

Case Study for Small Cruise Ships in Key West

It's not a ban.

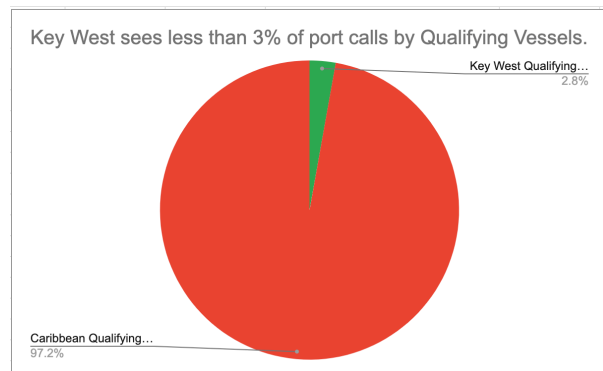
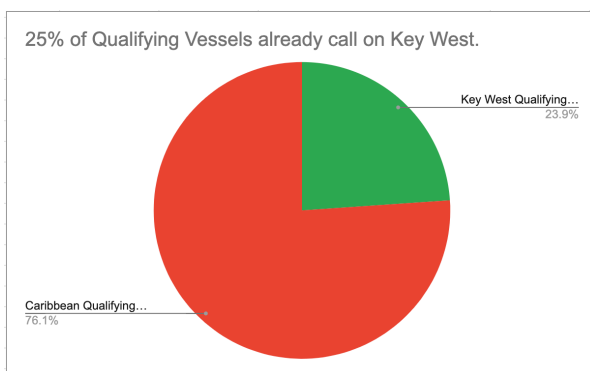
If enacted by voters, the amendments to the city charter will reduce the size of cruise ships that call on Key West and the number of passengers that disembark each day. Cruise ships with the capacity to carry 1,300 or more persons (passengers and crew) will be prohibited; and the maximum number of persons disembarking each day will be limited to 1,500. This would allow for one small cruise ship of 1,300-capacity, or two very small cruise ships of 750-capacity.

Prior to the “no-sail” order issued by the CDC, Key West was scheduled to receive 29 port calls by 11 qualifying vessels in calendar 2020. Some who are opposed to the referenda’s passage have used this figure to claim that the amendments would cause a 95% reduction in visits by cruise ships. Their estimate assumes a 0% increase to port calls by small ships over current figures.

However, the amendments were drafted with the goal of increasing port calls by qualifying small cruise ships. Key West is one of the most desirable destinations in a very desirable region. Its unparalleled architecture, history, and subtropical climate and ecology make it a worldwide draw. The relatively low number of small ships in the past owes partly to the fact that small cruise ships are generally averse to calling on ports that are dominated by large cruise ships. The amendments will only emphasize the fact that Key West is ideally suited to small cruise ships. With sufficient outreach and marketing, the vacuum left by large cruise ships will easily be filled.

Within the broader Caribbean basin, more than 1,000 port calls by at least 35 qualifying vessels were scheduled this year (see Table 1, attached). Many small cruise ships are based nearby at the Port of Miami, where a special terminal, Terminal J, is reserved for their use.

Key West is now visited by 25% of qualifying vessels in the region, but receives only 3% of total qualifying port calls. There is room for exponential growth, both in terms of the number of qualifying vessels that visit and in the frequency of their visits.



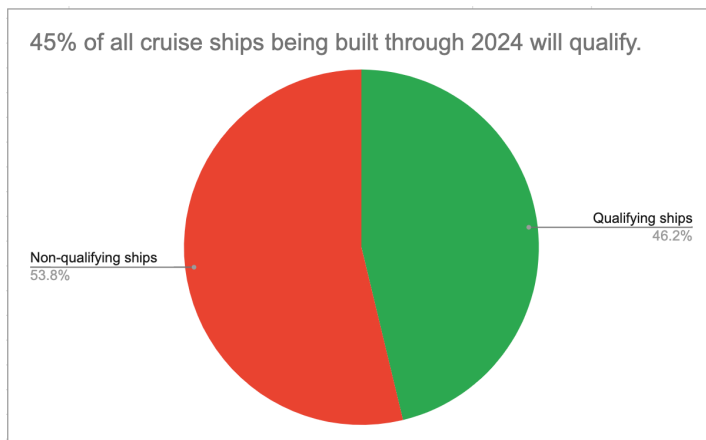
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More small ships are coming soon.

