

The future – as seen by cruise s

The cruise industry has wind in its sails once more. And despite the continued presence of counter-terrorist measures, a weak dollar and a very strong euro, US passengers are returning to the Mediterranean, where there is glut of cruise ship newbuildings and even new cruise terminals under construction. Why the optimism? Marine News asks leading cruise ship operators.

Some 13 million euros has been ploughed into the development of a new 6750 m² cruise terminal in Bilbao, Spain, which will receive its first cruise passengers in August. The Port of Barcelona, one of the most important throughout the Mediterranean, is also under development following the signing in September 2003 of a letter of intent for the construction of a new 7 million euro cruise terminal on the city's Adosado wharf.

In Italy, the Port of Genoa Authority and Genoa City Administration recently announced plans for a new cruise terminal for the Ponte Parodi area with a 325 metre long quay, a 12 metre draught, and a 4000 m² terminal complex. And Royal Caribbean Cruise Lines, Costa Crociere, MSC and Carnival are all involved in plans to develop the Port of Civitavecchia, near Rome, into a 4000-passenger cruise terminal.

European market set to boom

These projects certainly bode well for the cruise industry. Indeed Nils Nordh, Executive Vice President, Commercial Shipbuilding at Star Cruises, believes that European cruise lines like MSC will benefit more and grow faster than their US-based counterparts.

Such is the potential of the Europe market that when the *Pride of America* is launched from the Lloyd's Werft shipyard in June, Star is looking at the possibility of keeping one of its ships on the Mediterranean.

Carnival Liberty, likewise, when delivered from shipbuilder Fincantieri in July, will be a permanent fixture during the summer season – the first time Carnival Cruise Lines has built a vessel exclusively for this market.

Caribbean still number one

But despite opportunities in Europe, the Caribbean will remain the most important

market for US-based cruise ship operators.

"The Caribbean is a wonderful place. Calm seas and sunshine, just right for a cruise vacation," says Royal Caribbean Cruise Lines' (RCCL) Executive Vice President Harri Kulovaara. "The area is exceptional and it is a very important market, but the problem of availability of ports and market saturation does need to be addressed. Ports are becoming very congested and the infrastructures need to be improved, ports developed and new destinations introduced," he adds.

Kulovaara believes that the Mexican Gulf coast and new ports such as Belize will soon be fixtures in the cruise operators' schedule. "There is no doubt that cruise ships visiting these areas will bring enormous benefits to the local population."



Royal Caribbean Cruise Lines (RCCL): Harri Kulovaara, Executive Vice President.

Star of Asia

Star Cruises is happy to remain the dominant force in Asia.

The Asian market is very special, but it's a different operation to the rest of the world's cruise markets. This is because cruise passengers in this region prefer short cruises of two or three days rather than the seven or fourteen day excursions normally associated with a cruise holiday.

"It's much tougher to operate and needs more flexibility – and special booking systems!" says Nordh.

Reducing the environmental impact

Whatever geographical area a shipowner operates in, a successful destination often depends on ensuring that shipping, and particularly cruise shipping, have a minimal impact on the environment. All the major cruise operators have invested heavily to meet this objective.

For instance, through the International Council of Cruise Lines (ICCL), the sector has recruited a number of scientists tasked specifically to evaluate the impact that cruise ships and their passengers have on the environment.

"We want to understand this aspect better so that we can do more to preserve the environment," says Carnival Cruise Lines' Roberto Martinoli, Senior Vice President, Technical, Environmental & Safety Operations.

Carnival's commitment to this can also be seen through its environment policy as well as the introduction of an onboard environmental officer and environmental engineer to each ship in its fleet.

The cruise ship owner's rigid environment policy is to:

- Foster a corporate culture of environmental compliance that extends to all shoreside and shipboard personnel
- Implement procedures and install equipment that assist in ensuring environment compliance
- Develop an environmental compliance system that ensures compliance with all applicable environmental laws and environmental regulations
- Implement a process to improve onboard equipment, operating procedures and training; and
- Implement mechanisms to improve detecting, correcting and preventing non-compliance.

To date the cruise industry has been the leading investor in environmental solutions to reduce the impact of its operation on the environment. Engine emissions have been reduced, as have all emissions into the ocean. The industry intends to continue promoting the development of environmentally safe and ecologically sound products.

