

# LIFE AFTER COVID-19. CRUISE INDUSTRY RISING FROM THE ASHES

Karina Melikjanyan

Batumi State Maritime Academy, Batumi, 6010, Georgia

e-mail: [k.melikjanyan@bsma.edu.ge](mailto:k.melikjanyan@bsma.edu.ge)

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After catastrophic waves of coronavirus disease that dramatically slammed world's economy, cruise industry appeared to be one of the most affected businesses [1] (Theodore Syriopoulos, 2020) Cruises had thrived for years: 55 ((CLIA), 2021) cruise lines, 400 executive partners, 53 000 travel agent members, 280 ships, \$150 billion output business, 1,177,000 jobs and \$50.24 billion in wages/salaries. [2] (CLIA, 2020) Though since 2020, the year that Adam Goldstein ( Chairman of Cruise Lines International Association – CLIA) has called “a year unlike any other,” almost all the cruise ships have dropped anchor. Relatively old ships were sold off or scrapped. Starting from the March 2020 three core cruise lines (Royal Caribbean, Carnival Corporation and Norwegian Cruise Lines) had experienced 60-80% drops in stock prices of their companies. (Team, 2020) [3] The cruise industry losses account for billions \$.

However, every cloud has a silver lining. While much of the world had been stuck since the March 2020, the cruise industry was not wasting the time and has started adjusting to new requirements. According to CLIA report 2021 cruise lines are coming back equipped with “fleet of the future” (20 ships to debut in 2021), enhanced protocols, new onboard digital technologies, responsible tourism trend, cutting-edge maritime environmental technologies and record demand for 2023. The sector demonstrates incredible resilience and optimism supported by official numbers. ((CLIA), 2021) [4]

The paper reviews current situation of the global cruise industry and focuses on the steps already taken by cruise lines executives worldwide to overcome pandemic reality and those to be taken to optimize current situation and benefit from the post covid-19 rehabilitation processes.

The analysis is based on a desk research method, using official resources: reports, market analysis, expert opinions, press releases, previous studies and industry journals. The findings show specificities, future challenges and forecast of most possible ways for the sector development.

## **Introduction**

The COVID-19 pandemic has taken a toll on most sectors of the travel industry, however, the cruise market turned out to be one of the less fortunate. The outbreak of the coronavirus aboard the Diamond Princess in February 2020 caused great reputational losses to the industry. The cruise ships became infamous as "floating Petri dishes". (Tan, 2020) [5] It was

all clear that it would take a long time to regain consumers' loyalty after such notoriety. As a result, 'tourism on big water' was practically stopped. As the virus spread, major cruise line stocks began to fall in February 2020 and bottomed out in mid-March. Companies have suffered billions of losses that year, losing more than 70% of their value. In the first nine months of 2020, sales from the three largest operators - Carnival Corporation & PLC, Royal Caribbean Group and Norwegian Cruise Line - fell 65-75%. (Team, 2020)[3] The cruise association estimates that the travel suspension has reduced economic activity by more than \$ 25 billion and cut 164,000 jobs in the United States alone. ((CLIA), 2021) [4] Cruise companies around the world are borrowing billions, refinancing and selling ships, hoping to set sail in the nearest future. The cumulative losses incurred by cruise lines and the coastal service industry supporting the cruise lines could well be trillions of dollars in 2020. (Hirohito Ito, 2020) [6]

## **Methodology**

The purpose of this study was to provide a thorough overview of the industry in its earliest post covid-19 rehabilitation period. The study was conducted basically withing a desk research method, using official resources: reports, market analysis, expert opinions, press releases, previous studies and industry journals.

Methodology for data collection combines statistical data of official sources. Qualitative and quantitative information has been gathered to analyze and demonstrate current situation of cruise business and highlight the effectiveness of the strategy, chosen by cruise management.

