# “ The Cruise Industry Planning for a Sustainable Growth ”

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**Port-Net Malta Workshop**

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**Corinthia Palace Hotel, Attard**

# Structure of the Cruise Industry

**The Big 3… plus the rest**

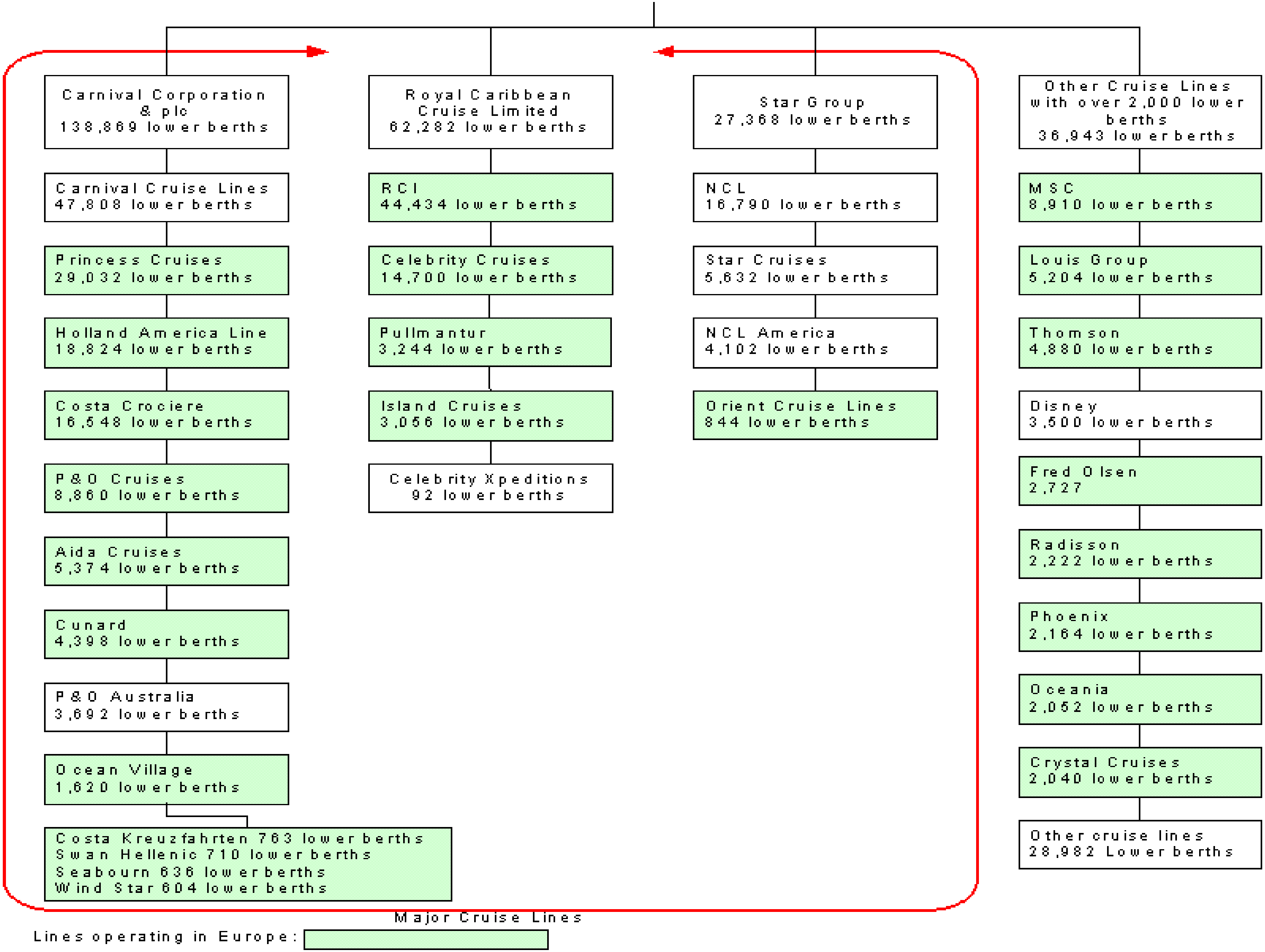
**Carnival Corporation………………………… 47%**

**Royal Caribbean International………… 21%**

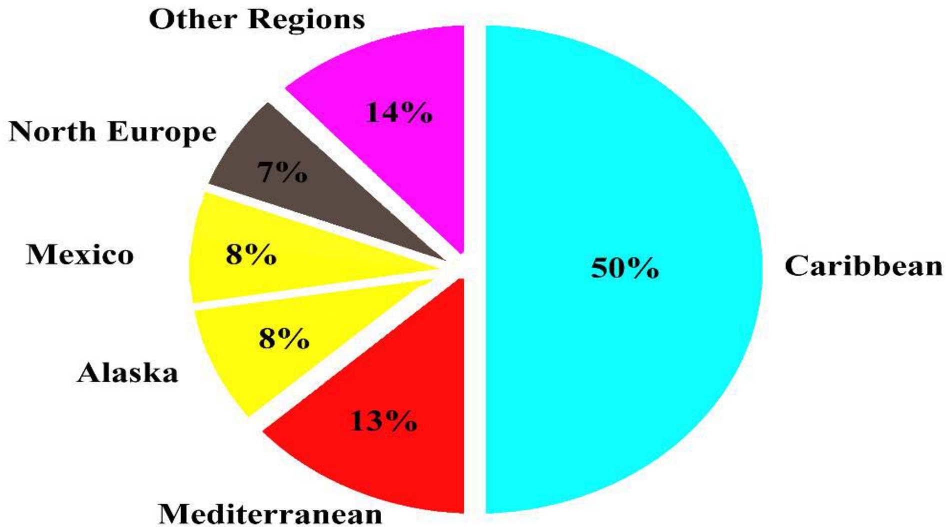
