

## DRAFT

# Cruise Ship Trends of Potential Concern to Marine Security

The purpose of this paper is to outline certain current and projected trends in the international cruise ship industry over the next five years that could give rise to maritime security concerns.

## Introduction

The cruise line industry, as with the tourism industry generally, is in the midst of significant changes to its traditional business model, client base, and operating environment. Changing demographics, technologies, threats, and the opening of areas previously inaccessible or unsafe to cruising have all introduced a new set of economic opportunities as well as actual or potential security challenges.

### *Changing Demographics*

The composition of today's cruise ship passengers is rapidly evolving, and the number of potential cruise ship users seems poised to grow significantly in the coming years. As formerly developing countries become increasingly affluent (particularly the populations of East and South Asia), the world's cruise ship population is expected to grow in both size and diversity. This raises security concerns about passenger screening, and points to the desirability of integrated intelligence and information sharing agreements between a wider range of countries.

The more passengers travel through the cruise ship system (originating from a wider range of countries), the more security agencies from around the world will need to work together to ensure that undesirable persons are unable to access the system. Likewise, not only will authorities have to deal with the pressures of screening an increased number of cruise ship travellers, a more populated cruise ship system (i.e. more ships and passengers) will also likely represent a more appealing target for terrorist elements.

Moreover, the potential that this demographic shift creates for a concentration of individuals from specific national, racial, ethnic or religious groups brings with it a host of security concerns. In particular, such concentrations may prove an attractive target for would-be terrorists and criminals.

### *Themed Cruises*

Themed cruises, those targeted towards individuals belonging to specific ethnic, national, religious, or sexual-orientation groups also pose potential targets for politically-motivated

terrorists. Given the rise in popularity of such cruises over the past few years, governments might wish to consider including this factor into existing risk assessments.

### *Modal Displacement*

A certain level of modal displacement from air travel to cruising is also likely to take place over the coming years due to the increasingly stringent and/or inconvenient security requirements associated with air travel. Again, this increase in the number of people travelling through the cruise ship system will likely make cruise ships and their passengers an even more attractive target. It will also require authorities to secure these populations by stretching, increasing or refocusing their marine security assets to higher-risk potential targets.

### *Travellers Demanding New Experiences*

In recent years, veteran cruise line passengers have also begun demanding new experiences from their cruises – turning away from traditional cruise line routes in the Caribbean and Mediterranean and towards more exotic and unconventional locales (i.e., the Black Sea, the “Red” Danube, the Russian river system, the Red Sea, the Persian Gulf, etc.). This means a gradual expansion of the cruising map to potentially more dangerous destinations, not accustomed to servicing the security needs of a large number of cruise ships and tourists. This also implies that cruise ships or their tenders may be interfacing with marine facilities which may or may not be compliant with international security standards.

In many cases, these destinations are also inherently more unsafe or are located in less politically stable parts of the world. As such, they are also often further from traditional marine security surveillance and response assets. Moreover, these new destinations often lack the experience, infrastructure, resources or expertise necessary to ensure the protection of cruise ship travellers. As a result, governments will need to work together to ensure the safety of their citizens overseas.

### *Remote Destinations*

Similarly, due to improved ship technologies and a rise in the demand for travel to far-flung corners of the world, cruise ships are increasingly travelling to more remote destinations, such as the Arctic, Antarctica, and South Pacific. For the moment these operations tend to be small-scale pocket cruises. Nevertheless, as numbers grow, questions about the impact of this trend on passenger and vessel safety and security will be posed more frequently. Remote travel will likely stress government search and rescue capacities, as well as the ability to protect passengers and vessels so far removed from existing security resources.

### *River / Lake Cruises*

Another notable trend in cruising is the increased popularity of river and lake cruises. While river-based cruise ships are rapidly adopting the same conveniences and luxuries as their

ocean-going counterparts, the risks associated with river and lake environments are inherently different than for traditional ocean-going cruises, as are the assets needed to adequately protect lake and river cruise ships and their passengers. The proximity of these vessels to river banks and lake shores provide more opportunity for terrorists or criminals to strike or infiltrate a cruise ship, and escape afterwards. It also makes protection, interception, and capture of attackers more difficult. In particular, river- and lake-based cruise ships are more vulnerable to attacks originating from small vessels, since river and lake environments provide less opportunity for cruise vessels to evade or avoid these attacks.

