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Resumen

Este artículo investiga la evolución del sector de los cruceros durante el siglo XX, comparando para ello la historia de dos compañías: Holland America Line (HAL) y Carnival Cruise Lines (CCL). HAL empezó en 1872 como un servicio de transatlánticos de pasajeros entre Rotterdam y Nueva York. Tras la Segunda Guerra Mundial, HAL logró transformarse en una compañía de cruceros de lujo que operaba en Estados Unidos. Frente a esto, CCL no dio sus primeros pasos hasta 1974 y llegó a convertirse en una de las grandes compañías estadounidenses ofreciendo cruceros económicos. En 1989, CCL compró HAL y siguió expandiéndose mediante otras adquisiciones de empresas durante la década de 1990. En la actualidad es la mayor compañía de cruceros del mundo. Varios problemas amenazan la expansión futura del sector de los cruceros. Entre ellas se cuentan la seguridad de las personas, una clientela envejecida, la masificación de los destinos más demandados y populares y, finalmente, los atentados terroristas.

Palabras clave: Historia del turismo; transporte marítimo; cruceros.

Abstract

This article investigates the development of the cruise industry in the twentieth century by comparing the history of two companies: Holland America Line (HAL) and Carnival Cruise Lines (CCL). HAL started out in 1872 as a liner passenger service between Rotterdam and New York. After the Second World War, HAL successfully transformed itself in an upmarket cruise company operating in the United States. By contrast, CCL only began in 1974 and became a large American cruise company by offering cheap cruises. In 1989, CCL acquired HAL and expanded further through other take-overs in the 1990s. Currently it is the largest cruise company in the world. Several problems threaten further expansion of the cruise industry. These include health safety, an aging clientele, overcrowding of popular destinations, and terrorist attacks.

Key words: History of tourism; maritime transport; cruises.

The Cruise Industry in the Twentieth Century

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If you remember the 1970s television series *The Love Boat*, you have the right age to take a cruise¹. Economic research documents the tremendous growth of tourism in general and particularly the cruise industry after the 1960s. About 11 percent (or 3.3 trillion US Dollars) of global GDP is contributed by the tourist industry and some 698 million tourists generated this economic result. While tourism used to be located in Europe and the USA (in 1950 the top 15 tourist attractions were all located in Europe and the USA), today it is a global industry with multinational enterprises².

This article examines the growth of the cruise industry in the twentieth century. Two cruise companies with rather different histories are compared to analyse the changes that affect the industry. The first company, Holland America Line (henceforth HAL) began in the early 1870s as a liner shipping company. It ran a passenger service between Rotterdam and New York. HAL successfully transformed itself in a cruise company after the Second World War. The second company, Carnival Cruise Lines (hereafter CCL) started in the cruise business in the early 1970s, without much experience in passenger shipping. Today, CCL is the largest cruise company in the world. In the first section, we will look at the history of the shipping and early cruise industry until the beginning of commercial transatlantic air transport in the 1960s. Next, we discuss the history of HAL from the 1870s until 1989. Section three, covers the history of CCL from the small

¹ This ABC television series, aired between 1977 and 1986, most surely promoted cruises in the 1970s and 1980s in North-America.

² UNEP (2002), pp. 12-13.

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beginning in 1974 until the 1990s. In the final section, we analyse the recent developments in the cruise industry from the early 1990s until 2005.

1. Cruising in the Western world

Cruises are part of the leisure industry and the shipping industry. A cruise is transportation and destination at the same time and therefore a definition would be: a ship making a roundtrip with paying costumers, calling at different ports at scheduled intervals, offering entertainment on board and ashore. The cruise industry consists of several niches, the most important are: ocean or deep-sea cruises, coastal cruises, river cruises and marine (underwater) cruises. In the remainder of this article, the focus is on the most important segment of the cruise industry: deep-sea or ocean cruises.

Cruising seems like a modern invention, but in fact, it has a very long history. Travel and tourism are probably as old as recorded human history, although some scholars dismiss the idea of holidays in ancient times³. However, graffiti on the foot of Sphinx at Gizeh attest to the arrival of tourist as early as 1261 BC⁴. On reflection, modern tourism does not differ very much from ancient tourism, except for the scale following the “democratisation of tourism” after the 1850s⁵. During the Roman Empire, thousands of citizens escaped from Rome during the hot summertime and stayed at popular bathing resorts, like “bikini beach” in Baiae, near Naples⁶. There are also strong suggestions that Roman Emperors used galleys to cruise on rivers to relax, enjoy music, eat and dance⁷. In the year AD 130, the Roman emperor Hadrian (ruling from 117 to 138 AD), known as a keen traveller, visited the legendary “speaking statue” of Pharaoh Amenhotep III in Thebes⁸.

