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

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Carnival UK

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

5th – 6th March 2015
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
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
Total Employment Generated by Cruise Industry Expenditure in Europe, 2008 - 2013

000’s

2008: 311.5
2009: 296.3
2010: 307.5
2011: 315.5
2012: 326.9
2013: 339.4

Direct Impacts  Indirect Impacts  Induced Impacts
European cruise demand continues to grow

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

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

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

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?
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