



U.S. Pacific Coast cruise outlook

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Given the important interrelationships that British Columbia's cruise sector has with United States Pacific Coast ports, this article will explore big ship, small vessel and port developments driving growth in the sector.

Alaska

Cruise Lines International Association (CLIA) Alaska notes that after incredible growth between 1997 and 2008, several cruise ships left the Alaska market following passage of an initiative that significantly increased operating costs. Consequently, Alaska's cruise market share fell well behind that of the Caribbean, Mediterranean, Europe/West Mediterranean, China, Australia/New Zealand/Pacific and Asia. In 2017, 33 ships made 488 calls to Alaska, carrying just over one million passengers – however, it took a decade for the volume of Alaskan cruise traffic to surpass previous peak levels.

CLIA reports that North American travellers are now tending to gravitate toward Western Hemisphere destinations

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and that the Alaskan market is currently seeing significant growth with cruise lines deploying ever bigger ships to serve Alaska. The result will be anticipated record-breaking 2018 and 2019 cruise seasons. The arrival of the first mega-ship — the 167,880-gross-ton, 4,000-passenger *Norwegian Bliss* — will be Alaska's first ultra-large new-build and the biggest cruise ship to visit the state so far.

Princess Cruises will expand their passenger volume by nearly 20 per cent by adding a seventh vessel to the Alaska market in 2018. In 2019, Princess will also join the trend of sending their largest ships to Alaska when the 141,000GT, 3,560-passenger *Royal Princess* will be deployed into the region.

Royal Caribbean International, which previously held the Alaskan market big ship title (with the 137,308GT, 3,286-passenger *Explorer of the Seas*) will take the lead again in 2019 when it relocates the three-year old 168,666GT,

4,180-passenger *Ovation of the Seas* to Alaska. Royal Caribbean had previously positioned this ship year-round in China and Australia.

Celebrity Cruises, Royal Caribbean's sister brand, also has a significant commitment to the Alaska cruise theatre. The company announced it will replace the smaller 2,170-passenger *Celebrity Infinity* with the 2,850-passenger *Celebrity Eclipse* in 2019.

Beginning each May and continuing through September, Alaska itineraries consist primarily of two routes: round-trip through Southeast Alaska's Inside Passage, primarily from Seattle and Vancouver; and trips that focus on the Gulf of Alaska, beginning or ending in Anchorage, primarily via the Southcentral Alaska port cities of Seward and Whittier. As a result, Alaska's top five cruise ports (Juneau, Ketchikan, Skagway, Glacier Bay, Sitka) accounted for 83 per cent of the cruise ships visits to the state, with 19 other communities



The Grand Princess and the Disney Wonder stop at Juneau, Alaska.



Seattle's Pier 66 and Pier 91 continue to service the Alaskan cruise market, with an expected 1,092,345 passengers in 2018, a new record.

accounting for a 17 per cent market share of cruise ship visits in 2017.

Mass consumer cruise tourism is important to the Alaskan economy since ship guests comprise 60 per cent of Alaska's summer visitors, according to CLIA Alaska. With a concentration of cruise traffic at Alaska's top five ports, state officials are working with stakeholders to address changes in the market that have impacted operators of smaller vessels.

Britteny Cioni-Haywood, Division Director, Division of Economic Development State of Alaska in an e-mail interview indicated that there had been a few of the changes to the small cruise vessel market since 2015. Highlights of the small cruise vessel fleet include:

- Alaskan Dream Cruises added a vessel during summer 2016 to bring the Alaskan-based fleet total to five vessels.
- UnCruise Adventures will return a seventh vessel to Alaska for 2018.

- Lindblad Expeditions added a third ship to its Southeast Alaska itineraries after having only two ships in Alaska for more than 30 years.

Ms. Cioni-Haywood suggests that the factors accounting for the renewed interest in small cruise ship itineraries in Alaska are the increased interest in small ship cruising and increasing interest in colder climate destinations and an earlier start to the sailing season.

To tap into the increased interest in sailing in the Arctic, Lindblad Expeditions will place the National Geographic Orion on an Arctic itinerary for 2018. Although, not a small cruise vessel by Alaska visitor statistics definition (vessels less than 250 passengers), Crystal Cruises (1000 passengers) will make its third sailing of the Northwest Passage in 2018.

The earlier start to the sailing season is being led by UnCruise Adventures which has begun homeporting some of its vessels in Alaska instead of Seattle. UnCruise adventures has promoted the

earlier itineraries by highlighting advantages of better weather and fewer crowds in April. Homeporting in Alaska brings some financial benefits to the homeport communities and allows the company to begin cruises in April.