An interesting development in the history of cruise ships took place in the seventeenth century, when rich Dutch merchants used “Pleizirvaartuigen” (“pleasure ships”) or “Speeljachten” (“fun yachts”) for leisure activities. During his forced exile in the Netherlands, King Charles II of England noticed these ships and on his return to England in 1660, the Mayor of Amsterdam donated such a ship. The idea got on in England and the British “yachtomanie” further spread the use of these ships⁹.

³ Inglis (2000), pp. 1, 14-15; Berghoff (2002), pp. 159-180. Tourism derived its name from the early-modern Grand Tour of British upper class visitors to Europe. Black (2003 a); Black (2003b); Withey (1997). Continental European travellers showed a similar interest in popular destinations as the British: the big cities, spa resorts, historic places and pilgrimages to neighbouring countries. See Bausinger, Beyrer, Korff (1991).

⁴ Feifer (1985), pp. 22-23.

⁵ Norvall (1936), p. 25.

⁶ Norvall (1936), pp. 20-24.

⁷ Schäfer (1998), pp. 25.

⁸ Feifer (1985), pp. 6-7. The statue did not speak at the time of Hadrian’s visit, but it apparently did the next day.

⁹ Schäfer (1998). p. 26.

In the nineteenth century, steamships launched a new phase in the history of cruising. Steamships offered faster travel, more safety and better comfort than sailing ships. Most important of all, they allowed sailing according to a fixed schedule. These characteristics made steamships especially suited for the cruise industry¹⁰. However, the first commercial steam shipping companies established in the 1830s and 1840s, simply responded to the growing demand from emigrants for cheap transatlantic passenger services¹¹. Initially steamships thus held accommodations for only a small number of cabin passengers, while most emigrants slept between decks: steerage. Major companies operating from British ports included Cunard Line (1838), Inman Line (1850), and White Star Line (1869)¹². A geographical shift in the origin of emigrants, from the United Kingdom to Central and Eastern Europe, led to the establishment of several new shipping companies on the Continent¹³. In Germany, these included HAPAG (a.k.a. as Hamburg Amerika Line, 1847)¹⁴ and Norddeutscher Lloyd (1857). In France, the major line was Compagnie Générale Maritime (1855), while in Belgium it was Red Star Line (1871) and in the Netherlands Holland America Line (1872).

Two factors stimulated these shipping companies to develop cruises from the late nineteenth century. To begin with, the emigrant business suffered a severe blow in the 1890s. Emigrants entering the United States had to pass through stations: Ellis Island in New York and Angel Island in San Francisco. Doctors physically examined new arrivals. Those declared sick had to leave and shipping companies paid for their return passage. Laws that were even more stringent followed in the 1920s, introducing quotas for the number of emigrants¹⁵. Secondly, before the introduction of wireless communication after 1912, passenger transport on the North Atlantic almost completely stopped during the winter months because the demand declined and companies considered the crossing much too dangerous. However, high building costs and related expenses (e.g. insurance, port dues), pressed ship owners to find additional income and they began promoting short “excursions” that ultimately developed into cruises.

Arthur Anderson (1792-1868), managing director of British Peninsular and Oriental Steam Navigation Company (1840, hereafter P&O) published a dummy advertisement for a cruise to the Orkney and Shetland Islands in 1835¹⁶. Occasionally P&O send one of its steamers for a round trip from London to the Black Sea, starting in 1844 with the *Tagus*¹⁷. The German firm Rob M. Sloman &

¹⁰ Gardiner (1993), p. 45.

¹¹ HAL's official name is: *Nederlandsch Amerikaansche Stoomvaart Maatschappij (NASM)*. In 1896 it added *Holland America Line* to accommodate non-Dutch speakers.

¹² Discussed in Hyde (1973); Boyce (1995); Starkey and Harlaftis (1998); Fischer and Nordvik (1990); Yui and Nakagawa (1985); Fischer and Panting (1985).

¹³ McNeill & McNeill (2003), pp. 260-261.

¹⁴ Witthöft (1973). Full name: *Hamburg-Amerikanischen Packetfahrt-Actien-Gesellschaft*.

¹⁵ The 1921 law limited the number of visas to 200,000 Europeans annually.

¹⁶ Howarth and Howarth (1986), pp. 47-56.

¹⁷ Dawson (2000), p. 10.

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Company announced a cruise in a German newspaper in 1845¹⁸. “Admission will be strictly confined to persons of unblemished repute and of good education, those possessing a scientific education receiving preference”¹⁹. The cruise apparently never sailed for reasons unknown.