**Star Cruises……………………………………  9%**

**Others……………………………………………… 33%**

# Structure of the Cruise Industry - end 2005



# The Cruise Industry accounts to 3% of the World Tourism Market and the regional segmentation is composed as follows:

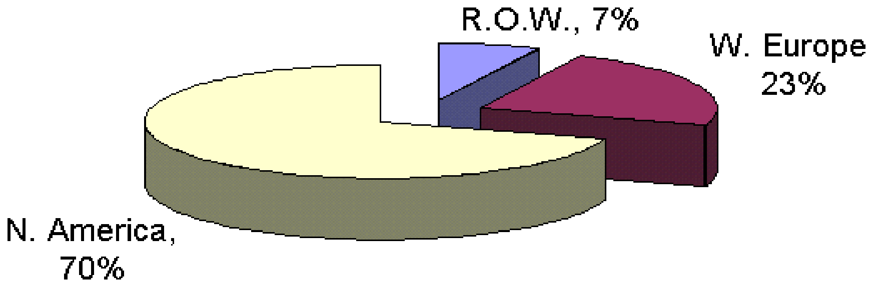



**Regional Segmentation of the Cruise Market – 2005**

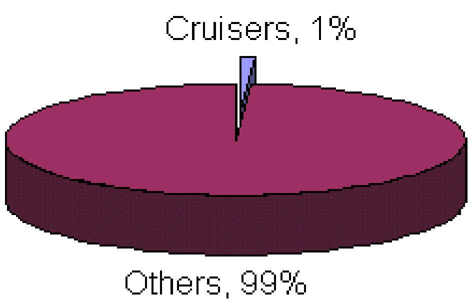
**(G.P.Wild Aug 2005)**

# Cruise Market Potential

World Wide (14.1 million paxs)

