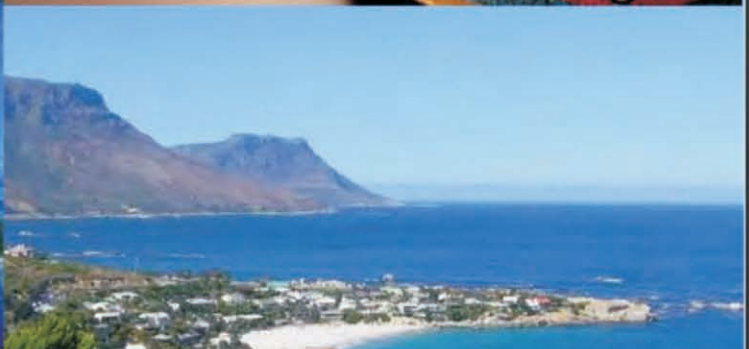


South African Cruise Tourism

Prospects, Benefits And Strategies



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA



Message From The Minister



The National Department of Tourism aims to ensure growth and development of the tourism sector which will generate economic benefits for South Africans and enhance their wellbeing. Part of our strategy is to ensure that newly developed tourism products are investigated, developed and implemented in support of positioning South Africa as a globally competitive destination. In this regard we are exploring various avenues in assisting us to reach our objectives.

Taking into consideration the fact that the international cruise industry has achieved extraordinary growth over the past three decades, expanding from 1.4 million passengers in 1980 to an estimated 15.4 million passengers by 2009, the National Department of Tourism commissioned a study on the prospects of the cruise tourism industry for South Africa and the Southern African region. The study was done in collaboration with the Cities of Cape Town and Durban.

The report provides us with an overview of the prospects and benefits to South Africa and the region of this internationally growing industry.

From the report we have learned that a case exists for South Africa to play a larger role in the cruise industry over the longer term. Projections of cruise passenger throughput and related economic impact associated with the industry have favourable potential.

Together with the various stakeholders we are in a process of developing action plans to implement the recommendations stemming from the report.

We trust that through our efforts of encouraging cruise liners to visit our shores, passengers will be provided with an opportunity to step into our magnificent country and enjoy memorable experiences and meaningful connections with local people in and around our port cities. We will be encouraging cruise operators to buy their supplies locally and as such contribute to the local economy.

We trust that this market will assist us in enhancing our reputation as a world class and globally competitive tourism destination.

MARTHINUS VAN SCHALKWYK, MP
MINISTER OF TOURISM

Chairperson's Report



Following a series of local and regional discussions on the potential of the cruise liner industry for economic development, the National Department of Tourism (NDT), took a bold step in 2009 to establish the first ever National Cruise Liner Steering Committee. The primary focus of this committee was to advance the research by looking deeper into the prospects, benefits and strategies for the South African cruise tourism industry.

Since the creation of man, people have been fascinated with seas and oceans. As people acquired wealth, along came the urge to spend their disposable income to pursue more adventurous forms of vacation and excitement. In 1818 the Black Ball Line operating out of New York was the first shipping company to offer a scheduled passenger service from the United States to England. Trade and leisure expanded together, which fuelled through demand the manufacture of larger, more luxurious ships.

Today cruise travel is one of the fastest growing sectors of the global tourism industry. From its humble beginnings the cruise industry has grown into a sophisticated, multibillion dollar industry with a wide assortment of products to offer vacation consumers. The recent construction of even larger cruise vessels bears testimony of the promising outlook this industry has to offer. The benefits of the growth in the cruise industry have permeated beyond the shorelines; such the strategically located destinations with port and tourism infrastructure capable of accommodating cruise ship activities, where the economic benefits derived from cruise ship homeport and port-of-call operations have been felt inland. These favourable economic benefits, coupled with other intangible contributions, are the central reasons why many cities and counties are actively marketing and enhancing their destinations and welcoming cruise ship operators and passengers.

This cruise liner study provides direction for the Southern African cruise liner industry. While the release of the study will help to get the destination marketing role players aligned in the short-term, the longer term recommendations of accommodating in new multi-purpose cruise liner reception infrastructure must be seen as an opportunity now.

I would like to thank the Department of Tourism and my steering committee members for supporting me during the year and helping to achieve this significant milestone.

Mansoor Mohamed
Chairperson, Cruise Liner Steering Committee

EXECUTIVE SUMMARY

ESI STUDY OVERVIEW

Cruise travel is one of the fastest growing sectors of the global tourism industry. Once small and localized, the cruise industry has grown into a sophisticated, multi-billion dollar enterprise with a wide assortment of products to offer vacation consumers. The cruise lines fueling industry growth have not been the sole recipients of the economic benefits generated by their efforts; for strategically located destinations with port and tourism infrastructure capable of accommodating cruise ship activities, the economic benefits derived from cruise ship homeport and port-of-call operations are sizable. These favorable economic benefits, coupled with other intangible contributions, are the central reasons why many communities are actively marketing and enhancing their destinations and welcoming cruise ship operators and passengers.

In 2008, Mitchell Duplessis Projects (PTY), Ltd., (MDA) and supporting consultants were retained to prepare an analysis of market trends and outline a strategy for the City of Cape Town to increase its stature as a leading regional cruise destination. Conclusions associated with the study pointed towards opportunities over the long term for Cape Town and South Africa to welcome increased levels of cruise port-of-call and homeport traffic. These opportunities were linked to a number of performance factors—most notably, redoubled efforts by the City of Cape Town and regional partners to make gains in marketing and coordination activities.

Following a series of local and regional discussions, growing cruise travel and leisure activities was elevated to a national discussion and initiative, with the Department of Tourism (DOT) seeking to advance the basic research and conclusions of the 2008 study in five areas:

- Update market analysis and considerations to reflect notable changes in global and regional market fundamentals;
- Broadly address the strengths and weaknesses of regional actors capable of directly and indirectly welcoming cruise and other maritime tourism activities;
- Assess the economic impacts associated with current and projected cruise passenger levels;
- Broadly weigh environmental and other impacts associated with current and projected cruise passenger levels; and,
- Building from the foundation of work under the 2008 study and expanded 2009 assessment, update the overall strategic approach to growing of South Africa's cruise and maritime tourism business.

This Executive Summary highlights the key findings of this 2009 study effort.

ES2 SOUTH AFRICA CRUISE PROSPECTS

Over the past three decades, the cruise industry has emerged as one of the fastest growing and popular segments of the worldwide travel and leisure industry. Since 1980, the global cruise industry has experienced a ten-fold increase in passenger carryings, expanding from an estimated 1.4 million to over 15.4 million in 2009. In this section, we summarize cruise industry growth trends on a macro level and estimate the growth potential for these activities to South Africa.

ES2.1 Growth of the Industry

The cruise industry has achieved extraordinary growth over the past three decades. The industry's success over this period is primarily a result of: (1) Cruise line development of new, diverse products (ships, itineraries, ports, et. al.) embraced by their clientele; (2) Conversion of traditional land-based resort guests into cruise passengers; (3) Delivery of a high level of passenger satisfaction, leading to repeat customers; (4) Creation of a business model adaptable to changing market conditions; and, (5) Effective cruise line control of competition, operational costs, and revenue streams.

With many of the fundamentals that contributed to the success of the industry still in place, cruise passenger volumes are expected to continue their positive growth trend. Projection of the worldwide industry suggests passenger levels could expand from the present 15.4 million to between 21.3 and 28.1 million by 2025.

This growth will create demand for expansion of the number of present homeport and port-of-call facilities—especially within the industry's most popular and profitable regions. Over the mid- to long-term, industry capacity growth will encourage expansion into new market regions, inclusive of Southern Africa.

ES2.2 Other Global Cruise Industry Highlights

- Four primary cruise conglomerates dominate the worldwide cruise industry. Carnival Corporation is the largest cruise operator, controlling more than 47% of total berth capacity worldwide. Royal Caribbean Cruises, Ltd. (23%), Norwegian Cruise Lines / Star Cruises (9%) and MSC Cruise (6%) are the other major industry participants. The remaining 15% of the industry is comprised of several smaller operators.
- Inclusive of all cruise operators, the Caribbean remains the principal location for cruise capacity placement, followed by the Mediterranean, the U.S. West Coast, Northern / Western Europe and Asia / Pacific. In total, over eighteen different primary cruise sub-regions are present within the global marketplace, with many of these consisting of even smaller deployment characteristics and typical itineraries. At present, the Southern Africa region welcomes less than 1% of total industry capacity per annum.
- While the majority of cruise passengers are still sourced from North America, cruise lines have made dramatic inroads in welcoming increasing numbers of Europeans and South Americans through creation of products designed to meet their specific travel desires and tastes.

- Thirty-one new cruise vessels representing an expansion of industry supply of nearly 68,000 berths and an investment of \$US 18.5 billion are planned through 2012. These new deliveries along with projection of future vessel inventories suggest total industry supply could double by 2025.

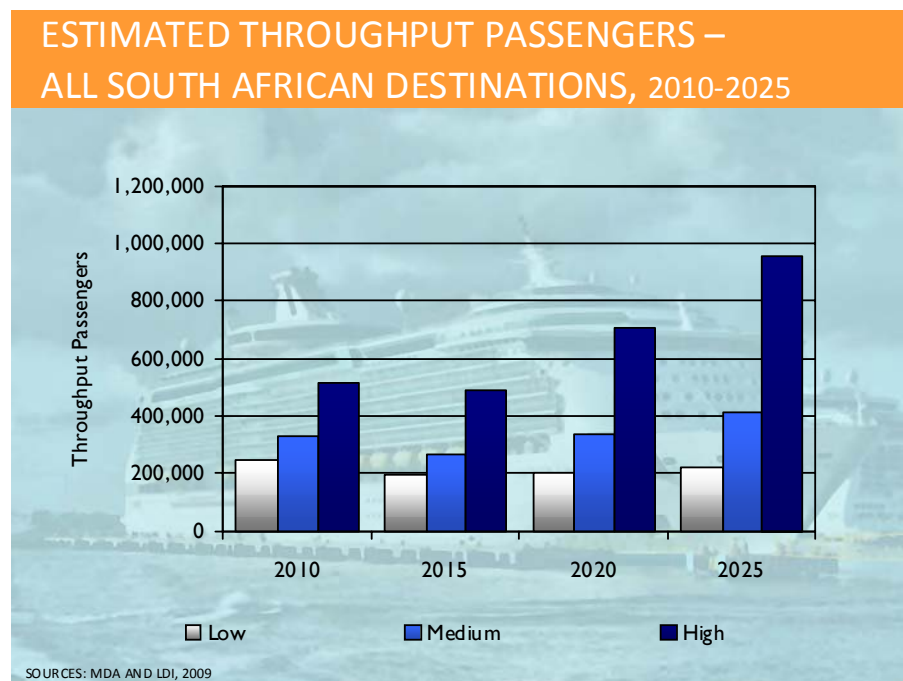
ES2.3 The Southern Africa Cruise Region and South Africa Prospects

The Southern Africa cruising region extends along the African coast from Kenya to Namibia and includes Madagascar, the Seychelles and Mauritius. Vessels found within this region are purposefully deployed (i.e., in the region for multiple types of itinerary offers for a period of several weeks) or vessels on world cruise deployments and passing through the region. Cruise vessels in the region are typically smaller, older vessels catering to very specific market segments. Over the past four years, industry supply deployed to the region has fluctuated between 0.20% and 0.57% of the worldwide total.

The region overall has not had the level of success most other emerging cruise regions have witnessed over the past decade. Challenges to growing the region have and continue to include: (1) Cruise line and passenger concerns over regional safety and stability, inclusive of widely publicized acts of piracy; (2) Current conservatism by cruise lines for deployment to regions considered far afield and a potential financial risk; (3) A lack of understanding by cruise lines of region offerings and possibilities; (4) High flight and vessel repositioning costs; and, (5) The small size of the regional consumer base for cruise products.

There is a case for optimism over the medium to long term, however. Positive industry fundamentals, a reliance by cruise lines to explore and develop new cruise regions and products, Southern Africa's diversity and marquee ports-of-call and major events such as the 2010 FIFA World Cup all are expected to provide space for improved industry prospects in the region overall and South Africa specifically.

In consideration of these and other factors, cruise passenger levels to South Africa are projected to climb to between 200,000 to near 1,000,000 throughput passengers by 2025.¹ South Africa's success in marketing and delivery of a national / regional cruise experience will go far toward achievement of passenger throughput levels at the higher end of the projection range presented.



ES2.4 South Africa's Ports-of-Call and Homeports

Cruise lines and their respective decision making groups—marketing and sales, marine operations, logistics, and finance—expend significant effort in evaluating a destination, and congruently, an itinerary to ensure it meets the various criteria established to differentiate their product offering and sell desirable and profitable cruise products.

South Africa has a broad offer of prospective destinations of appeal for cruise lines. In reviewing seven South African destinations against cruise line selection criteria, Durban and Cape Town offer the most compelling cruise homeport opportunities for cruise lines. Leading ports-of-call candidates for the country include Richard's Bay, Port Elizabeth and Mossel Bay.



ES3 IMPACTS AND BENEFITS TO SOUTH AFRICA

Cruise line activities can make large and growing economic impacts to ports and communities. In this section, we summarize the potential economic and social consequences of a significant opening up of South Africa to the international cruise liner industry. The potential social impacts are taken from a review of the international experiences with the cruise liner industry. The economic impacts take cognizance of international experiences but are calculated for South African conditions and the projected number of liners and passengers

ES3.1 Potential Social Impacts

There are two potential and important social benefits that would be generated by a significant opening up of South Africa to the international cruise liner industry. The first is that cruise tourism is considered to be sustainable tourism. The second is that cruise tourism can be a means to enhance welfare and quality of life.

The cruise sector has the right credentials for developing environmentally and socially sustainable tourism. Cruise tourism is spatially confined to within a mile or so of the port and does not require building land-based accommodation or significant tourist facilities and infrastructure. For these reasons the cruise business may be more amenable than land-based tourism.

Cruise sector spending includes investment in marine and destination infrastructure. It contributes to the growth of recreation, entertainment and historical attractions. As a result, local residents would enjoy a better quality of life which is a clear social benefit. Furthermore, cruise sector taxes may be channeled towards education, healthcare or other public services.

Balanced against these benefits are two potential social costs although these are not seen to be of great relevance in the South African context. The first is economic displacement and loss of social and cultural identity. The second is loss of autonomy, bargaining power and dependence on international tourism.

Although it may occasionally spur social and cultural development, cruise tourism can erode the social and cultural identity of port communities. The transition from a traditional lifestyle involving resource extraction to a more modern lifestyle based on tourist attraction is often difficult. The isolated coastal and island communities of the Alaskan fjords, while increasingly attractive to cruise visitors because of their rural lifestyles and local traditions, are especially vulnerable. Indigenous Alaskan social systems are becoming overwhelmed in communities where passengers often outnumber residents by a factor of 11 to 1.

Because of the higher wages paid in the cruise sector compared to traditional industries such as logging or fishing, cruise tourism may also cause economic displacement by increasing the cost of living – especially the cost of housing. In some Caribbean ports, the economic take-off and associated influx of foreign goods and foreign currency induced by cruise tourism can also make a port community more materialistic and lead to widening income disparities.

Catering to cruise tourism can strain social, as well as transportation networks. In the case of Belize, the amount of growth that has been seen in the last 10 years is astounding. In 2005, over 800,000 cruise passengers landed in Belize, this is three times the nation's population. In less-developed or smaller economies the cruise sector can often stretch local infrastructure to the limit, especially during the high season. This therefore requires continual upgrading and repair, possibly at the cost of some other social need.

Lastly, re-orienting the economy towards cruise tourism may cause significant economic and social costs. More pollution, traffic congestion and noise can cause externalities which are not priced into the cruise. Cruise tourists can have adverse impact on other tourists by contributing to crowded streets, beaches and long queues. There could be substantial opportunity costs to developing cruise facilities as opposed to other tourist infrastructure such as airports which cater to higher spending overnight land-based tourists.

There is a considerable degree of market power within the industry. This makes it difficult for current and aspiring port communities to negotiate with cruise operators. Lack of bargaining power can be exacerbated by a high degree of substitutability among sun and fun destinations. Therefore, port communities may become tempted to engage in a “race to the bottom” to accommodate cruise ships, due to the highly concentrated nature of the cruise industry. Furthermore, lowering port charges in order to remain competitive in cruise tourism could be at the expense of cargo revenues.

ES3.2 Potential Economic Impacts

International experiences highlight the main direct and indirect economic impacts of the cruise industry on homeport and port-of-call communities. Direct economic impacts are associated with spending by cruise passengers and crew, cruise line expenditures for operations and port services, marketing and operating expenses for their headquarters and capital expenditures for port terminals and other facilities. Indirect economic impacts stem from the additional spending on goods and services generated by the cruise industry’s port-side suppliers.

The actual economic benefit to the local community depends on the percentage of total spending on locally produced as opposed to imported goods and services. If, for instance, most passengers spend money on imported items while in port then most of the extra income will leak out of the economy. This is generally the case on small Caribbean islands or Alaskan coastal communities which produce a limited range of goods and services. Therefore, as a rule, the larger and more developed the port-side economy the greater the impact on local income and employment.

The economic benefits that accrue to homeports and port-of-call communities arise from five principal sources. These are spending by cruise passengers and crew for goods and services associated with their cruise, including travel to the homeports and pre- and post-cruise vacation spending, onshore tour excursions, food and beverages and other retail. Expenditures by the cruise lines for goods and services necessary for cruise operations, including food and beverages, fuel, vessel maintenance and supplies; spending by the cruise lines for port services at homeports and ports-of-call; shore-side staffing by the cruise lines for their headquarters and marketing operations; capital expenditures for facilities constructed including port terminals, office facilities and other capital equipment.

ES3.3 Net Spending

It is important to make a distinction between gross spending within the context of the industry and net spending that would benefit the South African economy. The difference between the two is the funds that leave the country. These are equivalent to imports and represent a cost to the economy. Spending by South African passengers is a displacement effect and excluded from the analysis. The only exceptions are for those South African passengers that would have undertaken an overseas holiday but prefer to now stay in the country and take a cruise and funds that leave the country which are included in imports.

Total net spending within the country amounts to R472.4m in 2010 and increases to R911.2m in 2025. The contributors to net spending in 2010 are project facilitation to the value of R15m; net international passenger spending of R297.4m; net local passenger spending (i.e. South Africans who would have gone on an overseas holiday but instead booked a local cruise) of R7.2m, international crew spending of R13.6m; local crew earnings of R5.8m; shipping operator spending of R112.6m; and port charges of R20.7m.

There is also the potential for repeat tourism. These are international passengers who will return to South Africa because of their exposure on the cruise. In fact tourism research has indicated that 17.2% of international tourists visit the country on a regular (biannual) basis. Repeat tourism as a result of cruise tourism is expected to begin in 2013, three years after the first international passengers visit South Africa. The value of this repeat tourism increases from R165.4m in 2013 to R353.2m in 2025.

ES3.4 Costs and Benefits

The cruise liner industry will have both costs and benefits for South Africa. There are two costs. The first is the cost of attracting the industry to the country. This could mean the cost of engagement and marketing. It could mean the cost to construct and upgrade portside facilities. The second is the foreign exchange outflows as South African passenger cruise fees leave the country. The benefits are made up of the inflow of foreign exchange into the country and the subsequent generation of income and jobs resulting from this.

An analysis based on medium passenger projections revealed that total net benefits to the country are worth R41.3m in 2010. These increase to total R356.4m by 2025. The costs and benefits have been discounted to determine a Net Present Value (NPV) of R1.38bn. This means that the project is beneficial to society. For the low passenger forecast the NPV is R1.05bn while for the high passenger forecast it is R4.79bn. The cruise liner project remains economically viable for both the low and high passenger projections.

It will be appreciated that the net benefits are sensitive to the proportion of international passengers relative to local passengers. As a result, two sensitivity analyses were done. The first was on the proportion of international passengers relative to local passengers. The second was on the level of spending by international passengers.

In the first sensitivity analysis it was found that if the proportion of international passengers reduced from 50% to 40% then the NPV reduces to R675.4m. If the proportion falls to 30% the NPV becomes a negative R32.5m (i.e. the project is no longer viable from a South African perspective). The switching value (i.e. that proportion where the NPV is zero) is 30.5%.

The second sensitivity analysis was performed on the average daily spending of international tourists. If their daily spending had to decrease from R1,290 per day to R1,000 per day the project NPV reduces to R656.5m. If their daily spending reduced to R500 per day the project NPV would be negative R595.1m, indicating that the project is no longer viable. The switching value (i.e. that spending where the NPV is zero) is R738 per day. To put this spending into context, in 2007 SA Tourism research reported that daily spend was R880 (or R1,060 per day in 2009 values). This spending occurred when many countries were already in recession.

The conclusion from these sensitivity analyses is that the results are sensitive to the proportion of international passengers and their level of spending. If the international passenger numbers do not materialize as envisaged then the project is not viable from a South African perspective.

ES3.5 Return on Public Sector Funding

The return on public sector funding was estimated. Public sector funding could take the form of capital expenditure on upgrading portside facilities, it could be in the form of marketing the country, it could entail sending a delegation of officials over to the large

cruise line operators to convince them to set up operations in South Africa or it could take the form of incentives such as subsidizing port fees for the first few years.

For the medium passenger forecast the return would be R14.81 for every R1.00 of public sector funding. For the low and high passenger forecasts, the return to the country would be R11.49 and R48.83 respectively. The analysis therefore shows that for relatively little public sector investment large societal returns can be generated.

ES3.6 Macroeconomic Analysis

There are a number of different types of macroeconomic effects. The most important is contribution to gross domestic product (GDP). Other macroeconomic effects that are reported are the contribution to taxes, indirect household income and the generation and usage of foreign exchange. The results that are reported here are for the medium passenger projections.

Contribution to GDP

Gross Domestic Product is the total value of all final goods and services produced in the country. It is clearly fundamental to the economic quality of life of people in the country. It is also the most important and all encompassing measure of the macroeconomic effect of the proposed cruise liner project.

The contribution to GDP is estimated to increase from R681.8m in 2010 to R1.33bn in 2025. The R681.8m in 2010 consists of R23.4m in the construction and upgrade of portside facilities; R433.8m from spending in South Africa by international passengers; R11.1m by South African passengers who might do a cruise rather than go on an overseas holiday; R22.5m from international crew; R6.8m in earnings and subsequent spending by local crew; R167.7m by shipping operators; and, R16.4m from payment of port fees. Repeat tourism increases from R248.8m in 2013 to R531.4m in 2025. By 2025 this repeat tourism contributes almost as much as total international passenger spending.

GDP is important not just because it is income but also because income has the capacity to add to wealth. Based on these projections, it is estimated that the cruise liner project make a cumulative contribution to GDP of R14.1bn by 2025.

Contribution to Taxes

Indirect taxes, generated through the linkage effect of business throughout the economy, are set to increase from R64.9m in 2010 to R124.5m in 2025. In that year international passenger spending and repeat tourism are the major contributors, at R53.4m and R49.0m, respectively. The cumulative contribution to taxes is estimated at R1.33bn by 2025.

Contribution to Household Income

Indirect household income is estimated to increase from R338.1m in 2010 to R659.6m in 2025. The cumulative contribution to indirect household income is estimated to amount to R7bn by 2025.

Foreign Exchange

Foreign exchange is generated from spending by international passengers, international crew members, and shipping operators and from repeat tourists, through earnings by local crew and the payment of port fees by international passengers. Balanced against this are the direct imports (which incorporate the repatriation of the cruise costs by the shipping operator) and indirect imports.

The net foreign exchange position is negative R87.5m in 2010, negative R52.5m in 2011 and negative R58.2m in 2012. However, in 2013 as repeat tourism starts the net foreign exchange position switches to a positive R58.4m. This net position totals R96.3m in 2025. By 2019 all previous foreign currency usage will have been offset and by 2025 the project would have generated foreign exchange to the value of R391.4m.

ES3.7 Job Creation

The proposed cruise liner project would create two types of jobs. The first are the direct jobs that would be created over the project period. These are jobs directly related to the construction and operation of the portside facilities; replenishment; accommodation; tours, etc. The second are the so-called indirect jobs that are due to multiplier effects of the cruise liner operations.

A total of 1,104 direct jobs are estimated to be created in 2010. The majority of these jobs are sustainable jobs as the cruise operations continue. Total job creation is then set to increase until a total of 2,153 jobs are created in 2025. The majority of these jobs will be in the tourism and hospitality industry as international passengers and repeat visitors spend time in the country.

The contribution to indirect jobs is set to increase from 1,124 in 2010 to 2,205 in 2025. Total job creation (the sum of direct and indirect jobs) is set to increase from 2,228 in 2010 to 4,358 in 2025.

ES3.8 Regional Impacts

The estimated spending, excluding capital upgrade costs, at each port was quantified. In 2010 the homeports of Cape Town and Durban benefit by R206.5m and R226.5m respectively. The ports-of-call also benefit from the proposed project, albeit to a smaller degree. Mossel Bay and East London each benefit by R16.0m while Port Elizabeth and Richards Bay benefit by R19.6m in 2010.

ES3.9 Potential Environmental Impacts

Context

South Africa's marine environment has 3,000 kilometers of coastline. The coastline itself consists of five coastal marine biogeographic provinces (Namaqua, Southwestern Cape, Agulhas, Natal and Delagoa) differentiated by water temperature which increases from west to east. South Africa also has five major marine ecotypes which are important and require protection. These include offshore reefs, soft sediment benthos, estuaries, intertidal habitats and breeding sites. Mechanisms for conservation of these areas include the proclamation of marine protected areas (MPAs) and the Special Sea Area which has been declared under MARPOL. Should cruise liner industry operations increase along the South African coastline, the ongoing protection of these resources would need to be ensured.

Legislation, Conventions and Policy

Legislatively, there seems to be sufficient and comprehensive pieces of regulatory environmental legislation and conventions already in existence, which would be relevant to the cruise liner industry.

Of concern and what is not known, is the degree to which these laws and regulations are currently implemented and monitored, and hence how successful the legislation and conventions are in reducing damage to the marine environment.

Note that should ports construct additional infrastructure, such as piers and wharfs, Environmental Impact Assessments will be required in terms of the National Environmental Management Act, 1998 (Act No. 107 of 1998), Regulation 387.

Key Anticipated Environmental Impact Groups

The four impact categories investigated included air pollution, waste, noise and marine ecology. Possible impacts on the marine and terrestrial environments are summarized below.

- **Marine Ecology:** Possible impacts include pollution from antifouling hull coatings, litter and oil spills; discharge of ballast water and associated non-native species; disturbance; damage to reefs; and opportunity to increase boat-based whale-watching.
- **Air Pollution:** Possible impacts include health effects; and climate change.
- **Waste:** Possible impacts include decrease of landfill capacities; incorrect disposal of wastes causing soil/groundwater contamination; and, inadequate facilities at ports reducing recycling potential.
- **Noise Pollution:** Possible impacts include noise and ambient Issues at destinations and noise and ambient issues to the environment.

Anticipated Impacts

It is anticipated that the overall environmental impact of increasing cruise liner tourism to the South African coastline will be negligible. If one considers the size of the current shipping industry and the cumulative environmental impacts thereof, cruising will form only a small part of this. The infrastructure already in place to deal with current operations seems adequate for the short-term.

However, over the long-term the current infrastructure and procedures are not sustainable. It would become necessary, to initiate processes and present methods that improve sustainability such as:

- Required recycling of waste (and the monitoring thereof) within ports;
- Monitoring of sewage discharges at sea; and
- Consideration of adopting MARPOL Annex VI.

It would also be important to investigate the different environmental opportunities (ranging from boat-based whale watching to green procurement) that could be developed to achieve sustainability of the industry over the long-term.

ES4 STRATEGY FORWARD

We believe a good case exists for South Africa to play a larger role in the cruise industry over the long term. The cruise market remains a large and growing presence in international tourism, one that will likely approach a doubling of worldwide passenger carryings over the next 15 years. Market outlook for the long term looks positive for the Southern Africa region. Projections of cruise passenger throughput and related economic impact associated with the industry have favorable potential.

While all categories of improvements are covered in the larger report, a large portion of the ultimate success to be achieved by South Africa is reliant on moving forward with a series of marketing efforts that work to:

- Deliver a strong case to cruise lines on opportunities for Southern Africa cruising;
- Build a foundation of seasonal business with international consumers; and,
- Foster a local consumer base for cruise products.

In all aspects, emphasis should be placed on organizing the messages and messengers first, followed by those action items that work to increase opportunities for growth across the board.

It is critical that DOT refine and implement a specific cruise marketing plan for South Africa. A cruise marketing plan establishes the foundation for cruise tourism. A well conceived plan should identify the message, means, and mode for expanding cruise activities. In the development of this type of plan, it is critical that government, working with regional and city partners, refine and implement a specific cruise marketing plan; hold a marketing goals workshop; identify the marketing audience; and work on message and messenger development.

Possibly the most challenging, yet essential component of plan development and all marketing aspects presented is DOT and its stakeholders engaging the NPA to have them become substantive advocates for growing cruise tourism to South Africa. It is essential that DOT, the NPA and other government and community groups strike a new course and tone built upon two mutually agreeable components:

- Cruise activities over the short-, medium- and long-terms will likely provide little in terms of direct revenues to ports themselves, but create significant and lasting impacts to the communities and for the long term tourism prospects of the country. Ports, as facilitators of commerce and trade, have an obligation to seek ways in which expanded economic prospects for surrounding communities and the national government can be realized.
- There is always a way to strike balance toward supporting cargo and cruise components and opportunities in communities. The key is communication and a commitment to excellence in service to their clients and guests.

Only through addressing these items as part of the cruise marketing plan development process can DOT and coastal communities looking to attract long term cruise prospects fully realize their marketing goals and effectively communicate a complete, compelling marketing message to cruise lines and their clientele.

Other strategies—detailed in full in Chapter 6 of the report—include the following:

- Formulation of the South African Cruise Network;
- Successful delivery of the FIFA 2010 cruise components;
- North American and European cruise operator visitation;
- Cruise benchmarking strategy formulation;
- Establishment of a consistent source of funding;
- Incentives package development;

- Take a deeper leadership role in the Cruise Indian Ocean Association;
- Port costs benchmarking;
- Cruise tourism provider education;
- Cruise passenger visitors kit preparation;
- Regional travel agent education;
- Participate in international cruise trade shows;
- Tour provider offerings;
- Establish targeted provider program offerings;
- Meet with the NPA regularly on threat assessment and security issues;
- Cruise operations and scheduling plan development;
- Primary and secondary venue assessment and management plan;
- Implementation of recommendations of the environmental impact review (refer to Chapter 5); and,
- Development of a long term plan for expansion and enhancement of cruise facilities.



TABLE OF CONTENTS

1.0	OVERVIEW OF THE PROJECT	19
2.0	GLOBAL AND REGIONAL CRUISE INDUSTRY CHARACTERISTICS	21
	2.1 Overview	21
	2.2 The Modern Cruise Industry Defined.....	21
	2.3 The Case for Future Cruise Industry Growth.....	24
	2.4 Lines, Ships and Operating Regions	28
	2.5 Cruise Regions	30
	2.6 Southern Africa Cruising	32
3.0	FIT OF OPERATIONS TO SOUTH AFRICA'S HOMEPORTS AND PORTS-OF-CALL.....	37
	3.1 Overview	37
	3.2 Marketing and Sales	38
	3.3 Marine Operations	39
	3.4 Logistic, Air-Sea and Shore Excursions	44
	3.5 Finance, Legal and Regulatory	45
	3.6 Strategic Fit of South African Destinations.....	46
	3.7 Projection of Cruise Throughput to South Africa	55
4.0	ECONOMIC IMPACTS AND BENEFITS TO SOUTH AFRICA	57
	4.1 Overview	57
	4.2 International Experiences and Research: Economic.....	57
	4.3 International Experiences and Research: Social	63
	4.4 Economic Analysis	65
	4.5 Regional Impacts	76
5.0	ENVIRONMENTAL IMPACTS AND BENEFITS TO SOUTH AFRICA	85
	5.1 Overview	85
	5.2 Baseline Environment.....	86
	5.3 Key Legislation and Policy	90
	5.4 Key Environmental Implications	105
	5.5 The Way Forward.....	115
6.0	RECOMMENDATIONS FOR SOUTH AFRICA	117
	6.1 Overview	117
	6.2 Organization of Recommended Strategies and Action Items	118
	6.3 Software Improvements	118
	6.4 Hardware Improvements	124
	6.5 Immediate Next Steps.....	124
	APPENDICIES	125

I.0 OVERVIEW OF THE PROJECT

Cruise travel is one of the fastest growing sectors of the global tourism industry. Once small and localized, the cruise industry has grown into a sophisticated, multi-billion dollar enterprise with a wide assortment of products to offer vacation consumers.

The cruise lines fueling industry growth have not been the sole recipients of the economic benefits generated by their efforts; for strategically located destinations with port and tourism infrastructure capable of accommodating cruise ship activities, the economic benefits derived from cruise ship homeport and port-of-call operations are sizable. These favorable economic benefits, coupled with other intangible contributions, are the central reasons why many communities are actively marketing and enhancing their destinations and welcoming cruise ship operators and passengers.

In 2008, Mitchell Duplessis Projects (PTY), Ltd., (MDA) and supporting consultants were retained to prepare an analysis of market trends and outline a strategy for the City of Cape Town to increase its stature as a leading regional cruise destination. Conclusions associated with the study pointed towards opportunities over the long term for Cape Town and South Africa to welcome increased levels of cruise port-of-call and homeport traffic. These opportunities were linked to a number of performance factors—most notably, redoubled efforts by the City of Cape Town and regional partners to make gains in marketing and coordination activities.

Following a series of local and regional discussions, growing cruise travel and leisure activities was elevated to a national discussion and initiative, with the Department of Tourism (DOT) seeking to advance the basic research and conclusions of the 2008 study in five areas:

- Update market analysis and considerations to reflect notable changes in global and regional market fundamentals;
- Broadly address the strengths and weaknesses of regional actors capable of directly and indirectly welcoming cruise and other maritime tourism activities;
- Assess the economic impacts associated with current and projected cruise passenger levels;
- Broadly weigh environmental and other impacts associated with current and projected cruise passenger levels; and,
- Building from the foundation of work under the 2008 study and expanded 2009 assessment, update the overall strategic approach to growing of South Africa's cruise and maritime tourism business.

The chapters that follow discuss in detail the key findings of this 2009 study effort.

The analysis, findings, and recommendations contained in this report are intended to provide a “toolbox” from which DOT and South African communities can draw. While topics covered under this report include analysis of market dynamics over time, it does

not represent an assessment of risk related to investment and expansion of facilities to accommodate cruise operations. As a caution, investment in cruise facilities has inherent risks unless long-term commitments of cruise passenger and/or vessel throughput are in place.

The information presented in this report reflects the best available data on the cruise industry and our interpretation of market trends as of the date of this report. Much of the information provided herein was collected through interviews and review of material obtained from a variety of sources, and as such, many of our market and economic findings and conclusions are reliant on their accuracy.

A compendium of cruise industry terms and acronyms used in this report is presented in Appendix A. Additional supporting information and data is also provided in the Appendix.



2.0 GLOBAL AND REGIONAL CRUISE INDUSTRY CHARACTERISTICS

2.1 Overview

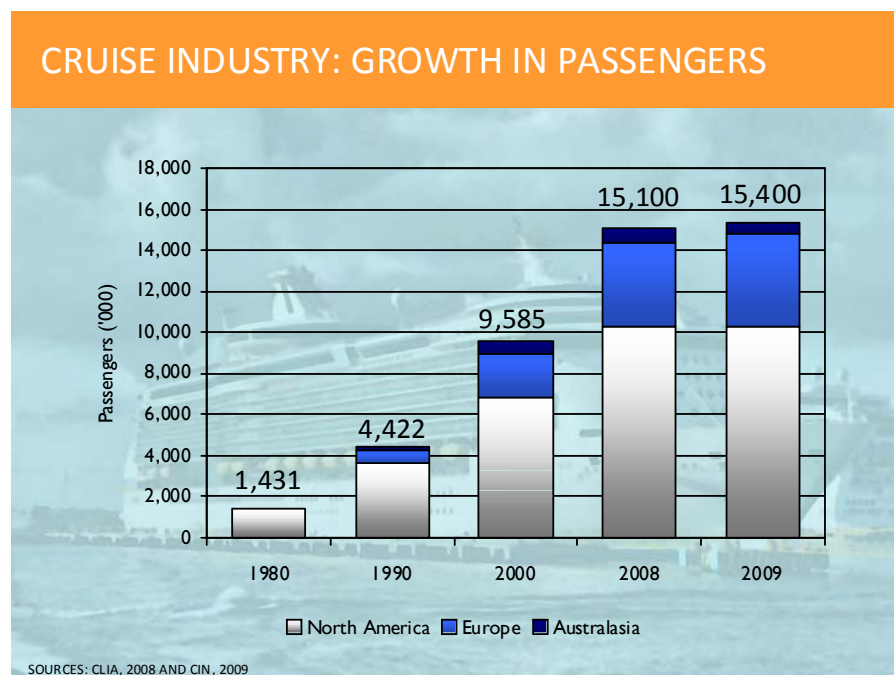
Over the past two decades, the cruise industry has emerged as one of the fastest growing and popular segments of the worldwide travel and leisure industry. In this section, we describe the characteristics of the modern cruise industry and assess the prospects for its continued growth. We also review and project future prospects for the Southern Africa market

2.2 The Modern Cruise Industry Defined

The modern cruise industry's roots date back to the 1970s, where a combination of factors found traction with travel and leisure enthusiasts. From increased popularity of Transatlantic leisure oriented crossings on Cunard Line's *Queen Elizabeth II* (versus the transport orientation of previous generations) and North America's enchantment with the original "Love Boat" series to innovative entrepreneurs developing short duration Caribbean holiday cruises for the masses, each element played a role in catapulting the industry into its present day success.

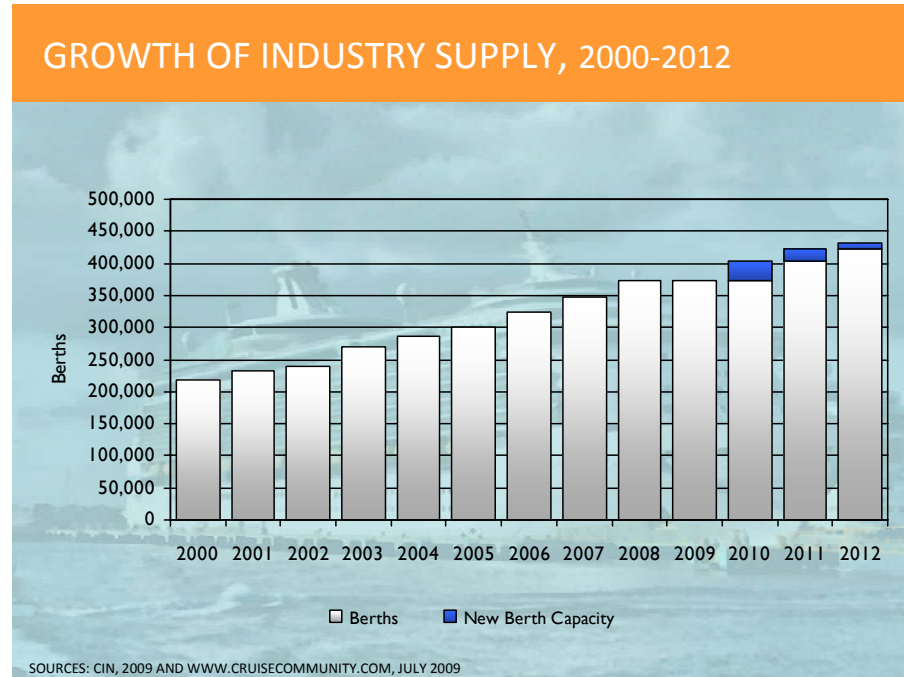
In 1980, over 1.4 million individuals embarked on a conventional cruise; by 2009, this level is expected to increase to over 15.4 million (see Exhibit 2-1). While a majority of these passengers originate from North America, increasing contributions are made by Europe and Australasia.

Exhibit 2-1



Industry supply as measured by vessel berths has also increased significantly, growing from 218,005 berths in 2000 to an estimated 421,928 berths in 2012 (see Exhibit 2-2).

Exhibit 2-2



The industry's success over this period is primarily a result of the following:

- **Cruise lines were successful in introducing new vessel inventory and developing onboard and landside products that generated sustained interest in cruising.** Discarding smaller ships and older capacity, larger and more lavish vessels furnished with amenities found in the best land-based resorts became the norm in the mid-1990s. Consumers generally met each new vessel launch with enthusiasm, and ultimately, increased passenger bookings. Responding to this demand, cruise lines continue to order new vessels. As of September 2009, 31 new cruise vessels with a total capacity of 67,966 passenger berths are scheduled for delivery over the next five years (see Exhibit 2-3).
- **Cruise lines created products that work to convert land-based resort guests into cruise passengers.** Cruise lines were able to package and mass market an all-inclusive resort package-at-sea that is highly price competitive when compared to similar land-based resort vacations.
- **Cruise industry products consistently deliver a high level of passenger satisfaction.** The Cruise Lines International Association (CLIA), through its annual passenger surveying efforts, has year after year reported the cruise experience consistently exceeds expectations on a wide range of important vacation attributes. On a comparative basis versus other vacation categories, cruising consistently receives top marks. Satisfaction with cruise vacations keeps customers coming back. Cruise lines place considerable emphasis upon passenger retention, as it is easier and less costly to keep a current passenger than to market to and cultivate new passengers.

Exhibit 2-3: Cruise Ships on Order Worldwide, September 2009

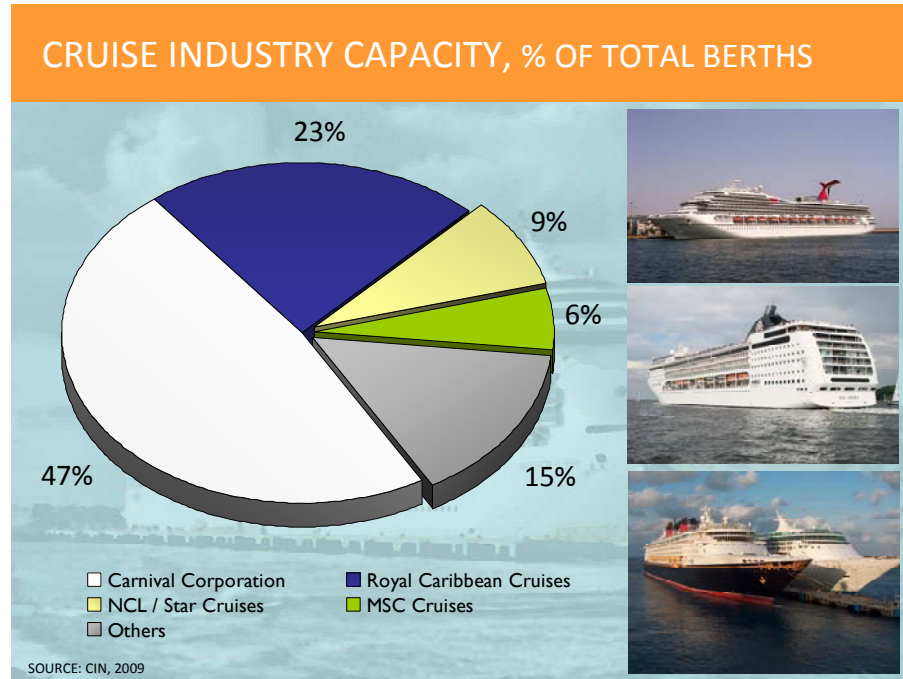
Source: www.cruisecommunity.com, September 2009; *estimated

Year	Cruise Line	Ship Name	GRT	Lower Berths	Delivery	Reported Price (\$USD)
2009	Carnival	Carnival Dream	130,000	3,652	September	\$668m
	Pearl Seas Cruises	Pearl Mist	8,700	210	Autumn	\$64m*
	RCI	Oasis of the Seas	220,000	5,400	November	\$1.5bn
	Silversea Cruises	Silver Spirit	36,000	540	December	\$300m*
2010	AIDA Cruises	AIDAblu	71,000	2,174	January	\$513m
	Costa Cruises	Costa Deliziosa	92,700	2,260	January	\$548m
	MSC Cruises	MSC Magnifica	93,000	2,550	March	\$548m
	Celebrity Cruises	Celebrity Eclipse	122,000	2,850	April	\$698m
	P&O Cruises	Azura	116,000	3,076	April	\$535m
	NCL	Norwegian Epic	150,000	4,200	May	\$1.2bn
	American Cruise	Independence	3,000	104	May	\$30m
	Ponant Cruises	Le Boreal	10,600	264	May	\$150m*
	Seabourn	Seabourn Sojourn	32,000	450	June	\$250m
	Sea Cloud	Sea Cloud Hussar	-	136	June	\$140m*
	Holland America	Nieuw Amsterdam	86,000	2,100	July	\$567m
	RCI	Allure of the Seas	225,000	5,400	August	\$1.4bn
	Oceania Cruises	Marina	65,000	1,260	September	\$530m
	Cunard Line	Queen Elizabeth	92,000	2,092	October	\$708m
2011	AIDA Cruises	unnamed	71,000	2,174	April	\$557m
	Carnival	Carnival Magic	130,000	3,652	Spring	\$738m
	Disney Cruise Line	Disney Dream	124,000	2,500	Spring	\$899m*
	Costa Cruises	unnamed	114,200	3,012	Spring	\$726m
	Ponant Cruises	L'Austral	10,600	264	May	\$150m*
	MSC Cruises	MSC Meraviglia	93,000	2,550	June	\$548m
	Oceania Cruises	unnamed	65,000	1,260	July	\$530m
	Seabourn	unnamed	32,000	450	Summer	\$290m
	Celebrity Cruises	unnamed	122,000	2,850	Autumn	\$798m
2012	Disney Cruise Line	Disney Fantasy	124,000	2,500	Spring	\$899m*
	AIDA Cruises	unnamed	71,000	2,174	May	\$565m
	Costa Cruises	unnamed	114,200	3,012	Autumn	\$726m
	Celebrity Cruises	unnamed	122,000	2,850	Autumn	\$768m
Total 31 New Cruise Ships representing \$18.5 Billion in New Investment						

- **The cruise model is adaptable to changing market conditions.** With some degree of ease, cruise lines can shift vessel capacity, itinerary durations, pricing and other components of their offer to adjust to economic, consumer demand, security and other issues.
- **Cruise operators have effectively controlled competition, operational costs, and generated revenue streams from several sources beyond net ticket sales.** Innovations in cruise ship design and the move toward larger vessels allowed lines to reap increased economies of scale. Additionally, the majority of cruise industry capacity is held by a handful of cruise conglomerates, a factor that has served to reduce competition by new lines by keeping barriers to entry into the marketplace high; increased leverage on cruise destinations to keep cruise fees low; and, allowed for

significant cost-savings resulting from a high degree of vertical integration throughout the cruise onboard and destination delivery cycle (see Exhibit 2-4).

Exhibit 2-4:



2.3 The Case for Future Cruise Industry Growth

The Industry from 2000 to Present

Since 2000, the cruise industry has had to navigate through a far more challenging business climate than the previous decade. For starters, the events of September 11 and its aftermath created a period of flux within the industry. Increased financial conservatism by lines, deployment drawback to North American and other home waters and amplified flexibility in deployment were all immediate consequences for many lines; others were forced to close their doors. Lines tightened their belts and industry supply, preferring to seek improved yields on their current fleets.

The industry faced further challenges brought on by a combination of war, terrorism concerns, health issues and a relatively weak economic outlook. In particular, the Iraq War (March 2003), terrorism threats and the SARS pandemic in Asia had a dramatic impact on international travel. Through each of these challenges, the industry adapted and adjusted its flexible business model and found a way to succeed.

Following 2004, the industry welcomed a period of improved prospects. Strong profitability returned for many of the leading lines. Lines also welcomed a number of new vessels, such as Cunard's *Queen Mary 2*, which captured the imagination of cruise enthusiasts and newcomers to the market. Inroads were also made in emerging cruise regions, and more importantly, with consumer groups in Europe, Asia and South America. Lines started shifting capacity to new brands intent on offering tightly focused products tailored to regional tastes and preferences.

Figurative clouds formed on the business horizon in 2007 and early 2008. Softening yields in the Caribbean resulted in Carnival and Royal Caribbean moving more vessels into Europe, where North Americans can enjoy their holiday purchased in dollars in the more expensive euro zone. While the weakened dollar has been positive feature in this

instance, it has also made just about everything more expensive for North American cruise lines and their global operations—new vessels from European shipyards, provisioning, global sourcing of passengers and employees, port charges and fuel, to name a few. The high cost of fuel has been a major source of challenge, adding not only increased cost to the cruise but also placing strains on air carriers, thereby making fly cruise options more challenging due to limited flights and increasing ticket prices. Terrorism also continues to be a major point of worry for cruise lines, especially given the high profile of a cruise ship as a potential target.²

The clouds turned into a hurricane by late 2008 and through 2009 with the financial meltdown of global markets. The global scale of the recession made for far fewer profitable cruising regions. To fill ships, lines had to greatly reduce ticket prices with the hope of filling vessels and generating revenue from onboard spending and other sources. While the global recession is ebbing in many areas, recovery is expected to be slow in North America and some parts of Europe, a circumstance that will undoubtedly impact cruise lines well into 2010.

Looking more medium to long term, most lines seem prepared to face these challenges and feel the industry's best days are ahead. The broader industry fundamentals responsible for its dramatic rise over the past two decades are expected to remain in place and continue to propel the industry forward in terms of passenger and financial expansion. Lines will continue to take delivery of a substantial amount of new capacity over the next four years; nearly 68,000 new cruise ship berths, increasing total capacity by over 30%. Measurement of consumer demand and sentiment for the cruise industry remains positive. CLIA's most recent Cruise Market Profile Study indicates 34 million Americans stated intent to cruise within the next three years.³ Lines are also far more reach into global consumer markets, bolstering their overall upside potential for growth and reducing somewhat exposure to downturns in the North American market. Cruise lines and their products are as diverse as ever, with many of the largest ships offering cabin categories at 30 to 40 different price points for the same cruise while also allowing for more onboard spending opportunities with bigger stores, spas and other revenue outlets.⁴

Diversity and range of product will not only fuel growth in existing markets, but will also help build new markets around the world, which in turn may require further product adaptations—whether from Brazilian or Chinese passengers....Therein lies the beauty of the cruise industry. There is literally a cruise for every passenger preference, interest, demographic and psychographic.⁵

Industry Forecast

From these positive fundamentals and barring some random disaster to the industry, our forecast is for continued expansion, both in terms of expected capacity and cruise passenger carryings. From our analysis of the historical record of expansion of global industry capacity and the current cruise vessel orderbook, three general scenarios of industry growth are forecast through to 2025.⁶

² Of relevance to South Africa, in August of 2004, UK press reported that a terrorist plot to blow up the Queen Elizabeth 2 during a cruise was uncovered. Islamic militants planned to blow up the Cunard liner when she arrived in South Africa earlier this year; it was believed the ship could have come under fire in port at Durban. "South Africa and the War on Terror," *Terrorism Monitor*, Volume 2, Issue 23, December 2, 2004.

³ Cruise Lines International Association 2008 Cruise Market Profile Study, June 2008 (see Appendix C).

⁴ *Cruise Industry News Annual Report 2009: State of the Industry Growth Projections*, Cruise Industry News, 2009, New York

⁵ *Ibid.*, pg 424.

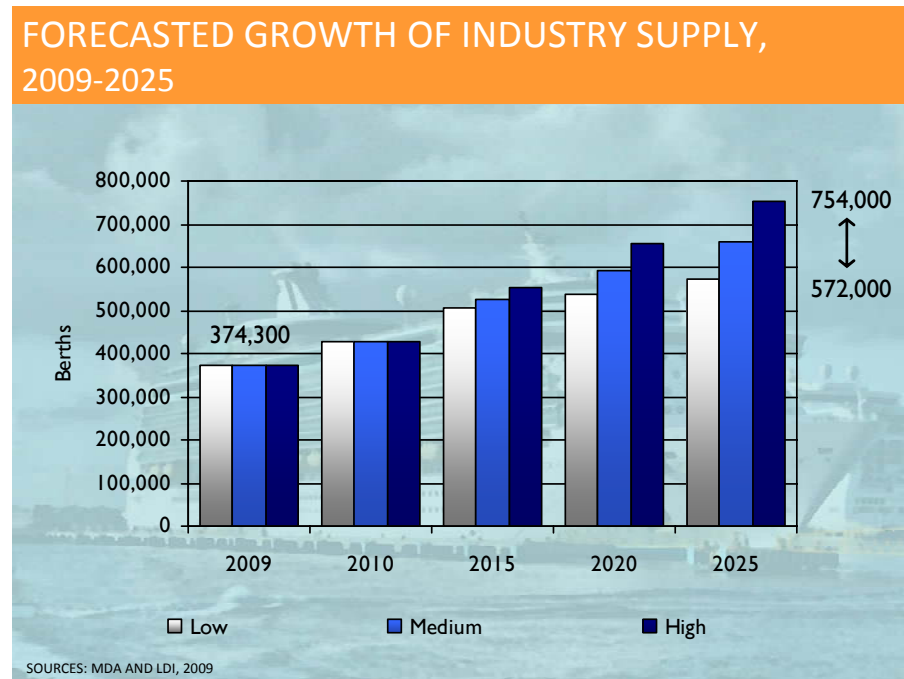
⁶ Scenarios present berths in net terms and envision some withdrawal of older ships, and thus, capacity from service.

- **Low.** This scenario follows known deliveries to 2012. Starting in 2013, the industry then takes delivery of 3 new vessels (net) per annum representing an expansion of supply of 6,700 new berths.
- **Medium.** This scenario follows known deliveries to 2012. The industry then takes delivery of 6 new vessels (net) per annum representing an expansion of supply of 13,400 new berths.
- **High.** The industry then takes delivery of 9 new vessels (net) per annum representing an expansion of supply of 20,100 new berths.

Under each forecast scenario, we assume the average size of a new vessel from 2013 onwards contains 2,235 berths.⁷

The results of each forecast scenario are presented in Exhibit 2-5. As shown, global industry supply is expected to climb from approximately 374,300 berths in 2009 to between 572,000 (low) and 754,000 (high) by 2025. The ultimate growth line for the global cruise industry is expected to be between the low and high ranges, with vessel deliveries varying between 3 and 9 net new vessels per annum.

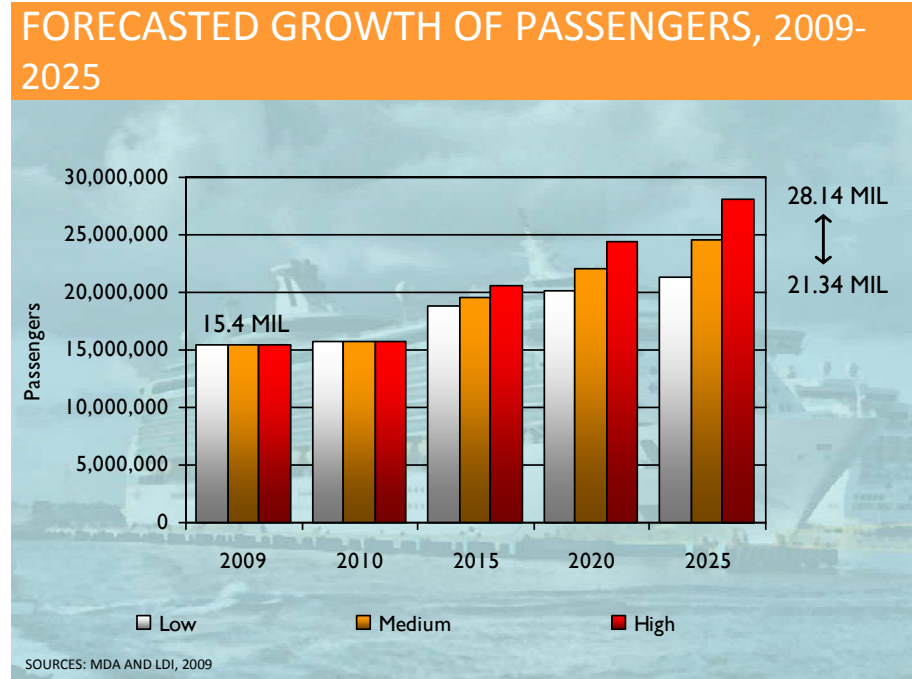
Exhibit 2-5:



⁷ The average size of new vessels for 2009, 2010, 2011 and 2012 is estimated at 2165, 2065, 2079, and 2633, respectively.

Using our forecast for berth supply expansion presented in Exhibit 2-5, a range of anticipated global cruise passenger growth was developed and is presented in Exhibit 2-6. As shown, passenger levels are expected to climb from 15.4 million in 2009 to between 21.34 million (low) and 28.14 million (high) by 2025. Similar to Exhibit 2-5, actual passenger levels are anticipated to occur within the range of figures presented in Exhibit 2-6. Our projection model includes a number of assumptions extrapolated out to 2025, including anticipated rates of berth occupancy (91%), average cruise itinerary duration (7 days) and other factors.⁸ Our model also assumes consumer demand keeps pace with vessel supply over the period reviewed. Due to cruise lines placing vessel orders at a maximum of five years into the future, our model is inherently less reliable beyond 2012.

Exhibit 2-6:



Projection scenarios herein anticipate ports and destinations will rise to meet this opportunity of continued industry expansion. With the medium and high future growth scenarios above suggesting between 105 and 147 additional (net) new vessels in operation, continued new ship deliveries will place additional demand for port facilities. This trend will create demand for a number of present homeport and port-of-call facilities to expand—especially those found within the industry’s most popular and profitable regions—and over the mid- to long-term, encourage expansion into new market regions. Placement of new vessels will be especially challenging during the months of November through April when operations in profitable, cold-water regions are unfeasible. As a trend, expansion of supply and the subsequent need of cruise lines to expand their overall regional coverage is a favorable trend for South Africa.

⁸ Cruise Industry News reports estimated occupancy levels for 2008 at 92% for the North American market fleet, 90% for Europe and 90% for Asia.

2.4 Lines, Ships and Operating Regions

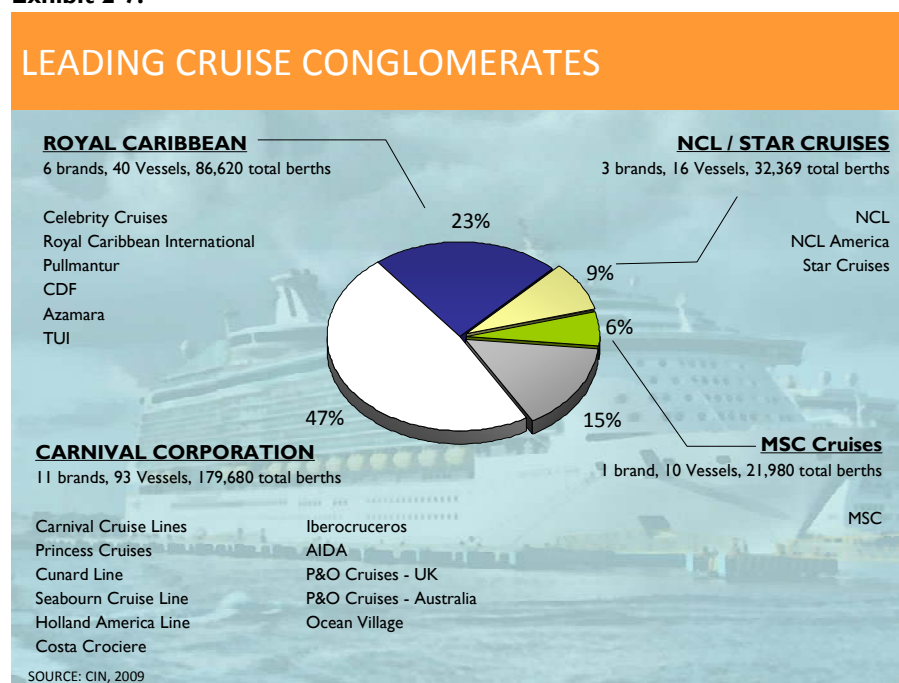
Cruise Lines

Four major cruise operators dominate the cruise industry worldwide (see Exhibit 2-4 and 2-7). Each is briefly described below.

- Carnival Corporation.** Publicly held and traded, Carnival Corporation controls over 179,680 berths on 93 vessels and has significant additional capacity on order (see Exhibit 2-3). Carnival Corporation's portfolio of 11 brands is remarkable and includes: Carnival Cruise Lines, Holland America Line, Princess Cruises, Seabourn Cruise Line, P&O Cruises (UK and Australia), Cunard Line, Ocean Village, AIDA Cruises (Germany), Iberocrueros (Spain), and Costa Crociere. These brands combine to offer a range of vacation products to consumers with varied tastes, income levels, and national origins.
- Royal Caribbean Cruises, Ltd. (RCCL).** Under its six brands, RCCL operates a fleet of 40 ships with five additional vessels set for delivery, including two 5,400 passenger Genesis-class vessels. Current fleet capacity is 86,620 lower berths. RCCL is also a publicly held corporation.
- NCL / Star Cruises.** NCL / Star Cruises is the third largest operator, with its fleet serving North America (NCL and NCL America) and Asia (Star).
- MSC Cruises.** The only leading group privately held, MSC has made significant inroads in the business over the past decade. MSC currently operates 10 ships representing 21,980 berths and markets the majority of this capacity in Europe.

While lines in the "other" category are far smaller in terms of fleet size than the four major conglomerates, the remaining 15% of industry capacity includes a number of important and diverse brands. Representative lines include Disney Cruise Lines, Crystal Cruises, Regent Seven Seas Cruises, Silversea Cruises and others.

Exhibit 2-7:



Similar in composition to the hospitality industry, each major cruise group is comprised of several cruise line brands with ships positioned to appeal to different geographic markets and consumer tastes. The majority of cruise brands generally fall into one of the following four segments:

- **Luxury.** The luxury segment offers cruises of greater than seven days on high quality, small and medium-sized ships. Luxury vessels tend to sail worldwide and offer superior food and service.
- **Premium.** The premium segment is geared towards more experienced cruisers, often older and more affluent with time to vacation. Service and food quality are emphasized under the premium segment.
- **Contemporary.** Ships found in the contemporary segment appeal to passengers of all ages and income categories with a focus on middle income levels.
- **Budget.** The budget segment tends to be a less expensive version of the contemporary market, with ships generally older, smaller and offering fewer amenities. There are many of these operations existing in Europe.

Several other secondary market segments exist, including: Exploration and soft adventure cruises; niche cruisers; river cruises; and coastal operations. In addition, several tour operators have chartered vessels for their niche market segments.

Cruise Vessels

The evolution of the cruise ship has been one of the principal mechanisms propelling industry growth. It has also required cruise destinations—both the maritime port facilities handling homeport and port-of-call operations as well as the destinations themselves—evolve to meet the challenges presented by these ships if they wish to participate in the large-scale segment of the cruise industry.

Cruise ships have advanced through a number of developmental phases, from the small, 500-passenger vessels of the 1970s to the rise of the Post-Panamax, 3,600-passenger ships of the late 1990s (see Exhibit 2-8). With the average length of cruise vessels delivered each year continuing to increase combined with the retirement of older, smaller vessels, it is very likely that within the next decade cruise ships with lengths of 300 meters will become the operational norm. The prospect of even more orders for larger cruise ships—possibly for vessels even beyond the size and capacity of RCCL's *Oasis of the Seas*—remains as the major operators continue to look to further exploit economies of scale and reduce unit costs as well as to generate excitement around the development of the world's largest vessels.

In the past five years, the newest and most popular generation of ships is smaller in passenger capacity but continues to have greater lengths and drafts to accommodate the height needed for large scale outside cabin development. These vessels range in length from 290 to 335 meters and have passenger complements of between 2,000 and 3,000. Cruise lines are focusing on improved operational cost savings by ordering standardized hulls for multiple brands.

Exhibit 2-8: Sample of Large Cruise Ship Types

Sources: www.cruisecommunity.com, September 2009

Type	First Post - Panamax	Today's Post-Panamax	Tomorrow's Longest and Largest
Name	<i>Grand Princess</i>	<i>Queen Mary 2</i>	<i>Oasis of the Seas</i>
Operator	Princess Cruises	Cunard	RCI
Group	Carnival	Carnival	RCCL
Built	1998	2004	November, 2009
Pax (LBs)	2,592	2,620	5,400
Pax (Max)	3,000	2,800	6,296
GT	108,808	150,000	220,000
LOA (m)	289.5	345	361
Beam (m)	36	45	47
Draft (m)	8.29	10	9
Air Draft (m)	60.8	62	65

RCCL's *Oasis of the Seas* (Genesis-class)



2.5 Cruise Regions

Once focused primarily in the Caribbean and Mediterranean cruising regions, cruise operations are now found around the world. Inclusive of all cruise operators, the Caribbean remains the principal location for cruise capacity placement, followed by the Mediterranean, the U.S. West Coast, Northern / Western Europe and Asia / Pacific (see Exhibits 2-9, 2-10 and Exhibit 2-11).⁹ In total, over eighteen different primary cruise sub-regions are present within the global marketplace, with many of these consisting of even smaller deployment characteristics and typical itineraries.

⁹Operations in seasonal cruising regions usually occur over a six- to eight-month period, with vessels repositioned to another seasonal or year round cruising region during the off-season. By example, operations in Alaska typically occur from late April through late September, with vessels transiting the Panama Canal to return to the Caribbean to offer cruise itineraries through the winter.

Exhibit 2-9:



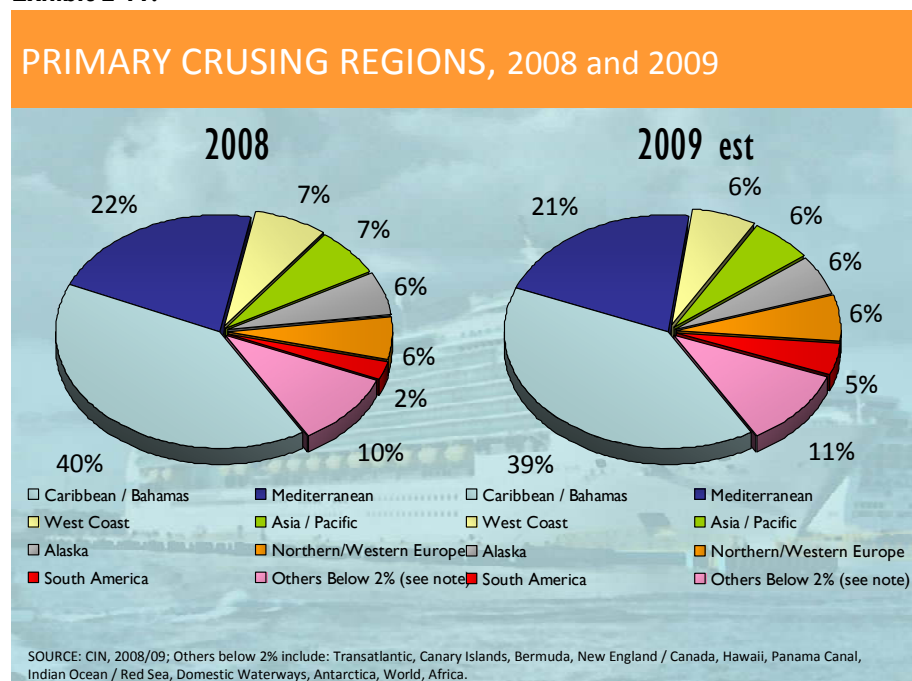
Exhibit 2-10: Primary Cruise Regions, 2004 to 2008

Source: Cruise Industry News, 2009; Capacity Measured as Percentage of Berth Placement

Cruise Region	2004	2005	2006	2007	2008	2009
Caribbean / Bahamas	49.8%	48.0%	46.4%	43.5%	39.9%	39.5%
Mediterranean	14.6%	15.3%	16.5%	18.9%	21.5%	20.9%
West Coast (Mexico)	6.5%	7.7%	7.1%	6.9%	7.3%	6.3%
Asia / Pacific	5.1%	4.3%	5.6%	6.2%	6.7%	6.0%
Alaska	6.6%	6.8%	6.4%	6.2%	6.1%	5.6%
Northern/Western Europe	4.9%	5.0%	5.3%	5.1%	5.8%	6.3%
South America	1.7%	1.9%	2.0%	2.1%	2.4%	4.6%
Transatlantic	1.2%	1.5%	1.5%	1.6%	1.8%	1.8%
Canary Islands	1.8%	1.5%	0.9%	1.2%	1.6%	2.0%
Bermuda	1.7%	1.6%	2.3%	1.9%	1.6%	1.6%
New England / Canada	1.6%	1.3%	1.1%	1.2%	1.6%	1.5%
Hawaii	1.8%	2.6%	2.8%	2.9%	1.4%	1.2%
Panama Canal	1.2%	1.2%	0.8%	0.7%	0.8%	1.0%
Indian Ocean / Red Sea	0.2%	0.2%	0.6%	0.5%	0.6%	1.0%
Domestic Waterways	0.9%	0.8%	0.5%	0.6%	0.5%	0.1%
Antarctica	0.2%	0.1%	0.1%	0.2%	0.2%	0.1%
World	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Africa	0.1%	0.1%	0.1%	0.1%	0.1%	0.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Over the period reviewed, the Mediterranean has been expanding rapidly, from a 14.6% share in 2004 to a 20.9% share in 2009. South America has also been a rising star, with capacity placement more than doubling over the period. Growth of these regions has for the most part come at the expense of the Caribbean and Alaska, which have steadily declined for the period. Africa is one of the smallest cruise regions with less than 1% of the market. For South Africa, we are specifically concerned with capacity found in the Africa deployment sector as well as portions of the Indian Ocean / Red Sea and World sectors. These will be discussed in greater detail in the next section.

Exhibit 2-11:



2.6 Southern Africa Cruising and Projections of Regional Growth

Market Defined

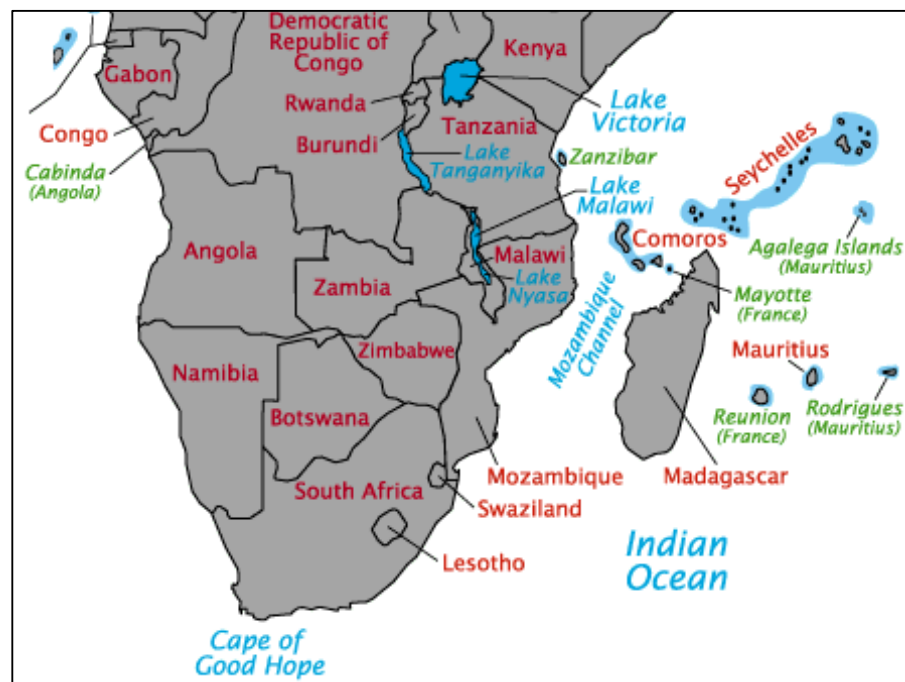
For purposes of this report and of most relevance to South Africa, the notion of Southern Africa cruising is one that takes into account a region extending along the African coast from Kenya to Namibia and taking into account Madagascar, the Seychelles and Mauritius (see Exhibit 2-12). Vessels found within this region can be categorized as falling into one of five the following itinerary groups.

