, infrastructure financing, and destination stewardship.
- Post-pandemic passenger volumes grew faster than ship calls, raising passengers per call.

What are the implications of the main findings?

- Governance framing does not by itself establish governance performance.
- The fee was designed in governance terms, but its governance function is not yet evidenced.

Abstract

The rapid expansion of Arctic cruise tourism has intensified debates regarding sustainability, carrying capacity, and infrastructure pressure in vulnerable destinations. In response, the Icelandic government introduced an infrastructure fee on cruise ship passengers. This study examines how policymakers designed and justified the fee as a governance instrument, and what evidence would be required to establish that it functions as one. Using Iceland as a case study, the research combines qualitative document analysis of legislative and stakeholder materials with descriptive statistical data on cruise passenger flows. Policymakers framed the fee around infrastructure financing, the user-pays principle, fair contribution, and sustainable destination stewardship. However, the legislative process revealed stakeholder tensions concerning international competitiveness, regulatory predictability, and regional economic implications. Contextual data indicate a post-pandemic increase in passenger volumes relative to ship calls, highlighting the relevance of passenger-based indicators for understanding visitor intensity alongside vessel arrivals. The Icelandic case sits within a broader international trend, also visible in destinations such as Venice, Alaska, and Norway, in which authorities design and justify tourism taxation as a governance tool rather than solely as a revenue mechanism. The statutory framework does not earmark fee revenue for destination management, and an amendment adopted in 2025 reduced the rate with effect from 2026. The evidence examined establishes the fee's governance objectives but does not demonstrate its destination-level effects.



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conditions of the [Creative Commons](https://creativecommons.org/licenses/by/4.0/)[Attribution \(CC BY\)](https://creativecommons.org/licenses/by/4.0/) license.**Keywords:** cruise tourism; tourism taxation; infrastructure fee; sustainable destination governance; arctic tourism; carrying capacity

1. Introduction

Cruise tourism has experienced substantial global growth over recent decades and is widely regarded as one of the fastest-growing segments of the tourism industry. [Brida and Zapata \(2010\)](#) note that the sector expanded at almost twice the rate of tourism overall over a prolonged period, driven by rising passenger numbers, larger vessels, and expanding itineraries. The industry has also undergone significant structural transformation. Cruise ships have evolved from transportation vessels into “floating hotels” and now function as “floating destinations” offering extensive onboard services and experiences ([Papathanassis, 2020](#)). Technological innovation, intensified marketing, and product diversification have modernised the sector and expanded it beyond its traditional niche markets ([Papathanassis, 2020](#)). Although cruise tourism remains a relatively small proportion of global tourism, its continued expansion and visibility have attracted growing academic and policy attention.

Arctic cruise tourism has expanded considerably in recent decades as operators increasingly seek to offer experiences in remote and environmentally sensitive destinations. [James et al. \(2020\)](#) note that expedition cruising has grown significantly across Arctic regions, including Iceland, Greenland, and Svalbard, driven by demand for scenic, adventure-based, and nature-oriented experiences. The region’s remoteness, distinctive landscapes, and cultural heritage have strengthened its attractiveness within the global cruise market. Similarly, [Ólafsdóttir et al. \(2024\)](#) describe how the intensification of Arctic cruise tourism has prompted debate regarding visitor pressure, local community impacts, and sustainability challenges in small, remote destinations. This expansion has also raised concerns regarding infrastructure capacity, environmental vulnerability, and the concentration of large visitor flows in sparsely populated communities ([Ólafsdóttir et al., 2024](#)).

The continued expansion of the sector has raised broader concerns regarding environmental sustainability, infrastructure pressure, and the impacts of large visitor flows on host communities. [Klein \(2011\)](#) argues that the growth of cruise tourism has intensified debate surrounding environmental impacts, local economies, and the socio-cultural effects of tourism development in port communities. High passenger volumes have also generated concern regarding overcrowding, congestion, and pressure on urban infrastructure, particularly in destinations experiencing concentrated visitor flows ([Tavafi et al., 2025](#)). In major cruise destinations such as Barcelona, rapid influxes of passengers within limited timeframes have contributed to debates over overtourism, public space pressure, and local quality of life ([Tavafi et al., 2025](#)). These developments have strengthened calls for more sustainable and responsible approaches to tourism governance and destination management ([Mihalic, 2020](#)).

Iceland has emerged as an important Arctic and North Atlantic cruise destination owing to its strategic location and its growing role within Arctic itineraries ([Huijbens & Gunnarsson, 2014](#); [Ólafsdóttir et al., 2024](#)). While creating economic opportunities for ports, tourism businesses, and regional communities, this growth has intensified debates regarding infrastructure capacity, environmental protection, and the governance of tourism development ([Fjármála- og efnahagsráðherra, 2024](#); [Ólafsdóttir et al., 2024](#)). These concerns align with earlier research on Icelandic tourism. [Hjálmarsdóttir and Kristjánsdóttir \(2024\)](#) identified limited infrastructure and the absence of a long-term approach to tourism-related access pricing as weaknesses in Icelandic tourism development, and highlighted the need to strengthen infrastructure as tourism recovered following the COVID-19 pandemic. The descriptive data examined in this study reflect a substantial long-term increase in cruise passenger volumes and a strong post-pandemic recovery. In response, the Icelandic government introduced an infrastructure fee on cruise ship passengers through Act No. 140/2024 ([Lög um breytingu á ýmsum lögum um skatta og gjöld o.fl. \(nýsköpun, virðisaukaskattur o.fl.\), 2024](#)), amending the Act on Accommodation Tax

(*Lög um gistináttaskatt og innviðagjald*, 2011). The explanatory memorandum accompanying the bill presented the fee as a governance instrument to address tourism-related infrastructure pressures, protect natural areas, finance tourism-related public infrastructure, and promote sustainability and fair contribution (*Fjármála- og efnahagsráðherra*, 2024). The measure reflects broader international developments in which tourism taxation and visitor charges are increasingly designed as policy instruments within destination management and sustainability governance.

Previous research has examined cruise tourism growth, Arctic tourism development, overtourism, environmental pressures, and the economic and sustainability challenges associated with cruise destinations (Brida & Zapata, 2010; Klein, 2011; Papathanassis, 2020). Less attention has been given to how policymakers frame and justify cruise-specific passenger charges as governance instruments, particularly in Arctic destinations, or to how affected stakeholders negotiate such measures. This leaves a gap in understanding how taxation, infrastructure financing, sustainability objectives, and stakeholder interests interact in the governance of rapidly growing cruise destinations.

The Icelandic case provides an opportunity to address this gap following the introduction of a national passenger-based infrastructure fee in 2025. To the authors' knowledge, this is the first academic study to examine Iceland's newly introduced cruise infrastructure fee as a tourism governance instrument. Academically, the study links tourism taxation with sustainable destination governance by examining both the policy rationales underlying the fee and the competing stakeholder perspectives surrounding its introduction. Practically, it provides insights into the opportunities and tensions associated with using passenger-based charges to finance tourism-related infrastructure and support destination management, with relevance for Iceland and other destinations experiencing increasing cruise-related pressures.

The aim of this study is to examine how Iceland's infrastructure fee on cruise ship passengers was designed and justified as a governance instrument within tourism and sustainability policy, and to identify what evidence would be required to establish that it operates as one in practice. Using Iceland as an Arctic cruise destination case, the study analyses the policy rationales underlying the fee and the stakeholder tensions that emerged during the legislative process, and compares the Icelandic approach with selected governance measures in Venice, Alaska, and Norway.

The study addresses the following research questions:

1. What were the main policy rationales behind Iceland's infrastructure fee on cruise ship passengers?
2. How did policymakers frame the infrastructure fee in relation to sustainability, carrying capacity, infrastructure protection, and tourism governance?
3. What competing perspectives emerged among key stakeholders during the legislative debate on Iceland's infrastructure fee?
4. How does Iceland's approach compare with selected cruise tourism taxation and governance measures implemented in destinations such as Venice, Alaska and Norway?
5. To what extent do the fee's statutory design and initial implementation align with its stated governance objectives, and what further evidence would be required to establish that it operates as a governance instrument in practice?

