



U.S. Department of Transportation
Maritime Administration



North American Cruises

1st Quarter 2008



Office of Policy and Plans

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Highlights

During the fourth quarter of 2008, 17.7 million passenger nights were booked on North American cruises, down by 0.6 percent from the record level a year earlier (Figure 1 and Table 1). About 2.7 million passengers were carried on 1,180 cruises by the seventeen largest cruise lines.

The occupancy rate (based on passengers) for North American cruises was 109 percent for the first quarter, the highest 1st quarter occupancy in the last 4 years. (Note: A double stateroom with two passengers is considered 100 percent occupied. Since many double staterooms can accommodate three or four people, occupancy can be more than 100 percent.)

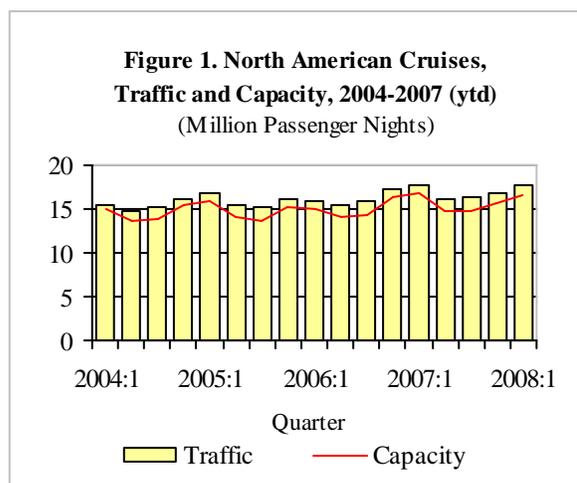


Table 1. North American Cruises, Key Statistics, 2004-2007*
(Capacity and Traffic in Millions)

Year/Quarter	Vessels		Capacity [^]		Traffic		Occupancy (%)	
	No.	Cruises	Passengers	Pass. Nights	Passengers	Pass. Nights	Passengers	Pass. Nights
2004	112	4,465	8.66	57.61	9.42	61.63	109	107
1	99	1,173	2.17	14.80	2.31	15.41	106	104
2	95	1,068	2.11	13.72	2.32	14.83	110	108
3	87	1,097	2.17	13.83	2.44	15.31	112	111
4	107	1,127	2.20	15.27	2.36	16.07	107	105
2005	114	4,463	8.88	59.03	9.75	63.73	110	108
1	102	1,209	2.35	15.84	2.54	16.92	108	107
2	101	1,096	2.18	14.19	2.41	15.41	110	109
3	84	1,063	2.16	13.71	2.42	15.22	112	111
4	100	1,095	2.20	15.28	2.37	16.18	108	106
2006	111	4,435	9.09	60.21	9.97	65.03	110	108
1	99	1,118	2.25	15.10	2.42	16.01	108	106
2	99	1,065	2.18	14.32	2.44	15.70	112	110
3	82	1,091	2.26	14.39	2.53	15.94	112	111
4	103	1,161	2.40	16.40	2.59	17.38	108	106
2007	117	4,464	9.35	62.15	10.29	67.20	110	108
1	104	1,205	2.46	16.87	2.65	17.84	108	106
2	104	1,063	2.25	14.81	2.50	16.12	111	109
3	79	1,098	2.33	14.71	2.63	16.39	113	111
4	100	1,098	2.31	15.75	2.51	16.85	109	107
2008 (ytd)	98	1,180	2.48	16.49	2.70	17.73	109	108
1	98	1,180	2.48	16.49	2.70	17.73	109	108

Source: Maritime Administration.

*The Cruise statistics cover seventeen major cruise lines that offer North American cruises with a U.S. Port of call.

[^] Capacity is based on 2 passengers per stateroom.

Measured over the last 5 years, passenger nights booked during the first quarter were about 4 percent higher than during the previous quarter as cruise ships moved from Europe to North America (Table 2). For the Caribbean segments (combined), the seasonal rise was about 17 percent, as cruise ships returned from Bermuda, Canada, New England and Europe.

Table 2. North American Cruise Passengers by Destination, 2005–2008 (ytd)*
(Passengers in Thousands)

Destination [^]	2006					2007					2008
	1	2	3	4	Annual	1	2	3	4	Annual	1
Alaska	0	352	587	0	939	0	403	611	0	1,014	0
Atlantic Coast	0	0	0	0	0	0	0	0	0	0	0
Bahamas	336	429	401	375	1,541	344	392	372	334	1,442	327
Bermuda	0	81	119	35	234	0	67	111	32	211	0
Canada/New England	0	22	104	38	165	0	30	123	36	189	0
Eastern Caribbean	432	324	270	359	1,386	435	289	281	404	1,409	476
Far East	0	0	0	1	1	5	2	4	1	12	5
Hawaii	91	76	105	130	402	124	121	120	129	495	89
Mexico (Pacific)	310	239	180	347	1,075	330	237	260	388	1,215	382
Nowhere	0	5	0	5	9	0	10	9	12	31	0
Pacific Coast	0	28	25	8	60	0	30	7	22	59	3
South America	9	8	0	2	18	9	3	0	3	14	2
South Pacific/Far East	3	3	6	0	12	0	0	5	1	7	0
Southern Caribbean	278	115	85	271	749	310	119	93	283	805	396
Transatlantic	2	60	35	41	138	8	68	35	50	162	14
Trans-Pan. Canal	17	25	15	35	91	42	24	9	42	117	24
Western Caribbean	942	672	598	940	3,151	1,041	700	593	773	3,107	980
All Destinations	2,420	2,436	2,528	2,586	9,971	2,646	2,496	2,634	2,510	10,289	2,699

Source: Maritime Administration.