Working in partnership

"There is a great synergy between the cruise industry and the equipment manufacturers in developing ways to make the environmental impact of cruise shipping

Ship owners

lower than any other alternative means of vacation. In fact, it has always been my personal goal to demonstrate that a cruise holiday is the most environmentally friendly way of taking a vacation," RCCL's Harri Kulovaara continues.

To this end, the cruise ship operators have a particularly strong relationship with the engine builders; Wärtsilä has supplied more than 80 engines, mostly Wärtsilä 46 engines, to RCCL for instance. Wärtsilä is also the favoured choice of engine supplier to Carnival, delivering both Wärtsilä and Sulzer brands; and six Wärtsilä 8L46 engines will power Pride of America when she is delivered to Star Cruises in the summer.

"A key element, of course, is high availability and reliability and the optimization of maintenance work taking into account our operating schedules. And what we look for in an engine builder is a good partnership based on open dialogue," Kulovaara emphasizes.

Indeed, in the years that RCCL, Carnival and Star Cruises have been working with Wärtsilä there has been an invaluable exchange of information to optimize engine operation and maintenance, and to analyse risk. Kulovaara says he is "proud" of the way his company is now able to get the best out of its engines.



Carnival Cruise Lines: Roberto Martinoli, Senior Vice President, Technical, Environmental & Safety Operations.



Star Cruises: Nils Nordh, Executive Vice President, Commercial Shipbuilding.

"Wärtsilä has always driven development and maintains good contact, fostering a deep understanding of its customers' needs, although this is an area that can always be improved upon," he adds.

Martinoli agrees. "We do work closely with the engine manufacturer and work as partners. We don't spend too much time worrying about saving a penny here or a penny there, because what is important is spending the time to make our engine rooms more efficient."

Fixed-fee solutions

In this respect a number of cruise lines have been looking at the possibility of acquiring their engines in a way not dissimilar to that of the airline industry. Essentially, this would mean hiring the engine, as opposed to purchasing it outright, and paying a fixed amount to the manufacturer per running hour.

This would also include the provision of spare parts and technical advice, although operating and maintenance work would be carried out by the cruise operator's onboard engineers and technicians. The fixed-fee solution is attractive, although Star Cruises' Nils Nordh suggests that this system should include a maximum/minimum limit "so you know we all know where the risks are".

Roberto Martinoli believes that the fixed-fee solution could be a reality in little more than two years, especially if fuel costs fail to fall, which seems likely.

Another major change that could affect the way in which the engine business is operated relates to fuel.

"We need to take a totally different look at the energy level now as the high energy costs are here to stay," Kulovaara predicts. "The major change is the price of fuel and we need to focus on this to ensure that our engines remain efficient. I personally believe we will see investment in fuel cell

technologies, though it may be ten years before the technology becomes commercially viable."

Optimism strong

The increase in the cost of bunker and the present exchange rate – which for an industry whose assets are based in euros and its business done in dollars, is quite a problem – could be interpreted by outsiders as a danger signal that has fallen upon deaf ears.

Yet the cruise lines are looking to the future with a degree of optimism not seen since pre-9/11 days. The forecasts look good, predicting market growth of 5 – 10% each year for several years to come. All of the cruise shipowners that Marine News spoke to are investing in extensive newbuilding programmes to meet this projected demand.

Between 2005 and 2009 Carnival will take delivery of 13 new ships, while two new Ultra Voyager-class ships will join RCCL's fleet of 29 when they're delivered from Aker Finnyards in 2006 and 2007. Star Cruises, meanwhile, is investing more than US\$ 2 billion in a newbuild programme that includes three orders with Meyer Weft, one with Lloyd Weft and a Letter of Intent to Finland's Aker Finnyards, which includes an option.

Still, with the financial climate being what it is, it may be surprising that Chinese or Korean shipyards haven't picked up a major order for a cruise ship. Carnival, Star and RCCL don't think it will happen for some time because of the strong cargo ship market, and they're not sure that the Asian shipyards would want to build a highly complex ship like a luxury passengership, anyway.

"Then again, we used to say that about the gas market and now most LNG tankers are built over there. So who knows?" says Martinoli. ■