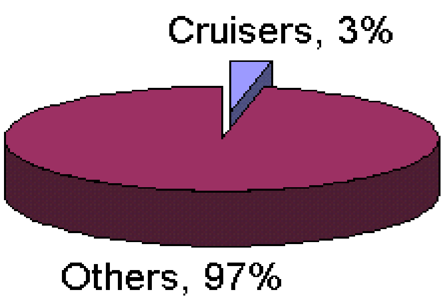



W. Europe (3.2 million paxs)




**Population: 282 million**

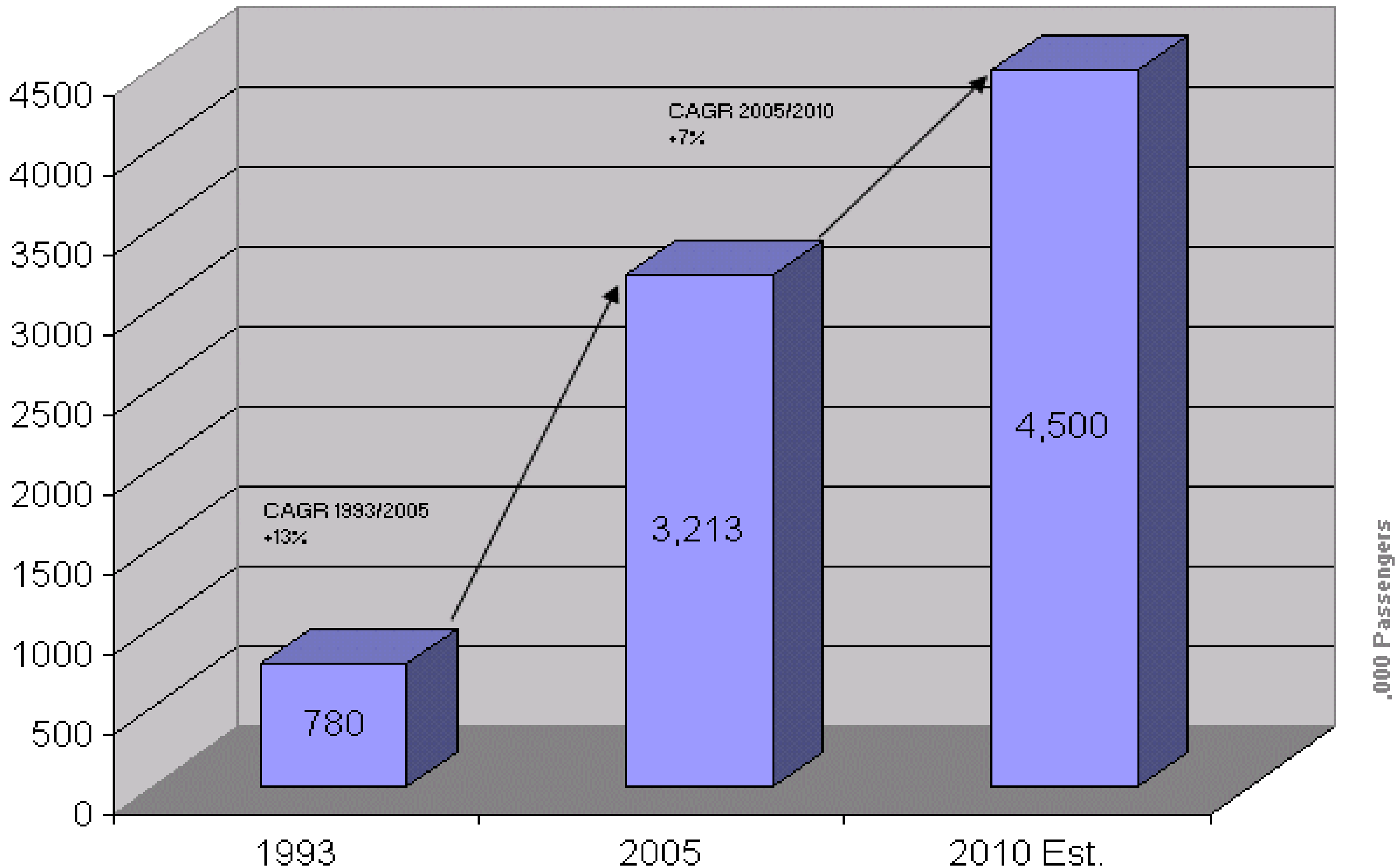
N. America (9.8 million paxs)




**Population: 330 million**

**Source: ECC**

# European Passengers Trend




Source: ECC

# Why are we seeing an upward trend in the Cruise Sector?

**The key success factor for the cruise sector is VALUE FOR MONEY !**

**All inclusive package**

**A typical Journey would offer the following:**

**A *Casino* experience in St Vincent**
**A *Dining* experience in a typical French restaurant**
**A *Cultural & Historical visit* – say Rome and the Vatican**
**A *Theatre* experience in Madrid or Barcelona**

**Plus the total on board facilities and services, food, entertainment etc.**

# The Mediterranean Market

**It is estimated that the Mediterranean region accounts to 60% of the total European market and this is estimated just under 2million pax. (2005 figures)**

# Mediterranean Cruise Fleet Composition

**During 2006, 104 ships were deployed in the Mediterranean**

**56 Ships on a full year deployment programme**

**48 Ships on a seasonal basis (essentially summer)**

# Ship deployments in the Mediterranean Region (2005)

## The BIG 3

| | | |
|---|---|---|
| RCCL Group Deployed | 10 Ships | 13,406 Pax |
| Carnival Group | 27 Ships | 42,488 Pax |
| Star Group | 2 Ships | 3,220 Pax |