*The Cruise statistics cover seventeen major cruise lines that offer North American cruises with a U.S. Port of call.

[^] Destination Notes:

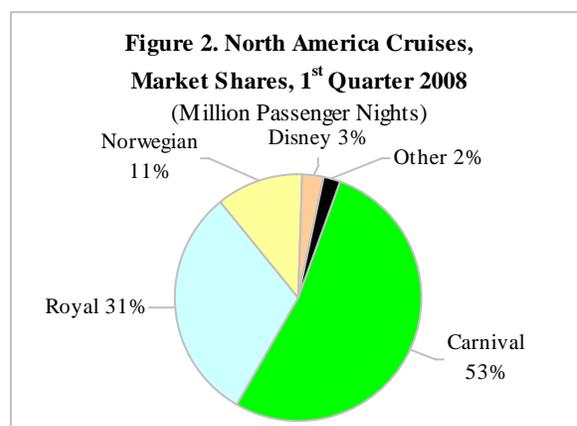
Eastern Caribbean: As far South as St. Maarten, as far west as Haiti.

Southern Caribbean: South of St. Maarten to northern coast of South America as far as Aruba.

Western Caribbean: West of Haiti, includes ports in Mexico, Central America and Columbia.

Market Concentration

There are two commonly-used methods of measuring market concentration: the concentration ratio (CR_4), which is the sum of market shares for the four largest firms in a market; and the Herfindahl-Hirschman Index (HHI) which is the sum of squared market shares for all firms in a market.¹ In general, if CR_4 is less than 40 percent, the market is considered competitive. On the other extreme, if the largest firm (CR_1) controls over 90 percent of the market, the market would be an effective monopoly. A CR_4 in the 40-90 percent range is considered an oligopoly (few sellers). For the HHI, values greater than 1,800 is considered a highly concentrated market (oligopoly), and a value greater than 8,500 would be an effective monopoly.



The North American cruise market is highly concentrated (an oligopoly), with the top four firms (Carnival, Royal Caribbean, Norwegian and Disney) accounting for 98 percent of the first quarter 2008 passenger nights and an HHI value of 3,880 (Figure 2, Table 3). By itself, Carnival accounted for 6 brands and 53 percent of the passenger nights.

¹ The Department of Justice divides the spectrum of market concentration into three regions that can be broadly characterized as unconcentrated (HHI below 1000), moderately concentrated (HHI between 1000 and 1800), and highly concentrated (HHI above 1800). See "Horizontal Merger Guidelines" Department of Justice and the Federal Trade Commission, http://www.usdoj.gov/atr/public/guidelines/horiz_book/toc.html

Table 3. North American Cruise Passenger Nights by Cruise Line, 2005-2008 (ytd)
(Passenger Nights in Millions)

Corp./Cruise Line	2006					2007					2008
	1	2	3	4	Annual	1	2	3	4	Annual	1
Carnival Corp.	8.11	8.37	8.67	8.90	34.05	8.94	8.89	9.27	9.22	36.32	9.35
Carnival Cruise	4.09	4.78	4.74	4.75	18.36	4.66	4.83	5.11	4.93	19.53	5.08
Costa Cruise	0.49	0.20	0.00	0.27	0.96	0.40	0.20	0.00	0.28	0.88	0.44
Cunard Line	0.22	0.15	0.22	0.18	0.77	0.21	0.21	0.23	0.23	0.88	0.43
Holland America	1.24	1.34	1.46	1.36	5.40	1.33	1.23	1.41	1.38	5.35	1.28
Princess Cruises	2.05	1.89	2.24	2.31	8.49	2.32	2.43	2.52	2.39	9.66	2.10
Seabourn Cruise	0.02	0.01	0.00	0.02	0.05	0.02	0.00	0.00	0.02	0.04	0.02
Royal Caribbean	5.26	4.88	4.69	5.54	20.37	5.65	4.63	4.58	4.80	19.66	5.48
Celebrity Cruise	1.14	0.94	0.83	1.04	3.95	1.21	0.71	0.65	0.74	3.31	0.97
Royal Caribbean	4.12	3.94	3.86	4.51	16.43	4.44	3.92	3.93	4.06	16.35	4.51
Norwegian Cruise	1.72	1.80	2.00	2.14	7.66	2.25	2.05	2.09	2.05	8.44	2.00
Disney Cruise	0.46	0.48	0.47	0.43	1.84	0.46	0.36	0.37	0.47	1.66	0.48
Other	0.46	0.16	0.11	0.37	1.11	0.54	0.20	0.08	0.31	1.13	0.42
Crystal Cruises	0.07	0.02	0.03	0.10	0.22	0.09	0.00	0.03	0.11	0.23	0.08
MSC Italian Cruises	0.23	0.05	0.00	0.14	0.42	0.28	0.11	0.00	0.08	0.47	0.16
Oceania Cruises	0.05	0.00	0.00	0.03	0.08	0.06	0.00	0.00	0.00	0.06	0.05
Regent Seven Seas	0.06	0.07	0.05	0.06	0.24	0.07	0.07	0.05	0.07	0.26	0.07
Seadream Yacht	0.01	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.01	0.02	0.02
Silversea Cruises	0.03	0.02	0.03	0.03	0.11	0.02	0.01	0.00	0.03	0.06	0.02
Windstar Cruises	0.01	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.01	0.02	0.01
All Cruise Lines	16.01	15.70	15.94	17.38	65.03	17.84	16.13	16.39	16.85	67.21	17.73

