Cruise Tourism in the Atlantic Ocean, the North Sea and the Artic

Steven Young

Director Port Services & Government Affairs

Carnival UK

Pan-European Dialogue between cruise operators, ports and coastal tourism stakeholders

5th – 6th March 2015

CARNIVAL UK

CUNARD

175 YEARS

CUNARD

Southampton
Lisbon
Barcelona
Rome
Malaga
Istanbul
The Azores
Madeira
Malta
Gran Canaria
Suez Canal
Cairo/Sokhna
Luxor/Safaga
Dubai
Abu Dhabi
Mumbai
Cochin
Colombo
Sihanoukville
Bangkok
Nha Trang
Phuket
Penang
Kuala Lumpur
Singapore
Ho Chi Minh City
Bandar Seri Begawan
Bitung
Hong Kong
Sanya
Shanghai
Pusan
Nagasaki
Tokyo
Rabaul
Darwin
Cairns
Whitsunday Island
Brisbane
Sydney
Adelaide
Melbourne
Perth
Bay of Islands
Auckland
Wellington
Milford Sound
Christchurch
Vanuatu
Fiji
Tonga
From Apia
To Rarotonga
Mauritius
Walvis Bay
Port Elizabeth
Durban
Cape Town
San Francisco
Los Angeles
New York
Charleston
Port Canaveral
Fort Lauderdale
Cabo San Lucas
Nassau
Grand Cayman
Tortola
Antigua
Puerto Quetzal
Limon
Curaçao
Bonaire
Aruba
San Juan Del Sur
Puntarenas
Cartagena
Panama Canal
Honolulu
Lahaina
Kahului
Hilo
Bora Bora
Papeete
Rarotonga
Apia
Pago Pago
To Tonga
To Fiji
From Auckland

P&O CRUISES

Carnival UK Deployment

- P&O Cruises
  - Summer ex UK and Mediterranean fly
  - Winter Caribbean Fly and segmented World cruises
  - British source market

- Cunard
  - Summer ex UK, Mediterranean fly and Transatlantic
  - Winter segmented world and exotic cruises
  - International brand with increased focus on German, Asian, Japanese , Australian and New Zealand sourcing

