



CRUISE EUROPE

Australian Cruise Association

“20 Years- Our People, Our Passion, Our Success”

“Lessons from Europe”

Captain Michael McCarthy
Chairman Cruise Europe





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Vision of Cruise Europe:

To deliver to the Cruise Companies a World Class Cruise Destination on behalf of our Members

Mission :

Continue to promote and develop a thriving and “must see” North and Atlantic European destination while working constructively with the Cruise Lines on behalf of our Cruise Europe members.



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KEY OBJECTIVES

- Present and promote our members to the cruise industry,
- Provide opportunities to bring the members and the cruise lines together and exchange information between all stakeholders
- Strengthen and develop the organization to provide excellent value for money for our members
- Focus on B2B marketing
- Seek and enhance strategic alliances and cooperation with other relevant organizations- ECC, ESPO, National Tourism Boards, Med Cruise, CLIA and other relevant organizations
- Create awareness and promote our brand for year round cruising
- Sustainability.
- Continuous development of the CE Conference as the meeting place for our members
- Ensure the best return on expenditure on all activities



Key industry issues for Europe

- Cruising is a truly global business with ships moving seamless between regions.
- Cruise ships are the ultimate moveable asset.
- The current climate of increased terrorist threat and increasing migratory pressure are imposing a greater burden on port security, border controls and custom inspections.
- A changing geopolitical situation is highly impacting the cruise port business.
- Paris Declaration in December 2015- Global focus on responsible marine environmental stewardship - IMO Regulatory Environmental Compliance.
- ECA - Regional, National and Local jurisdictions continue to impose more restrictive regulatory measures without engaging in the IMO process
- Despite huge developments in port facilities, the destination remains the prime driver in the cruise passenger's buying decision.
- The majority of ports in Europe are urban ports. Bridging the gap between the port and the city is one of the main challenges.
- Different port authorities have developed mechanisms for monitoring the impact of the cruise activity in terms of air pollution, noise, waste collection and treatment, nuisance and/or performance related to cruise hinterland traffic by road.
- Tourism saturation is particularly a problem in smaller cruise destinations, whereby the port and city can, on occasion, struggle to cope with the demand on their infrastructure, attractions and transport.
- Seasonality means a challenge in terms of infrastructure, service, and pressure for the people living around the port and for businesses depending on the port activity.



Capacity and infrastructure issues in Europe strategies being developed

- The serious scale increase of ships requires more investment in new more sophisticated port infrastructure to satisfy the demand for more capacity.
- Investments in port infrastructure is very costly and susceptible to a number of serious risks.
- Cruise infrastructure will not pay off automatically- is vulnerable to various socio-political and geo-political events.
- This is a challenging situation since investing in cruise port infrastructure has a very long return on investment and must meet new environmental and energy transition requirements.
- As tourist preferences change over time, cruise lines alter their routes suddenly, leaving the ports with less cruise berthing and passengers embarking/disembarking and consequently less income.
- The time-consuming nature of the planning and permitting procedures for port infrastructure often conflicts with the decision of cruise lines to build new and bigger ships.
- Develop infrastructure to meet new environmental requirements and to prepare for the energy transition.
- Maintain and, if needed, upgrade the existing security infrastructure.
- Now obliged to optimise and green the hinterland connections.
- High season-ship congestion in certain marquee ports with cruise lines demanding priority.
- Develop a strategy to ensure booking levels are managed to avoid congestion



Capacity and infrastructure issues in Europe Environmental Sustainability is increasingly the goal

- Fuel Efficiency- Energy Efficiency Design- reduced speed- consumption
- Waste management- Impact on the Environment
- Emissions- Air Quality Regulation 14 MARPOL –Global Sulphur Cap reduction of Nox, Sox and particulates
- Enhanced EGCS (Exhaust Gas Cleaning Systems - scrubbers), open, closed and hybrid exhaust gas cleaning systems.
- Port/Shore waste reception facilities – “No special fee arrangement”
- Hazardous Waste Management.
- Shore power- provided that the Shore Power is Cleaner.
- LNG and dual fuel
- Special Area Requirements- Baltic, Alaska, West Coast USA, etc.
- Oily Waste, Ballast Water
- Investment and technical innovation- A commitment to Continuous Improvement.
- Increasing congestion in marquee destinations like Venice, Florence, Rome, Athens, or Santorini