Rivers and lake cruises often venture into destinations far from existing marine security surveillance or response assets, and often into regions of the world where security threats are greater, such as river cruises now operating in the Mekong, Gambia, Amazon and Nile rivers. The proximity of many of the world's major cities to a river or lake also poses new, challenging security questions. In many cases, traditionally low-volume ports, with little to no history of receiving large cruise ships are being asked to provide adequate land- and water-side protection to incoming vessels and their passengers. For these cities, most without a history of building maritime defenses, developing the infrastructure and expertise needed to deal with new marine-based tourists can be an expensive proposition. Therefore, maritime security capacity building initiatives should be encouraged.

#### *Major Events*

If recent experiences are any indication, cruise ships will become increasingly utilized over the next few years as a form of supplemental accommodation for travellers attending major sporting or cultural events. For example, cruise liners are expected to play a major role in accommodating visitors during the 2014 Winter Olympics in Sochi, Russia (located on the coast of the Black Sea), and the 2014 World Cup and 2016 Summer Olympics, both in Rio De Janeiro, Brazil.

As cruise ships become a more viable option to make up for shortfalls in land-side commercial lodgings during major events, security and emergency planning will also evolve to address the safety of these "floating hotels". This entails developing the capacity/capability to provide 360 degree protection through waterside barriers, exclusion zones, controlled air space or other systems. In any case, simply accommodating these vessels with adequate services, while providing adequate land- and water-side security, is a challenge. Consequently, host countries might benefit from capacity-building, as well as international best practice sharing and lessons learned.

#### *Panama Canal Expansion*

The ongoing expansion of the Panama Canal to accommodate larger cargo vessels will also open up new cruise ship routes for larger cruise ships (Voyager class, Grand Class, etc.). At a minimum, it can be expected that this new generation of ships and routes will amplify the trends identified above.

#### *Growing Size of Ships.*

One of the most evident trends in cruising has been the growing size of new ships. Newer cruise liners are up to 18 decks high, span lengths of over 1,000 ft., and can carry upwards of 6000 people. Protecting vessels this size brings with it a number of concerns. Again, these massive ships present an ever-more attractive target to terrorists looking to maximize lives-lost and create publicity. In addition, an incident on one of these ships would test the capacity for mass rescue at sea, especially if the incident should take place a distance away from search and rescue resources. A security-related incident on-board a vessel of this size would also greatly complicate security responses, especially to incidents involving hostages.

### *Novelty Cruises*

The increasing popularity of submarine cruises run by the private sector raises new questions and possible concerns around vessel and passenger protection, surveillance and search and rescue. Are submarines captured by, and compliant with, existing marine security and safety regimes? Is there the capacity to adequately monitor these vessels, or to provide search and rescue services when needed? While the scale of these operations is relatively small, and most excursions remain local, at the very least, submarine cruise ships complicate search and rescue efforts and require integrated maritime domain awareness.

### **Recommendations**

This paper contains a number of recommendations for consideration:

- **Capacity Building** – Cruise ships are venturing more and more into areas unfamiliar with, or ill-equipped to implement international standards or best-practices in Marine Security. Marine Security capacity building initiatives would aid these countries in developing the expertise and resources necessary to better protect the current and expected influx of vessels and passengers.
- **Information Sharing** – Information-, intelligence- and maritime domain awareness-sharing arrangements between a wider array of governments will be needed to ensure that passenger and vessel screening is as informed as possible.
- **Modified Risk Assessments** – Ongoing and existing threat/risk assessments should take into consideration the changing demographic composition of cruise ship passengers, the increased popularity of themed cruises, and the growing size of ships. Each of these factors will likely influence the existing threat-risk calculus.
- **Resource Reallocations** – Based on modified risk assessments that take into account trends in the cruise ship domain, governments might wish to consider reallocating existing and future marine security assets into growing risk areas, currently unprepared to deal with the safety and security of cruise ship vessels and passengers.

## **Cruise Ship Trends** Initial Draft

### 2011 New Destinations

#### **ASIA/AUSTRALIA**

##### **Mekong River**

Last year the Mekong was hugely popular. To meet demand, AMA Waterways announced it would build a second ship to sail on the river, cruising between Siem Reap in Cambodia and Ho Chi Minh City in Vietnam. The Mekong is back because not only does Viking River Cruises have new voyages on the same stretch of river in 2011, through a partnership with Pandaw River Cruises, but also because the UK-based Perl River Cruises has new voyages on the Mekong in Laos and Thailand.