## **Cruise industry overview**

On October 30, 2020, the US Center for Disease Control (CDC) issued the Cruise Line Operating Conditions Framework for US Waters. To resume passenger traffic, companies had to build 'laboratories on ships' and take steps to isolate or quarantine passengers ashore. The CDC said that cruise ships would be allowed to operate after the conduction of a simulated voyages with volunteers portraying sick passengers. (CDC, 2021)[7]

Just days after the CDC lifted its cruise ban, replacing it with strict protocols, several passengers on board the Sea Dream1 ship in the Caribbean were tested positive for COVID-19 was. Then the congressmen sent a letter to the CDC asking them to return the restriction. So far, this has not happened, but US cruise lines due to strict safety rules were forced on their own initiative to cancel the trips, at least until the end of 2020. (2021 Cruise Industry News Annual Report, 2021)[13]

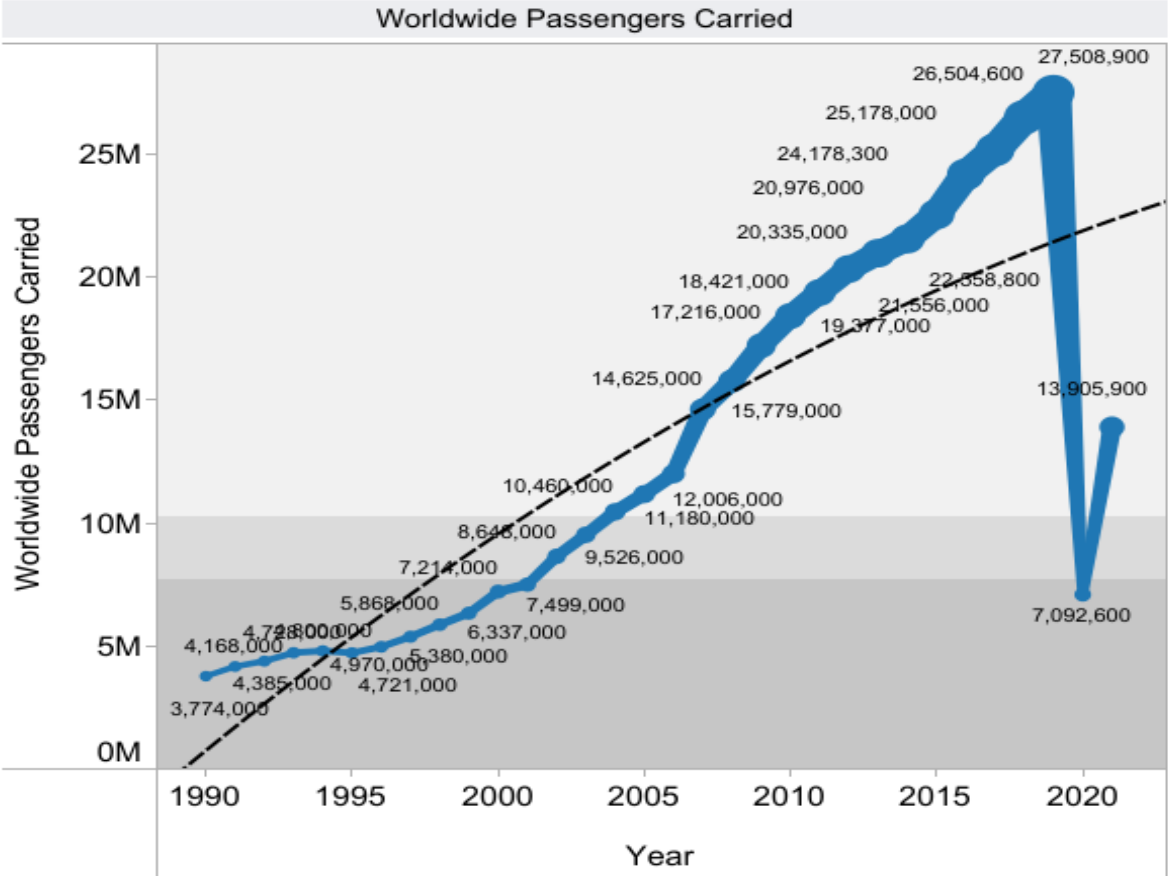
The industry has begun recovering only this Summer (2021), however, it will take years to hit 2019 levels. According to the president and CEO of CLIA Kelly Craighead, in 2019 cruise ships welcomed almost 30 million passengers, provided employment for 1.8 million people all over the world, paid 50,53\$ billion in wages/salaries, and showed 154,5\$ billion total output worldwide. [4] In terms of passenger traffic, between 2017 and 2019, the number of guests on board cruise ships increased from 26,7 million to 29,7 million (Statista, n.d.) [8].

