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## **TOURIST CRUISES IN SOUTH AMERICA: NEW OPPORTUNITIES AND CHALLENGES**

More free time and disposable income not only in developed but also in emerging countries have generated a demand that shipping lines have capitalized on by offering ocean cruise services to an exponentially growing segment of the tourist industry.

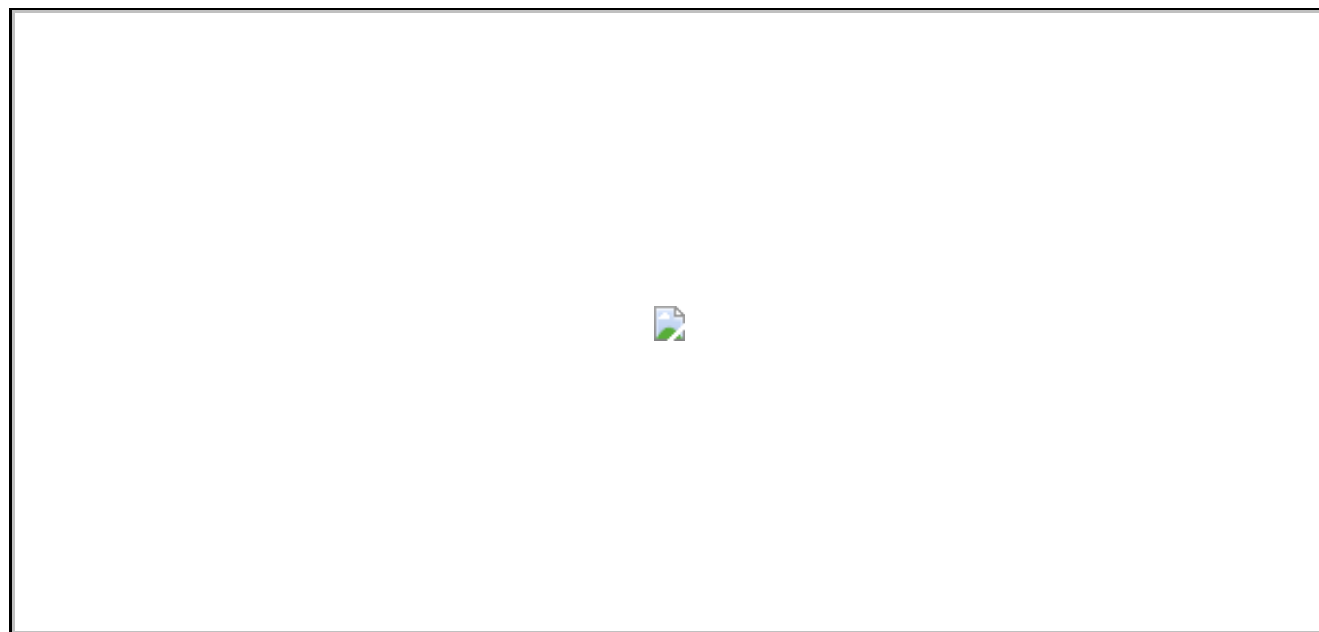
With the search for alternative destinations for ocean cruises, in recent years the Southern Cone countries of Latin America have been playing host to an encouraging number of passenger ships during the summer November-March season, suggesting that this sub-region could become a permanent feature of the circuit of international ocean cruises. To convert this into a reality, however, will require investment in port facilities and passenger terminals, thus presenting an opportunity for private participation in providing and running these facilities.

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As has been observed in other areas of economic activity, maritime passenger transport has become more orientated toward recreation and tourism: ships are resembling five-star hotels that carry clients to a string of cities included in a tour, unlike traditional styles of travel. By using this mode of transportation, passengers can save the time, trouble and money involved in air travel, hotels, packing and unpacking, hotel registration and check-out, trips to the airport, and customs and immigration procedures, as well as avoiding some of the discomfort involved in moving rapidly between time zones.