##### **Australia\***

Not only are more Australians turning to cruising – that's why the British casual cruise line Ocean Village was closed and its two ships moved to P & O Cruises Australia – but cruisers are also looking for new horizons. Spirit of Adventure will make a maiden visit this year, with an 18-night voyage from Bali to Sydney along Australia's east coast. Princess Cruises is to divert a ship from the Caribbean to give it four vessels down under. Celebrity Cruises is back in Australia in October after a two-year break, while Silversea will be circumnavigating the continent for the first time later this month.

\*Australia is noticing a big increase in cruise tourism specifically in Queensland, Brisbane, Cairns, and the Whitsundays. The cruise industry, which was once isolated to the Gold Coast is now setting its sights on Queensland in particular. The Queensland ports had seen an increase of about 50 thousand passengers during the last year, equating to approximately \$45 million. There are now 1315 permanent employees in the north Queensland cruise industry.

## ARCTIC

### Alaska

Several big cruise lines had pulled ships out of Alaska, blaming a costly head tax that made cruising very expensive. The tax has been reduced since politicians counted the cost of dwindling passenger numbers (there were 140,000 fewer last summer, which hit jobs and tourist income) and now three cruise lines are going in for 2011.

Crystal Cruises will be back after a gap of six years, sailing 12-night cruises from San Francisco between May 9 and August 13, while Oceania Cruises is making its Alaska debut with a series of voyages of from 10 to 14 days from San Francisco or Vancouver. Disney Cruise Line will be spreading a little pixie dust among the glaciers for the first time on round-trip cruises from Vancouver on Disney Wonder between May and August 2011. It will visit Juneau, Skagway and Ketchikan.

## NORTH AMERICA

### Port Everglades

Thanks to Britain's new rates of Air Passenger Duty, it is cheaper for people who want to cruise the Caribbean to fly to Florida to join their ship than to fly straight to one of the islands. But with Royal Caribbean International's Oasis of the Seas and Allure of the Seas sailing weekly Caribbean cruises from Port Everglades all year, this Florida port will be more popular than ever. When full, these two ships – the world's biggest – will bring 12,600 people through the port each week.

## EUROPE

### Round Britain

Long a favourite among American tourists, round-Britain cruises visiting England, Ireland, Wales and Scotland, and including a stop at Guernsey or Jersey in the Channel Islands, have become popular at home lately. It's a lot to do with

convenience, and with ever-increasing number of Britons avoiding airports (particularly after a year marked by strikes, snow, ash clouds and rising taxes). The Passenger Shipping Association, which represents the cruising industry, predicts that 710,000 people will cruise from British ports in 2011. Fourteen cruise ships sailed around the United Kingdom in 2010; in 2011 there will be 17, with Regent Seven Seas Cruises, Hebridean Island Cruises and Holland America Line joining circumnavigation stalwarts such as Fred Olsen, P & O Cruises and Cunard.

### **Russia**

River cruise companies have spent millions sprucing up ships so that they can claim to have the "most luxurious" vessel on the waterways that link Moscow and St Petersburg. Viking River Cruises' Viking Pakhomov, which the company has owned since 1997, will emerge from the shipyard with deluxe cabins, hotel-style beds (as opposed to beds that fold out of the wall) and flat-screen televisions. AMA Waterways and Uniworld, meanwhile, have both got their hands on former Russian-operated vessels and are stripping and rebuilding them with bigger cabins with balconies and a better choice of restaurants.

### **Barcelona**

Last summer 2010, 10 cruise ships called at Barcelona in one day, depositing about 20,000-plus visitors in the city for a few hours. Barcelona continues to grow in popularity with cruise lines, and thousands more will be flying in just to sail on one of the big ships that are taking up residence at the port next summer. They are: Royal Caribbean International's Liberty of the Seas (3,634 passengers), NCL's Norwegian Epic (4,100 passengers), Carnival Cruise Lines' Carnival Magic (3,690 passengers), Celebrity Cruises' Celebrity Solstice (2,850 passengers) and Disney Cruise Line's Disney Magic (1,750 passengers). Those are in addition to the other cruise lines that visit the port on western Mediterranean itineraries, including Costa Cruises, MSC Cruises and Princess Cruises.

