

CRUISE

► **FINE FORECAST:** The ACA is confident the Asian cruise market will grow from the 1.34 million passengers carried in 2012 to 3.94 million by 2020.

Photo: BLOOMBERG

Asian cruise sector set for bright future

Growth in the Asian cruise sector is expected to explode over the next few years as the region's growing middle classes take to the sea in search of rest and relaxation

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A white-paper study commissioned by the Asia Cruise Association (ACA), a representative trade body for the continent's cruise industry, predicts that this market will triple over the next seven years — while some industry players believe growth will be far higher.

This comprehensive exploration of the Asian cruise industry, released this week in Singapore and prepared by industry experts and Chart Management Consultants, says the market will grow from the 1.34 million passengers carried in 2012 to 3.94 million by 2020. This represents an annual average growth in capacity of around 14.4%.

"To carry that many passengers would require 15, 3,200-lower-

berth-capacity ships deployed year-round on short cruises," said the ACA at a press briefing held at this week's UBM/Seatrade-organised Cruise Shipping Asia-Pacific conference in Singapore.

By 2020, it is predicted that China, the world's fastest-growing outbound-tourism market, will form the bulk of Asian cruise passengers (1.6 million), with Japan coming in a distant second with 766,000 passengers.

The report, which did not take into account the overnight casino-cruise trade, notes that Star Cruises, Costa Crociere and Royal Caribbean Cruises are the dominant players in the Asian cruise market, where short trips of between two and six nights formed 77% of the total capacity on offer.

This scenario is unlikely to change in the future.

"Five nights is the optimal

cruise length," said ACA chairman Dr Liu Zinan, who is also Royal Caribbean's regional vice-president of Asia.

"Asian passengers want short, activity-filled party cruises on resort-style ships. They are not interested in serious destination cruises."

Royal Caribbean has two 137,000-gt vessels permanently deployed in Asian waters.

PREDICTIONS 'CONSERVATIVE'

Pier Luigi Foschi, chairman and chief executive of Carnival Asia, whose Costa brand also has two large ships trading year-round in Asia, believes the white paper's growth predictions are far too conservative. Research conducted by Carnival predicts that the market will reach 3.7 million passengers by 2017 and will top seven million by 2020.

Foschi says all the ingredients are there for the successful growth of the cruise industry in Asia.

"It is still a new, niche-market product," he told delegates at the conference. "Once the product is known, the response from consumers in Asia is fast. The critical point is whether we will be able to deploy enough quality ships in Asia to support this growth."

There were other predictions given by cruise players.

William Ng, chief operating officer of Genting Hong Kong, the parent of Star Cruises, says the Asian cruise market will grow to six million passengers by 2020, while Celebrity Cruises president Michael Bayley has a very optimistic prediction of 10 million.

Throwing her opinion into the pot, Carnival Australia chief executive Ann Sherry says that, regardless of which target is picked, the

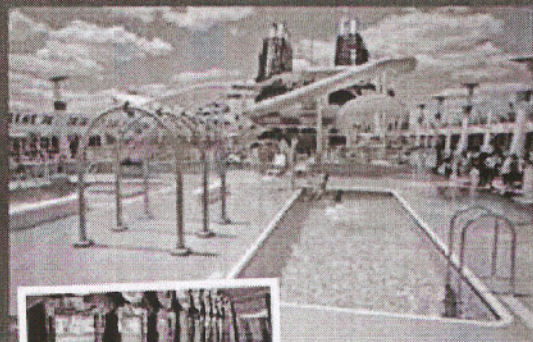
important thing is that everyone is galvanised around it and works collectively to make it happen.

ACA's Dr Liu readily admits there is enough potential on the supply side for even the most optimistic predictions to be reached, but cautions that the Asian cruise industry faces a number of constraints in this area.

"It is not just a question of appetite," he said. "The really important thing is to have the ships, the ports and the infrastructure. We don't think we have enough of these to support the growth beyond what the white paper suggests."

All were of the opinion that developing the Asian cruise market will continue to prove a challenge, with much investment needed for consumer education and smoothing out the region's notorious bureaucracy.

NO ROOM FOR OLD BANGERS AS BIG BRANDS MOVE IN



► **NOTHING BUT THE BEST:** Asian passengers expect their cruiseships to be of the best quality, and filled with the latest gadgets and top-end facilities.

Photo: BLOOMBERG

Asia used to be a convenient dumping ground for older cruiseships that had been rendered obsolete in mainstream cruise markets, but changes in expectations from Asian cruise punters means these old vessels had better look elsewhere for an afterlife.

Over the past two decades, there has been no shortage of Asian investors looking to enter the cruise game by buying an old ship on the cheap. It worked well when the Asian cruise market was in its infancy, but, in recent years, success has more often than not proved to be elusive as the market has demanded more than what these old ships have been able to offer.

That steady stream of elderly cruiseships sailing across to new Asian owners has dried to a trickle as cruise majors with modern

megaships that are jam-packed with facilities have moved in and taken over the market.

Cruise-industry players and market observers attending this week's Cruise Shipping Asia-Pacific conference in Singapore say Asian cruisers are demanding large, high-quality ships filled with the latest gadgets and bling, and are no longer prepared to settle for second-best.

'NO SUCCESS AT LOW END'

"Targeting the low end of the market with an old ship is not a solution. It will not lead to success," said Dr Liu Zinan, Royal Caribbean's regional vice-president of Asia and chairman of the Asia Cruise Association (ACA).

The cruiseships that Asian passengers are demanding have created a strong entry barrier for upstart players looking to get into the cruise

game as their cost is beyond the capital-investment capability and know-how of new entrants.

Dr Liu believes that, in time, new Asian companies may crop up, but he does not expect to see this for at least a decade.

Speaking about the Chinese market, he notes that psychological factors also play a big role beyond the usual barriers to entry.

"Chinese consumers are looking for international brand names," he said. "This applies to Chinese cruise passengers as well. It is the same phenomenon that is being experienced by the hotel industry in China. It will take some time to build local consumer confidence."

So, it looks as though the Asian cruise sector will, for now, remain in the hands of the established players with their big, modern cruiseships.