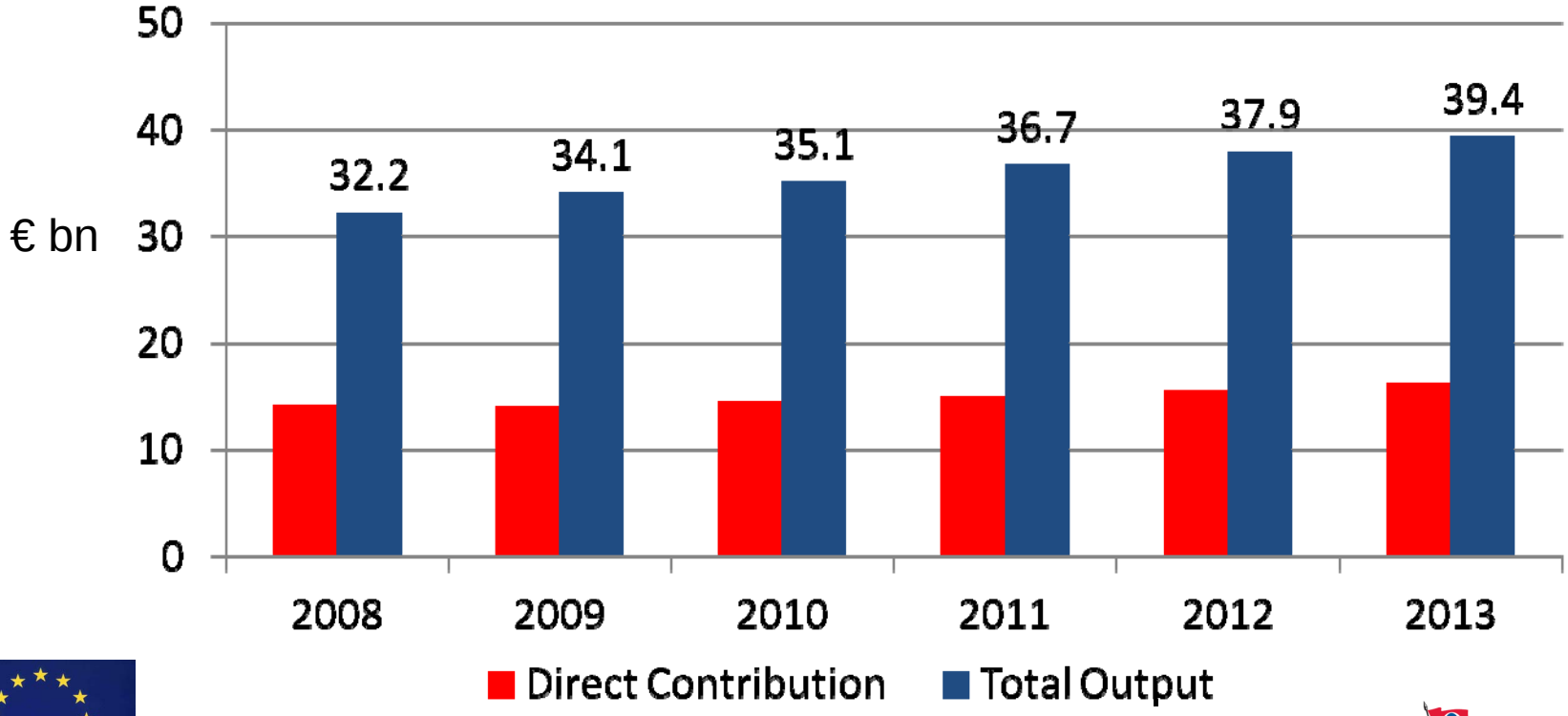
CARNIVAL UK

Regional Opportunities

- Economic benefits and employment
- Cruise vacation a high value proposition
- Low market penetration and potential growth
- Position related to North European Source Markets
- Unique Variety and Geology
- Diversity and connectivity of ports

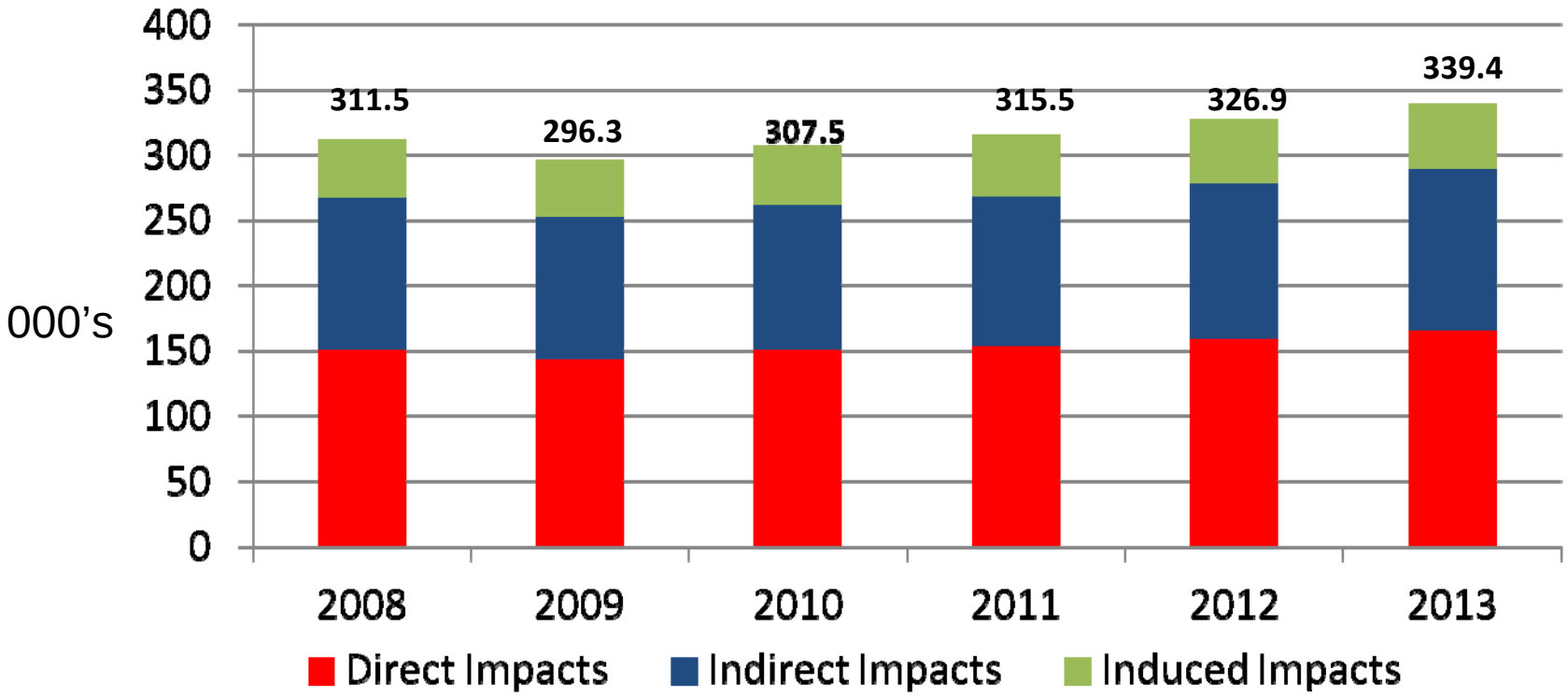
22% Growth in economic impact of the European cruise industry since the GEC

