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THE TOURIST CRUISE INDUSTRY AND ITS IMPACT ON SOUTH AMERICA

The global tourist cruise industry has been experiencing sustained growth for quite some time; the industry's future prospects are promising, due to good profitability and a reduction in costs achieved thanks to use of ever larger ships, which are making this new form of tourism accessible to more and more people.

South American destinations have been visited by a wide range of cruise operators, reflecting the expansion of this industry worldwide; it is necessary that players in the industry take advantage of this opportunity to provide services that employ substantial numbers of people and develop port facilities in order to meet the requirements of ships and tourists alike, thereby heading off competition from other routes.

For further information or for your comments on this article, please contact Mr. Francisco Ghisolfo, Transport Unit, ECLAC (trans@eclac.cl).

Maritime transport of passengers had been displaced by air travel, but is undergoing something of a renaissance centring on a new concept of tourism and recreation: the ship is converted into a hotel and transports passenger on their voyage, saving them the hassles associated with travelling from city to city using other more common modes of transport.

The worldwide tourist cruise industry recorded sales revenues of US\$ 15.4 billion, and had an occupancy level of 90.6%, in 2001. Sales are projected to reach about US\$ 19.1 billion in 2006, according to *Cruise Industry News Annual 2001*.

As of 1 February 2002, there were 261 cruise ships in service around the world, with a passenger

capacity of 258,978, according to *Seatrade Cruise Review*, a cruise ship is defined as any vessel of over 100 registered tonnage, used for the purposes of ocean cruising, excluding out-of-service ships, ships up for sale, ships that provide regular passenger services, ships involved in coastal trade, river ships and catamarans.

One notable feature of the worldwide tourist cruise industry is that it has been on a growth path since the 1980s, reaching growth of 8% per annum. Growth is projected at 4.4% for the forthcoming years. On the supply side, the industry is characterized by a high degree of concentration; as indicated in Table 1, the four biggest cruise lines control 64.3% of industry capacity between them, while their share of annual sales is even higher, at 75.5%.

Table 1
Tourist Cruise Industry

Main Operators

Cruise Line	Capacity ¹	Sales ²
Carnival Corp.	24.4%	30.5%
<i>Royal Caribbean Int. & Celebrity.</i>	17.5%	23.3%
<i>Star Cruises plc.</i>	11.5%	12.0%
<i>P&O Princess Cruises plc.</i>	10.8%	9.7%

Source: ¹ Compiled by the author on the basis of *Seatrade Cruise Review*, New York, March 2002. ² *Cruise Industry News Annual 2001*.

Table 2 sets out the capacity of cruise lines, including their own and associated fleets, defined as those companies in which they have an ownership stake of over 50%. The table also includes vessels currently under construction for these cruise lines.

Table 2
Cruise Ship Fleet Capacity, by Cruise Line

Cruise Line	No. of Cruise Ships	Capacity (passengers)	Share	Ships under construction
<i>Carnival Cruises Line</i>	16	34,362	13.3%	5
<i>Costa Crociere, Spa</i>	8	12,478	4.8%	3
<i>Cunard Line Ltd.</i>	2	2,443	0.9%	2
<i>Holland America Line-Westours Inc.</i>	9	11,854	4.6%	4
<i>Seabourn Cruise Line</i>	4	1,382	0.5%	-
<i>Wind Star Cruises</i>	4	752	0.3%	-
Total Carnival Corp.	39	63,271	24.4%	
<i>Royal Caribbean Cruises Ltd.</i>	14	31,492	12.2%	5

<i>Celebrity Cruises Lines Inc.</i>	8	13,915	5.3%	1
Total Royal Caribbean Int. & Celebrity	22	45,830	17.5%	
<i>Norwegian Cruise Line - NCL</i>	10	18,248	7.0%	5
<i>Star Cruises Plc.</i>	9	11,611	4.5%	-
Total Star Cruises Plc.	19	29,859	11.5%	
<i>Princess Cruises</i>	11	20,620	8.0%	6
<i>P&O Cruises (UK) Ltd.</i>	4	6,199	2.4%	1
<i>P&O Cruises (Australia) Ltd.</i>	1	1,200	0.4%	-
Total P&O Princess Cruises Plc.	16	28,019	10.8	

Source: Compiled by the author on the basis of *Seatrade Cruise Review*, New York, March 2002.