The class of ships permitted by the amendments constitutes the fastest-growing sector of the cruise industry. “A growing number of travelers is looking for an intimate experience,” remarks Bill Sutherland, senior vice president of AAA Travel. “They’re turning to smaller, ultra-premium cruises, demonstrating tremendous interest in cruise lines like AmaWaterways, Seabourn Cruise Line, Azamara Club Cruises ... and others.”¹

Royal Caribbean’s acquisition of Silversea in 2018 was motivated by this growth potential. “The ultra-luxury and expedition segments are growing at twice the rate that every other segment in the industry is growing,” said Richard Fain, CEO of Royal Caribbean Cruises.² Small ship cruises “are projected to have strong demand growth, and both are vacation products used by our higher yielding guests,” Mr. Fain said.³

This confidence in the small-ship sector is reflected across the industry. Future build orders through 2024 show that 45% of all new ships coming to market will qualify to call on Key West after the referenda (see Table 2 attached).⁴



Small cruise ships are also likely to gain even more favor as the pandemic continues to impact travel. Veteran cruise industry observer Gene Sloan writes: “There is a growing consensus in the cruise industry that ... small vessels that sail coastal routings will be able to resume semiregular operations this year far earlier than bigger ships... In part, this is because small vessels offer a sort

¹ “Demand Grows For Luxury Cruises, Says AAA.” Travel Agent Central, October 16, 2018.

<https://www.travelagentcentral.com/cruises/stats-demand-grows-for-luxury-cruises-says-aaa>

² “Seabourn Is Building Expedition Ships as Demand for Luxury Adventure Grows.” Skift, July 2, 2018.

<https://skift.com/2018/07/02/seabourn-is-building-expedition-ships-as-demand-for-luxury-adventure-grows/>

³ “Royal Caribbean to Buy Controlling Stake in Silversea.” Wall Street Journal, June 14, 2018. <https://www.wsj.com/articles/royal-caribbean-to-buy-controlling-stake-in-silversea-1528974052>

⁴ “Cruise Ship Orderbook.” Cruise Industry News, June 16, 2020.

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of small-group travel that is easier to manage in an era of social distancing than the mass tourism of big ships.”⁵

Cruise lines cannot afford to say no.

As the world begins to emerge from the economic shutdown, leaders whose economies depend on tourism have prohibited cruise ships of all sizes. In June, Spain banned all cruise ships of any size for the indefinite future. Canada has banned all cruise ships through the end of 2020. The Seychelles have banned all cruise ships until 2022. The CDC has yet to indicate whether or not it will lift the “no-sail” order that was scheduled to expire at the end of July.

Cruise industry leaders have acknowledged that many destinations are not accepting cruise ships and will adapt their itineraries and ship placements accordingly. “When we start up again, every destination is not going to start at the same time,” Carnival CEO Arnold Donald said recently. “They’re going to open up in their own time with their own rules and regulations.”⁶

Some who are opposed to the referenda’s passage have argued that cruise lines will turn their backs on Key West if the amendments are enacted. This recalls arguments made by the those who pushed for dredging of the channel in 2013. At the time, Mike Ronan, Royal Caribbean’s vice president of government affairs in the Caribbean, sent an email to the Key West Director of Port Operations stating “Our ship designs for the foreseeable future will be of a size that will not be able to call Key West if the channel is not modified.” In fact, the channel was not modified, and local cruise ship traffic increased by over 25%.

Threats by the cruise industry and their backers are as empty today as they were in 2013. Cruise lines have a surplus of ships and a shortage of ports that are willing to accept the public health risk of hosting them. By welcoming small cruise ships that conform to sensible limits, cruise ship interests in Key West will have a very strong negotiating position.

⁵ “3 more major cruise lines cancel sailings into October.” The Points Guy, June 16, 2020. <https://thepointsguy.com/news/norwegian-regent-oceania-cruise-cancellations/>

⁶ “Carnival Corp. Sells Six Cruise Ships, More To Come.” Cruise Radio, June 18, 2020