By addressing these questions, the study contributes analytically by distinguishing between the design of a policy instrument and its demonstrated performance, and by specifying the evidence that would be required before a passenger-based charge of this kind could be classified as a governance instrument on more than declaratory grounds.

2. Literature Review

2.1. Cruise Tourism and Arctic Destinations

Cruise tourism has become an increasingly important component of tourism development in Arctic regions. Over the past two decades, expedition cruising has expanded considerably as growing numbers of visitors seek nature-based, educational, and adventure-oriented experiences in remote destinations. Arctic destinations such as Iceland, Greenland, Svalbard, and the Canadian Arctic have experienced increasing cruise activity, reflecting broader trends in the global tourism industry and growing interest in remote and environmentally distinctive locations (Dawson et al., 2014; James et al., 2020). Unlike conventional cruise tourism, expedition cruising typically features smaller vessels, a stronger emphasis on environmental and cultural interpretation, and visits to geographically isolated locations that are often difficult to reach by other means (James et al., 2020).

A combination of environmental, technological, and market-related developments has facilitated this expansion. Declining sea ice coverage and improved accessibility of Arctic waters have contributed to the growth of expedition cruising, while rising demand for authentic, experience-based tourism has further strengthened the sector (Dawson et al., 2014). At the same time, Arctic cruise tourism presents distinctive management challenges. Expedition vessels frequently operate in regions characterised by remoteness, harsh environmental conditions, limited infrastructure, and significant logistical constraints. Arctic destinations are therefore often more vulnerable to tourism-related pressures than many traditional cruise destinations (Dawson et al., 2014).

These challenges must be understood within the broader framework of sustainable tourism development. The long-term viability of cruise tourism depends on balancing environmental protection, social responsibility, and economic benefits (Johnson, 2002). Sustainable cruise tourism requires consideration of environmental carrying capacity, local community interests, stakeholder participation, and the equitable distribution of benefits. While the sector can generate significant economic opportunities, destinations must avoid prioritising short-term gains at the expense of long-term environmental quality and community well-being (Johnson, 2002).

From a destination perspective, these sustainability challenges frequently take the form of a tension between local economic opportunities and negative externalities. Rapid growth in the sector has generated concern regarding environmental degradation, pressure on local public facilities, overcrowding, and localised congestion (Hoarau-Heemstra et al., 2023; Johansen et al., 2021; Klein, 2011). While cruise tourism may support local businesses and port revenues, particularly in peripheral destinations, these benefits are not always distributed evenly and may be accompanied by substantial infrastructure costs and environmental pressures that strain destination carrying capacity (Hoarau-Heemstra et al., 2023; Johansen et al., 2021; Klein, 2011). Recent research suggests that these challenges extend beyond environmental and economic concerns to questions of governance, local acceptance, and community trust. Expanding visitor numbers have intensified debate regarding the impacts of cruise tourism on small and often remote communities, with concerns focusing on crowding, environmental pressures, cultural impacts, and the limited influence of local communities over tourism development. Cruise companies also exert considerable influence over itinerary planning while communication among destinations remains limited, which complicates coordination (Ólafsdóttir et al., 2024). Karlsdóttir (2007) raises related concerns about the dominance of multinational cruise corporations and the extent to which local communities can retain a fair share of the economic benefits generated by the industry. Long-term tourism development therefore depends not only on economic benefits but also on maintaining social acceptance, trust, and constructive relationships between cruise operators, local authorities, residents, and tourism stakeholders (Ólafsdóttir et al., 2024).

Growing attention has also been directed towards the cumulative effects of tourism concentration. High visitor numbers within limited geographical areas and time periods can create congestion, place pressure on transportation systems and public infrastructure, and generate tensions between tourism development and residents' quality of life (Tavafi et al., 2025). Such challenges have become central to contemporary debates on overtourism and destination management, highlighting the importance of balancing growth with infrastructure capacity, community well-being, and long-term sustainability objectives (Mihalic, 2020; Tavafi et al., 2025).

The Icelandic experience illustrates many of these broader developments. Cruise ship arrivals and passenger numbers have increased substantially in recent decades, with Reykjavík, Akureyri, and Ísafjörður emerging as the country's principal cruise destinations. Research conducted among cruise passengers in Akureyri indicates high levels of visitor satisfaction and a strong likelihood of repeat visitation, highlighting both the economic significance of cruise tourism and the growing importance of effective destination management in Icelandic ports and communities (Barðadóttir, 2018). Earlier Icelandic research has likewise emphasised the need for clearer governance frameworks, improved destination planning, and careful consideration of the environmental and infrastructural impacts associated with cruise tourism development (Huijbens & Gunnarsson, 2014).

2.2. Tourism Taxation, Sustainability and Governance

Tourism taxation has increasingly emerged as an important policy instrument for destinations seeking to balance the economic benefits of tourism with the environmental, social, and infrastructural costs associated with tourism development. As visitor numbers grow, destinations face mounting demands on public infrastructure, environmental management, transportation systems, and public services. Tourism taxes and fees have accordingly been adopted widely as mechanisms for generating public revenue, funding tourism-related infrastructure, and addressing the external costs associated with visitor activity (Labandeira et al., 2006). More recently, tourism taxation has been discussed as part of broader destination management strategies intended to balance revenue generation, destination competitiveness, and sustainability objectives (Carvalho et al., 2024; Rosselló-Nadal & Sard, 2026).

The rationale for tourism taxation commonly rests on three interrelated objectives. First, tourism taxes provide public revenue that can support destination management and infrastructure development. Second, they reflect the user-pays principle, whereby visitors contribute to the public services, resources, and facilities they use. Third, they may function as corrective instruments designed to internalise external costs, such as environmental degradation, congestion, and pressure on public infrastructure, that are not fully reflected in market prices (Labandeira et al., 2006; Palmer & Riera, 2003). Similar arguments have been advanced in the cruise tourism literature, where passenger-based taxes may help local governments offset the public costs of hosting transient cruise visitors. Mak (2008), for example, characterises Alaska's cruise passenger head tax as a mechanism through which cruise visitors contribute to the public services and facilities from which they benefit.

Cruise-related charges can be designed in several ways, and the choice of design carries governance implications beyond the amount of revenue collected. International practice includes per-passenger charges levied on each arriving visitor, vessel-based levies calculated according to gross tonnage or passenger capacity, and port-call charges applied to each vessel arrival (Mak, 2008; Scottish Government, 2025). Each model attaches the charge to a different unit of cruise activity, and therefore to a different understanding of what generates destination pressure.

Passenger-based charges link the amount payable to passenger numbers rather than solely to vessel arrivals or vessel characteristics. The relationship between the charging

basis and onshore visitor activity nevertheless depends on the statutory design. In Iceland, the infrastructure fee is calculated for each passenger aboard an international cruise ship for each commenced day that the ship remains within Iceland's customs territory, rather than according to verified passenger disembarkations ([Lög um gistináttaskatt og innviðagjald, 2011](#)). The passenger basis is consistent with a user-pays rationale, but it does not directly measure the number of passengers going ashore, their time spent at particular destinations, or their use of local infrastructure. The design also carries inherent limitations. A uniform per-passenger rate does not differentiate between vessels according to their emissions or energy use at berth and therefore offers no direct financial reward for better environmental performance on these dimensions, even though these are central to sustainability concerns in cruise port research ([Johansen et al., 2021](#)). The formal incidence of the charge may also differ from its economic incidence, since the extent to which operators pass a per-passenger fee on to visitors depends on pricing strategies and demand conditions ([Labandeira et al., 2006](#)). A uniform per-passenger charge further applies the same amount across cruise segments that differ substantially in price level and operating model.