- Southern Africa / Africa, which includes pan-Southern Africa offerings (Kenya, Tanzania, Madagascar, South Africa, Namibia) and parts thereof (Type 1). These cruises also often include Seychelles, Reunion and Mauritius island destinations.
- Seychelles and related cruises to the islands of Reunion, Mauritius and others (Type 1). These cruises generally only include a single homeport / port-of-call on the African continent.
- Specialty cruises to St. Helena on the *RMS St. Helena* (Type 1).
- Repositioning cruises, with the intention of the cruise lines moving the vessel to another cruising region for seasonal / annual service (Type 2).
- World cruises on vessels moving from region to region (Type 2).

Those denoted as Type 1 itineraries are considered purposefully deployed (i.e., in the region for multiple types of itinerary offers for a period of several weeks). Type 2 itineraries include vessels that are essentially passing through the region of World cruises or repositioning deployments to other locals (i.e., the Caribbean to Australia).

Success in growing quality cruise deployments accessing each of the principal itinerary offers within Southern Africa will, over the long term, usher in a level of critical capacity needed to sustain capital improvements and the broader notion of cruising being an important aspect of the regional travel and leisure industry.

Exhibit 2-12: Southern Africa Cruising Region



Historical data on the levels of deployment for the region is assembled by only a handful of industry sources.¹⁰ For consistency with the 2008 *City of Cape Town Investigation of the Cruise Liner Industry* study and due to their inclusiveness of all cruise operators in the region, data provided by Cruise Industry News on capacity present was utilized to estimate vessel capacities present in the Southern Africa cruising region (see Exhibit 2-10). Through application of assumptions of Southern Africa's share of capacity within the Africa, Indian Ocean and World primary cruise regions, an estimate of total market share was assembled (see Exhibit 2-13). Under this approach, capacity placement in the region is estimated at 0.568% percent in 2009, still a very low number within the context of the overall industry but one showing marked improvement

¹⁰ The Cruise Lines International Association (CLIA), a primary source for reliable data on deployment patterns by its member lines, is thought to greatly under represent European capacity in the region as most of CLIA's member lines are geared toward the North American cruise industry.

Exhibit 2-13: Estimate of Southern Africa Market Share

Sources: *Cruise Industry News, 2009, MDA and LDI, 2009*

	2006	2007	2008	2009
Africa	0.069%	0.069%	0.076%	0.299%
Indian Ocean	0.138%	0.115%	0.152%	0.249%
World	0.018%	0.018%	0.020%	0.020%
Est. Southern Africa Market Share	0.225%	0.203%	0.248%	0.568%

Similar to responses received as part of the 2008 study effort, cruise industry interviews and others sources suggest that, at present, the Southern Africa market continues to be defined as a difficult, often costly region from which to operate vessels targeted to North Americans and Europeans. To keep their businesses afloat during the financial crisis of 2009, lines have become even more conservative in their deployments and overall cost structures. Untested cruise regions and/or those with comparatively high operational costs are really not being considered by the mainstream lines until the industry's fundamental base offerings and related revenue production improve. The publicity associated with piracy off the within the Gulf of Aden and along the Somali Coast—which included incidents against two cruise vessels in 2008/09—has added to their short term pessimism for the region.

There are several points of optimism, however, from these conversations and our review of data in the marketplace.

- Key global industry growth fundamentals continue to be positive over the medium to long term. As presented previously, product diversity, cost control, passenger demand and other factors continue to be positive for the cruise lines. With the addition of up to 147 additional new vessels over the next 20 plus years, lines will undoubtedly need to consider regions like Southern Africa to place capacity on a seasonal basis and continue to grow their respective businesses.
- While present market capture levels are small, the region has shown consistency over the past several years in preserving its share of the growing global industry. Barring a substantial degradation of regional security and stability, it is highly unlikely this level of natural growth in regional business will disappear. Thus, it is reasonable to assume a baseline level of cruise activities in the region will continue to remain and grow naturally as the global industry expands.
- Cruise lines are placing increasing amounts of capacity on a seasonal basis in the Middle East, taking advantage of mild winters, improving destinations (Dubai, Abu Dhabi, Muscat, Doha, et. al.), and a general increase in passenger interest in the region. This scenario is highly useful for the lines as it serves as an alternative to seasonally relocating capacity from the Mediterranean and Northern/Western Europe to the crowded Caribbean and other all weather cruise markets. As more capacity is placed in the Middle East, it increasingly becomes a logical step for lines to expand deployments and operations into the Indian Ocean and Southern Africa. Critical to this scenario, however, is continued improvement in Middle East regional stability and near eradication of the threat of piracy as ships move south and east.
- Operators have a clear tendency to pursue the “low hanging fruit” of other, more traditional cruising regions, and as such, these will take the primary focus of their efforts until a time when more diverse and distant deployments become their next logical step for market development. This is not a new pattern; similar arguments were made for South America and Australia / New Zealand a decade ago. Their current success suggests a longer term patient strategy may, much like for other regions, present itself for the Southern Africa region provided other required pieces of destination delivery discussed in this report are in place.

- Much of the success the lines have recently had in South America is a result of their ability to tap into local Brazilian, Argentine, Chilean and other local consumer markets for cruise holidays. South Africans in general and other residents in the region are experiencing increased levels of discretionary income and may one day present a strong consumer market for cruise offerings. Over the short- to mid-term, however, Europeans, followed by North Americans, Asians and Australians will likely comprise the largest possible consumer base for cruises in the Southern Africa region.
- The 2010 FIFA World Cup event presents an important opportunity for the region to have a broad, international audience to showcase regional tourism offers. Successfully delivered by South Africa, this event could serve as an important catalyst—much like Olympics in Barcelona and Australia—to move the regional cruise market forward.

With these opportunities and challenges in mind, several capacity placement projection scenarios were prepared. These projection scenarios only consider conventional cruise operations. These scenarios are conservative and can likely be outperformed through a more comprehensive and aggressive effort to market the region and to capitalize on deployment opportunities.

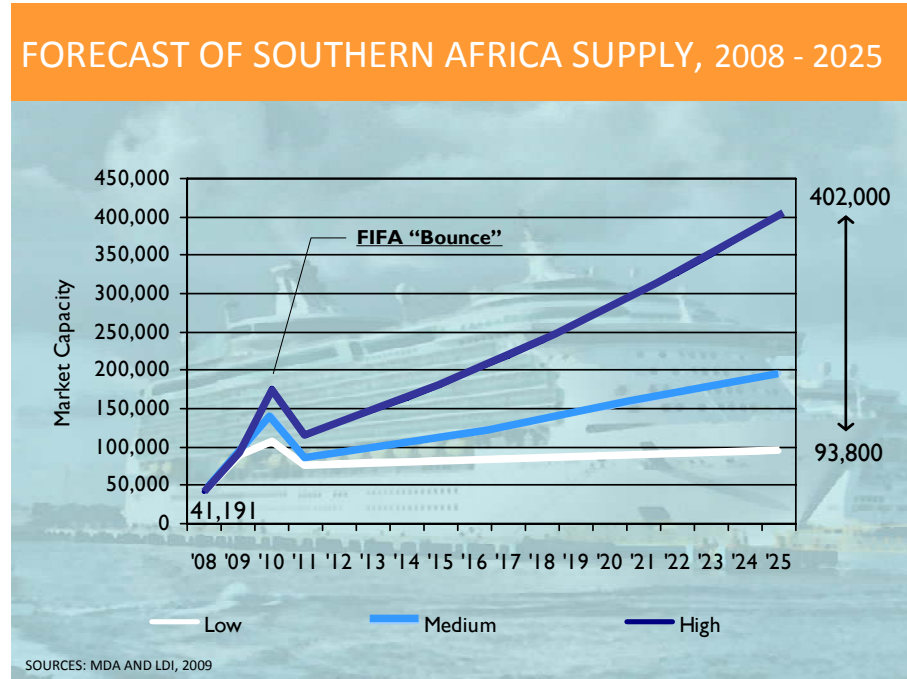
Southern Africa capacity placement projection scenarios include:

- **Low.** Capacity placement growth follows the anticipated low scenario for growth and drops market share to 0.40% per annum.
- **Medium.** Capacity placement growth follows the anticipated medium scenario for growth and expands over time to a market share of 0.73% per annum.
- **High.** Capacity placement growth follows the anticipated high scenario for growth and expands market share to 1.13% by 2025.

Under each scenario, we have tried to take into account the short term surge of vessels in the region anticipated as part of the FIFA World Cup Event held during June and July of 2010. Several ships will be present in the region, with many serving as floating hotels for the event at key coastal cities. While service as a floating hotel is not considered as part of the “FIFA Bounce” numbers shown in Exhibit 2-14, movement to/from South Africa plus additional anticipated itinerary activities in Southern Africa pre-, post- and during the event are estimated. Many of the final deployments of these vessels are still unknown at the time of this report.

Results from each projection scenario are shown in Exhibit 2-14. As presented, capacity placement in the Southern Africa region could conservatively expand from 41,191 in 2008 to within the range 93,800 (low) to 402,000 (high).

Exhibit 2-14:



Overall, the projections presented in Exhibit 2-14 present reasonable, albeit conservative outcomes. With the large number of market variables inherent in the Southern Africa region, it is very difficult to present a clear picture of likely outcomes beyond 5 to 10 years in the future.

Based on this forecast range, business as usual in Southern Africa and the region overall will likely yield limited results; effectively, the low to medium trend line. Activity in marketing and organizational components are one important key—discussed in Chapter 6—to regional viability and may push future opportunities along the high trend line or beyond. There is also some question as to the region’s ability to capitalize on the FIFA event and extent the bounce into the future, thereby shifting the trend line upwards. Again, marketing and other efforts may make a shift of the trend line upward from the FIFA event a possible positive outcome.

3.0 FIT OF OPERATIONS TO SOUTH AFRICA'S HOMEPORTS AND PORTS-OF-CALL

3.1 Overview

Cruise lines and their respective decision making groups—marketing and sales, marine operations, logistics, and finance—expend significant effort in evaluating a destination, and congruently, an itinerary to ensure it meets the various criteria established to differentiate their product offering and sell desirable and profitable cruise products. A general list of cruise line decision making groups and their primary focus in the destination selection process is provided in Exhibit 3-1.

While groups presented in Exhibit 3-1 are important in the selection process, marketing and sales followed by marine operations are the driving forces in cruise line decision making. For the marketing and sales group, evaluation of a destination and itineraries' appeal, consumer access (market infiltration) and fit of the overall product with the cruise product differentiation strategy are essential tasks. Marketing and sales teams also endeavor to include marquee destinations that have name brand recognition or are a jumping-off point for cities and venues of known value (i.e., the Port of Piraeus for the City of Athens, Greece).

The essential concern of the marine operations group is the actual functionality of a destination and itinerary in its ability to accommodate their cruise vessels. Can the vessel get into the harbor and dock at the port? Are the upland facilities capable of accommodating the needs of the vessel, passengers and crew? Is the region and port safe? These and other questions are central in marine operations evaluation of a destination and itinerary.

Exhibit 3-1: Destination Selection: What's Important to Cruise Lines

Marketing and Sales	Marine Operations
<ul style="list-style-type: none"> • Consumer awareness and marketability of a cruise destination • Access to consumers • Fit with cruise brand philosophy • Fit with consumer vacation patterns 	<ul style="list-style-type: none"> • Marine navigation and access • Berth, apron and terminal features • GTA and parking • Provisioning and Security • History of operations from the port / destination
<ul style="list-style-type: none"> • Landside access • Airlift • Lodging • Shore excursions and destination venues <p style="text-align: center;">Logistics, Air-Sea and Shore Excursions</p>	<ul style="list-style-type: none"> • Terminal charges • Labor, fuel and other operating costs • Regulatory issues • Maritime law <p style="text-align: center;">Finance and Legal</p>

Cruise lines have different needs for port-of-call and homeport operations, and accordingly, cruise line decision making groups focus on different attributes for each type of facility and destination for which it is a part. As such, sales and marketing teams are highly involved in reviewing a homeport city for its ability to provide close access to a base of consumers. Similarly, a cruise terminal is a much greater element of the homeport process; terminals are generally not needed at a port-of-call. The marine operations group will spend time reviewing and evaluating a homeport destination as to the suitability of its cruise terminal to support vessel and passenger operations.

In the section that follows, we discuss the primary and secondary components of cruise destinations. Where relevant in the discussion of these elements, we present the applicability of the elements to destinations serving as a cruise homeport, port-of-call or both. We then discuss and apply these to South Africa's destinations to assess overall strategic fit of each. The chapter concludes with project of cruise throughput to South Africa overall and each destination.

3.2 Marketing and Sales

Cruise line marketing teams are focused on developing cruise itineraries and products with high appeal to their clientele. To this end, their methodology in selecting cruise destinations involves consideration of the following:

- Consumer awareness of the destination;
- Destination ability to provide access to consumers;
- Fit of the destination within consumer vacation patterns; and
- Fit of the destination within cruise brand philosophy.

Each of these four attributes is discussed in greater detail below.

Consumer Awareness

The degree to which a consumer and cruise line is aware of a cruise destination and its tourism attributes is an important factor in its inclusion by a cruise operator as a homeport or port-of-call on an itinerary. Cruise line executives will often refer to a destination's "marquee value," its ability to offer something known, special or unique to cruise clients. Consumer awareness is important for both cruise homeports and ports-of-call.

Access to Consumers

Cruise lines and their marketing teams are continually looking for ways to tap into new or under-served consumer markets. While cruise lines employ a number of strategies to achieve increased consumer access, one significant trend over the last decade has been North American operators shifting cruise homeport operations to new, non-traditional cities with the hope of attracting cruise passengers within a 4 to 6-hour drive (whether private auto or bus) to embark on a cruise vacation. On an international scale, lines are active in finding homeports that gain access to consumers that are within a short drive or under 3 hour flight.

Fit with Consumer Vacation Patterns

Lines over the past two decades have found strong demand for cruises of varying durations, with short (4-, 5-, and 6-day) itineraries and the classic 7, 10 and 14-day cruise being the most highly sought by consumers. Destinations that can serve as a homeport or are accessible as a port-of-call for cruise lengths of a variety of durations have strong appeal with cruise line market planning staffs.

Fit with Cruise Brand Philosophy

For many cruise lines, the selection of a cruise homeport and port-of-call is a reflection of their brand philosophy. Budget brands are likely to select cruise destinations with lower port charges and operational costs; conversely, luxury or premium cruise brands are continually looking for those facilities that have a sense of status and elegance. Cost considerations are not the primary driving factor in their deployment process, but are increasingly addressed as an issue as competition increases.

3.3 Marine Operations

A cruise line's marine department is concerned with all vessel operations that take part on a cruise homeport turn or port-of-call visit. As desirable as a cruise destination might be from a marketing perspective, it must have the blessing of the marine operations group in terms of an overall ability to make a safe and timely operation. The cruise ship is the most valuable asset a cruise line has, thus protection and efficient use is essential.

Marine Navigation and Access

Marine navigation requirements of modern cruise ships are significantly less than those constructed 20 or 30 years ago. Most cruise vessels in operation have vessel drafts of 10 meters or less and beams under 36m for Panamax vessels and between 36m and 48m for post-Panamax ships. Bow and stern thrusters provide excellent maneuverability for those cruise vessels constructed within the last fifteen years. These newer ships generally do not require tugboat assistance and can maneuver in turning basin with a diameter of between 1.2 to 1.5 times the ship's length overall. For the majority of cruise vessels in operation, air drafts (height) are below 55m; only the industry's largest cruise vessels as measured by GRT and passenger capacity have air drafts upwards of 65m.

Berth Configuration

Berth configuration has important ramifications from a marine, landside access and upland development perspective. Cruise vessel berthing configurations observed worldwide are varied; specific application in ports and harbors is generally reflects (from most important to least important):

- Cruise vessel protection and safety at berth;
- Proximity and access to channels and turning basins of adequate depth (this consideration takes on additional weight given cost of construction and environmental permitting issues associated with creation of new marine navigation facilities);
- Water depth;

- Configuration of docks as it relates to marine navigation to/from the berthing position;
- Length and number of the vessel berths needed to support vessel operations;
- Utilization/rehabilitation of existing marine facilities for vessel operations;
- Size and configuration of available upland areas available to support operations. Upland areas are substantially larger for cruise homeport operations;
- Proximity of facilities to upland transportation and access; and,
- Relationship between the facility and other land uses, inclusive of mixed-use development, views, and other planning parameters.

Berth Length and Apron Areas

Cruise terminal and apron needs are generally minimal for cruise vessels conducting port-of-call operations. A cruise berth and related apron area intended exclusively for port-of-call operations should at minimum provide coverage of the middle third of the cruise vessel's side and be supported by a series of mooring and fendering dolphins/structures. Berth and apron needs are sizable associated with cruise homeport operations, with provisioning and access to essential ship shell doors being a required design element. The cruise berth, seawall height and related apron space should at a minimum:

- Allow for access along 80% of the vessel;
- Provide for two truck widths alongside; and,
- Offer passenger gangway(s) and crew-level shell door access.

Apron areas for a single loaded berth or pier should be wide enough to provide for gangway erection, passenger movement, a secure perimeter, ship's lines, and emergency and provisioning vehicle access. At least 20m between the terminal and pier face for a single loaded berth is recommended. Turning movements of trucks accessing the apron area should be considered.

Passenger Terminals

The passenger terminal is the nexus of land and waterside transportation activities. In this role, it is essential for a terminal to be highly efficient, moving people quickly from the land-side transportation area to the ship. A terminal is also a reflection of the destination's image, affording an important opportunity to make a favorable impression on arriving and departing tourists.

A cruise terminal in the traditional sense is not typically needed in port-of-call operations; only a covered area that offers weather protection, restrooms, signage to transportation areas, and destination information is necessary.

Cruise terminal requirements are significantly greater for facilities accommodating cruise homeport operations. The cruise homeport terminal reflects the following operational needs: Passenger ticketing and processing; passenger luggage off-loading; requirements of inspection services (customs, immigration, agriculture, and health); security screening points; waiting lounges; support office spaces and circulation.

Several types of cruise terminals are observed in operation worldwide. Each is described below:

- **Single Berth, Single Terminal.** As aptly named, this configuration involves the use of a single terminal structure supporting a single vessel berth. All activities—

embarkation, disembarkation, ground transportation, federal inspection services, and others—needed to support the vessel are handled within a single building. This terminal type is the most commonly observed at cruise destinations, especially with those operations found in defined port districts and management areas.

- **Multi-Berth, Single Terminal.** This terminal configuration is a favored type for facilities with a substantial cruise vessel base. For embarkation activities, the multi-berth, single terminal approach allows for two or three vessels to be accommodated with a single GTA, check-in, waiting and security area—a configuration very similar to that of an airport departures concourse. Cruise passengers are distributed to the cruise ship berth via multiple gangways. Disembarkation areas, while separately divided for each ship, often share a common customs and immigration center. The multi-berth, single terminal's primary strength lies in the sharing of these facilities, allowing for improved efficiency and reduced capital and operational costs on a per ship basis.
- **Single / Multi-Berth, Remote Terminal.** Copenhagen has very dispersed cruise berth facilities, with many different locations being used to support the port's seasonal business. The main focus of cruise operations is Langelinie, a 1,000m linear wharf. This facility, as well as others used for cruise operations, has very little upland area to support ground and terminal operations. As a result, Copenhagen has foregone the development of a more traditional cruise terminal and has instead improvised to create a "City Terminal" concept (also known as the Copenhagen Cruise Lounge) wherein hotel ballrooms and/or small tent remote facilities are utilized to provide a flexible and cost effective way of accommodating cruise ticketing and other terminal functions. Once cruise passengers check in, the "City Terminal" concept allows them to explore the city: In essence, the downtown is the passenger waiting area. Copenhagen's "City Terminal" is one of the few working examples of a remote terminal approach. This concept effectively allows the cruise terminal to be situated in any number of locations and often relies on the use of existing facilities. Buses or smaller shuttles move passengers from the remote terminal to designated cruise berth facilities.

Terminal space programs can vary from port to port. Review of general planning parameters for cruise terminals observed in Europe and Asia call for development of passenger areas of between 1.0m² and 2.1m² per passenger, a rate that accounts for passenger check-in, waiting, security, baggage, cruise line offices and back-of-house functions.¹¹ North American standards are generally higher due to more involved baggage, immigration and customs requirements. Today, simulation software has advanced to the point that it provides an essential tool for designers to properly size terminal spaces to meet passenger flows, peaking and other aspects of the cruise homeport operation.

Terminal typologies presented herein often include additional uses beyond cruise operational spaces. These uses can include retail, entertainment, office, recreation and conference center areas that work to create venues for cruise passengers as well as community residents and landside tourists (see Exhibit 3-2). In some instances, actual cruise spaces are used to support others found in the complex (e.g., a cruise embarkation area not in use during the week serving as a conference expo space). Vancouver's Canada Place and the Port of Seattle's Pier 66 are excellent examples of this type of a mixed-uses terminal development approach.

¹¹ Flexibility may exist in the design of terminal disembarkation spaces, especially related to how the cruise line and customs plan to conduct baggage lay down operations. Terminal spaces should be designed around the largest vessel(s) anticipated to operate regular homeport operations from the terminal facility.

Exhibit 3-2: Suitable Uses in Concert with Cruise Facilities

Source: LDI, 2009

Mixed-Use Type	Most Desirable	Somewhat Desirable	Less Desirable
Retail	Mid-to upper level shopping (geared to locals and cruise passengers); luxury goods; duty free; high-end prepared foods; some kiosk and specialty retailers; others	Marketplace / bazaar; crafts market	Big box retail; low-end discount shopping
Entertainment	Live theatre; specialty / Theme entertainment; Nightclub	Standard cinemaplex; Sports facilities; Gaming	-
Restaurants	All; White tablecloth; Food court; Mid-Range Establishments		-
Office*	Class A and B+; Maritime office		Class B and below
Hotel*	Four to Five Star, Greater than 120 rooms		Three star and lower
Residential*	-	-	All
Conference / Convention*	All	-	-
Multimodal Transport*	Water Taxi; Mass Transit and Light Rail systems; Local charter and tour offerings	Ferry (inter and/or intra-regional); Public bus	Industrial rail
Marina*	-	All	-
Public recreation*	All	-	-
Industrial	-	-	All

Note: *Significant consideration needs to be given to Port security planning with incorporation of these uses proximate to the waterfront.

Ground Transportation Areas (GTA) and Parking

Both homeport and port-of-call operations need to have large areas dedicated to GTA loading, off-loading and marshalling for tour buses, taxis, limos and private car operations. Tour buses, often the most demanding in terms of area required for operations should have at a minimum a drop-off / pick-up area capable of accommodating between 10 and 16 buses simultaneously for a 2,000 to 3,500 passenger vessel.

For homeport operations, the GTA for buses needs to allow for luggage transfer to cages (inbound) and for loading back onto buses (outbound). Because the discharge of cruise passengers occurs within an abbreviated period, a bus marshalling area(s) supporting the primary GTA is typically needed to hold all buses required in the operation. Control of taxi operations via radio dispatch from a marshalling area is also preferred for vessel operations, especially in larger ports-of-call.

Parking needs associated with cruise homeport operations can vary widely dependent upon the volume of cruise operations, the degree to which the cruise vessel serves a drive-cruise consumer market, and the duration(s) of cruise itineraries offered from the homeport (cruises of shorter durations generally have a higher need for parking areas). Ideally, parking areas should be within close proximity to the cruise terminal; as an alternative, satellite parking areas with shuttle bus services are a workable solution for a number of port facilities. Calculations for needed parking areas typically account for double private vehicle occupancy and are based on a percentage capacity per cruise ship. Some parking will need to be provided for both anticipated drive-cruise business and for terminal staffing.

Provisioning

Generally applicable only to homeports, provisioning of food and beverage items, fuel, water, spare parts and sundries to be used onboard is essential. In certain homeports, cruise lines will send ahead a number of containers of provisions for use in the upcoming cruise homeport operation, thereby requiring some degree of storage area. Provisioning activities occur rapidly and are to be completed at least an hour prior to the vessel's scheduled departure time.

As described earlier, the provisioning process requires a large apron area and ample access to the vessel's shell doors. Areas for truck ingress and inspection need to be provided prior to the vehicle gaining access to the vessel berth. The inspection area should allow for explosives and narcotics detection of truck contents as well as examination of driver credentials. Consideration should be provided for a queue/ holding area of between 3 and 5 trucks prior to the inspection area. It is preferred to have a separate point of ingress and egress that allows provisioning vehicles to be inspected and then circulate along the dock. This configuration improves the efficiency of the overall operation—especially in a pier configuration with two ships at dock—and eliminates the need for trucks to turnaround while on the apron. The flow of all articles, including stores, cargos and baggage into and from the cruise vessels will need to be approved by Customs and be subject to Customs checks. Dumpsters, telephone, fresh water and (increasingly) gray water connections on the berth or via barge need to be provided. Fuel operations generally occur via barge brought alongside the cruise vessel.

Gangway design should allow for a system that moves both horizontally and vertically along the vessel apron to allow for the widest range of vessel boarding doors to be accommodated. Gangways systems should take into account tidal fluctuations and adjust accordingly.

Access

Multiple modes of access should be provided for a cruise homeport terminal. Consideration should be provided for at least two lanes of access to a terminal site, with bus and drop-off areas separated. A one-way circulator is often ideal for heavily used terminal facilities. Additional circulation lanes should also be provided if significant multiple uses are included in an overall cruise terminal program. For the private car and taxi zone, separation of these operations modes should be provided as space permits. For passenger pick-up, management of taxi flows should be undertaken through radio dispatch of taxis from a separate marshalling area. Special variable message board signage should be considered for the terminal to easily communicate to passengers arriving by road the assigned terminal for a specific vessel and the availability of parking.

Pedestrian facilities for cruise passengers and crew should be provided. These could be incorporated into a greater public recreation component of the terminal overall. Access points should be well marked and designed to reduce conflicts between pedestrians and vehicles. Signage and other wayfinding tools should be clear and lead pedestrians easily to/from the terminal into the surround area.

Special consideration should be provided for linking to mass transit, ferry and other modes of transit to a new cruise terminal complex. These links provide for expanded mode selection and reduce terminal parking needs.

Security

Any new and/or redeveloped cruise facility will need to meet the minimum standards of the ISPS Code. The facility should also meet and/or exceed many of the standards considered best practices for maritime security facility planning. These include:

- Development of a security plan for the facility;
- Screening of all passengers and luggage;
- Limit access to the apron to authorized, port/terminal ID holding individuals only;
- Inspection of provisions;
- Movement of private car drop-off areas and parking away from cruise vessels. A minimum distance of 35m should be established (both above ground and structured);
- Apron fencing of 3m to 4m in height with a top bar and razor wire (or similar structure to discourage fence scaling);
- Lighting of the apron and access areas (between 3 and 5 footcandles);
- CCTV surveillance of the terminal, apron and waterside and upland approaches;
- Access control systems for all doors leading to the vessel apron;
- Provision of a small security operations center as part of the terminal; and,
- Consideration of waterside security surveillance and patrolling prior to and during vessels being in port.

History of Accommodating Cruise Vessels, Marketing, and Other Intangibles

An incident free track record of accommodating cruise homeport and port-of-call operations enhances a port's position and ability to market itself to the various cruise line operational and marketing departments.

3.4 Logistics, Air-Sea, and Shore Excursions

The movement of cruise passengers to, from, and within a cruise destination city or region is a major consideration for cruise lines when deploying a cruise vessel. The logistics, air-sea, and shore excursions departments of the cruise line each has a series of needs that are reviewed as part of their evaluation of a destination.

Landside Access

Cruise lines consider cruise facility and destination access on several levels. For homeport activities, both the proximity of the cruise facility to other needed destination homeport infrastructure—major roadways, airport(s), rail terminals, and hotel facilities—and the ease of access to cruise facilities are thoroughly reviewed. Ports that are located close to downtown areas, shopping districts or other tourism offerings are important elements in the delivery of the destination. Cruise lines also consider the availability of pedestrian access and shuttle services to the destination attractions.

Airlift

Most homeport operations rely upon some degree of airlift to bring their clients to the cruise embarkation city. The amount of airlift required for a homeport operation can vary widely depending upon the location of the homeport, focus of cruise line marketing efforts, the duration of the cruise, and other factors. Homeports close to large drive markets may need to accommodate less than 30% of the load of the ship via air, while those homeports that do not have a considerable drive market and are fly-cruise homeports must accommodate up to 100% of the total berth capacity of the vessel through air links. North American lines prefer to use scheduled airlift in homeport operations; European lines generally organize chartered flights for their passengers.

Lodging

Pre- and post-cruise stay-overs in the homeport city or region are most often part of a cruise line's package offerings; staying additional nights or embarking on an additional tour package becomes an extension of the cruise holiday. Dependent upon the distance of the consumer source market, a number of cruise passengers may be forced to stay overnight in the embarkation city prior to departing on the cruise the following day to ensure the cruise is not missed due to a late arriving flight or missed connection. Because of these two demands, the supply and price of available three-, four- and five-star hotel rooms within a homeport city or region is an important factor in the selection of a cruise homeport location that each cruise line considers based upon their passenger demographic.

Shore Excursions

Applicable to both homeports and ports-of-call, shore excursion offerings and their needed infrastructure in terms of providers, guides, vehicles, venues and quality of service are vital to cruise lines in terms of providing a high degree of passenger satisfaction and acquiring a satisfactory level of profitability from a port visit. Participation rates on shore excursions vary greatly depending upon the various tourism offerings at a port, their distance from the port, the duration the cruise vessel is in port and others.

3.5 Finance

Keeping costs to a minimum is clearly an important agenda for cruise lines. As such, cruise line finance departments pay particular attention to port charges and other vessel deployment costs.

Port Charges

Cruise lines are very sensitive to port charges, including those levied on passengers, dockage, wharfage, harbor dues and others. These charges are assessed as part of homeport and port-of-call operations.

Labor and other Operations Expenses

Beyond competitiveness in cruise port charges, cruise lines look to other ways operational costs can be reduced as part of a cruise port-of-call and homeport deployment. Savings can be achieved from lower costs associated with labor required to work the ship while in port (stevedores, line-handlers, security, and others), better prices associated with the availability of key provisions, and reduced costs related to operational speeds to other itinerary ports.

Regulatory Issues

Cruise lines are sensitive to and review issues associated with specific laws and regulations as they may impact a call at a specific port or execution of a cruise itinerary. Coastwise movement of vessels and any related cabotage laws, environmental regulations and environmentally sensitive areas, and customs and immigration requirements are just some of the issues considered.

3.6 Strategic Fit of South African Destinations

Historic and Current Operations

Paralleling the broader Southern Africa region described in Chapter 2, cruise activities to South Africa are not well developed. Historical data provided by the NPA indicates total cruise vessel calls to South African Ports totaled 196 in 2008/9 (see Exhibit 3-3). While vessel calls have fluctuated over the past decade, operations have shown marked improvement over the past two seasons.

Active ports in South Africa include Durban, Cape Town, Richards Bay, Port Elizabeth, Mossel Bay, East London and Saldanha (see Exhibit 3-4). Only Durban and Cape Town are formally used by cruise ship operators as homeports. The remaining ports have become port-of-calls as part of past/current cruise line itineraries. Cruises arriving to South Africa are operating within several different types of itineraries outlined in Chapter 2. Fit is generally strongest with Durban and Richards Bay supporting operations in all sectors; Cape Town and other ports-of-call generally support pan-Southern Africa and South Africa itineraries as well as Type 2 offerings but, given their more western coastal location, they do not lend themselves to supporting Seychelles and related cruises to the islands of Reunion, Mauritius and others.

Cruise ships calling on South African ports are generally small, older vessels. As documented in the 2008 study, average vessel size is 587 passengers and 164m length overall. Vessels in the market can generally be categorized as being from a variety of different consumer segments and predominately directed toward a European cruise audience. Vessels tend to be older, with most constructed in the 1990s.

Exhibit 3-3: Cruise Traffic to South African Ports

Source: NPA, 2009

	Durban		Cape Town		All Others (Richards Bay, East London, Port Elizabeth, Mossel Bay + Saldanha Bay)	
	No. of Calls	Avg. Vessel GRT per Call	No. of Calls	Avg. Vessel GRT per Call	No. of Calls	Avg. Vessel GRT per Call
1998/9	54	31,415	34	16,803	32	21,787
1999/0	15	31,779	27	41,340	24	58,430
2000/1	8	45,880	32	52,616	19	51,552
2001/2	0	n/a	11	67,139	4	63,591
2002/3	34	22,039	40	19,989	31	16,377
2003/4	17	17,401	26	16,159	15	34,812
2004/5	48	23,257	35	20,057	27	23,229
2005/6	64	15,765	50	14,317	65	12,893
2006/7	54	31,415	34	16,803	32	21,787
2007/8	41	31,120	25	13,807	23	16,025
2008/9	83	27,578	49	19,120	64	15,579

Exhibit 3-4



Strategic Fit of South Africa and South African Destinations

South Africa and its destinations face a number of opportunities and threats in terms of its present and future role within the cruise industry. Opportunities and threats generally include external market forces, competitor destinations, socio-economic factors, international and national policies and other items. In many cases, opportunities and threats are macro or societal environmental issues that comprise the broader international or Southern Africa region. In other cases, opportunities and threats can be considered micro or context specific environmental issues—those related to South Africa overall and its respective destinations.



Covered in the 2008 study and recapped/updated herein, identified opportunities for South Africa include:

- **Positive global cruise market growth fundamentals (Macro).** As presented in Chapter 2, the trends found in the cruise industry remain strong and point to positive cruise prospects for destinations around the world. The overall positive outlook for the market bodes well for medium and long term deployment prospects in the Southern and South Africa.
- **Desire of cruise lines and their clientele to explore new regions and destinations (Macro).** With additional new vessels anticipated for global deployment over the near term and an expectation of additional newbuilds into the future, demand for homeport and port-of-call facilities—especially those found within the industry’s most popular and profitable regions—will increase. New cruise itinerary and destination offerings will have to be introduced. Cruise passengers will also continue to demand new destinations and regions. Development and expansion of cruise destinations in Southern Africa, and specifically, South Africa fit within this trend.
- **Configuration of the Southern Africa / Indian Ocean region (Macro).** The Southern Africa region is configured to offer both coastwise itinerary development opportunities as well as Southern Indian Ocean offerings inclusive of Madagascar, the Seychelles and others. This feature, coupled with the number of attractive port-of-call stops and presence of major cities capable of supporting cruise homeport activities, greatly increases the diversity, and ultimately, the viability of cruise itinerary development.
- **High level of aspiration for an African travel experience (Macro).** Africa remains a destination with a high level of desirability for visitation, especially with experienced travelers. Cruising along Africa’s coast offers the possibility to experience Africa and a variety of its coastal and inland venues with a high level of comfort and safety.
- **Increased experience and brand identification with South Africa as a travel and leisure destination (Micro).** International travel to South Africa has surged over the past 15 years. Tourism is also one of the fastest growing sectors of South Africa's economy, its contribution to the country's gross domestic product (GDP) increasing from 4.6% back in 1993 to 8.3% in 2006. The country has made it a central policy goal to increase tourism in all visitor sectors.
- **Favorable government policies toward tourism and related businesses and investment (Micro).** South Africa and its coastal cities/destinations have long maintained a pro business legal and investment environment. As such, South Africa is considered a desirable and stable place for tourism and business activity.
- **FIFA 2010 opportunity as a showcase for cruise lines.** A well run 2010 World Cup will only add to the overall positive position and brand of South Africa. The positive momentum of tourism to South Africa and its destinations translates well into a case for cruise lines to deploy capacity and bring their guests to the region.

Identified threats for South Africa include:

- **Mobility of the cruise industry (Macro).** The cruise industry is inherently mobile, able to make deployment and itinerary composition changes rapidly given climatic, economic, social, security and other demands. The mobility of the industry creates risk for destinations in their consideration of investment in facilities if long term agreements for throughput or financial investment are not established.
- **Regional safety and security issues (Macro).** The region and South Africa, while generally offering a positive security environment, presents itself as a higher risk cruising region versus others in the global marketplace. Headlines related to piracy along the coast of Somalia, violence in Kenya, Zimbabwe, and other issues cause unease and perception issues for travelers and cruise lines.
- **Significant repositioning distances (Macro).** Repositioning of a vessel from one seasonal market to another is a necessary logistical aspect of the business. Cruise lines report, however, that these cruises are often their least profitable, owing to the fact that passenger demand is often lower for these cruises and operational costs (fuel, canal transit fees et. al.) are greater. Given these factors, cruise lines prefer to avoid / minimize repositioning cruise length and duration.¹² To gain access to the Southern Africa region, repositioning distances are substantial, with the most desirable route being transit from the Mediterranean through the Red Sea. Until the compelling case for cruise operations to the region is well established, this issue will serve as a major disincentive for some cruise lines.
- **Limited / unknown, complex consumer base within the region (Macro).** The region and South Africa is not currently perceived to offer a substantial regional consumer base for cruises, an element that cruise lines are increasingly looking for as part of their decision making for deployment and brand positioning. With the continued strength of South Africa's economy and improving economic fortunes in the region, discretionary incomes for travel and leisure are likely to improve, as have a more positive long term view. As this occurs, focus will be needed on increasing awareness of cruising as a desirable travel and leisure option for these individuals. Lines will also need to ensure they understand the various tastes and cultural preferences for consumers from Southern Africa.
- **Unclear vision and direction for the region (Macro).** From a cruising perspective, the Southern Africa region remains somewhat of a mystery to operators and guests in regard to what opportunities are available and what the overall growth and development direction is for the region. A common marketing voice—or at least, a singular strategy from South Africa—would greatly improve information about the possibilities for cruising activities to the region and set the stage for long term success.
- **Poor reception by cruise lines for South and Southern Africa at present (Macro).** Similar to line contact in 2008, cruise industry interviews and other sources suggest that, at present, the South and Southern Africa market continues to be defined as a difficult, often costly region from which to operate vessels targeted to North Americans and Europeans. Reception by cruise lines contacted as part of this study effort was tepid toward the prospect of development of increased offerings to South and Southern Africa over the short term.

¹² Luxury cruise operators and some brands, such as Holland America, are much more likely to embark on longer cruises to farther flung regions and be less concerned with repositioning issues as this is congruent with the brand identity and philosophy.

The consultant team looked specifically at each of South Africa's cruise destinations to measure in a general way the fit of each within the broader selection criteria of cruise lines. Each is assessed in a general way and should be considered a starting point for continued analysis. Criteria selected from our previous discussion in sections 3-1 through 3-5 includes:

- Consumer awareness;
- Access to consumers;
- Fit with cruise brand philosophy;
- Itinerary fit;
- Airlift;
- Lodging;
- City offer;
- Shore excursion offer;
- Marine navigation and access;
- Berth, apron and terminal features;
- GTA and logistics;
- Provisioning and Security; and,
- History of Cruise Operations.

Destination attributes were reviewed on a sliding scale—poor to good—as to its fit within cruise line criteria.

Exhibit 3-5



Exhibit 3-6



Exhibit 3-7

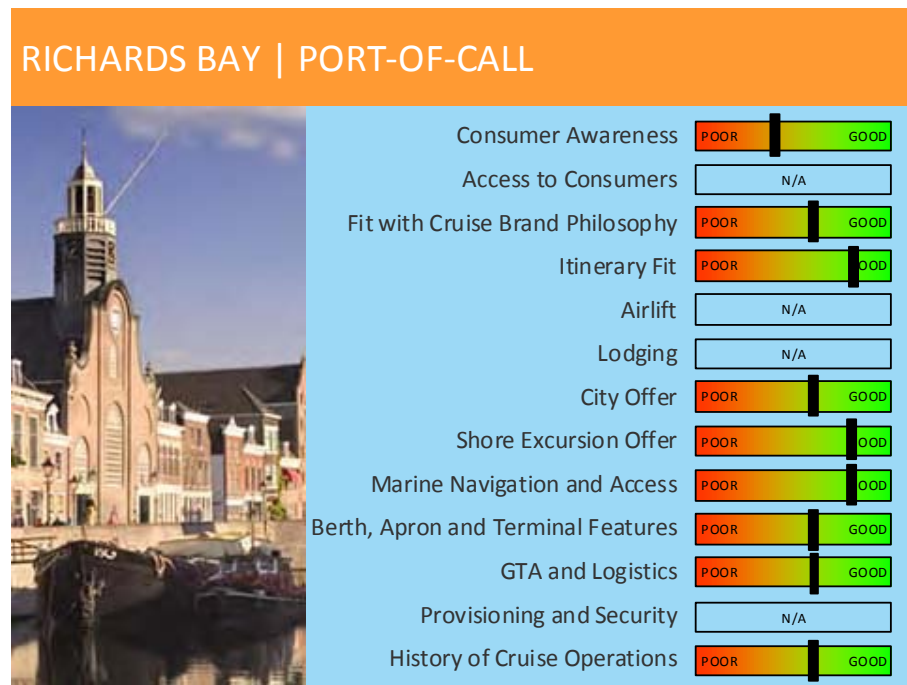


Exhibit 3-8



Exhibit 3-9

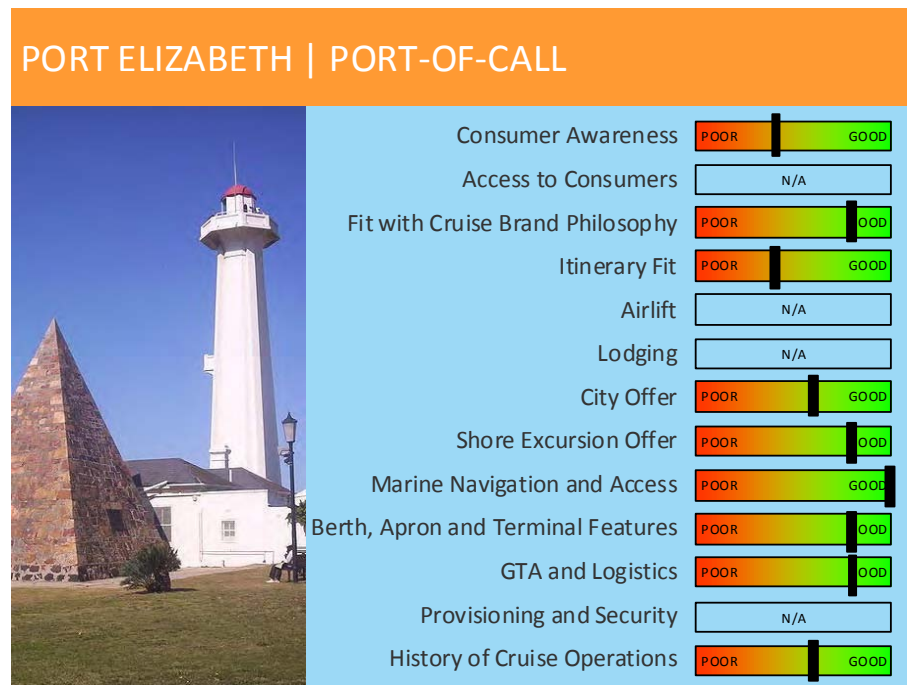


Exhibit 3-10

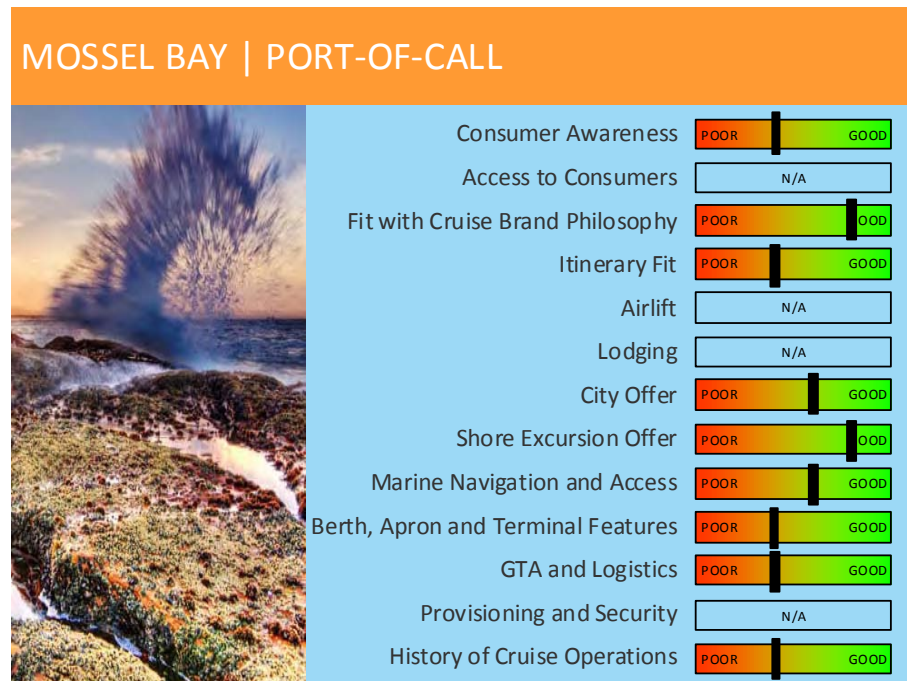
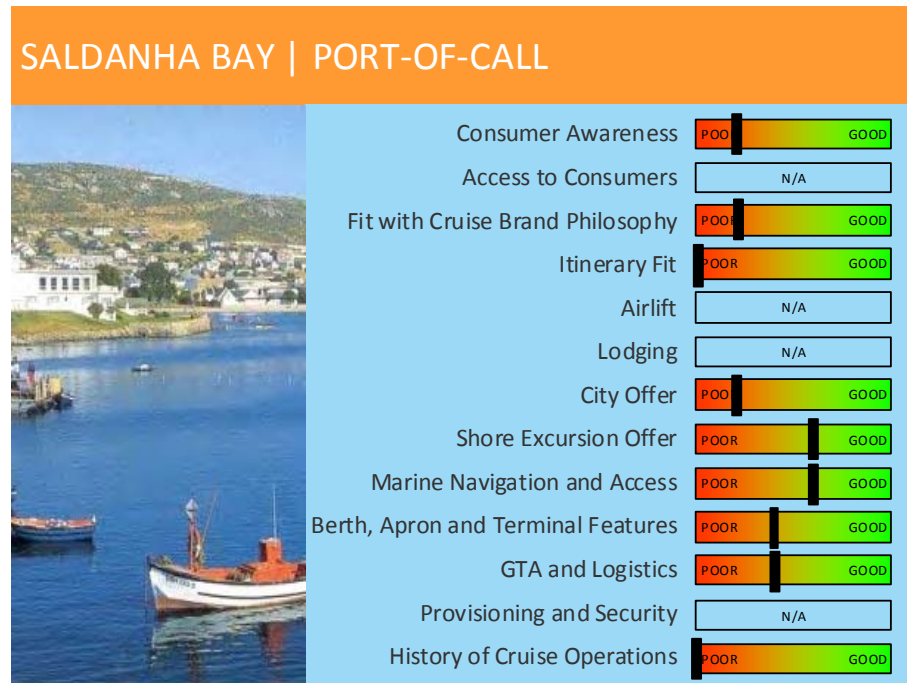


Exhibit 3-11



From our review, Durban and Cape Town offer the most compelling cruise homeport opportunities for cruise lines. Leading ports-of-call candidates for the country include Richard's Bay, Port Elizabeth and Mossel Bay.

3.7 Projection of Cruise Throughput to South Africa

From our assessment of Southern Africa cruise levels in Chapter 2 and the evaluation of destinations presented, a series of throughput projection scenarios for South Africa were prepared. The following assumptions apply to each to each:

- Similar to projection methodology of market capture for the Southern Africa region (refer to Exhibit 2-14), a low, medium and high forecast was prepared. Actual throughput is anticipated to be recorded within the range of these scenarios.
- With no coordinated and active participation by DOT and other stakeholders to market and work toward destination enhancement, throughput growth to South Africa will more closely follow the low scenario. Achievement of a large measure of success toward implementation of marketing efforts along with successful inroads with cruise lines and destination delivery will work to push actual growth closer to the medium to high scenario.
- The cruise industry is inherently mobile. With the exception of a handful of key regions and ports, the industry rarely makes decisions and long range commitments beyond five years. Without long-term commitments by cruise lines for Southern Africa, our projections rely on a number of market capture and deployment assumptions under each of the three growth scenarios.
- Projections are in throughput passengers aggregated for each port.
- Despite major disruptions in global and regional cruise activities due to world affairs, security and health issues, our projections anticipate the cruise industry will continue to be able to overcome these challenges and grow for the foreseeable future. Unanticipated events could again bring about disorder in global and regional cruise deployments, including those to Southern and South Africa.
- Our forecast methods and the various assumptions inherent in each scenario incorporate our best interpretation of demand and supply conditions present in the marketplace as of the date of this report.

In consideration of these and other factors, cruise passenger throughput to South Africa is projected to climb to between 200,000 to near 1,000,000 throughput passengers by 2025 (refer to Exhibit 3-12). Of note, levels in 2010 represent peaking associated with traffic associated with the FIFA 2010 event; throughput levels reduce and then stabilize in subsequent years from 2011 to 2015.

Forecasts were also broken down by destination (see Exhibit 3-13). As presented, Durban followed by Cape Town are expected to see the largest opportunities for cruise growth over the projection period given their anticipated levels of welcoming vessels operating as both a cruise homeport and port-of-call. Under our most optimistic scenario, Durban could welcome as many as 470,000 throughput passengers by 2025; Cape Town, 328,000 by 2025. Complete throughput forecasts for each destination are presented in Appendix B.

Exhibit 3-12

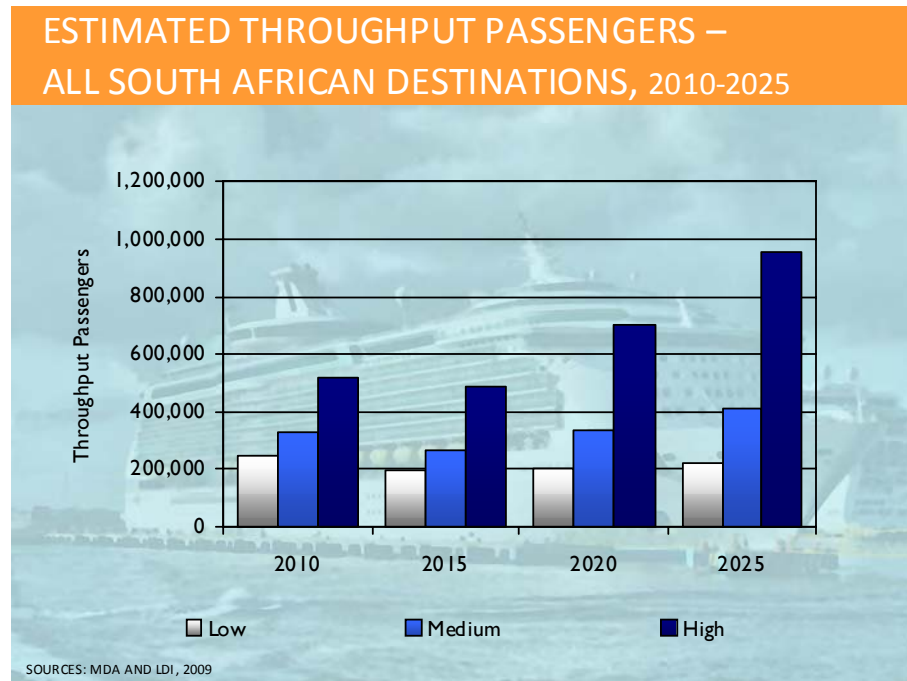
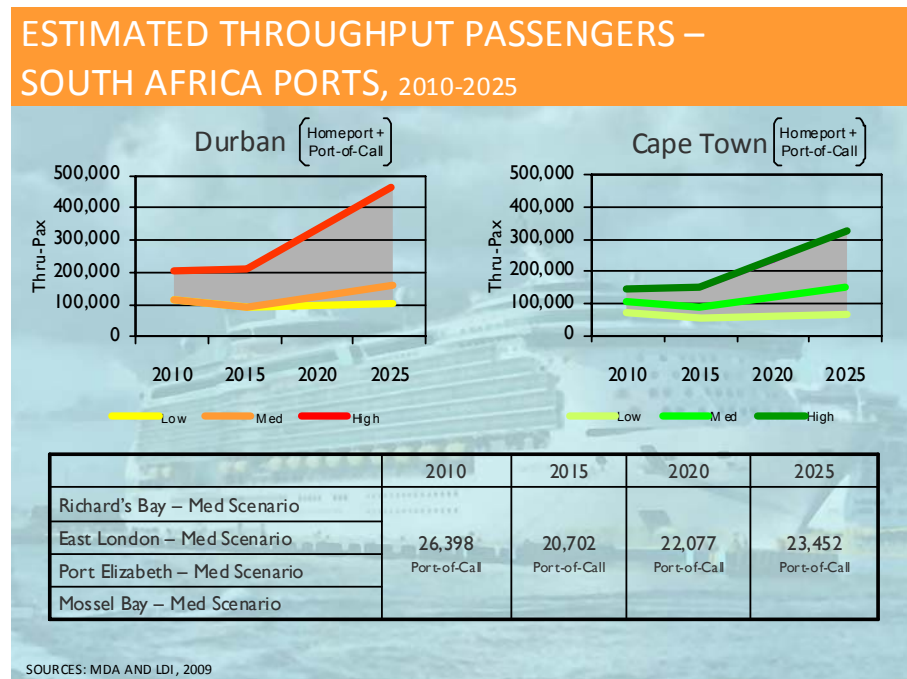


Exhibit 3-13



4.0 ECONOMIC IMPACTS AND BENEFITS TO SOUTH AFRICA

4.1 Overview

This chapter presents our assessment of the potential economic impacts and benefits to South Africa associated with cruise operations. The chapter commences with a review of the international economic and social experiences of the cruise liner industry. This discussion is followed by the results of the economic analysis and a description of methodology and the assumptions that the analysis is based on.

4.2 International Experiences and Research: Economic

A literature review highlighted the main direct and indirect economic impacts of the cruise industry on homeport and port-of-call communities. Direct economic impacts are associated with spending by cruise passengers and crew, cruise line expenditures for operations and port services, marketing and operating expenses of their headquarters in homeports, and finally, capital expenditures for port terminals and other facilities.

Indirect economic impacts stem from the additional spending on goods and services generated by the cruise industry's port-side suppliers. The standard practice is to conduct an input/output analysis based on the spending profiles of passengers, crew and cruise liners to determine the income and employment multipliers. The actual economic benefit to the local community depends on the percentage of total spending on locally produced as opposed to imported goods and services. If, for instance, most passengers spend money on imported items while in port, then a large portion of the extra income will leak out of the economy. This is generally the case on small Caribbean islands or Alaskan coastal communities which produce only a very narrow range of goods and services. Therefore, as a rule, the larger and more developed the port-side economy the greater the impact on local income and employment.

Aside from these measurable economic impacts, the cruise industry presents shore-side communities with a number of economic trade-offs, externalities and opportunity costs which are often discussed in the literature but not quantified. The development and promotion of cruise tourism may involve significant trade-offs and opportunity costs. Cruise tourism may undermine land-based tourism which is generally more valuable. It may displace people economically and widen income disparities; make port-side communities more exposed and vulnerable to global tourism trends and economic conditions; consume scarce resources which could have been used to develop other tourist infrastructure such as airports or strain existing infrastructure, especially during high season.

On the positive side, the cruise business may form the basis for a sustainable natural resource or ecological tourism by making it unnecessary to develop shore-based accommodation and other tourist facilities which may damage the environment. It may also promote the area as a tourist destination with passengers returning as shore based tourists.

Direct Impacts

The economic benefits that accrue to homeports and port-of-call communities arise from five principal sources:

- Spending by cruise passengers and crew for goods and services associated with their cruise, including travel to the homeports and pre- and post-cruise vacation spending, onshore tour excursions, food and beverages and other retail;
- Expenditures by the cruise lines for goods and services necessary for cruise operations, including food and beverages, fuel, vessel maintenance and repair and ship's supplies;
- Spending by the cruise lines for port services at homeports and ports-of-call;
- The shore-side staffing by the cruise lines for their headquarters and marketing operations; and,
- Capital expenditures for facilities constructed including port terminals, office facilities and other capital equipment.¹³

Cruise Passenger and Crew Spending

Direct economic impacts from passenger and crew spending are based on the following activities:

- Transportation of embarking cruise passengers;
- Passenger spending associated with pre- and post-cruise stays in the area;
- Spending by in-transit (port-of-call) passengers; and,
- Spending of crew aboard all visiting cruise ships.

To estimate total cruise passenger and crew spending cruise industry economic impact models require the following inputs:

- Total passenger throughput which depends on:
 - ❖ Number of cruise vessels, and
 - ❖ Occupancy rates
- Average passenger spending which depends on whether the port is a:
 - ❖ Homeport or
 - ❖ Port-of-call
- The average ratio of crew to passengers;
- The average percentage of crew who go ashore while in port; and,
- The average spending per crew member.

Passenger throughput depends on number of cruise ship visits, number of berths per cruise ship and their occupancy rates. While the number of vessels depends on the port, cruise occupancy rates usually range from 90% to 95%, levels much higher than the 70% average hotel rate.¹⁴

¹³ Business Research & Economic Advisors (BREA). 'The Contribution of the North American Cruise Industry to the U.S. Economy in 2007'. (Prepared for Cruise Lines International Association), July 2008.

¹⁴Seidl A., and others. 'Cruise Tourism and Community Economics in Central America and the Caribbean: The Case of Costa Rica', September 2005, p. 7-8.

- As of January 1, 2009, the active global cruise fleet had a combined total berth capacity of 372,096. By 2012, the world's cruise ships will provide a total capacity of 484,804, an increase of over 30%.
- The average vessel in the global cruise fleet is 18 years old and has a capacity of 1,135 passengers, although the trend is towards much larger super- and mega-liners. Six of the nine ships delivered in 2008 had a passenger capacity ranging from 2,030 to 3,300, marking 2008 as the first year in which all new ships were in the megaship category (> 2,000 passengers).¹⁵
- An additional 31 cruise ships—most of them superliners—collectively worth US\$18.1 billion, will be built by 2012 to meet growing demand.

In general, passenger and crew spending is a significant proportion of total cruise line expenditure ranging from a low of 25% for San Diego to 58% for Australia, 66% for Vancouver, British Columbia and as high as 84% for Hong Kong.¹⁶ In North America by contrast, passenger and crew spending made up only 19.4% of the US\$18.7bn cruise sector spending.

These differences, which will be discussed later, are based on whether the port is a homeport or a port-of-call, the unique attributes of each port, the geographical scope of the impact study. It also depends on whether the country is a source—in terms of passengers and cruise capital expenditure—or a destination market. For instance, the majority of cruise lines are US-based and most of their purchases of goods, and services as well as capital expenditures (fleet expansion, cruise terminal and port and office facilities, headquarters etc.) and taxes flow back to the US. This explains why passenger spending is less important to the overall cruise sector in the US. Also, when widening the geographical perspective from a city to state or country, passenger and crew spending which is concentrated at the port, becomes relatively less important compared to cruise operator spending which is geographically dispersed.

Spending on air transportation and cross-boundary land transportation by embarking passengers is by far the most significant component of passenger and crew spending. Some analysts working on cruise industry impact (San Diego and Hong Kong) allocate only 50% of transportation to local operators, assuming that half of spending will leak out of the local economy.

Air transportation is the most important component of travel spending. In the North American cruise sector, air transportation accounted for 21% of total cruise sector spending. The average percentage of passengers arriving by air at homeports in the US in 2007 was 60%. The average air fare was estimated at US\$390. Travelling by car is usually the second most important mode of travel for embarking passengers.

Embarking passenger spending constitutes the second largest component of passenger and crew spending and varies widely. Embarking passenger spending is a function of pre- and post-cruise length of stay. Here accommodation usually constitutes the largest expense. In San Diego, an estimated half of spending is on accommodations, another third to dining and the remaining sixth to clothing, retail and entertainment. A typical embarking passenger will spend around 1.7 days in a homeport. In Vancouver 65% of respondents reported adding one or more nights to their vacation either before or after their cruise. Forty-two percent of all respondents reported spending at least one night in Vancouver, with an average stay of 2.0 nights. Twenty-three percent of respondents reported spending a day in Vancouver. In North America, 41% of embarking passengers stayed overnight, spending on average \$285 per visit while the remaining day of cruise

¹⁵Ebersold, W. 'Can megaships, Europe propel profits?', Marine Log, 1 February 2009. <http://www.allbusiness.com/trends-events/conferences-conventions/11803417-1.html>

¹⁶Cruise Down Under. 'Economic Impact of the Cruise Shipping Industry in Australia, 2006-07 Final Report', August 2007, p. 3., and others.

arrivals (59%) spent only US\$31.¹⁷ This translates to an average of US\$135 per embarking passenger. In Vancouver embarking passengers spent CA\$300 (CA\$210 for one night) compared to only CA\$75 for in-transit visitors.¹⁸ Spending on accommodation can often depend on whether embarking passengers are local residents or international tourists, the distance traveled and schedule of airlift if the passenger is flying into the homeport city, and other factors.

Therefore, cruise homeports generally receive more economic benefits than ports-of-call since expenditure on travel, lodging and dining are confined to the cruise ship.

To determine port-of-call spending requires an estimate of the percentage of passengers who disembark and their average in-transit spending. Typically 90% of passengers go ashore while docked in a port-of-call.¹⁹ Average port-of-call spending and typical spending patterns are usually estimated based on passenger as well as local business surveys. Based on anecdotal evidence, the average in-transit passenger who does not purchase a shore based tour will travel within 1.5km of the port.

Port-of-call passenger spending estimates based on eleven Caribbean, two Canadian and three Alaskan ports vary between US\$31 in Aruba, to US\$125 in Juneau. This translates to a mean spending amount of US\$60.²⁰ The average in-transit spending by passengers at North American port-of-calls is US\$122. Clothing & retail is the largest expense item (67%), followed by Food & Beverage (15%), and tours & entertainment (18%).²¹

Crew Spending and Crew Complement

Crew spending makes up a significantly smaller share of total cruise ship spending. This is because ship employees are outnumbered by passengers; they earn substantially less than the average passenger; the majority stay on board and the remainder spend less time ashore than passengers.

Crew to passenger ratios can range widely depending on the cruise operator's area of operation and the type of cruise. On average, the ratio of employees to passengers is between 33% and 50% on standard cruise ships, rising up to 80% on luxury liners. In the Caribbean and in North America (including Alaska) the average percentage is 62.5% (an average passenger crew ratio of 1.6). In other words, the average North American cruise liner with a 1,100 berths capacity will have 687 crew members.²²

Based on anecdotal evidence, approximately 40% of ship employees disembark.²³ In North America, the average crew spending per visit was US\$45 in 2001.²⁴

Cruise Line Spending for Port Services and Cruise Operations

The cruise line and port service providers are an important component of the core cruise sector and include port services as well as provisioning. Port services include tugboat and piloting services, port agents, stevedores, passenger reception services, warehousing and other material handling services. The actual port charges are usually based on a combination of a passenger disembarkation fee, ship length and time in port. The average port fee in the Caribbean was estimated at US\$5 per passenger which however is based on a very wide range of between, for example, no charge in St.

¹⁷Business Research & Economic Advisors (BREA). 'The Contribution of the North American Cruise Industry to the U.S. Economy in 2007'. (Prepared for Cruise Lines International Association), July 2008, p. 31.

¹⁸Dobson, S and others. 'A Primer on the Canadian Pacific Cruise Ship Industry', PhD. Thesis, May 2002, p17.

¹⁹Seidl A., and others. 'Cruise Tourism and Community Economics in Central America and the Caribbean: The Case of Costa Rica', September 2005.

²⁰Ibid.

²¹Business Research & Economic Advisors (BREA). 'The Contribution of the North American Cruise Industry to the U.S. Economy in 2007'. (Prepared for Cruise Lines International Association), July 2008, p. 27.

²²Seidl A., and others. 'Cruise Tourism and Community Economics in Central America and the Caribbean: The Case of Costa Rica', September 2005.

²³Ibid, p. 13.

²⁴Business Research & Economic Advisors (BREA). 'The Contribution of the North American Cruise Industry to the U.S. Economy in 2007'. (Prepared for Cruise Lines International Association), July 2008.

Maarten, to US\$2 in Dominica and US\$63 in the Bahamas. In Costa Rica, the Port of Limon levies a \$0.48 per meter/per hour and a flat passenger disembarkation fee of \$5,864 per cruise ship, compared to the port of Puntarenas which charges \$0.35 per meter-hour and a flat rate of \$4,800. Travelling north and west, the Port of Juneau, Alaska imposes a US\$15 per tourist fee on cruise liners.²⁵

In many US ports, most notably Miami, port services includes the maintenance costs of marketing and administrative offices and headquarters.²⁶ Therefore, in 2007, North America cruise line spending on port services accounted for 33%.²⁷ Provisioning accounts for the remainder of the core cruise sector expenditure.

Despite the similar breakdown between port services and provisioning within the cruise line spending category, the share of total cruise line spending in relation to overall core cruise sector spending varies widely. It depends on the geographical scope, whether the port is a homeport or port-of-call and on the unique attributes of each port.

Since cruise operator spending is more dispersed compared to passenger and crew spending which is concentrated around ports, widening the geographical scope of the impact assessment will tend to increase the cruise operator's relative contribution to total cruise sector spending. Another important factor in determining the relative weight of passenger and crew compared to cruise line spending is whether it is a homeport or a port-of-call. Embarking passengers, who tend to stay overnight immediately before or after the cruise, spend more money than in-transit passengers.

And finally, some ports-of-call are simply less attractive or have less to offer in-transit passengers. All of which explains why for example, Sydney Harbor's passenger and crew/operator spending split is 60%/40% compared to 5%/95% in Townsville, Queensland. By comparison port related expenditures by cruise operators in Australia as a whole in 2006/7 made up 42.4% of the cruise sector's direct economic contribution.²⁸ Clearly, national aggregate cruise sector statistics can often be misleading and should not be used for estimating cruise industry economic impacts on individual port cities.

In fact, they may not be transferable from one country to the next. Because the US is primarily a source as opposed to destination market the direct economic impact data is skewed towards the travel sector comprised of travel agents and tour operators (65% and 17.5%). This makes up 29% of the North American cruise sector since it is primarily a source market rather than a destination market.²⁹

Indirect Impacts

Cruise tourism spending boosts the output and employment of cruise sector vendors, leading to a second round of spending by cruise sector suppliers which generates further income and employment. It is standard practice to gauge the added spending and jobs created by this economic ripple-effect by using output and employment multipliers for local industries. The larger the multiplier the greater the indirect spending and job creation. Indirect economic impacts are therefore based on cruise tourism direct spending and the size of local multipliers.

For a number of reasons the cruise sector's total economic impacts are often less than anticipated. The reasons for this include: Declining spending by in-transit passengers;

²⁵Seidl A., and others. 'Cruise Tourism and Community Economics in Central America and the Caribbean: The Case of Costa Rica', September 2005.

²⁶Miami is the headquarter of Carnival Corporation and Royal Caribbean Cruises which combined, control three quarters of the North American cruise industry's capacity.

²⁷Business Research & Economic Advisors (BREA). 'The Contribution of the North American Cruise Industry to the U.S. Economy in 2007'. (Prepared for Cruise Lines International Association), July 2008, p. 24.

²⁸Cruise Down Under. 'Economic Impact of the Cruise Shipping Industry in Australia, 2006-07 Final Report', August 2007, p. 4.

²⁹Business Research & Economic Advisors (BREA). 'The Contribution of the North American Cruise Industry to the U.S. Economy in 2007'. (Prepared for Cruise Lines International Association), July 2008, p. 43.

purchases of imported compared to local products; excessive cruise sector industry concentration; and vertical integration between cruise and land-based tourism.

Cruise liners which are now marketed as “floating resorts” continue to absorb most of passenger spending at the expense of local port communities.

Mass cruise tourism has been likened to all-inclusive resort experiences, with the cruise ship itself providing the holiday experience rather than any destinations to be visited.³⁰

Furthermore, cruise operators compete directly with land-based tourism operators and take a substantial commission (up to 50% in some cases) of tour fees. Since between 45% and 65% of passengers purchase tours onboard cruise lines these are in direct competition with land-based operators. Some cruise lines even go to the extreme of buying an entire island resort, which points to the growing vertical integration of cruise and land tourism.³¹

Besides spending most of their money while on-board, cruise tourists often buy mostly imported or duty-free products while on land. In the US Virgin Islands 80% of on-shore purchases are duty-free, in Martinique 50% and the average range for the Caribbean is between 45% and 67%. Because passenger spending often contributes only marginally to local-value added, it has a commensurately low impact on local incomes and employment. Local output and job multipliers will be higher the more complex the economy and hence the wider the range and availability of local products and services the economy³²

This declining trend in land-based spending applies mostly to ports-of-call where the cruise ship supplies lodging, most of the entertainment and other amenities. Homeports, by contrast, will receive both more direct and indirect cruise sector spending. Nevertheless, even in the case of a homeport, one study found that 40% of money spent in Caribbean island economies immediately leaks out to multinational hotel chains and airlines, resulting in income multiplier estimates of 0.58 to 1.195.³³ Local multipliers for output range between 1.88 for a highly populated homeport in Central Florida and 1.4 for a port in Costa Rica.³⁴

Finally, cruise line spending on port services and provisions create secondary or indirect economic spin-offs. Because of the high degree of concentration in the cruise industry (Royal Caribbean and Carnival account for three quarters of the North American cruise sector) and the high degree of substitutability between fun-and-sun destinations there is often excessive competition for cruise business resulting in “a race to the bottom” in port charges.

Perhaps because of the downward trend in core cruise sector spending, one of the most important economic benefits stems from cruise tourism as a potential boost to land-based tourism. CLIA and cruise lines report up to 1 in 5 cruise tourists will return to revisit and explore a cruise destination on land. Moreover, land-based tourists are generally more valuable to the local economy since they spend both more time and money locally. This is particularly true of destinations which they may never have visited in the first place had it not been for the cruise liner industry.

Overall, a review of the literature suggests that the direct economic benefits will be larger for homeports than ports-of-call since the former will receive more direct passenger and crew spending, as well as other cruise operational and capital

³⁰Uebersax, M.B. 1996. Indecent proposal: cruise ship pollution in the Caribbean. 1996. <http://www.planeta.com/planeta/96/0896cruise.html>.

³¹Seidl A., and others. ‘Cruise Tourism and Community Economics in Central America and the Caribbean: The Case of Costa Rica’, September 2005.

³²Ibid.

³³Ibid, p. 9.

³⁴Ibid, p. 12.

expenditure. Indirect economic benefits are positively related to the level of economic development of the port-side community.