## Other Major Operators

| | | |
|---|---|---|
| MSC | 6 Ships | 8,164 Pax |
| Iberojet | 2 Ships | 2,042 Pax |
| Thomson | 4 Ships | 4, 848 Pax |
| Cunard | 2 Ships | 4,398 Pax |
| Louis Cruises | 6 Ships | 2,896 Pax |
| Windstar | 3 Ships | 2,144 Pax |
| Crystal | 2 Ships | 2,040 Pax |
| Saga | 2 Ships | 1,247 Pax |
| Mano Maritime | 3 Ships | 1,243 Pax |
| Oceania Cruises | 2 Ships | 768 Pax |
| Hapag-Lloyd | 3 Ships | 756 Pax |
| Phoenix Reisen | 2 Ships | 1,534 Pax |
| Fred Olsen | 3 Ships | 1,923 Pax |
| Transocean Cruise Lines | 2 Ships | 1,070 Pax |

## The Rest

**34 Ships with a Pax Capacity of 11,577 passengers**

# The Local Scene

## What is our market share?

# Malta’s Performance

**VISET’s passenger landing register (January to October 2006) stood at 351,547 or 29.68% increase over the same period in 2005**

**48% of these passengers arrived on board ships exceeding 250m in length**

**35% on vessels between 200 metres and 250 metres**

**13% arriving on ships between 150 metres to 200 metres**

**4% arrived on vessels under 100 metres**

| LENGTH OF VESSEL | NUMBER OF CALLS | % | NUMBER OF ARRIVING PAX | % |
|---|---|---|---|---|
| | | | | |
| 0 TO 100m | 25 | 8 | 1744 | 1 |
| 100m to 150m | 42 | 13 | 11588 | 3 |
| 150m to 200m | 72 | 23 | 45773 | 13 |
| 200m to 250m | 105 | 34 | 123376 | 35 |
| 250m and over | 68 | 22 | 169066 | 48 |
| | | | | |

# Longer Cruise Season

- Our busiest month was August 67,324 passengers arriving on 39 visiting vessels

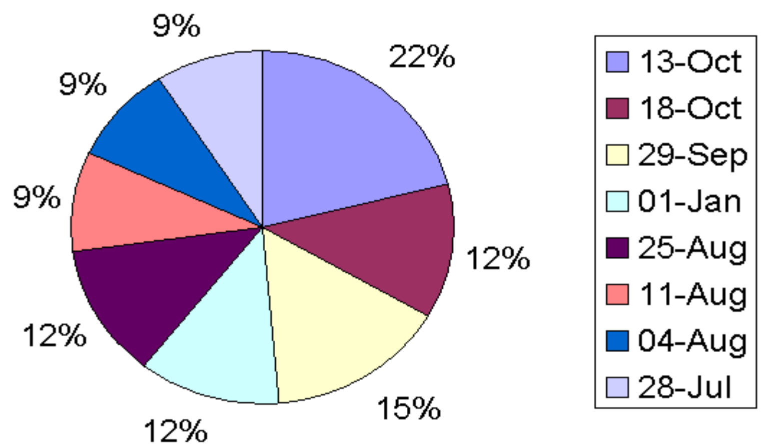
- During the period January – October 2006 we had 31 turnaround calls, the largest amount of turnaround calls registered during the month of October with 9 calls. In addition to this, the MV Costa Concordia and the MSC Opera embarked and disembarked passengers as well.

- The MV Superstar Libra used Malta as its home port during the period June – October, 2006.

# Busiest days...

**The busiest days in terms of passengers were:**

| Date | Total arriving pax |
|---|---|
| 13-Oct | 8224 |
| 18-Oct | 8093 |
| 29-Sep | 7887 |
| 01-Jan | 7605 |
| 25-Aug | 7519 |
| 11-Aug | 7387 |
| 04-Aug | 7313 |
| 28-Jul | 7270 |




# Busiest day so far…
# October 13th, 2006

# Who are our Clients?

- During the period January – October 2006 Costa Crociere registered the highest visits with 51 ship calls carrying 105,396 passengers or 29.98% of the total passenger throughput.

- MSC was the second largest operator with 34 calls with 60,369 passengers or 17.17% of the total passenger throughput.

- This was followed by AIDA cruises with 39,153 passengers arriving on 30 ships.

- Another important clients are the Spanish Line Iberojet, Royal Caribbean Cruise Line and Holland America Line.