The fact that there is more time and money available in both developed and emerging countries has generated a demand for coastal tourism, and cruise lines have taken advantage of this new reality by increasing frequencies. These have grown exponentially over the past two decades.

Figure 1 shows how passenger fleet capacity per year has risen, forming an exponential curve with a correlation index of  $R^2 = 0.97$ .



**Fuente/Source:** Elaboración propia/Own calculations.

This process, which began in Europe and the United States some decades ago, focusing on geographic regions offering major tourist attractions such as the Mediterranean and the Caribbean and to a lesser degree Scandinavia, has expanded to include other destinations, among them, the Southern Cone of Latin America. Table 2 shows the number of cruise and passenger liners serving this route in the past three years, particularly the Chilean city of Puerto Montt.

Season	Nº de Ships	Passengers
1998 – 1999	24	18.740
1999 – 2000	43	28.033
2000 – 2001	58	41.180

**Source:** Empresa Portuaria Puerto Montt. (Puerto Montt port company)

Among the cruisers visiting the Southern Cone during the 2000-2001 season were the 45,000-ton Royal Princess, with a 1200-passenger capacity, and the 74,000-ton Mercury, with a 1,870-passenger capacity. The 58 ships called in at Southern Cone ports during the season belonged to 19 different owners, an indication of how varied the supply was.

These cruises are very seasonal, being programmed from mid-November to mid-March. The favourite circuit is Buenos Aires – Valparaiso, with the trip lasting 14 days. At these

terminal ports passengers and crew change over. Several ports have had to attend three different ships at the same time, which led to excessive pressures on city facilities and tourist services, thus underlining the need for more coordination.

Interest in incorporating new circuits has arisen partly due to saturation of traditional European and Caribbean routes. Other reasons include seasonal factors, which make northern Europe less attractive to tourists during the winter, combined with a search for more exotic, unknown and safe landscapes for more experienced travellers.

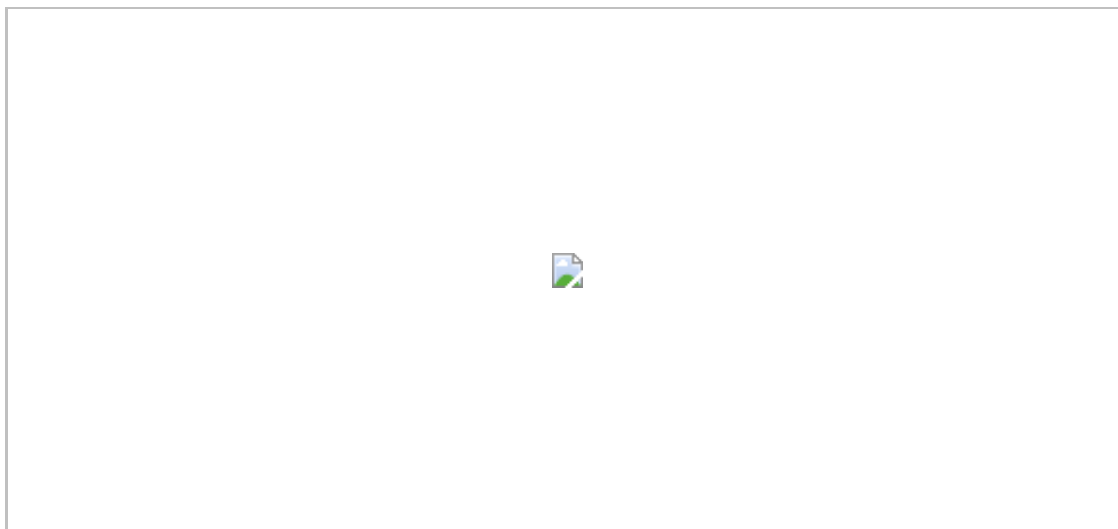
In Europe, cruise lines port call coordination has been achieved through associations such as Medcruise, whose members include European and North African ports on the Mediterranean, and Cruise Europe, which brings together the ports in Northern Europe, including Scandinavia.