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Collaboration with other industry bodies

- The cruise and port industries must work together to defend their mutual interests.
- **Most Vital Relationship:** Build relationships from an early stage with the Cruise Lines- your Partner and Customer and reach the longest-possible commitments.
- Setting up a dialogue between port and cruise lines- jointly work on an agenda enabling sustainable growth
- ESPO (European Sea Ports Organisation) signed a strategic cooperation agreement with Cruise Europe, Med Cruise, Cruise Baltic, Cruise Norway and later Cruise Britain.
- ESPO is a “knowledge network” which brings together professionals from the Ports Sector and National Ports Organisations
- Cruise Europe also signed strategic alliances with ECC, CLIA.
- Most Ports in Europe are members of such organisations as IAPH (Int. Ass. Ports & Harbours), Green Ports (PERS Certification), IHMA (Int. Harbour Masters Assoc)
- Ports must involve the Stakeholders at an early Stage in the Port Planning
- Cruise port infrastructure cannot be considered without considering the port-city infrastructure.
- One Senior Cruise Executive Comment: “*The One Certainty -is- There is No Certainty*”



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How did the ESPO Code of Practice come about and what benefits have there been so far?

- The European Sea Ports Organisation (ESPO – created 1993) represents the Port Authorities, Port Associations and Port Administrations of the seaports of 23 Member States of the EU and Norway at EU political level.
- Aim is to:
 - Define the common challenges the cruise and ferry sector is facing;
 - Identify good practices to respond to each of those challenges;
 - Share these good practices with all stakeholders involved in the cruise and ferry sector;
 - Inform policy makers and the wider public about the characteristics, challenges and bottom-up initiatives taken by European port authorities to face the main challenges;
 - Strengthen the Network of European Cruise and Ferry port authorities in view of enhancing their performance and voice.



What affects are security and politics having on Europe -Factors Influencing Decisions to Cruise-

(Cruise Europe conference, Dublin, 1 June 2016-

John B Richardson, Special adviser, Fipra International – Fipra Australia Office 12 O'Connell Street)

Geopolitics, Geo-Economics and the Future of Cruise itineraries

- The current climate of increased terrorist threat and increasing migratory pressure are imposing a greater burden on port security, border controls and custom inspections.
- The choice of destination is heavily influenced by the perception of the political situation in the destination and in particular by how safe it is.
- Egypt, Tunisia, Turkey are perhaps the clearest example of how an act of terrorism can catastrophically affect the image of a destination. The Paris attacks are another example.
- The rivalry between Iran and Saudi-Arabia for influence in the Moslem world could threaten the right of innocent passage through the Strait of Hormuz.
- The maritime disputes between China and its neighbours in the South & East China Seas, regarding at least a dozen contested maritime boundaries could lead to a crisis including economic sanctions, military conflict and the closing of sea lanes.
- Where geopolitical risks are high – North Africa, the refugee crisis in the Eastern Med, the Arabian Gulf, the Gulf of Aden, the South and East China Seas.
- the prospect of unrest in such cities as Athens and Rome, as well as the increasing number of incidents in Istanbul, mean that passengers may well not be booking some of the itineraries they might have preferred in the past.
- However, cruising is one of the few industries that has such mobile assets that it can switch/redeploy business/itineraries from one part of the world to another very quickly.

What effect will Brexit have on European cruising?

- ‘Brexit means Brexit’ said UK Prime Minister Theresa May.... A foolish man would predict what she means when Britain really doesn’t know what it wants ?
- It is clear that Britain’s relationship with the EU will remain a serious geopolitical problem for the foreseeable future.
- UK cruise lines are adopting a wait and see approach and advising passengers it is business-as-usual.
- The sterling/euro/ dollar/exchange rate is very “fluid” at the moment.
- Carnival was bullish about the prospects of its Cunard and P&O brands. That said, Carnival announced it was reducing its presence in Europe next year
- Once the broad parameters of the UK-EU Exit Treaty are known, Brexit risks will be clearer
- Brexit Ministers want the flexibility to impose migration controls and security checks on EU and other nationals at UK borders.
- This may be a disincentive for some cruise passengers who might prefer softer and less intrusive customs checks at their initial port of embarkation
- UK ports may not have to apply the Transport and other EU Legislation which could give them a potential competitive advantage.
- Duty free shopping on ships on route to/from the UK.
- The effect of the Schengen agreement poses a significant threat to the smooth operation of cruise itineraries



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Would you recommend Australian and South Pacific Ports considering a similar Code of Practice?