4.3 International Experiences and Research: Social

It is not coincidental that cruise sector social impact studies focus largely on ports-of-call in poorer, less-developed economies such as Aruba, or Astoria, Oregon, where cruise tourism can have a major impact on local economic development. Aside from cruise tourism's economic impact, a small, often traditional community's exposure to the sheer number of cruise tourists, and their behavior, activities, values, beliefs and attitudes are highly conspicuous and therefore disruptive or invasive. The arrival of cruise ships can therefore bring with it fundamental social and cultural change. By contrast, the cruise sector has a comparatively negligible social impact on major terminal port cities such as Miami or Vancouver, with their large, relatively wealthy, sophisticated, multi-cultural populations and highly developed urban economies.

A literature review highlighted some of the main social benefits and costs associated with the arrival and courting of the cruise sector business.

Cruise Tourism as Sustainable Tourism (Benefit)

Some have argued that the cruise sector has the right credentials for developing environmentally and socially sustainable tourism. In most destinations, cruise tourism is spatially confined to within a 1.5km or so of the port and does not require building land-based accommodation or other tourist facilities and infrastructure. For these reasons the cruise business may be more amenable, than land-based tourism, to ecologically sustainable tourism. Regarding cultural sustainability, it has been suggested that the cruise industry "is bringing renewed internal consciousness and celebration of indigenous Caribbean cultures and historic sites."³⁵ Demand by cruise visitors can obviously create incentives for social and cultural development. According to one study, local arts and crafts have enjoyed an economic revival on some Caribbean islands.

Cruise Tourism as Means to Enhance Welfare and Quality of Life (Benefit)

Sustainability aside, cruise sector spending includes investment in port developments, including boardwalk and shopping areas. It contributes to the growth of recreation, entertainment and historical attractions. As a result, local residents will enjoy a better quality of life which is a clear social benefit. Furthermore, cruise sector profits can be channeled towards education, healthcare or other public services.

Economic Displacement and Loss of Social and Cultural Identity (Cost)

Although it may occasionally spur social and cultural development, cruise tourism can erode the social and cultural identity of port communities. The transition from a traditional lifestyle involving resource extraction, to a more modern lifestyle based on tourist attraction is often difficult. The isolated coastal and island communities of the Alaskan fjords while increasingly attractive to cruise visitors because of their rural lifestyles and local traditions are especially vulnerable. Indigenous Alaskan social systems are becoming overwhelmed in communities where passengers often outnumber residents by a factor of 11 to 1.³⁶

Because of the higher wages paid in the cruise sector compared to traditional industries such as logging or fishing, cruise tourism may also cause economic displacement by increasing the cost of living – especially the cost of housing.³⁷ In some Caribbean ports, the economic take-off and associated influx of foreign goods and foreign currency

³⁵ Farquharson, S A. 'Caribbean Regional Cruise Industry & Links to the Republic of Trinidad & Tobago', (Cruise Line Operations & Management Thesis) 2006, p. 7.

³⁶ Ringer, G. 'Cruising North to Alaska: The New 'Gold Rush'. Cruise Tourism: Issues, Impacts, Cases. Ed. R Dowling. Oxford: CABI Publishing Butterworth-Heinemann, 2006.

³⁷ Ibid, p. 2.

induced by cruise tourism can also make a port community more materialistic and lead to widening income disparities.³⁸

Cruise tourists not only affect port communities by spending money. They often behave, dress and act in ways that undermine local religious, ethical and sexual norms. As one study points out, “[cruise tourists] desire to come to the Caribbean and be free from their own social norms. Perhaps, they find themselves drunk, naked and engaging in activities that are traditionally perceived by the Caribbean culture as lewd and inappropriate.”³⁹

Catering to cruise tourism can strain social, as well as transportation networks. In the case of Belize, the amount of growth that has been seen in the last 10 years is astounding. Since 2000, the number of ship calls has increased five-fold. In 2005, over 800,000 cruise passengers landed in Belize, this is three times the nation’s population.⁴⁰ In less-developed or smaller economies, the cruise sector can often stretch local infrastructure to the limit, especially during the peak season of operations. This therefore requires continual upgrading and repair, possibly at the cost of some other social need.

Lastly, re-orienting the economy towards cruise tourism may cause additional economic and social costs. There could be more pollution, traffic congestion and noise cause externalities which are not priced into the cruise. Cruise tourism can have adverse impact on other tourists by contributing to crowded streets, beaches and long queues. The opportunity cost of developing cruise facilities as opposed to other tourist infrastructure such as airports which cater to higher spending overnight land-based tourists could be substantial.

In many cases, cruise lines do work closely with destinations to ensure that conditions do not become overwrought with cruise passengers and other land based vacationers. A decline in the destination quality works against their desire to deliver an exceptional experience to the clientele. In several cases, cruise lines work to expand destination offerings and properly design connections with the port/town/region. Lines also work closely with shore excursion providers to move passengers through the destination at a logical pace (vs. everyone being at the same sight at one time).

Loss of Autonomy, Bargaining Power and Dependence on International Tourism (Cost)
Although arguably an economic impact, dependence on cruise tourism can have profound social impacts. Before discussing the social impacts, it is important to consider the structure of the cruise industry.

Currently, the cruise industry is controlled by only two operators: Carnival Corporation and Royal Caribbean Cruise Lines. In 2007 they controlled three quarters of the North American cruise industry and 40% of global capacity.⁴¹ The cruise industry is heavily concentrated in the Caribbean, Alaska and the Mexican Riviera and other regions presented in Chapter 2. Some two thirds of the global cruise ship capacity is located in the Caribbean during the winter months and about a quarter in the summer months.

This degree of market power makes it difficult for current and aspiring port communities to negotiate with cruise operators. Lack of bargaining power can be exacerbated by a high degree of substitutability among sun and fun tourism destinations. Therefore, port communities may become tempted to engage in a “race to the bottom” to accommodate cruise ships, due to the highly concentrated nature of the cruise industry.

³⁸Farquharson, S A. ‘Caribbean Regional Cruise Industry & Links to the Republic of Trinidad & Tobago’, (Cruise Line Operations & Management Thesis) 2006, p. 8.

³⁹Ibid.

⁴⁰Ibid, p. 14.

⁴¹Business Research & Economic Advisors (BREA). ‘The Contribution of the North American Cruise Industry to the U.S. Economy in 2007’. (Prepared for Cruise Lines International Association), July 2008, p. 2.

The loss of control engendered by the lack of bargaining power and dependence on the economic conditions of international consumers and the global strategies of the cruise ship industry does not only exact an economic price. Lower self-esteem and a growing sense of vulnerability and alienation from a loss of economic and cultural autonomy can have detrimental effects on a society's health and welfare. This, in turn, brings about yet a further round of economic costs by increasing the financial and administrative burden on both business and government.

4.4 Economic Analysis

This section presents the results of the economic analysis. The results of the analysis are divided into four parts. The first quantifies the difference between gross and net spending, in other words how much is spent and of that how much remains in the country. This is important to determine both the overall cost/benefit from the industry as well as the macroeconomic impacts. This is followed by the expected regional spending at each port. The section ends with a description of methodology and assumptions.

As presented in Chapter 3, three passenger forecasts—low, medium and high—for South Africa were assembled as part of this study effort.⁴² The detailed results discussed in this section are based on the medium passenger forecast. The final concluding results are given for all passenger forecasts. Refer to appendix A for details of the low, medium and high passenger forecasts.

Gross and Net Spending

All expenditure associated with the medium passenger forecast is itemized in Exhibit 4-I. The items of expenditure that have been used in the analysis are:

- Project facilitation. There are likely to be costs to the authorities to facilitate the project. These could range from establishing an appropriate web site, to marketing and promotion. It could also mean temporary and permanent portside facilities. At this stage the actual portside facilities are not known but it would be unrealistic not to make provision for this. These are kept low in early years because there are existing facilities in both Cape Town and Durban. They are ramped up in later years along with the increased forecast in passenger numbers;
- Expenditure by international passengers as they travel to South Africa to join the cruise;
- Expenditure by local (South African) passengers;
- Expenditure by international crew members on shore leave;
- Earnings and the subsequent expenditure by local crew members;
- Expenditure by the shipping operator;
- Total port charges;⁴³
- The value of repeat tourism as international passengers return to South Africa at a future date to revisit the country.

⁴²As referenced in Chapter 3, actual passenger levels to Southern Africa and South Africa are anticipated to fall within the range established between the low and high passenger forecast.

⁴³ Full port charges have been included in the analysis. However it is possible that cruise liners might, at certain times, displace cargo vessels. It was not possible to determine whether this would actually take place.

Exhibit 4-1: Gross Spending (Medium Passenger Forecast)

Source: Economic Information Services, 2009

All Spending (R million, 2009 Prices)

	2010	2011	2012	2013	2014	2015	2020	2025
Project Facilitation	15.0	10.0	5.0	11.0	5.0	15.0	115.0	0.0
International Passengers	507.9	314.3	340.9	363.4	386.5	410.4	540.7	689.0
Local Passengers	263.2	162.8	176.6	188.3	200.3	212.7	280.3	357.4
International Crew	13.6	9.0	9.6	10.0	10.4	10.9	13.3	16.0
Local Crew	5.8	3.5	3.9	4.1	4.4	4.7	6.3	8.2
Shipping Operator	112.6	66.3	69.9	72.4	74.9	77.4	89.2	100.3
Port Charges	31.2	20.2	21.7	22.7	23.8	25.0	31.1	38.1
Repeat Tourism	0.0	0.0	0.0	165.4	101.4	138.8	213.2	353.2
Total Spend	949.3	586.2	627.5	837.3	806.8	894.9	1,289.1	1,562.1

The items in Exhibit 4-1 represent all spending but some explanation is required in order to understand the difference between gross and net spending:

- Some of the funds leave the country. The funds that leave the country are equivalent to imports and represent a cost to the economy.
- Generally, spending by South African passengers is a displacement effect. In other words, local passenger spending is at the expense of some other spending in the country. Had the passengers not embarked on a cruise they would probably have gone on holiday elsewhere or spent the money on other forms of entertainment. Consequently, most of the spending by local passengers is treated as a displacement effect and excluded from the analysis. There are two exceptions though:
 - ❖ The first is for those funds that leave the country. These are included in imports.
 - ❖ The second is for those South African passengers who might have taken an overseas holiday. In this case part of their spending would now remain in the country, whereas previously it would have flowed out. It is felt however that most South Africans would be replacing a local holiday with the cruise holiday. Without knowing what proportion of South Africans would have replaced an overseas holiday, an assumption of 10% was made.
- Some of the items in Exhibit 4-1 are double counted. For instance, international and local passengers pay the shipping company for their cruise. Some of that money is paid to the crew who then spend it in South Africa. Likewise, some of the money is paid by the operator on replenishment and maintenance.

Exhibit 4-2 reports only net spending. This is the money that actually remains in the country. It excludes displacement and eliminates double counting. It also includes the earnings and spending by local crew members as this is a benefit to the country. Their earnings represent the money that now remains in the country but that would otherwise have left had their positions been filled by international crew.

Exhibit 4-2: Net Spending (Medium Passenger Forecast)

Spend Remaining in SA and Excluding General SA Passenger Spend (R million, 2009 Prices)

	2010	2011	2012	2013	2014	2015	2020	2025
Project Facilitation	15.0	10.0	5.0	11.0	5.0	15.0	115.0	0.0
International Passengers	297.4	185.1	200.5	213.3	226.5	240.1	314.2	398.6
Local Passengers*	7.2	4.6	5.0	5.2	5.5	5.8	7.5	9.3
International Crew	13.6	9.0	9.6	10.0	10.4	10.9	13.3	16.0
Local Crew	5.8	3.5	3.9	4.1	4.4	4.7	6.3	8.2
Operator	112.6	66.3	69.9	72.4	74.9	77.4	89.2	100.3
Port Charges	20.7	13.3	14.3	15.0	15.8	16.6	20.8	25.6
Repeat Tourism	0.0	0.0	0.0	165.4	101.4	138.8	213.2	353.2
Total Spend	472.4	291.9	308.1	496.5	444.0	509.3	779.5	911.2

* Only those South African passengers that would have holidayed outside the country's borders in the absence of the cruise

Total net spending within the country amounts to R472.4m in 2010 and increases to R911.2m in 2025. The contributors to net spending in 2010 are:

- Project facilitation to the value of R15m.
- Net international passenger spending (the portion remaining in South Africa) of R297.4m.
- Net local passenger spending of R7.2m.
- International crew spending of R13.6m.
- Local crew earnings and spending of R5.8m.
- Shipping operator spending of R112.6m.
- Port charges of R20.7m. These port charges only include international passengers and not locals. While South African passengers also pay port fees these fees have not been taken into account in the analysis because they are simply a transfer payment.
- Repeat tourism begins in 2013 which is three years after the first international passengers visit South Africa. This value increases from R165.4m in 2013 to R353.2m in 2025. This is as a result of two factors. The first is the general increase in passenger numbers as the cruise operations gather momentum. The second is due to repeat tourists who visit the country on a regular basis. Tourism research in South Africa has indicated that 17.2% of international tourists visit the country on a regular (biannual) basis.

Costs and Benefits

Exhibit 4-3 shows the costs and benefits to South African society from implementing the cruise program. There are two costs. The first is the cost of attracting the industry to the country. This could mean the cost of engagement and marketing. It could mean the cost to construct and upgrade the portside facilities. The second is the foreign exchange outflows, as South African passenger cruise fees leave the country.

The benefits are made up of the inflow of foreign exchange into the country and the subsequent generation of income and jobs.

Based on the medium passenger projections it can be seen from Exhibit 4-3 that the benefits outweigh the costs. Total net benefits to the country (as shown in the bottom line of the Exhibit) are worth R41.3m in 2010. These increase over time to total R356.4m by 2025. The costs and benefits have been discounted at a real discount rate of 8% to determine a Present Value (PV). If the PVs of all the costs and benefits are added together the project has a positive PV of R1.38bn. This means that the project is beneficial to society.

Exhibit 4-3: Costs and Benefits (Medium Passenger Projections)

2009 Prices, Rm	PV	2010	2011	2012	2013	2014	2015	2020	2025
Costs									
Project Facilitation	-100.2	-15.0	-10.0	-5.0	-11.0	-5.0	-15.0	-115.0	0.0
Forex Outflows	-3,242.2	-401.2	-246.0	-267.5	-285.9	-305.0	-324.7	-432.2	-554.8
Total Costs	-3,342.4	-416.2	-256.0	-272.5	-296.9	-310.0	-339.7	-547.2	-554.8
Benefits									
Passenger Spend	2,439.8	304.6	189.7	205.5	218.5	232.0	245.9	321.7	407.9
Crew Spend	152.5	19.4	12.5	13.4	14.1	14.9	15.6	19.6	24.1
Operator Spend	744.9	112.6	66.3	69.9	72.4	74.9	77.4	89.2	100.3
Port Charges	162.2	20.7	13.3	14.3	15.0	15.8	16.6	20.8	25.6
Repeat Tourism	1,226.2	0.0	0.0	0.0	165.4	101.4	138.8	213.2	353.2
Total Benefits	4,725.7	457.4	281.9	303.1	485.5	439.0	494.3	664.5	911.2
Net Benefits	1,383.3	41.3	26.0	30.6	188.6	129.0	154.6	117.3	356.4

The results of the analysis for the low and high passenger forecasts are compared to the results for the medium passenger forecast in Exhibit 4-4. As to be expected, the total Net Present Value (NPV) of the project reduces for the lower passenger forecast. For the low passenger forecast the NPV is R1.05bn while for the high passenger forecast it is R4.79bn. The cruise liner project remains economically viable for both the low and high passenger projections.

The high passenger forecast is beneficial to the country in two ways. Not only does it mean more passengers overall but the proportion of international to local passengers also increases. This is because most of the incremental passengers in the high forecast are international passengers.

Exhibit 4-4: Results of Analysis for Low, Medium and High Passenger Forecasts

2009 Prices, Rm	Low	Medium	High
Project Facilitation	-100.2	-100.2	-100.2
Forex Outflows	-2,426.0	-3,242.2	-6,836.7
Total Costs	-2,526.2	-3,342.4	-6,936.9
Passenger Spend	1,787.2	2,439.8	6,373.7
Crew Spend	106.3	152.5	292.7
Operator Spend	576.4	744.9	1,530.4
Port Charges	112.9	162.2	404.4
Repeat Tourism	994.1	1,226.2	3,128.4
Total Benefits	3,576.9	4,725.7	11,729.6
NPV of Net Benefits	1,050.6	1,383.3	4,792.8

It will be appreciated that the net benefits are sensitive to the proportion of international passengers relative to local passengers. As a result two sensitivity analyses were done. The first was on the proportion of international passengers relative to local passengers. The second was on the level of spending by international passengers.

The results of the first sensitivity analysis are presented in Exhibit 4-5 for the medium passenger forecast. The base case of 50% local and 50% international passengers (with an NPV of R1.38bn) is highlighted in the exhibit. If the proportion of international passengers reduced from 50% to 40% then the NPV reduces to R675.4m. If the proportion falls to 30% the NPV becomes a negative R32.5m (i.e. the project is no longer viable from a South African perspective). The switching value (i.e. that proportion where the NPV is zero) for the international passenger proportion is 30.5%. If the proportion of international passengers had to increase, on the other hand, to say 60% then the NPV of the project would increase to R2.09bn.

Exhibit 4-5: Sensitivity Analysis on International Passenger Numbers (Medium Passenger Projections)

2009 Prices, Rm	NPV
60% International Passengers	2,091.1
50% International Passengers	1,383.3
40% International Passengers	675.4
30% International Passengers	-32.5
20% International Passengers	-740.4

The second sensitivity analysis was performed on the average daily spending of international tourists. The results of the analysis are presented in Exhibit 4-6. The base case of R1,290 spend per day is highlighted in the exhibit. If their daily spending had to decrease from R1,290 per day to R1,000 per day the project NPV reduces to R656.5m. If their daily spending reduced to R500 per day the project NPV would be negative R595.1m, indicating that the project is no longer viable. On the other hand, if the spend had to increase to R1 500 per day the project NPV increases to R1.91bn.

The switching value (i.e. that spending where the NPV is zero) is R738 per day. To put this spending into context, in 2007 SA Tourism research reported that daily spend was R880 (or R1 060 per day in 2009 values). This spending occurred when many countries were already in recession.

Exhibit 4-6: Sensitivity Analysis on Average Daily International Tourist Spend (Medium Passenger Forecast)

2009 Prices, Rm	NPV
R500 daily spend	-595.1
R1,000 daily spend	656.5
R1,290 daily spend	1,383.3
R1,500 daily spend	1,908.1

Although the sensitivity analysis has indicated that the results are sensitive to the average daily spending by international tourists, their daily spending patterns would have to fall 30% lower than the already depressed spending patterns of 2007 for the project to no longer be viable.

The conclusion from these sensitivity analyses is that the results are sensitive to the proportion of international passengers and their level of spending. If the international passenger numbers do not materialize as envisaged then the project is not viable from a South African perspective.

Return on Public Sector Investment

This section focuses on the return on public sector investment. There are potentially three types of costs that might be incurred by the public sector. These are marketing costs; infrastructure costs and potential loss in port fees from cargo vessels.

Infrastructure costs are likely to be very limited in the early years. In Cape Town there will be the need for temporary facilities at berths E/F opposite CTICC in the form of a

temporary weatherproofed sanctuary for passengers including toilets, baggage handling facilities and transportation interchange. The cost of this is estimated at about R1m as presented in Exhibit 4-7. By about 2015 a more permanent facility is anticipated in the form of a linkage with the CTICC Phase 2 extension to form a remote terminal facility. This is estimated to cost R50m.⁴⁴ In Durban a somewhat similar proposal is made. Here there is the need for improvements to the existing facility in the short term and the development of a new terminal facility in the longer term. For East London, Mossel Bay and Richards Bay R6.0m (R2.0m each) has been allowed for upgrades in each of 2013 and 2016, and R15.0m (R5.0m each) in 2020. Facilities in these locations would be to receive port-of-call passenger operations only.

The actual value of marketing costs is unknown although provisional sums have been included. These marketing costs could include South African representatives making contact with senior management of the cruise liner industry. There might also be a need to bring these people to South Africa in order to showcase the country. A full discussion of marketing suggestions is presented in Chapter 6.0. These costs are set to total R10m in each of 2010 and 2011, reducing to R5m for the next four years after that, as indicated in the bottom row of Exhibit 4-7.

Exhibit 4-7: Project Facilitation Costs

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital Costs											
Cape Town	1.0					5.0					50.0
Durban	1.0					5.0					50.0
EL, MB & RB	3.0			6.0			6.0				15.0
Marketing & Other	10.0	10.0	5.0	5.0	5.0	5.0					
Facilitation Costs	15.0	10.0	5.0	11.0	5.0	15.0	6.0	0.0	0.0	0.0	115.0

There is the potential loss to the National Ports Authority if cruise liners displace cargo vessels. It was not possible to determine whether this would be the case or the extent of it. Hence this potential cost is noted but not included at this stage of the analysis. The key will be for the NPA, DOT and communities to work together in each location to find solutions that work for all maritime businesses.

The return on public sector funding is the difference between the overall costs to the public sector and the total benefits to the country. These are illustrated in Exhibit 4-8. In this exhibit it can be seen that the present value (PV) of the public sector funding presented in Exhibit 4-7 is R100.2m. This public sector funding, if it generates the international passenger volumes assumed in the medium forecast, would result in net benefits of R1.38bn to the South African economy. This results in a benefit to society of R14.81 for every R1.00 spent by the public sector.

Exhibit 4-8: Return on Public Sector Funding for Medium Passenger Forecast

2009 Prices, Rm	PV
Public Sector Funding	-100.2
Total Benefits	1,483.4
Net Benefits	1,383.3

The return on every R1.00 of public sector funding is R11.49 and R48.83 for the low and high passenger forecasts respectively. These are very high rates of return and indicate that the project is desirable from a socio economic perspective.

⁴⁴ Note that for Cape Town and Durban facilities, the intent would be to create multi-use homeport facilities that could create revenue streams from other functions and activities beyond cruise operations. It is also expected that some aspect of programming for these facilities would be covered by additional capital outlay from other sources not presented/budgeted here. Other facilities in port-of-call sites could have multi-use components as their markets and locations warrant.

Macroeconomic Analysis

While there are a number of different types of macroeconomic effects, the two most important are contribution to gross domestic product (GDP) and creation of jobs. The importance of job creation is obvious. Increases in GDP are synonymous with increases in peoples' economic standards of living. Increased GDP—i.e. increased production—is experienced in the form of more jobs, higher wages and reduced economic hardship. It is clearly an important measure. Other macroeconomic effects that are reported are the contribution to taxes, indirect household income and the generation and usage of foreign exchange.

GDP is the total value of all final goods and services produced in the country. It is clearly fundamental to the economic quality of life of people in the country. It is also the most important and all encompassing measure of the macroeconomic effect of the proposed cruise liner project. The composition of the contribution to GDP is outlined in Exhibit 4-9.

Exhibit 4-9: Contribution to South African Gross Domestic Product (GDP)

Contribution to Gross Domestic Product - South Africa								
Rand Million, 2009 Prices								
	2010	2011	2012	2013	2014	2015	2020	2025
Project Facilitation	23.4	15.6	7.8	17.2	7.8	23.4	179.7	0.0
International Passengers	433.8	270.7	293.0	311.4	330.4	350.0	456.9	578.5
Local Passengers	11.1	7.0	7.6	8.0	8.4	8.9	11.4	14.2
International Crew	22.5	14.8	15.8	16.5	17.2	17.9	21.9	26.3
Local Crew Earnings	6.8	4.1	4.5	4.8	5.2	5.5	7.4	9.5
Shipping Operators	167.7	98.9	104.3	108.2	112.1	116.0	134.5	152.3
Port Fees	16.4	10.8	11.5	12.0	12.6	13.1	16.1	19.5
Repeat Tourism	0.0	0.0	0.0	248.8	152.5	208.9	320.7	531.4
Total	681.8	422.0	444.5	727.0	646.3	743.8	1,148.6	1,331.7
Cumulative	681.8	1,103.7	1,548.2	2,275.3	2,921.6	3,665.4	8,181.4	14,091.9

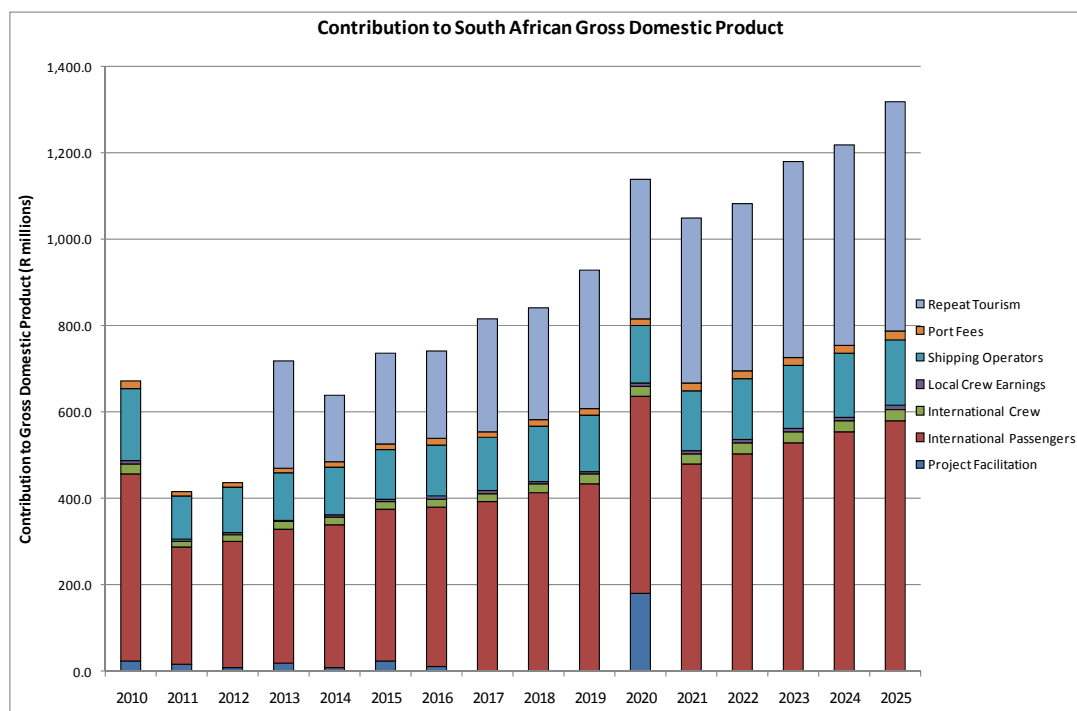
The contribution to GDP is estimated to total R681.8m in 2010 before dropping to R422.0m in 2011. The reason for this drop is the increase in operations due to the 2010 World Cup and the subsequent return to normal operations from 2011 onwards. The contribution to GDP is then set to increase each year until it totals R1.33bn in 2025. The R681.8m in 2010 consists of:

- R23.4m from project facilitation;
- R433.8m from spending in South Africa by international passengers;
- R11.1m from local passenger spend;
- R22.5m from international crew;
- R6.8m in earnings and subsequent spending by local crew;
- R167.7m by shipping operators; and,
- R16.4m from payment of port fees.

The value of repeat tourism, which begins in 2013, increases from R248.8m in 2013 to R531.4m in 2025. By 2025 this repeat tourism contributes almost as much as total international passenger spending.

GDP is important not just because it is income but also because income has the capacity to add to wealth. Based on these projections, the cruise liner project is estimated to have made a cumulative contribution to GDP of R14.1bn by 2025. The detail of this contribution is presented graphically in Exhibit 4-10. The consistent importance of international passenger spending and the increasing importance of return tourism from 2013 onwards can be seen.

Exhibit 4-10: Detailed Contribution to South African GDP



The proposed cruise liner project would result in changes to two types of jobs. The first are the direct jobs that would be created over the project period. These are jobs directly related to the project facilitation. The second are the so-called indirect jobs that are due to multiplier effects of the cruise liner operations. Direct job creation is presented in Exhibit 4-11 while indirect jobs are presented in Exhibit 4-12. Total job creation (i.e. direct plus indirect jobs) is presented in Exhibit 4-13.

Exhibit 4-11: Contribution to Direct Jobs

Contribution to Direct Jobs - South Africa										
Rand Million, 2009 Prices										
	2010	2011	2012	2013	2014	2015	2020	2025		
Project Facilitation	47	31	16	34	16	47	359	0		
International Passengers	626	391	423	450	477	505	658	833		
Local Passengers	21	13	14	15	16	17	21	27		
International Crew	37	24	26	27	28	29	36	43		
Local Crew Earnings	48	50	53	56	58	61	78	100		
Shipping Operators	241	141	148	152	156	160	177	190		
Port Fees	85	55	59	62	65	68	85	105		
Repeat Tourism	0	0	0	400	246	336	516	855		
Total	1,104	706	738	1,195	1,061	1,223	1,931	2,153		

It is estimated that a total of 1,104 jobs would be created in 2010. The majority of these jobs are sustainable jobs as the cruise operations continue. The only jobs that are of a temporary nature would be those associated with the construction and upgrade of the portside facilities. Total job creation is then set to increase until a total of 2,153 jobs are created in 2025. The majority of these jobs will be in the tourism and hospitality industry as international passengers and repeat visitors spend time in the country.

The contribution to indirect jobs is shown in Exhibit 4-12. Here it can be seen that indirect jobs are set to increase from 1,124 in 2010 to 2,205 in 2025.

Exhibit 4-12: Contribution to Indirect Jobs

Contribution to Indirect Jobs - South Africa								
Rand Million, 2009 Prices								
	2010	2011	2012	2013	2014	2015	2020	2025
Project Facilitation	44	30	15	33	15	44	34	0
International Passengers	720	449	486	517	548	581	760	963
Local Passengers	17	11	12	12	13	14	18	22
International Crew	35	23	25	26	27	28	34	41
Local Crew Earnings	12	7	8	9	9	10	13	17
Shipping Operators	271	159	168	174	180	185	212	237
Port Fees	24	16	17	18	18	19	23	28
Repeat Tourism	0	0	0	420	257	352	54	896
Total	1,124	695	729	1,207	1,067	1,234	1,942	2,205

Total job creation (the sum of direct and indirect jobs) is presented in Exhibit 4-13. Total jobs are set to increase from 2,228 in 2010 to 4,358 in 2025.

Exhibit 4-13: Contribution to Total Jobs

Contribution to Total Jobs - South Africa								
Rand Million, 2009 Prices								
	2010	2011	2012	2013	2014	2015	2020	2025
Project Facilitation	91	61	30	67	30	91	700	0
International Passengers	1,346	840	909	966	1,025	1,086	1,418	1,796
Local Passengers	38	24	26	27	29	30	39	49
International Crew	72	47	50	53	55	57	70	84
Local Crew Earnings	60	58	61	64	68	71	91	117
Shipping Operators	512	301	315	326	336	345	389	427
Port Fees	109	70	75	79	83	87	109	133
Repeat Tourism	0	0	0	820	503	688	1,057	1,752
Total	2,228	1,400	1,467	2,402	2,128	2,457	3,873	4,358

The contribution to taxes is shown in Exhibit 4-14. Indirect taxes, generated through the linkage effect of business throughout the economy, are set to increase from R64.9m in 2010 to R124.5m in 2025. In that year international passenger spending and repeat tourism are the major contributors, at R53.4m and R49.0m respectively. The cumulative contribution to taxes is estimated at R1.33bn by 2025.

Exhibit 4-14: Contribution to Taxes

Contribution to Taxes - South Africa								
Rand Million, 2009 Prices								
	2010	2011	2012	2013	2014	2015	2020	2025
Project Facilitation	2.6	1.7	0.9	1.9	0.9	2.6	20.1	0.0
International Passengers	40.2	25.1	27.2	28.9	30.6	32.4	42.2	53.4
Local Passengers	1.0	0.7	0.7	0.8	0.8	0.8	1.1	1.3
International Crew	2.2	1.5	1.6	1.6	1.7	1.8	2.2	2.6
Local Crew Earnings	0.6	0.4	0.4	0.4	0.5	0.5	0.7	0.9
Shipping Operators	16.7	9.8	10.4	10.8	11.2	11.6	13.6	15.6
Port Fees	1.5	1.0	1.1	1.1	1.2	1.2	1.5	1.8
Repeat Tourism	0.0	0.0	0.0	22.9	14.1	19.2	29.6	49.0
Total Indirect Taxes	64.9	40.2	42.2	68.5	60.9	70.2	110.9	124.5
Cumulative	64.9	105.1	147.3	215.7	276.6	346.9	773.7	1,326.8

The contribution to indirect household income is presented in Exhibit 4-15. Indirect household income, which is also generated through the multiplier effect, is estimated to increase from R338.1m in 2010 to R659.6m in 2025. The cumulative contribution to indirect household income is estimated to amount to nearly R7bn by 2025.

Exhibit 4-15: Contribution to Indirect Household Income

Contribution to Indirect Household Income - South Africa								
Rand Million, 2009 Prices								
	2010	2011	2012	2013	2014	2015	2020	2025
Project Facilitation	12.4	8.3	4.1	9.1	4.1	12.4	95.0	0.0
International Passengers	214.3	133.8	144.8	153.8	163.2	172.9	225.5	285.3
Local Passengers	5.5	3.5	3.8	4.0	4.2	4.4	5.6	7.0
International Crew	11.7	7.7	8.2	8.6	8.9	9.3	11.4	13.7
Local Crew Earnings	3.3	2.0	2.2	2.3	2.5	2.6	3.5	4.6
Shipping Operators	82.7	48.8	51.4	53.4	55.3	57.1	66.2	74.9
Port Fees	8.3	5.4	5.8	6.1	6.3	6.6	8.1	9.8
Repeat Tourism	0.0	0.0	0.0	123.8	75.9	103.9	159.5	264.3
Total	338.1	209.4	220.2	361.0	320.4	369.3	574.9	659.6
Cumulative	338.1	547.5	767.7	1,128.7	1,449.1	1,818.4	4,061.5	6,989.0

The last macroeconomic effect that is reported on is the generation and use of foreign exchange. To estimate this it is first necessary to determine the contribution to imports. Exhibit 4-16 provides this detail while Exhibit 4-17 reports on the generation and usage of foreign exchange.

Direct imports incorporate the repatriation of the cruise costs by the shipping operators, and increase from 401.2m in 2010 to 554.8m in 2025. Indirect imports, based on the multiplier effects, total R347.0m in 2010 and R541.2m in 2025. Total imports, which include both direct and indirect imports, increase from R748.1m in 2010 to R1.10bn in 2025. Cumulatively, by 2025 the proposed project would result in increased imports of nearly R12.3bn.

Exhibit 4-16: Contribution to Imports

Contribution to Imports - South Africa								
Rand Million, 2009 Prices								
	2010	2011	2012	2013	2014	2015	2020	2025
Direct Imports	401.2	246.0	267.5	285.9	305.0	324.7	432.2	554.8
Indirect Imports								
Project Facilitation	4.0	2.6	1.3	2.9	1.3	4.0	30.3	0.0
International Passengers	288.3	177.4	192.7	205.8	219.3	233.2	309.2	395.8
Local Passengers	20.8	12.7	13.9	14.8	15.8	16.8	22.3	28.6
International Crew	2.8	1.9	2.0	2.1	2.1	2.2	2.7	3.3
Local Crew Earnings	1.2	0.7	0.8	0.8	0.9	1.0	1.3	1.7
Shipping Operators	27.6	16.2	17.0	17.5	18.1	18.6	20.9	22.9
Port Fees	2.3	1.5	1.6	1.7	1.8	1.9	2.3	2.8
Repeat Tourism	0.0	0.0	0.0	40.3	24.7	33.9	52.0	86.2
Total Indirect Imports	347.0	213.1	229.3	286.0	284.0	311.5	441.0	541.2
Total Imports	748.1	459.0	496.7	571.9	589.0	636.2	873.2	1,096.0
Cumulative	748.1	1,207.1	1,703.9	2,275.8	2,864.8	3,501.0	7,313.1	12,273.6

Exhibit 4-17 indicates the foreign exchange generation and usage for the project. Foreign exchange is generated from spending in the country by international passengers, international crew members, shipping operators and from repeat tourists, through earnings by local crew and the payment of port fees by international passengers. Balanced against this are the direct imports (which incorporate the repatriation of the cruise costs by the shipping operator) and indirect imports.

Exhibit 4-17: Foreign Exchange Usage and Generation

Foreign Exchange Usage and Generation								
Rand Million, 2009 Prices								
	2010	2011	2012	2013	2014	2015	2020	2025
Foreign Exchange Generation								
International Passengers	507.9	314.3	340.9	363.4	386.5	410.4	540.7	689.0
International Crew	13.6	9.0	9.6	10.0	10.4	10.9	13.3	16.0
Local Crew Earnings	5.8	3.5	3.9	4.1	4.4	4.7	6.3	8.2
Shipping Operators	112.6	66.3	69.9	72.4	74.9	77.4	89.2	100.3
Port Fees	20.7	13.3	14.3	15.0	15.8	16.6	20.8	25.6
Repeat Tourism	0.0	0.0	0.0	165.4	101.4	138.8	213.2	353.2
Total Forex Generation	660.6	406.5	438.5	630.4	593.5	658.8	883.4	1,192.3
Foreign Exchange Usage								
Direct Imports	401.2	246.0	267.5	285.9	305.0	324.7	432.2	554.8
Indirect Imports	347.0	213.1	229.3	286.0	284.0	311.5	441.0	541.2
Total Imports	748.1	459.0	496.7	571.9	589.0	636.2	873.2	1,096.0
Net Forex Position	-87.5	-52.5	-58.2	58.4	4.5	22.7	10.2	96.3
Cumulative Forex Position	-87.5	-140.0	-198.2	-139.8	-135.3	-112.6	26.3	391.4

The resultant net foreign exchange position is negative R87.5m in 2010 (meaning that all imports outweigh foreign currency brought into the country), negative R52.5m in 2011 and negative R58.2m in 2012. However, in 2013 as the repeat tourism starts the net foreign exchange position switches to a positive R58.4m, meaning that the total foreign currency brought into the country now outweighs the total imports. This net position then reduces to R4.5m in 2014 and R22.7m in 2015, although it still remains positive in those two years (meaning that foreign exchange inflows outweigh foreign exchange outflows, albeit only just). By 2025 the net foreign exchange position totals R96.3m. By 2019, all previous foreign currency usage will have been offset and by 2025 the project would have cumulatively generated foreign exchange to the value of R391.4m.

4.5 Regional Impacts

This section quantifies potential impacts at each of the ports. The impacts reported here are different from those used in the macroeconomic analysis in that it includes the spending by South African passengers. The purpose of this section is to quantify the benefit experienced by each port therefore all spending is taken into consideration. However, it must be noted that although the direct spending occurs at the port much of the income could flow to elsewhere in the country. This is especially true of the smaller ports. For example, any wine sold at restaurants in Port Elizabeth could have been produced in the Western Cape. This would be true for many of the other purchases by the passengers.

Costs that have been taken into consideration include spending by both international and local passengers as well as spending by international crew, spending by the shipping operator on maintenance and replenishment and finally port fees. Balanced against this is the commission that the shipping operator earns from local tour operators, which would flow out of the region.

The net spending (i.e. income flowing into the region less commission paid to the shipping companies by the tour operators) at each port is quantified for 2010 in Exhibit 4-18. It is obvious from the exhibit that the homeports of Cape Town and Durban benefit the most from the proposed project, with R206.5m and R226.5m respectively.

The port-of-call also benefit from the proposed project, albeit to a lesser degree. Mossel Bay and East London each benefit by R16.0m while Port Elizabeth and Richards Bay benefit by R19.6m in 2010. Port Elizabeth and Richards Bay earn more than Mossel Bay and East London because of the game farms in the areas which would be visited by passengers.

Exhibit 4-18: Total Spending at each Port in 2010

Spend in 2010	Cape Town	Durban	Mossel Bay	Port Elizabeth	East London	Richards Bay
International Passengers	126.0	142.0	8.4	13.6	8.4	13.6
Local Passengers	31.3	28.2	4.5	6.6	4.5	6.6
International Crew	3.6	3.9	1.5	1.5	1.5	1.5
Shipping Operator	37.0	42.2	0.0	0.0	0.0	0.0
Port Fees	13.5	14.8	3.3	3.3	3.3	3.3
Total Spend	211.4	231.1	17.7	25.0	17.7	25.0
Shipping Co Commission	-4.9	-4.6	-1.8	-5.4	-1.8	-5.4
Net Spend	206.5	226.5	16.0	19.6	16.0	19.6

Description of Methodology

The starting point of the economic analysis is the passenger revenue and vessel operation projections for the homeport and port-of-call operations. The following components have been included in the analysis:

- Expenditure on project facilitation;
- Spending by local and international passengers at the homeports and ports-of-call;
- Spending by international crew members;
- Income earned by local crew members;
- Spending by the ship operators on marketing and administration within South Africa, replenishment and maintenance at the homeports; and,
- The payment of port fees.

In establishing the expenditure amounts in each category care has been taken to determine what portion of the spending would remain in the country and what portion would leave.

Input output analysis was used to determine macroeconomic impacts. The numerical interrelationship of all the economic sectors and sub-sectors is known through the national input output tables (and/or through a social accounting matrix). In the process of determining the multiplied economic impacts all costs and benefits would need to be decomposed into material, labor and plant. Material and plant are then recoded in accordance with the SIC codes (the Standard Industrial Classification of all Economic Activity). This is necessary because the input output tables are based on the SIC codes.

At the same time spending by labor must also be accounted for. This is done by disaggregating labor into different income categories, determining the expenditure patterns of each income category and measuring the impact of these expenditure changes.

Finally all the various strands are brought together in the input output tables and the direct and indirect (i.e. multiplied) economic impact determined on GDP, economic growth in the port cities, direct and indirect (induced) jobs, total income taxes and contribution to indirect household income.

Each item of expenditure, apart from the expenditure on project facilitation that was discussed in section, is now presented separately.

- **Passenger Spending.** The passenger projections for the homeports and ports-of-call are separated according to whether they are local or international passengers. The ratio of local to international passengers is estimated at 50% (i.e. local passenger numbers equal international passenger numbers) for the low and medium passenger forecasts and 35% local to 65% international for the high forecast.

Spending patterns for passengers were developed, based on first principals and guided by the literature review. The spending patterns for local and international passengers have been kept separate, as have those for the homeport and port-of-call passengers.

- **Homeports.** Homeports are those ports where the cruise originates and terminates. As such passengers embarking and disembarking could spend additional time in the port city.
- **Homeports Local Passengers.** The spending patterns for homeport local passengers were developed from first principals and based on the experience of a local cruise. The costs associated with a typical local passenger arriving in Durban are set out in Exhibit 4-19. Costs for Cape Town are similar and are discussed at the end of the section.

The first assumption was on the disaggregation of South African passengers by origin. For a cruise starting from Durban, it has been assumed (based on personal experience on board a local cruise) that half of the passengers originate from Durban and surrounds, 40% from Gauteng and the remaining 10% from the Western Cape. Passengers from elsewhere in the country are assumed to have a profile that would fit into a similar pattern as these three.

The next step has been to determine the mode of travel for the passengers. All the passengers from Durban and surrounds are expected to arrive by motorized transport and to travel on average 25km (a 50km roundtrip). Those from Cape Town are assumed to travel by air at a cost of R1,500 per ticket (return). Half of those from Gauteng have been assumed to arrive by air and the other half by car (based on

personal experience on board a local cruise). The cost of an air ticket from Gauteng is also taken as R1,500 while the distance between Gauteng and Durban is about 650km. A cost of R1.00 per person per km has been assumed for motorized transport with two people per car on average.

Exhibit 4-19: Spending by South African passengers Embarking from Durban

South Africans for Durban	Dbn	CT	GT	Total	Per Pax
Number	300	60	240	600	
By Car	300	0	120	420	
Car Cost	7,500		78,000	85,500	142.50
By Plane	0	60	120	180	
Flight Cost		90,000	180,000	270,000	450.00
Night in Dbn	0	39	108	147	
Cost of Acc in Dbn	0	23,400	64,800	88,200	147.00
Add Spend in Dbn	0	25,660	79,007	104,668	174.45
Cost of Cruise	1,056,000	211,200	844,800	2,112,000	3,520.00
Spend on Cruise	90,000	18,000	72,000	180,000	300.00
Pre-cruise tour	0	3,750	7,500	11,250	18.75
Total Spending	1,153,500	372,010	1,326,107	2,851,618	4,752.70

It has been assumed that two thirds of passengers who travel to Durban by air would spend one night in Durban. Similarly, a quarter of people arriving by car would stay overnight. The cost per person for accommodation has been set at R600 and is based on recent accommodation expenses incurred in Durban at hotels and at guesthouses.

Those passengers spending an additional night in Durban are expected to spend an additional R600. This is based on the literature review where passengers in Vancouver were found to spend an equal amount of money on other items as they did on accommodation. This would appear to be a realistic assumption if one takes into account the costs of tourist sites in Durban, the costs of meals at restaurants and the purchase of souvenirs and other shopping.

Passengers arriving or leaving on the same day that the cruise commences/ends have been assumed to spend 18% of the daily spending of those passengers spending the night. This is based on the average of two case studies in the literature review.

Half of the passengers from elsewhere in South Africa have been assumed to participate in a pre- or post-cruise tour. This is valued at R125 which is the entrance fee to the uShaka Marine World Aquarium. Of this amount, half is paid back to the shipping operator in the form of a commission.

Lastly, the cost of the cruise needs to be estimated. This varies depending on the duration of the cruise and the class of cabin. An international average of US\$110 per passenger per day has been used, which equates to R3,520 for a four day cruise. This corresponds with the cruises advertised by Starlight Cruises (who promote the MSC *Melody* and *Sinfonia* tours). Spending on board the ship has been assumed at R300 per person.

The result of all these assumptions is average spending of R4,752.70 per passenger. The breakdown of this spending on all the expense items mentioned above is illustrated in the last column in Exhibit 4-19. This excludes spending at ports-of-call, which is dealt later in this chapter.

The average spending of passengers boarding a cruise in Cape Town has been treated in the same manner as for Durban. However, in the Cape Town case the origins of the passengers are assumed to be 50% from Cape Town, 40% from Gauteng and 10% from Durban. All the Durban passengers are assumed to fly to Cape Town, while 65% of the Gauteng passengers are assumed to fly. The remaining 35% would drive the 1,400km to Cape Town. All other assumptions have been kept the same. The result of this

calculation is that the average South African passenger would spend R4 998.61 (or R245.91 more than for Durban) per cruise.

Homeports International Passengers

International passengers arriving at homeports have been profiled like normal tourists as reported by SA Tourism. The assumption that has been made is that the cruise would form part of their stay in South Africa. The average duration of an international tourist visit to South Africa is 8.2 days, while the average cruise has been assumed to be four days. International passengers are therefore assumed to spend an additional 4.2 days in the country, spending R1 290 per day. Their spending patterns are presented in Exhibit 4-20.

Exhibit 4-20: International Homeport Passengers Spending Patterns

Homeport Total Spending Patterns	Durban International
Car Travel / Taxi	780.39
Plane Travel	
Accomm in H-Port	1,024.26
Entertainment	677.42
Restaurant	769.55
Shopping	1,583.02
Transport	
Miscellaneous	363.10
Cost of Cruise	3,520.00
Spend on Cruise	600.00
Pre / Post Cruise Tours	125.00
Total Spend	9,442.73

International passengers are assumed to spend the same on the cost of the cruise as local passengers. Their additional spending on board the cruise has been doubled to R600 per passenger. This results in average spending of R9,442.73 for each international passenger. Although Exhibit 4-20 only shows the expenditure by international passengers for Durban, the same set of assumptions are expected to apply to Cape Town and with the same average daily expenditure.

Finally, the fact that international passengers are able to claim for VAT for their purchases has been allowed for. To do this the value of all shopping items paid for by international passengers have been reduced by 14%.

Ports-of-call

Ports-of-call are those ports visited by the ships where passengers disembark for the day. Except for emergencies no passengers are allowed to join or leave the cruise. The analysis has been guided by the literature review and it has been assumed that 90% of all passengers would go ashore at the various ports-of-call.

Spending patterns are based on the attractions at the port-of-call and, where relevant, guided by the literature. Different port cities have different attractions. Consequently Durban and Cape Town are grouped and treated similarly, Richard's Bay and Port Elizabeth treated as a second group and Saldanha, Mossel Bay and East London treated as a third group. The reasoning behind this grouping is explained below.

- **Cape Town and Durban.** Cape Town and Durban are major cities and each has a significant number of tourist attractions. A typical day tour has been used to develop potential spending patterns. In Cape Town, the red bus is a popular tourist attraction. Visitors are driven around the city and commentary given on the various places of interest. The bus stops at attractions such as the Two Oceans Aquarium, the Castle and Table Mountain. The cost of the red bus tour is R125 per adult, while the aquarium, castle and cable car trip up Table Mountain cost R85,

R15 and R145 respectively. This brings the total cost for the red bus tour and visits to those three attractions to R370 per person. This would apply to both locals and international visitors. Guided by the literature review 50% of this tour price is assumed to be paid back to the shipping operator in the form of a commission. This 50% commission is then treated as an import.

Locals are assumed to spend an additional R100 each on food, R100 on shopping and another R30 on miscellaneous items. This brings the total spending for a port-of-call visit by a local to R600, as presented in Exhibit 4-21.

Exhibit 4-21: Spending Patterns by Ports-of-call Passengers in Cape Town

Port-of-Call	Cape Town	
	Local	International
Taxi	0.00	0.00
Clothing & Retail	100.00	423.16
Food & Beverage	100.00	108.00
Tours & Entertainment	370.00	370.00
Miscellaneous	30.00	30.00
Total Spend	600.00	931.16

International visitors could be expected to spend more on clothing, retail, food and beverage. The international literature shows the average spending from a number of case studies is US\$90 per day, of which 67% is spent on clothing & retail and 15% of food & beverage. The remaining 18% would be spent on tours and entertainment. In this case, these costs have been developed according to the tours described above. The 18% of the US\$90 (which is R130) would be the average of all port cities visited and it is assumed that Cape Town and Durban have above average tourism offerings. The resultant spending by international ports-of-call passengers to these two cities is R931.16.

Although Cape Town has been illustrated in Exhibit 4-21, it is assumed that Durban would be similar and therefore is grouped with Cape Town.

- **Port Elizabeth and Richards Bay.** Port Elizabeth and Richards Bay have been grouped together because both ports offer excursions to game farms in the vicinity. This would be a draw card for the cruise lines and would be marketed extensively. The spending patterns of local and foreign ports-of-call passengers to Port Elizabeth are shown in Exhibit 4-22.

Exhibit 4-22: Spending patterns by Ports-of-call Passengers in Port Elizabeth

Port-of-Call	Port Elizabeth	
	Local	International
Taxi	0.00	0.00
Clothing & Retail	100.00	423.16
Food & Beverage	100.00	108.00
Tours & Entertainment	324.00	585.00
Miscellaneous	30.00	30.00
Total Spend	554.00	1,146.16

Most expenditure items are the same as those developed for Cape Town in Exhibit 4-21, except for tours & entertainment. In this case, 10% of local passengers and 25% of international passengers are assumed to go on the game tour, which would have an average price of R1,890 per visitor (based on prices advertised on the homepages of Aquila game reserve in the Western Cape and Shamwari and Lallibella game reserves in the Eastern Cape). Those passengers not participating in the game visits are assumed to spend R150 on city tours and activities. This results in an average port-of-call spending of R554.00 by locals and R1,146.16 by international passengers.

- **East London, Mossel Bay and Saldanha Bay.** The spending patterns of local and international passengers at East London, Mossel Bay and Saldanha Bay have been based on those developed for the other ports-of-call but the amount allocated for tours and entertainment have been reduced. These ports do not have the same tourist offerings as the other ports. Consequently, an amount of R150 per visitor has been allocated to tours and entertainment for these three ports. This is illustrated in Exhibit 4-23.

Exhibit 4-23: Spending Patterns by Ports-of-call Passengers in Port Elizabeth

Port-of-Call	East London	
	Local	International
Taxi	0.00	0.00
Clothing & Retail	100.00	423.16
Food & Beverage	100.00	108.00
Tours & Entertainment	150.00	150.00
Miscellaneous	30.00	30.00
Total Spend	380.00	711.16

The overall spending of a local passenger at any of these three ports is R380, while for an international passenger it is R711.16. The R711.16 equates well with the US\$90 (R720) average spending referred to in the literature.

International Crew

International crew members also have an economic impact when they spend money on shore visits. Crew numbers have been calculated on a 40% ratio of passengers, in line with international norms and the literature review. Furthermore, it has been assumed that 10% of the crew would be local with the remainder being international crew.

Not all the international crew members are given shore leave or would choose to go ashore. Approximately 40% are allowed ashore at any one time. Their spending patterns have been based on the literature review and are presented in Exhibit 4-24. The average of R400 per crew visit ashore is based on US\$50. The range for crew expenditure varied from US\$13 to US\$80 for the Caribbean and Alaska. Other locations show similar ranges in crew spending. This study has, therefore, used US\$50 as a mean of all the quoted spending.

Exhibit 4-24: International Crew Spending

Crew Spending		
Ratio of crew to pax	40%	
Percentage given shore leave	40%	
Per crew spending	400	
Transportation	1%	4.00
Lodging	0%	0.00
Food & Beverages	3%	12.00
Shore Excursion/Entertainment	1%	4.00
Shopping	93%	372.00
Cruise package	0%	0.00
Miscellaneous	2%	8.00

Local Crew

The impact of local crew numbers have been determined as for the international crew (i.e. a 40% crew to passenger ratio has been assumed and 10% of these crew members would be South African). Experience of a cruise in South Africa has shown that these crew members are mainly involved in on-board entertainment.

Local crew members are assumed to earn R1,531 per trip. While this amount could not be verified, it is based on a first principles calculation. The average cost of a cruise is US\$110, which equates to R3,520 for a four day cruise. A crew ratio of 40% therefore equates to a turnover amount of R8,800 per crew member. In South Africa, salaries and wages form about 15% to 19% of turnover in the accommodation, catering and services industries. If the average of 17.4% is applied to the R8,800 turnover per crew member then the salary component amounts to R1,531. If a ship is able to complete seven and a half four-day trips in a month then this salary equates to R11,481 per month.

Local crew members are assumed to remit their entire salary back to the country and their spending patterns are based on the average spending patterns in South Africa for their relevant salary band. This spending pattern is based on the 2000 Income and Expenditure Survey of Stats SA.

Shipping Operators

There are three areas where the shipping operators would spend money directly in the country. These are in replenishing the ship, any maintenance that might be required and administration and marketing expenses.

As far as replenishing and maintenance costs are concerned, allowance has been made in the economic model to vary these amounts over time. Initially an amount of R500,000 per homeport visit has been allowed for both these categories. This is based on the literature review. The ships operators would have to rebunker and take on a limited amount of fresh produce. Items such as beverages are negotiated through international contracts and brought into the country directly by the operators. Therefore they do not form part of the local replenishment process. No replenishment or maintenance is expected to occur at the ports-of-call.

Administration and marketing costs are set at 10% of turnover. This would include marketing the cruises in the country, operating a local office and logistics operation and paying travel agents commission for promoting the cruises.



Port Fees and Taxes

Port fees have been based on the Transnet National Ports Authority Port Tariffs.⁴⁵ The following port fees have been taken into account:

- Light Dues, an annual charge based on the length of a ship;
- Vessel Traffic Services, based on a rate per ton;
- Pilotage fees, which consist of a basic fee and an additional rate per 100 tons;
- Tug fees, which consist of a basic fee and an additional rate per 100 tons;
- Berthing services, which consist of a basic fee and an additional rate per 100 tons and are charged twice (for berthing and unberthing);
- Line handling fee is a flat fee;
- Gangway erection fee is a flat fee;
- Port dues, based on a rate per 100 tons; and,
- Berth dues which are a flat fee.

The port fees payable by a 75,000 ton ship of length 250m were calculated. A ship of these dimensions would be able to accommodate 1,800 passengers, so the port fees were then estimated at R79.20 (excluding VAT) per passenger. The tariff schedule prescribes the additional port fees for each passenger:

- Embarkation fee of R44.22;
- Disembarkation fee of R44.22; and,
- Baggage handling fee of R41.94.

⁴⁵ Transnet National Ports Authority, "Port Tariffs: Ninth Edition", April 2009.

Homeport passengers are charged the embarkation and disembarkation fee and two baggage handling fees, which is then added to the ship port fees that have been averaged per passenger. This amounts to R251.52 (excluding VAT), which closely resembles the R300 (including VAT) charged by Starlight Cruises on their local cruises.⁴⁶

Port-of-call passengers are only charged the embarkation fee and the ship port fee for each passenger, for a total of R123.42 (excluding VAT).

The port fee tariff schedule states that VAT would need to be added to all port fees. However, for an economic analysis VAT is excluded in the calculation as it is simply a transfer cost for local passengers, while international passengers are VAT exempt.



⁴⁶http://www.starlightcruises.co.za/prices_detail.cfm?Cruise=SI01C&Itin_Det=S_3N_02, accessed on 20 August 2009.

5.0 ENVIRONMENTAL IMPACTS AND BENEFITS TO SOUTH AFRICA

5.1 Overview

This chapter reviews the potential impacts and benefits to the environment associated with increased cruise industry activities to South Africa. The following information presented:

- A brief description of the South African coastline;
- Key legislative requirements/protocols that would need to be adhered to;
- Key environmental implications based on research and interviews; and
- Further recommendations and the way forward.

The methodologies used to obtain this information are outlined below.

- **Conducting Background Research.** Background research has entailed gaining an understanding of the work conducted to date by the team, understanding the proposal with respect to the possible anticipated routes, the locations of possible participating harbors, the possible number of vessels, the processes undertaken in the sailing and berthing of cruise liner, and the day-to-day operation of the ships.
- **Documenting Existing Legislation and Protocols.** There are a number of established environmental standards and protocols with respect to the shipping and cruise industries. Relevant legislation and these protocols require acknowledgement in this solely, and their applicability to a South African context is determined.
- **Conducting Interviews with Key Stakeholders.** A series of one-on-one meetings have been held with key stakeholders. The stakeholders have included:
 - ❖ Marine and Coastal Pollution Management (MCM): Feroza Alberta Stanley and Ulric van Bloemestein;
 - ❖ National Ports Authority (Cape Town): Vania Cloete , Nicole Janse and Coen Birkenstock;
 - ❖ Ships' Agents: King & Sons: Mike Magee; and
 - ❖ Integrated Waste Management: Enviroserv Waste Management (Pty) Ltd; Alta van Zyl.

While detailed specialist input was deemed to be premature at this stage of the overall investigation, specialists contributed towards the study by way of initial research and interviews. The specialists contributing included:

- ❖ Susanne Dittke - Waste Management
- ❖ Barry Clarke – Marine Ecologist
- ❖ Demos Dracoulides – Air Pollution

This chapter includes a description of the baseline environment, and a synthesis of all the information gathered including the inputs received from the one-on-one interviews, and finally suggests a way forward.

It should be noted that this investigation is more “strategic” in nature, gauging possible environmental implications on a larger scale, rather than site specific impacts. It is understood that detailed site specific impacts would be conducted at a later stage once a firm proposal is understood and the feasibility of pursuing this avenue of tourism determined.

5.2 Baseline Environment

Marine Environment

Strategically situated along vital sea routes of the world, the South Atlantic, the Indian and the Southern oceans, South Africa has a coastline of about 3,000 kilometers along which its marine resources are spread; from the Orange River in the west to Ponta do Ouro in the east.⁴⁷ This section provides a brief outline of the biographic provinces, habitat types, Marine Protected Areas (MPAs) and the Special Sea Area that form part of this coastline.

Biographic Provinces and Habitat Types

There are five coastal marine biogeographic provinces (equivalent to terrestrial biomes) in South Africa (see Exhibit 5-1). A bioregional comparison in respect of species diversity, biomass and numbers of endemic species (in rank order) is shown in the exhibit below.

Exhibit 5-1: A Bioregional Comparison: Species Diversity, Biomass and Endemic Species

Source: Lombard et. al. 2004 via B Clarke, Chand 2009

Bioregion	Species diversity	Faunal/Faunal Biomass	Proportion of endemic species
Namaqua	5	1	2
SW Cape	4	2	1
Agulhas	3	3	3
Natal	2	4	4
Delagoa	1	5	5

The primary physical driver distinguishing these biogeographic regions is water temperature which increases from west to east Exhibit 5-2. Other important bioregional patterns in marine fauna and flora include the increase in species diversity from west to east and the opposing trend in faunal and floral biomass.

The Namaqua bioregion extends from north of the South African border in Namibia (Lüderitz) to Cape Columbine (Saldanha); the Southwestern Cape bioregion extends from that point to Cape Point; the Agulhas bioregion extends to the Mbashe River (near Port St Johns); the Natal bioregion extends to Cape Vidal; and the Delagoa bioregion extends from that point into Mozambique.

The Namaqua and Southwestern Cape bioregions are both cool temperate regions strongly influenced by the cool, northward flowing Benguela current and upwelling cells on the west coast. Faunal and floral biomass is high in these regions but diversity is

⁴⁷ Siko Mohloto. 1996. *South Africa's Maritime Interest and Responsibilities* <http://www.iss.co.za/Pubs/ASR/sNo2/5No2/SAMaritime.html> (15 July 2009).

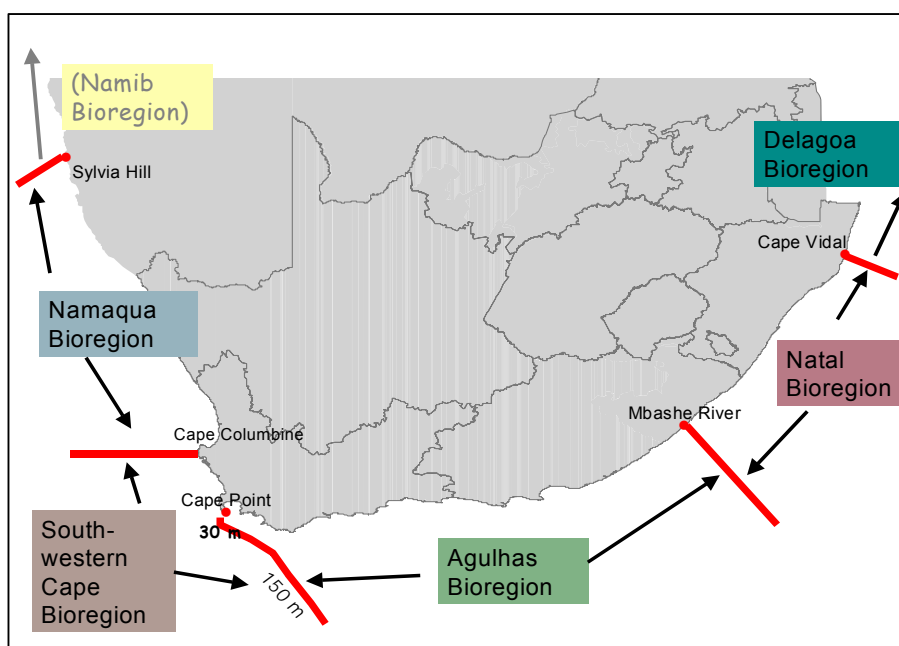
low. There is a high proportion of endemic species (those species that occur nowhere else) found in the south-western Cape bioregion.

The Agulhas bioregion is warm temperate in nature due to the influences of the warm, southward flowing Agulhas current. Species diversity is moderate here but faunal and floral biomass is lower than on the west coast. Levels of endemism are modest. The Natal bioregion is of a sub-tropical nature, waters are warmer, species diversity is higher, but faunal and floral biomass and levels of endemism are lower here than further south.

The Delagoa bioregion is tropical in nature - waters are warm, species diversity is higher than anywhere else in the country but levels of endemism and faunal and floral biomass are the lowest. Coral reefs occur in this bioregion and are of special interest from a tourism perspective.

Exhibit 5-2: Inshore Bioregions in South Africa

Source: Lombard et. al. 2004 via B Clarke



South Africa has five major marine ecotypes which are important areas and require protection. These include:

- Intertidal habitats (rocky shores, sandy shores including dunes);
- Offshore reefs;
- Soft sediment benthos;⁴⁸
- Estuaries; and,
- Breeding sites.⁴⁹

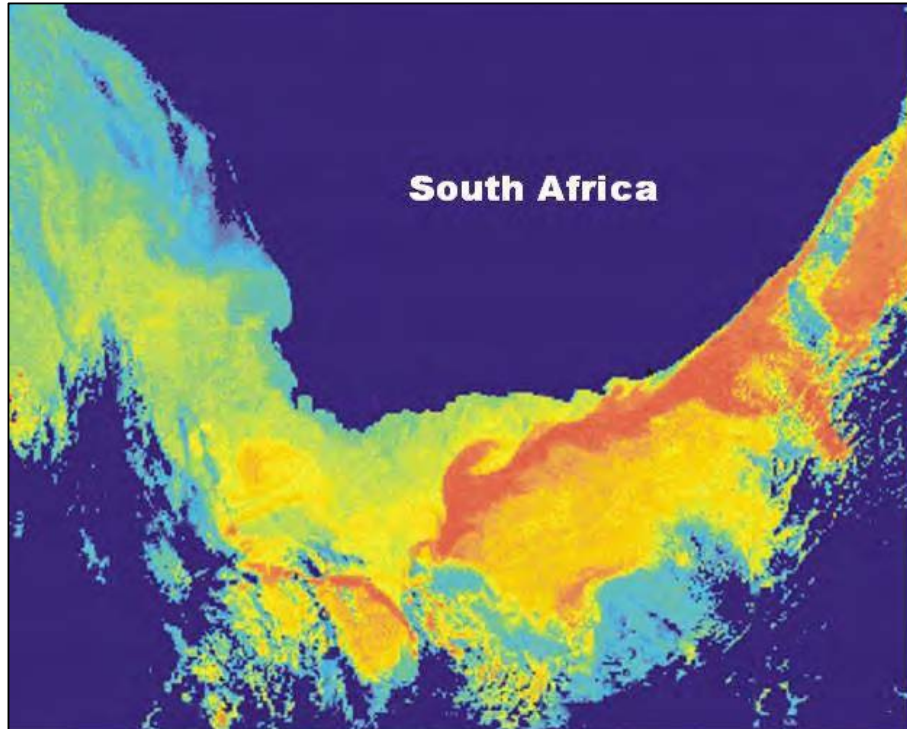
⁴⁸ Soft sediment areas are among the 'biotically less diverse' habitats of the ocean, but are important feeding and breeding grounds for certain species.

⁴⁹ C.L. Atwood, C.L. Moloney, J. Stenton-Dozey, L.f. Jackson, A.E.F. Heydorn and T.A. Probyn. 2000. Conservation of Marine Biodiversity in South Africa <http://www.nrf.ac.za/publications/marinerep/conserve.htm> (17 July 2009).

Exhibit 5-3: Satellite Image Showing Sea Surface Temperatures Surrounding Southern Africa.

Source: B Clarke, courtesy Sue Lane & Robin Carter.

Note: The warm Agulhas Current (orange) flows down the east coast, and cold upwelling plumes (light blue) can be observed along the west coast.



Marine Protected Areas and Special Sea Area

In coastal environments, natural refuges are rare as human access to the sea is improved.⁵⁰ A mechanism for conservation is the proclamation of marine protected areas where some or all forms of human activity are stopped or reduced.

One of the major functions of the MPA's is the preservation of representative communities in their natural state. MPA's can conserve biodiversity directly by providing a refuge for marine life, and also by providing undisturbed sites for research and monitoring. Other functions include education and tourism, which are important for the popular and financial support of marine biodiversity conservation.⁵¹

South Africa has 13 marine protected areas, 11 general restricted areas, 19 fishery sanctuaries, 23 estuarine protected areas and four national parks in the marine environment and many additional coastal reserves.⁵² The location of all MPA's in South Africa are shown in Exhibit 5-4 below.

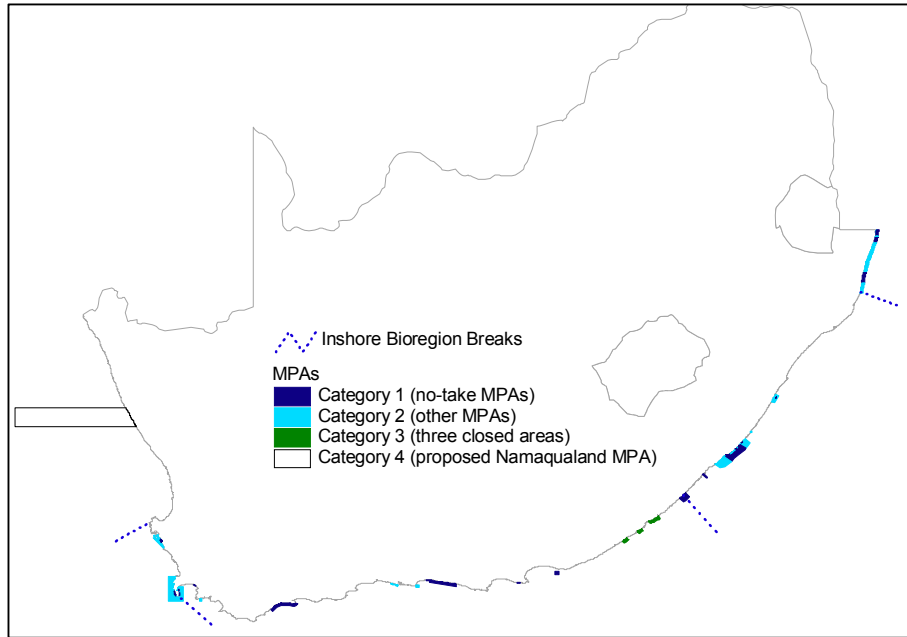
⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

Exhibit 5-4: Location of Different Types of MPAs in South Africa

Source: Lombard et. al. 2004 via B Clarke



It is also important to note that the offshore and coastal waters around much of South Africa have been declared a Special Sea Area Exhibit 5-5 in which the discharge of oil or oily mixtures is prohibited under the International Convention for the Prevention of Pollution from Ships 73/78.⁵³

Exhibit 5-5: Special Sea Area off Southern Africa

Source: B Clarke via MEPC, 2005.



⁵³ International Maritime Organization. 2002. International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (MARPOL) http://www.imo.org/TCD/contents.asp?doc_id=678&topic_id=258 (17 July 2009).

5.3 Key Legislation and Policy

There are a number of key pieces of international and national legislation, and environmental conventions and standards which are considered relevant to this project. These are outlined below under sections titled general international legislation, South African legislation and these in categories pertaining to marine ecology, waste, air pollution and harbors. Conventions and standards are addressed in a separate section. Note that other spheres of legislative and policy requirements might apply to this project and may have indirect application. This list is not intended to be definitive or exhaustive.