Royal Caribbean and *Carnival* are locked in an epic struggle to wrest control of *P&O Princess*; it all started when *Royal Caribbean* concluded a merger agreement in November 2001, subsequently rejected in successive bids by *Carnival*, with the result being that the target company's value has risen to US\$5.4 billion. The matter has yet to be decided by the shareholders of *P&O Princess Cruises plc.* With this merger, which is expected to go through sooner or later to the benefit of one of the suitors, concentration in the cruise industry will increase still further, so much so that the deal is already coming under scrutiny by European and American anti-monopoly watchdogs. This underlines the fact that the industry is a highly profitable one.

The destinations of cruise ships also show a high degree of concentration, as shown in Table 3. The Caribbean is the most important destination with a 44.3% share of the market, followed by the Mediterranean and Asia/South Pacific; between them, these three destinations account for 73% of the world total.

Table 3

Tourist Cruise Industry

Main Destinations

Destination	Market Share
Caribbean/Bahamas/Gulf of Mexico	44.30%
Mediterranean	17.0%
Asia/South Pacific	11.7%
Alaska	6.6%
Mexico Pacific Coast	5.0%
North of Europe	4.0%

Source: *Seatrade Cruise Review*, "Cruise Industry News Annual 2001", New York, 2001.

South America barely figures with 1.4% of the world total, according to *Cruise Industry News Annual 2001*; the area's main destinations are set out in Table 4.

Table 4

Tourist Cruise Industry
Main destinations in South America

Destination	Ports of Call
Brazilian coast	Fortaleza – Salvador – Ilhéus — Porto Seguro – Buzios – Rio de Janeiro – Angra dos Reis – Ilha Bela — Santos – Porto Belo – Florianópolis
Southern coast	Buenos Aires – Montevideo – Punta del Este – Puerto Madryn – Port Stanley – Ushuaia – Punta Arenas – Puerto Chacabuco – Puerto Montt - Valparaiso

Source: Compiled by the author.

Other ports of call, such as Coquimbo, Antofagasta, Iquique, and Arica in Chile, Callao in Peru, and Manta in Ecuador, are used infrequently, ships putting in when they start the voyage at the beginning of the season and when they return to their normal routes.

Tables 5 sets out the number of stopovers and passengers at the port of Rio de Janeiro, representing the Brazilian coastal route, and Puerto Montt on the southern route; growth rates for the 1998/2001 period were 21.5 % and 41.6% per annum, respectively.

Table 5

Tourist Cruise Industry
Stopovers and Passengers, Destinations in South America

Destination	Season	Port	Passengers	Stopovers	Growth rate
Brazilian Coast	2001-2002	Rio de Janeiro ¹	109,040	72	19.8%
	2000-2001		91,048	74	37.2%
	1999-2000		66,350	87	9.0%
	1998-1999		60,866	92	-
Southern Coast	2001-2002	Puerto Montt ²	58,361	38	2%
	2000-2001		57,216	52	31.8%
	1999-2000		43,402	43	11.2%

1998-1999

20,549

24

-

Source: Compiled by the author on the basis of: ¹ Estação Marítima de Passageiros (ESMAPA), Rio de Janeiro, Brazil; ² Empresa Portuaria Puerto Montt, Chile.

The growth rate was calculated based on passenger numbers. The number of stopovers does not increase at the same rate as the number of passengers and does not provide an accurate reflection of demand, with the trend toward replacing older ships with bigger craft in evidence. As it so happens, in the case of Rio de Janeiro port, the average number of passengers per ship in the 1998/1999 season was 661, versus 1,514 in the 2001/2002 season.

Puerto Montt in Chile presents a similar picture. In the 1998/1999 season, the average number of passengers was 856 per ship, compared to 1,536 in the 2001/2002 season.

The worldwide trend toward ever larger cruiseliners is reflected in the size of ships that have recently been commissioned or are currently under construction. The trend has ushered in significant cost reductions, which have been passed on to tourists, making this type of tourism, previously prohibitively expensive, increasingly accessible for younger and middle-class families. By way of example, Table 6 sets out the tariffs for the 2001/2002 season.