The small cruise vessel market has shown growth since its ebb in 2011 and Alaska is positioned to benefit from global interest in small ship experiences. Passenger capacity rebounded to 16,900 passengers during the 2015 season with 2016 seeing similar numbers. Small vessel operators active in the 2018 Alaska cruise theatre include Alaskan Dream Cruises, American Cruise Lines, The Boat Company, Fantasy Cruise – Small Ship Alaska, Lindblad Expeditions, Maple Leaf Adventure, Small Ship Alaska and Un-Cruise Adventures.

Washington and Oregon

With a new record, the Port of Seattle handled 1,071,594 revenue passengers through its cruise terminals in 2017. An estimated 1,092,345 passengers are expected in 2018. Seattle's recently renovated cruise ship terminal is big-ship ready and the port is eagerly anticipating the arrival of the *Norwegian Bliss* this year. *Ruby Princess* will sail a brand new seven-day Northern California Coast voyage in 2018 with a roundtrip Seattle itinerary featuring stops in Monterey, Astoria, and late-evening stays in San Francisco and Victoria.

The Port of Seattle has also been busy building its commercial capacity. The port invited stakeholders to a cruise connections event where tourism partners, suppliers and representatives from local attractions were invited to meet cruise line executives and other key industry players. Attendees were provided with an opportunity to learn about Seattle's cruise sector and business prospects at this full-day event in January 2018 held at the Bell Harbor International Conference Center at Pier 66.

With all the fanfare associated with the seasonal home-porting of the *Norwegian Bliss* in Seattle, it is possible to overlook developments in the small ship cruise market. American Cruise Lines announced that their ship, *American Constellation*, was on its way to Puget Sound in January 2018, to arrive in time for the upcoming

Pacific Northwest cruise season. The vessel's inaugural 2017 season was on the East Coast. *American Constellation* will sail the three Puget Sound itineraries in March, April, May and early June 2018. The ship will then head to Alaska in late June through early September for Southeast Alaska cruises and the longer Alaska Inside Passage itinerary. *American Constellation* will resume sailing in the Puget Sound in the fall of 2018 (late September through early November).

The Port of Astoria is the first deep-water cruise ship port on the Columbia River. It is situated near the mouth of the majestic Columbia River. The Port serves a growing cruise ship port-of-call business. Bruce Conner, Cruise Marketing Director for the port stated that there will be 27 deep-sea cruise ships calls in 2018 including the maiden visit by the *Disney Wonder*.

The Cruise Lines International Association's 2018 *Cruise Industry Outlook* reports that river and small ship cruising continues to gain traction among travellers. The vast Columbia River is 4.5

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miles wide and separates Oregon from neighboring Washington State. The river provides the opportunity for Astoria to tap into this growth trend with American Cruise Lines which offers Columbia River cruises. For the first time in 2018, round-trips from Portland will be offered. Itinerary highlights are the Columbia River Gorge, a national scenic area and the only navigable route through the Cascade Mountains.

California

The Port of San Francisco plays a critical role for Pacific Coast cruise traffic. Most cruise ships passing along the West Coast visit the city on their way to or from Alaska. Fifteen different cruise brands will visit San Francisco this year with maiden calls from *Silver Explorer*, *Norwegian Bliss* and *Le Soleal*.

The Port of San Francisco's busiest months for cruise are May and September. The traffic pattern has been established for many years but passenger volume has recently been on an upward trend. "The port expects 77 ship calls and 270,000 guests in 2018," said Michael Nerney, Assistant Deputy Director for the Port of San Francisco. Unlike their southern California cousins, cruise traffic at the Port of San Francisco has more than recovered from the depths of the recession.

San Francisco's cruise diversification accounts for its current success. Nearly 60 per cent of the calls are full or partial turns, and 40 per cent are transit calls, according to Nerney. Round-trip cruise itineraries include seven, 10 and 15-day durations. San Francisco's year-round home port itineraries include Alaska, Coastal California, Mexico, and Hawaii.

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The Port of Long Beach's cruise terminal recently underwent a multi-million-dollar redevelopment.

"The West Coast is an important market with vast growth potential and these initiatives further demonstrate the confidence in our future success in Long Beach."

Since 2013, the city is a year-round home port for the *Grand Princess*, and in 2018, the ship will make 35 home port calls. The relatively new James. R. Herman Cruise Terminal at Pier 27 in San Francisco is big ship cruise ready.

According to Christopher Chase, Marketing Manager for the Port of Los Angeles, noted that cruise industry activity in California's San Pedro Bay "has been on a bit of a roller coaster over the last decade." Cruise traffic bottomed out in the 2012-13 period, rebounded somewhat in 2016, and is anticipated to start climbing again in the 2018 season. The fluctuating traffic levels largely stem from the lingering impacts of the 2008 recession, the reallocation of cruise ship capacity away from the Mexican Riviera, and the ability of cruise lines to adapt to the 2007, State of California's Air Resources Board (ARB) regulations commonly referred to as the At-Berth Regulation.