Maritime Zones

For the purposes of this chapter, it is important to understand South Africa's maritime zones. These were signed into law by the country's President on 11 November 1994 (Maritime Zones Act No. 15 of 1994) and cover the territorial waters, the contiguous zone, exclusive economic zone (EEZ), the continental shelf and the Prince Edward Islands which belong to South Africa. The latter is situated 1,000 kilometers south-east of Port Elizabeth. All of these zones fall within South Africa's jurisdiction for monitoring, control and enforcement of state authority. In total, it comprises an area of assets of more than 1 million square kilometers.⁵⁴

With this vast estate come certain rights and obligations upon which specific international institutions and legal norms have a direct bearing. For example, South Africa is a member of the International Maritime Organization (IMO), a subscriber to the United Nations Convention on the Law of the Seas (UNCLOS) and a signatory to the convention on Safety of Life at Sea (SOLAS). South Africa is morally bound to observe these normative international guidelines.⁵⁵

In the territorial waters, South Africa has total sovereignty that is counter-balanced with the right of foreign shipping to innocent passage. In the contiguous zone, South Africa may enforce specific national legislation with respect to customs, immigration, health and fiscal issues. In the EEZ which includes the continental shelf, the rights and obligations of South Africa are confined to exploration, exploitation and protection of the marine resources.⁵⁶

Legislation

Legislation of relevance includes the following:

- **The International Health Regulations Act, 1974 (Act No. 28 of 1974).** This act gives effect to the International Health Regulations, 1969. Article 14(3) requires every port and airport to be provided with an effective system for the removal and safe disposal of excrement, refuse, waste water, condemned food, and other matter dangerous to health.
- **Regulations in terms of the International Health Regulations Act, GN R 2001 of 1975.** Regulation 28 (Refuse to be ejected only in specified area) states that: *"1. No master or a ship or person in charge of any other means of transport shall cause or permit any ballast, dirt, ashes, sweepings, rubbish, manure, excreta or refuse of any kind to be ejected from the ship or other means of transport but shall cause all such matters to be removed to a place set apart for that purpose, or otherwise disposed of as the port health officer may direct. Carcasses of dead animals, offal, and other offensive matters shall be kept separate, and shall be separately disposed of."*

⁵⁴ Siko Mohloto. 1996. *South Africa's Maritime Interest and Responsibilities* <http://www.iss.co.za/Pubs/ASR/sNo2/5No2/SAMaritime.html> (15 July 2009).

⁵⁵ Ibid.

⁵⁶ Ibid.

General South African Legislation

General South African legislation of relevance includes the following:

- **The International Health Regulations Act, 1974 (Act No. 28 of 1974).** In terms of the Constitution, 1996 (Act No. 108 of 1996) everyone has the right to an environment that is not harmful to their health or well-being. The Constitution states that government must act responsibly in order to protect the environment by preventing pollution and promoting conservation and sustainable development and further, that it must secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development (Section 24).
- **The Environment Conservation Act, 1989 (Act No. 73 of 1989) (ECA).** This act provides for the effective protection and controlled utilization of the environment. In September 1997, the EIA Regulations were published. These provided for the control of identified activities that may have a substantial detrimental effect on the environment. The act prohibits the undertaking of such activities until written authorization is obtained from the Minister or the relevant delegated authority. The ECA EIA Regulations have now been repealed, as discussed below.
- **The National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA).** The NEMA gives effect to the constitutional imperative to respect, protect, promote and fulfill the environmental right in the Bill of Rights. It creates an enabling framework for co-operative governance in the environmental sector, and gives effect to the environmental principles in the White Paper on Environmental Management, which includes the Duty of Care Principle. It lays down co-operative governance procedures and provides mechanisms for civil society participation. The act provides principles and procedures to improve the quality and consistency of decisions that may have a significant effect on the environment.

In terms of the National Environmental Management Second Amendment Act, 2004 (Act No. 8 of 2004) Section 24 (1) of NEMA has been amended to read “the potential impact on the environment of listed activities must be considered, investigated, and reported on to the competent authority charged by this Act with granting the relevant environmental authorization.”

The EIA Regulations promulgated under the ECA have as such been replaced by the new EIA Regulations, which have been passed in terms of Chapter 5 of the National Environmental Management Act (Act No. 107 of 1998) (NEMA), as amended. The repeal of the ECA EIA Regulations and their replacement with the NEMA EIA Regulations has been effective from the 1st July 2006.

In the context of ports and cruise ships, note the following possible listed activities:

- ❖ In terms of R386 (should these listed activities be triggered, a Basic Assessment process is required):
 - 2 *Construction or earth moving activities in the sea or within 100 meters inland of the high-water mark of the sea, in respect of –*
 - (a) *Facilities for the storage of material and the maintenance of vessels;*
 - (b) *Fixed or floating jetties and slipways;*
 - (c) *Tidal pools;*
 - (d) *Embankments;*
 - (d) *Stabilizing walls;*
 - (e) *Buildings; or*
 - (f) *Infrastructure.*

3. *The prevention of the free movement of sand, including erosion and accretion, by means of planting vegetation, placing synthetic material on dunes and exposed sand surfaces within a distance of 100 meters inland of the high-water mark of the sea.*
 4. *The dredging, excavation, infilling, removal or moving of soil, sand or rock exceeding 5 cubic meters from a river, tidal lagoon, tidal river, lake, in-stream dam, floodplain or wetland.*
 6. *The excavation, moving, removal, depositing or compacting of soil, sand, rock or rubble covering an area exceeding 10 square meters in the sea or within a distance of 100 meters inland of the high-water mark of the sea.*
- ❖ In terms of R387 (should these listed activities be triggered, a Scoping and EIA Process is required):
 9. *Construction or earth moving activities in the sea or within 100 meters inland of the high-water mark of the sea, excluding an activity listed in item 2 of Government Notice No. R. 386 of 2006 but including construction or earth moving activities in respect of –*
 - (g) *facilities associated with the arrival and departure of vessels and the handling of cargo;*
 - (h) *piers;*
 - (i) *inter- and sub-tidal structures for entrapment of sand;*
 - (j) *breakwater structures;*
 - (k) *rock revetments and other stabilizing structures;*
 - (l) *coastal marinas;*
 - (m) *coastal harbors;*
 - (n) *structures for draining parts of the sea;*
 - (o) *tunnels; or*
 - (p) *underwater channels.*
- **The National Environmental Management Biodiversity Act, 2004 (Act No. 10 of 2004).** In order to comply with Section 24 of the Constitution, national legislation is required to regulate the sustainable use of biological resources, and the National Environmental Management: Biodiversity Act provides for the consolidation of different pieces of biodiversity legislation, particularly with regard to aspects of co-ordination of international obligations and the distribution of benefits derived from indigenous biological resources.

The objectives of this Act are to provide for:

- ❖ The conservation and management of South Africa's biodiversity within the framework of the National Environmental Management Act, 1998;
- ❖ The protection of species and ecosystems that warrant national protection;
- ❖ The sustainable use of indigenous biological resources;
- ❖ The fair and equitable sharing of benefits arising from bio-prospecting involving indigenous biological reserves; and
- ❖ The establishment and functions of a South African National Biodiversity Institute.

This Act provides for the protection and conservation of ecologically viable areas representative of South Africa's biological diversity and its natural landscapes and seascapes. It establishes a national register of all national, provincial and local protected areas, for example Marine Protected Areas (MPAs). The Act provides for the management of these areas in accordance with national norms and standards as well as for intergovernmental co-operation and public consultation in matters concerning protected areas.

Legislation Pertaining to Marine Aspects

Legislation pertaining to marine aspects includes the following:

- **The Marine Living Resources Act, 1998 (Act No. 18 of 1998) (MLRA).**
This legislation provides for the conservation of marine ecosystems, the long-term sustainable utilization of marine living resources and the orderly access to exploitation, utilization and protection of certain marine living resources. As such, the Act provides for the exercise of control over marine living resources in a fair and equitable manner to the benefit of all the citizens of South Africa. Marine Protected Areas are declared under Section 43 of the MLRA (see Exhibit 5-6). No fishing, construction work, pollution or any form of disturbance is allowed in these areas. Closed Areas are also declared under section 77 of this Act. Fishing is restricted or prohibited entirely in the areas listed in Exhibit 5-6.
- **The Integrated Coastal Management Act, 2008 (Act No. 24 of 2008).**
This act (not yet in force) establishes a system for integrated coastal and estuarine management in South Africa, including norms, standards and policies, in order to promote the conservation of the coastal environment, and maintain the natural attributes of coastal landscapes and seascapes, and to ensure that development and the use of natural resources within the coastal zone is socially and economically justifiable and ecologically sustainable. The act defines rights and duties in relation to coastal areas and determines the responsibilities of organs of state in relation to the seashore and other coastal areas. It prohibits incineration at sea and controls dumping at sea, pollution in the coastal zone, inappropriate development of the coastal environment and other adverse effects on the coastal environment. This act gives effect to South Africa's international obligations in relation to coastal matters, and will supersede the Marine Pollution Act, 1986 and the Dumping at Sea Control Act, 1980 when it comes into force.
- **The Sea Shore Act, 1935 (Act No. 21 of 1935) and the Sea Shore Amendment, 1993 (Act No. 190 of 1993).** This act and its amendments declares the State President to be the owner of the sea-shore and the sea within the territorial waters of South Africa. It provides for the grant of rights in respect of the sea-shore and the sea, and for the alienation of portions of the sea-shore and the sea. The act also makes provision for offences and penalties and other remedies against offenders. This act may be relevant in this instance where the use of the sea and seashore for public recreational use purposes are concerned. Its application is in respect of the sea and the sea shore which is defined as the land between the low water mark and the high water mark. No activities should affect the general public's use and enjoyment of the sea shore.

Legislation Pertaining to Air Pollution

Legislation pertaining to air pollution includes the following:

- **The Atmospheric Pollution Prevention Act, 1965 (Act No. 45 of 1965).**
This act provides for the prevention of pollution of the atmosphere and for the establishment of a National Air Pollution Advisory Committee. This act applies to ships that are berthed in South African harbors.
- **The National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004).** This act reforms the law regulating air quality in order to protect the environment by providing reasonable measures for the prevention of pollution and ecological degradation and for securing ecologically sustainable development whilst promoting justifiable economic and social development. This act also creates national norms and standards regulating air quality monitoring, management and control by all spheres of government for specific air quality measures.

Exhibit 5-6: List of Marine Protected Areas and Closed Areas

Source: Chand, 2009

Marine Protected Areas	Closed Areas
<ul style="list-style-type: none"> • Langebaan Lagoon • Sixteen Mile Beach (near Yzerfontein) • Malgas Island, Jutten Island and Marcus Island • Table Mountain National Park <ul style="list-style-type: none"> - St James Restricted Zone - Boulders Restricted Zone - Castle Rock Restricted Zone - Paulsberg Restricted Zone - Cape of Good Hope Restricted Zone - Karbonkelberg Restricted Zone • Helderberg • Betty's Bay • De Hoop • Goukamma • Robberg • Tsitsikamma National Park • Sardinia Bay • Bird Island • Dwesa-Cwebe • Hluleka • Pondoland • Trafalgar • Aliwal Shoal • Greater St Lucia Wetland Park • St Lucia • Maputaland 	<ul style="list-style-type: none"> • St Helena Bay • Saldanha Bay • Table Bay • Strand • Mudge Point • Onrus River • Hermanus • Dyer Island • East London (three areas) • Durban (harbor)

The ambient air quality in South Africa is regulated in accordance with this Act. The act specifies the ambient air quality standards for PM₁₀ sulfur dioxide, nitrogen oxides, etc.

No standards or guidelines exist for exposure to volatile organic compounds (VOCs) in non-industrial settings. However, a number of indoor exposure limits have been recommended. Two possible approaches for deriving indoor air quality guidelines for VOCs (excluding formaldehyde and carcinogenic VOCs) have been proposed.

Additional legislation that should be considered regarding cruise liner emissions within the ports and *en route* are:

- ❖ The Draft Policy on Waste Incineration and the Co-Processing of Waste as Alternative Fuels or Raw Materials in Cement Production (GG No. 31831, 30 January 2009).
- ❖ The minimum emission standards for point source emissions from waste incinerators, in accordance with the listed activity number 8.1 of the Draft Schedule for Section 21, National Environmental Management: Air Quality Act 2004 (Act No.39 of 2004) (DOT, 27 February 2008).

The City of Cape Town in particular has also developed:

- ❖ The City of Cape Town Draft Air Quality Management By-Law of 2009.
- ❖ The City of Cape Town: Air Pollution Control By-Law, of 2003 (Provincial Gazette 5979 of 4 February 2003).
- ❖ The Smokeless Zone Policy for the City of Cape Town, of 2002.

Legislation Pertaining to Waste

Legislation pertaining to waster includes the following:

- **The National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).** This act was assented to on 10th March 2009, and will come into effect at a date determined by notice in the *Government Gazette*. It aims to consolidate waste management in South Africa, and contains a number of provisions, including:
 - ❖ The establishment of a national waste management strategy, and national and provincial norms and standards for, amongst others, the classification of waste, waste service delivery, and tariffs for such waste services;
 - ❖ Addressing reduction, reuse, recycling and recovery, and tariffs for such waste management plans;
 - ❖ The establishment of control over contaminated land;
 - ❖ Identifying waste management activities that requires a license, which currently include facilities for the storage, transfer, recycling, recovery, treatment and disposal of waste on land;
 - ❖ Co-operative governance in issuing licenses for waste management facilities, by means of which a licensing authority can issue an integrated or consolidated license jointly with other organs of state that has legislative control over the activity; and
 - ❖ The establishment of a national waste information system.

A general duty in respect of waste management is set out in section 16 which states that--

- 1. A holder of waste must, within the holder's power, take all reasonable measures to –*
- (a) Avoid the generation of waste and where such generation cannot be avoided, to minimize the toxicity and amounts of waste that are generated;*
 - (b) Reduce, re-use, recycle and recover waste;*
 - (c) Where waste must be disposed of, ensure that the waste is treated and disposed of in an environmentally sound manner;*
 - (d) Manage the waste in such a manner that it does not endanger health or the environment or cause a nuisance through noise, odor or visual impacts;*
 - (e) Prevent any employee or any person under his or her supervision from contravening this Act; and,*
 - (f) Prevent the waste from being used for an unauthorized purpose.*

Reduction, re-use, recycling and waste recovery are dealt with in section 17, which reads:

- 1. Unless otherwise provided for in this act, any person who undertakes an activity involving the reduction, re-use, recycling or recovery of waste must, before undertaking that activity, ensure that the reduction, re-use, recycling or recovery of the waste -*
- (a) Uses less natural resources than disposal of such waste; and*
 - (b) To the extent that it is possible, is less harmful to the environment than the disposal of such waste.*

The Minister may publish a list of waste management activities which either require a license, or must conform to certain standards (section 19). Until such time as the list is published, Schedule I of the act will apply. Schedule I lists various activities, such as, storage/transfer of waste, recycling and recovery, treatment and disposal on land.

Chapter 4 (Part 5) regulates the storage, collection and transportation of waste, including duties pertaining thereto, as well as the duties of persons transporting waste.

Chapter 4 (Part 6) governs issues such as unauthorized disposal and littering.

Chapter 4 (Part 7) discusses industry waste management plans. This would be in respect of industries or waste generation activities affecting more than one province. A category of persons or an industry would be required to draw up and submit such a plan for approval by the Minister or MEC.

Chapter 5 governs the licensing of waste management activities and deals with issues such as application procedure, contents of licenses, renewal, revoking, surrender etc.

Chapter 6 deals with the mandatory implementation of a national waste information system by the Minister.

- **The National Environmental Management: 1998 (Act No. 107 of 1998).** NEMA also requires *“that waste is avoided, or where it cannot altogether be avoided, minimized and re-used or recycled where possible and otherwise disposed of in a responsible manner (section 2(4)(a)(iv)).”* It also defines *“pollution”* as *“any change in the environment caused by: (i) substances; and, (iii) noise, odors, dust or heat, emitted from any activity, including the storage or treatment of waste or substances, construction and the provision of services, whether engaged in by any person or an organ of state, where that change has an adverse effect on human health or well-being or on the composition, resilience and productivity of natural or managed ecosystems, or on materials useful to people, or will have such an effect in the future (section 1).”*
- **The Department of Water Affairs and Forestry Minimum Requirements.** DWAF’s minimum requirements are intended to facilitate conformity with international standards, required by future trading partners and the Basel Convention. South Africa ratified the Basel Convention in 1994. The objectives of the Basel Convention are to reduce to a minimum the transboundary movements of hazardous wastes and other wastes generated as close as possible to their source of generation, to ensure strict control over the movement of hazardous wastes across borders and to prevent illegal traffic (Department of Foreign Affairs, 2003).

Waste is categorized into various groups (domestic, industrial, commercial), while hazardous waste falls into nine different classes. Landfill sites themselves are classified differently; this defines which waste types they may receive.

Section 10.2 provides that: *“A generator who treats, stores for a period exceeding 90 days, or disposes of hazardous waste on site is subject to section 20(1) of the Environment Conservation Act and must apply for a permit for a waste disposal facility...”*

Section 10.2.3 deals with the temporary accumulation of hazardous waste without a permit and sets out certain weights for the four Hazard Ratings (10, 100, 1000 and 10000kg respectively).

The requirements are in the process of being updated, although completion thereof will still take a few years.

- **The Integrated Coastal Management Act, 2008 (Act No. 24 of 2008).** With regards to waste, the discharge of industrial effluent is only allowed under a section 69 general authorization or if a coastal water discharge permit was issued in terms of the same section. Section 69(6) imposes water saving measures, and further states that effluent must comply with the relevant authorization conditions, or any applicable waste standards or water management practices.

Sections 70 to 73 regulate and/or prohibit the dumping of or incineration of waste at sea. *“Waste” is defined as: Any substance, whether or not that substance can be re-used, recycled or recovered -*

1. That is surplus, unwanted, rejected, discharged, abandoned or disposed of;
 2. That the generator has no further use of, for the purposes of production, reprocessing or consumption; and
 3. That is discharged or deposited in a manner that may detrimentally impact on the environment.
- **The Dumping at Sea Control Act, 1980 (Act No. 73 of 1980).** It is important to note that this act will be repealed by the Integrated Coastal Management Act, 2008 (Act No. 24 of 2008), once the latter enters into force. According to section 2 (loading or dumping prohibited or restricted) –
 1. Any person who-
 - (a) dumps any substance mentioned in Schedule 1;
 - (b) (i) dumps any substance mentioned in Schedule 2;
 - (ii) Loads any such substance onto any vessel, aircraft, platform or other man-made structure at sea for dumping; or
 - (iii) Deliberately disposes at sea of any vessel, aircraft, platform or other man-made structure at sea for dumping, except under the authority of and in accordance with the provisions of a general permit under section 3, shall be guilty of an offence, unless the substance in question was dumped for the purpose of saving human life or of securing the safety of the vessel, aircraft, platform or other man-made structure at seas in question or any other vessel, aircraft, platform or other man-made structure at sea or of preventing damage to the vessel, aircraft, platform or other man-made structure at seas in question or to any other vessel, aircraft, platform or other man-made structure at sea, and such dumping was necessary for such purpose or was a reasonable step to take in the circumstances.

Schedules 1 and 2 set out certain prohibited and restricted substances respectively.

- **The Marine Pollution (Prevention of Pollution from Ships) Act, 1986 (Act No. 2 of 1986) (MARPOL).** This act reflects South Africa's ratification of the International Convention for the Prevention of Pollution from Ships, 1973 (refer to International Conventions and Standards later in this Chapter for additional details).
- **The Marine Pollution (Control and Civil Liability) Act, 1981 (Act No. 6 of 1981).** This act (also emanating from MARPOL) provides for the protection of the marine environment from pollution by oil and other harmful substances. It provides for the prevention and combating of pollution of the sea by oil and other harmful substances. The act determines liability in certain respects for loss or damage caused by the discharge of oil from ships, tankers and offshore installations.
- **Reception Facilities for Garbage from Ships Regulations, GN 1491 of 1992.** These regulations were passed in terms of the Marine Pollution Prevention of Pollution from Ships), 1986 (Act No. 2 of 1986). Regulation 3(2) provides that – *“Subject to any direction given by the Director-General: Transport under regulation 4, a harbor authority in respect of its harbor, except any part thereof which is a terminal managed separately by a terminal operator, and a terminal operator (in respect of its terminal) shall ensure that the harbor or terminal has or is provided with adequate facilities for the reception of garbage from ships.”*

Legislation Pertaining to Harbors

Legislation pertaining to harbors covers several elements, including:

- **The National Ports Act, 2005 (Act No. 12 of 2005).** Section 74 (Safety of navigation and shipping in ports) states that –
 - “3.(b) the Harbor Master may give such written or verbal instructions as may reasonably be necessary for –
 - (iii) Controlling the manner in which cargo, fuel, water or ship's stores are taken on, discharged or handled;

- (iv) *Regulating the removal or disposal of any residues and mixtures containing oil or noxious liquid substances, sewage and garbage from vessels in a port and requiring any such matter to be deposited in reception facilities in the port;*
- (v) *The detention of a vessel reasonably suspected of causing oil pollution and ensuring that the total cost of the pollution clean-up operation is recovered, or acceptable guarantees are provided, prior to vessel being given permission to leave the port.*

- **Regulations for the Harbors of the Republic of South Africa and of South West Africa, GN R 562 of 1982.**⁵⁷ According to Regulation 38:

1. *No person shall throw or deposit into any harbor stones, gravel, ballast, carcasses, cargo, dirt, ashes, bottles, baskets, rubbish, objectionable or malodorous matter or any other article or substance of whatsoever nature, and no person shall spill paint in any harbor or cause or allow oily or waxy effluent or oil of any description, whether or not such oil be of a mineral, animal or vegetable origin, to be discharge or to escape into a harbor.*
2. *If oil of any description or flammable liquid, effluent or water from an unlearned oil tank, fish oil tank, bilge or hold which has contained oil, flammable liquid or cargo of any kind, is discharged or allowed to escape into a harbor from a ship, the master of such ship shall be deemed to have committed a breach of this regulation and shall be personally liable to punishment therefore and, in addition, shall be liable for any costs that may be incurred by the Transport Service in removing such oil, flammable liquid, oily effluent or contaminant."*

Regulation 159 (13) provides that -*"No flammable liquid of any description and no water which is contaminated with oil or flammable liquid shall be discharged or allowed to escape into a harbor. If flammable liquid or contaminated water is discharge or allowed to escape into a harbor from a tanker, pipeline, bulk storage or other installation owner shall be liable for any costs which may be incurred by the Transport Services in removing such liquid or water. The master of a vessel shall not discharge clean ballast water into the harbor prior to 'back loading' without the permission of the port captain. Permission shall not be granted unless a current certificate is produced by a certified chemist certifying that the ballast water is free oil or other matter."*

- **Port Rules and Harbor Master's Written Instruction, GN 255 of 2009.**⁵⁸

- ❖ All persons within a port must take all reasonable steps to prevent, minimize and mitigate pollution or damage to the environment.
- ❖ No person may throw or deposit within port limits any harmful matter or substance of whatsoever nature, including effluent or polluted water or foreign organisms without the permission of the Authority, and in the cause where it is to be thrown or deposited from a vessel, without the permission of the Harbor Master.
- ❖ No person may cause or allow pollutants, including paint, or cause or allow substances that can cause pollution or negatively impact on the environment whether or not the substance or pollutant is of a mineral, animal or vegetable origin, to be dumped on the property of a port or to be discharged or to escape into waters within port limits.
- ❖ No oil of any description or harmful matter or substances of whatever nature including effluent, polluted water or foreign organisms, may be discharged or dumped from a vessel or allowed to escape from a vessel into any part of the port; or from a terminal or any other source or allowed to escape into port waters from a terminal or any other source.
- ❖ The master of a vessel that is berthed alongside a quay or jetty must cause all the discharge outlets of the vessel facing the quay or jetty to be closed or to be provided with adequate covers to prevent any inadvertent discharge of water

⁵⁷ It is not clear if these Regulations are still in force since new Port Rules and Harbour Master's Written Instructions were published by the Minister of Transport on 6 March 2009. Refer to section 0.

⁵⁸ These regulations entered into force on 6 March 2009.

- or effluent or substances onto the quay or jetty surface, bollards, moorings, telephone cables, fenders or hose connections or into the environment.
- ❖ The cleanup of pollutants, including oil must be dealt with in accordance with the applicable Port Contingency Plan and/or the National Contingency Plan.
- ❖ A person who drops or deposits any article within port limits that might cause a danger, obstruction, pollution, a negative impact upon the environment or a nuisance, or any person who witnesses a person doing this, must report the matter to the Authority immediately.
- ❖ The owner or master of a vessel must ensure that the quayside is cleaned after the vessel has completed its working operations. The cleanliness of a quayside operated by a terminal operator will be regulated by the license agreement with the terminal operator.
- ❖ The master of a vessel must comply with the Port Ballast Water Management Plan as well as the Port Waste Management Plan and Vessel Management Plan.

Under Chapter 4, Section 95, regarding the emissions of fumes or smoke (air pollution), it is stated that—

1. *The master of a vessel in a port must take all necessary precautions to avoid the emission of excessive fumes or smoke from his or her vessel.*
2. *No master of a vessel in a port may permit the emission of fumes, smoke or atmospheric pollutants from the vessel that violates the National Environment Management: Air Quality Act No. 39 of 2004 or any other applicable law.*
3. *The provisions of sub-rule (2) do not apply –*
 - (a) *to smoke emanating from a vessel within 5 minutes during the start-up period;*
 - (b) *while the smoke producing appliance is being overhauled if the emission cannot reasonably be prevented; or*
 - (c) *during the period of any breakdown or disturbance of appliance.*
4. *All persons must comply with the applicable legislation relating to pollution, including the National Environmental Management: Air Quality Act, 2004 (Act No.39 of 2004).*

International Conventions and Standards

South Africa is a signatory to many international conventions. Several of these are presented below:

- **International Convention for the Prevention of Pollution from Ships, 1973 (MARPOL 73/78).** The International Maritime Organization (IMO) is an international organization created by the United Nations in 1948. According to the convention that established it, one of the IMO's purpose is to encourage and facilitate the general adoption of the highest practicable standards in matters concerning maritime safety, efficiency of navigation and prevention and control of marine pollution from ships.

MARPOL 73/78 is the International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978 ("MARPOL" is the acronym for "marine pollution").

MARPOL 73/78 is the most important international marine environmental convention. It was designed to minimize pollution of the seas, including dumping, oil and exhaust pollution. Its stated object is "to preserve the marine environment through the complete elimination of pollution by oil and other harmful substances and the minimization of accidental discharge of such substances."⁵⁹

The MARPOL Convention is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes. It is a combination of two treaties adopted in 1973 and 1978 respectively

⁵⁹ International Maritime Organization. 2002. Special Areas under MARPOL. http://www.imo.org/Environment/mainframe.asp?topic_id+760 (20 July 2009).

and updated by amendments through the years. It is the most important international convention amongst those which concern the prevention of marine environmental pollution as it is one of the few that prescribe specific limits on discharges rather than concentrating on strategic policy objectives.⁶⁰

MARPOL was adopted on 2 November 1973 by the IMO and covered pollution by oil, chemicals, harmful substances in packaged form, sewage and garbage. The Protocol of 1978 relating to the 1973 International Convention for the Prevention of Pollution from Ships (1978 MARPOL Protocol) was adopted in February 1978.

As the 1973 MARPOL Convention had not yet entered into force, the 1978 MARPOL Protocol absorbed the parent Convention, and the combined instrument is now referred to as the International Convention for the Prevention of Marine Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (MARPOL 73/78), and it entered into force on 2 October 1983.⁶¹

The Convention includes Protocol I and 2, annexes and appendices, which list regulations aimed at preventing and minimizing pollution from ships - both accidental pollution and that from routine operations.

Exhibit 5-7: MARPOL Protocol I and 2

Source: MARPOL

Protocol I	Provisions on Reporting Incidents involving Harmful Substances
Protocol 2	Arbitration
Annex I	Regulations for the Prevention of Pollution by Oil
Annex II	Regulations for the Control of Pollution by Noxious Liquid Substances in Bulk
Annex III	Prevention of Pollution by Harmful Substances Carried by Sea in Packaged Form
Annex IV	Prevention of Pollution by Sewage from Ships
Annex V	Prevention of Pollution by Garbage from Ships
Annex VI	Prevention of Air Pollution from Ships (entry into force 19 May 2005)
Annex I	Regulations for the Prevention of Pollution by Oil

State Parties must accept Protocol and Annexes I and II, but the other Annexes are voluntary. South Africa has adopted Annexes III and V, but not IV (sewage) and VI (air pollution).

This extensive Convention was incorporated into the Marine Pollution (Prevention of Pollution from Ships), 1998 (Act No 2 of 1998) thereby making it applicable to South Africa and its ports. While large parts of the Convention deal with pollution of ships at sea, as well as special areas (which are clearly defined), there are parts that are relevant for in-port activities.⁶²

Protocol I (Provisions concerning Reports on Incidents involving Harmful Substances) require the Master or other person in charge of a ship involved in an incident to report the particulars thereof. Incidents involving oil, noxious liquids and harmful substances must be furnished.

Annex I (Regulations for the Prevention of Pollution by Oil) of the Convention prohibits the discharge of oil or oily mixtures from ships to which the Annex applies except when certain conditions are satisfied.

⁶⁰Consultec & ERM. 2006. Environmental Impact Assessment for Sasol's Offshore Exploration Project in Blocks 16 and 19 – International Conventions.

⁶¹International Maritime Organization. 2002. Special Areas under MARPOL. http://www.imo.org/Environment/mainframe.asp?topic_id+760 (20 July 2009).

⁶²Ibid.

Member states are required to: “ensure the provision at oil loading terminals, repair ports, and in other ports in which ships have oil residues to discharge, of facilities for the reception of such residues and oily mixtures as remain from oil tankers and other ships adequate to meet the needs of the ships using them without causing undue delay to ships” (Regulation 2(1)).

Tankers and ships must be in possession of an Oil Record Book (see Regulation 20) in which details have to be documented. These *inter alia*, include:

- ❖ Ballasting or cleaning of oil fuel tanks as well as their dirty discharge;
- ❖ Disposal of oily residues (sludge);
- ❖ Cleaning of cargo tanks, including crude oil washing;
- ❖ Discharge of water from slop tanks; and
- ❖ Disposal of residues.

Annex II (Regulations for the Control of Pollution by Noxious Liquid Substances in Bulk) regulates the discharge into the sea of certain substances, except under prescribed conditions (Regulation 5). This includes ballast water, tank washings or other residues or mixtures containing such substances.

Member states must undertake to ensure the provision of reception facilities according to the needs of ships using its ports, terminals or repair ports as follows (Regulation 7): “cargo loading and unloading ports and terminals shall have facilities adequate for reception without undue delay to ships of such residues and mixtures containing noxious liquid substances as would remain for disposal from ships carrying them as a consequence of application of this Annex”

Regulation 8 sets out extensive control measures for unloading, pre-washing and removal of cargo residues.

Regulation 8(9) deals with discharges from slop tanks and provides that: “Any residues retained on board in a slop tank, including those from cargo pump room bilges, which contain a Category A substance, or within a special area either a Category A or a Category B substance, shall be discharged to a reception facility in accordance with the provisions of Regulation 5(1), (7) or (8) of this Annex whichever is applicable.”

Ships carrying noxious substances must hold and maintain a Cargo Record Book (Regulation 9) which reflects, among other information, details of:

- ❖ Cleaning of cargo tanks;
- ❖ Discharge of ballast from cargo tanks; and
- ❖ Disposal of residues to reception facilities.

Annex III contains general requirements for the issuing of detailed standards on packing, marking, labeling, documentation, stowage, quantity limitations, exceptions and notifications for preventing pollution by harmful substances.

The regulations were developed in order to identify marine pollutants so that they could be packed and stowed on board ship in such a way as to minimize accidental pollution as well as to aid recovery by using clear marks to distinguish them from other (less harmful) cargoes.

Annex V (Regulations for the Prevention of Pollution by Garbage from Ships) deals mainly with disposal of garbage at sea and further prohibits such disposal within certain distances and special areas. According to Regulation 78 member states are obliged to provide garbage reception facilities at ports and terminals. A Garbage Record Book must be kept by all ships; details of any incineration or discharge/disposal to sea must also be captured therein.

The Reception Facilities for Garbage from Ships Regulations, 1992 are the result of Annex V.

As noted above, Annexes I (*Prevention of pollution by oil*), II (*Control of Pollution by noxious liquid substances*) and IV (*Prevention of pollution by garbage from ships*), MARPOL defines certain sea areas as “special areas” in which, for technical reasons relating to their oceanographical and ecological condition and to their sea traffic, the adoption of special mandatory methods for the prevention of sea pollution is required. Under the Convention, these special areas are provided with a higher level of protection than other areas of the sea.⁶³

Southern South African waters included as special areas are shown in Exhibit 5-8.

Exhibit 5-8: MARPOL included Special Areas - Southern South African Waters

Source: MARPOL

Adoption, Entry into Force and Date of Taking Effect of Special Areas			
Special Areas	Adopted	Date of Entry into Force	In effect from
Southern South African Waters	13 October 2006	1 March 2008	1 August 2008

- **International Convention for the Control and Management of Ships Ballast Water and Sediments.** The International Convention for the Control and Management of Ships Ballast Water and Sediments is intended to combat the unauthorized release of ships’ ballast water that could cause hazards to the environmental and human health, and could impair biological diversity.

This Convention was adopted in 2004 by the International Maritime Organization. Under Article 2 of the General Obligations Parties undertake to give full and complete effect to the provisions of the Convention and the Annex in order to prevent, minimize and ultimately eliminate the transfer of harmful aquatic organisms and pathogens through the control and management of ships’ ballast water and sediments.⁶⁴

Ships are required to be surveyed and certified (Article 7) and may be inspected by port State control officers (Article 9) who can verify that the ship has a valid certificate; inspect the Ballast Water Record Book; and/or sample the ballast water.

Where there are concerns, a detailed inspection may be carried out and the Party carrying out the inspection shall take such steps as will ensure that the ship shall not discharge Ballast Water until it can do so without presenting a threat of harm to the environment, human health, property or resources.

An obligation of parties to the Convention is to develop a Ballast Water Management System (BWMS). Other obligations of parties to the Convention included ensuring that BWMS and practices used did comply with the Convention and did not cause greater harm to the environment or human health of other states, encouraging ships to avoid taking up potentially harmful ballast water; ensuring adequate facilities in ports that cleaned and repaired ballast water tanks, and ensuring safe disposal of sediments.⁶⁵

⁶³Ibid.

⁶⁴Parliamentary Monitoring Group. 2007. International Conventions Regarding Ships’ Ballast Water & Oil Pollution Department of Transport Briefings & Adoption: Transport <http://www.pmg.org.za/minutes> (20 July 2009).

⁶⁵Ibid.

Ships to which the Convention applies are subject to inspection upon entry into the port of another signatory state, and if it is found that a ship is violating the Convention, a state can warn, detain or exclude the ship.

The regulations to the Convention require each ship to have a BWM plan, and to keep a ballast water record book, whose entries must be kept for two years. The regulations place the responsibility of BWM on the officers and crew of a ship.⁶⁶

South Africa is a signatory to this convention. However, the prescripts relating to the management of ballast water (contained in Global Ballast Water Management Programme Resolution A868(20)) are merely guidelines at this stage and will only come into force when a sufficient number of countries have ratified the convention. The guidelines recommend that ships exchange their ballast water in the open ocean by pumping through three times the ballast tank volumes and that no ballast tank sediments and/or sludges are discharged overboard. The ballast water exchange procedure is designed to ensure that >95% of the ballast water volume is exchanged and this has been shown to drastically reduce the probability of translocating organisms between original ballast water uplift and final discharge locations. According to B Clarke, most vessels visiting South African ports voluntarily comply with the convention.

- **The London Convention and the 1996 Protocol.** The purpose of this convention is to regulate the dumping of wastes at sea and, in so doing, protect the environment. In relation to the Convention, dumping is defined as:
 - ❖ Any deliberate disposal at seas of wastes or other matter from vessels, aircraft, platform man-made structures at sea; and,
 - ❖ Any deliberate disposal at seas of vessels, aircraft, platforms or other man-made structures.

The definition was later extended to include incineration at sea, which is itself defined as combustion of wastes or other matter on marine incineration facilities for the purpose of their thermal destruction.⁶⁷

The 1996 Protocol entrenched the dumping of radioactive and industrial wastes, and the incineration of wastes at sea; and introduced a number of additional provisions, including:

- ❖ The precautionary approach and the polluter-pays principle;
- ❖ A prohibition on the export of wastes to other countries for the purposes of incineration; and,
- ❖ A greater emphasis on technical co-operation both to facilitate compliance with the protocol and to promote better protection of the marine environment generally.⁶⁸

The provisions of the Convention were brought into force locally in terms of the Dumping at Sea Act, 1980 (Act No. 73 of 1980). New provisions, which will bring the national legislation in line with the Protocol, have also been included into the Integrated Coastal Management Act, 2008 (Act No.24 of 2008).

Industry Standards

Cruise operators are affiliated with cruise industry trade organizations and associations. These organizations include *inter alia*, the Cruise Lines International Association (CLIA), the International Chamber of Shipping, the Passenger Shipping Association and the European Cruise Council.

⁶⁶Ibid.

⁶⁷Department of Environmental Affairs and Tourism. 2009. The London Convention and 1996 Protocol www.deat.gov.za/Branches/MarineCoastal/AreaWork/international_obligation_ (17 July 2009).

⁶⁸Ibid.

Each organization promotes the growth of the cruise industry. It is important to note here that should members of organizations visit South Africa, that they would still be required to adhere to their member policies. CLIA is used as an example. It is composed of 24 of the major cruise operators serving North America and is an organization that operates pursuant to an agreement filed with the Federal Maritime Commission and it serves as a non-governmental consultative organization to the International Maritime Organization, an agency of the United Nations.

CLIA participates in regulatory and policy development processes and promotes all measures that foster safe, secure and healthy cruise ship environments. It also serves as a non-governmental consultative organization to the IMO, an agency of the United Nations.⁶⁹

Under the direction of the chief executives of its member lines, the CLIA advocates industry positions to key domestic and international regulatory organizations, policymakers and other industry partners. The association also actively monitors international shipping policy and develops recommendations to its membership on a wide variety of issues.

The CLIA member cruise lines state that they are committed to preserving and protecting the environment. As a result, CLIA member lines have produced and strengthened their own environmental policies and procedures, and closely monitor onboard activities to ensure that these standards are maintained. The internal procedures are designed to meet existing and comprehensive federal, state, and international standards designed to prevent discharges from all commercial vessels.⁷⁰

CLIA member lines have agreed to incorporate environmental performance into safety agreements and laws specific to many nations. These programs are routinely reviewed by Port States to ensure compliance. For example, in the United States, the US Coast Guard has jurisdiction over environmental matters in ports and waterways and conducts passenger ship examinations that include review of environmental systems. Safety Management Systems (SMS) documentation and such MARPOL-mandated documents, such as the Oil Record Book and the Garbage Record Book.⁷¹

CLIA members are committed to:

- Designing, constructing and operating vessels, so as to minimize their impact on the environment;
- Developing improved technologies to exceed current requirements for protection of the environment;
- Implementing a policy goal of zero discharge of MARPOL, Annex V solid waste products (garbage) and equivalent US Laws and regulations by use of more comprehensive waste minimization procedures to significantly reduce shipboard generated waste;
- Expanding waste reduction strategies to include reuse and recycling to the maximum extent possible so as to land ashore even smaller quantities of waste products;
- Improving processes and procedures for collection and transfer of hazardous waste; and,
- Strengthening comprehensive programs for monitoring and auditing of onboard environmental practices and procedures in accordance with the International Safety

⁶⁹Cruise Lines International Association. 2009. About CLIA. <http://www.cruising.org/about.cfm> (17 July 2009).

⁷⁰Ibid.

⁷¹Ibid.

Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code).⁷²

CLIA member cruise vessel operators have agreed to incorporate certain standards for waste stream management into their respective Safety Management.⁷³

Each CLIA cruise vessel operator has agreed to utilize one or more of the practices and procedures in the management of their shipboard waste streams. Recognizing that technology is progressing at a rapid rate, any new equipment or management practices that are equivalent to or better than those described and which are shown to meet or exceed international and federal environmental standards are also acceptable. Member lines have agreed to communicate to the CLIA regarding the use of equivalent or other acceptable practices and procedures.⁷⁴

Conclusions from Key Legislation and Policy Discussion

This section clearly indicates that, in South Africa, there is sufficient and comprehensive pieces of existing regulatory environmental legislation and conventions already in place, which would be relevant to the cruise industry.

Of concern and what is not known, is the degree to which these laws and regulations are currently implemented and monitored, and hence how successful the legislation and conventions are in reducing damage to the marine environment.

5.4 Key Environmental Implications

Using work and data from previous chapters, this section focuses on summarizing the broader environmental implications of an increasing cruise activity along the coastline under the categories identified as marine ecology, air pollution and waste. These environmental implications are presented with a view to understanding what further detailed environmental investigations would need to take place in order for South Africa to sustainably accommodate an increase in visiting vessels.

Environmental Implications

Generally shipping, *en route*, and whilst in port can impact on the marine environment in two main ways:

- Accidental impacts, for example, oil spills resulting from collisions or from grounding/stranding and/or loss of deck cargo; or
- Operational impacts, for example, the toxic effect of antifouling paints, the discharge of sulfur dioxide and nitrogen oxide emissions.

Legislation can only minimize the risk of the former, whilst legislation can control the impacts of the latter.⁷⁵

This section highlights the broader environmental impacts pertaining to the three categories under investigation that could be associated with the cruise industry. The categories are:

- Marine Ecology;
- Air Pollution; and,

⁷²CLIA Industry Standard. 2006. *Cruise Industry Waste Management Practices and Procedures* <http://www.cruising.org/industry/PDF/CLIAWasteManagementAttachment.pdf>. (17 July 2009).

⁷³Ibid.

⁷⁴Cruise Lines International Association. 2009. About CLIA. <http://www.cruising.org/about.cfm> (17 July 2009).

⁷⁵SA Lewey, P. Wybrow. 2002. *The Environmental Impact of Naval Practices in Navy Bases* <http://www.plwmarine.co.uk/publications/mimanaval.htm> (15 July 2009).

- Waste.

We also briefly touch upon noise pollution issues at the end of this discussion.

Where possible, for each issue raised, recommendations are made to minimize possible negative impacts on the environment and enhance possible positive impacts. Suggestions are also provided when unknowns or gaps in knowledge will require further investigation.

Marine Ecology

There are five identified possible impacts associated with cruise operations and marine ecology. These are presented below.

- **Antifouling Hull Coatings/Paints, Litter and Oil Spills.**

Possible Impact

The biocides in antifouling coatings (for example copper and triazines) are toxins which can leach into the sea and accumulate in bottom living organisms (i.e. shellfish) and sediments. These biocides, are harmful to a range of marine organisms. The nature of the toxicity is chronic and can affect such functions as morphology, growth and reproduction of a range of marine species.

Oil spills can generally be accidental spills, of either cargo or bunker fuel (the volumes involved here are usually large) or operational oil spills. Operational spills are usually small, but repetitive and cumulative. The effects of these particular spills are chronic and localized. Impacts on marine habitats, include physical disturbance, toxicity to sensitive species and organic enrichment of the sediments are possible. Oil spills can also affect fisheries and shell fisheries either by their toxic effect or by tainting marketable fish.

In addition, marine mammals and birds can swallow or become entangled in litter. These situations often lead to fatalities.⁷⁶

Recommendations and Way Forward

Effective implementation of marine waste legislation and conventions (MARPOL, 73/78) include:

- ❖ Rigid monitoring of compliance to this legislation;
- ❖ Ensuring adequate reception facilities in ports for all waste streams; and
- ❖ Requiring environmental education for all passengers on cruise ships.

Suggestions for moving forward on this issue include:

- ❖ Investigations into the necessity of possibly banning the use of certain substances;
- ❖ Investigate the processes of monitoring the use of antifouling toxins;
- ❖ Investigate cruise industry adherence to MARPOL 73/78;
- ❖ Investigate whether all important breeding areas are adequately protected;
- ❖ Investigate the effectiveness of South Africa's and MPA's compliance monitoring; and
- ❖ Ascertain the locations of any commercial shell fisheries to the cruise ship routes.

⁷⁶SA Lewey, P. Wybrow. 2002. The Environmental Impact of Naval Practices in Navy Bases <http://www.plwmarine.co.uk/publications/mimanaval.htm> (15 July 2009).

- **Discharge of Ballast Water and Associated Non-Native Species**

Possible Impact

The introduction of non-native or alien species via the discharge of ballast water at ports is a likely impact. Introduced species can be detrimental to local species through competition for space or nutrients. They can also be toxic and affect local fisheries. Toxins that accumulate in shellfish can be harmful to the health of humans and marine mammals for example, paralytic shellfish poisoning and the *vibrio* bacterium, which causes cholera, is also known to be entangled in litter often leading to fatalities.⁷⁷

Recommendations and Way Forward

Suggestions for moving forward on this issue include:

- ❖ Ensure that adequate facilities are provided in ports for ships to manage ballast water;
- ❖ Investigate what cruise ships are doing or can do to prevent the possibility of the transfer of alien species from cruise ships;
- ❖ Investigate/confirm what economic incentives ships have or do not have to dispose of ballast water correctly; and,
- ❖ Ascertain the date of implementation/ratification of the Ballast Water Convention of 2004.

- **Collision with Marine Life**

Possible Impact

Collisions with ships and propeller injuries have been reported on marine mammals. Collisions are likely to interfere with mammals' sonar and built-in navigational systems (B. Clarke, pers comm.). Other forms of disturbance include the noise from ships' engines and the general presence of ships/boats at sea.

Recommendations and Way Forward

Suggestions for moving forward on this issue include:

- ❖ 24 hour watches in areas where marine mammals are present;
- ❖ Investigate the details regarding the regulations pertaining to distance of ships from marine mammals;
- ❖ Investigate the compliance with the above regulations;
- ❖ Investigate whether cruise ships have environmental officers on board, and investigate what they are required to do in these situations, if anything; and,
- ❖ Make necessary recommendations to the DOT and the Department of Water and Environmental Affairs (DWEA) based on the outcome of the investigations.

- **Damage to Reefs**

Possible Impact

Reefs can be damaged by cruise ship anchors and from the release of sewage. Additional scuba diving activities by tourists may also impact on the reefs.

Recommendations and Way Forward

Suggestions for moving forward on this issue include:

- ❖ Monitoring of tourist activities in sensitive areas;
- ❖ Ensuring that cruise ships are knowledgeable about the MRAs and the localities of reefs;
- ❖ Investigate the location of important reefs around the coastline to establish whether or not they are protected; and,
- ❖ Investigate what procedures are followed when cruise ships facilitates tourists scuba-diving activities.

⁷⁷SA Lewey, P. Wybrow. 2002. [The Environmental Impact of Naval Practices in Navy Bases](http://www.plwmarine.co.uk/publications/mimanaival.htm) <http://www.plwmarine.co.uk/publications/mimanaival.htm> (15 July 2009).

- **Opportunity to Increase Boat-Based Whale-Watching⁷⁸**

Possible Impact

Whale-watching tourism is currently underdeveloped in South Africa. Allowing cruise ships to obtain licenses to do boat-based whale watching would benefit tourism and improve the public's awareness and understanding of South African whale species (i.e. education).

Recommendations and Way Forward

Recommendations include:

- ❖ The regulations regarding disturbances of boats/ships from marine mammals would need to be adhered to; and
- ❖ Recommendations for regulating access to bays may need to be implemented, for example, a depth control of 100m.

Suggestions for moving forward on this issue include:

- ❖ Obtain an understanding of how this activity would impact local boat-based operators (economically and otherwise);
- ❖ Investigate in which bays this activity could take place and what possible visual impacts would result from the cruise ship's presence; and
- ❖ Investigate what controls would be needed for this activity to occur with minimal or no impact.

Air Pollution

Evaluating air pollution impacts of ports requires consideration of numerous sources, including marine vessels, trucks, locomotives, and off-road equipment used for moving cargo. The air quality impacts of ports are significant.

According to Coates, 2009 a cruise liner such as Queen Mary 2 emits 0.43kg of CO₂ per passenger mile, compared with 0.257kg for a long-haul flight. A report by the International Council on Clean Transportation (ICCT), states that worldwide, oceangoing vessels produced at least 17% of total emissions of nitrogen oxide and contribute to more than a quarter of total emissions of nitrogen oxide in port cities and coastal areas. The report also points out that carbon-dioxide emissions from the international shipping sector as a whole exceed annual total greenhouse gas emissions from most of the developed nations listed in the Kyoto Protocol.⁷⁹

Marine diesel engines emit a complex mixture comprised of carbon dioxide, oxygen, nitrogen, water vapor, carbon monoxide, nitrogen compounds, sulfur compounds and numerous low molecular weight hydrocarbons.

Large ships, such as cruise liners, will release emissions over a wide area, and depending on prevailing winds and other meteorological conditions, these emissions may be transported over great distances covering hundreds of kilometers.

Cruise liner engines emit a large amount of sulfur dioxide, nitrogen oxides and particulate matter, which impact not only ambient air concentrations but may also contribute to the deposition of nitrogen and sulfur in potentially sensitive ecological areas.

Cruise liners are also equipped with onboard incineration units. Incinerators emit a range of polluting substances which may affect human health, with many of the effects occurring even at very low levels. These emissions include particulates, acid gases, carbon monoxide, nitrogen oxides, organic hazardous pollutants and metal hazardous pollutants.

⁷⁸Note that this is a positive social impact in terms of increasing tourism to South Africa. Further social impacts have been investigated by Economics Information Services.

⁷⁹Iris Coates. 2009. *Are Cruise liners a viable alternative to flying* <http://www.responsibletravel.com/copy/Copy100858.htm> (15 July 2009).

It is important to note that the cruise industry is working on emissions reduction practices, such as the use of lower-sulfur fuels, adjusting engine timing, new diesel-electric propulsion systems known as the 'enviro-engines', gas-turbine engines and 'cold ironing', which is where ships are modified so that they can turn off their engines while docked and plug into a nearby land-based hydroelectric power plant, also known as a shore power 'plug in program'.⁸⁰

- **Health Effects**

Possible Impact

Possible impacts cover several elements. These include:

- ❖ **Sulfur Dioxide (SO₂).** Sulfur dioxide (SO₂) is formed during the burning of fuels containing sulfur, e.g. coal or diesel. SO₂ can dissolve in water vapor and further oxidize to form sulfuric acid, which reacts with ammonia to form sulfates and is an important component of ambient particulate matter.

Sulfur dioxide irritates the lungs and is associated with chronic bronchitis. People with asthma are particularly vulnerable, where a few minutes exposure to the pollutant may trigger an attack. However, the most serious effect occurs when SO₂ is absorbed by particulate matter, which is then inhaled deep into the lungs. At high doses, it can release sulfuric acid on reaction with moisture in the lungs. This can result in widespread illness and even death. For example, it is likely to have been the main cause of the 4,000 deaths during the notorious 1952 London smog.

- ❖ **Nitrogen Oxides (NO_x).** Nitrogen dioxide (NO₂) is a member of the nitrogen oxide (NO_x) family of gases. Nitrogen oxide (NO_x) is emitted during the burning of fuel at high temperatures and is oxidized in the air to form nitrogen dioxide.

NO₂ can also dissolve in water vapor and further oxidize to form nitric acid, which reacts with ammonia to form nitrates, which is also an important component of ambient particulate matter. In addition NO_x, along with non-methane hydrocarbons (NMHC), are the two major precursors of ozone.

Nitrogen oxides impair respiratory cell function and damage blood capillaries and cells of the immune system. When inhaled, nitrogen dioxide can irritate the lungs, cause bronchitis and pneumonia and lower resistance to respiratory infections. In children, exposure may result in coughs, colds, phlegm, shortness of breath, chronic wheezing and respiratory diseases including bronchitis.

NO₂ appears to contribute both to morbidity and mortality, especially amongst susceptible groups such as young children, asthmatics and in individuals with chronic inflammatory airway disease (chronic bronchitis and related conditions). Epidemiological studies have found significant effects of NO₂ on hospital admissions, emergency room visits, and respiratory illness and mortality.

The current Lowest Observed Adverse Effect Level for short-term exposures to NO₂ is in the range of 400 to 600 µg/m³, but there is an increasing body of data to suggest that longer term exposures to concentrations of about 80 to 150 µg/m³ during early and middle childhood can lead to the development of recurrent upper and lower respiratory symptoms.

- ❖ **Carbon Monoxide (CO).** Carbon monoxide (CO) is a colorless, odorless, non-irritating but very poisonous gas. It is a product of incomplete combustion

⁸⁰Herz and Davis.2002. Smokestack Emissions. www.ziphusecoservices.com/pdfs/Smokestack%5B1%5D.pdf (17 July 2009).

of fuel such as diesel, coal or wood. Marine vessel engine exhaust is one of the major sources of carbon monoxide.

Carbon monoxide is readily absorbed from the lungs into the blood stream. Haemoglobin (Hb) molecules in human blood attach themselves to CO much more rapidly than oxygen, if both are in the air. The presence of CO in the blood reduces its oxygen (O₂) carrying capacity. This impairs the oxygen release, potentially affecting sensitive organs such as the brain and heart.

Carboxyhaemoglobin (COHb) levels in the blood can be measured, serving as an indicator of exposure to CO. While the formation of COHb is a reversible process, it takes time for the body to metabolize CO from the blood. Between 2 and to 6.5 hours after exposure, resulting in a given blood concentration, the body can eliminate half of it.

At a COHb level of 2.9 percent, people with various types of heart condition experience chest pain. Levels of 3 to 4 percent can produce ischaemia in exercising individuals, and also impair concentration and nervous system function. At high levels above 5 percent, it causes headaches, drowsiness, nausea, slowed reflexes, confusion and disorientation. These symptoms worsen and intensify as exposure increases, until levels equal 10 percent and above, which cause unconsciousness and eventually death.

The focus of epidemiological studies has recently turned towards investigating the health effects arising from long-term exposure to low concentrations of CO, previously considered to be "safe". Studies carried out in Canada and the US give preliminary evidence that some observable health effects result from long-term exposure to average CO concentrations of 2,750 µg/m³.

- ❖ **Diesel Exhaust Particular Matter (PM).** Diesel exhaust also contains diesel particulate matter (DPM), which consists of fine (< 2.5µm) and ultrafine (< 0.1µm) particles. These have a large surface area which makes them an excellent medium for adsorbing organics, and their small size makes them highly respirable. Marine diesel engine emissions consist of a higher fraction of hydrated sulfate (approximately 60-90%) due to the higher sulfur levels of the fuel, organic carbon (approximately 15-30%), and metallic ash (approximately 7-11%) than are typically found in land-based engines.

Many of the organic compounds present in the gases and on the particles, such as polycyclic organic matter (POM), are individually known to have mutagenic and carcinogenic properties. Diesel exhaust has been classified by the United States Environmental Protection Agency (EPA) as a likely human carcinogen.

- ❖ **Suspended Particulate Matter (SPM).** Particulate matter is strongly associated with a wide range of symptoms such as coughs, colds, phlegm, sinusitis, shortness of breath, chronic wheezing, chest pain, asthma, bronchitis, emphysema and loss of lung efficiency. Suspended particles aggravate chronic disease and heart and lung disease symptoms. As many as 15% of asthma and 7% of Chronic Obstructive Pulmonary Disease cases in the urban population are estimated to be possibly related to prolonged exposure to high concentrations of SPM. Long-term exposure is associated with increased risk of death from heart and lung diseases.

SPM and PM10 (particles below 10 micrometers) often transport toxic elements such as lead, cadmium, antimony, arsenic, nickel, vinyl chloride, asbestos and benzene compounds throughout the body, often ending up in the respiratory, digestive and lymphatic systems. SPM may also carry carcinogens such as polycyclic aromatic hydrocarbons (PAHs), hence increasing the risk of developing cancer.

Effects on mortality, respiratory and cardiovascular hospital admissions have been observed at a daily average PM10 level of well below 100 $\mu\text{g}/\text{m}^3$.

International studies have consistently shown a 0.6% increase in total mortality (all causes) per 10 $\mu\text{g}/\text{m}^3$ increment in daily PM10. For respiratory and cardiovascular mortality, the observed increases are higher, with values of 1.2% and 0.8% per 10 $\mu\text{g}/\text{m}^3$ PM10 respectively. Significant associations have also been observed between PM10 and hospital admissions and emergency room visits for respiratory and cardiovascular disease. Increased PM10 has also been found to exacerbate asthma.

- ❖ **Volatile Organic Compounds (VOC).** This category of pollutants includes a large number of different chemicals, many of which are hydrocarbons (HC). Relatively few of these VOCs are addressed quantitatively by air quality guidelines. Furthermore, the guidelines mostly refer to health effects associated with the individual compounds. No provisions are made for assessing combined health and wellbeing effects from multi-substance, simultaneous exposures.

Exposure to VOCs may cause skin irritation and breathing difficulties, whilst long-term exposure may impair lung function. Many individual compounds are carcinogenic, including benzene, which can cause leukemia. Those most at risk are people exposed to benzene at work or who live or work in the vicinity of petrol filling stations or general vehicle activity.

Recommendations and Way Forward

Recommendations include:

- ❖ Ensure compliance with current legislation/conventions on air pollution;
- ❖ Ensure monitoring of compliance to air pollution legislation; and,
- ❖ Consider the possibility of South Africa adopting MARPOL 73/78 Annex VI.

Suggestions for moving forward on this issue include:

- ❖ The cruise industry is small in comparison to the international shipping industry. The extent of air-pollution should be small, this should be verified to determine the significance of the possible impacts described here;
- ❖ Verify the specific international, national and local air pollution emission limits and guidelines that would affect the cruise liner operations;
- ❖ Investigate the air quality limits and guidelines that would affect the cruise liner operations in each port;
- ❖ Establish an air pollution emissions inventory;
- ❖ Compare expected emissions and resulting air pollution levels against limits and guidelines; and,
- ❖ Assess the anticipated air quality impacts associated with increased cruise liner operations.

- **Global Effects of Climate Change**

Possible Impact

Most of the greenhouse gas (GHG) emissions can be attributed to fossil carbon dioxide. In some cases, methane (CH_4) and NO_x can also be of significance. The global warming potential of various gases that may be emitted by diesel engines are shown in Exhibit 5-9. The actual quantities of the various greenhouse gases due to the proposed cruise operations should be estimated, in order to evaluate their contribution to the South African and the international global warming potential.

An updated consensus estimate for the CO_2 emissions from international shipping in 2007 amounted to 843 million tonnes, or 2.7% of global CO_2 emissions, as compared to the 1.8% estimate from a 2000 International Maritime Organizational study.

Exhibit 5-9: Global Warming Potential of Diesel Engine Emissions (Relative to CO₂)

Source: Chand, 2009

Component (GHGs)	Chem.	GWP
Carbon dioxide	CO ₂	1
Oxides of nitrogen	NO _x	7
Carbon monoxide	CO	3
Non-methane hydrocarbons	NMHC	11
Methane	CH ₄	24,5

Recommendations and Way Forward

Recommendations include:

- ❖ Discourage the use of technologies on cruise ships which assist in the production of GHGs;
- ❖ Encourage use of cruise ships with the latest energy efficiency improvements, such as optimum design speed, choice of propeller, waste and heat recovery systems, etc; and
- ❖ Cruise liners should comply with the latest IMO regulatory framework on the GHG emissions.

Suggestions for moving forward on this issue include:

- ❖ Determine the overall contribution of an increase in cruise tourism to South Africa's global warming potential; and
- ❖ Provide specific recommendations and guidelines regarding greenhouse gas emissions that the cruise industry should adhere to.

Waste

Waste Pollution impacts contribute and are responsible for some of the issues which have been raised in section 5.3.

Cruise ships generate a number of waste streams that can result in discharges to the marine environment, including sewage, greywater, hazardous wastes, oily bilge water, ballast water, and solid waste. As noted, these wastes, if not properly treated and disposed of, can be a significant source of pathogens, nutrients, and toxic substances with the potential to threaten human health and damage aquatic life.

It is important, however, to keep these discharges in perspective, as cruise ships represent a small portion of the entire international shipping industry, and the waste streams described here are not unique to cruise ships. However, particular types of wastes, such as sewage, greywater and solid waste, may be of greater concern for cruise ships relative to other seagoing vessels because of the large numbers of passengers and crew that cruise ships carry and the large volumes of wastes that they produce. Further, because cruise ships tend to concentrate their activities in specific coastal areas and visit the same ports repeatedly (for example, places such as Florida, New York, Seattle and the waters of Alaska) their cumulative impact on a local scale could be significant, as can the impacts of individual large-volume releases (either accidental or operational).⁸¹

⁸¹Wikipedia. 2009. Cruise ship. <http://en.wikipedia.org/wiki/cruise-ship> (15 July 2009).

Studies have shown that a cruise ship on a one-week voyage can generate the following streams of waste:

- 50 tones of garbage;
- 1 million tones (nearly 2Mℓ) of greywater (wastes from sinks, baths, showers, laundry);
- 210 000 gallons (800Kℓ) of sewage;
- 35 000 gallons of oil contaminated water; and,
- 130 gallons (500ℓ) of hazardous wastes.⁸²

On average, it is purported that passengers on a cruise ship each account for 3.5 kilograms of rubbish daily compared with the average 0.8 kilograms generated by local people on shore.⁸³

Some possible implications of poor waste management systems are indicated below.

- **Decrease of Landfill Capacities**

Possible Impact

Cruise ships at ports would increase the volumes of garbage sent to landfills, especially if recycling does not occur. The large amounts of solid waste would add to the existing pressures that South African landfills are under.

Recommendations and Way Forward

- ❖ Reduce as far as possible the production of waste at source and ensure that wastes are recycled to the fullest extent possible.
- ❖ Investigate the current state of landfills at relevant ports and estimate the increase in solid wastes from cruise ships, to determine the extent and significance of this impact.

- **Incorrect Disposal of Wastes Will Cause Contamination of Soils and Groundwater**

Possible Impact

Should solid waste and other types of waste not be disposed of correctly, hazardous substances may be disposed of at landfill sites and these would contribute to the contamination of soils and groundwater.

Recommendations and Way Forward

- ❖ Ensure that all waste streams are disposed of according to legislation and best practice;
- ❖ Assess the waste disposal requirements of the NPA;
- ❖ Assess the adequacy of facilities and processes at ports to facilitate waste disposal;
- ❖ Assess the adequacy of compliance to MARPOL 73/78 Annex V; and,
- ❖ Determine the level and adequacy of monitoring of these processes including the procedures of the waste sub-contractors who currently have contracts at the ports.

⁸²Oceana. 2008. *Cruise Pollution*. <http://www.oceana.org/north-america/what-we-do/stop-cruise-ship-pollution/> (17 July 2009).

⁸³Ibid.

- **Inadequate Facilities at Ports Reducing Recycling Potential**

Possible Impact

Section 5.3 indicates that cruise operators are in fact attempting to improve the environmental sustainability of their operations and adherence to MARPOL. Insufficient reception facilities, however, are common at ports around the world.

Not all ports have recycling facilities available largely due to time and cost constraints. This results in ships conducting onboard/at source recycling operations, and then having to land the recycling as solid waste.

Recommendations and Way Forward

Recommendations include:

- ❖ Ensure suitable and sustainable facilities at ports for waste reception and recycling;
- ❖ Determine a sustainable solution for recycling and meeting the needs of the port authorities, operators, agents and sub-contractors; and,
- ❖ Co-operation will be needed and possibly trade-offs have to be considered between port authorities, operators, agents and sub-contractors.

Suggestions for moving forward on this issue include:

- ❖ Investigate existing waste facilities and procedures at each port;
- ❖ Estimate the increase in waste to be received depending on the number of cruise ships anticipated to visit the ports;
- ❖ Assess the significance of this anticipated increase in wastes;
- ❖ Assess the efficiency of current waste management systems and determine what could be done to improve and facilitate best practice waste management; and
- ❖ Recommend additional activities that could assist in reducing the waste at source and enhancing procedures of its disposal (e.g. education, green procurement).

Noise

In some locations, noise emissions from cruise ship operations—running engines, public announcements, entertainment and others—have created difficulties for communities. These generally occur when (1.) cruise ship berthing positions are close to residential areas and (2.) vessels stay into the evening/overnight. Destinations such as St. George's, Bermuda, and Ketchikan, Alaska, are good examples of where this issue has occurred.

While not fully assessed as part of this effort, it is not anticipated noise will present a problem for communities presently or anticipated to welcome cruise ships in South Africa. Cruise ships will generally not stay longer than 8 hours while at port, and these stops will almost always be during the day. Cape Town and Durban have a greater likelihood of welcoming vessels for longer periods and/or overnight, but noise issues are unlikely to be a problem given the more urban and commercial position of the vessel berthing zones in these cities.

Conflicts with noise can usually be resolved through discussions between the community, ship operator and agent. Mitigation can include only allowing cruise vessels to stay until 10 PM, monitoring noise, requiring cruise ships to shut down their running engines and other approaches.

5.5 The Way Forward

This section documents the broader environmental implications of increasing the cruise industry to the South African coastline. Recommendations for movement forward are summarized in the following section.

Marine Environment

South Africa's marine environment with its resources has 3,000 kilometers of coastline. The coastline itself consists of five coastal marine biogeographic provinces (Namaqua, Southwestern Cape, Agulhas, Natal and Delagoa) differentiated by water temperature which increases from west to east. South Africa also has five major marine ecotypes which are important and require protection (these include offshore reefs, soft sediment benthos, estuaries, intertidal habitats and breeding sites). Mechanisms for conservation of these areas include the proclamation of marine protected areas (MPAs) and the Special Sea Area which has been declared under MARPOL. Should cruise industry operations increase along the South African coastline, the ongoing protection of these resources would need to be ensured.

Legislation, Conventions and Policy

Legislatively, there seems to be sufficient and comprehensive pieces of regulatory environmental legislation and conventions already in existence, which would be relevant to the cruise industry.

Of concern and what is not known, is the degree to which these laws and regulations are currently implemented and monitored, and hence how successful the legislation and conventions are in reducing damage to the marine environment.

Note that should ports construct additional infrastructure, such as berths, Environmental Impact Assessments will be required in terms of the National Environmental Management Act, 1998 (Act No. 107 of 1998), Regulation 387.

Key Anticipated Environmental Impacts

The impact categories investigated included air pollution, waste and marine ecology. Possible impacts on the marine and terrestrial environments are summarized below.

- **Marine Ecology:** Possible impacts include pollution from antifouling hull coatings, litter and oil spills; discharge of ballast water and associated non-native species; disturbance; damage to reefs; and opportunity to increase boat-based whale-watching.
- **Air Pollution:** Possible impacts include health effects; and climate change.
- **Waste:** Possible impacts include decrease of landfill capacities; incorrect disposal of wastes causing soil/groundwater contamination; and, inadequate facilities at ports reducing recycling potential.
- **Noise Pollution:** Possible impacts include noise and ambient Issues at destinations and noise and ambient issues to the environment.

Suggestions and Conclusions

The following additional recommendations are made:

- **It is recommended that a detailed legislative review take place.** This would need to include relevant conventions that South Africa is a signatory of. The level of adherence and compliance by operators (and monitoring by the relevant roleplayers) would need to be ascertained in order to determine the effectiveness of the legislation/conventions. Suggestions would need to be made with a view to adopting/changing legislation where necessary.

- **It is anticipated that constructive dialogue between all stakeholders (DOT, DWEA, NPA, operators, agents, and even sub-contractors) will be required** to establish a strategy which:
 - ❖ Recognizes the NPA's commercially driven requirements;
 - ❖ Recognizes DOT's long-term intent to increase cruise tourism to Southern Africa; and,
 - ❖ Achieves all of the above in an environmentally sustainable manner.

It must be noted that, at this stage, it is anticipated that the overall environmental impact of increasing cruise tourism to the South African coastline will be negligible. If one considers the size of the current shipping industry and the cumulative environmental impacts thereof, cruising will form only a small fraction of this. The infrastructure already in place to deal with current operations seems adequate for the short-term.

However, over the long-term the current infrastructure and procedures are not sustainable. It would become necessary, to initiate processes and present methods that improve sustainability such as:

- Required recycling of waste (and the monitoring thereof) within ports;
- Monitoring of sewage discharges at sea; and
- Consideration of adopting MARPOL Annex VI.

It would also be important to investigate the different environmental opportunities (ranging from boat-based whale watching to green procurement) that could be developed to achieve sustainability of the industry over the long-term.

Although it is anticipated from this preliminary investigation that the overall impact of increasing the cruise industry along the South African coastline would be negligible, it is recommended that, with a view to ensuring the development of a long-term and sustainable industry, that further investigation should be commissioned once a more definitive proposal is made available (i.e the proposed cruise ship operations and activities, ports to be utilized and routes). Determination of EIA requirements will then also be possible.

The findings and implementation of the recommendations of these further investigations will contribute to responsible tourism and to the overall attractiveness of the South African coastline as a destination for cruise operators.

6.0 RECOMMENDATIONS FOR SOUTH AFRICA

6.1 Overview

In this section, we outline several action items and recommendations for consideration by DOT, South African communities and others to work toward the expansion of cruise activities. Recommendations presented herein were derived from results assembled as part of this study as well as cruise line and other project stakeholder feedback. Strategies and action items were also derived from the consultant's direct experience with developing the cruise homeport and port-of-call business in destinations and ports.

Many of the strategies presented follow closely those outlined as part of the 2008 Study effort, especially those related to marketing and outreach. These suggestions remain highly relevant for DOT and destinations to build up a base of cruise line and consumer interest as part of a comprehensive marketing effort.

As has been echoed several times as part of this report, growing cruise operations to South and Southern Africa needs to be framed as a marathon, not a sprint. While opportunities are present in the near term—the successful delivery of the cruise component of the 2010 FIFA World Cup perhaps being the most important of these—we see substantive growth in the business occurring over the medium (+5 years) and long terms (+10 years). Many destinations (Seattle, Rio, Sydney, Dubai) and regions (South America, Australia/Asia the Middle East) have approached building their business as a long term, patient effort and today are reaping the rewards of this approach.



6.2 Organization of Recommended Strategies and Action Items

Strategies and action items for development of cruise operations were grouped into two categories:

- **Software.** Programs, marketing efforts and operational enhancements developed to ensure product quality, brand recognition, communication efforts and others; and,
- **Hardware.** Strategies and action items to ensure that appropriate capital improvements are planned and developed to meet anticipated cruise industry throughput and facility needs.

While each of the above groups is described separately in this section, there is significant interrelationship between specific action items identified for each.

6.3 Software Improvements

A large portion of the ultimate success to be achieved by South Africa and its respective destinations is reliant on moving forward with a series of marketing efforts that work to:

- Establish a strong case for Southern Africa cruising with the lines;
- Build a foundation of seasonal business with international consumers; and,
- Foster a local consumer base for cruise products.

In all aspects, emphasis should be placed on organizing the messages and messengers first, followed by those action items that work to increase opportunities for growth across the board. In the following section, we outline a series of specific strategies for consideration to advance these overarching initiatives. Those considered critical for success and pursuit over the near term are highlighted by our suggested “Cruise South Africa” logo presented on the cover of this report.



- **Cruise Marketing Plan Development.** It is critical that DOT assemble and implement a specific cruise marketing plan for the country and its respective cruise destinations. A well conceived plan should identify the message, means, and mode for all marketing and outreach efforts. In the development of this plan, the following steps should be included:
 - ❖ **Hold a Marketing Goals Workshop.** Conduct a cruise marketing goals workshop to frame short-, medium-, and long-term cruise marketing goals and objectives. The strategies identified as part of this project effort should serve as an initial foundation.
 - ❖ **Identify the Marketing Audience.** Prepare a comprehensive list of those key individuals and groups for targeting cruise marketing efforts, including cruise lines (including key executive, planning, marketing, and operations individuals), cruise associations, travel agent and charter companies, and others.
 - ❖ **Message Development and Refinement.** Develop individual and group messages to be used as the baseline for building focused materials for each of the audiences. These messages should be aimed at presenting the best-possible compelling case for the targeted audience to consider South and Southern Africa as a great place to cruise; the quality of the homeports and ports-of-call; the quality of the tourism offer and the ability to link land based game park and other excursions; established incentives to expand cruise operations to South Africa; and other components. Logo, website and other collateral materials should be outlined and prioritized.