Source: Maritime Administration.

*The Cruise statistics cover seventeen major cruise lines that offer North American cruises with a U.S. Port of call.

During the first quarter of 2008, Norwegian Cruise Line removed the PRIDE OF HAWAII from the Hawaiian Islands, where it had been since 2006, and deployed it on Mediterranean cruises. Consequently, Norwegian's passenger night were down 11 percent from a year ago, contributing to a rise in the concentration measures over the same period.

Competition between sellers in an oligopoly can be fierce with low prices and extreme levels of product differentiation (market segmentation) which appears to be the case in the North America cruise market. In 2007, for example, ten firms offered 210 different cruise products, differentiated by ship, departure port, destination and nights. The cruises involved 98 ships, 28 departure ports, 11 major destinations and ranged in length from 2-28 nights.

The expansion of departure ports has become a major tool in differentiating cruise products. By expanding the number of home ports for their fleets, cruise lines have reduced congestion and eliminated the need for passengers to fly to major cruise ports. For the first quarter of 2008, the cruise ships departed from 28 ports, up from 25 two years earlier. Mobile, Honolulu and San Diego have emerged as significant cruise ports, and New Orleans has re-emerged as a significant cruise port with 73 thousand passenger departures so far in 2008 (Table 5).

Table 4. CR and HHI Values for the North America Cruise Market, 2006-2008 (ytd)

Year/Quarter	CR ₁	CR ₄	HHI
2006			
1	50.7	97.2	3,778
2	53.3	98.9	3,954
3	54.4	99.3	3,990
4	51.2	97.9	3,802
Annual	52.4	98.3	3,874
2007			
1	50.2	97.0	3,689
2	55.1	98.8	4,034
3	56.6	99.5	4,148
4	54.8	98.2	3,969
Annual	54.1	98.3	3,945
2008			
1	52.8	97.7	3,880

* Values based on passenger nights.

^ Includes Southern, Eastern and Western Caribbean.

Table 5. North American Cruise Passengers by Departure Port, 2005-2007
(Passengers in Thousands)

Departure Port	2006					2007					2008
	1	2	3	4	Annual	1	2	3	4	Annual	1
Miami	539	460	384	507	1,890	564	437	383	506	1,890	632
Fort Lauderdale	473	206	95	371	1,145	500	230	142	417	1,289	557
Port Canaveral	305	371	369	352	1,396	349	323	311	316	1,298	311
San Juan	189	118	85	163	555	185	99	93	156	534	209
Los Angeles	171	126	90	196	583	184	126	125	189	624	188
San Diego	69	32	0	79	180	81	43	53	164	341	141
Galveston	187	145	122	162	616	179	140	115	96	529	132
Tampa	155	106	79	121	461	120	83	67	97	368	124
Long Beach	92	95	98	95	380	86	94	99	91	370	92
New Orleans	0	0	0	75	75	92	58	46	61	258	73
Honolulu	61	62	92	102	316	99	98	97	88	382	61
New York	58	123	230	125	536	63	143	234	85	640	48
Jacksonville	31	33	32	32	128	31	34	33	33	130	32
Cape Liberty	2	49	65	8	123	0	24	51	39	114	31
Mobile	2	33	33	31	99	33	32	34	32	130	29
Charleston	19	10	0	19	47	20	5	0	20	44	21
San Francisco	18	36	21	16	91	21	35	19	0	75	3
Vancouver, CAN	0	137	263	2	402	0	181	279	3	462	0
Seattle	0	141	234	7	382	0	142	224	20	386	0
Whittier	0	37	71	0	109	0	40	73	0	113	0
Seward	0	22	47	0	69	0	28	48	0	76	0
Baltimore	0	15	31	14	60	0	17	28	16	62	0
Boston	0	16	33	13	62	0	21	30	2	52	0
Norfolk	10	3	0	12	25	0	22	5	3	31	0
Philadelphia	0	25	23	4	52	0	7	17	6	30	0
Houston	28	7	0	24	60	24	3	0	0	27	0
Other Ports	14	28	33	54	129	16	30	28	72	148	18
All Ports	2,420	2,436	2,528	2,586	9,971	2,648	2,496	2,634	2,510	10,289	2,699

Source: Maritime Administration.

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