- Yes.
- The Code of Practice is a valuable tool to be used in promoting sustainable passenger traffic growth that is also communicating ports perspectives to stakeholders and policy-makers.
- It provides the opportunity to unite all European ports and conclude on the best ways to address key challenges, point best practices, and detail foundations of relations with ports users.
- This Code of Practice has strengthened ESPO's position as the official voice of the European Cruise and Ferry Port sector towards the European institutions.
- It has enhanced the collaboration, cooperation and development of our cruise ports.
- It has strengthened Cruise Europe and all other Regional Associations in dealing with the Political Agenda of the EU which has led to "Consultation Status".
- Example :
- European Commission-Directorate-General for Maritime Affairs and Fisheries :
- *The Pan-European Cruise Dialogue set sail last year for a journey towards a more sustainable and competitive cruise sector in Europe. Our voyage started with a successful conference in Brussels and was followed with a fruitful Mediterranean regional dialogue. Time has come for a new port of call, this time in the Baltic, and we hereby would like to invite you to work with us towards a constructive dialogue for cruise in this magnificent region, scheduled for the 18 of October in Copenhagen.*



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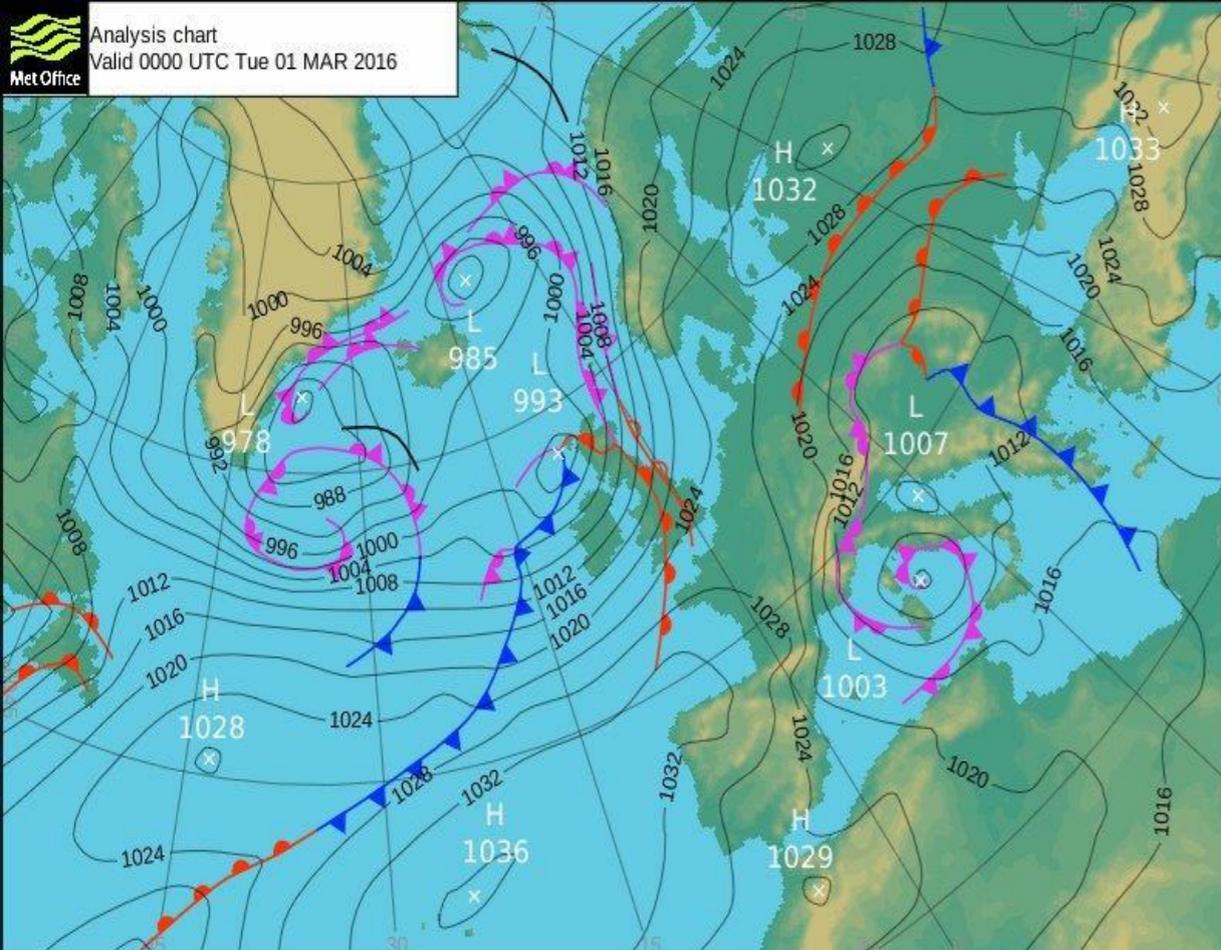
Seasonality and Deployment