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Qualifying vessels scheduled within the Caribbean basin — 2020				
Corporate Parent				
Royal Caribbean				
Brand	Vessel	Passengers	Crew	Total Passengers + Crew
Azamara	Azamara Pursuit	724	380	1104
Azamara	Azamara Journey	694	407	1101
Silversea	Silver Explorer	173	111	284
Silversea	Silver Moon	691	411	1102
Silversea	Silver Shadow	423	287	710
Silversea	Silver Whisper	486	302	788
Silversea	Silver Wind	319	210	529
Carnival Corporation				
Princess Cruises	Pacific Princess	824	373	1197
Seabourn	Seabourn Odyssey	458	330	788
Seabourn	Seabourn Quest	540	330	870
Seabourn	Seabourn Sojourn	540	330	870
Norwegian Cruise Lines				
Oceania Cruises	Oceania Insignia	824	400	1224
Oceania Cruises	Oceania Sirena	803	375	1178
Oceania Cruises	Oceania Regatta	647	402	1049
Regent Seven Seas	Seven Seas Mariner	700	445	1145
Regent Seven Seas	Seven Seas Navigator	490	345	835
Regent Seven Seas	Seven Seas Voyager	700	447	1147
Regent Seven Seas	Seven Seas Splendor	750	542	1292
Phoenix Reisen				
Phoenix	Albatros	920	340	1260
Phoenix	Amadea	600	280	880
Phoenix	Amera	835	420	1255
Fred. Olsen Group				
Fred. Olsen	Black Watch	868	330	1198
Hapag Lloyd				

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Hapag Lloyd	ms Europa	408	285	693
Hapag Lloyd	ms Europa 2	516	370	886
Star Clippers				
Star Clippers Cruises	Royal Clipper	227	105	332
Star Clippers Cruises	Star Flyer	170	72	242
Saga Group				
Saga Cruises	Saga Sapphire	706	416	1122
Sea Dream Yacht Club				
SeaDream	SeaDream I	110	85	195
SeaDream	SeaDream II	110	85	195
Anschutz Corp.				
Windstar	Star Breeze	312	190	502
Windstar	Star Legend	312	190	502
Windstar	Star Pride	212	150	362
Windstar	Wind Star	168	88	256
Windstar	Wind Surf	312	163	475
MS Fram				
Fram	Hurtigruten	80	94	174

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TABLE 2: Build Orders for Qualifying Ships, 2020-2024

Completion date	Brand	Vessel	Passenger capacity
2020	Silversea	Silver Origin	100
2020	Coral Expeditions	Geographer	120
2020	Lindblad	NG Endurance	126
2020	Sea Cloud	Spirit	136
2020	Ponant	Le Bellot	180
2020	Ponant	Le Jacques Cartier	180
2020	SunStone	Ocean Victory	186
2020	Mystic/Nicko	World Voyager	200
2020	Quark	Ultramarine	200
2020	Crystal	Endeavor	200
2020	Star Clippers	Flying Clipper	300
2020	uten	Fridtjof Nansen	530
2020	Silversea	Silver Moon	596
2020	Regent	Splendor	750
2021	Emerald	Azzurra	100
2021	Lindblad	NG Resolution	126
2021	SunStone	Sylvia Earle	132
2021	SunStone	Ocean Explorer	140
2021	Vodohod	Unnamed	148
2021	Oceanwide	Janssonius	174
2021	Mystic/Atlas	World Navigator	200
2021	Crystal	Unnamed	200
2021	Hapag-Lloyd	H/Spirit	230
2021	Seabourn	Venture	264
2021	Ponant	Commandant Charcot	270
2021	Ritz-Carlton	Evrima	298
2021	Viking Ocean	Viking Octantis	378
2021	Hurtigruten	Unnamed	530
2021	Silversea	Silver Dawn	596

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2022	SunStone	Ocean Odyssey	140
2022	Vodohod	Unnamed	148
2022	SunStone	Ocean Discoverer	186
2022	SunStone	Ocean Albatros	186
2022	Mystic/Atlas	World Traveller	200
2022	Mystic/Atlas	World Seeker	200
2022	Crystal	Unnamed	200
2022	Scenic	Eclipse II	228
2022	Paul Gauguin	Unnamed	230
2022	Paul Gauguin	Unnamed	230
2022	Seabourn	Unnamed	264
2022	Aranui	AraMana	280
2022	Ritz-Carlton	Unnamed	298
2022	Viking Ocean	Viking Polaris	378
2022	Crystal	Unnamed	800
2023	Mystic/Atlas	W. Adventurer	200
2023	Mystic/Atlas	W. Discoverer	200
2023	Ritz-Carlton	Unnamed	298
2023	Regent	Unnamed	750
2024	Ocean Residences	Njord	300