Vessel-based and port-call charges reverse this balance. Because they are levied on the operator at the point of arrival, they can be differentiated according to tonnage, capacity, or environmental performance, and they place the charge on the actor making itinerary and deployment decisions. Their weakness is that they are decoupled from the number of people actually landing: revenue tracks vessel capacity or arrivals rather than realised visitor pressure, and a uniform port-call charge could, in principle, impose a proportionally greater burden on smaller vessels, including those commonly used in expedition cruising. Existing research has examined tourism taxation primarily in relation to accommodation-based and overnight tourism, while cruise-specific studies have concentrated on revenue generation and destination competitiveness. Comparatively little attention has been given to how the choice between passenger-based and vessel-based designs shapes governance outcomes in small, geographically dispersed destinations, which is the context in which Iceland's infrastructure fee was introduced.

From a sustainability perspective, tourism taxation has increasingly been discussed as a means of financing destination resilience rather than as a purely fiscal mechanism. The costs associated with environmental protection, infrastructure maintenance, cultural heritage preservation, visitor management, and public services frequently exceed the financial capacity of local authorities, particularly in destinations experiencing high visitor pressure. Tourism taxes and fees may therefore help to distribute tourism-related costs more equitably between visitors, residents, businesses, and public authorities, while also creating resources that can be reinvested in destination management and sustainability initiatives ([Cárdenas-García et al., 2022](#); [Göktaş & Çetin, 2023](#); [Rosselló-Nadal & Sard, 2026](#)).

The environmental dimension of tourism taxation has also received increasing attention in the literature. Tourism activities may generate environmental externalities through pressure on natural resources, pollution, congestion, and the degradation of sensitive ecosystems. Earmarked tourism taxes have accordingly been promoted as a means of financing environmental protection and destination quality improvements. Such approaches are often justified through the polluter-pays principle, whereby visitors contribute to mitigating the environmental impacts associated with tourism consumption. In this context, tourism taxes may support environmental conservation while also helping to maintain the attractiveness and long-term competitiveness of tourism destinations ([Do Valle et al., 2012](#)).

The growing recognition of overtourism has further strengthened the link between tourism taxation and destination governance. Overtourism has exposed the limitations of tourism development strategies focused primarily on growth while neglecting environmental, social, and governance capacities. According to [Mihalic \(2020\)](#), sustainable tourism

requires balancing economic, environmental, and socio-cultural objectives while recognising the importance of socio-psychological and socio-political capacities within destinations. Similar concerns have been identified in destinations such as Venice, where overtourism has generated increasing pressure on infrastructure, public spaces, and resident well-being, prompting calls for stronger visitor management and carrying-capacity-based approaches to tourism governance (Bertocchi et al., 2020; González, 2018). Palmer and Riera (2003) similarly argue that uncontrolled tourism growth may lead to congestion, environmental degradation, and declining destination quality when visitor numbers exceed the capacity of destinations to absorb tourism-related pressures. Recent cruise tourism research highlights how overcrowding, environmental degradation, pressure on local infrastructure, and tensions between visitors and host communities have become central sustainability challenges for cruise destinations worldwide (Hoarau-Heemstra et al., 2023). From this perspective, tourism taxes and infrastructure fees may be understood as governance instruments that help destinations manage tourism-related pressures, maintain tourism development within acceptable limits, and finance measures aimed at protecting community well-being and destination sustainability.

Similar principles are reflected in recent destination planning initiatives. International evidence shows that cruise ship levies have become an increasingly common policy instrument in destinations seeking to address tourism-related pressures, finance infrastructure and environmental management, and support more sustainable forms of tourism governance (Scottish Government, 2025). Iceland's Tourism Policy and Action Plan to 2030 reflects these priorities, emphasising carrying-capacity assessment, visitor management, sustainable destination development, infrastructure financing, and the introduction of an infrastructure fee for cruise tourism as part of a broader framework for sustainable tourism governance (Menningar- og viðskiptaráðuneyti, 2024). Icelandic research has likewise highlighted the need for strategic planning, destination management, and clearer governance frameworks for cruise tourism, while emphasising the importance of economic instruments in addressing environmental impacts (Huijbens & Gunnarsson, 2014). Recent destination planning initiatives also emphasise monitoring the number of ships and passengers that destinations can accommodate without unacceptable impacts on infrastructure, communities, and the environment, recognising carrying capacity as an important management tool for sustainable destination development (Markaðsstofa höfuðborgarsvæðisins, 2024).

Taken together, the literature suggests that tourism taxation is increasingly understood not only as a revenue-generating mechanism but also as a governance instrument that can support sustainable destination management. Tourism taxes may help finance environmental protection, infrastructure maintenance, visitor management, and the preservation of cultural and natural resources, while also contributing to a fairer distribution of tourism-related costs (Cárdenas-García et al., 2022; Do Valle et al., 2012; Göktaş & Çetin, 2023). In destinations facing growing visitor pressure, such instruments may form part of wider governance strategies designed to address overtourism, manage externalities, and maintain tourism development within ecological, social, and infrastructural limits (Bertocchi et al., 2020; Mihalic, 2020; Rosselló-Nadal & Sard, 2026).

Analytically, it is important to distinguish between the design of a policy instrument and its demonstrated effects. Howlett (2019) conceptualises policy instruments as the techniques through which governments give effect to policy goals, and treats the selection and calibration of instruments at the design stage as analytically distinct from their performance once implemented. Fiscal measures such as taxes and charges belong to the category of treasure-based substantive instruments, which alter the resource flows and incentives surrounding an activity rather than prohibiting or mandating behaviour directly. On this basis, an instrument may be identified as governance-oriented by reference to the

goals it is designed to serve, the target group it addresses, and the way it is calibrated, even where its outcomes cannot yet be observed. Whether it achieves those goals is a separate empirical question, dependent on implementation, revenue allocation, and the stability of its calibration over time (Howlett, 2019). This distinction structures the analysis that follows: the study examines how Iceland's infrastructure fee was designed and justified as a governance instrument, and what would be required to establish that it operates as one.

3. Materials and Methods

3.1. Research Design

This study adopts a policy-oriented case study approach, combining qualitative document analysis with descriptive quantitative statistics to examine Iceland's infrastructure fee on cruise ship passengers as a governance instrument within the context of sustainable tourism development. A case study approach is appropriate for examining a contemporary policy measure within its real-world context and for exploring the relationships between policy objectives, stakeholder perspectives, and broader governance challenges. The qualitative component was based on document analysis, understood as a systematic procedure for reviewing and interpreting documentary material (Bowen, 2009), and provides the primary basis for examining how the fee was framed, justified, and contested. The descriptive quantitative data provide empirical context regarding the scale and development of cruise tourism in Iceland.

Iceland is a North Atlantic island located between Europe and North America and forms an important port of call on North Atlantic and Arctic cruise itineraries. Iceland was selected as the primary case because it represents an Arctic and North Atlantic tourism destination that has experienced substantial growth in cruise tourism while simultaneously facing increasing concerns regarding sustainability, infrastructure pressure, destination management, and carrying capacity. Quantitative data on passenger volumes, ship calls, passenger intensity, and regional distribution are used to contextualise the policy environment in which the infrastructure fee was introduced rather than to assess its causal effects.

To situate the Icelandic case within a broader international context, selected examples from Venice, Alaska, and Norway are used as contextual reference points. These cases were selected purposively because they illustrate different but relevant approaches to tourism taxation and cruise governance: Venice in relation to visitor pressure and overtourism management, Alaska in relation to passenger-based cruise taxation and the user-pays principle, and Norway in relation to cruise governance in environmentally sensitive northern destinations. The comparison is therefore contextual rather than systematic and is intended to identify relevant parallels and contrasts that help interpret the Icelandic case, rather than to establish direct institutional equivalence between the destinations.

3.2. Data Sources

The study draws on multiple sources of qualitative and quantitative material. The qualitative documentary corpus consisted of nine core documents: four legislative and national policy documents and five stakeholder submissions. The legislative and policy material comprised the government bill introducing the infrastructure fee, including its explanatory memorandum; the final legislative amendments adopted by Parliament; the current legal framework governing the infrastructure fee (including the 2025 amendment adjusting the fee rate); and the Icelandic Tourism Policy and Action Plan to 2030. These documents were selected because they establish the legislative basis, policy rationale, and broader tourism policy context within which the infrastructure fee was introduced.

