

## Cruising in Choppy Waters

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CRUISING has come a long way in the last 20-years. But as the credit crunch takes hold across the world with car firms and banks running cap in hand to Governments for huge bail-outs, massive high street names such as Woollies and MFI forced to close their doors – we ask, will the cruise industry be next?

Could we see the big bad word of “consolidation” in the cruise industry?

No question the economic downturn is taking its toll on the cruise industry. The advanced booking situation has got so bad, Wall Street is now thinking aloud if some of our favourite names could fail in the next 12-months, which would see a rush to consolidate quickly.

Carnival, the world’s biggest cruise operator, said last week when pressed by analysts, if they would be a buyer of one of the other cruise Lines should weaker players in the market suddenly sail into choppy waters. Carnival Chairman and CEO Micky Arison replied: “We won’t rule it out.”

He added: “Just like post Sept 11th, sometimes opportunities avail themselves that you’re not expecting, and we’ll be diligent about that as time progresses.”

If you look across the cruise industry, Carnival might be the only operator in the next two-years, who could snap up a ship or two if another Liner failed.

After September 2001, NCL jumped into Hawaii, after American Classic went bust, Renaissance’s fleet was broken up and sent around the world to other cruise Lines including Royal Caribbean.

It’s true a lot depends on how long, how deep and how hard the world’s recession is. No cruise line has a “pristine balance sheet” Arison said on his conference call.

Royal Caribbean’s CEO Richard Fain, remained upbeat and confident that the whole industry could out sail the recession.

“Most people see their holiday as an important part of life. Everybody is under pressure. Worried about the economy. Worried about their private investments, so their holiday becomes, if anything, more important.

“Our own research tells us that cruising still remains good value for money”

Fain went on to say: “Any consequence is hard to judge. No one knows how long it’s going to last, how deep it’s going to be or exactly how it affects, or who it’s going to affect. Everyone needs to be prudent in what they do. This is not only a difficult time for the cruise companies; it’s an equally difficult time for travel agents”.

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