## **Baltic**

From a practical point of view, one of the best things about cruising the Baltic is that, with the exception of Russia, English is widely spoken and everywhere is so accessible that it's easy to get around on your own.

Ships dock almost in the town centre in Oslo, while the old city of Tallinn is just a 10-minute walk from the port. In Stockholm, there's a 20-minute walk or a 15-minute taxi ride from the Old Town, depending on where the ship has docked.

There are also two ports in Helsinki. Small cruise ships tie up near the ferry port, from where it's a short walk to town. The larger ones use the commercial port which is a 15-minute shuttle bus ride away.

The disadvantage of cruising in the Baltic is the ever-changing currency. You need krone in Norway, krona in Sweden, kroner in Denmark, zloty in Poland and rubles in Russia. Finland takes the euro, which is also accepted in Estonia.

## **MIDDLE EAST**

### **Abu Dhabi**

Dubai crowned itself "cruise hub" of the Arabian Gulf as first Costa Cruises and then Royal Caribbean International launched winter cruises from the emirate. Now the UAE's capital, Abu Dhabi, has coaxed Italy's MSC Cruises into becoming the first cruise line to base a ship in the city. The seven-night cruises, on the 1,560-passenger MSC Lirica, start in October 2011. They will include an overnight stop in Abu Dhabi, but not enough time to see such sights as Sheikh Zayed Grand Mosque or to do some serious shopping, so it will be worth adding extra days on land at the start or end. Alternatively, you can start and end your cruise in Dubai.



## Israel

After a decade out of favour with the cruising community and travellers generally, owing to fears over security, Israel is back on the cruising map. You might expect smaller cruise lines with more adventurous passengers to go there, but big-ship companies have added it to their itineraries, too, calling at Haifa and/or Ashdod for excursions to Jerusalem, Nazareth and Tiberias. These include Celebrity's Celebrity Silhouette (launching next July), Norwegian Cruise Line's winter Holy Land cruises from Civitavecchia and Costa Cruises's almost-weekly visits in 2011. The upmarket line Crystal Cruises has an eastern Mediterranean voyage including a night in Ashdod; Windstar says its two cruises on the tall ship Wind Star are very popular.

## SOUTH AMERICA

### South America

South America has been growing in popularity as more people discover that a cruise is the safe and easy way to get a taste of several Latin America countries on one holiday. For those with plenty of money and time – think up to three months – there are cruises that circumnavigate the continent, visiting Uruguay and Peru and exciting cities such as Rio de Janeiro and Buenos Aires. But there are also plenty of shorter cruises. Holland America Line and Princess Cruises have liners that sail between Chile and Argentina, so you can say you have rounded Cape Horn, as well as voyages up the Amazon. Voyages of Discovery, making its South America debut, has a voyage in the footsteps of Darwin from Valparaiso in Chile to Quito in Ecuador next month, with the option of a few extra nights cruising in the Galapagos.

## **Cruise Ship Quick Overview**

### Global Facts and Figures

#### **NORTH AMERICA**

- Over the ten years from 1999 to 2009 demand for cruising worldwide has almost doubled from 8.59 million passengers to 16.93 million (+97%). Over a similar period, global, mainly land-based tourism has grown by around one-third to an estimated 880 million in 2009, 4% down on 2008.
- Although North American cruise passenger numbers have increased by 77%, the region's relative share of the total has declined from 68% in 1999 to 61% in 2009.
- After introducing 14 new ships representing a total investment of \$4.7 billion in 2009, the CLIA fleet will invest an additional \$6.5 billion and welcomed 12 new vessels in 2010.
- The top "hot" destinations (consumers increased interest) include: The Mediterranean, the Caribbean, Alaska, European rivers, Europe, Hawaii, Panama Canal, West Coast of Mexico and the Bahamas.
- Cruise calls in Canada generate more than \$2.3 billion (Canadian dollars) in total output in the Canadian economy, including \$1.1 billion in direct spending by cruise lines, passengers and crew.
- Canada represents 25.5 percent of all internationally sourced (non-U.S.) cruise vacationers. In 2009, over 775,000 Canadians are forecast to take a cruise on Cruise Lines International Association (CLIA) member cruise ships, triple the number from ten years ago and a 9.2 percent increase over 2008.
- The cruise industry generates more than 16,000 jobs paying a total of \$642 million in wages and salaries.
- British Columbia, benefiting from the Alaskan cruise traffic, accounts for two-thirds of the national impact but even interior provinces are impacted as source markets for cruise passengers and providers of services, food and provisions, and cruise-related land tourism packages.
- In eastern Canada, the ports of Quebec and Atlantic Canada on a combined basis accounted for about \$275 million or 12 percent of the cruise industry's

impact on the Canadian economy, due to the popularity of Canada-New England cruise vacations.