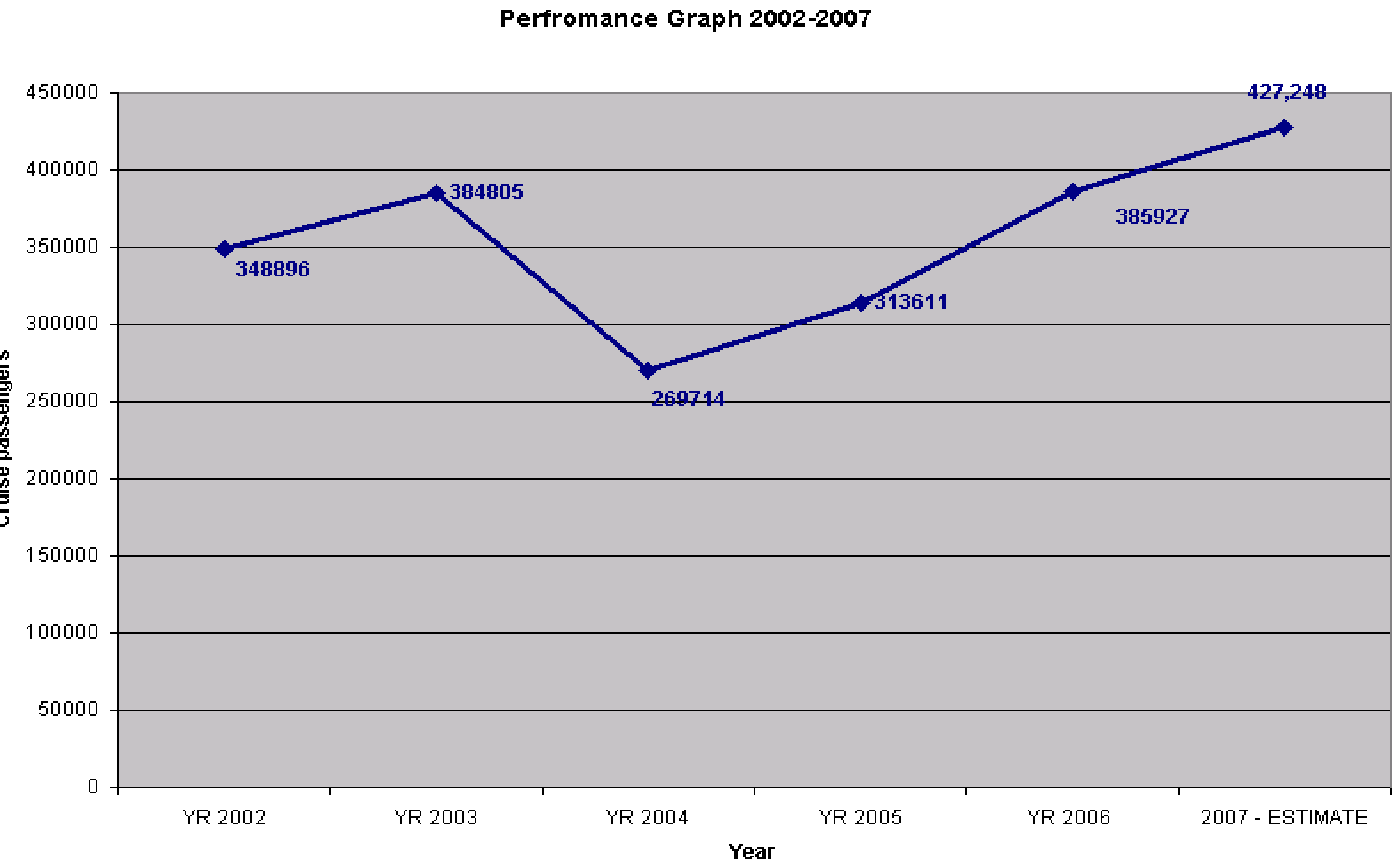
# Our Clients?

- **The composition of the passengers segmentation during 2006 was made up of 174 different nationalities.**