Stakeholder submissions provided during the legislative consultation process were selected purposively based on their direct relevance to the proposed cruise infrastructure

fee and their representation of key perspectives within the legislative debate. The selected submissions engaged substantively with the rationale, design, timing, implementation, or anticipated consequences of the fee. Five stakeholder submissions were included, representing cruise-sector organisations ([Association of Arctic Expedition Cruise Operators, 2024](#); [Cruise Iceland, 2024](#); [Cruise Lines International Association, 2024](#)), the wider tourism industry ([Samtök ferðafjónustunnar, 2024](#)), and port and regional infrastructure interests ([Hafnasamband Íslands, 2024](#)). Together, these submissions provided contrasting perspectives on key issues raised during the consultation process, including infrastructure financing, international competitiveness, regional economic effects, regulatory predictability, and the distribution of tourism-related costs and revenues. Table 1 provides an overview of the documentary material included in the qualitative analysis.

Table 1. Documentary material included in the qualitative analysis.

Type	Document/Source	Year	Analytical Relevance
Legislative	Government Bill No. 307/155 and explanatory memorandum	2024	Policy rationale and proposed design of the infrastructure fee
Legislative	Act No. 140/2024	2024	Legislative implementation of the infrastructure fee
Legal framework	Act No. 87/2011, as amended	2011/2024/2025	Current legal framework governing the fee and subsequent rate calibration.
National policy	Icelandic Tourism Policy and Action Plan to 2030	2024	Sustainability, destination management, and governance context
Stakeholder submission	Cruise Iceland	2024	Cruise-sector and regional economic perspectives
Stakeholder submission	Cruise Lines International Association (CLIA)	2024	Cruise-industry competitiveness and implementation perspectives
Stakeholder submission	Association of Arctic Expedition Cruise Operators (AECO)	2024	Expedition-cruise and regulatory predictability perspectives
Stakeholder submission	Icelandic Travel Industry Association (SAF)	2024	Wider tourism-industry and competitiveness perspectives
Stakeholder submission	Icelandic Association of Ports	2024	Port, infrastructure, and regional perspectives

Source: authors’ compilation.

3.3. Data Analysis

The qualitative material was analysed through a systematic and interpretive review of the legislative, policy, and stakeholder documents included in the documentary corpus. The analysis focused on identifying how the infrastructure fee was framed and justified in government documents and how key stakeholders responded to the proposed measure during the legislative consultation process. Particular attention was given to recurring policy rationales, stakeholder concerns, and areas of agreement and disagreement across the documents.

The analysis proceeded by reading and comparing the documents in relation to the study’s research questions and the broader concepts identified in the literature review. Government documents were examined to identify the principal rationales used to justify the infrastructure fee, including infrastructure financing, fair contribution and user-pays

principles, sustainability, destination management, and carrying-capacity considerations. Stakeholder submissions were then examined comparatively to identify the main perspectives and concerns raised in response to the proposed fee, particularly regarding competitiveness, implementation and regulatory predictability, regional economic effects, infrastructure needs, and the distribution of tourism-related costs and revenues. The analysis was interpretive and comparative rather than based on formal qualitative coding. Its purpose was to identify and synthesise the principal policy arguments and contrasting stakeholder perspectives evident in the documentary material.

The quantitative data were analysed descriptively and were used to provide empirical context for the policy analysis rather than to test hypotheses or estimate causal effects. The analysis examined annual changes in passenger numbers and ship calls from 2013 to 2025, average passenger volume per ship call, changes in the composition of major source markets, and the geographical distribution of passenger visits across selected Icelandic cruise ports. The COVID-19 years (2020–2021) were treated as exceptional disruption years. The 2025 data were also interpreted cautiously, as the infrastructure fee had only recently been introduced and cruise itineraries are planned well in advance. Accordingly, the descriptive statistics are used to illustrate the scale, post-pandemic recovery, passenger intensity, and regional distribution of cruise tourism in Iceland, rather than to evaluate the causal or regulatory impact of the infrastructure fee.

4. Results

This section presents the empirical findings of the study. It first describes the recent development of cruise tourism in Iceland, using descriptive statistics on passenger numbers, ship calls, passenger intensity, market composition and port-level passenger visits. This provides the policy context within which the infrastructure fee was introduced. The section then presents the main policy rationales identified in government documents, followed by the key stakeholder perspectives and policy tensions that emerged during the legislative consultation process.

4.1. Cruise Tourism in Iceland: Growth, Recovery and Passenger Intensity

The introduction of Iceland's infrastructure fee took place against a backdrop of substantial growth and post-pandemic recovery in cruise tourism. This section presents descriptive trends in passenger numbers, ship calls, passenger intensity, source-market composition, and the geographical distribution of cruise passenger visits in Iceland.

The Faxaflói Ports data show strong growth in cruise activity before the COVID-19 pandemic (Table 2). Passenger numbers increased from 92,412 in 2013 to 188,630 in 2019, representing an increase of approximately 104%. Over the same period, the number of ship calls increased from 80 to 190. Cruise activity then declined sharply during the pandemic, with passenger numbers falling to 1346 in 2020 and remaining far below pre-pandemic levels in 2021. By 2022, however, cruise tourism had largely recovered, and in 2023–2025 passenger numbers exceeded pre-pandemic levels substantially.

The post-pandemic recovery is further illustrated in Figure 1, which indexes both passenger numbers and ship calls to 2019 = 100. The figure shows the sharp disruption in 2020–2021, followed by a rapid recovery from 2022 onward. It also shows that passenger numbers increased more strongly than ship calls after the pandemic, indicating that passenger volume has grown faster than vessel arrivals.

The post-pandemic recovery is particularly relevant for understanding the policy context of the infrastructure fee. In 2025, passenger numbers at Faxaflói Ports reached 330,474, which was approximately 75% higher than in 2019. By contrast, the number of

ship calls increased from 190 in 2019 to 240 in 2025, or by approximately 26%. Passenger volume therefore increased more rapidly than the number of vessel arrivals.

Table 2. Cruise passengers and ship calls at Faxaflói Ports, 2013–2025.

Year	Passengers	Ship Calls	Average Passenger Volume per Call
2013	92,412	80	1155
2014	104,816	91	1152
2015	100,141	108	927
2016	98,676	114	866
2017	128,275	136	943
2018	144,658	152	952
2019	188,630	190	993
2020	1346	7	192
2021	18,950	68	279
2022	170,770	184	928
2023	306,311	262	1169
2024	321,966	259	1243
2025	330,474	240	1377

Source: Icelandic Tourist Board/Ferðamálastofa. Average passenger volume per call: authors' calculation.

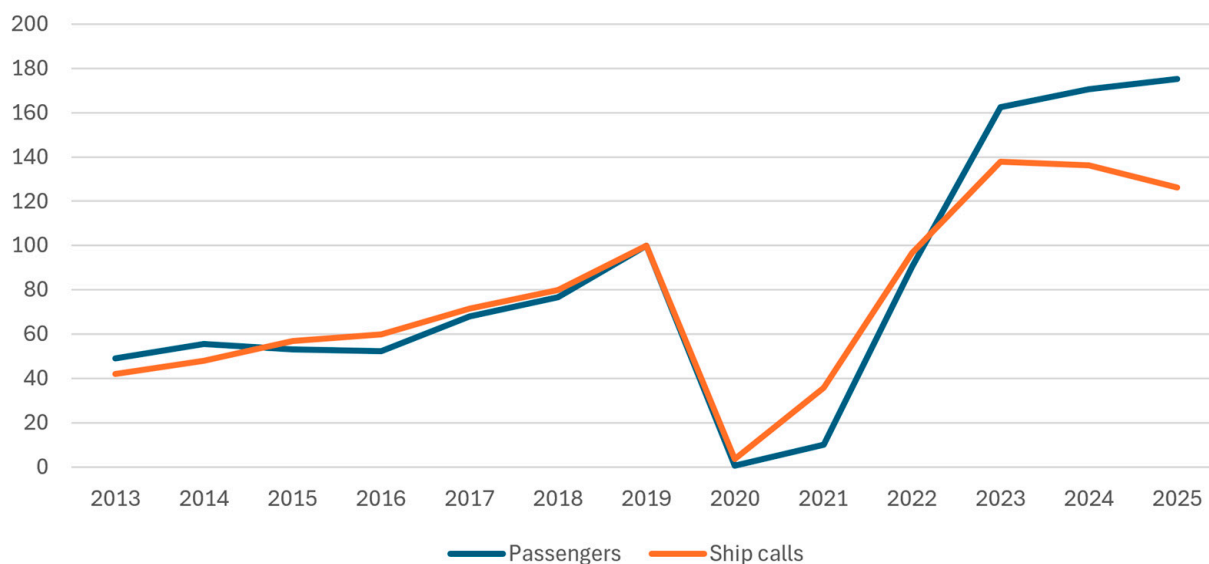


Figure 1. Passengers and ship calls indexed to 2019 = 100 at Faxaflói Ports, 2013–2025.

