The Global Cruise Industry: Impacts in the Caribbean Countries

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CRUISESHIP INDUSTRY OVERVIEW

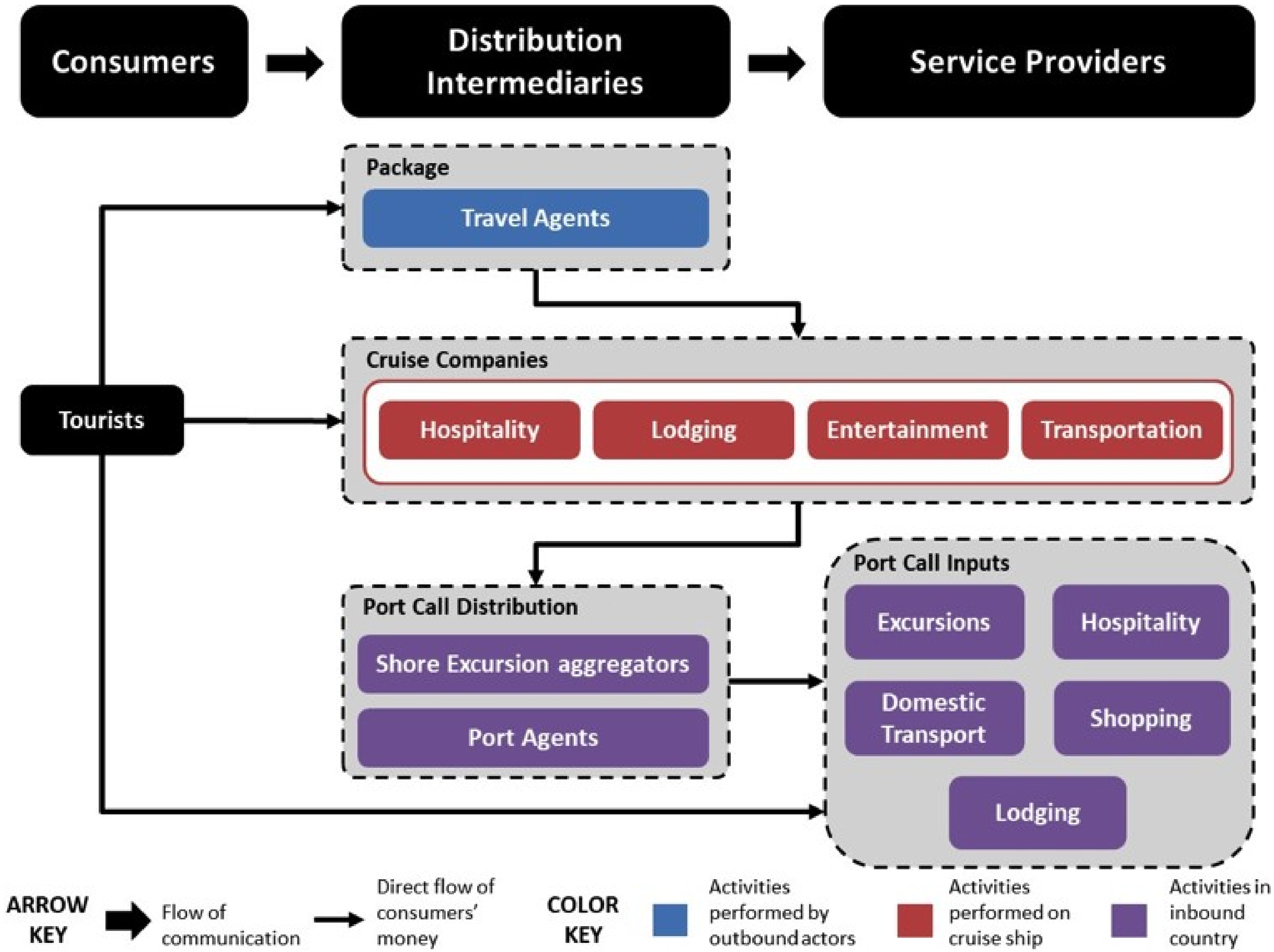
- Cruise tourism remains a small niche within the broader tourism industry—its 24 million passengers constitute just 2% of worldwide travelers.

- Although cruise ship tourism is not as lucrative as other forms—tourists on cruise ships spend as little as one-tenth the consumption of stay-over visitors

CRUISE SHIP TOURISM IN THE CARIBBEAN

- All forms of tourism accounted for 15% of the Caribbean's GDP in 2016, which was the largest share of any region in the world (WTTC, 2017c).
- Buoyed by a 7% growth in visitor arrivals in 2015 (CTO, 2015), tourism also accounted for the highest share of total employment, capital investments and visitor exports in the Caribbean of anywhere in the world (WTTC, 2017c).
- Cruise ship tourism→ Key economic activity in the Caribbean. More than two-thirds of the tourists in the region are cruise-ship passengers.
- Accounts for an aggregated US$3.1 billion in expenditures in 2014-15 and supported roughly 75,000 jobs in the Caribbean.