- ❖ **Ensure Strategy Congruency.** Plan developers need to ensure congruency with the broader South Africa and DOT policy, strategies and brands.
- ❖ **Messenger Identification.** Critical to the success of the cruise marketing plan is the focus and consistency of both the message and the messenger(s). Under this task, the identification of the different individuals and groups to deliver the marketing message needs to occur. The development of relationships with the cruise lines is very important, and as such, those individuals that can foster trust between the destination and cruise line as well as “deliver the goods” in terms of answering cruise line inquiries, solving problems, and negotiating fees should be considered.

Possibly the most challenging, yet essential component of plan development and all marketing aspects presented is DOT and its stakeholders engaging the NPA to have them become substantive advocates for growing cruise tourism to South Africa. It was recognized in the 2008 effort and this study that cruise activities at each of the country’s main ports contribute little by way of port fees (comparatively to the volume of cargo vessels) and potentially displace cargo vessels from key docks and wharfs during peak cargo periods (fruit and other commodity exports). While these are valid issues worthwhile of continued discussion, it is essential that DOT, the NPA and other government and community groups strike a new course and tone built upon two mutually agreeable components:

- ❖ Cruise activities over the short-, medium- and long-terms will likely provide little in terms of direct revenues to ports themselves, but create significant and lasting impacts to the communities and for the long term tourism prospects of the country. Ports, as facilitators of commerce and trade, have an obligation to seek ways in which expanded economic prospects for surrounding communities and the national government can be realized.
- ❖ There is always a way to strike balance toward supporting cargo and cruise components and opportunities in communities. The key is communication and a commitment to excellence in service to their clients and guests.

Only through addressing these items as part of the cruise marketing plan development process can DOT and coastal communities looking to attract long term cruise prospects fully realize their marketing goals and effectively communicate a complete, compelling marketing message to cruise lines and their clientele.

The marketing plan should also include a component of internal communication to DOT and other government ministries and departments of relevance as well as provincial and city stakeholders, tourism providers, venue operators, travel agents and others. How the cruise industry operates and what it can mean to ports and destinations isn’t always something people have an innate understanding of, and as such, it is important to bring these individuals and groups up to speed and make them agents and advocates for the ultimate success of growing this business.

Finally, the plan should consider development of a method and format for a focused media campaign and public relations effort to keep South Africans informed and involved in growing cruise operations. Having citizens buy into the future of cruise tourism development will greatly assist DOT’s efforts to provide a level of service consistent with its targeted demographic. Creating value for the citizen through employment, community pride, and other opportunities will lay the foundation for sustained future growth and community cooperation efforts.



- **Formulation of a South Africa Cruise Network.** Formulation of the South Africa Cruise Steering Committee was an important first step following the 2008 Study, allowing this group to start the process of spearheading implementation of software and hardware efforts. In many ways, this group has served as the initial Cruise Committee (albeit, not Cape Town specific) suggested under the 2008 Study. What needs to happen next is for this group to evolve or ascend into an oversight group and empower a core team to perform day-to-day marketing, communication and coordination of the action items contained in this study and the cruise marketing plan.

The newly formed core team would be responsible for: Implementation of the marketing plan; participate in cruise line outreach (with key Cruise Steering Committee Board members); public relations; product development; surveys and benchmarking; conference attendance; and, training and development. We see this core team as also facilitating a much broader network and partnership between DOT, the NPA, South African communities and destinations, tourism venues, and suppliers that together can work to strengthen and develop South Africa as a great place to cruise as well as maximize the potential economic and social impacts associated with the presence of this industry. The Cruise Copenhagen Network is an excellent example of this in practice.⁸⁴



- **Successful Delivery of the FIFA 2010 Cruise Components.** As presented in this study and previous efforts, South Africa has a rare opportunity to showcase itself to the world during the FIFA 2010 event schedule for June and July. Cruise ships will be present with more frequency in South Africa supporting coastal venues as floating hotels and to bring their guests to the country to be part of this worldwide event.

At a basic level, South Africa and its destinations welcoming cruise vessels as part of a formal cruise or floating hotel need to make sure the cruise component delivers—ports and ground transportation pieces are well organized; areas are secure; vessels are as close as possible to the cities and venues to allow for passenger convenience; and temporary all-weather facilities are provided. Cruise ship guests, crew, and (very importantly) the captain and ship’s officers will all be the recipients of the cruise and destination experience and will form impressions that, if favorable, may bode well for longer term cruise prospects for South Africa.

Beyond the basics, having the cruise ships and industry present is a tremendous opportunity that needs to be capitalized on. Consideration in this regard should be given to the following:

- ❖ Inviting cruise line executives as part of a familiarization (FAM) trip during the FIFA event.
- ❖ Holding special dinners/events with cruise ship captains and officers in coastal cities.
- ❖ Preparing collateral materials on South Africa and cruising to South Africa for ship guests.
- ❖ Investing in Onboard Media and/or similar to be played on the cruise ship while the vessels are traveling to and in port. The message as part of these video spots could suggest “there is so much more to see and do in South Africa” and provide ideas for returning to the country as part of a land based vacation or cruise.

Many other ideas in addition to the ones above can be explored.

⁸⁴ <http://www.cruisecopenhagen.com>



- **Operator Visitation.** Following preparation of the marketing plan, efforts to get in front of key cruise line operators need to get underway. DOT and others need to look at this as part of their process of building a long term relationship with the lines, and that this will be one in a series of meetings with key cruise line decision makers. Key members of the Cruise Steering Committee should travel to Miami, London and other key locals to meet with cruise officials on at least an annual basis. While many of these individuals can be met with as part of Seatrade and other conventions, these venues typically do not provide an amount of time and industry executive attention to effectively build a long term relationship and communicate the country/destination offer. Operator visitation might be followed with organization of familiarization (FAM) trips for a handful of key European and North American cruise line executives.

As presented in Chapter 4, while its useful to cast a wide net and seek participation by all cruise lines in South and Southern Africa, focus should be placed on those lines that will bring international clientele as these create a far greater economic impact.



- **Cruise Benchmarking Strategy.** Establish and implement an annual benchmarking process for measuring cruise passenger, line, and travel agent satisfaction of South African homeports and ports-of-call. Economic impacts should also be included. The establishment of benchmarks for maintaining a high level of passenger and cruise line satisfaction is essential as it pertains to positioning each of these ports in the country and the broader Southern Africa region for homeport and port-of-call operations as well as for continued community and government support of cruise industry related development. It is essential to track the economic and social impact of the cruise industry. Additionally, benchmarking must also be established for the collection and implementation of passenger and cruise line feedback of the services, venues and other aspects that impact a port-of-call or homeport visits. Based on feedback derived from benchmarking efforts, an audit and related package of small operational improvements should be conducted on an annual basis. This is a reoccurring task based on the benchmarking effort.



- **Establish a Consistent Funding Source.** A series of public sector investment assumptions were established as part of this process (refer to Chapter 4). As presented, the present value (PV) of the public sector funding generated a benefit to society of R14.81 for every R1.00 spent by the public sector. While many of the direct public facility improvements will need to continue to be refined and considered within each of their respective contexts, DOT does need to establish an initial base of funding for marketing and initial facility improvement resources. By suggestion, this would include an annual budget for software (marketing) of R10m for 2010 and 2011 followed by a reduction to R5m through 2015. A budget for grants to homeports and ports-of-call that can be used to support improvements should be funded to between R1m to R2m per annum. These monies could be made available to destinations for smaller improvements and as part of a matching program (i.e., local authorities/groups seeking grants from DOT will have to provide a matching amount of investment monies). Monies in 2010 for facilities should be utilized to pursue planning efforts outlined under Hardware Improvements later in this Chapter.
- **Incentives Package.** Work with the NPA to provide, where possible, tariff incentive packages to attract increased cruise calls and passenger throughput. For lines that may conduct homeport operations, DOT should work in conjunction with hotels and airlines and develop a series of pre- and post-cruise incentive packages for regional cruise consumers and operators to encourage longer stays in Cape Town and Durban as well as travel to points deeper in each of the city's respective provinces. Packages could include discounts on airfare and hotel room charges for pre- and post-cruise stayover guests, a shoppers coupon/discount book,

special “behind the scenes” tours of city venues not readily available to most tourists, and/or other incentives.

- **Take a Deeper Leadership Role in the Cruise Indian Ocean Association (CIOA).**⁸⁵ Cruise associations can be highly useful in marketing to cruise lines. Possibly more importantly, however, is that when these associations are run and organized well, they can be a clearinghouse for information, statistics, creative marketing and new ideas. Furthermore, these associations can help encourage development of minimum standards for member port destination delivery. South Africa, as possibly the most strategic player in the region, should take a strong leadership role in this group, helping to steer it to realize its ultimate potential and utilize this group as a mechanism for achievement of the country’s goals for growing the cruise business.
- **Port Costs Benchmarking.** Prepare a bi-annual comprehensive round table discussion on all costs of operation by cruise ships at South African destinations and compare these against primary competitors for homeport traffic in the region.
- **Cruise Tourism Provider Education.** Conduct annual workshops for cruise tourism service providers (marine, transportation, venues, guides, and others) to enhance delivery and quality of cruise products in order to meet the needs and expectations of cruise lines and passengers. These types of workshops are similar to other educational programs conducted by Cape Town, Durban and other global cities. These efforts should be designed to ensure that all individuals in the tourism delivery pipeline serve as proper ambassadors of South Africa.
- **Cruise Passenger Visitor's Kit.** Develop a specific visitor's kit resource for cruise passengers that can be disseminated onboard and onshore. The kit can include standard information useful for all cruise passengers and then a customized collateral piece for the respective destination they are visiting. The standard piece should include information on special programs, websites, or other items that would serve as information and provide incentives for cruise passengers to return to South Africa as part of a land based vacation. The customized, destination specific portion should focus on identifying many issues of specific concern to cruise passengers, such as: (a.) Cruise berthing location(s) in relation to major sightseeing areas; (b.) Walking tours of two, three, and four hours duration starting from the waterfront; (c.) The best and most cost effective ways to move around the destination, especially if only in port for a day; (d.) Address frequently asked questions by visitors (e.g., what is the exchange rate); (e.) Provide very legible maps, especially to main shopping areas; (f.) provide passenger safety and security tips; and, (g.) Provide a hotline for cruise passengers in case of emergency or if they are separated from their cruise ship.
- **Regional Travel Agent Education.** Conduct an educational campaign for regional travel agents on the opportunities of South Africa cruise product offerings. A powerful travel agent base can often convince a cruise line that they can sell beyond what is present in the marketplace or region, and as such, serve as a useful group in expanding cruise itinerary offerings for a region or port.
- **International Cruise Trade Show Participation.** Participate at the international Seatrade Cruise Shipping Convention and others that have a high degree of cruise line participation.

⁸⁵The Cruise Indian Ocean Association has as its mission to promote Eastern and Southern Africa and the Indian Ocean islands as a cruise destination. www.cruiseindianocean.org. There are a number of cruise associations in practice that can be reviewed as models for South Africa. MedCruise, Cruise Europe and the Atlantic Canada Cruise Association are all excellent examples.

- **Tour Provider Offerings.** Working with each of the destination's tour providers, identify and assist in the development of a series of new 4 hour, 6 hour, evening, water and harbor oriented and multi-day land tour offerings geared to cruise passengers. A continued evolution of tour offerings is always essential to keeping a destination fresh, especially for repeat cruise visitors.
- **Targeted Provider Program Offerings.** Work with niche, luxury, and incentive focused international cruise line operators to develop a series of offerings, programs, and others offerings that would appeal to their specific target demographics.
- **Meet with the NPA Regularly on Threat Assessment and Security Issues.** Matters of security are critical to any port, especially those welcoming cruise passengers. DOT and destinations supporting cruise operations need to take a direct interest in the plans and planning for security of cruise operations at ports and in the region. DOT, and at minimum Cape Town and Durban, should participate in knowing what security procedures and policies are in place and what features are present in terms of security preparedness. Ideally, DOT and destinations would be involved in the broader security and preparedness planning for the destination. General highlights of security procedures and preparedness should be part of the discussions with cruise lines.
- **Cruise Operations and Scheduling Plan.** A cruise operations and scheduling plan and process should be prepared and implemented to streamline the delivery of information and to identify potential conflicts arising from limited berth availability and/or the locations and attributes of these berths.
- **Primary and Secondary Venue Assessment and Management Plan.** Cruise passengers have a limited amount of time to sightsee, especially those in port for a single day. As such, passengers need to be quickly transported from sightseeing venues and coordinated with other ship and land-based visitor traffic to ensure the quality of the experience at these attractions. DOT, working with cruise destinations, should investigate present cruise passenger visitation patterns and carrying capacity levels of attractions and sites visited most often by passengers to identify: (a.) The reasonable number of visitors and, if required, ground transportation vehicles that accommodate primary cruise passenger venues; (b.) Peak times of day, week, and year cruise passengers visit these venue to identify "crunch" periods; (c.) Assess venues in terms of accessibility for passengers, signage, restrooms, and other attributes; and (d.) Strategies to efficiently move passengers to and from attractions, keep destinations attractive and address identified venue deficiencies.
- **Implement Recommendations of the Environmental Impact Review.** As presented in Chapter 5, two key recommendations are suggested as part of the environmental impact review conducted under this effort. These include:
 - ❖ Conduct a detailed legislative review. This would need to include relevant conventions that South Africa is a signatory of. The level of adherence and compliance by operators (and monitoring by the relevant roleplayers) would need to be ascertained in order to determine the effectiveness of the legislation/conventions. Suggestions would need to be made with a view to adopting/changing legislation where necessary.
 - ❖ Hold constructive dialogue between all stakeholders (DOT, DWEA, NPA, operators, agents, and even sub-contractors) to establish a strategy which: Recognizes the NPA's commercially driven requirements; Recognizes DOT's long-term intent to increase cruise tourism to Southern Africa; and, achieves all of the above in an environmentally sustainable manner.



6.4 Hardware Improvements

Improvements to each destination's physical ability to successfully welcome increasing port-of-call and homeport cruise activity should be placed as an essential long term objective. Under our more optimistic medium- and long-range projection scenarios, Cape Town, Durban and other ports will likely need additional cruise berthing and related upland facilities.

In working with the NPA and other project stakeholders (including the cruise lines), DOT should facilitate the development of a general long-term plan for expansion and enhancement of cruise berthing and upland facilities at each of the locations reviewed under this effort. The plan should at minimum:

- ❖ Seek accommodating a single, 300m vessel using Cape Town and Durban as a homeport with additional flexibility for a second berthing position for a calling vessel similar size.
- ❖ Consider mixed-use as key to any cruise terminal development, with spaces considered have a primary use with the opportunity of serving as cruise homeport as secondary function (refer to Exhibit 3-2). In Cape Town, integration of spaces with CTICC should be given a high degree of consideration. For Durban, a continuation of exploration of cruise facilities at the Durban Point Development should be explored.
- ❖ For the ports-of-call at Richard's Bay, Port Elizabeth, Mossel Bay and East London, a standard approach for welcoming cruise operations should be explored. Similar to homeport operations, each destination should be able to welcome a single, 300m vessel and have a strategy for meeting the basic port-of-call needs listed in Chapter 3. Each location should consider a flexible strategy focused more on how to comfortably connect cruise passengers with the destination versus investment in brick and mortar facilities.
- ❖ The plan should consider in all locations how the broader destination can be incorporated into welcoming cruise vessel guests.
- ❖ The plan should consider both physical design as well as financing components as well as be pragmatic and consider implementation over the long term.
- ❖ Interact with the cruise lines as part of plan development and implementation.

6.5 Immediate Next Steps

South Africa clearly has near- and long-term opportunities to grow its cruise homeport and port-of-call business into an important facet of its greater tourism strategy. Critical over the next three to six months will be effective consensus building to move the destination forward as a cohesive group to address needed resources and activities begin the process of working toward short term hardware and software action items. Central leadership will be important over this period, with DOT needing to consider identifying a project management team and/or further empowering the Cruise Steering Committee to act as champions that can involve and, over time, move the effort and often disparate stakeholders forward.

APPENDIX A. TERMINOLOGY

Several cruise industry terms and acronyms used throughout this report may not be familiar to the reader. A compendium of definitions is presented herein as part of this appendix. Terms from Dictionary of the Cruise Industry (Seatrade Cruise Academy, 1999) by Israel, Giora Israel and Laurence Miller as well as other sources.

- Air Draft. The maximum height of a ship above the waterline.
- Apron. Area immediately adjacent to the vessel berth where ships' lines, provisioning, gangway and other operations occur.
- Anchorage. Location where a ship may anchor. In destinations where docks are not present to accommodate ship operations, anchorages are used and passengers are shuttled to/from the cruise vessel to a landside location using a small boat (tender). Anchorages are generally only used in ports-of-call.
- Beam. The width of the cruise ship at its widest part. Panamax Vessels refer to ships with beams that can transit the Panama Canal (beam is equal to 36m or less). Post-Panamax Vessels have beams that exceed the width of the Panama Canal, or greater than 36m.
- Bed (berth)-Day. A typical cruise industry form of capacity measurement representing the number of lower berths (a bed on a cruise vessel, with the aggregate total generally determining the vessel's normal passenger capacity) times days of operation in a region.
- Berth. (1) A bed, generally attached to the deck and/or bulkhead onboard a ship. (2) An anchorage or dock space for a ship in port.
- Bunkers. Marine fuel used for propulsion.
- Cabotage Laws (also referred to as coastwise shipping laws). Relates to the ability of foreign-flagged vessels to transport goods and passengers between domestic ports. Cabotage Laws are often put into place to protect domestic shipping industries.
- Conventional Cruises. Leisure oriented voyages on deep-water, ocean-going cruise vessels of two-or-more nights often to a variety of destinations. Conventional cruises are offered either by regional or international operators marketing to a variety of consumer sectors and nationalities.
- Cruises-to-Nowhere. Generally geared toward a local consumer market (within a one-hour drive) with the mainstay of the cruise experience is focused around on-board gaming, food and entertainment.
- Deadweight Tonnage. Refers to the actual weight of cargo, fuel and stores required to bring the ship down to her loadline marks.

- Displacement Tonnage. The amount of water displaced by the vessel or the actual weight of the ship.
- Dockage. Fees levied by a port or destination for the right to dock a vessel.
- Draft. The depth of water required by a vessel to float; the measurement in meters of the extent to which the ship projects below the surface of the water.
- Ferry. Term usually applied to a vessel transporting passengers and vehicles from point to point. The key difference between these operations and conventional cruises is that ferry operations have as their primary business focus offering transportation services, not a travel and leisure experience.
- Gross Register Ton (GRT). A measure of a ship's enclosed volume. This term has emerged as the standard measure of communicating a ship's size. A Megaship generally refers to a vessel of 70,000 GRT or larger.
- Ground Transportation Area (GTA). Zone in which vehicles, including buses, taxis and private cars are organized and accessed as part of cruise terminal/destination embarkation and disembarkation activities.
- Homeport (also referred to as baseport, port of embarkation, turnaround port). A marine facility and destination city that serves as the base of operations from which the cruise begins and/or terminates.
- Itinerary. Ports visited on a given cruise. Two itinerary types are generally observed. Open-jaw itineraries refer to those deployments where the cruise begins at one homeport and end at another. Closed-jaw itineraries—the more common type observed—begin and end from the same homeport.
- Length Overall (LOA). Total length of a cruise vessel, including any incidental structure that may extend this dimension.
- Lower Berth Capacity. The number of beds of standard height on a cruise vessel. The number of lower berths determines the vessel's normal passenger capacity. Maximum Passenger Capacity refers to the total number of passengers that can be accommodated on the cruise ship in lower berths and other flexible berths (also referred to as upper berths).
- Mixed-Use Facility. Refers to facility or complex with more than one type of real estate or operational use. Mixed-use facilities are generally: (1) Contiguous in nature; (2) Developed within a broader master plan constructed at one time or in phases; and, (3) Provide for a symbiotic relationship to occur among all uses such that the sum of the mixed-use facility from a real estate or operational perspective is greater than its parts. Mixed-use maritime facilities often include cruise, ferry, marina, commercial, residential, recreational and other upland transportation facilities.
- Passenger Tax (also referred to as a head tax). Port charge assessed against each passenger aboard the vessel. Generally the principal income stream to ports and destinations for accommodating cruise activities.
- Port-of-call (also referred to as a way-port). One of several destinations visited as part of the cruise itinerary. The focus of the port-of-call is on tourism activities adjacent to the cruise arrival area and the transportation of passengers to regional points of interest.
- Terminal. Building where cruise passengers embark and/or disembark in a homeport destination.

- Throughput Passenger (also referred to a revenue passenger). Total number of passengers arriving and/or processed at a cruise homeport and port-of-call.
- Transit Passengers. By literal definition, the status of cruise passengers at a port-of-call.



APPENDIX B. ECONOMIC IMPACT PASSENGER FORECASTS

Exhibit B-I Low Passenger Vessel Operations Forecast

HOMEPORTS		2010	2011	2012	2013	2014	2015	2020	2025
Proportion Local		50%	50%	50%	50%	50%	50%	50%	50%
CT	Passengers	29,566	21,343	22,262	22,570	22,878	23,186	24,726	26,266
	Vessel Operations	49	34	34	32	31	30	25	21
Dbn	Passengers	50,685	36,589	38,164	38,692	39,220	39,748	42,388	45,027
	Vessel Operations	84	58	58	56	54	52	43	36
PORTS-OF-CALL		2010	2011	2012	2013	2014	2015	2020	2025
Proportion Local		50%	50%	50%	50%	50%	50%	50%	50%
SDA	Passengers	0	0	0	0	0	0	0	0
	Vessel Operations	0	0	0	0	0	0	0	0
CT	Passengers	12,671	9,147	9,541	9,673	9,805	9,937	10,597	11,257
	Vessel Operations	21	15	14	14	13	13	11	9
MB	Passengers	15,839	11,434	11,926	12,091	12,256	12,421	13,246	14,071
	Vessel Operations	26	18	18	17	17	16	14	11
PE	Passengers	15,839	11,434	11,926	12,091	12,256	12,421	13,246	14,071
	Vessel Operations	26	18	18	17	17	16	14	11
EL	Passengers	15,839	11,434	11,926	12,091	12,256	12,421	13,246	14,071
	Vessel Operations	26	18	18	17	17	16	14	11
Dbn	Passengers	12,671	9,147	9,541	9,673	9,805	9,937	10,597	11,257
	Vessel Operations	21	15	14	14	13	13	11	9
RB	Passengers	15,839	11,434	11,926	12,091	12,256	12,421	13,246	14,071
	Vessel Operations	26	18	18	17	17	16	14	11

Exhibit B-2: Medium Passenger and Vessel Operations Forecast

HOMEPORTS		2010	2011	2012	2013	2014	2015	2020	2025
Proportion Local		50%	50%	50%	50%	50%	50%	50%	50%
CT	Passengers	44,349	27,013	29,428	31,529	33,699	35,939	48,177	62,147
	Vessel Operations	74	43	44	45	46	47	49	50
Dbn	Passengers	50,685	30,872	33,632	36,033	38,514	41,073	55,060	71,026
	Vessel Operations	84	49	51	52	53	54	56	57
PORTS-OF-CALL		2010	2011	2012	2013	2014	2015	2020	2025
Proportion Local		50%	50%	50%	50%	50%	50%	50%	50%
SDA	Passengers	0	0	0	0	0	0	0	0
	Vessel Operations	0	0	0	0	0	0	0	0
CT	Passengers	19,007	11,577	12,612	13,512	14,443	15,402	20,647	26,635
	Vessel Operations	32	18	19	19	20	20	21	21
MB	Passengers	26,398	19,057	19,877	20,152	20,427	20,702	22,077	23,452
	Vessel Operations	44	30	30	29	28	27	23	19
PE	Passengers	26,398	19,057	19,877	20,152	20,427	20,702	22,077	23,452
	Vessel Operations	44	30	30	29	28	27	23	19
EL	Passengers	26,398	19,057	19,877	20,152	20,427	20,702	22,077	23,452
	Vessel Operations	44	30	30	29	28	27	23	19
Dbn	Passengers	16,895	10,291	11,211	12,011	12,838	13,691	18,353	23,675
	Vessel Operations	28	16	17	17	18	18	19	19
RB	Passengers	26,398	19,057	19,877	20,152	20,427	20,702	22,077	23,452
	Vessel Operations	44	30	30	29	28	27	23	19

Exhibit B-3: High Passenger and Vessel Operations Forecast

HOMEPORTS		2010	2011	2012	2013	2014	2015	2020	2025
Proportion Local		35%	35%	35%	35%	35%	35%	35%	35%
CT	Passengers	59,132	38,418	44,119	49,453	55,064	60,952	94,552	135,081
	Vessel Operations	99	61	67	71	76	80	97	108
Dbn	Passengers	91,514	59,456	68,279	76,534	85,218	94,331	146,330	209,054
	Vessel Operations	153	94	103	110	117	123	150	168
PORTS-OF-CALL		2010	2011	2012	2013	2014	2015	2020	2025
Proportion Local		35%	35%	35%	35%	35%	35%	35%	35%
SDA	Passengers	0	0	0	0	0	0	8,442	12,061
	Vessel Operations	0	0	0	0	0	0	9	10
CT	Passengers	25,342	16,465	18,908	21,194	23,599	26,122	40,522	57,892
	Vessel Operations	42	26	29	31	32	34	41	46
MB	Passengers	39,069	28,204	29,418	29,825	30,232	30,639	32,674	34,709
	Vessel Operations	65	45	44	43	41	40	33	28
PE	Passengers	46,461	33,539	34,983	35,467	35,951	36,435	38,855	41,275
	Vessel Operations	77	53	53	51	49	48	40	33
EL	Passengers	41,181	29,728	31,008	31,437	31,866	32,295	34,440	36,585
	Vessel Operations	69	47	47	45	44	42	35	29
Dbn	Passengers	22,879	14,864	17,070	19,133	21,304	23,583	36,583	52,263
	Vessel Operations	38	24	26	28	29	31	37	42
RB	Passengers	39,069	28,204	29,418	29,825	30,232	30,639	32,674	34,709
	Vessel Operations	65	45	44	43	41	40	33	28

APPENDIX C. CLIA 2008 CRUISE MARKET PROFILE STUDY, JUNE 2008

A very recent piece, this study presents detail consumer research data for the North American cruise market and provides insightful information of the social-economic and lifestyle “tapestries” of cruisers found within the largest consumer block worldwide.

Cruise Lines International Association 2008 Cruise Market Profile Study



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Key Findings

- Robust cruise industry
- Almost 34 million Americans intend to cruise
- Cruisers getting younger
- Homeports driving cruise interest
- Cruising gets high marks for value
- Travel agents preferred way to book a cruise
- Extraordinary customer satisfaction levels

Introduction and Purposes of the Research

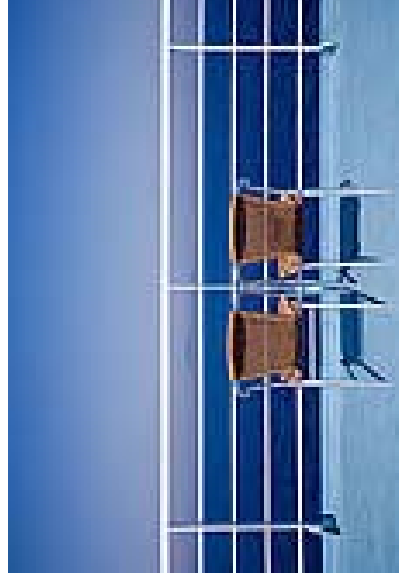


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Introduction and Purposes of the Research

The report outlines the behaviors of cruisers and the specific factors that influence the types of cruises that people take. Specifically this study:

- Calculates the percentage of the population that has ever taken a cruise or vacation in the past three years, as well as measuring the percent of the population that is interested in taking a cruise, package, or resort vacation in the next three years
- Identifies the types of cruises in which people indicate an interest in the next three years, as well as the location planned for their next cruise trip
- Gauges monetary spending patterns while on a cruise vacation or other type of vacation
- Surveys cruise patterns such as: number in usual travel party, their relationship to the respondent, length of trips, and the reasons for them
- Classifies travelers as to how they gather information and conduct research for vacations, the amount of time in advance they begin their research process, and the level of influence of each source upon their final choice
- Measures satisfaction level of travel agent users with their travel agents and provides consumer perceptions of travel agents
- Collects demographic information.



Methodology



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Methodology

Similar to the 2006 wave, the research was conducted online via TNS' website and sample was drawn from TNS 6th dimension US Panel, a nationally representative panel (1,000,000+ households) of the US household population.

Conducted from March 25, 2008 through April 9, 2008, a total of 2,426 US residents were interviewed, slightly fewer than the last wave (2,482). A total of 2,426 completes at the 95% confidence level, represents results at $\pm 2\%$.

Quotas ensured representative participation of males and females. In addition, all respondents are at least 25 years old and have a minimum household income of \$40,000. Initially, respondents were classified into one of three categories:

- Cruiser (one who has ever taken a cruise)
- Vacationer (took a vacation away from home for at least 3 nights in the past 3 years)
- Non-cruiser/Non-vacationer (never cruised, have not vacationed in the past 3 years).



Future Travel Overview

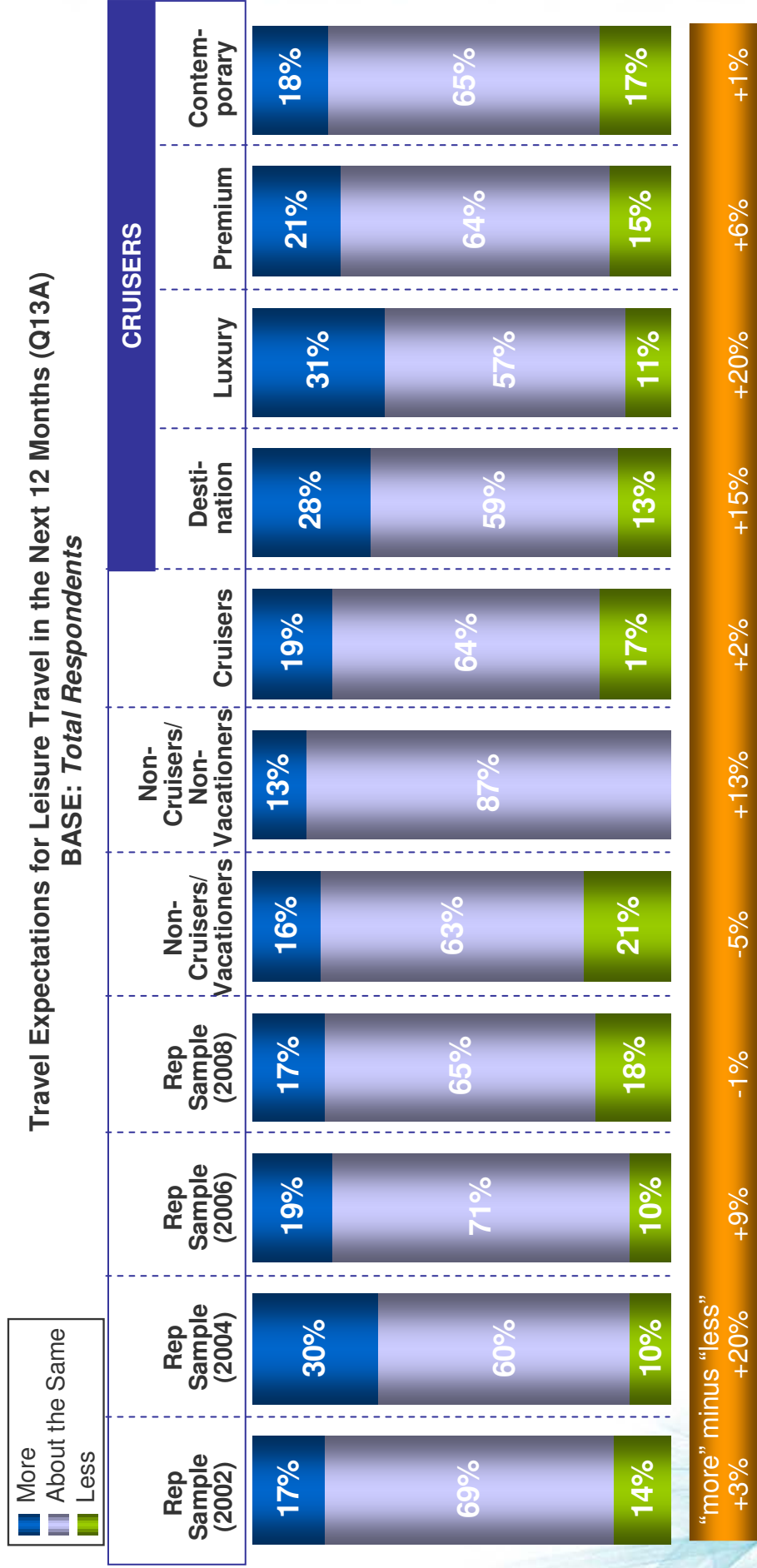


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Results of Research (continued)

Future Travel Plans

For the next twelve months, roughly the same number of people anticipate traveling more than less (17% vs. 18%). However, cruisers have more robust expectations (19% vs. 17%) to travel, especially Destination and Luxury cruisers.

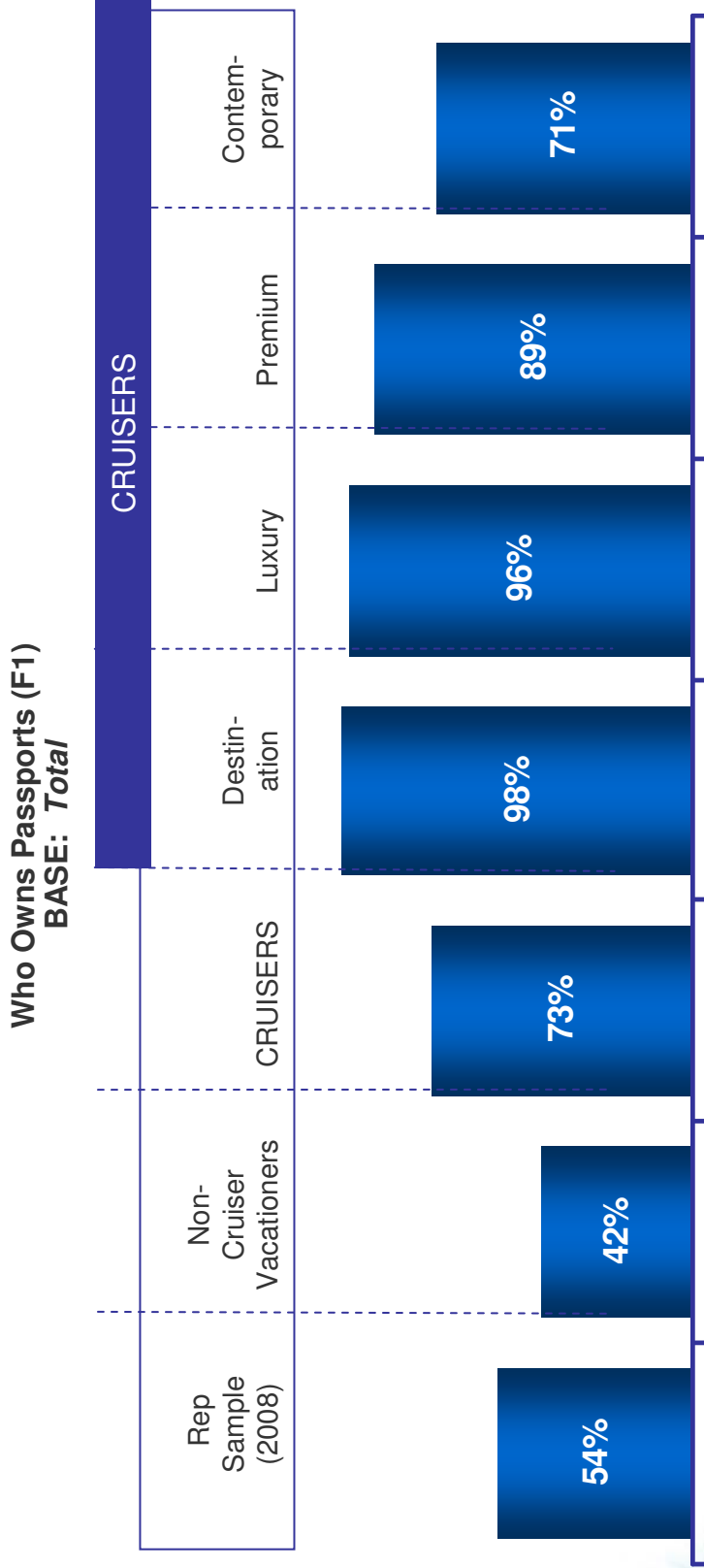


Q13a. Do you expect to travel more for leisure in the next 12 months than you did in the last 12 months, or do you expect to travel for leisure less or at about the same rate?

Results of Research (continued)

Passport Ownership

Cruisers (73%) are much more likely to own a passport than non-cruiser/vacationers (42%) – especially *Destination* (98%) and *Luxury* (96%) cruisers.



QF1 - Do you own a valid US passport?

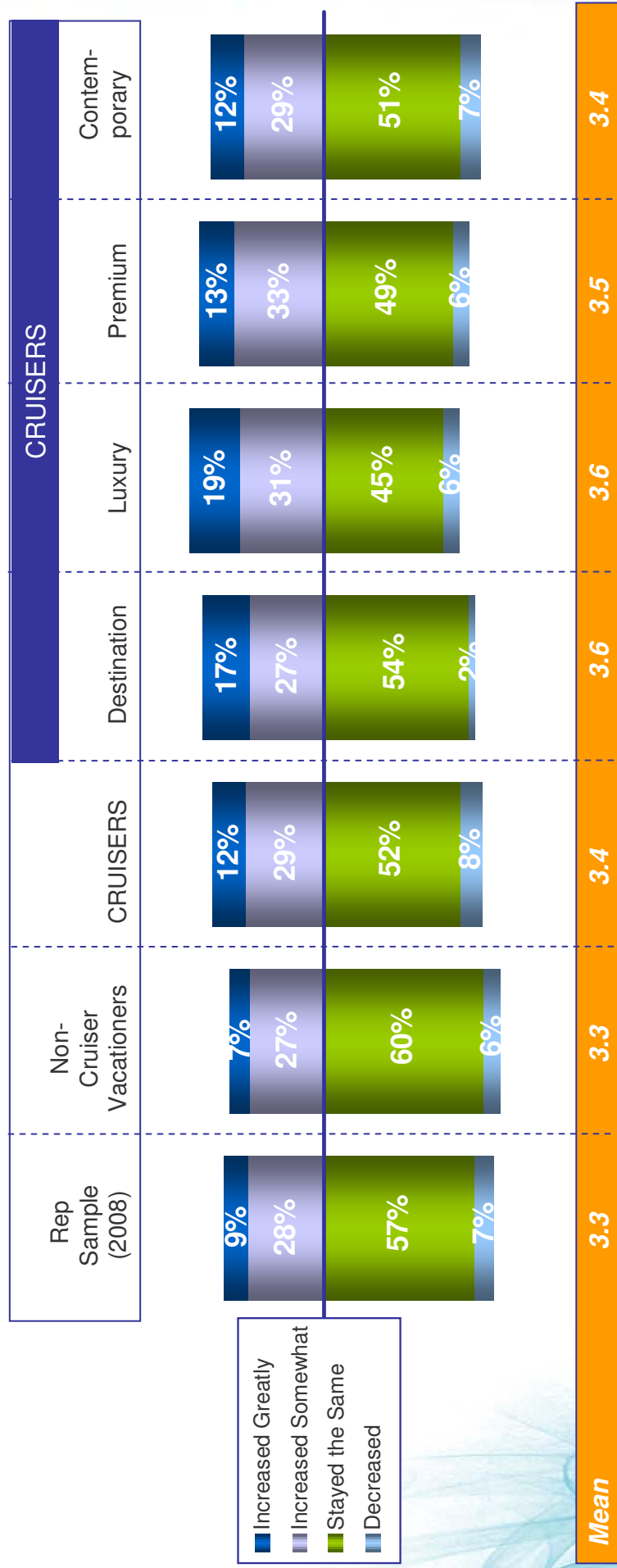
Results of Research (continued)

Overall Awareness of Cruising

As noted throughout this report, marketing and promotional efforts appear effective. Respondents are five times more likely to cite increasing awareness of cruising (37%) than decreasing awareness (7%).

New cruisers are likely responsible for much of the increase in awareness. Those who have cruised in the past already exhibit interest in cruising and may report that their awareness level stays the same (currently at 52%), although that awareness may be quite high.

Overall Awareness of Cruise Vacation in the Past Year or Two (Q8A)
BASE: Total



Q8a. In the past year or two, has your overall awareness of cruise vacations...

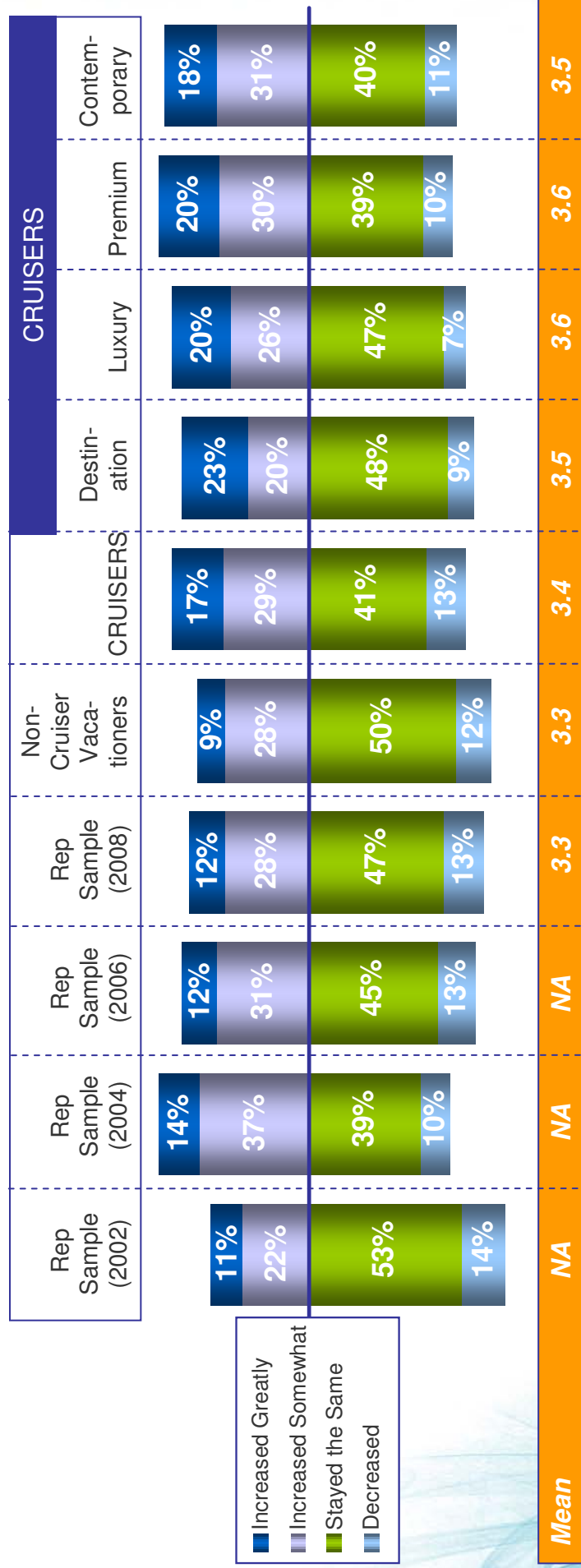
Results of Research (continued)

Interest in taking a Future Cruise Vacation

As noted for awareness, marketing and promotional efforts are effective. Non-cruisers are more than three times as likely to have increasing interest in a future cruise (37%) than they are to have a decreasing interest (13%).

Contemporary (49%) and Premium (50%) cruisers contribute slightly more to the increase than others.

Level of Interest in Taking a Cruise Vacation in the Past Year or Two (Q8B)
BASE: Total



Q8b In the past year or two, has your interest in taking a cruise vacation...

Market Projections



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Market Projections

Current Market

Section presents current and potential cruise market by actual population and potential cruisers.

- Of the current total US population (296,623,000), 128,638,000 (43% of the total population) are prime cruise candidates (25+; \$40,000+).
- Of the target population, 59,094,000 (44.6% of 128,638,000 + 3% to account for those outside the target market) have ever taken a cruise, and about half of those (30,077,000) have done so in the past three years.

Incidence of Cruising

	Ever Cruised			Cruised in Past 3 Years		Cruised Any Ocean (exc. ONLY US/European River Cruises)	
	Total Population (Market)	Percent of Market	Total Cruisers	Percent of Market	Total Recent Cruisers	Percent of Market (Ever)	Percent of Market (Past 3 Years)
Core Target Market 25+, \$40,000+	128,638,000	44.6%	57,373,000	22.7%	29,201,000	43.6%	21.9%
Total Market + 3%*			59,094,000		30,077,000	57,769,000	29,017,000
Total US Population (including AL & HA)	296,623,000						
% Cruisers of Total Population		19.9%		9.9%		19.5%	9.8%

*Cruiser totals include an added 3% because of those who fall outside the target market (based on the 2002 CLIA Industry Profile Study)

Market Projections (continued)

Future Market

A key objective of this study is to project the number of travelers who will cruise within the next three years. The approach taken to address this objective includes:

Projections are based on *past cruisers*' and *cruise intenders*' stated consumer intent and do not consider additional cruise line capacity.

Note: results shown in this report represent solely American passengers; roughly 20 percent of passengers live outside the US.

Projections by Market Type Summary

Core Market (25+/\$40,000): As indicated below, the most likely scenario is that 33,721,000 adults from this target market will cruise within the next three years, based on stated intent to cruise, up from 31,028,000 in the 2006 wave. In addition to population and cruising intent updates, these projections also include US/European River cruises.

Affluent Market (25+/\$60,000+): The higher income requirement (with a reduced population) restricts the market to 26,193,000 (up from 23,028,000 last wave). The size of the drop (from 33,721,000) suggests that a large segment of future cruisers (about one fourth) earn between \$40,000 and \$60,000.

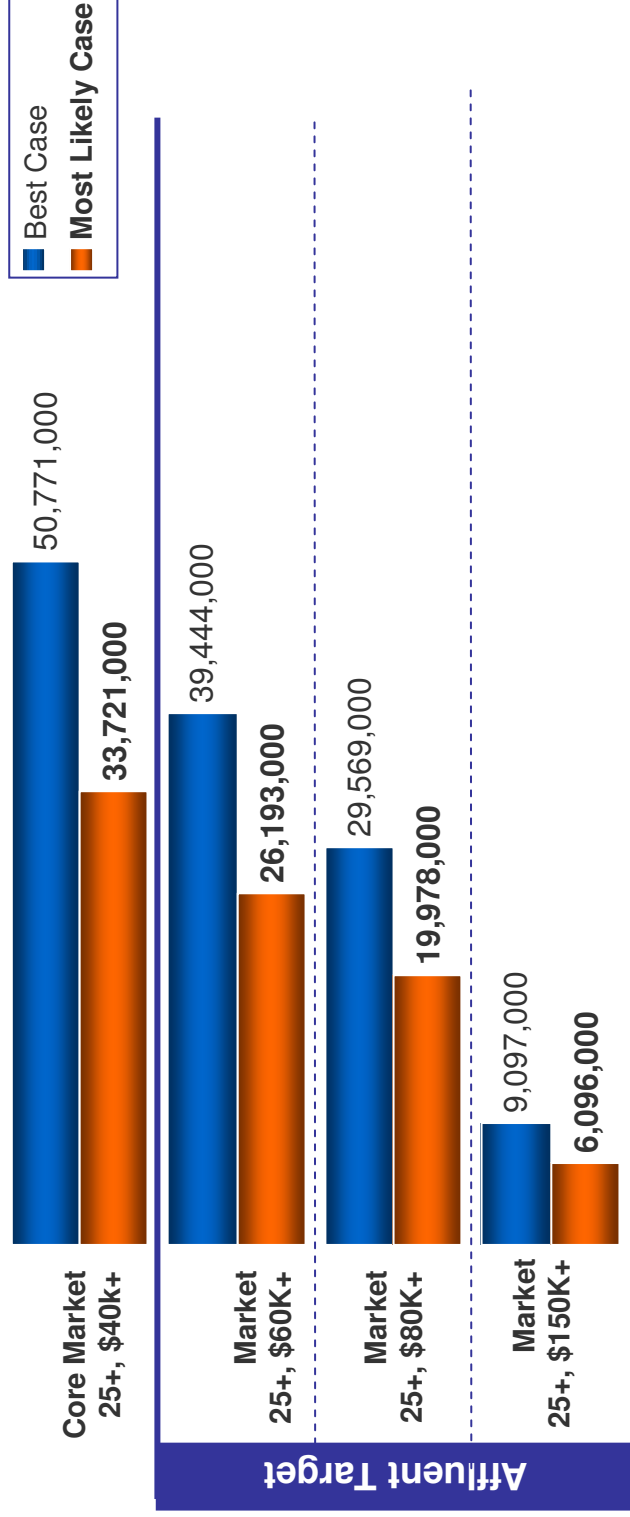
Very Affluent Market (25+/\$80,000+): This more limited market further restricts the population from which to draw potential cruisers, reflecting a potential market of 19,978,000 (up from 15,444,000 potential cruisers noted in 2006).

Ultra Affluent Market (25+/\$150,000+): This very high-end group represents 6,096,000 potential cruisers (up from 1,035,000 last wave), but subject to considerable volatility because of the small sample.



Market Projections (continued)

American Market Projections for Cruising with Next 3 Years Among \$40,000, \$60,000, \$80,000, and \$150,000 Markets



Note: these results represent only American passengers; roughly 20 percent of passengers live outside the US.
 Note: Percentages and whole numbers are rounded for reporting purposes.

Results of Research (continued)

Interest in and Likelihood of Taking a Cruise or an Ocean/Sea Voyage Vacation in the Next Three Years Wave by Wave Comparison

BASE: Total Respondents

Cruise Vacation

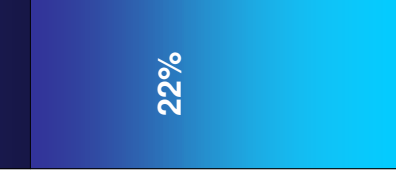
Interested In (NET)
Definitely/Probably (Net)

55%
26%

77%
53%

NON-CRUISERS/VACATIONERS

CRUISERS



Results of Research



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Demographics

Results of Research

Demographic Description & Profile

Cruisers, the most upscale, tend to be just slightly older (median of 46) than randomly selected respondents (45), with higher household incomes (\$93,000 vs. \$79,000), and higher levels of educational attainment (69% college grad vs. 62%). Both groups are predominantly married (86% cruisers vs. 84% total). Consistent with their ages, cruisers are also slightly more likely to be retired (17%) than those in the total representative sample (14%).

Total Representative Market: Most characteristics fall in the range of prior surveys, except for a slight rise in median (the mid-point) household income, proportion employed full-time, and formal education, as follows: median age = 45, median household income = \$79,000 (from \$75,000 last wave), two-thirds employed full time (63% from 56%), retirees = 14%, college graduates = 62%, Caucasians = 89%, and males = half (50%) -- a result of the imposed quota.

Non-Cruiser Vacationers, defined as those who spend three or more nights away from home for leisure trips, are the youngest of the three segments (43) and least likely retired (11%). Their median household income (\$73,000) places below cruisers (\$93,000) and above non-cruisers/non-vacationers (\$63,000).



Demographic Description & Profile

Cruisers - Who They Are

- Cruising is a very satisfying experience. 94.8% express satisfaction with their cruise and 44% percentage of cruisers are “extremely satisfied.”
- Spouses most often accompany cruisers (75%), regardless of cruise type or survey timing, followed by a growing number of children under 18 (25%), other family members (23%) and friends (21%).
- On their last cruise vacation they typically sailed for about 6.6 days and spent approximately \$1,880 per person for their cruise, air and all onboard expenses.
- One cruiser in ten (10%) took his first cruise within the past five years.
- When choosing vacations, they are influenced by multiple sources, especially destination websites (39%), word of mouth referrals (33%), spouses (32%) and cruise websites (28%).



Results of Research (continued)

Demographics Summary

	Rep. Sample 2002	Rep. Sample 2004	Rep. Sample 2006	Rep. Sample 2008	Non-Cruiser Vacationers	CRUISERS exc. River	CRUISERS Non-Vacationer
Age							
25 - 29	6%	6%	7%	7%	8%	6%	6%
30 - 39	22	23	24	22	25	21	14
40 - 49	26	28	30	28	28	27	27
50 - 59	19	24	21	24	23	24	29
60 - 74	19	17	15	17	14	19	20
75+	8	2	3	3	2	4	4
Total	100%	100%	100%	100%	100%	100%	100%
Average	50	48	47	48	46	50	51
Median	46	44	43	45	43	46	48
Income (Different Categories 2002)							
\$20k to \$39,000	18%	-	-	-	-	-	-
\$39k to \$50k	14	10%	15%	14%	17%	10%	19%
\$50k to \$60k	13	15	14	11	13	9	20
\$60k to \$75k	19	21	18	18	19	15	25
\$75k to \$100k	11	23	21	20	21	20	19
\$100k to \$200k	8	27	27	30	25	39	16
\$200k to \$300k	1	3	3	4	3	5	3
\$300k+	1	1	2	2	1	3	0
No answer	5						
Total	67%	100%	100%	99%	99%	100%	102%
Average (in 1,000s)	\$64	\$90	\$94	\$98	\$92	\$109	\$78
Median (in 1,000s)	\$50	\$71	\$75	\$79	\$73	\$93	\$63
Gender							
Male	49%	49%	46%	50%	50%	50%	55%
Marital Status							
Married	74%	82%	80%	84%	83%	86%	82%
Employment Status							
Full-time	56%	63%	56%	63%	64%	62%	60%
Retired	23	13	13	14	11	17	20
Educational Attainment							
College Grad (inc Post-Grad)	49%	58%	52%	62%	59%	69%	49%
Race							
White	92%	93%	90%	89%	88%	91%	89%
Black	3	3	5	5	6	4	5
Other	5	4	5	5	5	5	6
Base: Total*							

Cruise Characteristics and Satisfaction

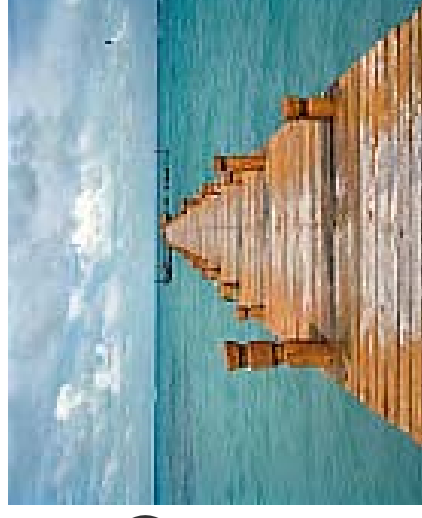
Results of Research (continued)

Comparisons of Trips in Past Three Years

Cruisers vs. non-cruiser vacationers:

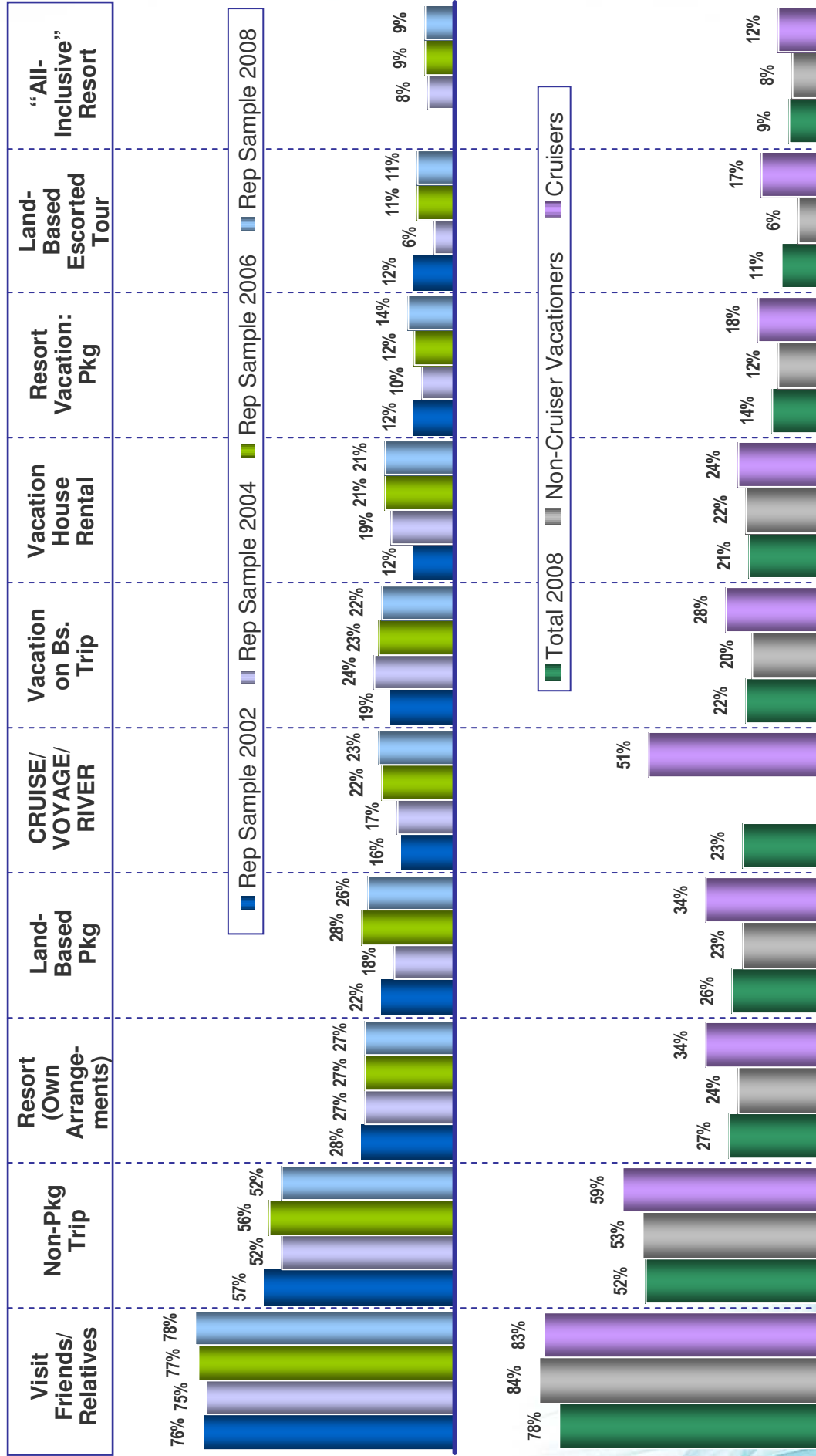
With the exception of visiting friends and relatives (83% vs. 84%) and vacations on business trips (28% vs. 28%), cruisers are more likely to take every form of travel:

- Non-package trip (59% vs. 53%)
- Resort (own arrangements) (34% vs. 24%)
- Vacation as an extension of a business trip (28% vs. 20%)
- Land-based package trip (34% vs. 23%)
- Vacation house rental (24% vs. 22%)
- Resort vacation (package) (18% vs. 12%)
- All-inclusive resort (12% vs. 8%)
- Land-based escorted tour (17% vs. 6%)
- And, of course, cruising in the past three years (51% vs. 0%).



Results of Research (continued)

Types of Vacations taken in Past 3 Years (QH)
BASE: Total



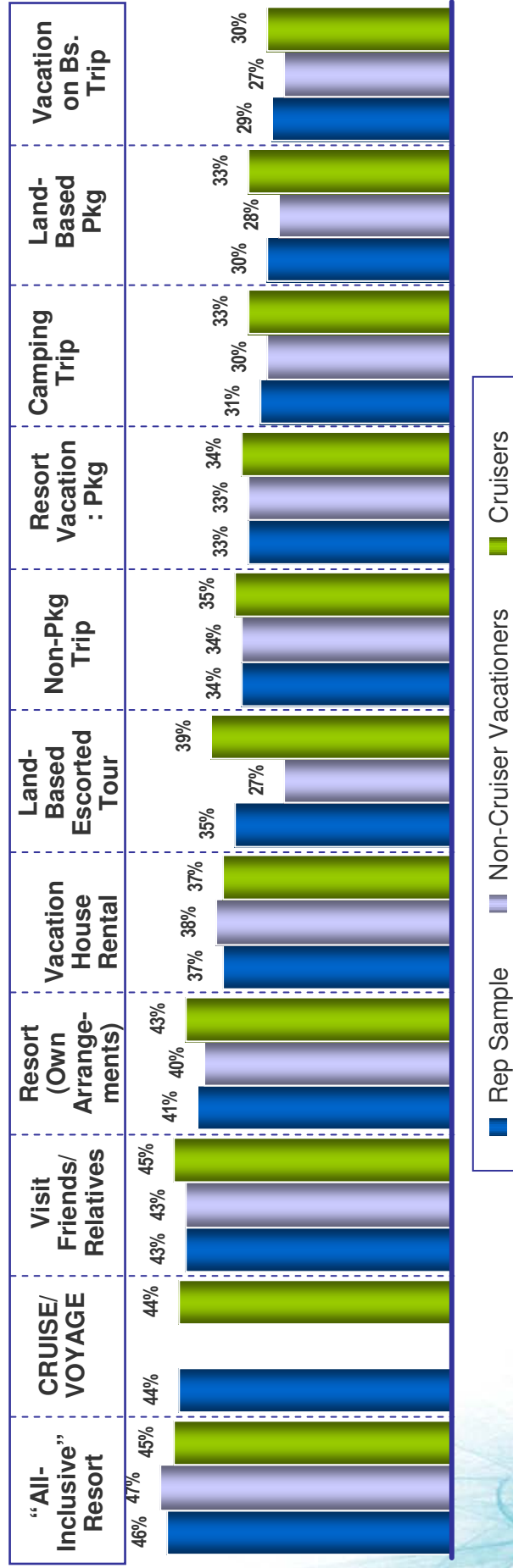
QH. Have you taken this vacation in the past three years?

Results of Research (continued)

Satisfaction Levels with Various Vacation Alternatives

94.8% of cruise vacationers express total satisfaction with cruise experience. In comparison to other types of vacations, the two categories that generate the highest satisfaction levels are *all-inclusive resorts* (46% *extremely satisfied*) and *cruising* (44%). However, the number of past cruisers (ever) more than doubles the number of all-inclusive resort visitors (45% vs. 21%).

Level of Satisfaction with Types of Vacations (Q1)
 % Extremely Satisfied (5-Point Scale; 5 = Extremely Satisfied)



Q1. Overall, how satisfied were you with your vacation? Would you say you were extremely satisfied, very satisfied, somewhat satisfied, not very satisfied or not at all satisfied?

Results of Research (continued)

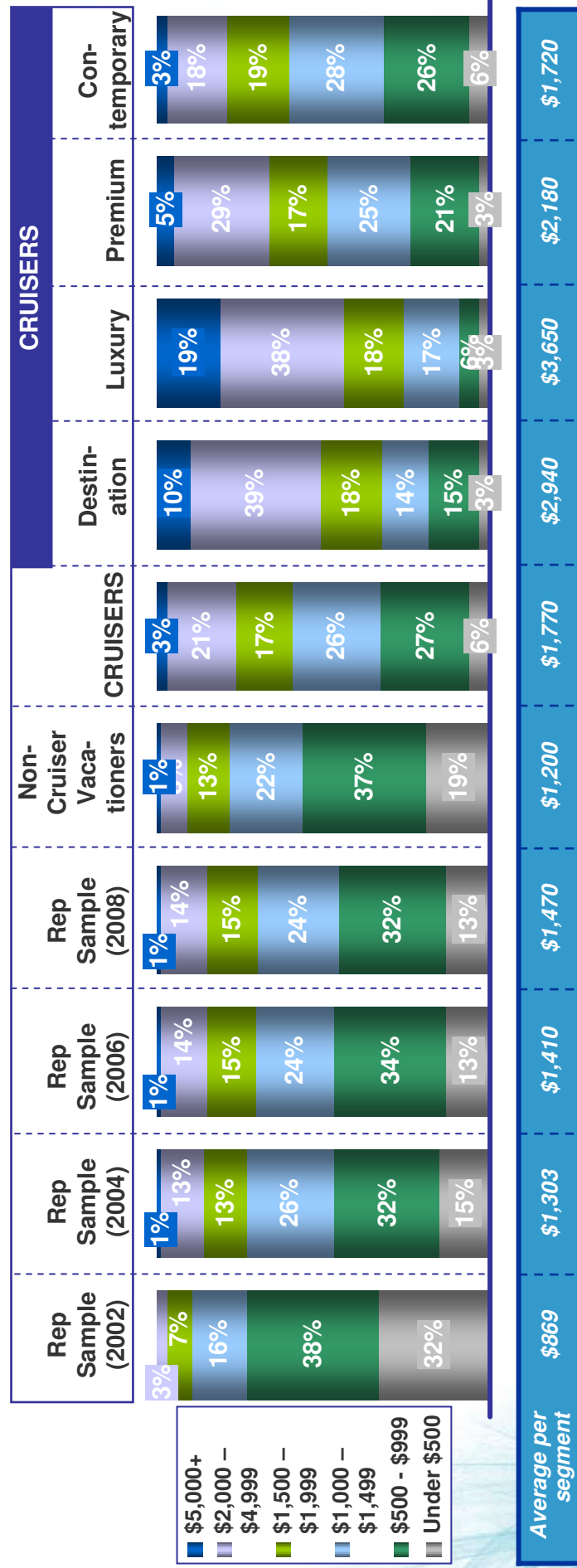
Amount Spent While on their Last Trip or Cruise

For an average one-week vacation, cruisers spent an average of \$1,770 on their last trip (whether a cruise or not), somewhat more than in 2006 (\$1,690, not shown). Overall vacation spending (all vacations; cruisers and vacationers) consistently rises each year (2008 at \$1,470, 2006 at \$1,410, 2004 at \$1,303).

Other results are as expected: cruisers spend considerably more (almost 50%) on vacations than non-cruise vacationers on their trips (\$1,770 vs. \$1,200). By cruise type, passengers on *Luxury Lines* (\$3,650) spend the most, followed by the *Destination/ Specialty/Niche* (\$2,940), *premium* (\$2,180), and *Contemporary* (\$1,720).

Average Amount Spent Per Person, Per Week – Total Vacation (Q1A)

BASE: Cruisers/Vacationers



Q1a. On average, for a one-week vacation, approximately how much do you spend per person? Please take into account your airfare or other transportation costs, hotel, food, and entertainment expenses.

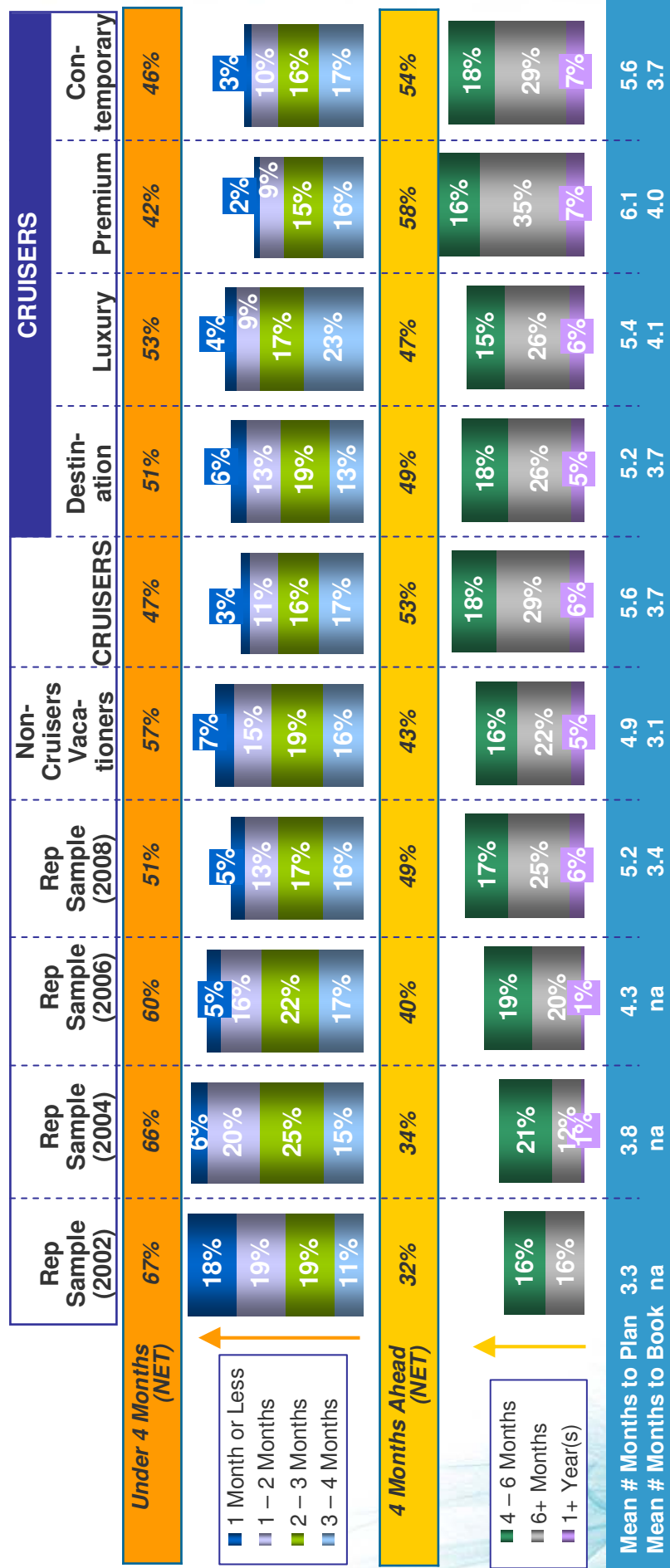
Results of Research (continued)

Length of Time of Planning/Booking a Non-Cruise Vacation Before it is Taken

On average, travelers spend increasingly longer times planning vacations (5.2 months vs. 4.3 in 2006 and 3.8 in 2004). Cruisers, especially, plan trips well in advance (5.6 months) compared to non-cruisers (4.9 months). More than half of cruisers (53%) decide at least four months in advance of the actual vacation vs. 43% of land-based vacationers.

On average, *Luxury* (5.4) and *Destination* cruisers (5.2) have somewhat shorter lead-times, perhaps because they have more cruise and travel experience. *Premium* (6.1) and *Contemporary* (5.6) passengers add 2 – 3 more weeks to plan trips. Booking/reservations tend to take place about 2 months after planning begins (3.4 months before the trip; 3.7 for cruisers).