In August 1999, Surcruise, the association of cruise liner ports of the Southern Cone (*Asociación de Puertos de Cruceros del Cono Sur*, <http://www.surcruise.com>) was set up. The founder members are Argentina's associated ports (Buenos Aires, Comodoro Rivadavia, Mar del Plata, Madryn and Ushuaia); Uruguay (Montevideo) and Chile (Antofagasta, Arica, Chacabuco, Puerto Montt, Punta Arenas, San Antonio, Talcahuano and Valparaíso). Manta, a port in Ecuador, joined in late 2000, and the ports of other countries in Latin America are also considering membership, thus promising a bright future for this organization, which must coordinate with ship lines and encourage investment in facilities to serve them, starting with buildings, and then going on to include specialized docking berths, where demand makes this worthwhile.

The President of the Port of Buenos Aires is currently also President of Surcruise, while the vice-presidency is held by the *Empresa Portuaria Puerto Montt* (Puerto Montt port company), confirming the importance of Puerto Montt as a venue for cruise lines visiting Chile. Puerto Montt is also involved in one of the continent's most advanced concession process.

With regard to the ships themselves, none is more than 15 years old, if refurbishing dates are considered. Their size is steadily increasing, with more passenger capacity, and technological improvements enable them to make quick manoeuvres in confined spaces without the support of tugs, thanks to advanced propulsion systems using lateral turbines (bow thrusters). New ship propulsion is through gas turbines which emit little atmospheric and acoustic pollution. In 2000, for example, the 101,509-ton Carnival Victory began to operate, with a 2,642-passenger capacity, measuring 893 feet long by 116 wide, while the 142,000-ton Explorer of the Seas is 1020 feet long by 158 wide. Another four cruise ships are currently being built.

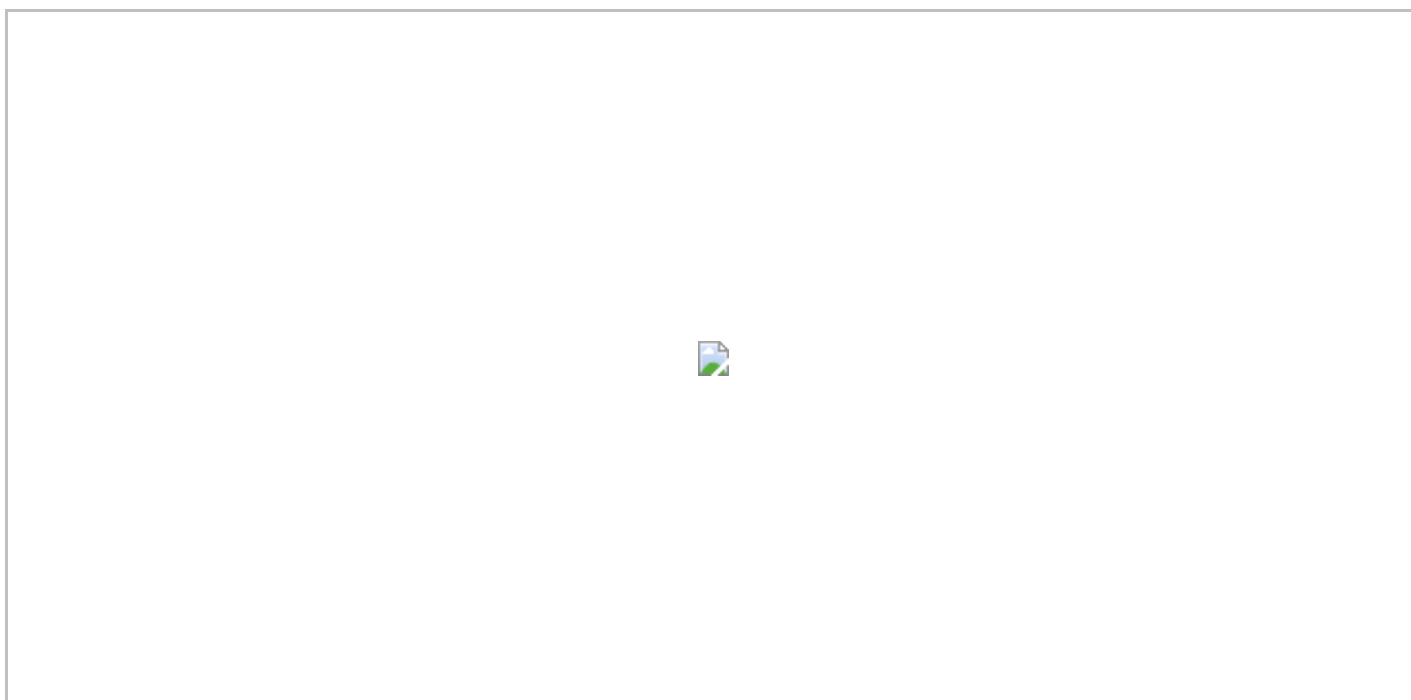
Figure 2 shows the distribution of tourist cruise liners by country of registry, indicating that Liberia, Panama and the Bahamas account for 65% of tonnage, for a sample of 105 ships surveyed, representing a total of four million tons.