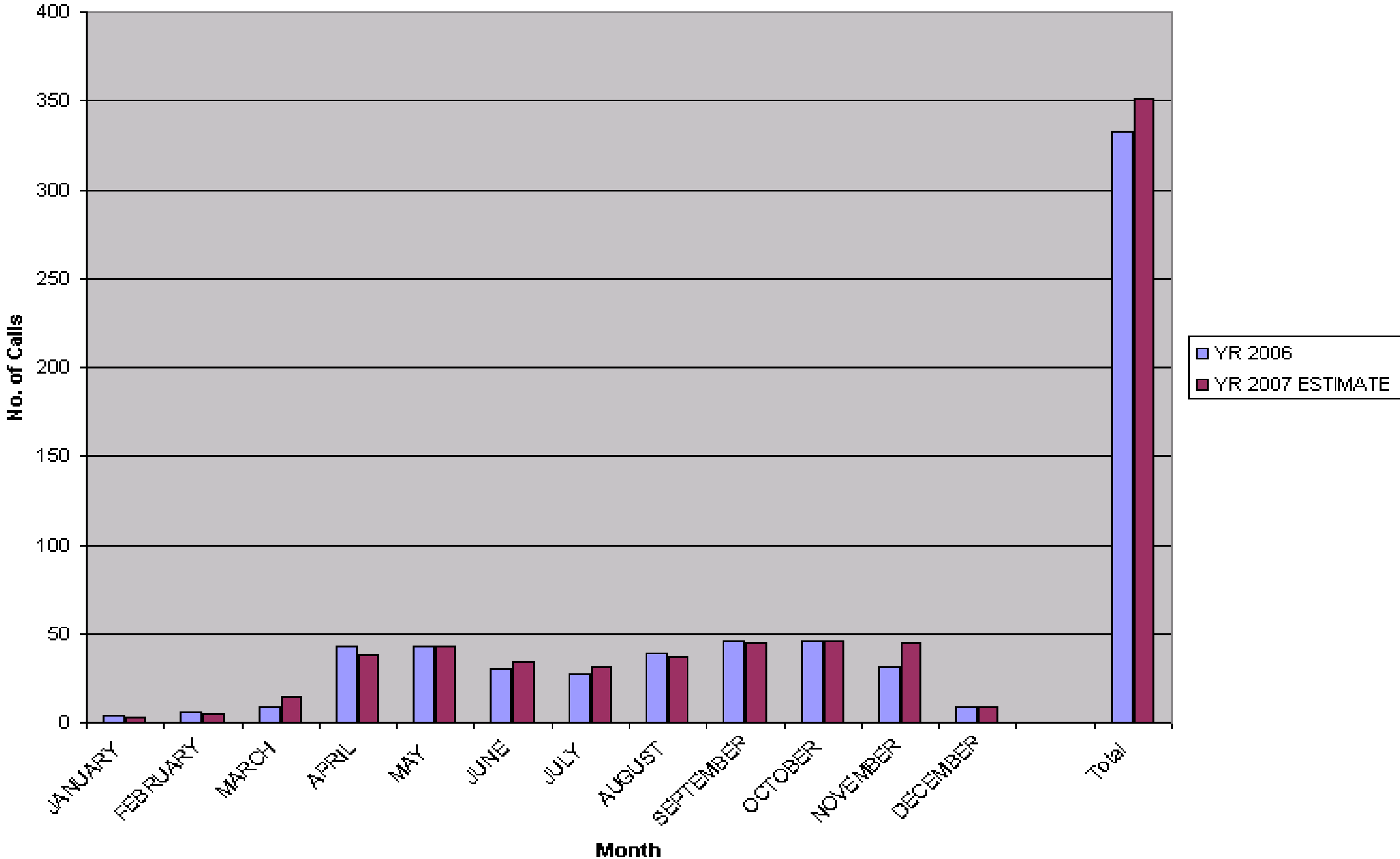
- **The largest contingent arriving from Italy 24.94%, Germany 18.67%, Spain 16.80%, USA 10.16% and UK with 7.72%.**

Source: NSO

# Cruise Operations Review 2002 – 2007



# Comparative Analysis by ship calls 2006 - 2007



# The Future

**According to Mr. John Tercek (Vice President Commercial Development - RCCL) the future of the Cruise Industry is exciting.**

**(Seatrade Conference Miami Mar 2006)**

**New Ship building programmes are replacing the old stock**

## But what has actually been happening?

# Confirmed by the Shipyards

**“The level of new building orders that the main cruise companies launched in the last eighteen months, notwithstanding the weakness of the US dollar, are the best indicators of the trust they nourish in the future of the cruise sector.”**

***( Mr Corrado Antonini – Fincantieri Chariman***

***Naples 19th October 2006 )***

**Why ?**

**All the 32 ships on order or under construction are being built in European shipyards with Fincantieri being the leading yard with 42% of the market share, followed by Meyer Werft at 22%, Aker Yards of Finland 21% and Aker Yards of France the remaining 15%.**

# New Generation Ships

**The Big 4**

| | | |
|---|---|---|
| **Princess** | | |
| **Grand Class** | **1999** | **- 3,000 pax** |
| | | |
| **Carnival** | | |
| **Queen Mary 2** | **2004** | **- 2,600 pax** |
| **Conquest Class** | **2004** | **- 3,100 pax** |
| | | |
| **MSC** | | |
| **Fantasia Class** | **2008** | **- 3,300 pax** |
| | | |
| **RCCL** | | |
| **Voyager Class** | **1999** | **- 3,300 pax** |
| **Freedom Class** | **2006** | **- 4,000 pax** |
| **Genesis Class** | **2009** | **- 6,400 pax** |