This pattern is important because ship calls alone do not fully capture passenger intensity. The average passenger volume per call increased from 993 in 2019 to 1377 in 2025. This indicator is not a direct measure of vessel size, since the available data do not distinguish between ship capacity, occupancy rates, vessel type or itinerary composition. Nevertheless, it provides a useful aggregate indicator of passenger intensity relative to vessel arrivals. From a destination management perspective, this distinction is relevant because cruise-related pressure is shaped not only by vessels but also by the number of passengers using local infrastructure, public spaces, transport systems and visitor sites.

The development from 2024 to 2025 further illustrates this point. Ship calls declined from 259 to 240, while passenger numbers increased from 321,966 to 330,474. As a result, average passenger volume per call increased from 1243 to 1377. This does not demonstrate that the infrastructure fee caused changes in cruise activity. Rather, it shows that passenger intensity per ship call may increase despite a decline in the number of ship calls. This supports the relevance of passenger-based indicators for contextualising visitor intensity, while also confirming the need to interpret the data cautiously.

The nationality data also indicate changes in the composition of cruise passengers (Table 3). In 2013, Germany and the United Kingdom represented the two largest source markets, accounting for 33.7% and 31.3% of passengers respectively. By 2025, their shares had declined to 16.0% and 10.0%. Over the same period, the share of passengers from the United States increased from 16.6% to 29.3%. The category “Other countries” also increased substantially, from 13.5% in 2013 to 38.2% in 2025. These shifts indicate a change in source-market composition, with larger shares of passengers from the United States and the residual “Other countries” category. Growth since 2022 may reflect post-pandemic recovery, changing demand, vessel deployment and itinerary planning. However, the descriptive data cannot establish the relative contribution of these factors or identify an effect of the infrastructure fee.

Table 3. Passenger composition by source markets at Faxaflói Ports.

Country/Category	Share of Passengers 2013	Share of Passengers 2019	Share of Passengers 2025
Germany	33.7%	25.9%	16.0%
USA	16.6%	20.2%	29.3%
United Kingdom	31.3%	19.1%	10.0%
Canada	3.1%	3.7%	4.1%
Australia	1.8%	3.8%	2.4%
Other countries	13.5%	27.3%	38.2%

Source: Icelandic Tourist Board/Ferðamálastofa.

These figures suggest that the passenger base at Faxaflói Ports has become less concentrated in the German and British markets and increasingly shaped by the US market and a broader range of other countries. The “Other countries” category comprises all remaining nationalities and is therefore a residual aggregate; its growth is consistent with increasing market diversification, but the category is not internally differentiated in the available data, and no inference is drawn here about which individual markets account for the increase.

The port-level data further show that cruise tourism pressure is geographically distributed (Table 4). Although Reykjavík remains one of the principal cruise ports, cruise tourism is not only a capital-region issue. In 2025, the largest passenger visit volumes in the available port-level data were recorded in Akureyri, Reykjavík and Ísafjörður. Together, these three destinations accounted for approximately 666,000 passenger visits, or about 73% of the listed passenger visits in the available data.

Table 4. Passenger visits at selected Icelandic cruise ports, 2025.

Port	Passenger Visits, Thousand	Share of Listed Passenger Visits
Akureyri	232	25.5%
Reykjavík	232	25.5%
Ísafjörður	202	22.2%
Seyðisfjörður	87	9.6%
Grundarfjörður	62	6.8%
Vestmannaeyjar	35	3.9%
Djúpivogur	31	3.4%
Húsavík	19	2.1%
Siglufjörður	5	0.6%
Grímsey	4	0.4%

Source: Icelandic Tourist Board/Ferðamálastofa.

These figures should be interpreted as passenger visits rather than unique cruise passengers, since a passenger visiting several Icelandic ports during the same itinerary may

be counted more than once. Nevertheless, the data are important because infrastructure pressure is experienced locally. Passenger visits may create demands on roads, harbour facilities, visitor sites, public spaces, waste systems, sanitation, local services and destination management capacity in each port community.

Overall, the descriptive data show that cruise tourism in Iceland has recovered strongly after the pandemic and is characterised by high passenger volumes, increased average passenger volume per ship call, changing source-market composition and substantial regional distribution. These developments provide important context for understanding why the infrastructure fee was framed as a response to infrastructure pressure, destination management needs and the wider governance challenges associated with cruise tourism growth.

4.2. Policy Rationales Behind the Infrastructure Fee

The introduction of the infrastructure fee formed part of a broader reform of tourism-related taxation in Iceland. In government documents, the fee was framed not solely as a fiscal instrument, but as a wider policy effort to strengthen the financing and governance of tourism-related infrastructure ([Fjármála- og efnahagsráðherra, 2024](#)).

Five main policy rationales were identified. First, the fee was justified through the need for infrastructure financing. Government documents emphasised that growing visitor numbers create increasing demands for investment in tourism infrastructure, destination maintenance, public facilities and environmental protection. Cruise passengers were included within this broader discussion of tourism-related pressure ([Fjármála- og efnahagsráðherra, 2024](#)).

Second, the fee was framed through the user-pays principle. Government documents presented the infrastructure fee as a means of ensuring that cruise passengers contribute to the costs associated with the destinations and infrastructure they use during their visit. This rationale was especially relevant because cruise passengers may spend only a limited time on land and do not necessarily contribute to accommodation-based tourism taxation in the same way as overnight visitors ([Fjármála- og efnahagsráðherra, 2024](#)).

Third, the fee was linked to sustainability and destination stewardship. The government framing connected the fee to broader Icelandic tourism policy objectives, including responsible tourism development, environmental protection and the long-term management of visitor pressure. In this respect, the fee was presented not simply as a source of revenue, but as part of a broader effort to align tourism growth with sustainability objectives ([Fjármála- og efnahagsráðherra, 2024](#); [Menningar- og viðskiptaráðuneyti, 2024](#)).

Fourth, the fee was connected to carrying capacity and destination management. Although it was not presented as a direct cap on cruise arrivals or passenger numbers, the measure was framed as a tool that could strengthen the capacity of destinations to respond to tourism-related pressure. This included the maintenance of public infrastructure, protection of natural and cultural sites, and improved management of destinations receiving large numbers of visitors within limited timeframes ([Fjármála- og efnahagsráðherra, 2024](#); [Menningar- og viðskiptaráðuneyti, 2024](#)).

Fifth, the fee was justified in terms of fairness between tourism sectors. Cruise tourism differs from land-based tourism in its taxation patterns and mobility. The infrastructure fee was therefore framed to ensure that cruise tourism contributes more directly to the public costs associated with tourism development ([Fjármála- og efnahagsráðherra, 2024](#)).

These rationales reflect the government's policy framing and require critical assessment. The infrastructure-financing and user-pays rationales are consistent with a passenger-based charge, since both concern contributions towards tourism-related public costs. The relationship with carrying-capacity management is more indirect and conditional. The

fee establishes no direct limit on arrivals and is not differentiated by port or season or calibrated to destination-specific carrying-capacity thresholds. Passenger numbers at Faxaflói Ports increased from 321,966 in 2024 to 330,474 in 2025, the first year of the fee, while average passenger volume per call rose from 1243 to 1377 (Table 2). These increases provide context for infrastructure and visitor-management needs, but they do not establish whether passenger growth would have been greater without the fee. Any effect on passenger demand or itinerary decisions remains untested in this study. The fee's potential contribution to carrying-capacity management therefore depends on whether its revenue supports infrastructure, site protection or visitor-management measures that address locally experienced pressures.