Length of Time Vacation Planned in Advance of Actual Vacation (Q1E)
BASE: Cruises/Vacationers



Travel Agent Relevance

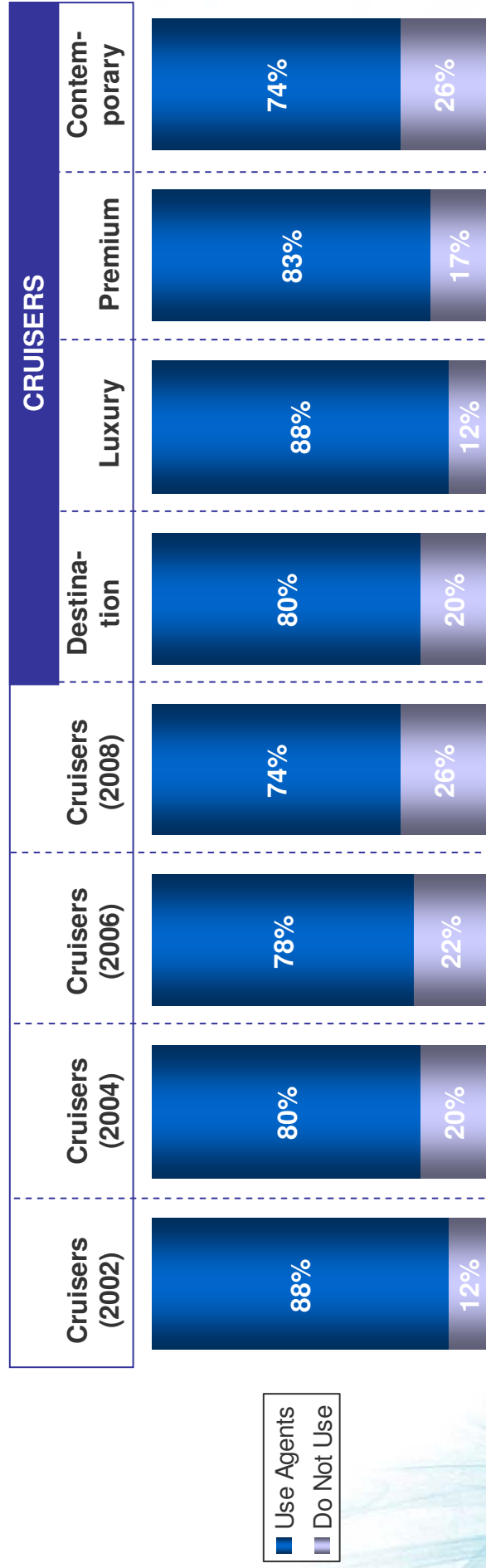
Results of Research (continued)

Travel Agent Usage for Cruises

About three-quarters (74%) of cruisers book at least some of their cruises with travel agents. While this percentage continues to remain quite strong, some of this apparent decline, however, may result from confusion by some consumers who book their cruises on a travel agent website and are unaware of the source responsible for the booking.

By type, Luxury cruisers most often book through agents.

Travel Agent Usage to Book Cruise Vacations (Q2A1B)
BASE: Cruisers



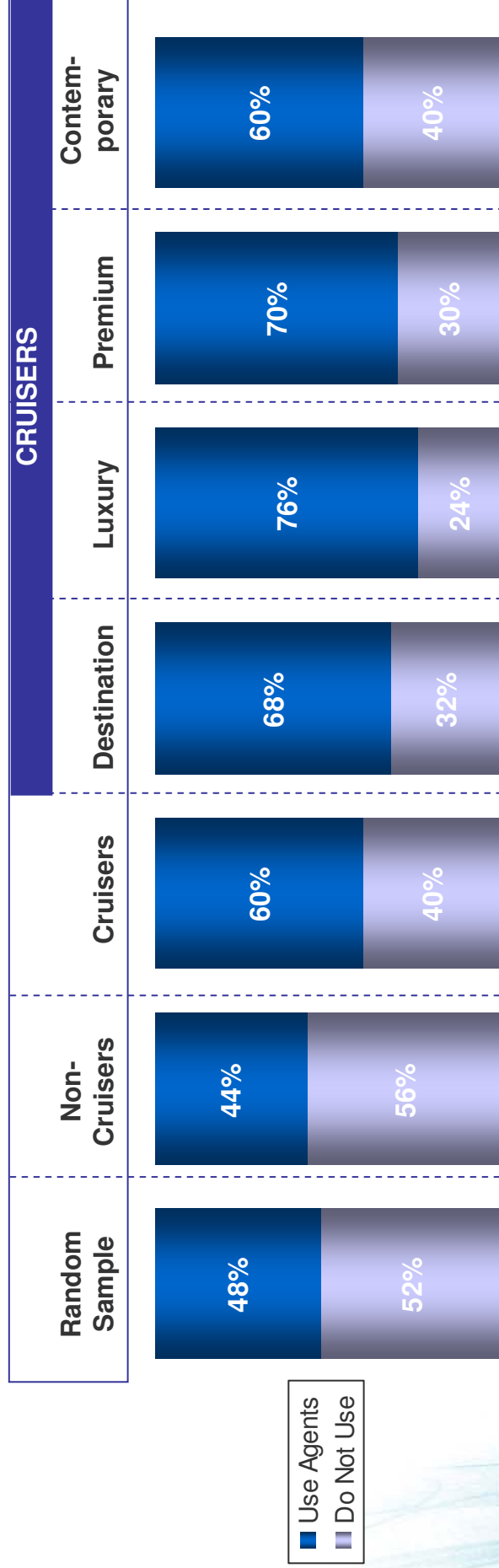
Q2a1. When you plan and book cruise vacations, do you use travel agents always, most of the time, some of the time, or never?

Results of Research (continued)

Travel Agent Usage for Non-Cruise Vacations

As noted earlier, even when not cruising, cruisers use travel agents at higher rates than non-cruisers (60% vs. 44%), especially Luxury cruisers (76%).

Use of Travel Agents for Non-Cruise Vacations



Q2a1. When you plan and book cruise vacations, do you use travel agents always, most of the time, some of the time, or never?

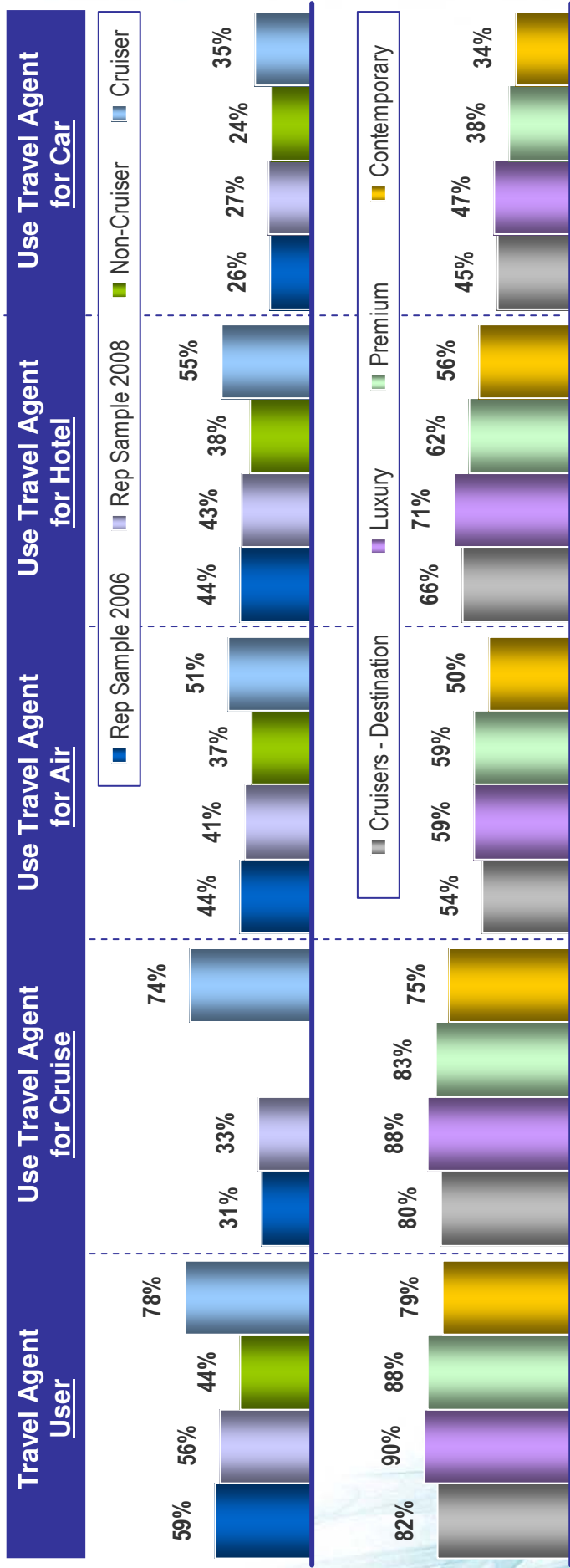
Results of Research (continued)

Travel Agent Usage

Among all of those in the cruise target market (25+ years of age and incomes \$40,000+), nearly three in five (56%) have used a travel agent for any purpose. Although this is slightly less than two years ago (59%), some of the apparent decline may result from confusion by some consumers who book on a travel agent website without knowing the actual booking source.

- Cruisers still represent prime customers for travel agents; most (78%) use travel agents for at least some travel arrangements, but especially for a cruise (74%).
- Cruisers are also far more likely than non-cruisers to use an agent for other services as well: by air (51% cruisers; 37% vacationers), for hotels (55%; 38%), and for rental cars (35%; 24%).
- By cruise type, luxury cruisers opt for travel agent assistance more often than others; contemporary cruisers least often.

Incidence of Travel Agent Usage
BASE: Total Respondents



Results of Research (continued)

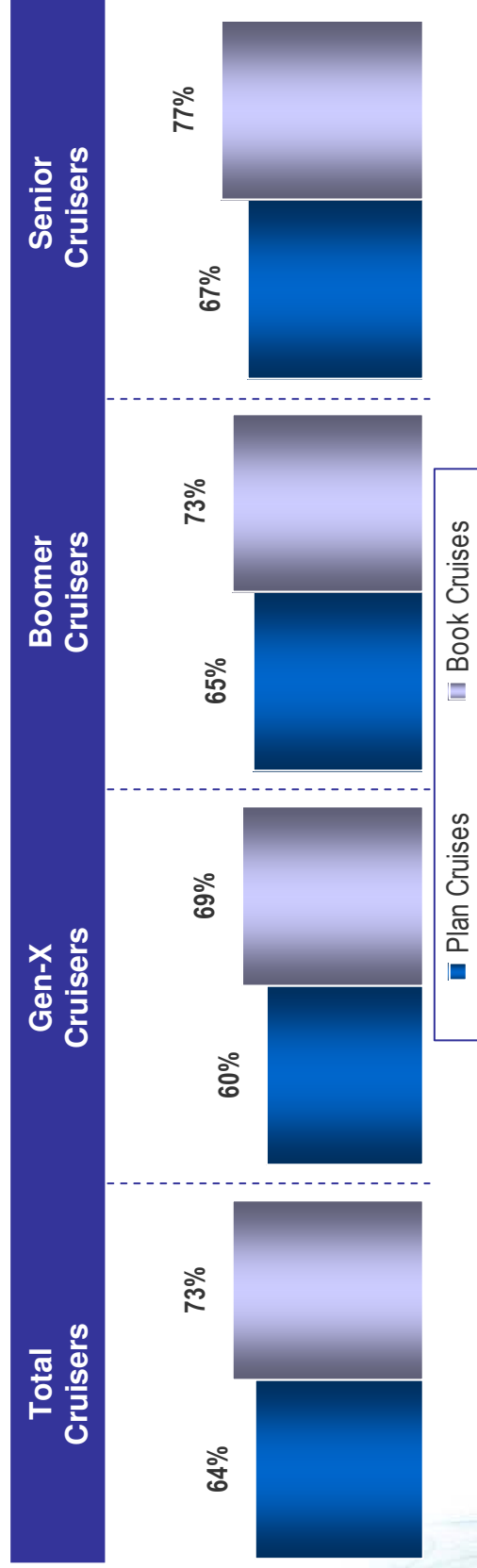
Generational Differences in Travel Agent Usage for Cruising

Travel agent usage varies by age:

- Seniors (those 55+ years of age) most often use travel agents to book cruises (77%)
- Boomers, those 45-64, place in the middle (73%)
- Gen Xers, those 25 – 44, book with them least often (69%) – but that still represents more than two-thirds of them.

Incidence of Travel Agent Usage by Generation

BASE: Cruisers



Q2a1. When you plan and book cruise vacations, do you use travel agents (net of always/most/some of the time)?

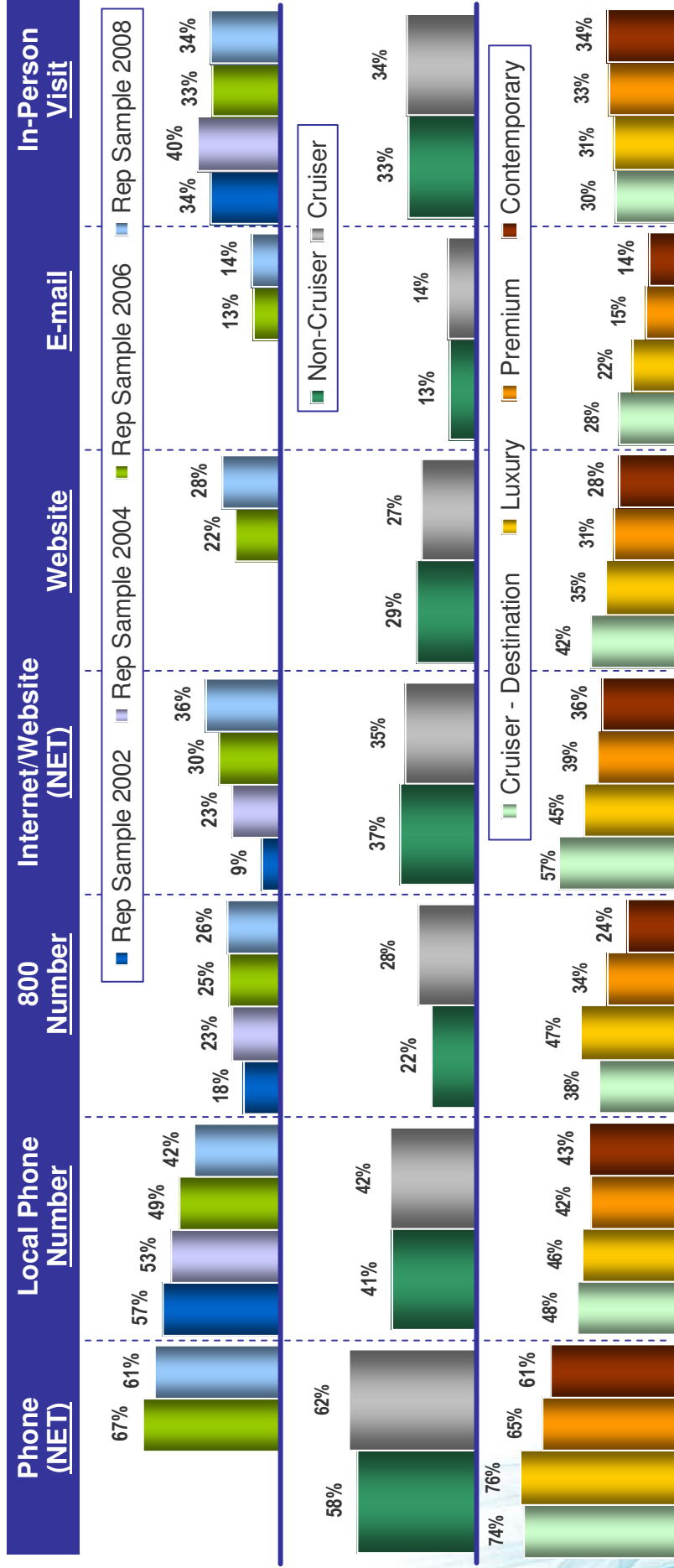
Results of Research (continued)

Methods for Contacting Travel Agent

Still the leading method of agent contact, fewer travel agent users use a local phone each wave, while other methods rise:

- The Internet, primarily websites, grows rapidly.
- 800 number usage, email, and in-person visits remain almost stable, each grows by 1% over last wave.

Typical Method Used for Contacting Travel Agents (Q2B)
BASE: Cruises/Vacationers Who Have Contacted Travel Agent, Multiple Methods Allowed



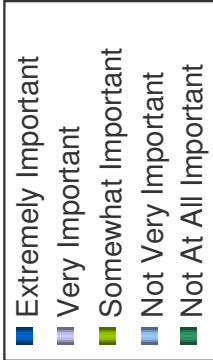
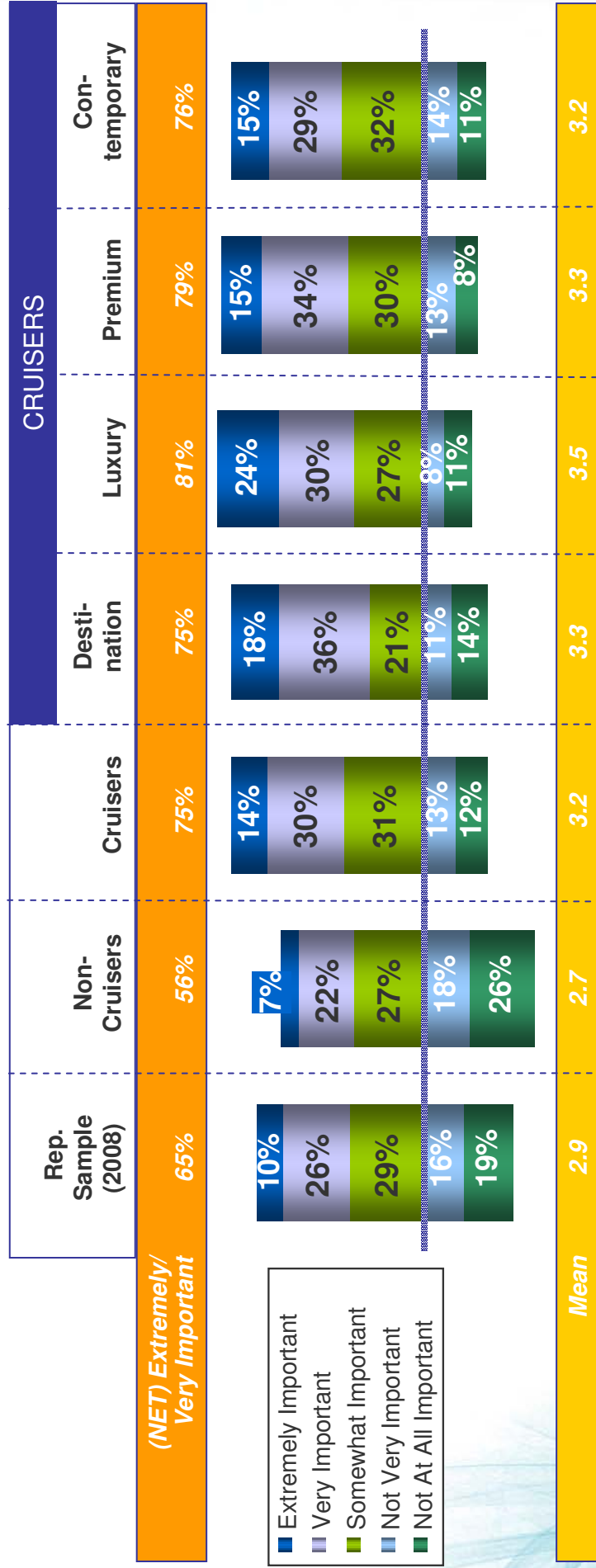
Q2b. Do you typically contact a travel agent using...
Note: Prior to 2006 category was Internet or email

Results of Research (continued)

Importance of Professional Designations

Two-thirds of all travelers consider professional designation/accreditation as a cruise expert to be extremely/very important – but, as expected, is even more important to cruisers (75%) than non-cruiser/vacationers (56%) – particularly luxury (81%) cruisers.

Importance of Professional Designations in Choice of Travel Agent (Q2D)
 BASE: Total Respondents



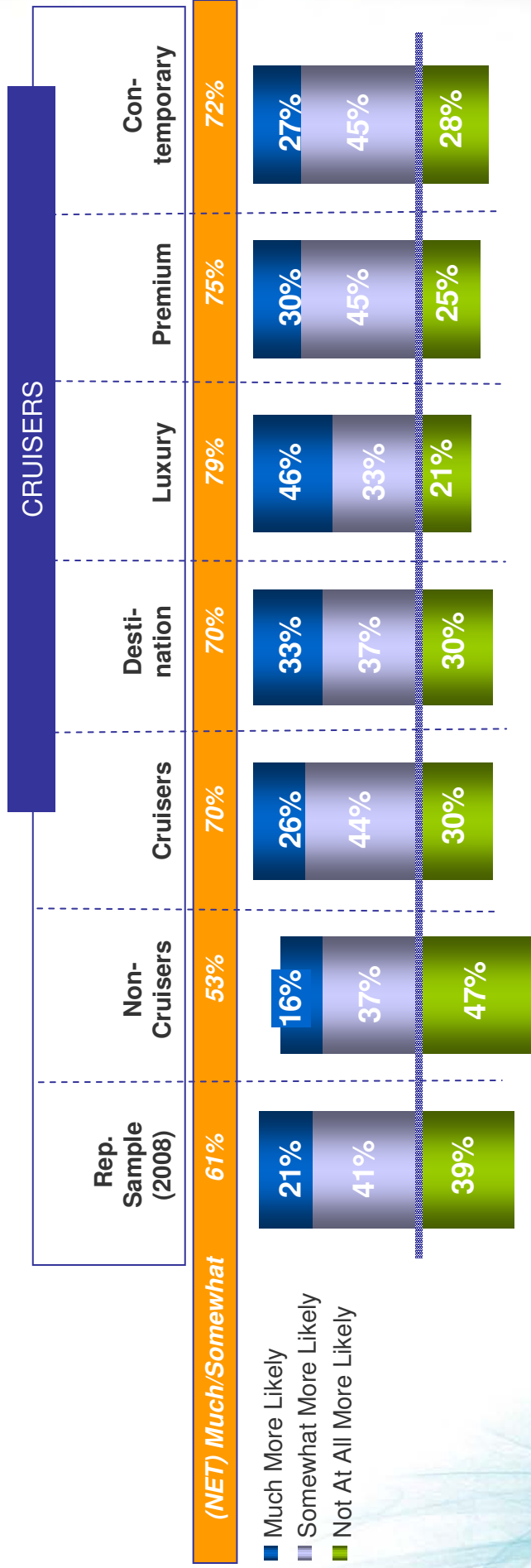
Q2d: Travel agents can elect to take training programs and to visit/sail the ships that they recommend to clients. Travel agents are able to apply these experiences to acquire professional designations and accreditations to position them as experts in cruise travel. How important are these professional designations in your choice of a travel agent?

Results of Research (continued)

Change in Travel Agent Usage Because of Professional Cruise Accreditation

Two-thirds of all travelers consider professional designation/accreditation as a cruise expert to be extremely/very important – but, as expected, is even more important to cruisers (75%) than non-cruiser/vacationers (56%) – particularly luxury (81%) cruisers. A professional accreditation has a generally positive influence on travelers (61% = much/somewhat more likely to use). Plus, it makes one in five (21%) **much** more likely to use an agent. That proportion rises further for cruisers (26%), especially luxury cruisers (46%).

Shift in Travel Agent Usage Due to Professional Cruise Accreditation (Q2D)
 BASE: Total Respondents



Q2d1: How much more likely would you be to use a travel agent if you knew that he or she were a cruise accredited travel agent?

Cruise History and Trip Characteristics

Results of Research (continued)

Appealing Places to Cruise

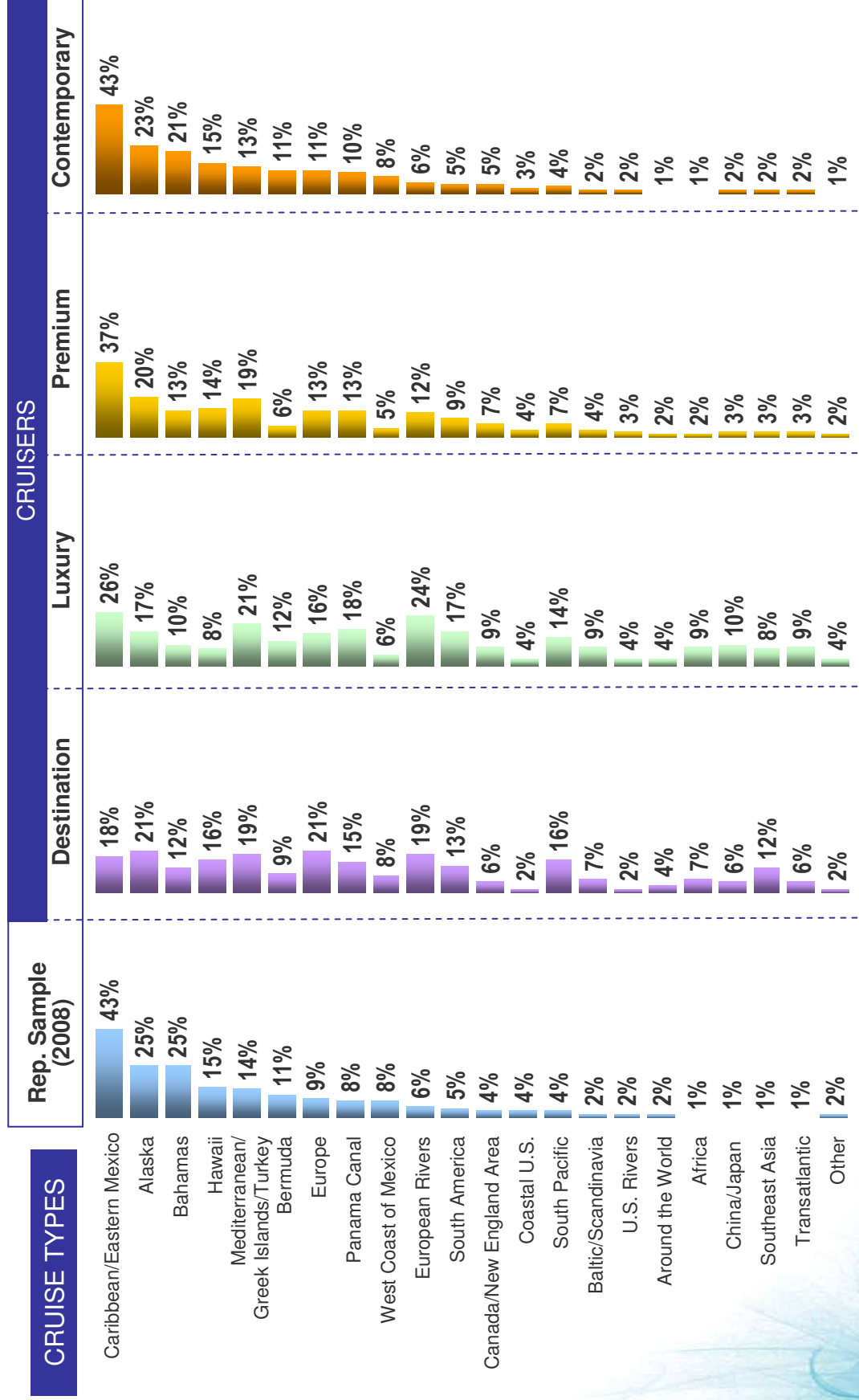
Nearly all traveler segments name the Caribbean (43% overall) as the top area to visit on a cruise, with the exception of prior *Destination* cruisers who place Alaska (21%) and Europe (21%) ahead of the Caribbean (18%). *Luxury* cruisers are almost as likely to pick European Rivers (24%) as the Caribbean (26%). Other oft-mentioned destinations (overall) include:

- Alaska (25%)
- Bahamas (25%)
- Hawaii (15%)
- Mediterranean/Greek Islands/Turkey (14%)
- Bermuda (11%)
- Europe (9%)
- Panama Canal (8%)
- West Coast of Mexico (8%)



Results of Research (continued)

Appealing Places to Cruise (Q5c)
 BASE: Probably/Definitely Will Cruise



Q5c. Where do you plan to go on your next cruise vacation trip?

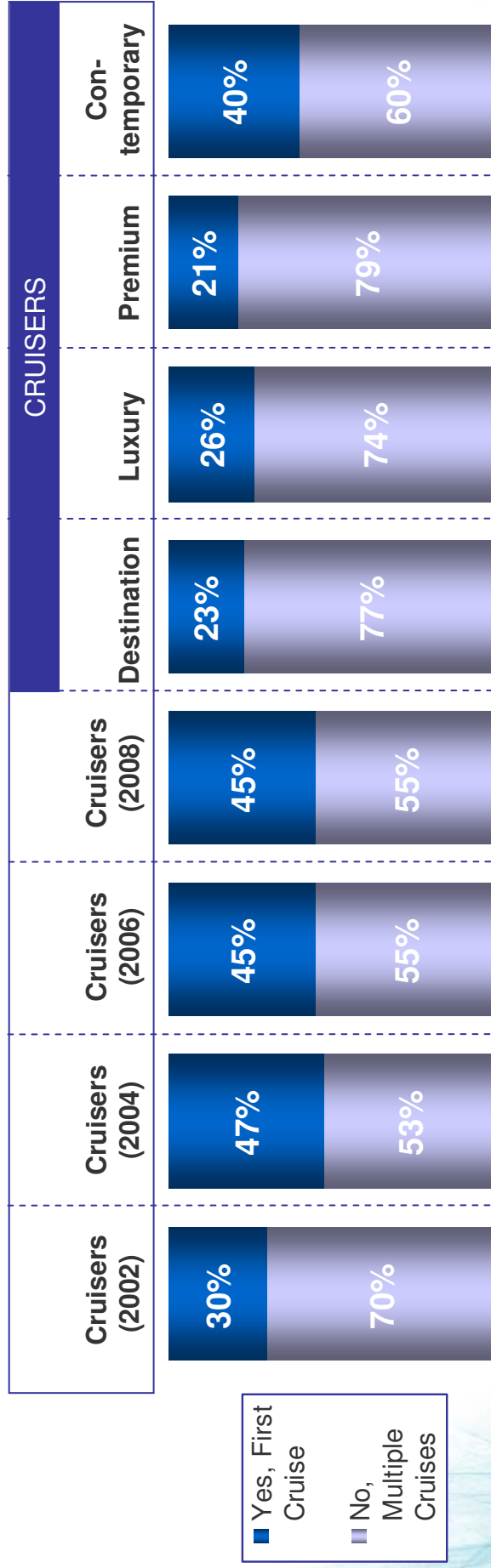
Results of Research (continued)

Repeat Cruise Business

Cruisers cruise multiple times. Half (55%) of those who provide information on their most recent cruise took another one in the past. The more expensive types of cruises tend to host repeaters – for example, three-quarters (77%) of *Destination*, *Luxury* (74%), and *Premium* (79%) cruisers sailed more than once. *Contemporary* lines attract the largest share of first-timers (40%).

However, the relatively high proportion (45%) of new cruisers into the market indicates that the industry continues to attract new (first-time) passengers – and that marketing promotions create new interest.

Is Most Recent Cruise the First Cruise Vacation Ever Taken
BASE: Cruisers



■ Yes, First Cruise
■ No, Multiple Cruises

Q6a. Was your most recent cruise the first cruise vacation you have ever taken?

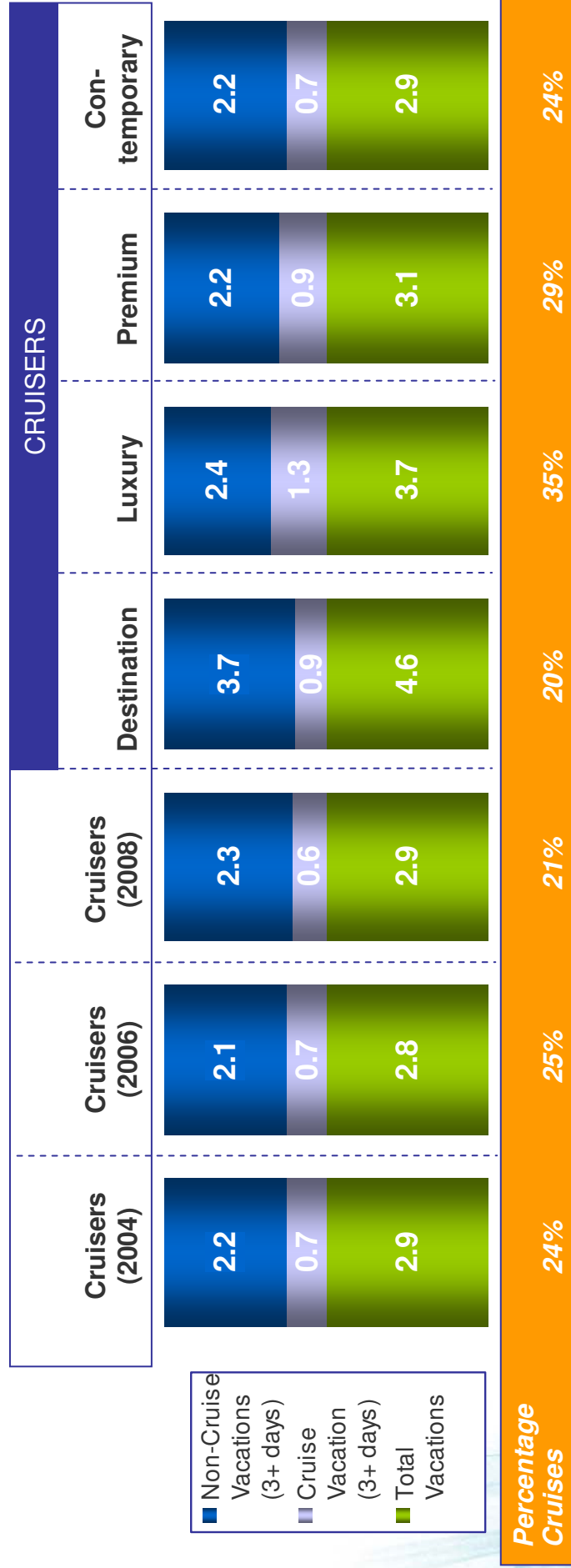
Results of Research (continued)

Average Number of Vacations Taken in Past Year

Many cruisers are “addicted” to cruising – about a fifth (21%) of all trips taken in the past 12 months involved a 3+ day cruise for those who have taken more than one cruise in the past.

- Further, TNS data indicates that, overall, cruisers take many more trips (39% more) than non-cruiser vacationers during the year (Source: TNS’ 2008 American Traveler Survey).
- Although *Destination* cruisers **travel** more often (4.6 trips/year), *Luxury* cruisers **cruise** more often (1.3 cruise trips).
- The proportion that cruises comprise of total trips is highest for *Luxury* (35%) and *Premium* (29%) cruisers.

Vacations in the Past Year that Totaled Three Days or More (Q6E1, Q6E2)
BASE: Cruisers Where Most Recent Cruise Was Not First Cruise Vacation Ever Taken



Q6e1. Whether or not they involved cruises, how many vacations did you take in the past year that totaled three days or longer?
 Q6e2. And, how many vacations that were three days or longer did you take in the past year that included a cruise?

Note: Because respondents may travel on multiple cruise types, *total cruisers* will not necessarily be the average of the four cruise types shown. For example: a cruiser may take 10 cruise vacations: four on *Destination* cruise lines, four on *Luxury* cruise lines, one *Premium* cruise line and one *Contemporary* cruise line. That cruiser will appear in all four cruise types (with the 10 cruise vacations boosting the averages of each), but will appear in the total cruiser (net) only once.

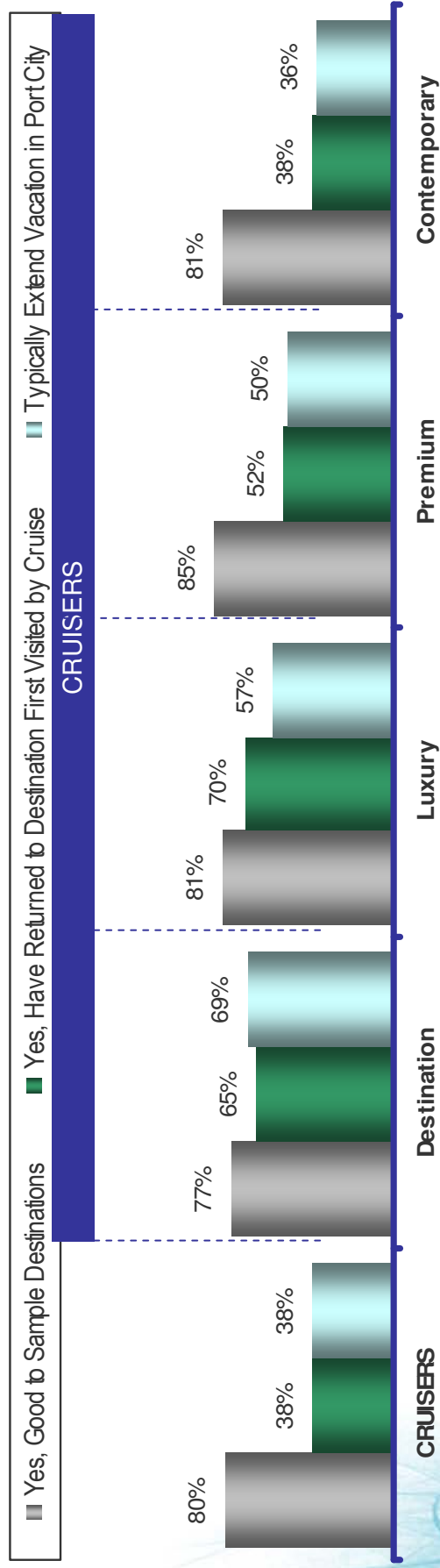
Results of Research (continued)

Use Cruising to Consider Destination for a Future (Land) Trip

Cruisers typically agree that cruise vacations are a good way to sample destinations that they may wish to visit again (80%). The more experienced/seasoned *Destination* and *Luxury* cruisers are most likely to have returned for a non-cruise vacation and are more likely to add on a couple of days (43% = 2 days, not shown) in the embarkation/debarkation port city as well.

Cruisers most often return for land-based vacations (next slide) to the Caribbean (50%), Bahamas (21%), Hawaii (13%), Mexico (13%), Europe (12%), and Alaska (11%). *Destination* cruisers follow a similar pattern, but emphasize Hawaii (34%) and Europe (32%) more strongly than others. *Luxury* cruisers rank Europe somewhat higher (29% -- third place) than others.

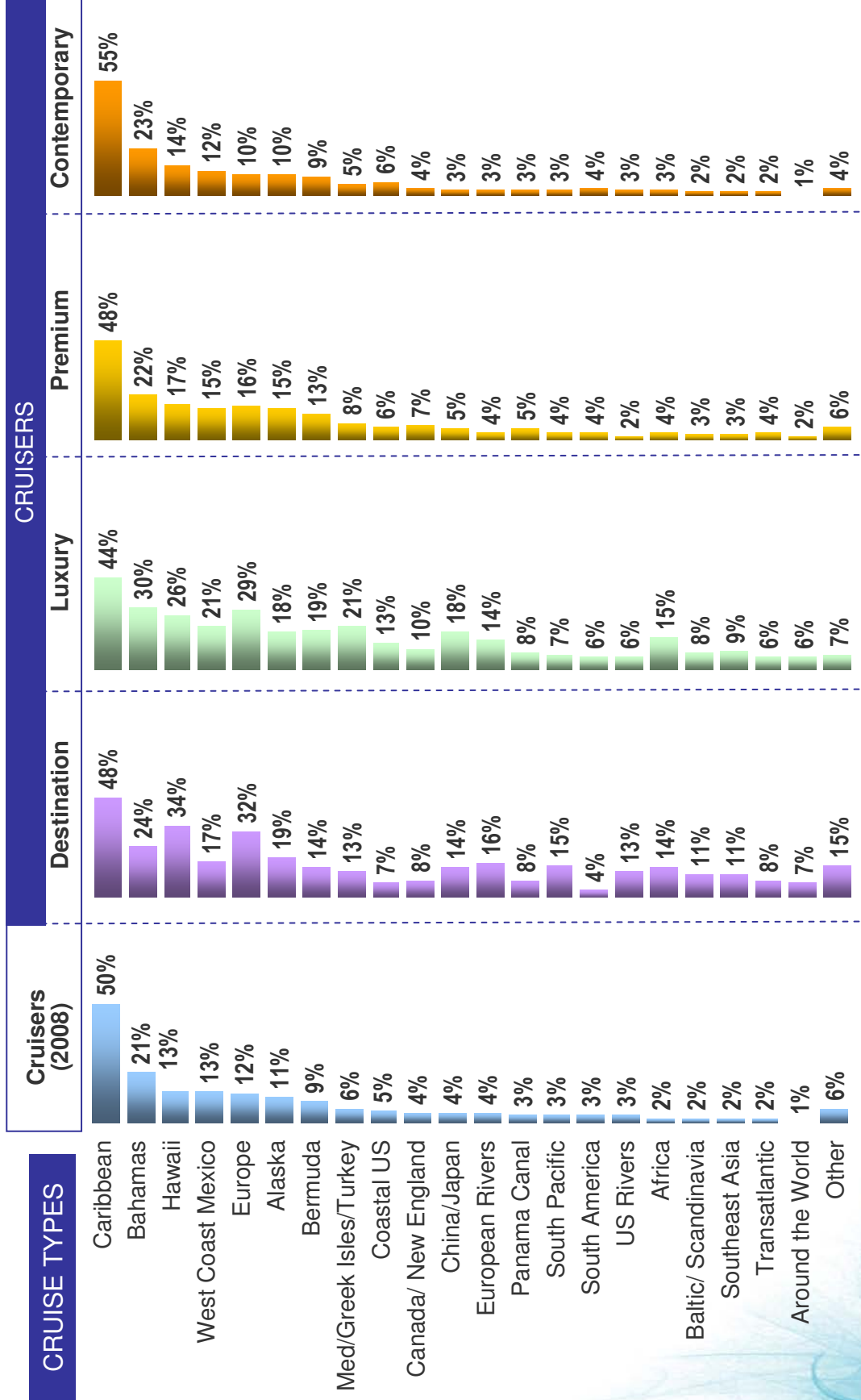
Use Cruising to Sample Destinations (Q7e)
 BASE: Cruisers Within Past 5 Years



Q7e4. Do you consider cruise vacations a good way to sample a destination that you may wish to visit again on a non-cruise vacation?
 Q7e5. Have you ever returned to a destination that you first visited by cruise ship?

Results of Research (continued)

Destinations Introduced by Cruise (Q7e)
BASE: Cruisers Who Returned to a Destination First Visited by Cruise



Q7e6. To which of the following destinations that you first saw by cruise did you return?

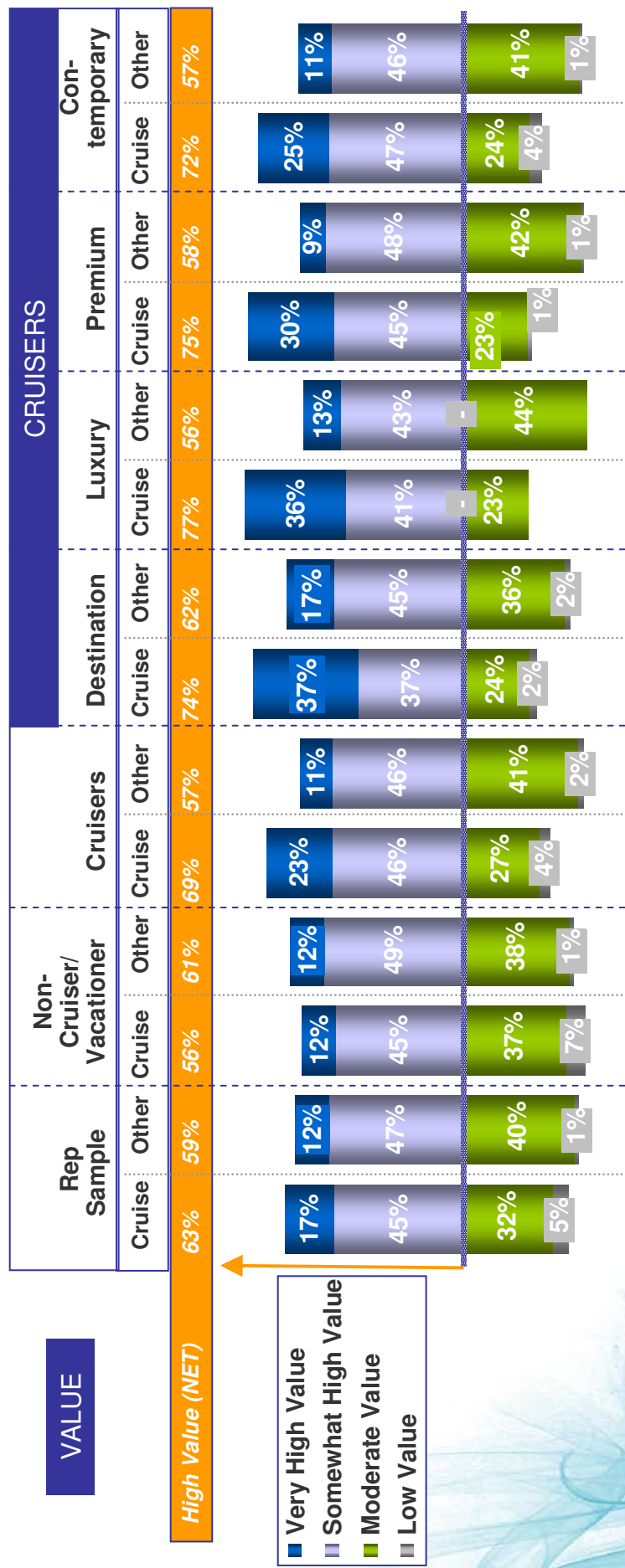
Results of Research (continued)

Cost and Value of a Cruise versus Land-Based Vacations

Most travelers consider vacations, in general, expensive and cruises somewhat more expensive than non-cruise vacations.

The good news for cruise operators is that most people believe that cruises are the superior value. More travelers cite *cruising* (17%) as a very high value than land-based vacations (12%). Among non-cruisers, the same proportion considers cruising and land-based vacations to be a very high value (12%). The gap swells among past cruisers (23% vs. 11%), underscoring the need to convince travelers to cruise, but once they start, many become “hooked.”

Value of a Cruise Versus Land-Based Vacations (Q10B)
Base: Cruisers and Vacationers



Q10b. When considering the price of a cruise versus land based vacations, how do you rate the overall cost and value received?

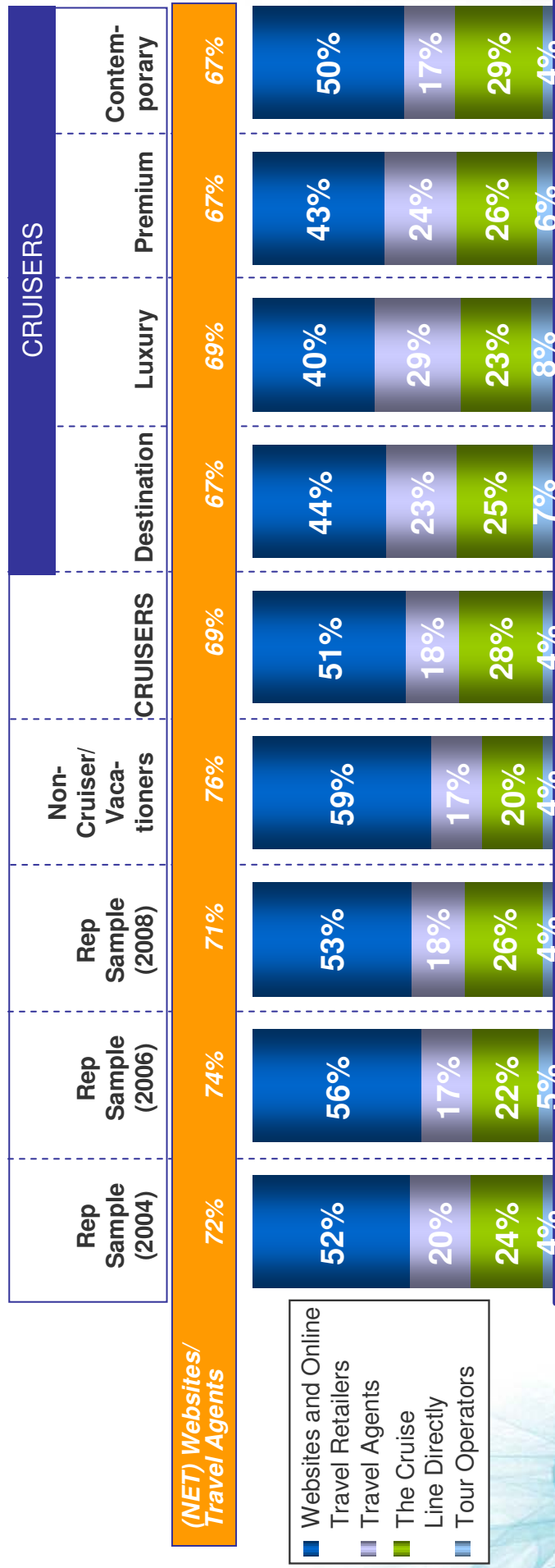
Results of Research (continued)

Cruise Distribution Channels Providing Best Prices

Travelers most frequently believe that the best price on a cruise can be found on the Internet. Over half (53%) cite the Internet as the place for getting the best prices (similar to the prior two waves), followed (distantly) by calling the cruise line directly (26%), and travel agents (18%). Little difference exists in the perceptions of cruisers and non-cruisers with respect to the distribution source offering the best cruise price.

Assuming that the websites to which respondents refer are travel agency websites, travel agencies receive best price "votes" from almost three-quarters (71%) of them.

Cruise Distribution Channels Providing Best Prices (Q10C)
BASE: Cruisers and Vacationers



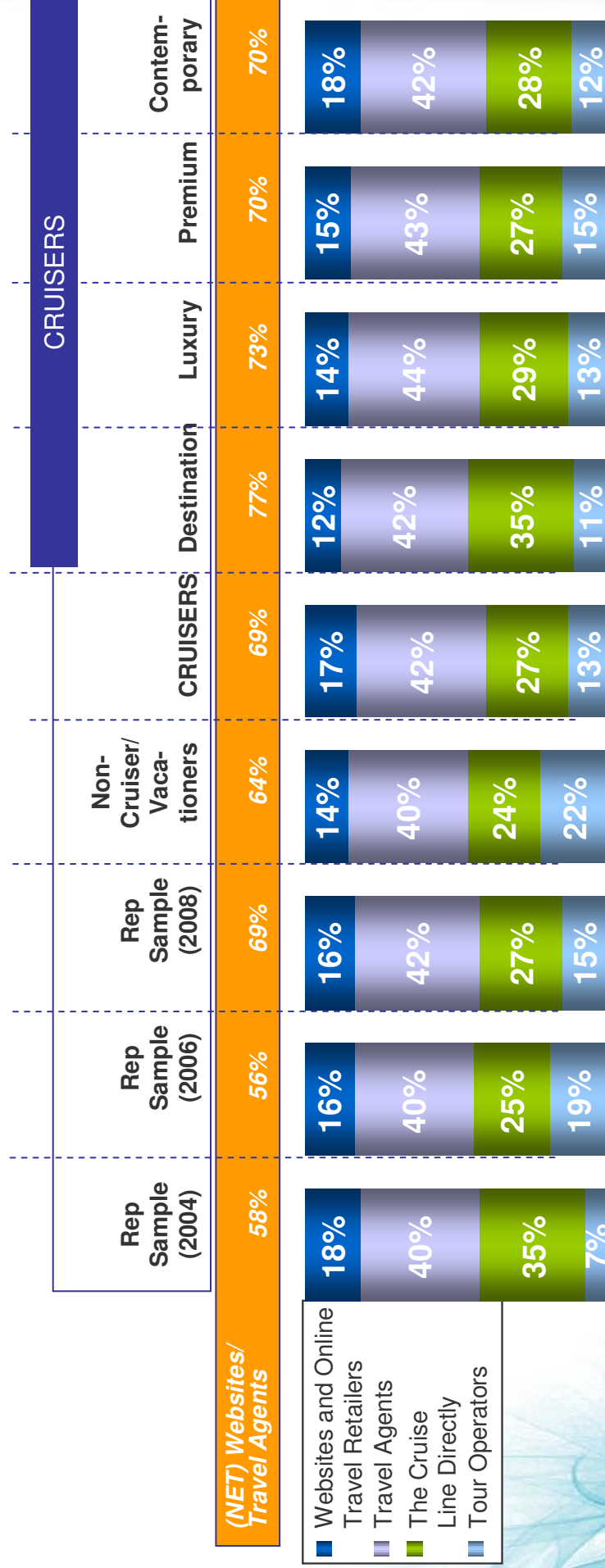
Q10c. In your opinion, which cruise information and purchase source provides the best pricing and service?

Results of Research (continued)

Cruise Distribution Channels Providing Best Service

Cruisers still deem travel agents as the distribution channel that offers the best service (42%, essentially the same as last year at 43%). One cruiser in four (27%) considers the cruise line's service to be superior. Tour operator service and website/online retailer service vie for the lowest spot of the four choices. Non-cruiser vacationers also perceive travel agents as offering the best service (40%), followed by cruise lines directly (24%) and tour operators (22%).

Cruise Distribution Channels Providing Best Service (Q10C)
BASE: Cruisers and Vacationers



Q10c. In your opinion, which cruise information and purchase source provides the best pricing and service?

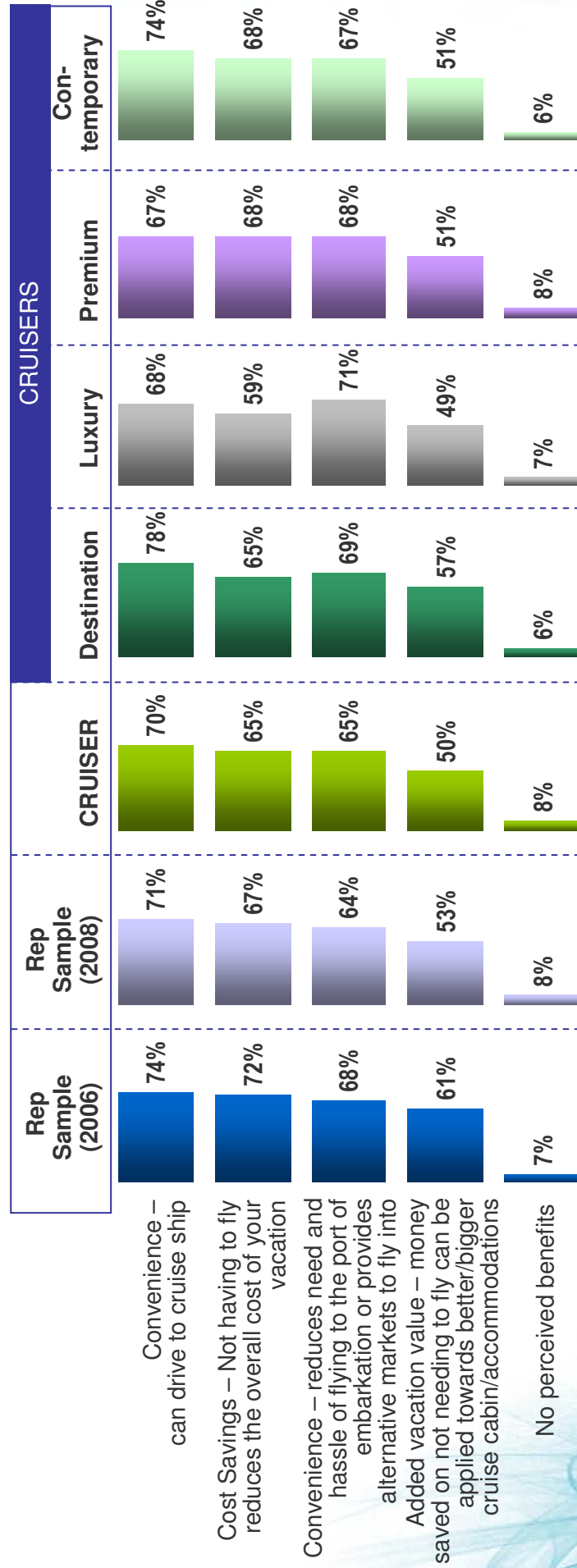
Results of Research (continued)

Awareness & Benefits of More Cruise Embarkation Options Available in North America

More than half (59%) of cruise-bound travelers indicate awareness of at least one cruise embarkation point. Not surprisingly, awareness of past cruisers (66%) substantially greater than their non-cruiser counterparts (45%).

Nearly all (92%) potential cruisers perceive at least some benefit to having numerous cruise embarkation points, particularly: Drive-to convenience (71%), Cost savings (67%), Fewer airport hassles (64%), (53%) cite added vacation value.

Primary Benefits of Having More Cruise Embarkation Options Available in North America (Q5A2) BASE: Definitely/Probably Take a Cruise Vacation or an Ocean/Sea Voyage



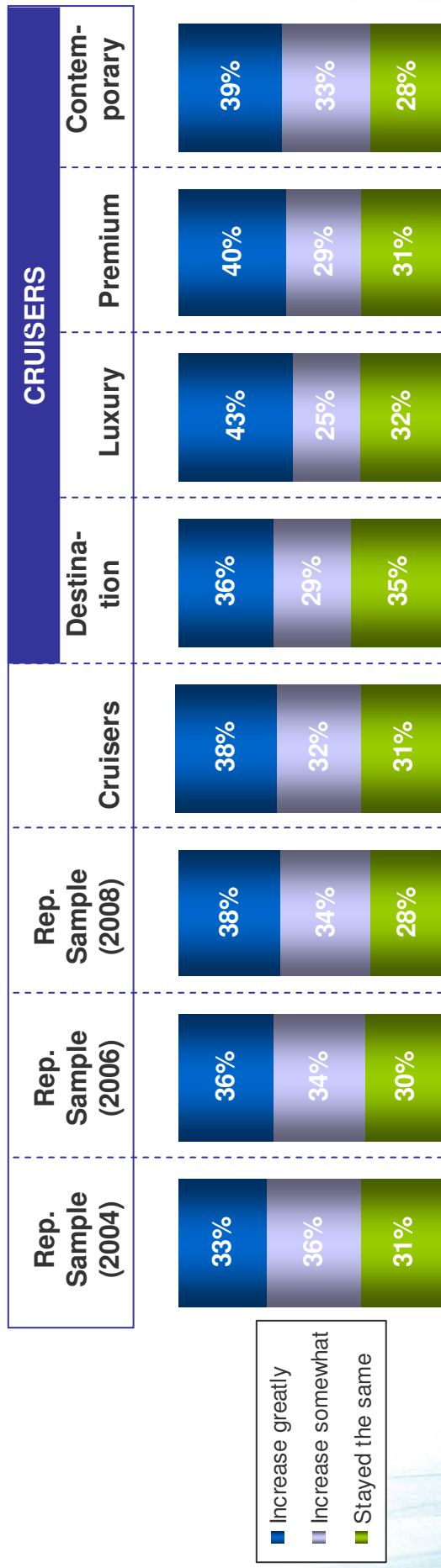
Q5a2. Which of the following do you consider the primary benefits of having more cruise embarkation options available in North America?

Results of Research (continued)

Impact of Additional "Close to Home" Ports of Embarkation on Likelihood of Cruising

Nearly three-quarters (72%) of likely future cruisers indicate that more cruise embarkation points increases their likelihood of cruising in the next three years.

- Whether Having Additional "Close to Home" Ports of Embarkation Increases Likelihood of Cruising in the Next Three Years (Q5A3)
BASE: Definitely/Probably Take a Cruise Vacation or Ocean/Sea Voyage



Q5a3. Does having additional "close to home" ports of embarkation increase your likelihood of taking a cruise in the next three years?

Results of Research (continued)

Benefits of Cruising

When comparing the benefits of cruising to other vacations (*much/somewhat better*), at least half consider cruising better for: *chance to visit several different locations* (61%), *being pampered* (53%), *fine dining* (51%), and *being luxurious* (50%).

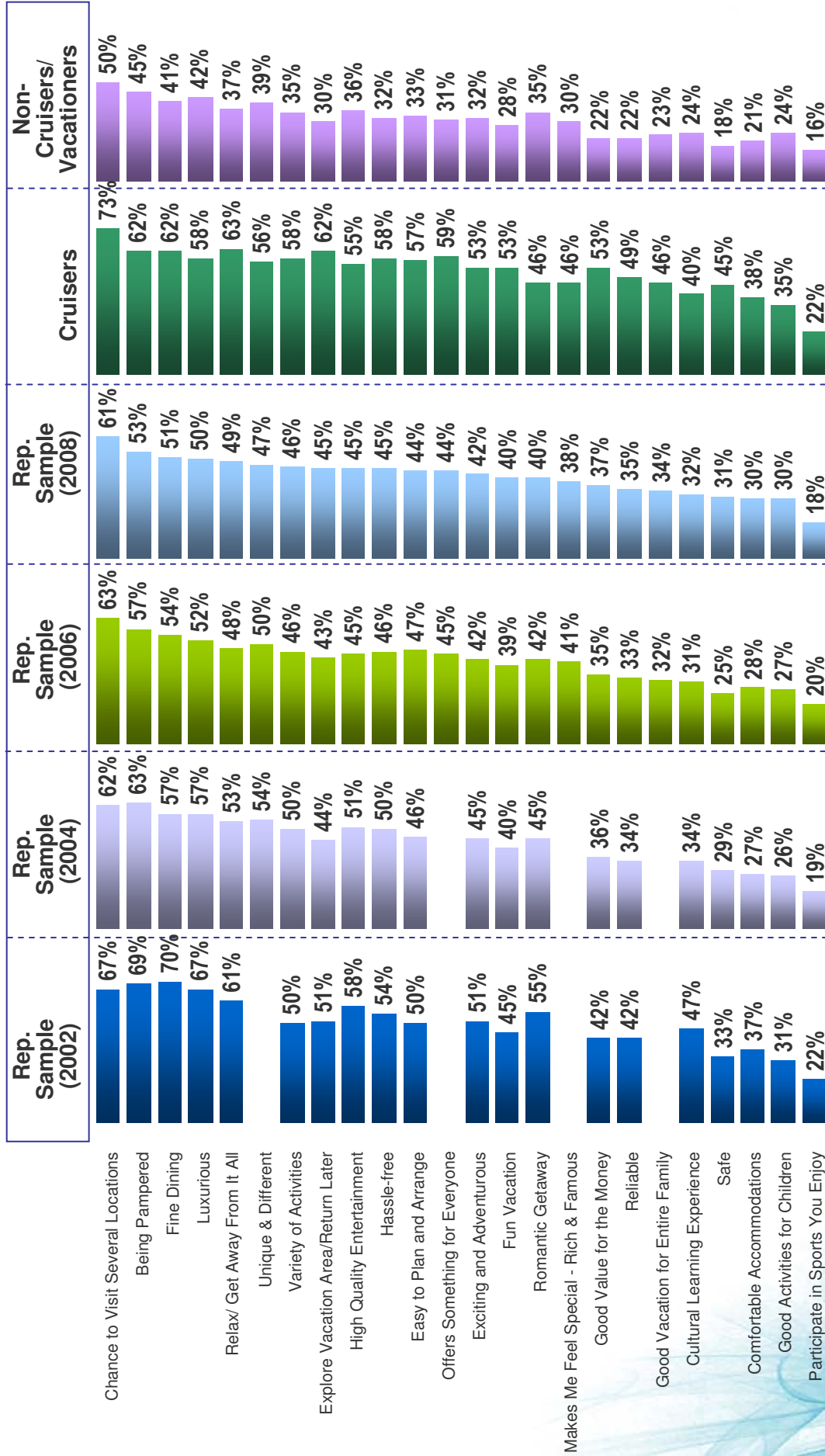
Past cruisers rank every attribute higher than non-cruisers, usually by a substantial degree. After experiencing the benefits of cruising, the largest gaps (25 percentage-point differences or greater) between these two groups occur in (cruisers vs. non-cruisers):

- Explore a vacation area to return later (62% vs. 30%)
- Good value for the money (53% vs. 22%)
- Offers something for everyone (59% vs. 31%)
- Reliable (49% vs. 22%)
- Safe (45% vs. 18%)
- Relax/get away from it all (63% vs. 37%)
- Hassle-free (58% vs. 32%)
- Fun vacation (53% vs. 28%).



Results of Research (continued)

Cruise Vacations Compared to Other Vacations (Q11)
% Much/Somewhat Better
BASE: Cruisers and Vacationers



Q11. How do you think cruise vacations compare to other vacations you've taken? Are cruises much better, somewhat better, the same, somewhat worse, or much worse than your other vacations in terms of...

Executive Summary



the sixth sense of business™

Executive Summary

- Consumer Interest in cruising continues to be strong, despite the economy and fuel costs: 77% of past cruisers and 55% of those who have yet to take a cruise expressed interest in doing so within the next three years.
- American respondents who indicated a “definite” or “probable” intent to cruise within the next three years represents almost 34 million adults from the target market (25+ yrs old, HHI \$40K+); good news for the cruise industry and travel agents.
- 95% of cruisers rate their cruise experience as satisfying: 44% claim “extremely satisfying” making a cruise among the best in meeting and exceeding expectations.
- Median age of cruisers is now 46, down from 49 in 2006; cruises continue to attract younger travelers.
- Caribbean named as top cruise destination of choice by 43% of respondents; Alaska, Bahamas, Hawaii and the Mediterranean/Greek Isles also top choices.

Executive Summary (*continued*)

- Cruisers agree (80%) that cruise vacations are a good way to sample destinations they may wish to visit again, which further demonstrates that cruisers are the best prospect for travel.
- Cruise line utilization and awareness of 30+ U.S. embarkation ports adds strong inducement to future cruising: 72% cite additional “close to home” ports as a reason they’ll be more likely to cruise. Benefits cited: added convenience (74%), ability to drive to the ship (71%), saving money on air travel (67%) and avoiding hassles of flying to embarkation points (64%).
- Cruisers are the premier leisure traveler; they take 39% more vacations per year than non-cruisers and take more types of vacations with nearly one in four being a cruise. They also typically spend 50% more on their vacation than a non-cruiser.
- Both past cruisers (69%) and cruise prospects (56%) recognize a cruise vacation as providing very high value. Those who’ve experienced the inclusive nature and service of a cruise, rank it as the best vacation value.

Executive Summary *(continued)*

- Typical vacationers, including cruisers (75%), travel in pairs, usually with spouses, with the proportion of family travel with kids under 18 steadily growing (25% in 2008 from 13% in 2002).
- Travelers, including cruisers, consider destination as the most influential aspect of choosing a vacation.
- Travel agents continue to play an important role in planning and booking cruises and travel:
 - 42% say agents provide the best service.
 - 59% are extremely or very satisfied with agents, with overall satisfaction of 93%.
 - 78% of cruisers use travel agents for all types of travel planning, as compared to 44% of non-cruisers.
 - 75% of cruisers consider professional designations, such as CLIA's Cruise Counsellor Certification, would influence their choice in selecting a travel agent to plan and book their vacation.

Cruise Lines International Association 2008 Cruise Market Profile Study



the sixth sense of business™

**APPENDIX D. CLIA 2008
CRUISE INDUSTRY SOURCEBOOK**

2008 Edition



**CRUISE LINES
INTERNATIONAL
ASSOCIATION, INC.**

Cruise Industry Source Book

Prepared by: M. Silver Associates Inc.

TABLE OF CONTENTS

About this Source Book	3
What is CLIA?	5
Facts about CLIA	7
Profile of the U.S. Cruise Industry	9
CLIA Leadership & Committees	11
Other North American Cruise Industry Associations	
• Florida-Caribbean Cruise Association	13
• North West CruiseShip Association	15
• Alaska Cruise Association	17
Roster of CLIA Member Lines	19
Profiles of CLIA Member Lines	21
CLIA Fleet by Member Line (as of February 1, 2008)	67
CLIA Fleet by Ship (as of February 1, 2008)	73

ABOUT THIS SOURCE BOOK

The Cruise Lines International Association (CLIA) is pleased to present this guide as a reference tool for journalists and professional researchers. The 2008 Cruise Industry Source Book profiles CLIA's 24 member cruise lines and contains general information about CLIA, its history and purpose.

Each cruise line profile features the names of company principals and spokespersons, with phone numbers and e-mail addresses. Also included are descriptions of each line's history and philosophy, as well as the destinations served by each company.

The Source Book lists CLIA member-line ships in two ways: by individual company and by ship. In addition, it provides the names and phone numbers of key contacts at the other North American cruise industry associations – the Florida-Caribbean Cruise Association and the North West CruiseShip Association.

The information contained in this guide was provided by the cruise lines and the associations. We welcome your feedback and appreciate hearing your comments.

If you need additional information on CLIA, please contact Christine Fischer, CLIA's director of public relations, at (754) 224-2202 or cfischer@cruising.org. Or, contact CLIA's public relations representative at M. Silver Associates, Dawn Weissman, at (212) 754-6500, extension 228 or dawn@msilver-pr.com

WHAT IS CLIA?

The nonprofit Cruise Lines International Association (CLIA) is North America's largest cruise industry organization. CLIA represents the interests of 24 member lines and is engaged in travel agent training, research and marketing communications to promote the value and desirability of cruise vacations, and counts as members 16,000 North American travel agencies. CLIA also participates in the regulatory and policy development processes for the industry while supporting measures that foster a safe, secure and healthy cruise ship environment. In addition, CLIA features a structured Executive Partner program with important strategic cruise industry suppliers and ports.

“One Industry. One Voice.” Driven by continued growth in cruise vacations, the industry's two long-standing and preeminent trade associations, New York-based Cruise Lines International Association (CLIA) and Washington, D.C.-based International Council of Cruise Lines (ICCL), in 2006 formed an expanded organization incorporating the existing functions of both organizations. The merged organization, which uses the CLIA name, relocated to Fort Lauderdale, Fla., in January 2007 while maintaining a satellite office in Washington, D.C.

CLIA carries out objectives and activities on behalf of the collective membership. Senior management from member lines comprise executive, managing and marketing committees, which provide guidance and support for the association and its cruise line and travel agency members.

CLIA is consistently rated the most professional and effective organization of its kind for its support of the travel agency community and for the quality of its sales training programs. CLIA's training consists of classroom seminars, Internet-based courses and video training. The association's most comprehensive training is its *Cruise Counsellor Certification Program*, which requires agents to successfully complete compulsory courses and exams, attend cruise conferences and conduct ship inspections, among other activities.

In addition to its training programs, CLIA conducts extensive research and engages in strategic public relations and promotional activities that advocate cruise vacations. CLIA's extensive portfolio of research projects include a bi-annual Market Profile Study, which tracks changing cruise demographics and consumer trends; The Cruise Industry Overview, which covers growth statistics, market potential, vacation comparisons, cruise prospects, sources of business and North American port embarkations; executive reports covering passenger growth and capacity changes; and the annual North American Economic Study, which tracks and analyzes the cruise industry's continued growth and contributions to the U.S. economy.

CLIA established a 25-member Travel Agent Advisory Board (TAAB) in 2004 to enhance its educational training, marketing support and travel industry representation services. TAAB members serve a two-year term and include professionals from virtually every type of cruise-selling operation, from independent home-based retailers to regional brick-and-mortar locations to online agencies.

To further facilitate greater communication between its member travel agents and cruise industry officials, CLIA sponsors an annual conference, **cruise3sixty**, that combines the best elements of a travel show with educational and professional development programming, plus hands-on technology training and one-on-one appointments with cruise-line officials.