"The Port of Los Angeles is anticipating 113 vessel calls and 513,000 passengers this year and larger cruise vessels are appearing on the market," said Chase. "For

example, the *Norwegian Bliss* will have seven visits to the Port of Los Angeles in 2018. It will become the biggest cruise ship ever to dock in Los Angeles."

Another large vessel on the horizon will be the *Royal Princess*' debut on the Pacific Coast in 2019. It will be Princess Cruise Line's largest ship ever to sail to Mexico from Los Angeles. The vessel will also sail for the first time along the California Coast from Los Angeles to Vancouver on a seven-day Pacific California Coast itinerary that includes stops at San Diego, Seattle and San Francisco. In addition, Princess will offer more sailings to Alaska roundtrip from Los Angeles with the *Ruby Princess* and *Star Princess* both sailing on a 12-day itinerary starting in April 2019. To help prepare for the larger ships, the Port of Los Angeles has increased the number of passenger screening lanes required to clear customs at the terminal.

In February 2018, Carnival Cruise Line announced three significant initiatives designed to bolster its leadership position on the Pacific Coast: The re-opening of its 146,000-square-foot, state-of-the-art

Long Beach Cruise Terminal; a multi-million-dollar port development project in Mexico aimed at making Ensenada one of the Pacific Coast's premier destinations; and the deployment of the *Carnival Panorama* to Long Beach in 2019, the first new Carnival ship based in Southern California in 20 years.

The re-opening of the Long Beach terminal coincides with the arrival of the *Carnival Splendor* to Long Beach, which will operate seven-day cruises to Mexico and longer voyages to Alaska and Hawaii, representing a 40 per cent capacity increase on this route. The 113,300-ton *Carnival Splendor* is currently the largest ship based year-round in Southern California.

During the February 2018 announcement, Carnival President Christine Duffy said, "The West Coast is an important market with vast growth potential and these initiatives further demonstrate the confidence in our future success in Long Beach." In 2019, Carnival will make history when it deploys its third Vista-class ship, the 3,960-passenger *Carnival Panorama*, on seven-day Mexican Riviera cruises from Long Beach, providing an exciting new sea-going vacation option to this vital and fast-growing market.

Upgrades to the Long Beach Cruise Terminal will also enable larger ships

to use shore power. Not to be outdone, the Port of Los Angeles indicated that there will be a major update to the port's shore power system, set to debut in 2018, that will provide more electricity for bigger ships, according to a *Cruise Industry News* report.

In California, future cruise industry growth will be tied to cost-effective means of complying with environmental regulations. The purpose of California's At-Berth Regulation is to reduce emissions from diesel auxiliary engines on container ships, passenger ships, and refrigerated-cargo ships while berthed at a California Port. A 2017 California Air Resource Board (CARB) advisory indicated that the California regulations require fleets complying under the Reduced Onboard Power Generation Option to satisfy higher requirements. Presently, fleets that comply under the Equivalent Emission Reduction Option pathway must reduce NOx and particulate matter by 70 per cent or more through the use of a CARB-approved technology. On January 1, 2020, the requirements under

the existing regulation increase to 80 per cent for power reduction and equivalent emission-reduction requirements.

Conclusion

Our tour of United States Pacific Coast cruise ports reveals that industry officials have been hard at work dealing with the changes that are occurring in the market place. The unilateral imposition of onerous taxes on the cruise industry in Alaska (a decade ago) had a negative ripple effect on the entire Pacific Northwest cruise industry. The length of time it has taken the Alaska cruise theatre to recover and surpass peak passenger volumes serves as an important reminder of the damage that can be done to a shipping market when ill-conceived and badly timely government policies are implemented.

The strong demand for Alaska cruises and the presence of ultra-large cruise ships is expected to continue to shape the market over the next few seasons. CLIA Alaska reports that between 2015 and 2018 the average cruise ship tonnage will have expanded by 18 per cent and

capacity will have increased by about 14 per cent.

California cruise port officials are no doubt optimistic that larger ships entering the Alaska market will provide a symbiotic relationship and that, with a renewed interest, growth in the Mexican Riviera market will occur in the years ahead. A strengthening southern California marketplace, a diversified cruise mix in San Francisco, and the emergence of some smaller U.S. Pacific ports benefiting from the trends driving the cruise industry, suggests that there is more driving the growth in the United States cruise sector than simply complying with *Jones Act* cabotage requirements. Rather, environmental regulations may be the biggest factor helping drive the need for port cruise sector investment.

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