Taken together, these rationales show that the infrastructure fee was framed as more than a revenue-generating measure. The government material connected the fee to a broader governance agenda in which cruise passengers are expected to contribute to the public costs associated with destination use. The emphasis on infrastructure financing, the user-pays principle, sustainability, carrying capacity and destination management, and fair contribution also linked the fee to Iceland's wider tourism policy objectives, particularly the need to manage tourism growth within environmental, social and infrastructural limits (Fjármála- og efnahagsráðherra, 2024; Menningar- og viðskiptaráðuneyti, 2024).

Two features of the fee's design and subsequent amendment are relevant to assessing its potential governance contribution. First, the fee accrues to the state treasury, and the statutory framework does not assign a defined share of its revenue to the ports, municipalities or destinations receiving cruise passengers. Several stakeholders, including AECO and Cruise Iceland, requested that revenue be earmarked for the ports and municipalities bearing reception costs (Association of Arctic Expedition Cruise Operators, 2024; Cruise Iceland, 2024). However, the absence of statutory earmarking does not establish that revenue has not supported destination-related expenditure. The documents examined do not allow the study to trace fee receipts to specific allocations or projects. Second, an amendment adopted in 2025 reduced the fee's rate from 2500 ISK to 1600 ISK per passenger with effect from 2026 (Lög um gistináttaskatt og innviðagjald, 2011). This adjustment is relevant to the regulatory-predictability concerns identified during consultation, but it does not, by itself, establish whether the fee has fulfilled its governance objectives. Assessing that contribution requires evidence on revenue allocation, implementation and destination-level outcomes.

4.3. Stakeholder Perspectives and Emerging Policy Tensions

The consultation process revealed substantial disagreement regarding the design, timing and likely consequences of the infrastructure fee. While the stakeholder submissions addressed common issues concerning infrastructure, economic impacts and the costs associated with cruise tourism, they differed markedly in how they assessed the proposed fee as a policy response.

Cruise-sector organisations raised concerns regarding the economic and operational implications of the proposed fee, although their positions were not identical. Cruise Lines International Association (CLIA) emphasised Iceland's international competitiveness and the long planning horizons of cruise operations, noting that itineraries are planned and marketed well in advance and that sudden changes in fees may affect existing commercial arrangements (Cruise Lines International Association, 2024). Association of Arctic Expedition Cruise Operators (AECO) similarly criticised the short implementation period, noting that expedition cruises are typically priced and marketed around two years in advance. However, AECO explicitly stated that its members were not opposed to fees used for infrastructure development and instead proposed a lower initial fee followed by gradual increases between 2026 and 2028 (Association of Arctic Expedition Cruise Operators, 2024).

A related concern was regulatory predictability. Concerns about the short implementation period and the need for sufficient notice were raised across several submissions, including those from CLIA, AECO, Icelandic Travel Industry Association (SAF), and the Icelandic Association of Ports. The submissions emphasised that cruise itineraries and commercial arrangements are planned well in advance, making the timing and implementation of new charges particularly important. Regulatory predictability therefore emerged as a distinct concern alongside the broader debate over the justification and level of the fee ([Association of Arctic Expedition Cruise Operators, 2024](#); [Cruise Lines International Association, 2024](#); [Hafnasamband Íslands, 2024](#); [Samtök ferðabjónustunnar, 2024](#)).

Port and regional infrastructure interests raised concerns about the implications of the fee for Icelandic ports and the communities they serve. The Icelandic Association of Ports emphasised the importance of maintaining cruise calls to both large and small ports and called for consideration of the financial implications of the proposed changes for municipalities. It also warned that taxation introduced with limited notice could affect cruise calls and create uncertainty for long-term port investments, including investments in electrification ([Hafnasamband Íslands, 2024](#)).

Another important concern related to the potential regional economic consequences of the infrastructure fee. Cruise Iceland emphasised the economic importance of cruise tourism for regional communities and argued that a reduction in cruise calls could negatively affect local tourism activity. The Icelandic Association of Ports similarly stressed the importance of maintaining cruise calls to both large and small Icelandic ports and warned that sudden changes in taxation could have long-term economic consequences for ports and municipalities ([Cruise Iceland, 2024](#); [Hafnasamband Íslands, 2024](#)).

The descriptive data provide context for these stakeholder concerns, but they do not resolve them. Passenger numbers and average passenger volume per call provide context for understanding the scale and intensity of cruise activity, but do not directly measure destination pressure. At the same time, the available data cannot determine whether the infrastructure fee has affected cruise traffic, since only one year of data is available after its introduction and cruise itineraries are planned well in advance. Many other factors, including market demand, vessel deployment, fuel costs, environmental regulation, geopolitical conditions and competition among destinations, also influence cruise activity.

Overall, the stakeholder submissions show that the infrastructure fee sits at the intersection of several competing policy objectives. Government documents framed the fee as a tool for infrastructure financing, sustainability and fair contribution. Cruise-sector organisations raised concerns about competitiveness, economic implications and regulatory predictability, although their positions on the fee were not identical. Port and regional infrastructure interests highlighted potential implications for ports, municipalities and long-term infrastructure investment. These findings show that the policy debate was not simply about whether tourism should contribute to infrastructure costs, but about how such contributions should be designed and implemented.

5. Discussion

The findings show that Iceland's infrastructure fee emerged in a policy environment shaped by growing cruise passenger volumes, infrastructure and destination-management concerns, sustainability objectives, and debate over how cruise tourism should contribute to tourism-related public costs. This section discusses the findings in relation to the broader literature on tourism taxation, sustainable destination governance and cruise tourism management. Unlike Section 4, which presented the empirical findings, this section interprets the Icelandic case in relation to wider academic and international policy debates.

5.1. Tourism Taxation: Governance Objectives and Unproven Outcomes

Tourism taxes are conventionally understood as fiscal instruments, but they may also form part of a broader destination-governance framework. From a policy-instrument perspective, governments use regulatory, financial and informational tools to pursue defined public objectives (Howlett, 2019). Classifying a tax as a policy instrument therefore refers to its institutional design and intended function; it does not, by itself, demonstrate that the instrument has achieved its stated objectives. This distinction is particularly important in the present case because Iceland's infrastructure fee has only recently been implemented.

Previous research suggests that tourism taxes may perform several related functions. In addition to generating public revenue, they may apply the user-pays principle, contribute to the internalisation of tourism-related externalities, and finance infrastructure, environmental protection and public services (Cárdenas-García et al., 2022; Labandeira et al., 2006; Palmer & Riera, 2003). Local tourism taxes are also increasingly incorporated into destination-management strategies intended to distribute tourism-related costs more fairly and strengthen the capacity of public authorities to respond to visitor pressure (Carvalho et al., 2024). Their governance contribution nevertheless depends on their design, administration and use of revenue rather than on the existence of the charge alone.

The Icelandic infrastructure fee reflects several of these policy functions at the design and justification stages. Government documents associated the fee with infrastructure financing, environmental protection, destination stewardship and fair contribution. The legislation establishes a compulsory passenger-based charge, while its stated objectives link tourism-related revenue to the development, maintenance and protection of heavily visited destinations, protected areas and national parks, as well as visitor safety and nature protection. Based on an initial rate of 2500 ISK per passenger, the original explanatory memorandum projected that the infrastructure fee would generate ISK 1.9 billion in 2025 (Fjármála- og efnahagsráðherra, 2024). These features show that the fee was embedded within a wider tourism-policy agenda rather than presented solely as a general increase in taxation.