FACTS ABOUT CLIA

- A. CREATED:** July 7, 1975, by approval of the U.S. Federal Maritime Commission. The International Council of Cruise Lines (ICCL) merged with CLIA and adopted the CLIA name in January 2007.
- B. MEMBERSHIP:**
- 24 cruise lines that represent over 97 percent of the cruise capacity marketed in North America
 - 16,000 travel agencies
 - Approximately 85 Executive Partners, important strategic industry suppliers and ports
- C. MISSION:** To promote the value and desirability of cruise vacations while supporting measures that foster a safe, secure and healthy cruise ship environment
- D. OFFICE:**
- Cruise Lines International Association
910 SE 17th St., Suite 400
Fort Lauderdale, FL 33316
Telephone: (754) 224-2200
Fax: (754) 224-2250
- E. WEB SITE:** www.cruising.org
- Designed for consumer, travel agent and press inquiries, CLIA's Web site is considered the Internet's most comprehensive cruise travel resource.
 - Featured are profiles of member cruise lines, answers to the most-often-asked questions on cruising, a locator for names of CLIA-member travel agencies and travel agent associates, news releases on the latest news in the cruise industry, links to CLIA member lines and a destination guide showcasing hundreds of worldwide ports of call.
 - For media inquiries, a "Pressroom" contains news releases and industry statistics, plus an e-mail link to CLIA's PR team.
 - CLIA-member agencies have exclusive access to the CLIA Travel Agent Center which provides the latest training and sales information. Also, member agencies and associates receive a free listing and specialty profile in the travel agency locator section; this search feature enables consumers to find their nearest CLIA-member agency and certified *Cruise Counsellor*.

F. KEY PERSONNEL: Terry L. Dale, president and CEO
Robert Sharak, executive vice president, marketing and distribution
J. Michael Crye, executive vice president, technical and regulatory affairs
Eric Ruff, executive vice president, public policy and communications
Capt. Ted Thompson, senior vice president, technical and regulatory affairs
Thomas Cogan, director of training
Steve Collins, director of environmental and health programs
Stan Deno, director of operations
Christine Fischer, director of public relations
Robert Fuller, director, finance and administration
Jim Lida, director of marketing
Gaye Stewart-Loudis, director of membership

**G. PUBLIC RELATIONS
AGENCY:**

M. Silver Associates Inc.

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New York, NY 10017-2803

Dawn Weissman, vice president
Telephone: (212) 754-6500, extension 228
Mobile: (917) 445-8516
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E-mail: dawn@msilver-pr.com

PROFILE OF THE U.S. CRUISE INDUSTRY

The cruise industry is the fastest growing segment of the travel industry – achieving more than 2,100 percent growth since 1970, when an estimated 500,000 people took a cruise. Approximately 12.6 million people took a cruise vacation in 2007. Industry estimates are that 12.8 million will cruise in 2008.

But that's not all. CLIA reports that the cruise industry's total economic benefit to the U.S. economy was \$35.7 billion in 2006. The cruise industry generated nearly 348,000 American jobs, and direct spending by cruise lines and passengers on U.S. goods and services totaled \$17.6 billion.

The cruise industry's growth is also reflected in its expanding guest capacity. Nearly 40 new ships were built in the 1980s and during the 1990s, nearly 80 new ships debuted. By the end of 2008, over 100 new ships will have been introduced since 2000.

This strong growth has fueled the continuing evolution of the cruise vacation experience. Over the years, cruise lines have expanded itineraries to include more diverse ports of call and convenient embarkation ports and have also introduced innovative onboard amenities and facilities, including cell phone access, Internet cafes and wireless fidelity (Wi-fi) zones, rock-climbing walls, bowling alleys, surfing pools, multi-room villas, multiple themed restaurants and expansive spas, health and fitness facilities that easily rival land-based options.

The cruise industry's commitment to adding new capacity is based on cruising's tremendous growth potential. Because only approximately 17 percent of U.S. adults have ever taken a cruise vacation, there remains an enormous untapped market.

Cruise lines cater to a diverse demographic mix. Cruisers average 49 years of age, with above-average (\$104,000) annual household income. Cruise vacations attract travelers from every state in the nation and from every province in Canada. The states producing the most cruise passengers are Florida, California, Texas, Massachusetts, New York, Pennsylvania, New Jersey, Illinois, Arizona and Georgia.

Ninety percent of all cruise vacations are booked through travel agents, and cruise sales account for more than half of all vacation sales among travel agents.

CLIA LEADERSHIP & COMMITTEES

Executive Committee

Chairman

Richard Fain, Royal Caribbean Cruises Ltd.

Micky Arison, Carnival Corporation & plc

Tom McAlpin, Disney Cruise Line

Gregg Michel, Crystal Cruises

Colin Veitch, NCL Corporation

Daniel Hanrahan, Celebrity Cruises & Azamara Cruises (Chairman, CLIA Marketing Committee)

CLIA Board of Directors

Charles Robertson, American Cruise Lines & Pearl Seas Cruises

Micky Arison, Carnival Corporation & plc

Gerry Cahill, Carnival Cruise Lines

Daniel Hanrahan, Celebrity Cruises & Azamara Cruises

President, Costa Cruise Lines N.V.

Gregg Michel, Crystal Cruises

Carol Marlow, Cunard Line

Tom McAlpin, Disney Cruise Line

Stein Kruse, Holland America Line

Hans Rood, Hurtigruten

Diane Moore, Majestic America Line & Windstar Cruises

Richard Sasso, MSC Cruises

Colin Veitch, NCL Corporation

Bob Binder, Oceania Cruises

Alan Buckelew, Princess Cruises

Mark Conroy, Regent Seven Seas Cruises

Richard Fain, Royal Caribbean Cruises Ltd.

Adam Goldstein, Royal Caribbean International

Pam Conover, Seabourn Cruise Line

Larry Pimentel, SeaDream Yacht Club

Amerigo Perasso, Silversea Cruises Ltd.

Guy Young, Uniworld Grand River Cruises

Larry Kaye, Kaye, Rose & Partners, LLP (Executive Partner Representative)

Marketing Committee

Chairman

Daniel Hanrahan, Celebrity Cruises

Lynn Torrent, Carnival Cruise Lines

Christine Arnholt, Carnival Cruise Lines

Ed Fouche, Disney Cruise Line

Richard Meadows, Holland America Line

Andy Stuart, Norwegian Cruise Line

Jan Swartz, Princess Cruises

Vicki Freed, Royal Caribbean International

Mark Conroy, Regent Seven Seas Cruises

Travel Agent Advisory Board

Brad Anderson, America's Vacation Center, Escondido, CA
Sylvia Berman, Post Haste Travel Service, Hollywood, FL
Ian Biddlecombe, Times Square Travel, Inc., Richmond, BC, Canada
Richard Bravo, Automobile Club of Southern California, Costa Mesa, CA
Bill Brown, Platinum Seminars & Platinum Luxury Society, Atlanta, GA
Matthew Cervone, Just Cruises & Vacations, Clinton Township, MI
Kimberly Cotter, American Express Consumer Travel, Miramar, FL
Christina Decker, Travelocity, Wilkes-Barre, PA
Gwen Dewalt, Four Seasons Travel, A Virtuoso Agency, Savannah, GA
Marie DeSimone, Cruisedealership, Staten Island, NY
Edwina Doty, Regal Travel, Inc., Honolulu, HI
Michelle Fee, Cruise Planners, Inc., Coral Springs, FL
Charles Funk, Just Cruisin Plus, Nashville, TN
Ruth Guiry, Travel Professionals International, Oakville, ON, Canada
Dan Ilves, Travel Store, Los Angeles, CA
Lauraday Kelley, Vacation.com, Alexandria, VA
Sherry Kennedy, Vacation Shoppe, Inc., Satellite Beach, FL
Jeri Amstutz, Signature Travel Network, Marina del Rey, CA
Scott Koepf, Ultimate Seminars, Coleyville, TX
Joan McCarty, Specialty Travel, Inc., St. Petersburg, FL
Fred Mercer, Cruise Ship Centers, Vancouver, BC, Canada
Nancy Peklo-Nosal, Design Travel, Arlington Heights, IL
Rusty Pickett, Shellback Cruises, Charleston, SC
Susan Pisani, Cruisin Easy, Spearfish, SD
Gary Pollard, Ambassador Tours, Inc., San Francisco, CA
Penney Rudicil, The Travel Planner, Gallatin, TX
Phil Swartz, Cruise Holidays of Tallahassee, Tallahassee, FL
Sue Ann Taft, Putman Travel, Inc., Greenville, SC
Shawn Tubman, Cruise Shoppes, Weston, FL
Jerry Vaughn, World Voyager Vacations, Federal Way, WA

Florida-Caribbean Cruise Association (FCCA)

11200 Pines Blvd., Suite 201

Pembroke Pines, FL 33026

Contact: Michele M. Paige

Tel: (954) 441-8881; Fax: (954) 441-3171

E-mail: fcca@f-cca.com

Web site: www.f-cca.com

Description of Services:

The Florida Caribbean Cruise Association (FCCA) is a not-for-profit trade organization composed of 11 member cruise lines operating more than 100 vessels in Floridian, Caribbean and Latin American waters. Created in 1972, the FCCA's mandate is to provide a forum for discussion on legislation, tourism development, ports, tour operations, safety, security and other cruise industry issues. By fostering an understanding of the cruise industry and its operating practices, the FCCA seeks to build cooperative relationships with its partner destinations and to develop productive bilateral partnerships with every sector. The FCCA works with governments, ports and all private/public sector representatives to maximize cruise passenger, cruise line and cruise line employee spending, as well as enhancing the destination experience and the amount of cruise passengers returning as stay-over visitors. Some of the ways the FCCA works with the cruise-oriented destinations include:

Port Improvements – The FCCA provides technical assistance on port expansion, including input on port and pier design and improvements and new services being planned.

Research – Research is conducted and provided to destination partners in an effort to create a better understanding of cruise passengers, improve the landside product delivery and maximize the benefits of cruise tourism.

FCCA Outreach Program – FCCA training seminars provide destination partners with valuable information regarding cruise passengers – their wants, needs and habits – enabling them to maximize the impact of cruise tourists in their country. The FCCA has two core training programs:

- *Service Excellence – Cruise Passengers Equal Profits*: A workshop on the importance of excellent customer service and the economic impact of the cruise industry. A happy guest not only spends more money, but will return again and again, thereby producing greater profits and converting cruise passengers into return stay-over guests.
- *Caribbean Taxi Pride*: This presentation geared towards taxi drivers, tour operators and vendors providing ground transportation. This entertaining and informative workshop focuses on three main areas: courtesy, professionalism, marketing, rules and safety.

In addition, the FCCA has designed outreach programs for destination requests, including, but not limited to, the following areas: Cleaning Beaches/Roads, Painting Schools/Hospitals/Orphanages, Hurricane Clean-Up, Visiting Elderly, Community Projects and Volunteering at Hospitals.

Associate Membership:

The FCCA has designed a two-level Associate Membership program, the Platinum Membership program and the Associate Membership program for destination partners and private organizations impacted by cruise tourism to foster an even closer, direct working relationship with the FCCA Member Cruise Lines.

Associate Member Benefits:

- Member meetings and luncheons
- Listing/profile in Membership Directory and in *Caribbean Cruising* magazine
- Access to up-to-date research and statistical studies
- \$500 discount on first ad placed in *Caribbean Cruising* (first year of membership only)
- Savings on registration fees for annual FCCA Caribbean Cruise Conference & Trade Show
- Discount on insurance program for tour operators
- Associate Member plaque and yearly updates
- Use of FCCA logo on printed material

Platinum Associate Member Benefits (in addition to the benefits above):

- One complimentary registration up to \$350 for the FCCA Gala Dinner
- One complimentary registration for the FCCA Caribbean Cruise Conference & Trade Show
- Private lunch and meeting at the FCCA Caribbean Cruise Conference & Trade Show
- Serving on FCCA's Platinum Associate Member *Advisory Council* (PAMAC)
- Complimentary registration on annual PAMAC Cruise
- Invitations to inaugural events & cruises
- Complimentary registration for the PAMAC Conference
- Biannual full-day meetings with FCCA operations executives, followed by networking cocktail receptions (open to all cruise executives)

FCCA Foundation:

The FCCA Foundation provides a tangible mechanism for the cruise industry to fund a range of humanitarian causes in the Caribbean and Latin America region. In its 15 years of existence, the Foundation has impacted thousands of Caribbean citizens by providing over \$3 million in funding to causes and charities throughout the region. Programs include:

- *Holiday Gift Project* – FCCA reaches out to our partners in Caribbean and Latin American destinations to provide gifts to children in foster homes or institutions where holiday gifts would not ordinarily be possible. The gifts are delivered on Member Lines' vessels to the destinations where the children enjoy a holiday party in their honor. In 2007, 28 destinations participated in the program, with over 8,000 children receiving holiday gifts.
- *FCCA On-line Auction* – This project, which takes place in December each year, is open to anyone with a valid email address. The auction allows guests to bid on items ranging from vacation packages, artwork, jewelry and sports memorabilia donated by cruise industry partners throughout the Caribbean and Latin America. Last year, this program raised over \$25,000 for the FCCA Foundation.
- *FCCA Gala* – The Gala was created by member lines 14 years ago to enable cruise executives and industry partners to gather on a social level, establish new relationships and enhance existing ones. Attendees dine with the cruise executive of their choice, giving them the opportunity to foster a better relationship with their table host. Most importantly, all proceeds from the Gala benefit the FCCA Foundation.

FCCA Magazines and Publications:

- *Caribbean Cruising* – Published quarterly, *Caribbean Cruising* is the official magazine of the FCCA and cruise industry that serves to educate and bring about an understanding of the cruise industry's inner-workings. With a circulation of over 12,000, the magazine offers advertisers optimal access to over 3,000 travel agents and the decision-makers in the marine operations, marketing and strategic planning departments of the major cruise lines. Providing cruise executives and the Caribbean and Latin American public and private sectors with information.
- The "*Highlight Issue*" features a who's who in the cruise industry and contains cruise executive profiles and information for all FCCA member lines. It is a useful tool when dealing directly with the cruise industry.
- *Membership Directory* – The FCCA directory contains a complete listing of all FCCA Associate and Platinum members as well as all the Ministers of Tourism within partner destinations.
- *Conference Program* and *Gala Program* – Members who attend these functions receive comprehensive programs packed with useful FCCA schedules, information and accomplishments.

FCCA Caribbean Cruise Conference & Trade Show:

For many cruise executives and destinations, suppliers and tour operators, this is the premier industry event of the year, an opportunity to meet in a roundtable format with key players to analyze industry trends and discuss current issues. The FCCA Conference brings together over 100 cruise executives and 1,000 industry partners. For 2008, the Conference will be held in Trinidad on Oct. 27–31.

As the FCCA proceeds into tomorrow, they will remain steadfast in their mission to create win-win partnerships between the cruise lines and cruise destinations throughout the greater Caribbean and Latin American region.

North West CruiseShip Association

1111 W. Hastings Street, Suite 100

Vancouver, BC V6E 2J3

CANADA

Contacts: John Hansen, president; Donna Spalding, director, administration

Tel: (604) 681-9515; Fax: (604) 681-4364

E-mail: nwca@nwcruiseship.com

Web site: www.nwcruiseship.org

Description of Services:

The North West CruiseShip Association (NWCA) is as a non-profit association working on behalf of its member lines to build positive relationships with communities and government agencies and to develop strong partnerships with many businesses throughout the Pacific Northwest including Alaska, Hawaii, Washington State and British Columbia.

In addition, NWCA focuses its efforts in these areas:

Security

NWCA provides passenger screening and security at the Vancouver cruise ship terminals. In addition, NWCA works with various U.S., Canadian and international agencies which establish security standards for passenger vessels. By working with these agencies through NWCA, the industry ensures compliance with all international maritime standards established to maintain shipboard security.

Environmental Stewardship

The cruise industry has incorporated strict waste management policies and practices into its operations to meet U.S., Canadian and international agreements. By working closely with the Environmental Protection Agency (EPA), the Alaska Department of Environmental Conservation (ADEC), the U.S. Coast Guard and Canadian Regulatory Agencies, the industry observes -- and in many cases exceeds -- international and national standards designed to protect the environment.

The current member cruise lines of the NWCA are Carnival Cruise Lines, Celebrity Cruises, Crystal Cruises, Holland America Line, Norwegian Cruise Line, Princess Cruises, Regent Seven Seas Cruises, Royal Caribbean International and Silversea Cruises.

Alaska Cruise Association

360 K Street, Suite 300

Anchorage, AK 99501

Contacts: John Binkley, president; Rod Pfeifer, membership & community relations; Lalanya Downs, public relations

Tel: (907) 743-4529; Fax: (907) 743-4553

E-mail: info@akcruise.org

Website: www.akcruise.org

Description of Services:

The Alaska Cruise Association (ACA) is an Alaska-based, not-for-profit organization, established to build strong partnerships between local businesses, communities and cruise companies. Led by lifelong Alaskan John Binkley, our goal is to work with businesses and public leaders to improve community relationships, increase economic benefits for Alaskans and address environmental concerns. Our job is to listen, to educate and to establish mutually beneficial relationships and opportunities.

As a way to open communications between the cruise lines and Alaskans, ACA formed an associate membership program. We have invited Alaskan businesses to join our associate membership to support and assist the organization with a broader base of statewide members.

Environment:

From aggressive onboard recycling programs to utilizing the latest waste water treatment technologies, Alaska cruise companies are committed to maintaining a safe and healthy environment. ACA members have invested millions of dollars to improve the environmental performance of vessels and have voluntarily adopted higher standards than those required by law. New technology such as smokeless gas-turbine engines, state-of-the-art wastewater management systems and cleaner burning, low-sulfur fuels are helping to eliminate waste and air emissions.

Alaska has some of the strictest environmental and safety regulations in the country. These are enforced by state and federal agencies including the Alaska Department of Environmental Conservation, U.S. Environmental Protection Agency, the U.S. Coast Guard and International Convention of Safety of Life at Sea (SOLAS) among others.

Operations:

In 2007, ACA members operated 27 ships from May to October with departures from Los Angeles, San Francisco, Seattle and Vancouver. But unlike many destinations, Alaska's cruise business isn't limited to port communities. Cruise passengers in Alaska travel throughout the state on land-based tours or on their own, pre- or post-cruise. Cruise companies invest millions of dollars each year in land-based construction, equipment and infrastructure improvements.

The current member cruise lines of the ACA are Carnival Cruise Lines, Celebrity Cruises, Crystal Cruises, Holland America Line, Norwegian Cruise Line, Princess Cruises, Regent Seven Seas Cruises, Royal Caribbean International and Silver Sea Cruises.

CLIA MEMBER LINES

As of February 1, 2008

American Cruise Lines

Azamara Cruises

Carnival Cruise Lines

Celebrity Cruises

Costa Cruises

Crystal Cruises

Cunard Line

Disney Cruise Line

Holland America Line

Hurtigruten (formerly Norwegian Coastal Voyage)

Majestic America Line

MSC Cruises

Norwegian Cruise Line

Oceania Cruises

Orient Lines

Pearl Seas Cruises

Princess Cruises

Regent Seven Seas Cruises

Royal Caribbean International

Seabourn Cruise Line

SeaDream Yacht Club

Silversea Cruises

Uniworld Europe Grand River Cruises

Windstar Cruises

AMERICAN CRUISE LINES

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(203) 453-6800 (800) 814-6880
Web site: www.americancruiselines.com

Chief Executive: Charles Robertson, chairman and CEO
Senior Marketing Executive: Timothy Beebe, vice president, marketing
Senior Sales Executive: Susan Shultz, manager, sales
Public Relations Contacts: Timothy Beebe, vice president, marketing
(203) 453-6800; beebe@americancruiselines.com
Laura Oncea, assistant to the chairman
(203) 453-5026; (203) 500-4784 lvo@americancruiselines.com
Spokespersons: Timothy Beebe, Laura Oncea

Company Profile

American Cruise Lines operates the newest fleet of cruise ships in the world. The 100-passenger *American Star*, brand new in 2007, the 100-passenger *American Spirit* brand new in 2005, and two smaller ships, the *American Glory* brand new in 2002 and the *American Eagle* brand new in 2000, which are the most modern and luxurious of small US-Flagged cruise ships. American Cruise Lines also has under construction a new ship due out in 2009 which will be a new generation design.

All the ships were specifically built for American Cruise Lines with a unique design enabling them to navigate the inland and coastal waterways of the magnificent Eastern seaboard from Maine to Florida, giving passengers an up close view of each unique port.

Each American Cruise Lines vessel have the largest staterooms in the industry, with large opening picture windows, most with private balconies, elevators, satellite TV and DVD players in every stateroom, internet access, multiple lounges and exercise equipment. The spacious Nantucket Lounge, with large picture windows on three sides, seats all passengers comfortably.

The dining experience with American Cruise Lines is very special. Each ship has a spacious dining saloon that seats all passengers at one time and offers panoramic views to our guests as they dine. On every cruise, guests are treated to tantalizing feasts created by highly skilled chefs. All dishes are prepared to order, and special requests are always accommodated. The friendly all-American dining room staff makes the experience an even more pleasant one.

Expert historians and naturalists also travel onboard to enhance the cruise experience. They share their knowledge and passion for the local history and culture through open discussions, presentations and tours. In the evening, local artists, musicians and characters join guests and perform for them. On other evenings guests may join in a group game or activity, or enjoy a movie in the Nantucket Lounge.

Cruise Areas & Seasons

Winter & Spring: Florida, Georgia, South Carolina, North Carolina & Florida Keys

Summer: Maine, Massachusetts, Rhode Island & Chesapeake Bay (Maryland & Virginia)

Fall: Hudson River (New York), Chesapeake Bay (Maryland & Virginia)

Customer Profile

American Cruise Lines attracts affluent and very well educated individuals who seek culturally and historically enriching experiences. They appreciate the intimate and relaxed country club atmosphere onboard small ships. Passengers are discerning travelers ages 50+ with a high net worth, well traveled, in the top 2% of the most affluent North Americans, who wish to visit the fascinating, close to home ports that large ships can't even dream of reaching.

Fleet		
NAME	GROSS TONS	BERTHS*
American Eagle	1,150	49
American Glory	1,300	49
American Spirit	2,000	100
American Star	2,000	100
NEW SHIP		
Independence (2009)	2,300	104
*Basis two		

Cruise News to Use in 2008

- Brand new ship currently under construction for delivery in 2009. This new ship will be a new generation class of ship.
- During the months of July and August, *Lobsterfest* theme cruises will be offered on numerous *Maine Coast & Harbors* and *New England Islands* cruises.
- In the autumn months, American Cruise Lines will offer guests breathtaking views of peak fall foliage along the Hudson River, the Chesapeake Bay and the Islands of New England.
- Other American Cruise Lines theme cruises include a *Mansions & Magnolias* on various *Historic Antebellum South* cruises, and *Crabfest* on the Chesapeake Bay.

AZAMARA CRUISES

1050 Caribbean Way
Miami, FL 33132
(305) 539-6000; (877) 999-9553 (Reservations)
Web site: www.azamaracruises.com

Chief Executive: Dan Hanrahan, president
Senior Sales Executive: Dondra Ritzenthaler, senior vice president, sales
Public Relations Contact: Elizabeth Jakeway, director, brand communications
(305) 539-6127; ejakeway@celebritycruises.com
Spokesperson: Elizabeth Jakeway

Company Profile

Azamara Cruises unlocks the hidden corners of the world for those who desire to immerse themselves in the rich details of every voyage. The deluxe ships – *Azamara Journey* and *Azamara Quest* – offer an intimate experience, while allowing access to exotic destinations experienced travelers long to reach.

Azamara Journey and *Azamara Quest* have been designed to navigate into smaller, more remote ports of call, giving guests the opportunity to see life at its most exotic and authentic. Guests are invited to become part of the local fabric of life instead of merely observing it. Azamara’s shore and land excursions offer experienced travelers a way to step off the beaten path and absorb a destination’s culture and history. The two ships each feature an onboard “excursion expert,” who not only helps guests select shore excursions based on their personal interests, but also serves as a destination guide, offering information about the culture and history of each port of call.

Azamara Journey and *Azamara Quest* offer 15 variations of accommodations, all featuring butler service as well as concierge-style amenities, including fresh-cut flowers, fresh fruit, Elemis toiletries, complimentary use of Frette cotton robes, two complimentary pairs of plush slippers, plasma TVs, European bedding, a pillow menu, shoeshine service, a complimentary tote bag, and complimentary stationery and pen. Guests staying in suites receive a bottle of champagne in their stateroom at embarkation. Guests on Azamara’s ships enjoy the two onboard specialty restaurants for free: suite guests receive three nights of complimentary dining in the specialty restaurants, and guests in staterooms receive two nights of complimentary dining (based on availability, all guests may enjoy additional nights at no charge). Other amenities specific to guests staying in suites include in-room DVD players and the ability to enjoy movies free of charge from the ship’s library; silk hangers and drawer liners upon request; and the ability to book certain spa services to take place in the privacy of their suite.

Cruise Areas & Seasons

Azamara Cruises sails in South America, Antarctica, the Panama Canal and the exotic Caribbean in the winter of 2008. In the summer of 2008, Azamara Cruises will sail in Europe, and in the winter of that year, *Azamara Journey* will return to South America and Antarctica, while *Azamara Quest* will sail in Asia.

Customer Profile

Azamara Cruises appeals to the upscale small-ship traveler interested in sailing to exclusive destinations.

Fleet		
NAME	GROSS TONS	BERTHS*
Azamara Journey	30,277	694
Azamara Quest	30,277	694
* Basis two		

Cruise News to Use in 2008

- *Azamara Journey* and *Azamara Quest* each feature two specialty restaurants. Prime C is an authentic steak and seafood restaurant. Aqualina pairs regional, multi-course Mediterranean-style menus with wine menus.
- The ships, which do not require formal attire for dining, also feature open seating in the main dining room. Additional dining options onboard include Windows Café, which offers casual dining during the day, and in the evenings becomes casual dining with a twist; 24-hour room service and a sushi café.
- *Azamara Journey* and *Azamara Quest* offer an enhanced emphasis on spa and relaxation. Guests in suites can enjoy certain spa services in the privacy of their room. The ships also offer an outdoor spa relaxation lounge and an aesthetics suite offering acupuncture and microdermabrasion.
- The retail experience onboard *Azamara Journey* and *Azamara Quest* focuses on fine art, sculpture, photography, jewelry, and resort wear.
- *Azamara Journey* and *Azamara Quest* both offer unique “stateroom experiences”:
 - The “Romantic Indulgence” package allows guests to unwind to romantic music and ambient electric candlelight, silk rose petals, Chandon sparkling wine, chocolate-covered strawberries and passion mist. The CD, mist and petals are for the guest to take home.
 - The “40 Winks...A Bedtime Ritual” package includes a scientifically developed sleep CD, lavender aromatherapy sleep mist, a sleep/exercise informational card deck, and a branded journal and pen, all for the guest to keep.
 - The “Serenity Package” offers a cool gel eye mask, tranquil music, calming mist and a smoothie; the guest can take all of the non-perishables home.
 - “Movie Time” complements an in-stateroom movie with popcorn served in two nostalgic souvenir containers, two boxes of classic movie theater candy, soft baked pretzels with condiments and two cans of soda. Guests staying in suites can borrow movies to play on their in-room DVD player. Guests staying in staterooms can enjoy free movies on in-stateroom television, and can purchase in-stateroom movies through a pay-per-view system.
 - The “Special Occasion” package offers a bottle of Chandon sparkling wine, a gourmet cake personalized with a dedication, a bouquet of fresh flowers and ambient electric candlelight.

CARNIVAL CRUISE LINES

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Company Profile

Carnival Cruise Lines has earned its position as the world's largest and most popular cruise line by offering more of what consumers desire in a vacation – a wide variety of on-board choices in a fun and relaxed atmosphere, along with outstanding value and exciting destinations – at one all-inclusive price.

Earlier this year, Carnival announced its new \$250 million “Evolutions of Fun” product enhancement initiative that includes extensive makeovers for its eight Fantasy-class ships which will feature the new Serenity adults-only deck area, Carnival WaterWorks aqua park, and a new look and design style for the main pool area.

“Evolutions of Fun” is just one example of the wide-ranging initiatives that Carnival has undertaken to upgrade the “Fun Ship” vacation experience. These fleetwide enhancements include the “Carnival Comfort Bed” sleep system featuring plush mattresses, luxurious duvets and high quality linens and pillows, and fleetwide Wi-Fi and cell phone service. Carnival Valor, Carnival Liberty and Carnival Freedom are the only cruise ships in the world to feature “100 percent bow to stern” Wi-Fi capabilities.

Carnival -- the leader in family cruising carrying 600,000 kids annually – also features the industry's top-rated children's program, “Camp Carnival” which offers a full slate of morning-til-night activities, indoor and outdoor play areas, computer labs and arts and crafts centers. “Camp Carnival” has been expanded to include a variety of fun-filled activities, including music, art, spa and science programs. In partnership with The Coca-Cola Company, Carnival also offers the fleetwide “Club O2” teen program featuring expansive facilities and organized activities catering to older kids. Circle C, a new program specifically geared toward the 12- to 14-year-old age group, is being rolled out fleetwide, as well.

Cruise Areas & Seasons

Seasonal: Alaska, Hawaii, New England, Canadian Maritimes, Europe, Bermuda, Greek Isles and South America

Year-round: Caribbean, Mexican Riviera, Bahamas

Customer Profile

Carnival's “Fun Ships” offer an exciting, value-packed vacation experience that appeals to guests of all ages and backgrounds. With its distinctive shipboard ambiance, wide range of formal and casual dining options, captivating entertainment, and diverse activities, the line expects to carry a record 3.7 million guests this year.

Fleet					
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Carnival Conquest	110,000	2,974	Carnival Paradise	70,367	2,052
Carnival Destiny	101,353	2,642	Carnival Pride	88,500	2,124
Carnival Ecstasy	70,367	2,052	Carnival Sensation	70,367	2,052
Carnival Elation	70,367	2,052	Carnival Spirit	88,500	2,124
Carnival Fantasy	70,367	2,052	Carnival Triumph	102,000	2,758
Carnival Fascination	70,367	2,052	Carnival Valor	110,000	2,974
Carnival Freedom	110,000	2,974	Carnival Victory	102,000	2,758
Carnival Glory	110,000	2,974	Celebration (leaves fleet in April 2008)	47,262	1,486
Carnival Imagination	70,367	2,052	Holiday	46,052	1,452
Carnival Inspiration	70,367	2,052	NEW SHIPS		
Carnival Legend	88,500	2,124	Carnival Splendor (07/08)	113,300	3,006
Carnival Liberty	110,000	2,974	Carnival Dream (10/09)	130,000	3,652
Carnival Miracle	88,500	2,124	Carnival Magic (06/11)	130,000	3,652

*Basis two

Cruise News to Use in 2008

- Launch of new 113,000-ton *Carnival Splendor*, which is slated to debut in July offer a diverse inaugural schedule with seven- to 18-day voyages to Northern Europe, the Mediterranean, Greek Isles, the Caribbean, South America and Mexican Riviera. The largest “Fun Ship” ever constructed, the 3,006-passenger vessel will feature such innovations as a luxurious 21,000-square-foot “Cloud 9 Spa” and two-level 5,500-square-foot children’s play area.
- Continued implementation of second phase of \$250 million “Evolutions of Fun” ship refurbishment program for Carnival’s eight Fantasy-class vessels which are being outfitted with expansive Carnival WaterWorks aqua parks, Serenity adults-only areas, and totally redesigned main pools. *Carnival Imagination* and *Carnival Inspiration* were the first two ships to undergo these “extreme makeovers” last year.
- Thirty-eight percent capacity increase from Jacksonville, Fla., when the 2,052-passenger *Carnival Fascination* launches year-round four- and five-day Bahamas/Key West cruises beginning in September. Carnival is the only cruise line to operate year-round from Jacksonville.
- Continued expansion of short cruise market with 101,000-ton *Carnival Destiny* deployed on year-round four- and five-day western Caribbean cruises from Miami in September, becoming the largest ship to operate in the short cruise market (voyages of five days or less in length).
- New six-port, seven-day southern Caribbean program from San Juan featuring visits to the tropical islands of St. Kitts, Antigua, St. Lucia, Barbados, Dominica, and St. Thomas/St. John. This schedule will debut on *Carnival Destiny* in March and continued when *Carnival Victory* is deployed to San Juan in November.

CELEBRITY CRUISES

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Company Profile

Celebrity Cruises offers comfortably sophisticated, upscale cruise experiences with highly personalized service, exceptional dining, and extraordinary attention to detail. Celebrity sails in Alaska, California, the Caribbean, Europe, Galapagos Islands, Hawaii, Mexican Riviera, Panama Canal and South America, and will begin sailing in Australia and New Zealand in November. The line also offers unique land-tour vacations in Alaska, Canada, Europe and Australia through its cruisetour affiliate. Noted for "The World's Best Large Ships," as voted by the readers of *Condé Nast Traveler* (February 2007 Cruise Poll), Celebrity's current fleet will be joined by *Celebrity Solstice* in 2008, *Celebrity Equinox* in 2009, *Celebrity Eclipse* in 2010, and a fourth Solstice-class ship in 2011.

Every Celebrity cruise is a multidimensional experience designed to reinvigorate the body, enrich the soul and strengthen the bonds that connect people to others and the world around them. With a guest-to-staff ratio of 2:1, the exotic AquaSpa by Elemis, one of the world's largest corporate collections of original contemporary art, exceptional cuisine, and onboard experiences including enrichment lectures, naturalists' presentations, sophisticated wine tastings and an outstanding array of shore and land excursions to complement every cruise, it's little wonder that the readers of *Condé Nast Traveler* voted more Celebrity ships among the world's 10 best than those of any other line for the sixth consecutive year.

Cruise Areas & Seasons

Celebrity Cruises sails in Alaska (Spring/Summer), Australia/New Zealand (Winter), California (Fall/Winter), Canada/New England (Fall), the Caribbean (Fall/Winter), Europe (Spring/Summer/Winter), Hawaii (Spring/Summer/Fall), the Panama Canal (shoulder seasons) and South America (Fall/Winter). In addition, the line's 92-passenger megayacht, *Celebrity Xpedition*, offers exotic travel experiences year-round in the Galapagos Islands.

Customer Profile

Celebrity Cruises appeals primarily to baby boomers with household incomes of USD \$75,000 and up. Celebrity guests are primarily U.S. residents, but growing percentages are from Canada, Europe and Latin America, as well.

Fleet					
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Celebrity Century	71,545	1,814	Celebrity Xpedition	2,842	92
Celebrity Constellation	91,000	2,039	NEW SHIPS		
Celebrity Galaxy	77,713	1,908	Celebrity Eclipse (2010)	122,000	2,850
Celebrity Infinity	91,000	2,050	Celebrity Equinox (2009)	122,000	2,850
Celebrity Mercury	77,713	1,898	Celebrity Solstice (12/08)	122,000	2,850
Celebrity Millennium	91,000	2,038	Unnamed (2011)	122,000	2,850
Celebrity Summit	91,000	2,038			

*Basis Two

Cruise News to Use in 2008

- Celebrity Cruises has four new ships slated to be built: *Celebrity Solstice* in 2008, *Celebrity Equinox* in 2009, *Celebrity Eclipse* in 2010, and an as-yet-unnamed ship in 2011. The four ships will comprise the line's new Solstice class, and will offer the extraordinary service and dining experience the brand is known for providing, along with a variety of compelling new features that will be revealed over time. One of those features is the line's new AquaClassSM category of veranda accommodations expressly designed for spa enthusiasts. Guests booked in AquaClass will receive unlimited access to *Celebrity Solstice's* new AquaSpa relaxation room and the Persian Garden, an exotic aromatherapy and steam room, as well as exclusive, complimentary dining in Blu, an intimate, 130-seat specialty restaurant whose design is likely to be as inviting as the cuisine. AquaClass will comprise 130 of the ship's 1,425 staterooms. A full 85 percent of all staterooms onboard *Celebrity Solstice* will have verandas, and all staterooms will be equipped with flat-screen TVs, smarter storage and closet space, spacious bathrooms, and plush European bedding. The ship will offer wireless Internet access throughout. *Celebrity Solstice* will also offer guests the opportunity to experience the captivating art of glassblowing, through the first-ever at-sea hot glass studio, being presented in collaboration with the world-renowned Corning Museum of Glass.
- Celebrity's first calls on the stunningly beautiful Papeete, Tahiti, and Moorea and Bora Bora, French Polynesia, will precede its new Australia and New Zealand cruises. The wonder down under – Australia and New Zealand – was home to *Celebrity's Mercury* beginning in late 2007, when the ship began the line's first cruises in the region, from December 2007 through March 2008; in the winter of 2008-2009, *Celebrity Millennium* will call on the region.
- Celebrity Cruises has partnered with Las Vegas-based Blau & Associates, a strategic restaurant planning and development firm, to serve as the line's new culinary consultancy across the fleet. Widely credited with transforming Las Vegas' dining from ordinary 24-hour buffets to a top-tier culinary destination rich with Michelin-starred chefs, Blau & Associates was founded by the Cornell- and Georgetown-educated Elizabeth Blau, who has worked in the food service business for more than 23 years. Among the noted dining establishments that have flourished due in large part to what many food critics call "the Blau factor," are Osteria del Circo, Le Cirque 2000, restaurants within the MGM/Mirage and the Bellagio, and restaurants in partnership with Kerry Simon, including Simon kitchen + bar in the Hard Rock Hotel and Casino, named one of the best new restaurants in America in 2003 by *Esquire* magazine. More recently, Blau also partnered with Steve Wynn for the lauded opening of Wynn Las Vegas. In May 2006, she received the Gold Plate Award from the International Food Service Manufacturers, considered one of the most prestigious awards in the food industry. Blau and her business partner and husband, the president of Blau & Associates, Kim Canteenwalla, a former executive chef at the MGM Grand, are working closely with Celebrity's culinary staff across the fleet and in the line's headquarters to maintain the line's most popular items, complemented with fresh, contemporary and creative concepts that will continue to deliver an exceptional dining experience onboard.

COSTA CRUISES

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Company Profile

With more ships, more sailings, more itineraries and nearly 60 years of experience, Costa Cruises is Europe's #1 cruise line. Vacationers can choose from 12 magnificent ships, including the *Costa Serena* (inaugurated May 2007), the newest ship in the Costa fleet and the sister ship to the *Costa Concordia* (both are the largest in the Costa fleet). Featuring 350 year-round departures throughout Europe, Costa guests can savor the breathtakingly beautiful ice-fringed fjords and history-rich cities of the Baltic and Russia, the romantic flavors of Italy and France, the majesty of Spain and Scotland, the ancient wonders of Egypt and Turkey, and the white-washed Greek Isles. Itineraries also visit the Canary Islands and Transatlantic voyages reposition the vessels between Europe and North America.

In addition to a full compliment of Europe voyages, Costa also features Eastern and Western Caribbean itineraries of seven nights from Ft. Lauderdale aboard the *Costa Mediterranea*, which in the 07-08 season will depart on Saturdays and the *Costa Fortuna*, which will depart on Sundays. In this part of the world, the line offers vacationers a unique cruising experience highlighting the love, laughter and la dolce vita that exemplifies "Cruising Italian Style...That's Amore." From the first *Buon Viaggio* celebration to the last *Roman Bacchanal Parade*, the stage is set for a week of unforgettable fun. Vacationers will have a ball behind Venetian masks, then wrap themselves in togas and party like it's 99 (A.D.). The carnival atmosphere of *Festa Italiana* provides an opportunity to let one's hair down while taking part in some of Italy's favorite pastimes, such as *bocce* ball, *tarantella* dancing and more.

Costa's breadth of product doesn't end there – the company also sails to South America, where it offers cruises from 6- to 22- nights to Brazil, Argentina and Uruguay. In the upcoming winter 2007-2008 season, the company will also double its capacity on routes from Dubai aboard the *Costa Europa* and *Costa Romantica*. In addition, the cruise line offers departures between 4- and 16- nights from Hong Kong and Shanghai and will begin 14-night itineraries from Mauritius with stops in the Seychelles, Kenya and Madagascar.

Cruise Areas & Seasons

Seasonal: Eastern, Southeastern, & Western Caribbean, Bermuda, South America, Bahamas, Russia, Fjords, Baltic and North Cape, Transatlantic, Dubai, Far East and Indian Ocean.

Year-round: Canary Islands, Eastern & Western Mediterranean

Customer Profile

Costa appeals to honeymooners, families and seniors. The Caribbean cruisers are 35+ with a household income of \$75,000+; European cruise travelers are 35+ with a household income of \$100,000, college-educated, well-traveled and more destination-oriented.

Fleet		
NAME	GROSS TONS	BERTHS*
Costa Allegra	28,430	800
Costa Atlantica	86,000	2,114
Costa Classica	53,000	1,308
Costa Concordia	112,000	3,000
Costa Europa	54,000	1,494
Costa Fortuna	105,000	2,720
Costa Magica	105,000	2,720
Costa Marina	25,600	776
Costa Mediterranea	86,000	2,114
Costa Romantica	53,000	1,356
Costa Serena	114,000	3,000
Costa Victoria	76,000	1,928
NEW SHIPS		
Costa Luminosa (summer 2009)	92,700	2,260
Costa Pacifica (summer 2009)	114,000	3,000
Unnamed (2010)	92,700	2,260
Unnamed (2011)	112,000	3,000
Unnamed (2012)	112,000	3,000
* Basis two		

Cruise News to Use in 2008

- 60 Years of Cruising Italian Style – Costa will celebrate its 60th anniversary in 2008. Celebrations include diamond necklace giveaways on each Caribbean sailing in 2008, in honor of this special “diamond” anniversary!
- Indian Ocean Itineraries – For the 2008 winter cruise season, the stunning yet intimate *Costa Marina* will offer breathtaking 14-night itineraries from Mauritius with stops in the Seychelles, Kenya and Madagascar.
- *Costa Serena* – The newest and largest ship in the Costa fleet and the sister ship to the *Costa Concordia*, began sailing the Mediterranean from Venice in May 2007. Innovative features of the ship include the Samsara Spa (one of the largest spas at sea featuring specially appointed spa accommodations—30 more than the *Costa Concordia*); a Grand Prix race car driving simulator, and the largest enclosable pool deck on any cruise ship.
- Dubai – Costa will continue its innovative program that began in December 2006 with sailings from Dubai in 2007-2008, increasing its capacity in the region with two ships, the *Costa Romantica* and the *Costa Europa*. Costa is the first international cruise company to homeport out of the destination. Itineraries feature seven-night sailings with overnights in Dubai and visits to other United Emirates cities. These routes are marketed to European and American guests.
- Costa Asia – In July 2006, Costa made history as the first international cruise company to be granted a license by the Chinese government to operate locally from the country. The recently renovated *Costa Allegra* began itineraries out of Shanghai in the summer and Hong Kong in the winter with stopovers in popular destinations, including Japan and Korea. These routes are now available in all of Costa’s markets, including North America. Costa will double its capacity in this region in 2009.
- Caribbean – In the 2007/2008 season, the *Costa Fortuna* will sail its inaugural Caribbean season while the *Costa Mediterranea* offers new Saturday departures. In addition, Costa will continue as the only cruise line offering direct routes to Bermuda from Fort Lauderdale.

CRYSTAL CRUISES

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Company Profile

Crystal Cruises' reputation for excellence is grounded in more than a decade of prestigious accolades. In 2006, the luxury line was voted, for the 11th consecutive year, the "World's Best Large-Ship Cruise Line" by the readers of *Travel + Leisure* magazine, making it the only cruise line to ever have achieved such a record. The ultra-luxurious *Crystal Symphony* and *Crystal Serenity* feature elegantly-appointed staterooms (most with private verandahs), an array of dining options (Italian and Asian alternative restaurants, including the only Nobu Matsuhisa cuisine at sea), award-winning entertainment, innovative learning centers, and state-of-the-art, Feng Shui-designed spa and fitness facilities.

Cruise Areas & Seasons

- **Winter:** World Cruise, Panama Canal/Caribbean, So. America, Antarctica, Mexican Riviera
- **Spring:** Asia, Western Europe, Mediterranean, Africa, the Middle East
- **Summer:** Western Europe, Baltic, North Cape, British Isles, Mediterranean
- **Fall:** Panama Canal, Caribbean, Mediterranean, New England/Canada
- **Holiday:** Caribbean, Mexican Riviera

Customer Profile

Crystal Cruises' guests span affluent baby boomers and mature age groups. They appreciate fine service and quality in all aspects of their experiences. Approximately 80 percent are from the United States and Canada and 20 percent are international, sophisticated travelers.

Fleet		
NAME	GROSS TONS	BERTHS*
Crystal Serenity	68,000	1,080
Crystal Symphony	51,044	940
* Basis two		

Cruise News to Use in 2008

2008 Itinerary Highlights:

- **Crystal's 13th World Cruise**, 108 days from Los Angeles to London, visiting 45 ports in 22 countries. Segments from 11 to 17 days are also available.
- 167 different ports, 61 itineraries, ranging in length from seven to 108 days.
- **Two ships in Asia** – including itineraries to Beijing, Southeast Asia, India and Dubai

- Seven- and 11-day **Baltic itineraries**, which all include at least one overnight in St. Petersburg
- **Expanded North Cape** cruise to the Polar Ice Cap
- A choice of **15 Mediterranean itineraries**, including voyages through **Western Mediterranean, Black Sea, and Greece/Turkey/Middle East**
- All seven-, 11- and 12-day **port-intensive Mediterranean** cruises boast at least one overnight call -- some as many as three -- from spring through fall
- Tall ships theme and overnights in Dublin and Edinburgh highlight **summer British Isles cruise**
- **Greenland and Iceland** augment London-to-New York ocean crossing
- Fall **New England/Canada cruises** offer overnight stays in Montreal
- New **Bermuda and Caribbean cruise** from New York to Miami
- **Full daylight Panama Canal transits** on all winter and fall Panama Canal/Caribbean cruises
- Fall **South America** cruise to Chile promotes wellness with Mind, Body & Spirit focus
- **“Career-friendly” Mexican Riviera cruises** in the fall sail roundtrip from L.A. on Sundays
- 14-day **holiday voyages** celebrate Christmas and New Year’s; choice of Caribbean or Cape Horn/Antarctica holiday destinations
- Nearly **doubled its maiden calls** with uncovered, exotic gems like Agios Nikolaos, Crete; Cartagena, Spain; Corner Brook, Newfoundland; Doha, Qatar; La Caruna, Spain; Marmagao, India; Olden, Norway; Puerto Chiapas, Mexico; Ronne, Denmark; Sarande, Albania; and Valencia, Spain.

2009 Itinerary Highlights

- Sailing to 185 ports in 57 countries on 61 voyages
- Port intensive itineraries with overnight port stays on most cruises.
- Itineraries range from seven to 106 days, from the exotic to convenient North American departures.

Crystal Adventures Ashore

- More than 1300 boutique Crystal Adventures ashore – such as kayaking the canals of Copenhagen, snorkeling in Thailand, private cooking lessons at Le Moulin de Mougins in Monte Carlo, flying in a MiG fighter jet over Moscow.
- Expanded active and Wine & Food Crystal Adventures.
- **“Crystal Private Adventures”** offer guests highly customized excursions ashore.
- As a result of record participation in 2007, the 2008 World Cruise offers its **largest-ever collection of luxury Overland Adventures**.
- New six-night adventure to the **Kingdom of Bhutan** is one of more than a dozen pre- and post-cruise extended land programs.

Culinary Highlights

- **Nobu Matsuhisa** adds his celebrated cuisine to Crystal Symphony in specialty restaurants *Silk Road* and *The Sushi Bar*. Nobu’s cuisine is also featured aboard Crystal Serenity.
- All onboard wine sommeliers are certified by the revered **Court of Master Sommeliers**.
- **New certified Cheese Sommeliers** charged with expanding Crystal’s regional and artisanal cheeses from around the world.
- Crystal partners with **Modern Mixologist, Tony Abou-Ganim** to completely remake its bar menus to feature **only fresh ingredients, premium liquors, inventive combinations** and **signature drinks** designed to complement the mood of different lounges.

Enriching Opportunities

- **11 stimulating theme cruise topics** on nearly half of its worldwide cruises, including **Golf** (on three departures), a new **Classical Music, Arts & Antiquities, Big Band & Ballroom Dance, Jazz, Wine & Food Festival** (12th annual) and **Mind, Body & Spirit**.
- **WebAccelerator** technology launched by F5, a global leader in application delivery, providing faster Internet at sea.
- **Computer University@Sea College Courses** on World Cruise.
- Crystal Visions Lecture Series, featuring **Creative Learning Institute** and **Cleveland Clinic** lecturers.
- Crystal partners with **PocketMD** to give guests peace of mind while traveling the globe. The credit card-sized CD can carry medical and dental records, and can be used anywhere in the world, allowing for prompt and appropriate medical care while away from home.

CUNARD LINE

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Company Profile

If travel is meant to be savored, then crossing the oceans should be a majestic experience, not merely a hop across the pond. For travelers of this persuasion, only one name evokes the pleasures of the Golden Era of Ocean Travel: Cunard Line. Proudly continuing a tradition that began in 1840, *Queen Mary 2* debuted in 2004 as the new flagship of The Most Famous Ocean Liners in the World™. As the grandest passenger vessel ever built, QM2 provides its guests with unprecedented amenities and accommodations at every turn. Maintaining the tradition of its Cunard and White Star™ Line predecessors, QM2 is the only ship offering regularly scheduled transatlantic service between New York and Southampton, England. Sailing a definitive World Cruise and round-trip Southampton voyages, *Queen Elizabeth 2* endures as one of the greatest liners of its time. The newest addition to the Cunard fleet, *Queen Victoria*, offers the very best of the heritage and traditions of Cunard Line, along with all modern day luxuries including some exciting innovations. These include the first traditional West End-style private viewing boxes at sea in the Royal Court Theatre, the first Cunard museum exhibit at sea, housing Cunard artifacts and memorabilia, the first fencing programme at sea and the first two-storey library at sea featuring an elegant spiral staircase. The ship also features the line's celebrated Queens Grill and Princess Grill accommodations and dining, further enhanced on *Queen Victoria* with an exclusive deck terrace and an al fresco dining option.

Cruise Areas & Seasons

- **Spring:** Transatlantic, Iberia, Caribbean, Scandinavia, Baltic, Norwegian Fjords Mediterranean, , World Cruise, Europe & United Kingdom
- **Summer:** Transatlantic, Mediterranean, Scandinavia, Baltic, Norwegian Fjords, Europe,
- **Fall:** Transatlantic, Canada/New England, Mediterranean, Egypt, Portugal, United Kingdom, Iberia, Europe
- **Winter:** South America, Orient, Canary Islands, Caribbean, World Cruise, Panama Canal, Europe
- **Christmas Holiday:** Caribbean, Canary Islands

Customer Profile

Cunard Line caters to sophisticated, well-seasoned travelers who enjoy the finer things in life. The classic liners attract like-minded guests who enjoy the Cunard hallmarks of impeccable White Star Service™, fine dining, sumptuous surroundings, civilized adventure and the legacy of historic voyages and Transatlantic travel.

Fleet					
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Queen Elizabeth 2	70,327	1,791	NEW SHIPS		
Queen Mary 2	151,400	2,592	Queen Elizabeth (fall 2010)	92,000	2,092
Queen Victoria	90,000	2,014	* Basis two		

Cruise News to Use in 2008

Queen Victoria Sets Sail on Distinctive European Voyages in 2008

In her first year at sea, *Queen Victoria* will feature a collection of new and engaging Mediterranean voyages. These itineraries include:

14-day **Mediterranean Delights** voyage departing roundtrip from Southampton on May 6; two 12-day **Legends of the Mediterranean** voyages departing Barcelona on Aug. 25 and Oct. 24; two 12-day **Classical Mediterranean** voyages departing Venice on Aug. 13 and Oct. 12; a 12-day **Jewels of the Mediterranean** voyage departing Southampton on Aug. 1 and ending with an overnight stay in Venice; two 12-day **Ancient Wonders of the Mediterranean** voyages departing on Nov. 5 and Nov. 17 from Rome and Athens, respectively; a 12 day **Connoisseur's Mediterranean** voyage departing Rome on Nov. 29; two 12-day **Greek Isles and Aegean Shores** voyages departing Rome on Sept. 6 and Sept. 30; and a 12-day **Crimean Coasts** voyage departing from Venice on Sept. 18 and ending in Rome.

Queen Victoria's Maiden season also heralds Cunard's return to the Baltic with three summer **Russian Rendezvous** voyages featuring overnight stays in St. Petersburg.

Queen Mary 2 2008 Itineraries

In 2008, *Queen Mary 2* increases the number of Transatlantic crossings between Southampton and New York to 24 and builds on the success of its 2006 transatlantic voyages to/from Hamburg, Germany, with the continuation of four such voyages in 2008.

New for 2008, she'll make two Transatlantic voyages to/from Cherbourg, France, one of which departs July 15, the day after Bastille Day.

Seven-day Transatlantic Crossings to/from Cherbourg sail on July 8 (eastbound) and July 15 (westbound). Eight-day eastbound Transatlantic Crossings to/from Hamburg, Germany sail on July 22 and August 19 and westbound sailings sail on July 30 and August 27.

Transatlantic Voyage fares start from \$1,195.

Queen Elizabeth 2 farewell voyages

Cunard Line has announced a series of special **Farewell Voyages** for the most famous ship in the world, QE2, prior to her completing service in November 2008. QE2's *Farewell to the British Isles* voyage will depart Southampton on September 30, 2008 circumnavigating the British Isles.

On October 10, QE2 will leave Southampton with Cunard's flagship *Queen Mary 2* and both vessels will depart on a final tandem crossing to New York. The six-night *Final New York Arrival Crossing* will arrive in New York on October 16 where QE2 will say farewell to what was her North American home, when she was Queen of the Atlantic for 34 years. Later that day both liners will leave New York as QE2 begins her *Farewell to America Crossing*. This will be QE2's 806th and final Atlantic crossing and both ships will arrive in Southampton on October 22.

In addition, Cunard has also announced QE2's *Final Voyage* which will leave Southampton for Dubai on November 11 and will call at Lisbon, Gibraltar, Civitavecchia, Naples, Malta, Alexandria and transit the Suez Canal before arriving on November 27.

DISNEY CRUISE LINE

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Company Profile

Disney Cruise Line combines the magic of Disney with the lure of ocean travel. Whether it's seven full nights aboard the *Disney Magic* or a combination of a three- or four-night land and sea vacation, featuring both the Walt Disney World Resort and Disney Cruise Line in one vacation, Disney Cruise Line vacations offer something for every member of the family. All Disney cruise vacations feature sophisticated entertainment, age-specific activities and unique dining experiences.

Cruise Areas & Seasons

Year-round: *Disney Wonder*: three- and four-night cruises to Nassau and Castaway Cay (Disney's private Bahamian island); *Disney Magic*: Seven-night Eastern Caribbean and Western Caribbean cruises with stops at Castaway Cay.

Seasonal: In the summer of 2008, the *Disney Magic* will return to the West Coast to once again offer its highly popular Mexican Riviera sailings. The twelve 7-night itineraries will depart from the Port of Los Angeles and call upon Cabo San Lucas, Mazatlán and Puerto Vallarta.

Customer Profile

Disney Cruise Line ships were designed with specific areas and activities to entertain and delight adults, families and children, creating the ultimate vacation experience for every member of the family.

Fleet		
NAME	GROSS TONS	BERTHS*
Disney Magic	83,000	2,700
Disney Wonder	83,000	2,700
* Basis two		

Cruise News to Use in 2008

- Disney Cruise Line is preparing one of the largest stage productions at sea with the debut of *Toy Story – The Musical* on the *Disney Wonder* this spring. Preserving the humor and heart of the original “Toy Story” film from Pixar Animation Studios, “Toy Story-The Musical” explores the true meaning of friendship as Buzz Lightyear and Woody transform from jealous adversaries to best friends with an unbreakable bond. The show’s elaborate costumes capture the vibrant colors and playfulness of the animated characters. Guests of all ages will delight in an original collection of show tunes that retell the story in a fun and energizing way.
- Disney Cruise Line will offer two new eastern Caribbean itineraries for 2009 – giving guests more choices than ever before to explore the beautiful islands of the Caribbean. Beginning in 2009, St. Croix will be a featured stop on one new seven-night itinerary, and Tortola will be featured on another seven-night itinerary. Both islands are new to Disney Cruise Line, increasing the seven-night Caribbean choices on the *Disney Magic* to four itineraries (Disney’s traditional eastern and western Caribbean itineraries will continue).
- As a special treat during the summer of 2008, Disney Cruise Line has redesigned the four-night itinerary to offer two stops at Castaway Cay, Disney’s private island in the tropical waters of the Bahamas. Castaway Cay continues to be one of the highlights of a Disney Cruise vacation, and with this new itinerary, guests will have twice as much time – two full days – to enjoy all the amenities and activities of the tropical oasis. With its crystal-clear turquoise waters, powdery white sand beaches, swaying palm trees and beautiful tropical flowers, Castaway Cay provides the ultimate escape, whether a guest is seeking adventure, relaxation or quality time with the family.
- In the summer of 2008, the *Disney Magic* cruise ship will return to the West Coast, offering its highly popular seven-night Mexican Riviera sailings. Disney Cruise Line developed the special itinerary in response to overwhelmingly positive feedback about its original West Coast sailings in 2005 and requests from guests who want to see the ship once again departing from the Port of Los Angeles. Beginning May 25, 2008, the *Disney Magic* is scheduled to sail 12 consecutive seven-night cruise vacations from the Port of Los Angeles to the Mexican Riviera ports of Cabo San Lucas, Mazatlán and Puerto Vallarta.
- New to the *Disney Wonder* is a 385-square-foot toddler water play pool that features star and moon shaped interactive fountains. An extension to the Mickey Pool on deck 9, and reminiscent of Mickey’s sorcerer hat, “Mickey’s Splash Zone” is designed specifically for children not yet toilet-trained and in swim diapers.
- The Vista Spa and salon has been expanded on both the *Disney Magic* and *Disney Wonder* to include the addition of a cruise industry first – spa villas – indoor/outdoor treatment suites which feature an indoor treatment area connected to a private verandah with a hot tub, open-air shower and chaise lounge. In addition, the fitness centers were nearly doubled in size and new equipment added.
- Disney Cruise Line guests now enjoy poolside movies on a brand-new, state-of-the-art jumbo LED screen affixed to the forward funnel on deck 9. At the Goofy Pool (family pool area), families can gather and watch classic Disney animated or live-action movies on the giant 24-by-14-foot screen. Other programming will also be available, such as popular TV shows, major sporting and broadcast events, and the 336-square foot screen greatly enhances outdoor entertainment and deck parties in and around the Goofy Pool area.

HOLLAND AMERICA LINE

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Company Profile

Marking its 135th year in business in 2008, Holland America Line (HAL) continues to be the industry's premium cruise leader, delivering unsurpassed value, industry-leading itineraries and world-renowned service.

HAL's fleet of 14 ships offers nearly 500 cruises to 314 ports of call in 97 countries, territories or dependencies. Two- to 108-day itineraries visit all seven continents, including Antarctica, South America, Australia/New Zealand, Africa and Asia voyages; a Grand World Voyage; and popular sailings to ports in the Caribbean, Alaska, Mexico, Canada/New England, Europe and Panama Canal.

In the 2006 Portrait of Affluent Travelers survey by Yesawich, Pepperdine, Brown and Russell, HAL topped the list of cruise lines sought after by affluent leisure travelers. Fleetwide, the company features Signature of Excellence enhancements, totaling more than \$425 million, that showcase the Culinary Arts Center presented by *Food & Wine* magazine — a state-of-the-art onboard show kitchen where more than 60 celebrated guest chefs and culinary experts provide cooking demonstrations and classes — Explorations Café powered by *The New York Times*, teens-only activity areas and all new stateroom amenities highlighted by flat-panel TVs and plush Euro-top Mariner's Dream Beds. For more information, contact a travel agent, call 1-877-SAIL-HAL (1-877-724-5425) or visit www.hollandamerica.com.

Winner of 16 consecutive "Best Overall Cruise Value" awards from the World Ocean & Cruise Liner Society, HAL excels in service, amenities and special programs. Known for consistent and attentive service, its ships have one of the highest staff-members-to-guest ratios. Spacious staterooms average 25 percent larger and verandahs twice as large as those on other lines' ships. Menus are among the most extensive at sea. Dining choices include formal elegance, alternative specialty dining in the Pacific Northwest-themed Pinnacle Grill, casual fare and complimentary 24-hour room service, while the new ms Eurodam will introduce Asian and Italian-themed restaurants.

Cruise Areas & Seasons

- **Spring:** Pacific Northwest, Alaska, Caribbean, Canada & New England, Transatlantic, Mediterranean, Mexico, Hawaii, Panama Canal, Asia
- **Summer:** Alaska, Baltic, Western Europe, Canada & New England, Transatlantic, Mediterranean
- **Fall:** South America, Panama Canal, Caribbean, Mediterranean, Transatlantic, Canada & New England, Pacific Northwest, Hawaii, South Pacific, Amazon, Mexico, Australia/New Zealand
- **Winter:** Grand World Voyage, Caribbean, Australia/New Zealand, Asia, Panama Canal, South America, Mexico, Hawaii, South Pacific, Antarctica

Customer Profile

HAL customers seek luxury, comfort and predictability, but not regimentation in their cruises. They are experienced travelers and first-time cruisers who appreciate the five-star service provided by the world's premium cruise leader. Guests enjoy HAL's spacious, elegant ships; sophisticated five-star dining; gracious, unobtrusive service; extensive enrichment programs and activities; and compelling worldwide itineraries.

Fleet					
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Amsterdam	61,000	1,380	Veendam	55,758	1,258
Maasdam	55,451	1,258	Volendam	61,396	1,432
Noordam	82,000	1,918	Westerdam	82,000	1,916
Oosterdam	82,000	1,848	Zaandam	61,396	1,432
Prinsendam	37,848	793	Zuiderdam	82,000	1,916**
Rotterdam	59,855	1,316	NEW SHIPS		
Ryndam	55,819	1,258	Eurodam (07/08)	86,000	2,044
Statendam	55,819	1,258	Unnamed (2010)	86,000	2,044

**Basis two; **May 2008*

Cruise News to Use in 2008

New Chefs Headline Demos in Culinary Arts Center Presented by Food & Wine magazine -- From wine-country cuisine to Southern-influenced prime seafood, HAL will open its on-board kitchens to over 70 guest chefs from around the country. HAL also introduced a kids and teen Culinary Arts Center program to bring the joys of cooking to the younger set with classes that teach how to make dishes from breakfast to dinner. Guest chefs include Cornelius Gallagher, former chef at Oceana (NY) and currently with Sonnier and Castle private events; Pichet Ong, chef at P*ong Restaurant; and Bobby Stucky, master sommelier at Frasca Food and Wine.

Sailing with Revolutionary Emissions Technology — HAL's *ms Zaandam* is unlike any other cruise ship at sea, featuring new cutting edge emission reduction technology. In cooperation with several United States and Canadian government and regulatory agencies, HAL has launched a technology demonstration project to explore the feasibility of using sea water to "scrub," or reduce, engine emissions on oceangoing vessels. Results from the study could dramatically change not only the cruise industry but the entire maritime industry by reducing ship engine emissions.

Multi-Generational Cruising — HAL attracts more than 25,000 kids and their families aboard its 14 ships every year. With a range of activities for children, teens and adults, the premium line especially attracts multi-generational groups. HAL offers an exclusive Friends and Family Program that rewards families booking 8 or more staterooms with special group pricing, cabin upgrades, beverage and dinner packages, and a family photo per stateroom.

ms Zuiderdam Will Add Staterooms -- The *ms Zuiderdam* will add 35 staterooms in the aft of the ship during a drydock in spring 2008, bringing its guest capacity to 1,916. Matching the capacity of its sister ship, *ms Westerdam*, the *Zuiderdam* will complete its drydock additions in Italy by end of May 2008.

ms Eurodam to Debut – HAL's newest and largest ship debuts July 5 with a cruise to the Baltic from Copenhagen. Following its inaugural Europe season, the ship will sail its first trans-Atlantic cruise, followed by a series of Canada/New England sailings in the fall before deploying on Caribbean itineraries the rest of the year. *Eurodam* will feature one more deck than it's Vista-class ships, three alternative dining venues, including a new pan-Asian restaurant with panoramic views and Lido Italian restaurant, expanded spa facilities, an Explorer's Lounge Bar, new atrium bar area, and an enhanced and reconfigured show lounge with theater-style seating.

HURTIGRUTEN

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Company Profile

Hurtigruten, known for more than 100 years as the cruise line whose ships sail the spectacular fjord-filled west coast of Norway year-round carrying cargo and passengers from Bergen to Kirkenes and back, also caters to the soft-adventure traveler. From October to March, three ships, including the new expedition ship *MS Fram* sail 13-day itineraries to Chile and Antarctica; 17- and 19-day programs to Antarctica and the Chilean Fjords, as well as 21- and 22-day cruises that include South Georgia Island and the Falklands.

From June-August, programs are available to the Arctic island of Spitsbergen and the world's largest island, Greenland. Cruising in Greenland aboard the *MS Fram* during the polar summer is a fascinating time to view spectacular scenery and wildlife in the remote wilderness above the Arctic Circle. All Expedition Voyages include PolarCirkel craft landings, expedition guides and lectures to create an intimate learning experience.

Cruise Areas & Seasons

- **Year-round:** west coast of Norway
- **October-March:** Antarctica, Chilean Fjords, South Georgia, Falkland Islands
- **May-August:** Spitsbergen, Greenland

Customer Profile

Mature market, seasoned upscale traveler who wants a learning experience, soft adventure, wants to visit unspoiled places rich in history/culture, intimate encounters with nature, rejects glitz, and wants value for their money. For passengers seeking an alternative to the traditional cruise experience, interested in niche-products and the smaller ship experience.

Fleet			Fleet		
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Finnmarken	15,000	643	Nordlys	11,200	482
Fram	12,700	272	Nordnorge	11,386	464
Kong Harald	11,200	490	Nordstjernen	2,568	114
Lofoten	2,621	171	Polarlys	12,000	482
Lyngen	6,100	323	Richard With	11,205	490
Midnatsol	15,000	674	Trollfjord	15,000	674
Narvik	6,257	312	Vesteralen	6,261	318
Nordkapp	11,386	490	<i>*basis two</i>		

Cruise News to Use in 2008

- Norwegian Coastal Voyage has announced its name change to Hurtigruten (**Her** te grew ten), adopting the official name of the parent company as it's known throughout the world. The change of name is just one of several steps Hurtigruten has taken over the past few years as it works hard establishing itself as the leading player in the explorer cruise market, adding many of the world's most remote and intriguing destinations such as Antarctica, Greenland and the Arctic's Spitsbergen to its Norwegian product line.
- Hurtigruten now offers Pole-to-Pole World Cruises to take place every Spring and Fall on the company's newest (and world's most deluxe) expedition ship, **MS Fram**. The 67-day Spring itinerary sails from Iceland to Argentina, with stops in Iceland, Scotland, Ireland, UK, Canada, US, Caribbean, Panama Canal, west coast of South America, the Chilean fjords and Antarctica. The Fall version heads from Ushuaia, Argentina to Reykjavik, Iceland with stops in Antarctica, Argentina, Uruguay, Brazil, Cape Verde Islands, Canary Islands, Portugal, Morocco, Spain, France, UK, Netherlands, Germany, Denmark, Finland, Russia, Estonia, Gotland and Ireland.
- New 17-day Escorted Vacation combines Russia's St. Petersburg and Finland's Helsinki and Sami region with a six-day southbound Coastal Voyage along the fjord-filled coast of Norway.
- The **MS Lofoten** joins the **MS Polar Star** and **MS Nordstjernen** in Spitsbergen, unveiling a new 15-day cruise program that takes in the Svalbard coast from south to north. Another new program is the 16-day voyage that departs Bergen on the Norwegian mainland, heads north to the North Cape, across the North Atlantic and then explores the western coast of the Arctic's Spitsbergen Islands.
- Direct flights from Baltimore Airport to Greenland makes it even easier for US travelers to visit the world's largest island. Hurtigruten continues its leadership role offering eight- and 15-day itineraries. The eight-day sailing explores Disko Bay, 15 days are spent either exploring Disko Bay and the west coast of Greenland as far north as Thule, site of the American Air Force Base, or sailing between Reykjavik, Iceland and Greenland with stops along the lower eastern, southern and Disko Bay regions. All sailings are aboard the world's newest and most deluxe expedition ship, **MS Fram**.
- Two new Antarctica adventures have been added to four existing explorations. A 17-day program goes further south into Antarctica than ever before, exploring the desolate region of Marguerite Bay after spending time in Buenos Aires and Ushuaia. A new 19-day cruise combines the White Continent with the penguin-filled, bird-lover's paradise of the Falkland Islands/Malvinas. The other choices are a 13-day expedition aboard the **MS Fram** that includes Buenos Aires and Ushuaia; 19-day sailings that combine Antarctica with Argentina and the Chilean Fjords; and a 22-day itinerary to the White Continent, South Georgia and the Falkland Islands/Malvinas.
- Hurtigruten's winter program to Norway continues and has added a new theme cruise. "Bridge Players" gives beginner and experienced players the chance to learn and perfect their strategies with a master instructor. Returning themes are "Watercolors and Art," with an art teacher and a lecturer; "Harmony at Sea" has an experienced choirmaster forming passengers into a concert-performing choral group; and "Winter Digital Photography" in the challenging Arctic light.
- Three outdoor theme vacations offer something for nearly everyone: "Killer Whale Safari", Oct.-Dec., is a six-day adventure in Tromsø, Svolvær and Oslo, with the focus on viewing orcas as they breach, lobsail and hunt; "Arctic Snow Hotel Adventure", Nov.-Dec., lasts eight days and offers a cruise along the North Cape, an overnight in the Snow Hotel, built exclusively of snow and ice and numerous optional excursions; and the six-day "North Cape and Ice Hotel" package in Alta, Jan.-Feb., includes an overnight stay in the ice hotel and time in Oslo, Kirkenes and the North Cape.
- Polar nights, dogsled and snowmobile safaris, and the "Return of the Sun" festival highlight Hurtigruten six- to 10-day winter adventure vacations on the remote Arctic island of Spitsbergen, a rugged island of massive glaciers, mountains and polar bears, magical in Arctic twilight and the shimmering Northern Lights.
- Hurtigruten has added several special "Northern Lights" voyages: the seven-day Bergen-Tromsø, exploring both cities and the Lofoten Islands; eight-day Tromsø-Kirkenes-Tromsø spends the entire time above the Arctic Circle increasing the opportunity to see the Northern Lights; six-day Tromsø-Trondheim makes its way through the Vesterålen and Lofoten Islands; and two nine-day Bergen-Tromsø voyages – one takes in the Northern Lights Festival and the other joins a week of local festivities in honor of National Sami Day.
- www.hurtigruten.us now offers consumers the ability to locate Hurtigruten's top producing travel agents in their area, download color brochures in PDF format and view videos depicting the ships, stunning scenery and abundant wildlife that passengers get to see while on a Hurtigruten Vacation.

MAJESTIC AMERICA LINE

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Company Profile

Majestic America Line is the premier river and coastal cruising company in the United States, offering uniquely American cruise itineraries that provide an extraordinary travel experience. With a fleet of six U.S.-flagged and built ships, Majestic America Line travels the great rivers and coastal waterways from Alaska and the Pacific Northwest to the Heartland and the Lower Mississippi. The company's specially designed ships deliver an unequalled boutique cruise experience that combines an unmatched attention to quality with deluxe comfort and warm, attentive service from an American crew. Based in Seattle, Majestic America Line is a division of Ambassadors Cruise Group, LLC, a wholly-owned subsidiary of Ambassadors International, Inc. (Nasdaq: AMIE).

Cruise Areas & Seasons

- **Mississippi River and Tributaries:** March through December
- **Columbia & Snake Rivers:** Late March through December
- **Alaska's Inside Passage:** Late April through mid-September

Customer Profile

Majestic America Line delivers extraordinary American travel experiences to the mature, discerning traveler, focusing on the culture, heritage and environmental characteristics that define regional America.