**Source:** Own

calculations.

Figure 3 shows the distribution of existing tourist cruisers in the world by owner, revealing that six (Carnival, Royal Caribbean, Bergen Line, Radisson Seven Seas Cruises, Silja Line and Royal Olympic Cruises) account for 59% of tonnage, over a sample of 150 ships and six million tons, indicating this is a highly concentrated industry at the world level. Three of these lines operate in the Southern Cone of Latin America.



**Source:** Own calculations.

Services provided on board are all embracing, thus turning a cruiser into a tourist-oriented business platform that has been thoroughly exploited by operators. Itineraries must be strictly respected, because commitments are made two years in advance and the ports where the journey begins or ends must coordinate the changeover of passengers and crew with the available air flights and hotel space. Late arrivals are not allowed, so that the slightest difficulty with a landing inevitably leads to cancellation of the stop. Onshore visits usually last about

eight hours.

At each port of call, about 80% of passengers, mostly Europeans and North Americans, purchase sightseeing packages sold in advance onboard ship, hence ports receiving visits must have available a large number of buses as close as possible to the gangways, when ships dock at berths, and be able to receive and process passengers very quickly. The remaining 20% and off-shift crews require comfortable facilities, such as cafeterias, restaurants, washrooms, access to public transport, handicraft fairs, banking and communications services, all of which generate complementary commercial activities.

Where the ship doesn't dock at a wharf, it needs small boats called tenders that can safely and quickly carry some 25 passengers to shore with every trip, a task that shipowners never delegate to third parties, given the degree of responsibility involved.

Other port services usually required by ships include waste removal and the supply of fresh drinking water, the quality of which is subject to strict controls.

To date, no South American country has provided specific port facilities for cruisers, with the possible exception of the Port of Cartagena, Colombia, which has a small terminal and dedicated facilities for ground transportation. In every other case, these ships must rely on port infrastructure designed for other uses, with all the associated risks and discomfort.

Time series statistics for landings indicate the growing importance of circuits on this continent; even though the business is still in its infancy, it has triggered the interest of private investment in this kind of facility.

South America has been presented with an unexpected opportunity, resulting from the increasingly significant number of ocean cruisers conveying tourists along its coasts. The challenge of profiting from this new style of tourism will need investment in passenger port terminals and docking facilities, which will surely lead port authorities to design mechanisms for private participation in investment and commercial port operations for the benefit of the cities and countries where the ports lie. By offering these kinds of facilities will shipowners be encouraged to keep the cruise liner services on an upward trend.

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