The passenger-based design is especially relevant in cruise tourism. Cruise passengers may use public infrastructure, transport systems and visitor sites without contributing through accommodation-based taxation in the same manner as overnight land-based visitors. Charging according to passenger presence therefore provides a mechanism through which cruise tourism contributes to public revenue. This is broadly consistent with the user-pays rationale discussed in relation to Alaska's cruise passenger head tax (Mak, 2008). Moreover, the descriptive findings in the present study show that passenger numbers may increase more rapidly than ship calls. A passenger-based charge consequently reflects passenger volume more directly than a charge based solely on vessel arrivals, although its charging basis does not measure actual disembarkations or destination-specific infrastructure use.

However, passenger numbers are not a complete measure of tourism pressure, and the Icelandic infrastructure fee does not impose direct quantitative restrictions on cruise activity. It does not establish limits on arrivals, control the timing or geographical concentration of passenger visits, or differentiate among destinations according to their environmental, social or infrastructural capacity. The fee should therefore not be interpreted as a carrying-capacity measure in itself. At most, it may support carrying-capacity management if its revenue is directed towards infrastructure, site protection, visitor management or other measures that address locally experienced pressures.

The available evidence also does not establish that the fee has yet produced such outcomes. Although the statutory framework specifies the purposes associated with tourism-related revenue, the documents examined do not demonstrate that infrastructure-

fee receipts have resulted in increased budgets for relevant ministries or municipalities, dedicated allocations to affected ports or destinations, or completed infrastructure and environmental projects. Nor is sufficient post-implementation evidence available to assess whether the fee has reduced destination pressure, improved visitor management or strengthened community well-being. The study therefore identifies governance objectives and institutional design rather than demonstrated governance performance.

At this stage, the Icelandic infrastructure fee is consequently best understood as a fiscal policy instrument with governance ambitions, or as a potential governance instrument whose practical significance remains conditional on implementation. Its development into an effective destination-governance mechanism will depend on transparent revenue allocation, a clear relationship between funding and the locations where cruise-related pressures occur, stakeholder involvement, and evidence that funded measures generate identifiable public benefits. This more cautious interpretation supports the broader literature arguing that tourism taxation can contribute to sustainable destination governance, while recognising that revenue collection alone is insufficient to demonstrate such a contribution (Göktaş & Çetin, 2023; Mihalic, 2020; Rosselló-Nadal & Sard, 2026).

5.2. Sustainability and Arctic Cruise Destinations

The Icelandic case is also important because it concerns cruise tourism in an Arctic and North Atlantic destination. Arctic cruise destinations often face a particular combination of opportunities and vulnerabilities. Cruise tourism can generate income, employment, port revenues and regional business activity, especially in smaller communities where alternative economic opportunities may be limited (Dawson et al., 2014; James et al., 2020; Ólafsdóttir et al., 2024). At the same time, these destinations may have limited infrastructure, sensitive environments, short visitor seasons and small resident populations relative to peak visitor flows.

The findings from Iceland illustrate this tension. The descriptive data show that cruise activity is not concentrated only in Reykjavík but is distributed across several regional destinations, including Akureyri, Ísafjörður, Seyðisfjörður, Grundarfjörður, Húsavík, Djúpivogur and Vestmannaeyjar. In such places, passenger volumes need to be considered in relation to local infrastructure and community capacity rather than in absolute terms alone. This is central to the sustainability challenge of Arctic cruise tourism, as the implications of passenger flows are experienced locally and may vary considerably between destinations.

The stakeholder debate reflects this tension. Cruise Iceland and the Icelandic Association of Ports emphasised the potential economic consequences of reduced cruise activity for regional communities, ports and municipalities, while the government framing emphasised infrastructure financing, sustainability and destination management. This supports the argument that sustainability in cruise tourism is not only an environmental issue. It also involves questions of local acceptance, community benefit, public cost, governance capacity and trust between public authorities, local communities and international cruise operators. These issues are central to recent research on Arctic cruise tourism and social licence to operate, where local acceptance and stakeholder trust are seen as important conditions for long-term tourism development (Ólafsdóttir et al., 2024).

The stakeholder findings also illustrate that the cruise sector should not be treated as homogeneous. Although both CLIA and AECO raised concerns about implementation timing and regulatory predictability, their positions were not identical. In particular, AECO did not oppose infrastructure-related fees in principle but advocated a gradual implementation, reflecting the distinct operational context of expedition cruising. This

distinction is relevant in Arctic destinations, where different cruise segments may interact with local infrastructure, communities and regulatory measures in different ways.

The changing composition of cruise passenger source markets may also be relevant to the practical effectiveness of passenger-based charges, as acceptance of such fees and willingness to pay may vary across visitor segments and source markets. However, the present data do not allow these relationships to be assessed, and future research should examine whether changing source-market profiles influence passenger acceptance of infrastructure-related charges.

The Icelandic case also reflects broader cruise tourism research showing that destinations must manage the relationship between economic opportunities and negative externalities. Cruise tourism may support local business activity, but it may also contribute to congestion, environmental pressure, infrastructure costs and tensions between visitors and residents (Hoarau-Heemstra et al., 2023; Klein, 2011). This reflects the broader sustainability challenge identified by Johnson (2002), in which the economic benefits of cruise tourism must be balanced against environmental and social responsibilities. In Iceland, these tensions are intensified by the geography of cruise tourism, where small and peripheral communities may receive large visitor flows during short periods.

The infrastructure fee can therefore be interpreted as a governance response to the geographically dispersed nature of cruise activity in Iceland. Because passenger visits occur across multiple ports, an important policy consideration is how destination management and infrastructure investment correspond to the locations where tourism-related demands arise. From this perspective, the distribution and use of fee revenue may influence perceptions of fairness and the long-term legitimacy of the policy.

5.3. Comparative Perspectives: Venice, Alaska, and Norway

The Icelandic infrastructure fee is part of a wider international trend in which destinations use taxes, levies or access charges to manage the pressures associated with tourism growth. Venice, Alaska and Norway provide useful comparative reference points. The three cases are not directly comparable in a strict institutional sense, but they illustrate different ways in which destinations apply economic instruments to respond to cruise-related pressures. Table 5 summarises the main policy mechanism, governance driver and relevance of each case for interpreting the Icelandic infrastructure fee.

Venice represents one of the most prominent examples of tourism governance under conditions of overtourism. Visitor charges and access measures have been introduced in response to pressure on infrastructure, public space, cultural heritage and residents' quality of life. The relevance for Iceland lies not in direct similarity, but in the broader policy logic: tourism charges are increasingly justified as tools for managing visitor pressure and protecting destination quality. This logic is consistent with research on Venice and overtourism, where carrying capacity, congestion and resident well-being have become central governance concerns (Bertocchi et al., 2020; González, 2018).

Alaska provides a closer comparison in relation to cruise passenger taxation. Its cruise passenger head tax has been justified through the user-pays principle and the need for visitors to contribute to public services and infrastructure used during cruise visits (Mak, 2008). This resembles the Icelandic rationale, where cruise passengers are expected to contribute more directly to the public costs associated with their presence in the destination. The Alaskan comparison is particularly relevant because both cases involve cruise tourism, seasonal visitor flows and debates about how to distribute tourism-related costs between visitors, operators, public authorities and host communities.

Table 5. Comparative approaches to cruise tourism governance.

Destination	Primary Policy Mechanism	Key Governance Driver	Relevance to the Icelandic Context
Venice	Access charges and visitor fees	Overtourism, congestion and resident quality of life (Bertocchi et al., 2020; González, 2018).	Highlights the use of charges as part of broader strategies to manage visitor pressure and protect destination capacity.
Alaska	Passenger head tax	User-pays principle and public-service financing (Mak, 2008).	Demonstrates the justification for linking passenger volumes to the public infrastructure and services used during cruise visits.
Norway	Environmental and infrastructure-oriented measures	Protection of sensitive fjords, infrastructure pressure and local environmental impacts (Hoarau-Heemstra et al., 2023; Johansen et al., 2021; Scottish Government, 2025).	Mirrors the challenge of managing cruise tourism impacts in small, vulnerable and environmentally sensitive coastal communities.

Source: Authors’ compilation based on the sources cited in the table.