- European cruise industry contributing €39.4bn in 2013



CARNIVAL UK

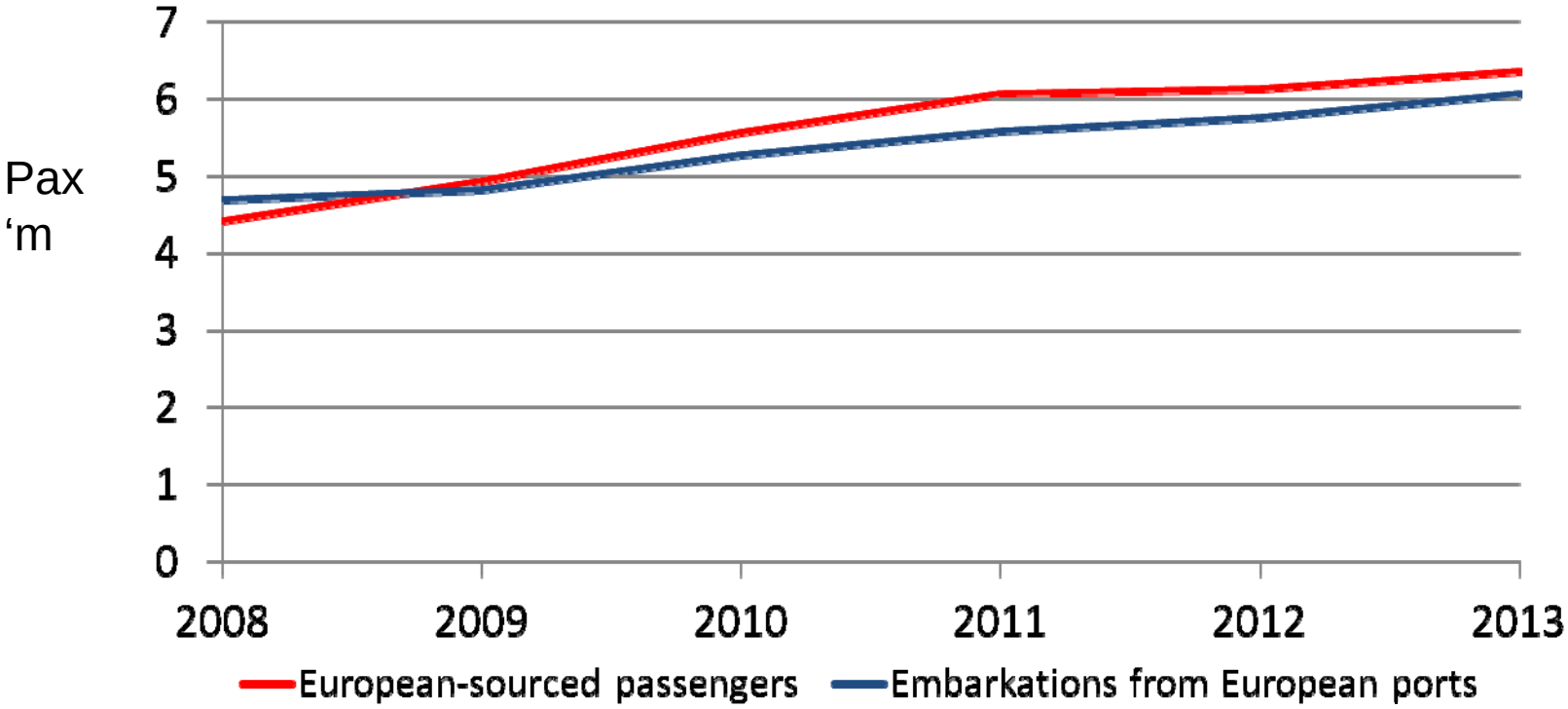
Total Employment Generated by Cruise Industry Expenditure in Europe, 2008 - 2013