CRUISE SHIP TOURISM GLOBAL VALUE CHAIN



CRUISE SHIP TOURISM MARKET SHARE

The cruise market is diversifying away from its traditional North America-Caribbean foundation, with Asia-Pacific supply and demand driving much of the change.

Region	2012	2013	2014	2015	2016	Change
Caribbean	37.3%	34.4%	37.3%	35.5%	33.7%	—3.6%
Mediterranean	19.9%	21.7%	18.9%	19.5%	18.7%	—1.2%
All Other	16.5%	15.8%	14.5%	15.0%	13.8%	—2.7%
Europe (w/o Mediterranean)	9.8%	10.9%	11.1%	10.6%	11.7%	+1.9%
Asia	3.6%	3.4%	4.4%	6.0%	9.2%	+5.6%
Australia	4.1%	5.0%	5.9%	6.0%	6.1%	+2.0%
Alaska	5.4%	4.8%	4.5%	4.5%	4.1%	—1.3%
South America	3.4%	3.9%	3.3%	2.9%	2.7%	—0.7%

Source: CLIA, 2017.

LEADING CRUISE COMPANIES

	Carnival Cruise Lines	Royal Caribbean Cruise Lines	Norwegian Cruise Lines
Headquarters	Doral, Fla.	Miami	Miami
Founded	1972	1968	1966
Brands	Carnival Cruise Line, Holland America Line, Princess Cruises (Princess), Seabourn, Aida, Costa, Cunard, P&O Cruises	Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises	Norwegian Cruise Line, Oceania Cruises, Regent Seven Seas Cruises
2016 Sales (US$, millions)	$16,389	$8,196	$4,874
Employees	91,300	66,100	30,000
Ships	102	49	24
Lower Berths	226,000	123,270	46,000

Sources: Company annual reports.

CRUISE SHIP TOURISM: GLOBAL TRENDS

Cruise companies are investing in larger ships with increased capacity.

Year	Ocean	River	Ships Ordered	New Capacity (Lower Berths)	Average Capacity Per Ship
2017	13	13	26	30,006	1,154
2018	15	2	17	29,448	1,732
2019	20	2	22	51,824	2,355
2020-2026	32	0	32	119,510	3,734
Total	**80**	**17**	**97**	**230,788**	**2,379**

Source: CLIA, 2017.

Ocean-bound cruises are enhancing on-board amenities.