Norway is perhaps the most relevant comparison because, like Iceland, it includes small and environmentally sensitive northern destinations receiving cruise traffic. Public debate in Norway has similarly focused on infrastructure pressure, environmental impacts, visitor management and whether tourism should contribute more directly to the maintenance of public goods and natural resources. Research from Norway has highlighted the need for sustainability-oriented governance in cruise destinations, including attention to port operations, environmental performance and the broader impacts of cruise traffic on local communities (Hoarau-Heemstra et al., 2023; Johansen et al., 2021). The Scottish Government’s international review of cruise ship levies further shows that discussions of cruise taxation and visitor charges are increasingly connected to infrastructure financing, environmental management and destination governance across several jurisdictions (Scottish Government, 2025).

As Table 5 shows, the Icelandic case shares elements with all three examples. Like Venice, it reflects concern with visitor pressure and destination capacity; like Alaska, it relies on a passenger-based user-pays logic; and like Norway, it is situated within a northern coastal context where cruise tourism raises questions about infrastructure, environmental protection and local community capacity.

Across these cases, the common policy issue is how destinations can balance economic benefits with public costs, environmental protection, infrastructure capacity and community well-being. The Icelandic fee follows this broader pattern, but its long-term effectiveness is likely to depend on implementation, transparency, revenue use and whether affected destinations perceive the system as fair. In this respect, the Icelandic case contributes to the growing literature on tourism taxation and cruise governance by showing how a passenger-based infrastructure fee is framed and contested in an Arctic destination context.

5.4. Limitations

Several limitations of this study should be acknowledged. First, the study relies on policy documents, stakeholder submissions, secondary statistical data and existing literature, without incorporating primary empirical evidence from interviews, surveys or direct observation. The analysis therefore examines how the infrastructure fee was designed, justified and contested rather than how it has been received or experienced by the actors it affects.

Second, and more consequentially, the study addresses policy design rather than policy performance. Section 4.2 establishes that the fee is not hypothecated and that no statutory link exists between the revenue collected and expenditure in the destinations receiving cruise passengers. What the available evidence cannot show is the downstream allocation of that revenue: how it is distributed across ministries, municipalities, ports and individual projects once it enters general revenue, and whether the appropriations that do reach destination management can be traced to it. The study therefore cannot determine whether the fee has increased destination-management capacity or produced infrastructural, environmental or community-level benefits. Its findings concern the fee's design, justification and governance ambitions rather than its demonstrated governance performance, and the conditions under which that performance could be assessed are set out in Section 5.1.

Third, the analysis describes the fee as initially calibrated. The rate applied during the period examined was subsequently revised, and the instrument in force from 2026 differs from the one whose introduction is analysed here. The stakeholder positions and policy rationales documented in this study relate to the original design, and any assessment of the fee's longer-term effects will need to account for this recalibration.

Fourth, the quantitative analysis is descriptive and contextual. The available data are not suitable for causal inference. The time series is relatively short, the COVID-19 pandemic created a major disruption in cruise activity, and only one year of data is available following the introduction of the infrastructure fee. The study therefore does not estimate whether the fee caused changes in passenger numbers, ship calls, itinerary planning or destination pressure.

Fifth, the statistical data have inherent limitations. The Faxaflói Ports data provide a valuable long-term series but primarily describe activity within the Reykjavík/Faxaflói port system. The broader port-level data provide wider geographical coverage but are incomplete for certain destinations and years, and therefore illustrate regional distribution patterns rather than producing a complete national estimate.

Sixth, port-level passenger data must be interpreted as passenger visits rather than unique cruise passengers, since a single passenger visiting several Icelandic ports during an itinerary may be counted more than once. This distinction matters because the data indicate pressure on individual port communities rather than the total number of unique cruise visitors to Iceland.

Seventh, although the documentary evidence reveals differences between the positions of cruise-sector organisations, particularly CLIA and AECO, the study does not provide a systematic comparison of cruise segments. The available material does not allow a detailed assessment of differences in pricing structures, infrastructure dependence or sensitivity to passenger-based charges between mass-market and expedition cruise operations. Further research could examine these differences more directly.

Finally, the comparative examples from Venice, Alaska and Norway provide contextual insight into broader international approaches to cruise tourism taxation and governance. They are not intended as a full comparative policy analysis, since differences in legal frameworks, destination geography, cruise markets and governance structures mean the cases are not directly equivalent.

6. Conclusions

This study examined the introduction of Iceland's infrastructure fee on cruise ship passengers through the lens of tourism governance, sustainability and destination management. By combining qualitative document analysis with descriptive statistical data, the research examined the policy rationales underlying the fee, the governance framework

within which it was introduced, and the stakeholder perspectives that emerged during the legislative process.

The findings show that the fee was justified in governance terms. Government documents framed it not solely as a revenue measure but as an instrument supporting infrastructure financing, the user-pays principle, sustainability and destination stewardship, carrying capacity and destination management, and fairness between tourism sectors. The descriptive data provide context for this framing, showing a post-pandemic divergence between passenger volumes and ship calls and highlighting the value of passenger volume as a complementary indicator of visitor intensity.

Those rationales are not equally well supported by the instrument's design. The infrastructure-financing and user-pays rationales are internally consistent with a per-passenger charge, since both concern how costs are distributed. The relationship with carrying-capacity management is more indirect and conditional. The fee establishes no direct limit on arrivals and is not calibrated to destination-specific carrying-capacity thresholds. Any effect on passenger demand or itinerary decisions remains untested in this study. Its potential contribution to carrying-capacity management therefore depends on whether revenue supports infrastructure, site protection or visitor-management measures that address locally experienced pressures.

Whether the fee functions as a governance instrument is therefore a question its design alone cannot settle. Following Howlett (2019), the selection and calibration of an instrument at the design stage are analytically distinct from its performance once implemented, and the evidence examined here speaks to the former rather than the latter. Two features of implementation bear directly on the distinction. The revenue is not hypothecated: it accrues to the state treasury, with no statutory link to the ports, municipalities and destinations receiving cruise passengers, and earmarking of this kind was requested during consultation and not adopted. The calibration has also proved unstable, with the rate revised downwards with effect from 2026, an adjustment that bears directly on the regulatory-predictability concerns raised during consultation. On the available evidence, the fee is best characterised as an instrument designed and justified in governance terms whose destination-level governance effects are not demonstrated by the evidence examined.

The consultation process revealed substantial stakeholder tensions concerning the fee's design and anticipated consequences. Stakeholders differed in their assessments of its implications for international competitiveness, regional economic development and regulatory predictability. These differences illustrate the competing priorities involved in designing and implementing passenger-based tourism charges. The subsequent rate reduction is relevant to the regulatory-predictability concerns raised during consultation, but the evidence examined does not establish the extent to which particular stakeholder concerns influenced that decision.

The Icelandic case nonetheless reflects broader international developments. Comparable charging measures have been introduced or proposed in destinations such as Venice, Alaska and Norway to address infrastructure pressures, environmental concerns and destination management challenges. What the Icelandic case adds is a note of caution about how such measures are classified. That a charge is justified in governance terms does not establish that it operates as one, and the distinction matters for a literature that increasingly reads tourism taxation as destination governance.

The study's contribution is therefore twofold. It provides the first academic account of Iceland's cruise infrastructure fee, documenting its policy rationales and the stakeholder tensions surrounding its introduction. It also specifies what would need to be observed before this or a comparable charge could be treated as a governance instrument on more than declaratory grounds: a traceable link between fee revenue and expenditure on desti-

nation infrastructure, monitoring of visitor pressure at port level against defined capacity thresholds, and a rate structure stable enough for operators to plan around.

Future research should examine the longer-term effects of the fee as post-implementation data become available, including changes in cruise activity, itinerary planning and regional economic outcomes, and should trace the allocation of the revenue it generates. Further research could also explore differences between cruise segments and source markets, including passenger acceptance and willingness to pay for infrastructure-related charges. Such work would provide a stronger basis for assessing the long-term effectiveness and legitimacy of passenger-based tourism charges in Arctic cruise destinations.

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