According to Cruise market Watch, in 2020 the number of passengers fell to 7 million, that is similar to the 2000's rate. The estimated number of guests by the end of 2021 is 13.9 million, that is 96.2% growth over 2020 and a 49.4% decline from 2019.[9] Table 1.

The pause in cruise operations caused by the COVID-19 pandemic has had a devastating economic impact. In the recent report "State of Cruise Industry Outlook 2021" CLIA has declared that since mid-March till September 2020 more than 518,000 people have lost their jobs, resulting in 23\$ billion loss in wages/salaries. During this period of time the cruise community has lost more than 77\$ billion of global economic activity.[4]

The cruise industry hopes to recoup the multi-billion-dollar losses caused by the coronavirus pandemic. A year and a half have passed since the Diamond Princess cruise ship embarked on a fatal voyage in January 2020, which became a breeding ground for a brand new virus and showed the world the danger of mass gathering of people in a confined space.

Table 1 Growth of the Ocean Cruise Line Industry



Year	North America	Europe	Other	Worldwide Passengers Carried
2017	12,645,600	6,996,000	5,536,400	25,178,000
2018	12,927,800	7,285,100	6,291,700	26,504,600
2019	12,929,200	7,564,900	7,014,800	27,508,900
2020	3,225,500	1,935,300	1,931,800	7,092,600
2021	6,118,596	3,754,580	4,032,711	13,905,900

Vice President of Sea Travel at Celebrity Cruises, Captain Manolis Alevropoulos says: "We look forward to coming back and are very delighted with that. We place great emphasis on the safety and health of both our guests and the crew. We believe that the industry will become stronger by following strict sanitary protocols. "

Over the past year and a half, at least five cruise lines have gone bankrupt, and dozens of functioning vessels have been scrapped.

MSC Cruises' Executive Chairman and CLIA Chair Pierfrancesco Vago pointed out that the key word today is "safety bubble". According to him everyone who works on the ship has been verified. "When we reach our destination, in cooperation with the local authorities, we also apply this approach. Our clients ,while visiting attractions, try not to mix with the population. They go by buses, where the driver, the guide – everyone is checked, to the places where every measure is taken to avoid dangerous contacts. " (Gleass, 2021) [10]

The idea is to stay safe by ensuring strict Health& Safety protocols that were developed by the industry. The cruise lines understand that the stakes are high. This year, they cannot afford to repeat the situation of passengers being stuck onboard under the threat of mass infection.

After such drastic measures like closing the ports worldwide, restrictions on the citizens' mobility around the globe, banning cruise tourism in the United States in March 2020, industry representatives and experts are more than confident in the resurrection of cruises. Cypriot authorities are looking to the future with optimism: "We have a very safe entry protocol, - says the Minister of Tourism of Cyprus Savvas Perdios. - You can come with a vaccination certificate or with negative results as well, there is also random testing on arrival. Let people enjoy our island. " (UNWTO, 04.06.2021) [11] Moreover, every cloud has a silver lining. The post-crisis period opened up new opportunities for Cyprus: the American company Royal Caribbean chose one of the ports of the island as a home port.

As voyages are resumed timidly in Europe and the USA, the management and employees of the companies assure that from now on, everything will be done for the complete safety of passengers.

Let's compare the numbers. Before the pandemic, average passenger growth was about 6.6% per year till March 2020. (Growth of the Ocean Cruise Line Industry, 2021) [9] COVID-19 stagnation for total 15 months made the cruise economy go into a vortex. The crisis has accelerated the retirement process and demolition of cruise vessels as well as expedited the endorsement of an environmentally friendly fleet. According to Cruise Market Watch, 31 ships are going to be out of exploitation worldwide from 2019 to 2021, which will reduce passenger capacity by 49,105. CLIA states that 270 vessels will be projected in 2021 and 20 ones will debut this year. ((CLIA), 2021)[4] Referring to the table below Table 3, by the end of 2021 total ocean cruise passenger capacity will be 581,200 / 323 ships, that is 7.8% decrease comparing to 2019's capacity. Ocean cruise market share 2021 has reached \$23.8 billion so far ( Carnival Cruise Line -8.8\$ billion/37.1%; Royal Caribbean International- 5\$ billion/21.2%; Norwegian Cruise Line -2.9\$ billion/12.6%; all other-6.9\$ billion/29.2%), that represents 81.8% increase over 2020 and 52.9% decline, comparing to 2019 results. (2021 Worldwide Cruise Line Market Share, 2021) [12]