**Soon enough we shall experience ships in sizes nothing smaller than 100,000 tons (GT) & 3,000 plus pax.**

**"The next decade will see a rapid increase in the number and size of big cruise ships" (Tony Peisley, Miami 2006).**

**Ten years ago, in 1996, the average capacity of some 220 ships operating then was just 720 pax.**

**In 2010 it is estimated that the average capacity would increase to 1,600 passengers. The 96 ships which have either been delivered since 2000 or are due to be delivered by the end of 2009, already have an average capacity of nearly 2,600 passengers.**

## All this means?

## Larger ships = efficiency = lower prices = more pax

**(David Dingle - MD - Carnival UK – Naples- October 2006)**

# But what is going to be the fate of the older stock ?

# Displacement Cycle (J.Tercek Mar 2006)

**RCCL Example (2006 Scenario)**

- **Step 1**
  **Freedom 1- To operate from Miami replacing Explorer**

- **Step 2**
  **Explorer- moves to Barcelona displacing Splendour**

- **Step 3**
  **Splendour- moves to Venice (RCCL creates new itinerary to the Greek Islands).**

# RCCL Example 2009 Scenario

- **Step 1**
  **Genesis Class- Arrives at Miami to replace Freedom**

- **Step 2**
  **Freedom- replaces Explorer at Barcelona**

- **Step 3**
  **Explorer- replaces Splendor at Venice….. Splendor goes to Island cruises or Pullmantur?**

# Today’s Cruise Product Segmentation

- **Luxury**
  **Small to Medium ships 400 plus Pax**

- **Mass Market**
  **Big Ships of 3,000 plus pax capacity**

- **Economy**
  **Old stock medium to big ships – 1,200 to 2,400 pax capacity.**

# Segmentation Based on Origin of Customers choosing a Mediterranean Cruise

**North American – 0.5m pax**

**Europeans 1,9m pax**

# Future Cruise Product Segmentation

- **Very Big Ships** **4,000 plus pax**
- **Medium Ships** **2,000-4000 pax**
- **Small Ships** **1,000-2,000 pax**
- **Very Small Ships** **under 1,000pax**

# The Product Segmentation will of course influence the future cruise deployment patterns

- **We shall see that the Seasonal Repetitive Itineraries packages will be more of a 7 Day duration.**

- **12/14 day cruises will also increase once destinations become available.**

- **Non-repetitive itineraries of 10-14 day cruises will move to the Asian regions.**

- **World Cruises of 80/100 day duration will become more popular.**

# The Conclusions
# &
# Future Challenges

# Our Strengths

- The heavy investment by the Shipping Lines is a prime indicator. The cruise industry is bound to grow especially in the Mediterranean region.

