

THE STATE OF THE CRUISE INDUSTRY IN 2009: WELL-POSITIONED FOR CHALLENGING TIMES

With New Ships, Ports, Destinations and Cruises in All Price Categories, CLIA Member Lines Poised to Offer Unique Value

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With a track record of continued growth, the North American cruise industry is well-positioned to take on the global economic challenges of 2009. Sparked by new ships, ports, and destinations as well as innovative shipboard experiences, and a deep rooted popularity for cruising, Cruise Lines International Association (CLIA) members will continue to offer incredible value across the entire spectrum of cruise vacations, in all price categories.

"There is no doubt that 2009 represents an uncertain environment, not only for CLIA members but for all industries and consumers alike. However, CLIA members are confident that they will weather the challenges and emerge stronger than ever, as they have before. This is an industry that plans ahead and invests in the future, as evidenced by the impressive number of new ships on order through 2012, and one that will contribute positively to the country's economic revival," said Terry L. Dale, CLIA's president and CEO. "The remarkable diversity and variety of cruises give consumers a unique opportunity to find a vacation that fits their budget even during these economic downturns and we expect that North Americans, Europeans and travelers from all over the world will respond positively."

Industry Growth and Economic Impact

Since 1980 to the present, a period that encompasses a number of economic downturns as well as international crises, the average annualized growth of the North American cruise industry stands at 7.4 percent. An estimated 13.2 million travelers cruised in 2008, up from 12.56 million in 2007. As compared with the CLIA member line passenger volumes of 7.2 million in 2000, annual passenger volume has increased 79% in the past eight years. North Americans accounted for 10.15 million passengers in 2007 and the number of internationally sourced cruise guests is growing dramatically year over year. Through the third quarter of 2008, CLIA lines saw a 30 percent annual increase in international passengers, and year-end estimates are that 3.05 million internationally sourced guests will sail on a CLIA member cruise line representing 23% of CLIA's global cruisers. CLIA further estimates that in 2009, 13.5 million people will cruise, an increase of 2.3 percent.

At the same time, the North American cruise industry continues to make a significant contribution to the American economy, posting more than a six percent economic impact growth rate (2007 over 2006). The cruise industry generated \$38 billion in total U.S. economic output in 2007, the latest figures available. The industry is generating business development and investment, job creation and spending in all 50 states, creating more than 350,000 jobs nationwide in 2007 alone. Direct spending in the U.S. in 2007 on goods and services was more than 18 billion dollars, a 5.9 percent increase over 2006.

According to CLIA's 2008 Cruise Market Profile, almost 34 million Americans intend to take a cruise within the next three years. More than 94 percent of all cruisers rate their cruise experience as satisfying with 44 percent claiming the highest "Extremely Satisfying" ranking making a cruise among the very best in meeting and exceeding guest expectations. Although the global economic crisis may have an impact on consumer intentions, these statistics give the cruise industry confidence that demand for cruising will continue to be strong, according to Dale.

New ships

In 2009, the CLIA fleet will welcome 14 new vessels, at a total cost of \$4.8 billion USD ranging in size from 82 passengers to 5,400 passengers and offering a wide range of cruise experiences including coastal and river voyages, Caribbean and European itineraries and journeys to all parts of the world. The new ships include:

- American Cruise Line: Independence, 104 passengers (August)
- AMAWATERWAYS: ms Amadolce, 148 passengers (April) and ms Amalrya, 148 passengers (late 2009)
- Carnival Cruise Line: Carnival Dream, 3,646 passengers (September)
- Celebrity Cruises: Celebrity Equinox, 2,850 passengers (summer)
- Costa Cruises: Costa Luminosa, 2,260 passengers (June) and Costa Pacifica, 3,000 passengers (June)
- MSC Cruises: MSC Splendida, 3,300 passengers (July)
- Pearl Seas Cruises: Pearl Mist, 210 passengers (July)
- Royal Caribbean International: Oasis of the Seas, 5,400 passengers (autumn)
- Seabourn Cruise Line: Seabourn Odyssey, 450 passengers (June)
- Silversea Cruises: Silver Spirit, 540 passengers (November)
- Uniworld Boutique River Cruise Collection: River Beatrice, 160 passengers (March) and River Tosca, 82 passengers (April)

As these vessels are added in 2009, three ships will leave the CLIA fleet (to be transferred to other companies) - the Celebrity Galaxy, MSC Rhapsody and NCL's Norwegian Majesty. The net berth increase for the CLIA fleet in 2009 will total 18,031 beds, or 6.5 percent, by year end. Factoring in the ship delivery dates and actual operating days, annualized CLIA member line capacity increases by 4.8%.

Growth markets

The coming year will see continued diversification and global expansion of cruise operations. While the Caribbean, Alaska and Europe remain the dominant markets, many CLIA member lines have announced plans to increase their presence in other parts of the world, including Asia, Canada/New England, the Indian Ocean and Africa, the Amazon and Brazil, the Middle East and the Arctic regions, including Newfoundland and Greenland. Within Europe there will be new cruise opportunities in the UK, Scandinavia and northern Europe and eastern Europe. There will be greater choice in world cruises and transatlantic itineraries as well.

Examples of newer or emerging ports around the world: Dubai, Abu Dhabi and Bahrain (the Arabian Gulf); Mumbai (India); Hvar, Korcula, Sarande (Adriatic); Sihanoukville

(Cambodia); Iles Des Saintes (Guadeloupe); Sylt (northern Europe); Komodo (Indonesia); Puerto Rico's "Virgin Islands;" Cooper Island, Coconut Grove, Turks and Caicos (Caribbean); Rovinj (Croatia); L'Île-Rousse (France); Ischia, Cinque Terre and Puglia (Italy); Bonne Bay (Newfoundland); Itajai, (Brazil); Batumi (Georgia); Maputo (Mozambique); Ashdod and Haifa (Israel); Koper (Slovenia); and other ports along the Dalmatian Coast, in Japan and Korea and Indonesia.