Table 2 Worldwide Cruise Line Market Share 2021

2021 Details						
Parent	Brand	Total Passengers	% of Passengers	Revenue	% of Revenue	
Carnival	AIDA	749,300	5.4%	\$1,373,710,000	5.8%	
	Carnival	2,528,100	18.2%	\$1,803,870,000	7.6%	
	Costa Cruises	862,400	6.2%	\$1,121,190,000	4.7%	
	Cunard	99,700	0.7%	\$427,110,000	1.8%	
	Holland America	384,200	2.8%	\$1,095,070,000	4.6%	
	P&O Cruises	241,500	1.7%	\$466,790,000	2.0%	
	P&O Cruises Australia	127,300	0.9%	\$134,980,000	0.6%	
	Princess	816,300	5.9%	\$2,065,350,000	8.7%	
	Seabourn	33,800	0.2%	\$345,120,000	1.4%	
	<b>Total</b>	<b>5,842,600</b>	<b>42.0%</b>	<b>\$8,833,190,000</b>	<b>37.1%</b>	
RCI	Azamara	31,700	0.2%	\$161,530,000	0.7%	
	Celebrity	540,000	3.9%	\$1,452,300,000	6.1%	
	Royal Caribbean	2,657,900	19.1%	\$3,048,670,000	12.8%	
	Silversea	48,900	0.4%	\$391,710,000	1.6%	
	<b>Total</b>	<b>3,278,500</b>	<b>23.6%</b>	<b>\$5,054,210,000</b>	<b>21.2%</b>	
Norwegian	Norwegian	1,200,300	8.6%	\$2,057,990,000	8.6%	
	Oceania Cruises	71,100	0.5%	\$373,140,000	1.6%	
	Regent Seven Seas	48,500	0.3%	\$565,150,000	2.4%	
	<b>Total</b>	<b>1,319,900</b>	<b>9.5%</b>	<b>\$2,996,280,000</b>	<b>12.6%</b>	
All Other	American Cruise Lines	13,600	0.1%	\$37,210,000	0.2%	
	Blount Small Ship Advent..	3,900	0.0%	\$10,630,000	0.0%	
	Celestyal Cruises	64,100	0.5%	\$175,440,000	0.7%	
	Crystal	40,800	0.3%	\$111,640,000	0.5%	
	Disney	312,200	2.2%	\$653,450,000	2.7%	
	Dream Cruises	264,100	1.9%	\$723,030,000	3.0%	
	Fred Olsen	110,700	0.8%	\$303,030,000	1.3%	
	Grand Circle Cruise Line	1,900	0.0%	\$5,320,000	0.0%	
	Hapag Lloyd	48,500	0.3%	\$132,910,000	0.6%	
	Hebridean Island Cruises	1,900	0.0%	\$5,320,000	0.0%	
	Hurtigruten	122,300	0.9%	\$334,930,000	1.4%	
	Lindblad Expeditions	17,500	0.1%	\$47,850,000	0.2%	
	Marella Cruises	102,900	0.7%	\$281,770,000	1.2%	
	MSC Cruises	1,414,700	10.2%	\$1,539,650,000	6.5%	
	Paradise Cruise Line	50,500	0.4%	\$138,230,000	0.6%	
	Phoenix Reisen	43,700	0.3%	\$119,620,000	0.5%	
	Ponant/Paul Gauguin Crui..	85,400	0.6%	\$233,920,000	1.0%	
	Quark Expeditions	15,500	0.1%	\$42,420,000	0.2%	
	Saga Cruises	38,800	0.3%	\$106,220,000	0.4%	
	SeaDream Yacht Club	3,900	0.0%	\$10,630,000	0.0%	
	Star Clippers	11,700	0.1%	\$31,900,000	0.1%	
	Star Cruises	80,200	0.6%	\$219,670,000	0.9%	
	TUI Cruises	330,100	2.4%	\$903,790,000	3.8%	
	Viking Cruises	143,700	1.0%	\$393,410,000	1.7%	
	Virgin Voyages	111,100	0.8%	\$304,100,000	1.3%	
	Voyages to Antiquity	7,800	0.1%	\$21,270,000	0.1%	
	Windstar	23,300	0.2%	\$63,800,000	0.3%	
		<b>Total</b>	<b>3,464,800</b>	<b>24.9%</b>	<b>\$6,951,160,000</b>	<b>29.2%</b>
	<b>Grand Total</b>		<b>13,905,800</b>	<b>100.0%</b>	<b>\$23,834,840,000</b>	<b>100.0%</b>