Fleet		
NAME	GROSS TONS	BERTHS*
American Queen	3,707	436
Columbia Queen	1,599	150
Delta Queen	3,360	174
Empress of the North	3,200	223
Mississippi Queen	3,364	412
Queen of the West	2,115	142
* Basis Two		

Cruise News to Use in 2008

- **January 2008** - Majestic America Line announces 2008 cruise schedule showcasing an extraordinary collection of American travel experiences.
- **March 2008** – Majestic America Line announces the start of the 2008 Columbia and Snake River Cruises aboard the *Empress of the North*, *Queen of the West* and *Columbia Queen*.
- **March 2008** – Majestic America Line announces the start of the Mississippi River & Tributaries Cruises aboard the *Delta Queen* and *American Queen*.
- **April 2008** – Majestic America Line announces the start of *Delta Queen's* Farewell Season.
- **April 2008** – *Delta Queen* participates for final year in the Great Steamboat Race and Belle Race during the Kentucky Derby Festival.
- **April 2008** – Majestic America Line announces the start of Alaska Cruises aboard the *Empress of the North*.
- **April 2008** – Majestic America Line announces fall themes on the Mississippi River aboard the *American Queen*.
- **June 2008** – Majestic America Line announces Holiday Cruises aboard the *American Queen* and *Empress of the North*.
- **September 2008** – Majestic America Line announces 2009 cruise schedule showcasing an extraordinary collection of American travel experiences.
- **October 2008** – Majestic America Line announces the *Mississippi Queen* enhancement update.

MSC CRUISES

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Spokesperson: Richard E. Sasso

Company Profile

MSC Cruises offers a cruise experience that is “*Beautiful. Passionate. Italian.*” A hallmark of MSC Cruises has always been its innovative itineraries and not-often-visited destinations. Vacationers can select from more than 120 different itineraries throughout the Mediterranean, Caribbean, South America and Baltic on elegant ships.

All this is presented with MSC Cruises’ genuine Italian hospitality and flair, from the warm hospitality of the Italian officers and high standards of attentive service to the elegant Italian-inspired décor and, of course, “La Cucina Italiana,” the finest of Mediterranean cuisine, combining traditional family recipes and perennial favorites. The line’s onboard entertainment has an international flavor that has earned rave reviews and standing ovations.

MSC Cruises also offers a variety of cultural enrichment experiences and theme cruises, from music and art to health and culinary delights.

MSC Cruises launched a \$3 billion expansion program in 2003. Since then it has introduced four new ships (*MSC Lirica*, *MSC Opera*, *MSC Musica* and *MSC Orchestra*), added two additional vessels (*MSC Armonia* and *MSC Sinfonia*), and has two additional Panamax ships (*MSC Poesia* and *MSC Magnifica*) on order for delivery in 2008 and 2010 as well as two post-Panamax ships (*MSC Fantasia* and *MSC Splendida*) for delivery in 2008 and 2009, respectively.

Cruise Areas & Seasons

Winter: Caribbean, Panama, South America, Mediterranean

Spring, Summer & Fall: Sicily, Tunisia, Spain, France, Greek Islands, Egypt, Portugal, Gibraltar, Malta, Morocco, Croatia, Cyprus, Ukraine, Turkey, Balearic Islands, Canary Islands, Crete, Greece, Italy, Madeira, Venice, Northern Europe and the Baltics, Transatlantic

Customer Profile

Guests range from their mid-40s to 70s. MSC Cruises attracts those who are interested in visiting popular as well as unusual and unique destinations.

Fleet		
NAME	GROSS TONS	BERTHS*
MSC Armonia	58,625	1,544
MSC Lirica	59,058	1,560
MSC Melody	35,143	1,062
MSC Musica	94,400	2,550
MSC Opera	59,058	1,712
MSC Orchestra	92,400	2,550
MSC Rhapsody	17,095	764
MSC Sinfonia	58,625	1,544
NEW SHIPS		
MSC Fantasia (fall 2008)	133,500	3,300
MSC Magnifica (2010)	92,400	2,550
MSC Poesia (04/08)	92,400	2,550
MSC Splendida (03/09)	133,500	3,300
* Basis two		

Cruise News to Use in 2008

- *MSC Lirica* will sail 7- and 10-night winter Caribbean itineraries from Fort Lauderdale, including Panama, Western Caribbean and Deep Caribbean cruises. This season's itineraries feature visits to the line's private paradise at Cayo Levantado in the Dominican Republic. During the 2008-09 Caribbean season she will be joined by *MSC Orchestra*, one of the line's newest Panamax ships. *MSC Orchestra* can host 2,550 passengers and has more than 242,000 square feet of public area and 85 percent outside accommodations (65 percent of the total accommodations will have balconies) and an alternative restaurant.
- All of the fleet's nine ships will be in the Mediterranean region at some time in 2008 with two of its newest vessels sailing year round. Guests can select from a variety of Mediterranean itineraries, with cruises of varying lengths (from weekend cruises to 11-night itineraries) and port calls, departing from Genoa, Livorno, Naples, Rome, Venice, Bari and Barcelona. The line will also have three ships sailing the shores of Northern Europe with Scandinavian Fjords, Russia and The Baltic Capitals and North Cape itineraries departing from Copenhagen, Kiel, Dover and Amsterdam.
- A third Panamax ship, *MSC Poesia*, is scheduled for delivery in April 2008. Joining the fleet in late 2008 will be the line's first post-Panamax ship *MSC Fantasia*, complete with an exclusive VIP area known as MSC Yacht Club, featuring luxury suites, butler service and pool, solarium and more.
- A fourth Panamax ship, *MSC Magnifica*, is slated for delivery in 2010 and a second post-Panamax ships, *MSC Splendida*, will join the fleet in 2009.
- *MSC Lirica*, *MSC Opera* and *MSC Armonia* earned four-star ratings in *Berlitz Ocean Cruising & Cruise Ships 2005* (Berlitz Complete Guide to Cruising and Cruise Ships).
- MSC Cruises was named 2007's "Best International Cruise Experience" by *Porthole Cruise Magazine* and "Most Flourishing Cruise Line" in *Porthole Cruise Magazine's* 2005 Editor-in-Chief Awards.

NORWEGIAN CRUISE LINE

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Company Profile

NCL Corporation is an innovative cruise company headquartered in Miami. The corporation oversees the operations of Norwegian Cruise Line, NCL America and Orient Lines. NCL is a part of Star Cruises Ltd (SES: STRC), a Hong Kong stock exchange listed company, and part of Malaysia's Genting Group. Star Cruises is the third-largest cruise line in the world. In early 2008, Apollo Management, LP became 50 percent owner of NCL with a \$1 billion cash equity investment.

Today, NCL boasts the youngest fleet in the cruise industry, a result of a seven-year expansion program that delivered new ships, innovative itineraries and on-board product enhancements to guests. In May 2000, NCL revolutionized the cruise industry with the introduction of Freestyle Cruising, which offers guests a more relaxed, resort-style cruise experience with complete flexibility. In 2008, NCL will build upon this with the introduction of Freestyle 2.0, a major enhancement to its on-board product fleet wide, that will further improve the guest experience, including an increased investment in food of \$50 million over the next two years, and an upgrading of stateroom bedding and amenities across the fleet. The company also announced a new travel agent program, Partnership 2.0, which includes major changes to the way NCL does business and is designed to strengthen its relationships with travel partners.

Since 1999, NCL launched 10 new ships -- *Norwegian Sky* (reflagged into the U.S. registry and renamed *Pride of Aloha* in 2004), *Norwegian Sun*, *Norwegian Star*, *Norwegian Dawn*, *Norwegian Spirit*, *Pride of America*, *Norwegian Jewel*, *Pride of Hawaii* (soon to be *Norwegian Jade*), *Norwegian Pearl* and *Norwegian Gem*. NCL currently has 13 ships in service, with more than 26,000 berths.

On October 1, 2007, *Norwegian Gem* joined the NCL fleet, and is sailing seven-, 10- and 11-day itineraries from her home port of New York City to the Bahamas, Florida and the Caribbean until April 2008 when she is repositioned to Europe for the summer before returning to the Big Apple in November 2008. The hippest ship to hit the seas, the 2,400-passenger *Norwegian Gem* features luxurious accommodations, decadent dining at 10 restaurants, exciting entertainment and an array of activity options including a four-lane, ten-pin bowling alley at sea, an NCL exclusive first offered on *Norwegian Pearl*.

On March 29, 2007, NCL became the first cruise line to partner with Nintendo to feature the new, red-hot Wii on *Norwegian Pearl*. The Wii is now on all NCL and NCL America ships and allows guests to gather and play against each other while viewing the game on large video screens.

In September 2006, NCL entered into a contract with Aker Yards S.A. of France to build two new cruise ships, totaling 8,400 berths for delivery by the end of 2010. The new ships, with the project name "F3," will incorporate a

world of new features and will represent NCL's third generation of Freestyle Cruising ships, a further evolution of NCL's progressive dismantling of the structure, regimentation and constraints of the traditional cruise experience.

Cruise Areas & Seasons

- **Seasonal:** Alaska, Bahamas and Florida, Bermuda, Canada and New England, Europe, Mexican Riviera, Pacific Coastal, Panama Canal and South America, Transatlantic
- **Year-round:** Caribbean, Hawai'i

Customer Profile

NCL is a mainstream cruise line appealing to a broad audience of all ages. NCL's research shows that the types of people who are attracted to Freestyle Cruising see themselves as individualists who prefer vacations without organized activities or set schedules. NCL guests want to enjoy their cruise on their terms without the structure and regimentation that is still the central feature of traditional cruises.

Fleet					
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Norwegian Dawn	92,250	2,224	Norwegian Star	91,000	2,240
Norwegian Dream	50,764	1,747	Norwegian Sun	78,309	1,936
Norwegian Gem	93,530	2,394	NCL America Fleet		
Norwegian Jade	93,500	2,466	Pride of America	81,000	2,138
Norwegian Jewel	93,502	2,376	Pride of Aloha	77,104	2,002
Norwegian Majesty	40,876	1,462	NEW SHIPS "F3" Class		
Norwegian Pearl	93,530	2,394	Unnamed (2009)	150,000	4,200
Norwegian Spirit	75,338	1,966	Unnamed (2010)	150,000	4,200

* Basis two

Cruise News to Use in 2008

- As the transaction between NCL and Apollo Management, LP nears completion and the infusion of \$1 billion comes into the company, in 2008 NCL will be implementing its Freestyle 2.0 fleet wide initiative featuring significant enhancements in its onboard product that will further improve the guest experience. The enhancements include a major investment in the total dining experience; upgrading the stateroom experience across the ship; new wide ranging onboard activities for guests all of ages; additional recognition, service and amenities for balcony, suite and villa guests; and a re-launch of a tiered Latitudes past guest recognition program. At the same time, NCL announced Partnership 2.0, an initiative that will involve major changes to the way NCL does business to strengthen its relationships with travel partners, at all levels. The program includes faster payment of group commission, quicker problem resolution by establishing a fully empowered resolution desk, simplifying pricing quotes, enhancing reservations agents' product knowledge, faster credit card processing, improved credit card procedures, and paying commissions electronically.
- NCL is placing three of its newest Jewel-class ships in Europe beginning in March 2008 in response to increased consumer demand for European cruises. The company will re-flag Pride of Hawai'i into the Bahamas registry and re-name her Norwegian Jade after a short wet dock in Honolulu, where she will receive a casino and new hull artwork, in February 2008. Norwegian Jade will join her sister ships Norwegian Gem and Norwegian Jewel in Europe in 2008 offering NCL's largest and most varied European deployment ever.
- In addition to an announcement of a 10-year agreement with the Bermuda government, in 2008 NCL is offering the largest deployment to Bermuda in the company's history with itineraries from five East Coast cities—New York, Boston, Philadelphia, Baltimore and Charleston.

OCEANIA CRUISES

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Company Profile

Oceania Cruises® is the world's only upper-premium cruise line. Oceania Cruises offers a unique combination of the finest cuisine at sea, luxurious accommodations, exceptional personalized service and extraordinary value. As the leader in destination cruising, Oceania Cruises sails to more than 180 ports in Europe, China and the Far East, Australia, New Zealand, South America, Central America and the Caribbean. Featuring three intimate and elegant mid-sized ships, *Regatta*, *Insignia* and *Nautica*, the line will introduce two new mid-size Oceania Class ships to its award-winning fleet in 2010 and 2011.

The onboard atmosphere is relaxed and reminiscent of the casual elegance of a country club. Tuxedos and gowns are never a requirement for dining. The overall feeling is one that is never stuffy and void of any pretension. Guests will enjoy the flexibility of four open-seating restaurants, so they dine when, where and with whom they choose. The five-star menus are crafted under the meticulously watchful eye of renowned master chef Jacques Pepin, the line's executive culinary director. Host of numerous public television series, he is one of America's best-known chefs, food columnists and cook book authors. He also has served as the personal chef to no less than three French heads of state, including Charles de Gaulle.

Cruise Areas & Seasons

The Amazon, Australia, Baltic, Black Sea, China, the Far East, Greek Isles, Mediterranean, New Zealand, Scandinavia, Russia, Southeast Asia, India, Arabia, Africa, Central America, the Caribbean, South America and Panama Canal.

Customer Profile

The Oceania Cruises Experience appeals to a wide range of consumers - discerning, sophisticated traveler in search of world-class cuisine, unparalleled personal service, and an enriching, in-depth, destination-oriented experience.

Fleet					
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Insignia	30,277	684	NEW SHIPS		
Nautica	30,277	684	Unnamed (09/10)	65,000	1,260
Regatta	30,277	684	Unnamed (07/11)	65,000	1,260
*Basis two					

Cruise News to Use in 2008

New Ports of Call:

Yangon, Myanmar; Puerto Chiapas, Mexico; Huatulco, Mexico; Haifa, Israel; Pula, Croatia; Alghero (Sardinia), Italy; Tangier, Morocco; Hamilton, Bermuda

Fleet Updates:

Glistening like new, *Nautica* recently completed a \$5 million refit at the Union Naval shipyard in Marseille, France. During the refit, all soft furnishing were replaced or renewed, all new carpeting was laid throughout the public rooms and accommodations and more than \$1 million was spent installing new bathrooms in the ship's 52 Penthouse Suites.

Each of the Penthouse Suites is now resplendent with a new granite and marble bathroom which boasts all new flooring, countertops and vanities, bathtubs and fixtures. In addition, new 20" and 26" flat-screen LCD televisions with DVD players were installed in all of the Penthouse Suites, Concierge Level Veranda Staterooms and Stateroom accommodations.

Insignia will undergo a similar refit and receive the same upgrades in the spring of 2008. *Regatta* just underwent an \$8 million upgrade and will receive the new TV/DVD players this spring and the new bathrooms in 2009.

Europe:

Oceania Cruises has added several new and exciting ports to its already stellar line up of boutique and marquee ports, Haifa, Israel; Pula, Croatia; Alghero, Italy; Tangier, Morocco; and Hamilton, Bermuda. Oceania Cruises' intimate and mid-sized ships enable guests to experience smaller ports that many larger ships simply cannot access, such as Monte Carlo, Saint Tropez, Sarande, Portofino and Kotor. These are in addition to Oceania Cruises' perennial favorites like St. Petersburg, Istanbul, Copenhagen, Venice and Rome.

2008 European Collection voyages range from 10 to 16 days in length and feature an abundance of port time and a minimum number of sea days. On average, 10- and 12-day itineraries will feature no more than one sea day and 14-day itineraries will feature no more than two sea days.

Highlights of the 2008 European Collection

- The Mediterranean and Greek Isles offer 42 different opportunities to explore these fabled lands rich in culture, cuisine and history.
- New 14-day Barcelona to Istanbul itinerary that includes both Egypt and Israel.
- *Regatta* traverses virtually all of Europe with voyages to the Greek Isles, Mediterranean, Western Europe and the glittering, great northern cities of St. Petersburg, Russia; Stockholm, Sweden; Copenhagen, Denmark; Berlin, Germany; Amsterdam, Netherlands; Gdansk, Poland; Tallinn, Estonia; and Bruges, Belgium.

Highlights of the 2008-2009 Winter Collection:

- An unrivaled roster of overnight port stays in Rio de Janeiro, Hong Kong, Sydney, Buenos Aires, Luxor, Dubai, Yangon, Bali, Bangkok, Hanoi, Saigon, Itajaí, São Paulo, Kyoto, and Taipei.
- *Nautica* returns to Australia and Asia with eight unique voyages ranging from 15 to 35 days.
- *Insignia* sails an enchanting array of 12- to 19-day voyages to the verdant coastal villages of Brazil and the mesmerizing Chilean fjords. Three exciting new 19-day cruises between Rio de Janeiro and Valparaiso offer a grand look at a grand continent.

A Wider Array of Longer Voyages

To offer adventurous travelers a wider variety of destination-rich experiences, we have crafted a series of longer itineraries to sate their appetite for new and enthralling experiences.

- 32-day Rome to Singapore cruise aboard *Nautica* visiting Capri, Messina, Cairo, Luxor, Salalah, Muscat, Dubai, Cochín, Yangon and Phuket.
- Two 19-day voyages between Rio de Janeiro and Valparaiso visiting São Paulo, Buenos Aires, Montevideo, Port Stanley, Ushuaia, Punta Arenas, Laguna San Rafael, Puerto Chacabuco and Puerto Montt.
- 26-day *Amazon Adventure* aboard *Regatta*. Sailing roundtrip from Miami, guests will call on virtually every port in the vast Caribbean and experience the majesty of the mighty Amazon River and historic Manaus.

PEARL SEAS CRUISES

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Company Profile

Pearl Seas Cruises is building two new luxury passenger ships for world service. These new ships will each carry 214 passengers. The first ship is scheduled to begin cruise service in 2008, and the second in 2010. The first ship will begin with international cruises in the Canadian Maritimes, St Lawrence Seaway, Great Lakes, Nova Scotia, Newfoundland and New England, and followed later in the year with itineraries in the Caribbean.

Pearl Seas Cruises ships have been designed for the smaller more intimate luxury market offering "Luxury Adventure™." The ships have innovative modern designs including state of the art technologies and modern amenities; including a spa, elevators to all five decks, Internet access throughout the ship, oversized suites (302-580 square feet), all with private balconies and large opening picture windows offering spectacular views. Every stateroom is fitted with many modern conveniences and amenities expected by the discerning traveler. The ship will be fully stabilized, and meet the newest and most stringent safety and environmental standards. The atmosphere is relaxing and inviting, much like that of a fine private club.

Cruise Areas & Seasons

Spring, Summer & Fall: Canadian Maritimes, Newfoundland, St Lawrence Seaway, Great Lakes

Fall & Winter: Caribbean, Leeward Islands, Windward Islands, British Virgin Islands, US Virgin Island, Panama Canal, Central America.

Customer Profile

Pearl Seas Cruises is for the discerning traveler generally ages 50+ with a high net worth, well traveled and well educated, in the top 5% of the most affluent North Americans who wish to visit the fascinating ports that large ships can't even dream of reaching.

Fleet		
NAME	GROSS TONS	BERTHS*
NEW SHIPS		
Unnamed (2008)	6,000	214
Unnamed (2010)	6,000	214
<i>*Basis two</i>		

Cruise News to Use in 2008

- Pearl Seas Cruises first ship, which will carry 214 passengers, is scheduled to be delivered in time for a 2008 maiden voyage.
- Innovative new vessels will have elegant public rooms and luxurious accommodations amid a relaxing and inviting onboard ambiance.
- Facilities include a spacious dining salon offering one unhurried sitting, several lounges, a well-stocked library and a state-of-the-art spa.
- The ships' spacious suites (each measuring 302-580 square feet) will all feature flat-screen satellite TV and DVD player, individual climate control, Internet access and private balconies with large picture windows that actually open.

PRINCESS CRUISES

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Company Profile

One of the best-known names in cruising, Princess Cruises is a global cruise and tour company operating a fleet of 16 modern ships renowned for their innovative design and wide array of choices in dining, entertainment and amenities, provided in an environment of exceptional customer service. A recognized leader in worldwide cruising, Princess offers its passengers the opportunity to escape to the top destinations around the globe, with sailings to all seven continents, ranging in length from seven to 107 days. The company is part of Carnival Corporation & plc.

Cruise Area & Seasons

- **Spring:** Hawaii/Tahiti, Mexico, Asia, Panama Canal, South America, South Pacific
- **Summer:** Alaska, Europe, South Pacific/Asia, Hawaiian Islands, South Pacific
- **Fall:** Canada/New England, Hawaiian Islands, Holy Land, Mexico, Asia, Panama Canal, South America, Africa/India, Tahiti & French Polynesia
- **Winter:** Africa/India, Australia/New Zealand, Mexico, Panama Canal, South America, world cruise
- **Year Round:** Caribbean, Australia & Pacific

Customer Profile

Princess Cruises offers a wide spectrum of passengers a full and complete escape from the routine by being the consummate host in settings of awe and beauty. No other cruise line can bring travelers “big ship choice, small ship feel,” anytime dining, affordable balconies and outstanding Princess service.

Fleet					
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Caribbean Princess	113,000	3,100	Pacific Princess	30,277	670
Coral Princess	92,000	1,970	Royal Princess	30,000	710
Crown Princess	113,000	3,070	Sapphire Princess	116,000	2,670
Dawn Princess	77,000	1,950	Sea Princess	77,000	19,50
Diamond Princess	116,000	2,670	Star Princess	109,000	2,600
Emerald Princess	113,000	3,070	Sun Princess	77,000	1,950
Golden Princess	109,000	2,600	Tahitian Princess	30,277	670
Grand Princess	109,000	2,600	NEW SHIPS		
Island Princess	92,000	1,970	Ruby Princess (11/08)	113,000	3,070
*Basis two.					

Cruise News to Use in 2008

Ruby Princess Debuts – Princess Cruises will add another ‘gem’ to its fleet with the debut of *Ruby Princess* on November 15, 2008. The sister ship to *Crown Princess* and *Emerald Princess* will offer an inaugural season of seven-day Western Caribbean sailings from Fort Lauderdale.

Two World Cruises – Princess will offer two ‘round-the-globe itineraries in 2009, sailing to more than 40 destinations on six continents. *Tahitian Princess* and *Royal Princess* will offer similar 107-day itineraries that set sail from Ft. Lauderdale in January 2009.

Connoisseur Alaska Cruise -- Princess will offer a new Connoisseur itinerary aboard the intimate 670-passenger *Tahitian Princess*. This 14-day voyage includes new port calls at Kodiak, Seward and Valdez in addition to visits to Ketchikan, Juneau, Skagway, Sitka and Victoria, B.C.

New Galapagos Islands Cruisetour -- For the first time, Princess will offer passengers the opportunity to travel to the famed Galapagos Islands with a new *Galapagos Discovery* cruisetour.

Six-Ship Europe Season – Princess will feature something for every European explorer’s wish list in 2008 with six ships offering an unprecedented selection of 87 sailings callings at more than 115 ports throughout the continent – more than ever before.

Royal Princess Classical Europe – *Royal Princess* combines an intimate 710-passenger cruising experience with a schedule of three all-new itineraries, including a sailing between Stockholm and Rome combining the best of Scandinavia/Russia with the Mediterranean in a single cruise – so that for the first time, travelers won’t have to choose between visiting St. Petersburg or Florence.

New China Cruisetour – The historic Chinese city of Hangzhou debuts as a new destination for Princess cruisetour passengers. The city is one of the highlights of a new *Beijing, Hangzhou and Xian* tour, one of three Princess cruisetour options in China available in fall 2008 and spring 2009.

Three Ships in South America -- For the first time, Princess will feature three ships sailing to South America, offering the popular Cape Horn & Strait of Magellan, Antarctica and Andes cruises plus more Amazon rainforest voyages than ever and two new 12-day Explorer voyages that will provide opportunities to visit the Galapagos Islands and the mysterious Machu Picchu.

REGENT SEVEN SEAS CRUISES

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Company Profile

Radisson Seven Seas Cruises was formed when Diamond Cruise merged with Seven Seas Cruise Line in January 1995. Worldwide headquarters are in Fort Lauderdale, Fla. In March 2006, the line was re-branded from Radisson Seven Seas to Regent Seven Seas and became aligned with sister company Regent Hotels under one overarching brand. In December 2007, Apollo Management L.P. agreed to acquire Regent Seven Seas Cruises operations from Minneapolis-based Carlson. The acquisition is expected to be completed in the first quarter of 2008. The cruise operations continue as a key part of the global Regent brand. RSSC, along with Oceania Cruises, will be operated under Prestige Cruise Holdings, a wholly owned subsidiary of Apollo Management. The company is known for its distinctive small luxury ships offering the amenities of large ocean liners and destination-intensive cruises providing consistent high quality, service and value. The company operates the only all-suite, all-balcony cruise ships in the world. The line reaches more than 300 destinations worldwide on every continent.

Cruise Areas & Seasons

- **Winter:** Antarctica, Australia, New Zealand, South Pacific, Asia, Middle East, Panama Canal & Costa Rica, Mexico, Caribbean, South and Central America
- **Spring:** Caribbean, Europe, Mediterranean, Panama Canal & Costa Rica, Alaska, South Pacific, Bermuda, South America
- **Summer:** Alaska, Europe, Scandinavia, Baltic, Mediterranean, South Pacific
- **Fall:** Mediterranean, Caribbean, Central America, Australia, New Zealand, Mexico, Asia, South Pacific

Customer Profile

Destination, quality, service and value for luxury are the key in choosing a cruise for Regent Seven Seas customers. These experienced travelers and cruisers, ages 45+, are well educated with a household income of \$200,000+ or with a high net worth.

Fleet		
NAME	GROSS TONS	BERTHS*
Minerva (formerly Explorer II)	12,500	198
Paul Gauguin	19,200	330
Seven Seas Mariner	50,000	700
Seven Seas Navigator	33,000	490
Seven Seas Voyager	46,000	700
* Basis Two		

Cruise News to Use in 2008

- Regent Seven Seas Cruises has signed a three-year extension of its exclusive partnership with renowned naturalist Jean-Michel Cousteau. Under the new agreement, Cousteau, the son of legendary ocean explorer Jacques Cousteau and an acclaimed filmmaker, educator and environmentalist, will continue to make personal appearances several times per year on Regent ships as a special lecturer. Cousteau's Ocean Futures Society counselors will also lead Regent's Ambassadors of the Environment Youth Circles of Interest enrichment program aboard Alaska and Tahiti voyages. Cousteau will also sail with Regent as a special lecturer during *Seven Seas Mariner's* South America cruise in February and March; aboard *Seven Seas Navigator's* Discovery Collection cruises to India and Africa in October and November; and aboard *Paul Gauguin* to Tahiti and the Cook Islands in September. Ambassadors of the Environment introduces young travelers and their families to extraordinary natural wonders and offers imaginative ways to build sustainability and conservation through direct, hands-on experience.
- Regent Seven Seas Cruises reached an agreement with ship owner Paul Gauguin Shipping Limited (PGSL) extending Regent Seven Seas' exclusive contract to operate and manage the 330-guest *Paul Gauguin* in French Polynesia through January of 2010. The agreement extends the previous contract by one year and will be reviewed annually and extended based upon mutual agreement. This year *Paul Gauguin* is offering 41 Tahiti and South Pacific roundtrip departures from Papeete in lengths including 7-, 9-, 10-, 11- and 14 nights.
- Regent Seven Seas Cruises will provide guests with a rare opportunity to witness the world-famous Winner's Parade at Rio de Janeiro's legendary Carnival celebration, in conjunction with a 17-night South America voyage from Buenos Aires aboard *Seven Seas Mariner*. Calling at ports in Argentina, Brazil and Uruguay, the February 4 departure included a visit to Rio de Janeiro on February 9, where guests can visit the world-renowned Winner's Parade in the Sambadromo (known as the "stadium of samba"). The Winner's Parade, the highlight event of the Carnival celebration, takes place on the first Saturday after Carnival is complete.
- Regent Seven Seas Cruises will offer two World Cruise itineraries in 2009, becoming the first luxury cruise operator ever to offer two global winter cruises in the same year. *Seven Seas Voyager's* Grand Circumnavigation World Cruise will depart from Los Angeles on January 12, 2009 for a 116-night journey to the South Pacific, Orient, Arabia, the Mediterranean and Bermuda. *Seven Seas Mariner's* Ring of Fire World Cruise departs January 26, 2009 from Fort Lauderdale on a 121-night sojourn to South America, French Polynesia, Australia, Southeast Asia, China, Japan, Russia and Alaska. Each voyage will offer guests a choice of diverse *Concierge Collection* land adventures.
- Regent Seven Seas Cruises will offer an expanded program of destination-intensive "Adventures Ashore" in conjunction with its two World Cruises in 2009. These exciting land packages are separate from Regent's core shore excursions and provide guests with unprecedented opportunities to broaden their knowledge of exotic regions.
- Regent Seven Seas Cruises' Circles of Interest enrichment program for 2008 offers exclusive onboard and shore-side experiences featuring world-class lecturers, instructors and authorities from the realms of art, cuisine, history, environmental conservation, photography and wellness. For example, nutritionist-to-the-stars Dr. Oz Garcia will lead "Wellness and Balance with Oz Garcia" aboard two summer Mediterranean cruises. Circles of Interest programs will be available on 45 departures between January 16 and December 27, 2008.
- Regent Seven Seas Cruises will offer nine food and wine Circles of Interest programs in 2008 aboard *Seven Seas Mariner*, *Seven Seas Navigator* and *Seven Seas Voyager*. Regent's food and wine Circles of Interest provide guests with rare opportunities to explore the culinary cultures of diverse regions. Accomplished chefs from France's legendary Le Cordon Bleu institute will host "Classes Culinaires des Croisieres" on seven departures between January 16 and September 18. Walter Scheib, a former White House executive chef, will share "Presidential Secrets under the Mediterranean Sun" on a June 6 cruise to Greece, Italy and Turkey. Cindy Pawlcyn, chef and owner of Napa Valley hot spots Mustards Grill and Cindy's Backyard will host "Mediterranean Food Odyssey" on June 21.
- Regent Seven Seas Cruises will host a compelling series of history-focused Circles of Interest programs in 2008. U.K. Commodore Jamie Miller, a survivor of the sinking of the HMS Coventry during the Falklands War, will share personal stories of his adventures in the Falklands during a winter sailing to South America. Emmy® Award-winning journalist and network news producer Elyse Weiner, formerly Tom Brokaw's foreign producer at NBC Nightly News and also a CNBC news executive, will host "Barcelona and Florence Revealed" aboard June 14 and August 16 Mediterranean departures.
- Regent Seven Seas Cruises is offering a broad variety of exotic shore excursion options, including everything from the height of culture to the height of adventure, in conjunction with 2008 cruises to South America, the Middle East, India, Europe, Southeast Asia, Mexico and the Caribbean. Guests can opt for a canopy ride among across Chile's majestic Osorno Volcano; release protected sea turtle newborns into their natural environment in Huatulco, Mexico; board a traditional longboat for an exploration of Kerala, India or explore the Korean Demilitarized Zone (DMZ) including a long-hidden tunnel running beneath the DMZ into North Korea.

ROYAL CARIBBEAN INTERNATIONAL

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Company Profile

Royal Caribbean International is a global cruise vacation company with 21 ships in service and three more under construction. Royal Caribbean is known for innovative ships offering unexpected features such as rock-climbing walls, ice-skating rinks, in-line skating tracks, bungee trampolines, boxing ring and the Flowrider surfing simulator.

The cruise line appeals to couples, singles and families who want to do, see and experience more on their cruise vacation. Royal Caribbean offers a wide range of activities and amenities for guests of all ages. Its complimentary *Adventure Ocean Youth Program* features programming for kids ages three through 17. In addition, the line's partnership with Fisher-Price, Inc. provides play sessions for infants and toddlers ages six to 36 months and their parents.

Royal Caribbean's *Explorations!* shore excursion program ensures that guests have unforgettable experiences in each port of call. Excursions range from historical and city tours to adventurous outings, including hiking, biking, kayaking, dog sledding, ice climbing, scuba diving, flight-seeing and rappelling.

Royal Caribbean offers itineraries ranging from three to 14 nights in length and takes guests on outstanding adventures to more than 172 destinations throughout the Caribbean, Europe, Alaska, Canada, Mexico, Hawaii, Bermuda, the Panama Canal, Asia, Australia, New Zealand and South America. In addition, the line has two private destinations: CocoCay, a private island in the Bahamas; and Labadee, a beach paradise on the island of Haiti. Royal Caribbean International also offers unique cruisetour vacations in Alaska, Asia, Australia, Canada, Europe, South America and New Zealand.

Cruise Areas & Seasons

- **Seasonal:** Alaska, Hawaii, New England, Canada, Europe, Australia, New Zealand, Asia and South America
- **Year-round:** Caribbean/Bahamas, Mexico (Baja)
- **Spring:** Bermuda, Alaska, Hawaii, Europe (Mediterranean, British Isles/Norwegian Fjords, Transatlantic, Scandinavia/Russia)
- **Summer:** Bermuda, Alaska, Europe (Mediterranean, British Isles/Norwegian Fjords, Transatlantic, Scandinavia/Russia)
- **Fall:** Bermuda, Canada/New England, Hawaii, Europe (Mediterranean, British Isles/Norwegian Fjords, Transatlantic, Scandinavia/Russia), Asia, Australia, New Zealand and South America
- **Winter:** Hawaii, Mexico (Riviera), Asia, Australia, New Zealand and South America

Customer Profile

Royal Caribbean typically appeals to couples and singles in their 30s to 50s as well as family vacationers. Guests are active travelers looking to see, do, and experience more on vacation.

Fleet					
NAME	GROSS TONS	BERTHS*	NAME	GROSS TONS	BERTHS*
Adventure of the Seas	142,000	3,114	Navigator of the Seas	142,000	3,114
Brilliance of the Seas	90,090	2,501	Radiance of the Seas	90,090	2,501
Empress of the Seas	48,563	2,020	Rhapsody of the Seas	78,491	2,435
Enchantment of the Seas	81,500	2,252	Serenade of the Seas	90,090	2,501
Explorer of the Seas	142,000	3,114	Sovereign of the Seas	73,192	2,852
Freedom of the Seas	160,000	3,643	Splendour of the Seas	70,000	2,076
Grandeur of the Seas	74,000	2,446	Vision of the Seas	78,491	2,435
Jewel of the Seas	90,090	2,504	Voyager of the Seas	142,000	3,114
Legend of the Seas	70,000	2,076	NEW SHIPS		
Liberty of the Seas	160,000	3,643	Independence of the Seas (04/08)	160,000	3,643
Majesty of the Seas	73,941	2,744	Project Genesis (2009)	220,000	5,400
Mariner of the Seas	142,000	3,114	Project Genesis II (2010)	220,000	5,400
Monarch of the Seas	73,941	2,744			

* Basis Two

Cruise News to Use in 2007

- Independence of the Seas* - the third of the Freedom-class – will be deployed in the United Kingdom, when she debuts in April 2008. Sharing the title of the largest, most innovative cruise ship with sister ships, *Freedom of the Seas* and *Liberty of the Seas*, *Independence of the Seas* will be the largest ship ever to be home-ported in Europe. *Independence*, sailing from Southampton, will join a long list of Royal Caribbean ships in Europe. In the summer of 2008, seven ships - the highest number ever for the cruise line - will sail European itineraries stopping in 63 ports of call in Europe alone. *Navigator of the Seas* and *Jewel of the Seas* will sail from Southampton and Harwich, England, respectively. In Spain, *Voyager of the Seas* and *Brilliance of the Seas* will be Barcelona-based. *Legend of the Seas* will homeport in Rome and *Splendour of the Seas* will sail from Venice, Italy.
- As the one true global cruise brand, Royal Caribbean is deploying ships throughout the world to offer vacationers the cruise line's distinctive style of cruising. We will have four ships deployed to South America for the winter/spring 2008-09 season. *Enchantment of the Seas* will homeport in Colon, Panama, and take guests to Colombia and the islands of Aruba, Bonaire and Curacao; *Splendour of the Seas* will offer repeat Brazil cruises; *Radiance of the Seas* will travel throughout South America; and *Mariner of the Seas* will reposition from Port Canaveral to Los Angeles via the Straits of Magellan to become the largest cruise ship operating in the Pacific ocean.
- Royal Caribbean will deploy one ship each to Asia and Australia for the winter/spring 2008-09 season. *Legend of the Seas* will explore throughout the Pacific Coast of Asia, and *Rhapsody* will explore the Australia coast, the Coral Sea and New Zealand.

SEABOURN CRUISE LINE

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Spokesperson: Bruce Good

Company Profile

Ultra-luxury cruise leader Seabourn Cruise Line has earned unanimous accolades from cruising guidebooks, travel critics, and traveler polls since its founding in 1987. Its fleet of three identical, all-suite ships, *Seabourn Pride*, *Seabourn Spirit* and *Seabourn Legend* are renowned for:

- Extraordinary levels of personalized service, with nearly one staff member per guest
- Sumptuous ocean-view suites of 277 square feet or more, many with balconies
- Award-winning cuisine served in an open-seating Restaurant
- Exceptional shoreside experiences in the world's most desirable destinations

Carrying just 104 couples each, the Yachts of Seabourn also offer guests an array of value-packed *Signature Delights* on board, such as open bars including wines, spirits and French champagne; a complimentary *Exclusively Seabourn* shoreside experience on each cruise; soothing *Massage Moments* for guests on deck; cuisine created by renowned celebrity chef Charlie Palmer; designer soaps from Bijan, Hermes and L'Occitane; *Pure Pampering* suite amenities and therapeutic bathing experiences by Molton Brown, London; *Seabourn to a Tea* fine estate teas and blends served on board; free water sports from the ship's fold-out marina; *Movies Under the Stars*; *Caviar in the Surf* beach barbecues and more. Tipping is neither required nor expected.

Innovative options include Seabourn's *Personal Shopper* excursions with a local expert by private car; *Personal Valet* luggage shipping service from home to suite and back; *Vintage Seabourn* premium wines pre-purchase program.

In 2008, travelers can book voyages on Seabourn Odyssey, the first new ultra-luxury ship in over six years, which will debut in June of 2009. Bookings are also open for Seabourn's first-ever World Cruise, sailing in January 2010 aboard Seabourn Odyssey.

Cruise Areas & Seasons

- **Summer:** Mediterranean; Scandinavia. Russia; Norwegian Fjords
- **Spring:** South America; China, India, Arabia; Western Europe; Mediterranean; Caribbean; Panama, Belize, Costa Rica; Transatlantic; Amazon
- **Winter:** Thailand, Vietnam; Malaysia; South America; Caribbean; Panama, Belize, Costa Rica
- **Fall:** Western Europe, Mediterranean, Spain, India & Arabia, Transatlantic
- **Christmas Holiday:** Caribbean; Thailand, Vietnam

Customer Profile

Seabourn satisfies an affluent, well-traveled clientele who want the "best of the best" and seek "trophy experiences" in exceptional destinations. Ideal prospects may be frequent guests at exclusive hotels, restaurants, resorts, who have not considered a cruise vacation because they are unaware of Seabourn's intimate, ultra-luxury alternative cruising style.

Fleet		
NAME	GROSS TONS	BERTHS*
Seabourn Legend	10,000	208
Seabourn Pride	10,000	208
Seabourn Spirit	10,000	208
NEW SHIPS		
Seabourn Odyssey (06/09)	32,000	450
Unnamed (2010)	32,000	450
Unnamed (2011)	32,000	450
* Basis two		

Cruise News to Use in 2008

- *Seabourn Odyssey* – the first new ultra luxury cruise ship in six years - debuts June 2009
- *Seabourn Odyssey* sails Seabourn’s Inaugural World Cruise in January 2010
- Multi-million dollars makeovers to “sisters” add more capacity to popular al fresco casual dining options.
- Over 150 new dishes designed by celebrity chef Charlie Palmer refresh Seabourn’s award-winning menus.
- Highest-rated cruise line – *Departures* Luxury Survey (AmEx Platinum & Centurion cardmembers).
- Highest Rated Cruise Line in “Food” and “Service” categories - 2007 Condé Nast Traveler Gold List.
- Highest-rated small-ship cruise line – *Travel + Leisure* 2006 “World’s Best Awards.”
- “World’s Best Cruise Ship” – Seabourn Spirit – 2003, 2005 & 2006 *Condé Nast Traveler* Readers’ Poll.
- “World’s Best Cruise Ship Spa” – The Spa at Seabourn – 2005 *Condé Nast Traveler* Readers’ Poll.
- Highest-rated cruise line in “Food” category – 2006 *Condé Nast Traveler* “Gold List.”
- Perfect 100 score for “Itineraries” – Seabourn Pride – 2005 *Condé Nast Traveler* Readers’ Poll.
- Perfect 100 score for “Crew/Service” – Seabourn Pride – 2005 *Condé Nast Traveler* Readers’ Poll.
- Perfect 100 score for “Crew/Service” – Seabourn Legend – 2005 *Condé Nast Traveler* Readers’ Poll.
- *Condé Nast Traveler* Gold List –honored on every annual edition 1994-2007.
- International Five-Star Diamond Award for the 14th consecutive year.
- Sky Grill Dinners on deck add another casual dining option.
- GSM and CDMA mobile phone service lets guests use their own compatible phones and numbers.
- A complimentary *Exclusively SeabournSM* shoreside experience on every cruise.
- Seabourn’s *Personal ShopperSM* shore services with private car and expert shopping guide.
- *Vintage SeabournSM* premium wines pre-purchase program.
- Flat-screen TVs, DVD players and Bose® Wave® radio/CD in all guest suites.
- Award-winning Web site features virtual ship tour, videos.
- Innovative small-plates tasting menus nightly at “2”– more casual alternative dining.
- Wi-Fi Internet access in all suites and most public areas.
- Exclusive *Personal ValetSM* luggage shipping service – from home to suite and back.
- *Dress CircleSM* and *Chefs’ CircleSM* onboard enrichment features guest experts and chefs.
- Early Booking Savings (EBS) of up to 40 percent for guests who book in advance.
- An extra 10 percent Combo Savings above EBS for booking two cruises up to 17 days.
- Grand Voyage Savings of up to 50 percent for combined voyages of 18 or more days.

SEADREAM YACHT CLUB

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Senior Marketing Executive: Bob Lepisto, senior vice president, worldwide sales & marketing
Senior Sales Executive: Bob Lepisto, senior vice president, worldwide sales & marketing
Public Relations Contact: Ernie Beyl, director, corporate & marketing communications
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Spokesperson: Ernie Beyl

Company Profile

SeaDream Yacht Club is the yachting venture by Norwegian entrepreneur Atle Brynstad, who founded Seabourn Cruise Line, and Larry Pimentel who was President of Seabourn under Brynstad and later President and CEO of the merged Cunard and Seabourn. Pimentel is President and CEO of the Miami, Florida-headquartered SeaDream Yacht Club and a co-owner. Brynstad is Chairman. The company operates *SeaDream I* and *SeaDream II*, twin, ultra-luxury mega yacht cruisers that operate on mostly seven-day sailings in the Caribbean, the Mediterranean, the Greek Islands and the Dalmatian Coast of Croatia and into the black Sea. The yachts are not only ideal for discerning travelers seeking an unstructured experience but also for small meetings and incentive groups or individual private family gatherings. They are available for full charter. Recent honors, awards and accolades include:

- *Conde Nast Traveler Magazine* named SeaDream Yacht Club the “World’s Best Small Passenger Shipping Line” for 2006. Additionally, SeaDream scored higher than any other cruise line---large or small---in this Readers’ Poll---and was the only cruise line rated in the top 100 “World’s Best Travel Experiences.”
- *Travel + Leisure Magazine* named SeaDream Yacht Club “World’s Best Small Ship Cruise Line” for 2007.
- *SeaDream I* and *II* shared the top Five Star Club award in the authoritative *Berlitz Ocean Cruising and Cruise Ships 2007* guidebook. Berlitz guide author Douglas Ward created a special category “Utterly Exclusive” for only three vessels he said were above luxury. Of the three, two were *SeaDream I* and *II*.
- *Cruise Magazine*, leading UK travel publication, named *SeaDream I* “World’s Best Small Cruise Vessel for 2006.

Cruise Areas & Seasons

- **Summer:** Mediterranean
- **Spring:** Caribbean, Transatlantic
- **Winter:** Caribbean
- **Fall:** Mediterranean, Transatlantic
- **Christmas Holiday:** Caribbean

Customer Profile

Well-heeled, sophisticated, active and young at heart. SeaDream cruisers range in age from 30s to 70s, with the average being 52 years old. The 7-night itineraries appeal to those still working hard with limited vacation time while, at the same time, allowing retirees to combine cruises into 14-day voyages.

Fleet		
NAME	GROSS TONS	BERTHS*
SeaDream I	4,260	110
SeaDream II	4,260	110
* Basis two		

Cruise News to Use in 2008

- Recognized as “World’s Best Small Passenger Shipping Line” by Conde’ Nast Traveler Readers 2006.
- Only line rated in Conde’ Nast’s Top 100 Best Traveler Experiences for 2006.
- Received Conde Nast Traveler Gold List 2004, 2005, 2006, and 2007.
- Received Berlitz 5-Star Rating 2003, 2004, 2005, 2006, 2007 and 2008.
- Received Travel + Leisure Worlds’ Best Award 2004, 2006 and 2007.
- “It’s Yachting, Not Cruising”
 - All-inclusive
 - Gourmet dining
 - Exquisite service
 - Flexible schedules and itineraries
 - Intimate ports-of-call
 - Overnight in key ports
 - No formal dress code – yacht casual attire
 - SeaDream Spa – 8 Thai massage therapists
 - “Caviar and Champagne Splash” (This is a proprietary designation)
 - Balinese DreamBeds
 - Water sports marina – wave runners, sail boats, water skiing, kayaks
 - Mountain bikes, golf simulator
- Exciting Transatlantic voyages with guest lecturers.
- Intimate ports-of-call larger cruise ships cannot reach.

SILVERSEA CRUISES

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Spokesperson: Brad Ball

Company Profile

Silversea is a cruise company reflecting generations of maritime and travel experience. In the early 1990s, the Lefebvre family of Rome, former owners of Sitmar Cruises, conceived and organized a unique cruise company pledging to build and operate the highest quality ships in the ultra-luxury segment. The name "Silversea" was chosen because it connotes quality and luxury as well as capturing the romance and special sensations of the sea.

Silversea launched its first ship, *Silver Cloud*, in 1994, followed by *Silver Wind* in 1995, *Silver Shadow* in 2000 and *Silver Whisper* in 2001. The fleet was purpose-built for the ultra-luxury market, establishing a new class of smaller, intimate vessels that could slip into more exotic ports off the beaten path. These elite vessels were specifically designed for fewer guests, more space and the highest levels of personalized service, delivered by Italian officers and European staff. All-ocean view suites, most with private veranda, and open seating dining options so guests dine when, where and with whom they desire, add to the very special ambiance created onboard. But what is also unique is that they incorporate the favorite amenities found on larger ships, such as an elaborate show lounge featuring nightly entertainment, casino, spa and state-of-the-art fitness facility.

In the U.S., Silversea has been voted "World's Best" by the readers of *Condé Nast Traveler* nine times and six times by the readers of *Travel & Leisure*. International awards include "Five Star Diamond Award" from the American Academy of Hospitality Sciences (2007); "Number One" small-ship line in the Readers' Choice" survey conducted by Britain's *Condé Nast Traveller* magazine (2007); "Five Anchors" for Gastronomy and Service in Germany's *Kreuzfahrt Guide* (2007); "Best Small Cruise Line" by Australia's Luxury Travel Magazine (2007); and Best Luxury Cruise Operator according to Asia's *Travel Weekly* (2007).

Cruise Areas & Seasons

- Mediterranean (Spring/Summer/Fall)
- Northern Europe, Baltic & Arctic Circle (Summer)
- Far East & South Pacific (Winter/Spring)
- South America & Antarctica (Fall/Winter)
- Alaska (Summer)
- Amazon, Caribbean & Panama Canal (Fall/Winter/Spring)
- Africa & India (Fall/Winter)
- Australia & New Zealand (Winter)

Customer Profile

Affluent travelers accustomed to the finest hotel and resort accommodations. Travelers interested in experiencing enriching adventures and intriguing destinations, in an atmosphere of luxurious comfort and gracious service.

Fleet		
NAME	GROSS TONS	BERTHS*
Silver Cloud	16,800	296
Silver Shadow	28,258	382
Silver Whisper	28,258	382
Silver Wind	16,800	296
NEW SHIPS		
Silver Dawn (summer 2008)	TBA	132
Unnamed (2009)	36,000	540
* Basis two		

Cruise News to Use in 2008

New Adventure Ship

Silversea Cruises' new expedition ship, ***Silver Dawn***, sets sail in summer 2008 and will herald the beginning of a new mode in exploration cruising -- where an ultra-luxurious ambiance is just as important as an exotic and enriching itinerary. The vessel, originally acquired as *World Discoverer* last September, will first undergo an extensive multimillion-dollar renovation at the Fincantieri shipyard in Trieste, Italy. To ensure the ship will deliver an expedition cruise experience consistent with Silversea's award-winning luxury standards, the refurbishment will include exterior design modifications, mechanical enhancements and a comprehensive upgrade of all guest accommodations and public spaces. The vessel is also being outfitted with a new fleet of the latest model Zodiac boats that will allow guests up-close exploration and access to some of the world's most remote landscapes.

Viking Cooking School

Ultra-luxury Silversea Cruises will sail into 2008 with an increased schedule of voyages featuring the Viking Cooking School Aboard Silversea. The fragrant spices of Arabia and the Far East, the roasted chiles of Mexico and the wine-inspired sauces of Bordeaux are just a few of the gastronomic specialties that guests may encounter in cooking demonstrations or market tours hosted by the chefs of the Viking Cooking School on 12 select voyages visiting virtually every corner of the globe. Through the company's unique partnership with Viking Range Corporation, each Silversea ship features a demonstration culinary theater custom-designed by Viking. A cornerstone of the alliance between the two luxury brands is the exclusive Viking Cooking School culinary teaching method and curriculum presented to Silversea guests on select voyages hosted by Viking chefs. The curriculum for each cruise is carefully designed to echo the cultural flavor of the ship's itinerary. Highlights include cooking demonstrations with wine pairings and interactive Q&A sessions; a "Lunch and Learn" event giving groups of 12-16 guests a chance to sample a delicious meal of specially prepared dishes; and a "Market to the Plate" experience that provides an escorted tour of a local market followed by a cooking class.

Silver Links Golf Cruises

Silversea Cruises will once again host its popular "***Silver Links***" golf program on 12 diverse itineraries aboard *Silver Shadow* and *Silver Whisper* in 2008. The program offers golf enthusiasts the chance to perfect their swing on 35 of the most beautiful and challenging courses in 16 countries and island destinations throughout the South Pacific, Mediterranean, Caribbean and Mexico. The *Silver Links* voyages offer optional golfing excursions in multiple ports arranged and escorted by the ship's golf professional. From the breathtaking Pacific scenery of the Kauri Cliffs Golf Club in New Zealand's Bay of Islands, to the narrow fairways and mountain terrain of the elegant Monte Carlo Golf Club, to the rolling topography and saltwater canals of the Club de Golf Marina Ixtapa in Zihuatanejo, Mexico, guests will have a chance to perfect their game at some of the world's most challenging and revered championship courses. The escorted, optional golfing excursions vary in price from course to course and include transfers to and from the select golf courses, pull or power-drive carts (where available), green and any applicable caddy fees.

UNIWORLD GRAND RIVER CRUISES

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Senior Sales Executive: Janice Tully, vice president, sales
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Company Profile

Uniworld Grand River Cruises features intimate boutique, hotel-style cruise ships with beautifully appointed riverview staterooms, sumptuous cuisine, and a professionally trained, all English-speaking staff. Luxury cruise and tour packages are expertly-planned and include custom-blended shore excursions fully hosted by English-speaking-guides. Uniworld offers over 500 departures on more than 35 itineraries sailing on 12 rivers in Europe, Russia, China and Egypt.

Cruise Areas & Seasons

- **Winter:** Europe, China, Egypt
- **Spring:** Europe, Russia, China, Egypt
- **Summer:** Europe, Russia, China, Egypt
- **Fall:** Europe, China, Egypt

Customer Profile

Uniworld Grand River Cruises' clientele is a mix of educated and experienced travelers along with a growing number of younger couples and individuals with interests in culture, history, food/wine, and the arts.

Europe Fleet		
NAME	GROSS TONS	BERTHS*
Douro Queen	N/A	65
River Ambassador	N/A	64
River Baroness	N/A	64
River Countess	N/A	67
River Duchess	N/A	67
River Empress	N/A	67
River Princess	N/A	66
River Queen	N/A	66
River Royale	N/A	66
* Basis Two		

Cruise News to Use in 2008

- Uniworld was recently ranked in the top 10 of the *World's Best Small Ship Cruise Lines* by readers of *Conde Nast Traveler*.
- To add to the unique Europe's Grand River Cruise 2008 experience, Uniworld has broadened its already fabulous list of amenities. Each ship experience is comparable to staying at a five-star boutique hotel. Guests will enjoy the new addition of complimentary wine with dinner, bottled water in each stateroom, and 24-hour specialty coffees including cappuccinos and lattes.
- Complimentary transfers are included on day of arrival and departure on all Uniworld Grand River Cruises and Tours: Europe, Russia, China and Egypt.
- Uniworld has added exciting new itineraries in 2008:
 - ◊ A 7-night Danube Discovery Grand River Cruise from Vienna to Nuremberg
 - ◊ A 7-night Rhine Discovery Grand River Cruise from Nuremberg to Basel
 - ◊ A 12-night Ukraine, the Black Sea & Istanbul Grand River Cruise between Kiev and Nessebar, along with a 3-night hotel stay in Istanbul
 - ◊ A 17-day Majestic China Grand River Cruise & Tour from Beijing to Hong Kong
 - ◊ An 18-day Wonders of China and the Grand Yangtze Grand River Cruise & Tour
- A newly enhanced Uniworld Grand River Cruise Specialist Program that provides travel professionals with the knowledge and sales tools essential to promote and sell the rapidly growing river cruise vacation market to existing clients as well as attracting new prospects.

WINDSTAR CRUISES

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Senior Marketing Executive:	Diane Moore, executive vice president
Senior Sales Executive:	Diane Moore, executive vice president Brian Clement, vice president, retail sales
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Spokesperson:	Vanessa Bloy

Company Profile

Windstar Cruises operates three sailing yachts known for their ability to visit hidden harbors and secluded coves of the world's most treasured destinations. Carrying just 148 to 312 guests, the luxurious ships of Windstar cruise to nearly 50 nations, calling at 100 ports throughout Europe, the Caribbean and the Americas. The company's cruise vacations offer a seaside window on the world, combining the relaxed refinement of a luxury hotel with a moveable feast of cultural experiences. Seattle-based Windstar is a division of Ambassadors International Cruise Group, LLC, a wholly-owned subsidiary of Ambassadors Cruise Group, LLC.

Sailing under the banner of its appropriate tag line "180 Degrees From Ordinary," Windstar was created with the vision to offer an alternative to the typical cruise or resort vacation. Well known for cruising off the beaten path, the upscale line visits exotic locales and hidden harbors that larger ships cannot access.

Windstar's distinctive four- and five-masted ships – the Wind Star, Wind Spirit and Wind Surf – will again be sailing some of the world's most beautiful waters, with strong presences in the Caribbean, Costa Rica, Panama Canal and Europe, including the Mediterranean and Greek Islands. In addition, the Wind Star, Wind Spirit and Wind Surf will operate Transatlantic voyages of 14 days each for guests who wish to experience the unique thrill of crossing an ocean in a spectacular sailing ship.

Windstar's unique concept of sailing has led the cruise industry in the luxury small ship, casual attire and alternative dining arenas. Pioneering and refining these concepts has earned Windstar an excellent reputation and market niche, winning the allegiance of a whole new generation of contemporary cruise vacationers, one-third of whom are first-time cruisers.

Cruise Areas & Seasons

- **Fall:** Europe, Greek Isles, Transatlantic
- **Winter:** Costa Rica, Caribbean, Panama Canal
- **Spring:** Costa Rica, Caribbean, Panama Canal, Transatlantic
- **Summer:** Europe, Greek Isles

Customer Profile

Windstar passengers seek upscale luxury accommodations, but desire a casually elegant atmosphere. Cruisers range in age from 20s to 80s – average age 51, average income \$175,000-plus. They are generally professionals, experienced travelers and first-time cruisers. Windstar is couples-oriented, perfect for honeymooners, anniversary celebrants and adult family reunions. Windstar handles a good amount of incentive travel business each year.

Fleet		
NAME	GROSS TONS	BERTHS*
Wind Spirit	5,350	148
Wind Star	5,350	148
Wind Surf	14,745	312
* Basis two		

Cruise News to Use in 2008

- All of the Degrees of Difference enhancements have been completed across the Windstar fleet. This multi-million dollar investment in all three ships has added even more luxury amenities on board and updates the public spaces and staterooms. The *Wind Surf* was the first ship to complete all enhancements in December 2006 with major changes including the addition of two new luxury Bridge Suites and The Yacht Club lounge. The *Wind Spirit* and *Wind Star* enhancements were completed in 2007. Guests now enjoy wireless Internet throughout the ships along with Bose SoundDock speakers in all staterooms, Apple iPod Nanos pre-loaded with music for complimentary check-out and laptops for rent. Enhancements also include plush Euro-Top mattresses, luxury linens and duvets, L'Occitane bathroom amenities, Reidel stemware, Rosenthal china, hammocks built for two and more.
- Spas on board all the ships have been enhanced through the Degrees of Difference initiative.
- The popularity of cruising in Costa Rica lures the *Wind Star* back for another year. The ship will sail seven-day cruises along the Pacific Coast roundtrip from Puerto Caldera.
- Windstar Cruises will also offer two new Adriatic itineraries between Venice, Italy and Dubrovnik, Croatia visiting picturesque gems along the Croatian Coast. Between Venice and Dubrovnik, ports visited include Koper, Slovenia; Pula, Rijeka, Zadar, Split and Korcula, Croatia. From Dubrovnik to Venice, ports include Kotor, Montenegro; Ploce, Hvar, Sebenik, Rab, Croatia and Trieste, Italy. The *Wind Star* sails the Adriatic twice and the *Wind Surf* four times.
- Windstar will return to beautiful Mediterranean ports including Korcula, Croatia; Palamos, Tarragona, Cartagena, Almeria and Valencia, Spain.
- Windstar's "Connoisseur Collection" is a selection of seven-day cruises ideal for booking back-to-back for a longer voyage. The itineraries have been coordinated for a seamless 14-day voyage without repeating ports.
- Complimentary water sports available on all ships: snorkeling, water skiing, kayaking, sailing, ski-tubing and windsurfing. Scuba diving adventures available for a fee.
- Shore excursions may now be booked pre-cruise online at www.windstarcruises.com.

AMERICAN CRUISE LINES

American Eagle
American Glory
American Spirit
American Star
Independence (2009)

AZAMARA CRUISES

Azamara Journey
Azamara Quest

CARNIVAL CRUISE LINES

Carnival Conquest
Carnival Destiny
Carnival Dream (10/09)
Carnival Ecstasy
Carnival Elation
Carnival Fantasy
Carnival Fascination
Carnival Freedom
Carnival Glory
Carnival Imagination
Carnival Inspiration
Carnival Legend
Carnival Liberty
Carnival Magic (06/11)
Carnival Miracle
Carnival Paradise
Carnival Pride
Carnival Sensation
Carnival Spirit
Carnival Splendor (07/08)
Carnival Triumph
Carnival Valor
Carnival Victory
Celebration
Holiday

CELEBRITY CRUISES

Celebrity Century
Celebrity Constellation
Celebrity Eclipse (2010)
Celebrity Equinox (2009)
Celebrity Galaxy
Celebrity Infinity
Celebrity Mercury
Celebrity Millennium
Celebrity Solstice (12/08)
Celebrity Summit

COSTA CRUISES

Celebrity Xpedition
Unnamed (2011)

Costa Allegra
Costa Atlantica
Costa Classica
Costa Concordia
Costa Europa
Costa Fortuna
Costa Luminosa (summer 2009)
Costa Magica
Costa Marina
Costa Mediterranea
Costa Pacifica (summer 2009)
Costa Romantica
Costa Serena
Costa Victoria
Unnamed (2010)
Unnamed (2011)
Unnamed (2012)

CRYSTAL CRUISES

Crystal Serenity
Crystal Symphony

CUNARD LINE

Queen Elizabeth (fall 2010)
Queen Elizabeth 2
Queen Mary 2
Queen Victoria

DISNEY CRUISE LINE

Disney Magic
Disney Wonder

HOLLAND AMERICA LINE

Amsterdam
Eurodam (07/08)
Maasdam
Noordam
Oosterdam
Prinsendam
Rotterdam
Ryndam
Statendam
Unnamed (2010)
Veendam
Volendam
Westerdam
Zaandam
Zuiderdam

HURTIGRUTEN

Finnmarken
Fram
Kong Harald
Lofoten
Lyngen
Midnatsol
Narvik
Nordkapp
Nordlys
Nordnorge
Nordstjernen
Polarlys
Richard With
Trollfjord
Vesteralen

MAJESTIC AMERICA LINE

American Queen
Columbia Queen
Delta Queen
Empress of the North
Mississippi Queen
Queen of the West

MSC CRUISES

MSC Armonia
MSC Fantasia (fall 2008)
MSC Lirica
MSC Magnifica (2010)
MSC Melody
MSA Musica
MSC Opera
MSC Orchestra
MSC Poesia (04/08)
MSC Rhapsody
MSC Sinfonia
MSC Splendida (03/09)

NORWEGIAN CRUISE LINE

Norwegian Dawn
Norwegian Dream
Norwegian Gem
Norwegian Jade
Norwegian Jewel
Norwegian Majesty
Norwegian Pearl
Norwegian Spirit
Norwegian Star
Norwegian Sun

Pride of Aloha
Pride of America
Unnamed (2009)
Unnamed (2010)

OCEANIA CRUISES

Insignia
Nautica
Regatta
Unnamed (09/10)
Unnamed (07/11)

ORIENT LINES

Marco Polo

PEARL SEAS CRUISES

Unnamed (2008)
Unnamed (2009)

PRINCESS CRUISES

Caribbean Princess
Coral Princess
Crown Princess
Dawn Princess
Diamond Princess
Emerald Princess
Golden Princess
Grand Princess
Island Princess
Pacific Princess
Royal Princess
Ruby Princess (11/08)
Sapphire Princess
Sea Princess
Star Princess
Sun Princess
Tahitian Princess

REGENT SEVEN SEAS CRUISES

Minerva (formerly Explorer II)
Paul Gauguin
Seven Seas Mariner
Seven Seas Navigator
Seven Seas Voyager

ROYAL CARIBBEAN INTERNATIONAL

Adventure of the Seas
Brilliance of the Seas
Empress of the Seas
Enchantment of the Seas
Explorer of the Seas
Freedom of the Seas
Grandeur of the Seas
Independence of the Seas (04/08)

Jewel of the Seas
Legend of the Seas
Liberty of the Seas
Majesty of the Seas
Mariner of the Seas
Monarch of the Seas
Navigator of the Seas
Project Genesis (2009)
Project Genesis II (2010)
Radiance of the Seas
Rhapsody of the Seas
Serenade of the Seas
Sovereign of the Seas
Splendour of the Seas
Vision of the Seas
Voyager of the Seas

SEABOURN CRUISE LINE

Seabourn Legend
Seabourn Odyssey (06/09)
Seabourn Pride
Seabourn Spirit
Unnamed (2010)
Unnamed (2011)

SEADREAM YACHT CLUB

SeaDream I
SeaDream II

SILVERSEA CRUISES

Silver Cloud
Silver Dawn (summer 2008)
Silver Shadow
Silver Whisper
Silver Wind
Unnamed (2009)

UNIWORLD GRAND RIVER CRUISES

Douro Queen
River Ambassador
River Baroness
River Countess
River Duchess
River Empress
River Princess
River Queen
River Royale

WINDSTAR CRUISES

Wind Spirit
Wind Star
Wind Surf

Adventure of the Seas	Royal Caribbean International
American Eagle	American Cruise Lines
American Glory	American Cruise Lines
American Queen	Majestic America Line
American Spirit	American Cruise Lines
American Star	American Cruise Lines
Amsterdam	Holland America Line
Azamara Journey	Azamara Cruises
Azamara Quest	Azamara Cruises
Brilliance of the Seas	Royal Caribbean International
Caribbean Princess	Princess Cruises
Carnival Conquest	Carnival Cruise Lines
Carnival Destiny	Carnival Cruise Lines
Carnival Dream (10/09)	Carnival Cruise Lines
Carnival Ecstasy	Carnival Cruise Lines
Carnival Elation	Carnival Cruise Lines
Carnival Fantasy	Carnival Cruise Lines
Carnival Fascination	Carnival Cruise Lines
Carnival Freedom	Carnival Cruise Line
Carnival Glory	Carnival Cruise Lines
Carnival Imagination	Carnival Cruise Lines
Carnival Inspiration	Carnival Cruise Lines
Carnival Legend	Carnival Cruise Lines
Carnival Liberty	Carnival Cruise Lines
Carnival Magic (06/11)	Carnival Cruise Lines
Carnival Miracle	Carnival Cruise Lines
Carnival Paradise	Carnival Cruise Lines
Carnival Pride	Carnival Cruise Lines
Carnival Sensation	Carnival Cruise Lines
Carnival Spirit	Carnival Cruise Lines
Carnival Splendor (07/08)	Carnival Cruise Lines
Carnival Triumph	Carnival Cruise Lines
Carnival Valor	Carnival Cruise Lines
Carnival Victory	Carnival Cruise Lines
Celebration	Carnival Cruise Lines
Celebrity Century	Celebrity Cruises
Celebrity Constellation	Celebrity Cruises
Celebrity Eclipse (2010)	Celebrity Cruises
Celebrity Equinox (2009)	Celebrity Cruises
Celebrity Galaxy	Celebrity Cruises
Celebrity Infinity	Celebrity Cruises
Celebrity Mercury	Celebrity Cruises
Celebrity Millennium	Celebrity Cruises

Celebrity Solstice (12/08)	Celebrity Cruises
Celebrity Summit	Celebrity Cruises
Celebrity Xpedition	Celebrity Cruises
Columbia Queen	Majestic America Line
Coral Princess	Princess Cruises
Costa Allegra	Costa Cruises
Costa Atlantica	Costa Cruises
Costa Classica	Costa Cruises
Costa Concordia	Costa Cruises
Costa Europa	Costa Cruises
Costa Fortuna	Costa Cruises
Costa Luminosa (summer 2009)	Costa Cruises
Costa Magica	Costa Cruises
Costa Marina	Costa Cruises
Costa Mediterranea	Costa Cruises
Costa Pacifica (summer 2009)	Costa Cruises
Costa Romantica	Costa Cruises
Costa Serena	Costa Cruises
Costa Victoria	Costa Cruises
Crown Princess	Princess Cruises
Crystal Serenity	Crystal Cruises
Crystal Symphony	Crystal Cruises
Dawn Princess	Princess Cruises
Delta Queen	Majestic America Line
Diamond Princess	Princess Cruises
Disney Magic	Disney Cruise Line
Disney Wonder	Disney Cruise Line
Douro Queen	Uniworld Europe Grand River Cruises
Emerald Princess	Princess Cruises
Empress of the North	Majestic America Line
Empress of the Seas	Royal Caribbean International
Enchantment of the Seas	Royal Caribbean International
Eurodam (07/08)	Holland America Line
Explorer of the Seas	Royal Caribbean International
Finnmarken	Hurtigruten
Fram	Hurtigruten
Freedom of the Seas	Royal Caribbean International
Golden Princess	Princess Cruises
Grand Princess	Princess Cruises
Grandeur of the Seas	Royal Caribbean International
Holiday	Carnival Cruise Lines
Independence (2009)	American Cruise Line
Independence of the Seas (04/08)	Royal Caribbean International
Insignia	Oceania Cruises
Island Princess	Princess Cruises
Jewel of the Seas	Royal Caribbean International
Kong Harald	Hurtigruten

Pride of America
Prinsendam
Project Genesis (2009)
Project Genesis II (2010)
Queen Elizabeth (fall 2010)
Queen Elizabeth 2
Queen Mary 2
Queen of the West
Queen Victoria
Radiance of the Seas
Regatta
Rhapsody of the Seas
Richard With
River Ambassador
River Baroness
River Countess
River Duchess
River Empress
River Princess
River Queen
River Royale
Rotterdam
Royal Princess
Ruby Princess (11/08)
Ryndam
Sapphire Princess
Seabourn Legend
Seabourn Odyssey (06/09)
Seabourn Pride
Seabourn Spirit
SeaDream I
SeaDream II
Sea Princess
Serenade of the Seas
Seven Seas Mariner
Seven Seas Navigator
Seven Seas Voyager
Silver Cloud
Silver Dawn (summer 2008)
Silver Shadow
Silver Whisper
Silver Wind
Sovereign of the Seas
Splendour of the Seas
Star Princess
Statendam
Sun Princess

Norwegian Cruise Line
Holland America Line
Royal Caribbean International
Royal Caribbean International
Cunard Line
Cunard Line
Cunard Line
Majestic America Line
Cunard Line
Royal Caribbean International
Oceania Cruises
Royal Caribbean International
Hurtigruten
Uniworld Europe Grand River Cruises
Uniworld Europe Grand River Cruises
Uniworld Europe Grand River Cruises
Uniworld Europe Grand River Cruises
Uniworld Europe Grand River Cruises
Uniworld Europe Grand River Cruises
Uniworld Europe Grand River Cruises
Uniworld Europe Grand River Cruises
Holland America Line
Princess Cruises
Princess Cruises
Holland America Line
Princess Cruises
Seabourn Cruise Line
Seabourn Cruise Line
Seabourn Cruise Line
Seabourn Cruise Line
SeaDream Yacht Club
SeaDream Yacht Club
Princess Cruises
Royal Caribbean International
Regent Seven Seas Cruises
Regent Seven Seas Cruises
Regent Seven Seas Cruises
Silversea Cruises
Silversea Cruises
Silversea Cruises
Silversea Cruises
Silversea Cruises
Royal Caribbean International
Royal Caribbean International
Princess Cruises
Holland America Line
Princess Cruises

Tahitian Princess
Trollfjord
Veendam
Vesteralen
Vision of the Seas
Voyager of the Seas
Volendam
Westerdam
Wind Spirit
Wind Star
Wind Surf
Zaandam
Zuiderdam

Unnamed (2011)
Unnamed (2010)
Unnamed (2011)
Unnamed (2012)
Unnamed (2010)
Unnamed (2009)
Unnamed (2010)
Unnamed (09/10)
Unnamed (07/11)
Unnamed (2008)
Unnamed (2009)
Unnamed (2010)
Unnamed (2011)
Unnamed (2009)

Princess Cruises
Hurtigruten
Holland America Line
Hurtigruten
Royal Caribbean International
Royal Caribbean International
Holland America Line
Holland America Line
Windstar Cruises
Windstar Cruises
Windstar Cruises
Holland America Line
Holland America Line

Celebrity Cruises
Costa Cruises
Costa Cruises
Costa Cruises
Holland America Line
Norwegian Cruise Line
Norwegian Cruise Line
Oceania Cruises
Oceania Cruises
Pearl Seas Cruises
Pearl Seas Cruises
Seabourn Cruise Line
Seabourn Cruise Line
Silversea Cruises

SOUTH AFRICA CRUISE TOURISM: PROSPECTS, BENEFITS AND STRATEGIES

FINAL REPORT NOVEMBER 2010

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