Of particular significance for value-seeking consumers is the fact that CLIA member cruise lines offer cruises from more than 30 domestic home ports along the East, West and Gulf Coasts and major rivers in Canada and New England and the American Midwest and West. Over half the U.S. population is within driving distance of a cruise departure port. These "Close to Home" embarkation ports, providing the ability to drive to a cruise, further represent an opportunity for significant savings by eliminating the cost of airfare.

Shipboard innovations

Cruise vacationers can expect a continuing evolution of shipboard facilities and amenities in the coming year, including full-scale seagoing aquaparks; luxury spas with exclusive spa suites; increased choice and flexibility in dining; and facilities, including pools and recreation areas dedicated to adults, teens or children. Some lines have enhanced or expanded golf programs featuring courses in many parts of the world and most continue to create opportunities for guests to stay "connected" while at sea, with Wi-Fi capabilities and other state of the art technology.

Cruise trends to watch for

- **Fuel supplements:** After instituting varying fuel supplement policies in 2008 in response to extreme jumps in oil prices, the majority of CLIA members lines have now dropped the supplements for cruises in 2009 and 2010 (specifics and restrictions vary with each line).
- **Booking patterns:** While historically the majority of cruises are booked five to seven months ahead, the current economic climate has shortened that lead time. While still booking a cruise vacation, consumers are deferring the booking commitment closer to the sailing date
- **Budget offers:** Many CLIA member lines have responded to the economic crisis with hard-to-resist offers and special promotions. Depending on the company, these include: kids sail free plans, special prices on selected itineraries, enhanced shipboard credit offers, layaway and other flexible payment plans, free airfare and/or shore excursions, adjusted deposit requirements, special small group booking offers, and relaxed cancellation policies.
- **International sourcing of passengers:** The number of internationally sourced cruise passengers on CLIA member lines increased by 30 percent year over year through the 3rd quarter of 2008. The percent of guests sourced from international markets in 2007 was 18.4% of the industry total. CLIA's estimate for 2008 is that a record 23.1% of guests will come from international markets. This is largely due to the fleet's expanded presence in Europe, which represents a potentially large emerging market, and the overall trend toward globalized cruise operations. While this may vary by line, overall, the top international passenger source market

- is Europe, with the top European source countries being the UK, Germany, Italy and Spain.
- **Going green:** As new ships are introduced, CLIA member lines are taking advantage of the latest technology to produce environmentally-friendly vessels. Even on older ships, every effort is made by many lines to conserve resources and recycle. Among the initiatives and technology being utilized: advanced wastewater purification, air emission reductions, LED lighting, solar power, high efficiency appliances, energy efficient windows, products made from recycled materials, “Eco-speed” and other environmentally-friendly hull coatings, low sulphur fuels, solid and liquid waste procession, water pollution education programs, fuel conservation, food byproduct management and other initiatives.
 - **Increased focus on family and multi-generational travel:** The CLIA fleet carried an estimated 1.6 million kids in 2008; many lines report that those numbers are increasing, in part due to the growth of multi-generational bookings. The increase in families cruising together is also evident in some luxury and specialty cruise lines, including coastal and river cruises. Families take many cruises and in fact, a recent CLIA survey found that almost half (46 percent) of families have taken two to four cruises with children under the age of 18; 15.2 percent have taken five to seven cruises, and 4.8 percent have taken more than ten. Families consistently cite outstanding value as their reason to take a cruise. Over 83 percent said cruise vacations are very good or extremely good value. And, the price is right. Among all family cruisers, 73.4 percent said that their last cruise was the same price or less than a resort vacation, with almost 50 percent saying that the cruise was slightly or much less costly.
 - **Growing group travel market:** While still a relatively small percentage of total cruising, many lines report increases in the group market, spurred by multi-generational travel, girls’getaways/“mancations,” civic and social groups and by enticing, added-value group policies offered by many cruise lines.
 - **Use of travel agents:** Despite, and in some ways because of, the Internet, cruise vacationers continue to use travel agents. Industry-wide, nearly 90 percent of all cruises are sold through travel agents, many of them CLIA members and CLIA-certified. Some lines report that agent bookings account for as much as 97 percent of total bookings.

Below are some trends and observations based on the responses CLIA received from a survey of more than 900 travel agents conducted in early January. Among the findings:

- Despite the current economic environment, 92 percent of travel agents are expressing optimism for cruise sales when looking ahead over the next three years.
- More than half (52 percent) expect cruise sales in 2009 to be “good” or “very good” compared to 2008 with another 28% anticipating a “fair” cruise sales season.
- In terms of consumer interest and perceived value, cruises out-score all other types of vacations.
- Among the destinations that travel agents believe will receive the most bookings this year are The Caribbean/The Bahamas, followed by Alaska, Europe/The Mediterranean, and Mexico.

- By a large margin, a primary motivator for consumers' booking a cruise during the January "Wave Season" is good to extraordinary value offered by the cruise lines. In second place is consumers' love for cruising.

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Sources : <http://www.cruising.org/cruisenews/news.cfm?NID=384>

About CLIA

The nonprofit Cruise Lines International Association (CLIA) is North America's largest cruise industry organization. CLIA represents the interests of 23 member lines and participates in the regulatory and policy development process while supporting measures that foster a safe, secure and healthy cruise ship environment. CLIA is also engaged in travel agent training, research and marketing communications to promote the value and desirability of cruise vacations and counts as members 16,000 travel agencies. For more information on CLIA, the cruise industry, and CLIA-member cruise lines and travel agencies, visit www.cruising.org.