The cruise industry has reacted quite quickly to the unfolding crisis of Covid-19. Within 24 hours after WHO declared emergency, CLIA made first changes to the health policy. By mid-March cruise lines have suspended their commercial operations. All the next steps were crucial for the survival of the business and required precise planning, engagement of leading scientists and health experts to make it through. Enhanced Health & Safety protocols have become a lifeline for the industry. Such measures like passenger/crew 100% testing, physical distancing, health evaluations, strict protocol, coordination of destinations along with on-going vaccination made 'phased resumption' possible for cruises. Trial sailings have demonstrated that the protocols work and the cruise world is on the path to resumption. According to polls conducted by CLIA in 2020, 74% of cruisers are willing to cruise in the next couple of years. ((CLIA), 2021) [4]

Table 3 Worldwide Cruise Line Passenger Capacity 2021

Parent	Brand	Ship Count	Passenger Capacity
Carnival	Carnival	23	70,700
	Princess	17	45,500
	AIDA	15	36,786
	Costa Cruises	12	35,900
	Holland America	12	20,400
	P&O Cruises	7	16,600
	Seabourn	6	2,818
	Cunard	3	6,700
	P&O Cruises Australia	3	5,000
	<b>Total</b>	<b>98</b>	<b>240,404</b>
Royal Caribbean	Royal Caribbean	24	88,000
Caribbean	Celebrity	14	28,500
	Silversea	9	3,100
	Azamara	3	2,100
	<b>Total</b>	<b>50</b>	<b>121,700</b>
Norwegian	Norwegian	17	49,800
	Oceania Cruises	6	5,200
	Regent Seven Seas Cruises	5	3,400
	<b>Total</b>	<b>28</b>	<b>58,400</b>
All Other	Ponant/Paul Gauguin Cruises	22	4,400
	MSC Cruises	19	62,700
	Hurtigruten	14	6,300
	Lindblad Expeditions	11	900
	Viking Cruises	8	7,400
	TUI Cruises	7	17,000
	Windstar	6	1,200
	American Cruise Lines	5	700
	Fred Olsen	5	5,700
	Quark Expeditions	5	798
	Disney	4	8,500
	Dream Cruises	4	13,600
	Hapag Lloyd	4	2,500
	Marella Cruises	4	5,300
	Star Cruises	4	4,132
	Crystal	3	2,100
	Phoenix Reisen	3	2,250
	Star Clippers	3	600
	Blount Small Ship Adventures	2	200
	Celestyal Cruises	2	3,300
	Grand Circle Cruise Line	2	100
	Paradise Cruise Line	2	2,600
	Saga Cruises	2	1,998
	SeaDream Yacht Club	2	200
	Virgin Voyages	2	5,720
	Hebridean Island Cruises	1	100
	Voyages to Antiquity	1	400
	<b>Total</b>	<b>147</b>	<b>160,698</b>
<b>Grand Total</b>		<b>323</b>	<b>581,202</b>

There are some positive side effects that were caused by the pandemic. Covid-19 has enabled more responsible tourism, that implies adoption of the latest maritime environmental technologies. New capacities move to ‘zero sulfur emissions’ and 20% reduction in greenhouse gas emissions. ‘Advanced Water Treatment Systems’ along with EGCS ‘Shore Side Electricity’ and other cutting-edge maritime technologies make the cruise industry a leader in eco-friendly tendencies. ((CLIA), 2021)[4]

In the frames of ‘phased resumption’ cruise lines commence their operation starting March 2021. Table 4.