- The Atlantic Canada Cruise Association (ACCA) estimates that direct spending by passenger and crew was approximately \$45 million in 2010, up from \$40 million in 2009 and 2008 alike.

## **ARCTIC**

- In worldwide terms, Alaska is the third most popular cruise destination after the Caribbean and Europe. It is the second most popular cruise destination for North Americans. Most cruise ships sailing to Alaska use the Port of Vancouver as their homeport (where passengers embark and/or disembark).
- This is in part due to US government regulations, which prohibit foreign-owned ships from carrying passengers between US ports (i.e. embarking passengers at one US port and disembarking them at another).
- Alaska then saw a significant reduction – down from over a million to 860,000 visitors scheduled for this year, with more ships and berths being withdrawn for 2011.
- Alaskan businesses estimated that this capacity fall of 14% would lead to the loss of about US\$200 million in economic benefits during 2011, with a resulting significant loss of jobs in tourism and ancillary sectors.
- High growth potential and has a major impact on local economies.
- Alaska received 1,029,800 cruise passengers in 2007.
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## **EUROPE**

- Cruise tourism in Europe impacts all of the major aspects of the industry, including: ports of embarkation, ports-of-call, shipbuilding, ship maintenance, provisioning, sales and marketing, and the staffing of cruise ships and administrative facilities.

- Over 4.9 million European residents booked cruises in 2009, an 11.5% increase over 2008.
- In 2009, Europeans represented 29% of all cruise passengers worldwide, compared with 22% ten years earlier.
- More than 4.8 million passengers embarked on their cruises from a European port, a 3.2% increase over 2008. Approximately 3.6 million (77%) were European nationals.
- The Manufacturing sector, led by the shipbuilding industry, accounted for 49% of the cruise industry's direct expenditures, 27% of the direct jobs and 33% of the direct employee compensation.
- European employees of the cruise lines accounted for 36% of the direct jobs generated by the cruise industry and 27% of the compensation.
- The Transportation and Utilities sector which includes tour operators and travel agents accounted for 22% of the direct expenditures and 14% of the direct jobs and 18% of the compensation impacts.
- The three countries of Italy, the UK and Germany accounted for 61% of the direct expenditures of the cruise industry.
- France is principally a source and destination market with the addition of shipbuilding. Spain serves primarily as a source and destination market with some headquarters operations. Finland's impacts flow almost exclusively through its shipbuilding activity.

## **AUSTRALIA/ASIA**

- The number of Australians taking a cruise holiday surged by 26 per cent last year to reach a record 330,949 passengers despite the economic downturn the local cruise industry last year experienced its strongest growth in five years, with Australia, New Zealand and South Pacific cruises attracting the largest numbers of passengers.

- The 26 per cent increase in 2008 passenger numbers is more than five times the 5 per cent growth recorded by the US market in 2008 and double the estimated 12 per cent growth for the UK cruise market.
- Total passenger numbers rose from 263,435 in 2007 to 330,949 in 2008 (up 26 per cent)
- The most popular cruise destination in 2008 was Australia/New Zealand/South Pacific, representing 59 per cent of the market (195,611) and posting growth of 22 per cent on 2007
- Europe (river cruising and ocean cruising) ranked as the second most popular destination, representing 16 per cent of the market (52,291) – an increase of 62 per cent on 2007 figures
- Asia was the third most popular cruising destination for Australians, attracting 10 per cent (34,430) with numbers rising by 45 per cent on 2007 figures.
- Estimated annual sea days rose by 45 per cent to more than 3.5 million in 2008, revealing more Australians are cruising for a longer time
- Australian cruise passenger numbers have grown a massive 185 per cent from 116,308 in 2002, the first year they were recorded.