3 Points of View: Passenger/Destination/Cruise Company.

- Daylight – Northern Latitudes- Effects of climate change
- In the Arctic this has become more obvious with the thinning of sea ice and the retreat of glaciers. The Northwest Passage is being discussed again as a viable trade route to the Far East.
- Weather – Storm Frequency- Sea-Swell-Ice
- Tendering in winter, cold temperatures, age of passengers, suitable clothing, ice,
- Who takes the lead... Cruise Lines or Ports,
- Port bookings and pricing
- Need to build in flexibility in Itinerary Planning, Scheduling,
- Port development challenges.
- Opportunities for more “Overnight” Port visits
- Less tourists/ Less people, particularly in Marquee Destinations
- In some parts of the Cruise Europe Area is there a case for a “Stronger Shoulder Season” rather than “All year round”
- If new investments are required....“Investors must see returns before committing to invest in ports”.
- Governments can invest “in the view of future potential spinoffs to the economy particularly if the seasonality is removed”.



Analysis chart
Valid 0000 UTC Tue 01 MAR 2016



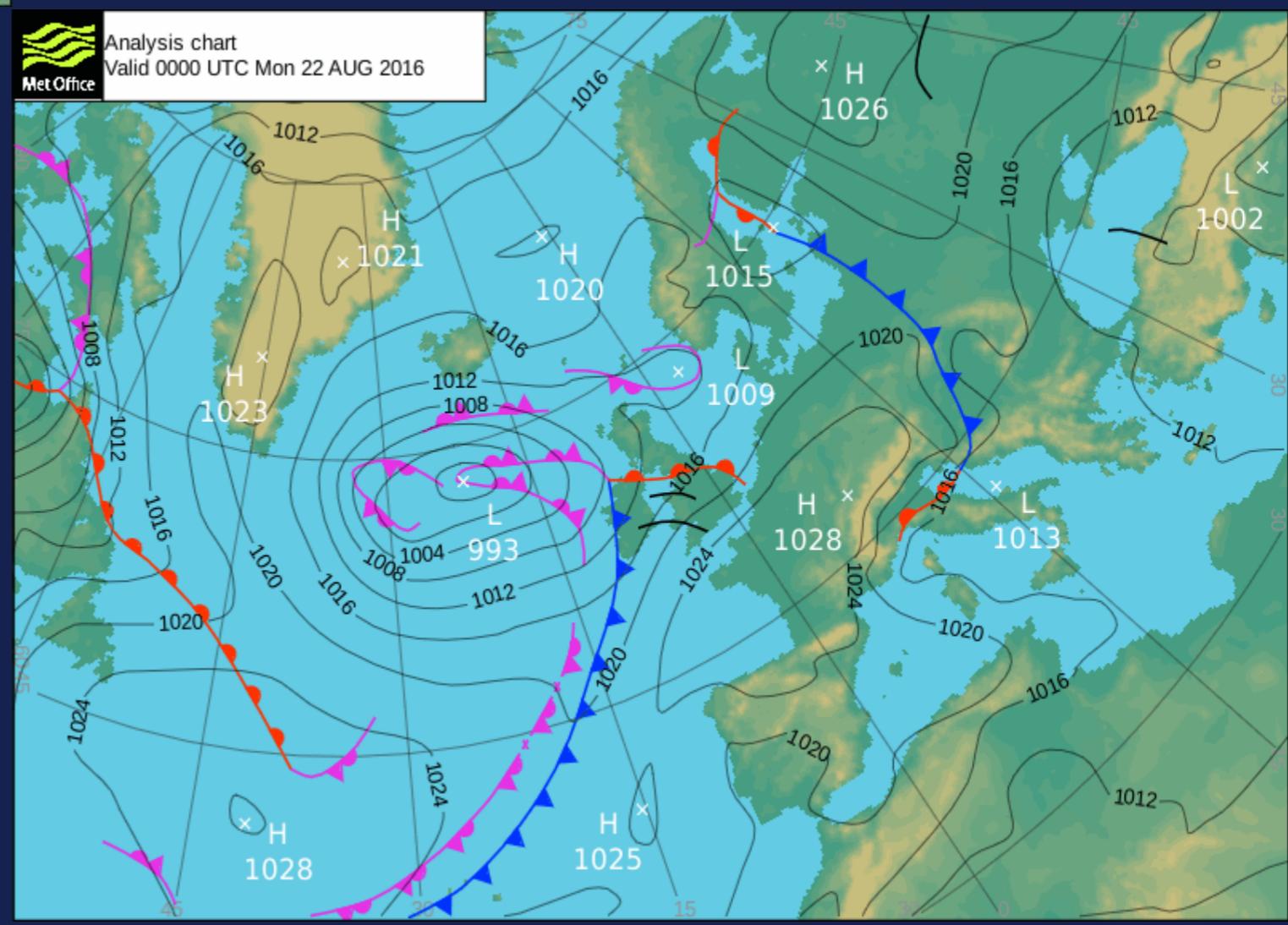
Synoptic Charts

1st March 2016

22nd August 2016



Analysis chart
Valid 0000 UTC Mon 22 AUG 2016





CLIA- Announcement 24th August 2016

- Cruise Lines International Association (CLIA) recently released findings of the new, comprehensive 2016 Asia Cruise Trends study. Once again, the data reveals the cruise industry in Asia is growing at a record pace and shows no signs of slowing down. In fact, according to the latest study, Asian source markets experienced the most growth year over year in ocean cruise passengers with an impressive 24 percent increase from 2014 to 2015 and a total of 2.08 million passengers in 2015. Asian cruise deployment, capacity and destinations have been showing remarkable growth too.