Table 4-Cruise Lines sailing schedule 2021 (updated June 23,2021)

CRUISE LINE	SAILINGS RESUMES:
<b>AIDA</b>	March 20, 2021
<b>Azamara</b>	August 28, 2021
<b>Carnival</b>	September 1, 2021, except some vessels that will sail in the beginning of July.
<b>Celebrity</b>	June 26, 2021

Celestyal Cruises	June 12, 2021
Crystal Cruises	July 3, 2021
Dream Cruises	Spring of 2021
Holland America Line:	July 24, 2021
Hurtigruten	August 15, 2021
The Majestic Line	May 18 2021
Maple Leaf Adventures	July 1, 2021
MSC Cruises	June 13, 2021
Norwegian Cruise Line	September 2, 2021 except some vessels that will sail in July
NYK Cruises	resumed again on March 26, 2021
Oceania Cruises:	August 29, 2021
P&O Cruises	June 27, 2021
Princess Cruises	July 25, 2021
Regent Seven Seas	September 11, 2021
Royal Caribbean	September 1, 2021, except some in April/June
Saga Cruises	July 26, 2021
Sea Cloud Cruises	August 6, 2021
Seabourn	July 3, 2021
Silversea	beginning of June 2021
Star Clippers	August 3, 2021
Windstar Cruises	March 26, 2021

To mitigate Covid-19 transmission onboard CDC (Center for Disease and Control and Prevention) has developed color-coding system for cruise ships. Basing on a ship color (green, yellow, orange and red), specific preventive measures are required or recommended to take onboard. A cruise ship's color is defined by the criteria listed in Figure 1.

