CRUISE INDUSTRY: WHAT WILL WE COVER TODAY?

- **COVID 19**: a perfect storm, cruise industry as ground zero.
- Fluid situation: cruise lines, like the world remain in learning mode.
- When, how, and why have they been paused for so long?
- Cruising will return when social gatherings return.
- Certain aspects will return to what they were, some will be long-lasting.
CRUISE UPDATE: CRUISE PERCEPTION AND REALITY

• **Perceptions:**
  - Blame and negative publicity.
  - The infamous Princess vessels.
  - “Avoid cruising at all costs”.
  - Norovirus = cruise line disease.

• **Realities:**
  - **COVID-19 is a new virus.**
  - Crew moral and repatriation efforts.
  - The cruise lines suspended sailings voluntarily, and exercise patience.
  - Rebuild consumer trust.
CRUISE UPDATE: WHERE DO WE STAND?

Cruise at an all-time high

Covid-19 and cancellations of sailings

No sailings

River Cruises and European Cruises

Limited sailings under the “new norm”

Back to 2019 levels

2019

March 2020

September 2020

Spring 2021

2023-2025

CDC’s position is that the current scientific evidence suggests that cruise ships pose a greater risk of COVID-19 transmission.
MITIGATING THE IMPACT: WHAT ARE CRUISE LINES DOING?

- **Passenger safety** and refunds.
- Crew repatriation and moral.
- Tying up and maintenance of vessels.
- Reducing CAPEX (existing developments, planned developments, vessels, etc.).
- **Enhancing financial position** through selling off assets, issuing bonds, raising debt and equity, layoffs, furloughs, etc.
- Efforts to make cruising safer and healthier, adjusting to the new norm.
Why can airlines fly and cruise lines not cruise?

Most airlines are flying again with less strict rules.

The airlines were able to quickly adapt “We will bring you home”.

It became political and *No Sail Order* will likely last until post-elections.

Can not risk another cruise outbreak before the elections.

Cruise lines do not want to pick a fight with the administration.
WHAT DID GO WELL?

- Slowly repairing the image through exercising patience and via social media.
- Appointment of former CDC officials and health experts to challenge CDC.
- MSC Magnifica.
CRUISE LINE RESILIENCY – WE WILL SURVIVE THIS

• Loyal following.

• Not their first major crisis.

• Strong product and vacation value proposition

• This is a long-term effort.

• Brand recognition of big brands.

• Passengers are more concerned with being stuck at sea vs attracting COVID-19.
WHAT IS THE IMPACT FOR CARIBBEAN NATIONS?

• Interdependency.

• Half a Billion USD in head taxes and fees per year (2018)

• 3.4 Billion USD in total expenditures

• 80,000 jobs, 900 Million USD in wages

• Visitors: 25 Million passengers, 5 Million crew.

• 100 USD per passenger, 2.5 Billion USD in total spending

• Jamaica: 244 Million USD per year, 20 Million USD per month
THE SHORT-TERM OUTLOOK: WHEN ARE WE BACK?

• Cruising may not return until spring 2021.

• Focus initially on robust and traditional home markets such as Europe, Alaska and the Caribbean.

• Bookings within historical ranges.

• Capacity on vessels will be limited: 50-70% capacity.

• Consumer trust, cruising with comfort: cancellation and insurance policies, balcony rooms, contactless.

• 24-36 months to return all vessels with potentially higher pricing.
THE SHORT-TERM COMEBACK

United States

Mexico

1,000 miles

500 miles

Gulf of Mexico

Cuba

Dominican Republic

Puerto Rico

Guatemala

Honduras

Nicaragua

Caribbean Sea

Piedroba Consulting Group– Cruise Industry & Dredging CAPEX Webinar
**THE PATH FORWARD**

- Cruising offers a travel product that can control its environment better than any other travel option.

- Short memories.

- Dim light vs light switch until 2023-2025.

- Ports must change to provide the communities they serve with confidence.

- Less revenue from sailings, higher costs and interest payments.

- Less volume in secondary markets, more modern vessels.

- Marketing medical care and establish clear protocols onboard ships: no panicking.