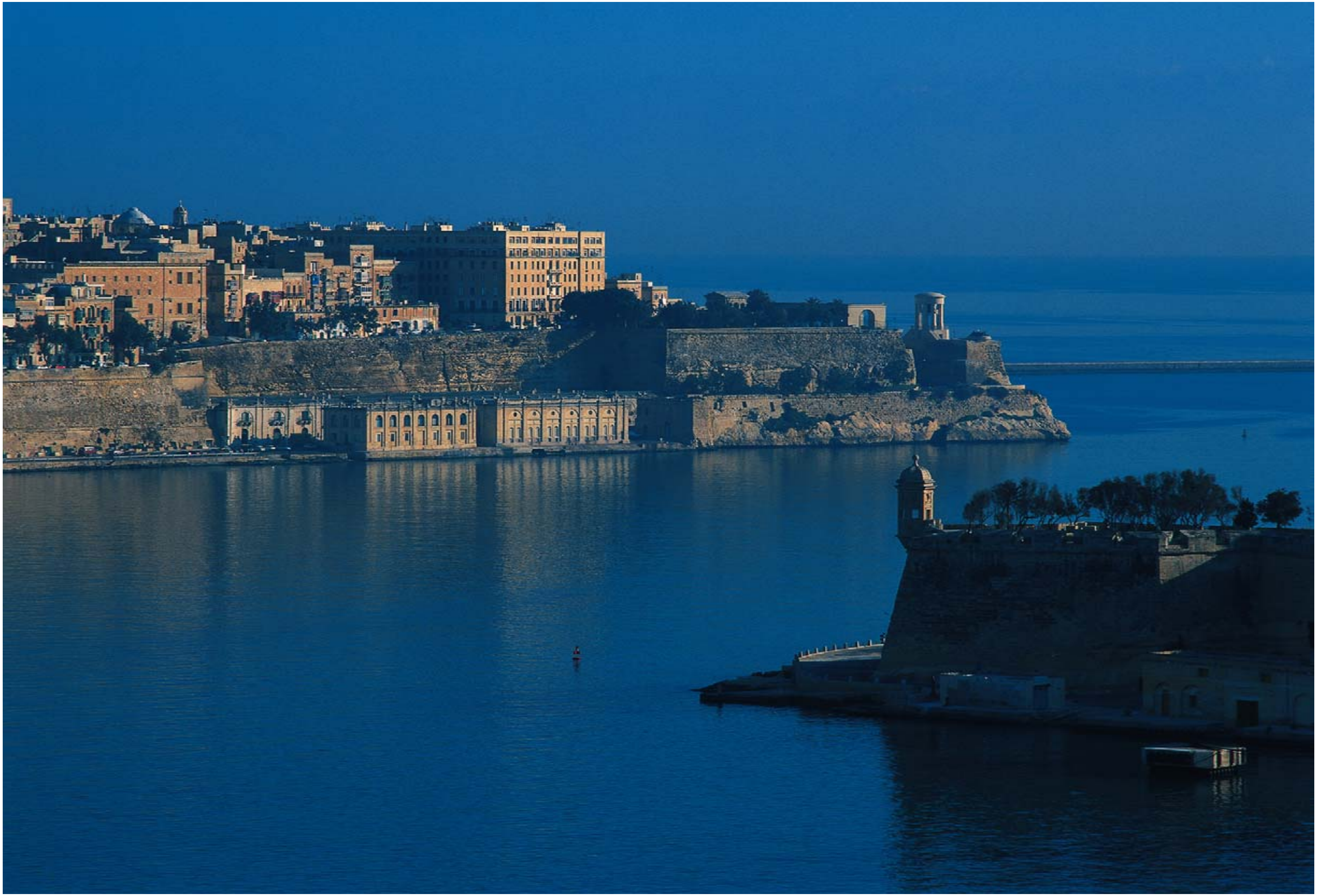
- Our current booking list, 2007 is quite optimistic (latest estimates show a 10% increase over 2006) and we will be closing the 2006 season at 390,000 passenger landings.

- Our geographical location is an opportunity for the cruise operators to reach the west and east sides of the Mediterranean.

- Our region provides an extended operational season; many operators are opting for a longer season rather than deploying ships to other operating areas.

- Malta's historical and cultural heritage is appealing to all visitors and many remain impressed with what the island has to offer.

- We have one of the most stunning ports in the world; I would say it is the "eighth of the seven wonders of the world!"



# Challenges

- **Shore side Infrastructures – Our infrastructure is becoming small for the BIG Ships! Most of our quays were designed a decade ago and therefore we are in need of a general review to ensure that we may sustain the demand for future needs.**

- **Like wise the landside infrastructure requires urgent interventions to be able to cope with such an influx of passenger landings.**

- **We need better coordination between heritage sites, museums and other places of interest. We do not have many St. John co-cathedrals, only one is available and the building is limited in the number of visitors it can take at one time!**

- **The industry’s stakeholders must realise that the future is in our hands and unless we respond to the opportunities, we are going to loose the business to our neighbouring countries. There are many ports waiting out there for their chance and allow me to say this is a warning!**

# Solutions

The answer to our problems is continuous dialogue. We must work hand in hand to address the logistical burdens.

TRANSPORTATION is the key to Malta's success in this sector and the more diverse the product base is, the better. No single option is the best solution but a series of options will surely address the needs of the passengers.

PARTNERSHIP between Government and the Private sector in my opinion is a success formula. PPP's have their strengths and weaknesses but no one cannot deny that the Valletta Waterfront project is a positive example.

PRODUCT ENHANCEMENT– Historical sites / Museums / Places of interest, these need improvement. We cannot have a ship in port on a Sunday or a Public holiday and the passengers are unable to visit these places, therefore we need to re-visit our policies.

VMF– VALUE FOR MONEY - All Stakeholders must contribute towards achieving excellence in the services being provided. The is a national industry and therefore we must respond to this call.

# Allow me to conclude by quoting G.P.Wild

(August 2005)

"………. Malta can compete effectively in the new environment provided it addresses the current issues and continues to develop and move with the market in the future……..

Provided that the interested parties cooperate as it is in the national interest and to their mutual benefit to do so."

# Thank you

## Keep on cruising!

## Chris Paris