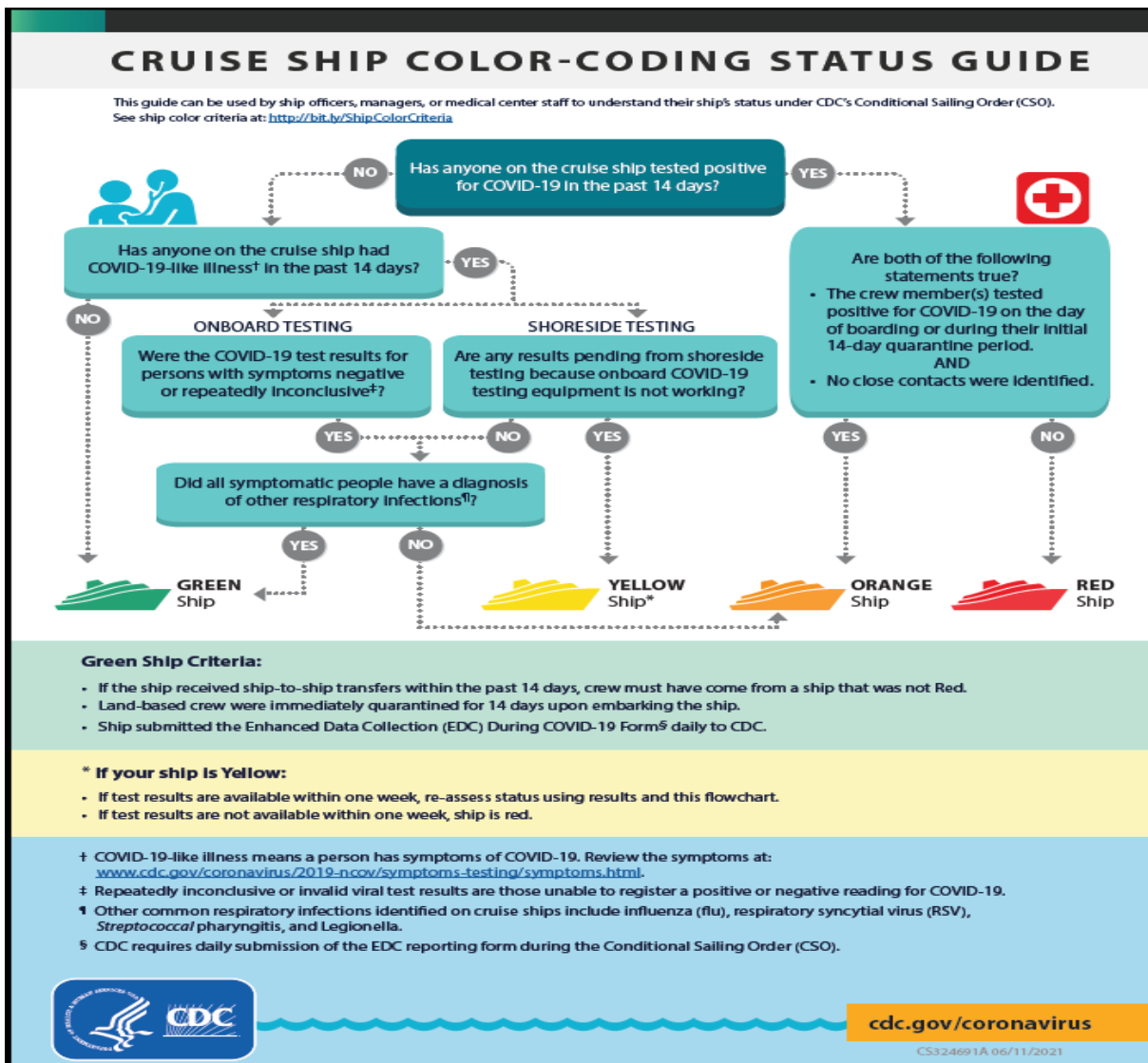


Figure 1 Cruise Ship Color-Coding Status Guide

## **Conclusion**

The purpose of this study is to provide an overview of the cruise industry in its resurrection period and evaluate the results of the measures taken by cruise community. To achieve the goal two type of information was gathered and analysed.

The first analysis is focused on statistical data, that showed the depth of the crisis in the industry by 60-80% drops in stock prices of 3 giant cruise companies (Carnival Corporation & PLC, Royal Caribbean Group and Norwegian Cruise Line) (Team, 2020) . Cruise lines have suffered 77\$ billion loss of their global economic activity. ((CLIA), 2021)

The second analysis addresses opinions of experts, managers and government representatives, as well as focus groups of passengers and other direct participants of the cruising process. Based on the information collected, the forecasts are more than encouraging. Health & Safety protocols proved to be effective enough to ensure safe operation.

The real pace of industry recovery has exceeded all expectations and forecasts made before. The results obtained so far suggest that 2022 will break the 2019 records of the cruise industry. According to Cruise Industry News Annual Report cruise lines have all the potential to carry 31.7 million passengers in 2022, continuing to grow to and hitting 38.7 million passengers by 2027 (2021 Cruise Industry News Annual Report, 2021) [13]



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Table 1 - [Growth of the Ocean Cruise Line Industry](#), Cruise Market Watch 2021

Table 2- [Worldwide Cruise Line Market Share 2021](#), Cruise Market Watch 2021

Table 3- [Worldwide Cruise Line Passenger Capacity](#), Cruise Market Watch 2021

Table 4- [Cruise Lines sailing schedule 2021](#) , 2021, June 23). *When Are Cruise Lines Around the World Expected To Resume Service?* Retrieved from Cruise Critic

Figure 1-Cruise Ship Color-Coding Status Guide

# Cover Letter

k.melikjanyan@bsma.edu.ge

(+995) 555165810

43 Rustaveli Ave, Batumi, Georgia 6010



25<sup>th</sup> of June 2021

To: IAMUC editorial committee

[iamuc21\\_sc@easychair.org](mailto:iamuc21_sc@easychair.org)

Dear Sirs,

I am writing to express my interest in your conference and submit my paper "**Life after Covid-19. Cruise industry rising from the ashes**". I learned about IAMUC 21 from my colleges in Batumi State Maritime Academy (BSMA) that I work for. After visiting your website, I have found that I address the topics provided and can contribute to the conference.

Currently I am majoring in Transportation Logistics and going to receive my PhD degree. Having rich experience in tourism industry and maritime logistics I decided to combine my knowledge and focus on cruise industry development that corresponds to my PhD thesis.

It would be a privilege to take part in your conference. I confirm that that the paper is an original one and is not published or considered for publishing anywhere else.

Thank you for your time, and I'm looking forward to hearing from you.

Sincerely,

Karina Melikjanyan