"While we expected Asia to experience record-breaking growth in cruise travel, we are astonished at the rate at which the region is emerging as one of the most significant cruise destinations and cruise source markets in the world," said Dr. Zinan Liu, Chair of CLIA North Asia. "The Asia Cruise Trends project has again developed extremely valuable data on what is happening in Asian cruising, its current size and recent growth trends".

"The cruise industry has been nimble and responded quickly to the demand for cruise travel in Asia by delivering cruise ships with amenities and experiences tailored to Asian travelers," said Cindy D'Aoust, President and CEO, CLIA. "Asian cruise travel continues to deliver a growing number of enticing opportunities for international guests to visit Asia's fascinating destinations."



Implications for the Ports Sector (GP Wilde)

- January 2016-end of 2023: 71 cruise ships are scheduled to be built with a capacity of 190,701 lower berths and a gross tonnage of 7.68 million (Investment estimated total of US\$41.67 billion)
- 3 ships have been delivered (up to June) this year.
- The outstanding order book stands at 68 ships, (June 2016 figures)
- Of these 47 ships are $\geq 95,000$ GT in size
- This amounts to 64% of the capacity on order.
- Carnival XL class - 4 x 180,000gt.
- Oasis class - 5 x 225,000gt.....Quantum class - 5 x 168,000gt ...Freedom class - 3 x 155,000gt
- Genting World class - 4 x 200,000gt
- MSC Global class - 2 x 201,000gt
- NCL Breakaway Plus - 3 x 163,000gt
- To maintain competitive edge existing cruise ports will have to be able to accommodate an increasing number of very large cruise ships.
- Berth lengths may need to be increased from around 360 metres to about 400 metres
- Supporting infrastructure – Logistics will also have to be upgraded to cater for increasing flows of passengers, crew and stores.
- Quays may need to be widened, bollards may need to be strengthened, more dredging may also be necessary at some locations.
- However – Caution - The current benign economics in Europe- Euro at historic low value, low-negative interest rates, oil below €50/barrel, for how long will these conditions exist ???



Thank you