Table 1. Sources of Revenue for Leading Cruise Companies, 2014-2016

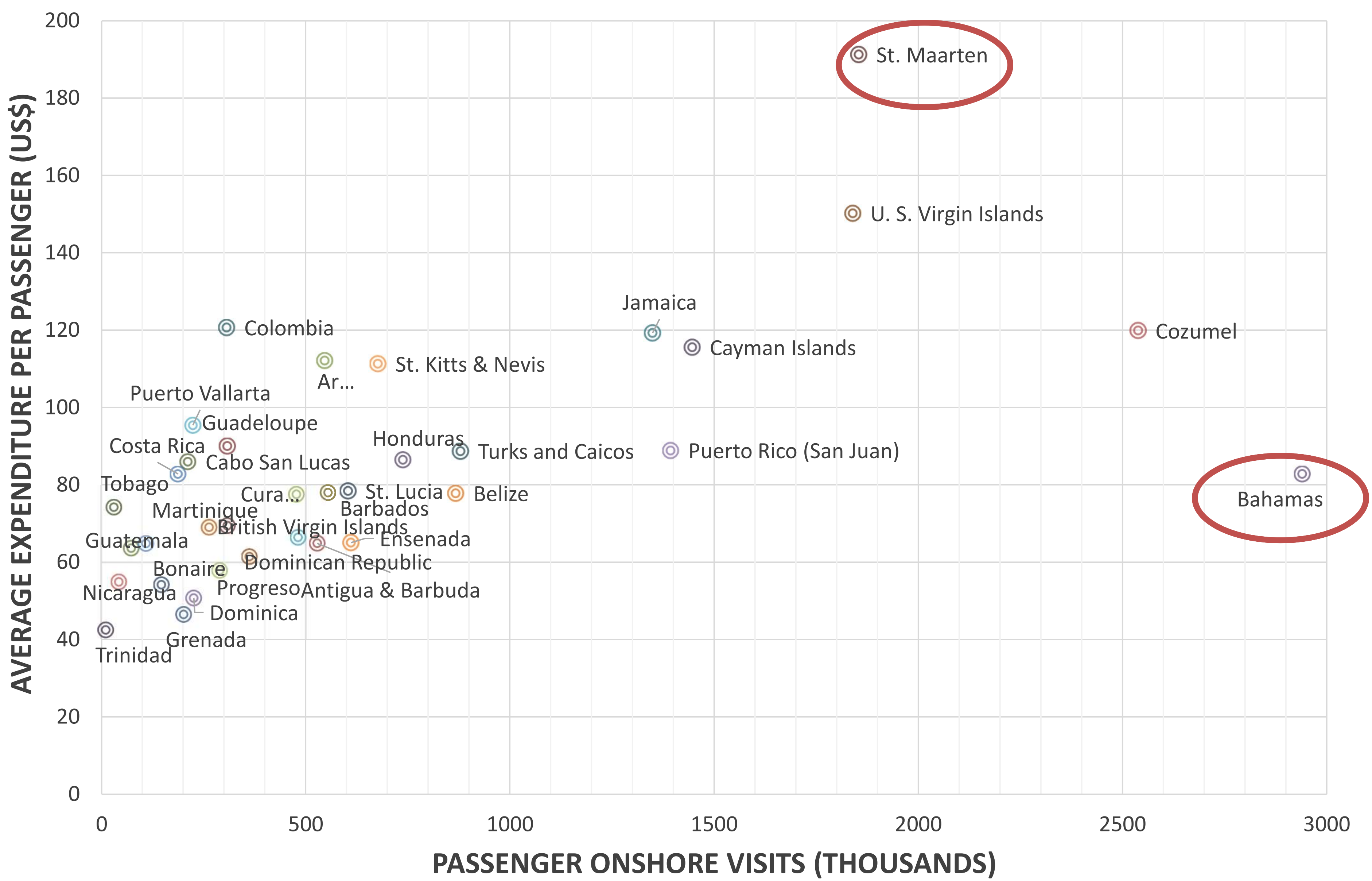
	2016	2015	2014
Carnival			
Passenger Tickets	73.8%	73.8%	74.8%
Onboard	24.8%	24.7%	23.8%
Tour & Other1	1.4%	1.4%	1.4%
Royal Caribbean			
Passenger Tickets	72.0%	73.0%	73.0%
Onboard	28.0%	27.0%	27.0%
Norwegian			
Passenger Tickets	69.5%	72.0%	69.6%
Onboard	30.5%	28.0%	30.4%

Source: Company annual reports.

CRUISE SHIP TOURISM: GLOBAL TRENDS

1. Cruises are expanding shore offerings in integration efforts designed to capture increasing shares of passengers’ money.
2. Cruise companies are buying private islands
3. Cruise companies are attempting to contain costs through reduction of port fees and other taxes.
4. Cruise ships are often exempt from national regulations, influencing their labor, environmental and tax strategies.

CARIBBEAN CRUISESHIP: EXPENDITURE PER PAX AND NUMBER OF PAX



PROFILES OF CRUISE TOURISM IN BARBADOS, ST. MAARTEN & PUERTO RICO

Destination	**Barbados**		**St. Maarten**		**Puerto Rico**	
Indicator (Value/Rank)	Value	Rank	Value	Rank	Value	Rank
Passenger Onshore Visits (thousands)	554	**14**	1,854	**3**	1,394	**6**
Average Expenditure per Passenger (US$)	78	**18**	191	**1**	88	**11**
Total Passenger Expenditures (US$ millions)	43	**14**	355	**1**	124	**7**
Crew Visits (thousands)	110.5	**9**	377	**3**	234	**6**
Average Expenditure per Crew (US$)	40	**27**	119	**2**	144	**1**
Total Crew Expenditures (US$ millions)	4.5	**14**	45	**2**	35	**4**
Cruise Lines Expenditures (US$ millions)	10	**11**	23	**8**	39	**2**
Total Tourism Expenditures (US$ millions)	57	**14**	423	**1**	198	**7**
Total Employment	1,845	**10**	9,259	**2**	5,209	**6**
Total Employee Wage Income (US$ millions)	19.5	**11**	189	**1**	75	**5**

Source: BREA, 2015a.

CONCLUSIONS

Power imbalance

- Industry concentration
- Small countries willing to lower taxes and give incentives to cruise companies to attract them
- Limited spillovers to the local economy

Some initiatives to capture more value

- Caribbean countries should act as a group to have more bargaining power
- Create innovate ways to create linkages with the local economy
- New tourism products to lure cruise ship passengers

Thanks for your attention!

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THE GLOBAL VALUE CHAIN APPROACH

The cruise market is diversifying away from its traditional North America-Caribbean foundation, with Asia-Pacific supply and demand driving much of the change.