Table 6

Tourist Cruise Industry

Cruises available in South America

2001-2002 season

Destination	Itinerary	Cruise Line	Price (US\$)	Length	Notes
Brazilian Coast	Santos – Buzios - Rio de Janeiro – Angra dos Reis - Santos	<i>Royal Caribbean</i>	945	5 nights	Based on twin occupancy
	Santos – Ilhéus – Salvador – Buzios - Santos	<i>Royal Caribbean</i>	1,340	7 nights	Based on twin occupancy
	Buenos Aires- Punta del Este – Porto Belo – Santos – Rio de Janeiro – Buenos Aires	<i>Costa Crociere</i>	555	8 nights	Based on twin occupancy, inside cabin
Southern Coast	Valparaíso – Puerto Montt – Ushuaia – Port Stanley – Buenos Aires	<i>Holland America</i>	1,579	10 nights	Based on twin occupancy. Includes air ticket Buenos Aires-Santiago

Buenos Aires – Valparaíso	<i>Norwegian Cruise Line</i>	1,298	13 nights	Based on twin occupancy, inside cabin
		1,498	13 nights	Based on twin occupancy, outside cabin
Punta Arenas – Valparaíso	<i>Norwegian Cruise Line</i>	585	6 nights	Based on twin occupancy.
				Includes air ticket

Source: Prepared by the author based on Revista del Domingo En Viaje, El Mercurio newspaper, Santiago, Chile, January 2002 editions.

The cruise industry shows a low rate of penetration in terms of sales. Though the United States is the best represented country in terms of tourists, the industry has only an 11% penetration rate in that market; the rate for Europe is less than 0.5%, and is lower again for South America, according to Mr Christopher Hayman, Managing Director of *The Seatrade Organisation*, speaking at the First International Seminar on Maritime Catering and the Cruise Industry, which was staged in Valparaíso, Chile, in September 2001. Therefore, the growth prospects for this industry are highly promising.

A wide range of operators – a total of 17 independent cruise lines in fact– offer tourist cruises that have put in at South American ports. This would suggest that operators are trying out these destinations and that whether they continue to offer these routes will depend on the services that ships are able to obtain and their customers' level of satisfaction with these cruises.

It is a well known fact that the owners of port facilities are not particularly keen to welcome tourist cruises, both because the movement of passengers interferes with cargo operations and because the tourists generate little in the way of revenue. However, the real impact of this form of tourism lies in the services and demand for labour generated in the regions or areas where ships put in; the positive economic and social effects produced warrant analysis as part of the overall picture.

The services referred to above include the provisioning of ships, which should be classified as an export for tax purposes, and the supply of manpower trained in specialist institutes, which takes on special importance during the periods of high unemployment that most South American countries face.

Accordingly, the range of tourist services on offer to cruise passengers merits special attention, given that each tourist spends US\$112 a day on average; these services also require manpower, and are a major source of potential employment when it is most needed. Tourists' willingness to spend may increase significantly if the community makes an effort to offer novel, sophisticated or extraordinary activity options such as the Torres del Paine National Park and the glaciers in the Beagle Channel in Chile; whale-watching off the Valdés Peninsula in Argentina, or the white sand beaches and warm waters of Brazil.

In a similar vein, unnecessary checks conducted at intermediate ports should be removed, as should all restrictive pieces of legislation, so that the industry can develop in a competitive environment; this should ensure that the advantages that cruise line operators perceive today in cruises around these destinations remain constant over time.

This should not be an obstacle to the development of the port facilities required to meet growing demand; such development is justified on account of the socio-economic impact in the area where the port of call is located.

For all that, there has been plenty of talk but not much action, so it is vital that port companies in South America begin to make concrete investments and enhance the way tourist cruises are catered after; to do this, the companies should use mechanisms that promote private-sector involvement that will gradually, and with the necessary safeguards, subsidies and guarantees, provide for the construction of appropriate facilities for passengers on cruises.

The tourist cruise industry, a new form of tourism and one of the most promising future industries, is expanding at a pleasing pace in South America. It is important that the continent seizes this opportunity provided by globalization, or face the risk that operators will simply switch to other destinations.
