Capacity squeeze slows European cruise market growth
By Sandra Speares in Hamburg
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EUROPEAN cruise industry growth was restrained last year compared with 2003 because of capacity shortages, said Costa chief executive Pier Luigi Foschi.

Cruise growth in western Europe was 5% up on the previous year’s figures Mr Foschi told delegates at the Seatrade Europe Convention in Hamburg.

The cruise industry had, however, experienced remarkable growth, averaging 10% every year in the past 10 years, and 2.8m Europeans took cruises in 2004, 70% of which were in European waters, Mr Foschi said.

The industry faced a number of challenges, not least on issues such as air emissions and the availability of low sulphur fuels, passenger liability under the Athens Convention and whether the insurance market could cover increased liabilities or terrorist attacks.

Other issues included the Labour Standards Convention 2006 and the need to resolve the issue of the definition of seafarer in the International Labour Organisation.

Other concerns included member states’ different attitudes to taxation. Despite the challenges, however, Mr Foschi said the European cruise industry could expect a bright future and “potentially close the gap with North America”.

David Dingle, managing director of Carnival UK, said cruise pricing was becoming firmer and on the supply side it was “remarkable how capacity had been absorbed”.

Most of the new tonnage under construction was post-panamax tonnage with 3,000 berth ships, he said.

In addition, a whole new generation of cruiseships would come in following the introduction of new stability rules in 2009. The new post-panamax ships were typically 10% a berth lower to build, meaning companies could retain a return on investment while offering lower fares.

Safety, security and health issues, Mr Dingle said, were the bedrock of the cruise industry and “vital to its wellbeing”. While the industry would play its part in making improvements “it does not feel it should be unfairly taxed”.

Cruise industry analyst Tony Peisley said he believed the number of Europeans taking cruises was probably higher than the 5% published increase last year.

“With an estimated 25% of all cruise capacity, Europe’s importance to the worldwide industry is clear,” he said.

The Mediterranean had seen 127% growth in cruise traffic since 1995, Mr Peisley estimated. Northern European ports received 5% more calls last year with a 14% increase in the number of cruise visitors.

All the 22 ships on order or optioned up to 2009 were being built by European yards, totalling €9bn ($11.7bn)worth of business.

European yards were also in “pole position to cash in on the emerging market for major refurbishments of 1990s-built cruiseships”.

However, he believed there had been many occasions when those shipbuilders had felt “less than fully appreciated by European Union bureaucrats and legislators”.

He stressed the importance of the industry carrying public and political opinion along with it as it grew in Europe.

“It has been fairly apparent from what involvement EU politicians and bureaucrats have had with the industry so far that their knowledge and understanding of cruising is limited,” he said.

“This should mean that, by the time the industry does show up on the EU radar screen, there will be no in-built prejudice against it.”

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