CARNIVAL UK

European cruise demand continues to grow

- European sourced passenger growth 2008 – 2013 = 43.8%
- Embarkations at European ports growth 2008 – 2013 = 29.4%



CARNIVAL UK

Regional Challenges

- Peak demand for berths in some areas
- Port facilities
- Seasonality and weather
- Increased legislation
- Remote area operations
- Emission control and waste disposal

P&O CRUISES

CARNIVAL UK

CUNARD

Fuel remains a key cost and business driver

- Underlying costs continue to rise through natural supply and demand – albeit temporary reduction in fuel prices
- Sulphur regulations call for more expensive types of fuel
  - 0.1% sulphur emission limit in ECAs from 2015
  - Potential 'gold plating' of Marpol Annex VI in EU Sulphur Directive
  - 0.5% global sulphur emission limit in 2020 (or 2025)
- These regulations require a progressive switch from HFO to MGO at a minimum cost premium of 50%

Cruise Lines Investment

Cruise Ship Orderbook 2014 - 2017

Year	Number of ships	Lower berths	Cost US $ millions
2014	6	18,025	3,945
2015	7	18,867	4,350
2016	11	28,500	7,130
2017	7	23,244	4,415
Total	31	88,636	20,848

Source: Cruise Industry News August 2014

Port Infrastructure

- Transit or Homeport aspiration?
- Clean pier/berth with good access for tour busses
  - Length, width and guaranteed depth
  - Terminal not a necessity for transit calls
- Easy access to city/town centre for Independent passengers
  - Pedestrian and taxis access, parking and traffic flow
- Other considerations
  - Connectivity to local road network, rail and bus network
  - Proximity to airport and length of transfer
  - Airport capacity, stands and gates

Port Infrastructure – a key Issue

- Does the port have the space?
- What is marine what is land?
- How complex is the planning process and what is the cost and environmental impact?
- Who pays
  - The Port?
  - Concessions?
  - The cruise lines?
  - Partnerships?
  - The tourism industry?

CARNIVAL UK

Global Trends

- Cruise fleet growing faster than port capacity
- Peak demand for berths at iconic ports offering opportunities for less well known destinations
- Increasing fuel and port costs swinging the needle towards 'the ship' as destination.
- Growing focus on environmental and safety regulation
- Market penetration gives us huge potential and confidence for further growth – the challenge is for ports to keep pace

The cruise industry is resilient and adaptable

- We drive business through outstanding service and reputation
- We have strong underlying growth in demand, especially in Europe
- The Atlantic, North Sea and Arctic offer unique experiences
- There are untapped global markets
- We are building larger and more efficient ships
- We have mobile assets
- We are constantly changing to become more efficient whilst offering even greater holidays

The cruise tourism industry has an exciting future