Thomas Cook, founder of Thomas Cook & Son (1841), chartered the steamer *President Christi* in 1875 for cruises to the North Pole²⁰. His example prompted other travel agents to offer cruises to Norwegian Fjords and the Mediterranean. These first attempts popularised the cruise, but it remained a small-scale business for specific social groups.

The early 1890s saw a new development in the history of cruises. The Hamburg Amerika Line, under the directorship of the famous Albert Ballin (1857-1918), dispatched its steamship *Auguste Victoria* on a “*Große Orient-Exkursion*” (Grand Orient Excursion) in January 1891²¹. Following the success of this excursion, Ballin ordered the construction of a purpose-build cruise vessel: the *Prinzessin Victoria Luise* (1901). Hamburg Amerika Line began offering cruises to various destinations including round-the-world cruises²². Soon the company was able to offer cruises during the whole year: Scandinavia during the summer, the West Indies in the winter and the Mediterranean in the autumn and spring²³. This seasonal and regional alteration remains a feature of the cruise industry until the present day. By 1900, most large European shipping companies organised cruises during a part of the year and some even the year round. To compete with the Grand Hotels, their newly build passenger ships began to emulate the style and lavish decoration of these hotels. This earned them their reputation as “floating hotels”. According to J. Maxtone-Graham, the early cruisers were “a congenial mix of Victorian travellers with the professions heavily represented” (e.g. clergymen, lawyers, physicians)²⁴.

Cruising gained importance in the 1920s and 1930s, but remained ancillary to the core business of passenger service of most shipping companies until the 1950s. Popular destinations included the Mediterranean and the Caribbean. For a short time, air ships or zeppelins became a new competitor for Atlantic crossings, but after the catastrophe with the *Hindenburg* (1937), this threat evaporated. Shipping and air travel good coexist very well. Some shipping companies sold combined sea-air tickets in the 1930s, while others offered air trips as part of the cruise and took a small sea-airplane on board their ship!

Already before the First World War, tourism assumed large proportions. An estimated 350,000 to 450,000 tourist visited Swiss annually. About 150,000

¹⁸ Dawson (2000), p. 9; Kludas (1986a), , pp. 12-17.

¹⁹ Cartwright and Harvey (2004), pp. 10-11.

²⁰ Schäfer (1998), pp. 47; Dawson (2000), pp. 15-20; Davies (1985), pp. 39-86.

²¹ Kludas (1986 a) 196-199; Kludas (1986 b) 48-65; Witthöft (1973) 37.

²² Maxtone-Graham (1985), p. 107; Kludas (1986b), pp. 56-65; Witthöft (1973), p. 47.

²³ Schäfer (1998) 48; Kludas (1986 c) 198-230.

²⁴ Maxtone-Graham (1985), p. 104.

Americans travelled to Europe each year. During the interwar years, luxury cruises increasingly appealed to wealthy tourists, wanting to escape the horrors of mass tourism on land. Americans discovered cruise ships as an easy way to evade the ban on alcohol consumption during the Prohibition (1920-1933) and the “booze cruise” became very popular. The “booze cruise” offered European shipping companies a chance to gain experience in organising cruises for large groups. Once the sole privilege of the wealthy, the cruise quickly became a commodity in the 1920s and 1930s. Before the 1940s, Germany, Great Britain and America were important cruise markets²⁵.

The Second World War had a devastating effect on the shipping industry and the German and British cruise markets practically collapsed, leaving only the American market. A huge demand by Americans to see the remains of the European battlefield and to visit family members and friends, explains the post-war growth of transatlantic passenger services. This, however, turned out to be only a temporarily demand. In 1958, the era of Boeing’s Jumbo Jet 707 began and already in the same year, more passengers crossed the Atlantic by air than by sea. Some ship-owners understood the changing times better and sooner than others did. Greek ship-owners for instance (e.g. Chandris and Epirotiki), used the after war period to increase their share in the cruise market by offering family cruises in the Mediterranean.

Cunard, P&O and Hamburg America Line, managed to continue their regular passenger service, until in 1968, a meagre 7 percent market share of transatlantic passenger transport remained²⁶. To survive, shipping companies had to adapt their strategy and core business. Cunard’s Queen Elizabeth 2, entering service in 1969, spend half her time as regular passenger ship on the North Atlantic, while making cruises in the remaining part of the year²⁷. The history of HAL demonstrates how companies, like Cunard and P&O, responded to changing market conditions. HAL reinvented itself in the post war period and became a major cruise company.

2. From passenger service to cruises: the Holland America Line (c. 1870-1989)

Local businessmen and bankers established the Holland America Line in 1873 to start a liner service from Rotterdam to New York²⁸. Besides passenger ships, HAL developed a large fleet of freight ships. In fact, the number of passenger ships declined after the 1920s, while the number of freighters kept growing. However, the passenger service was their core business.

²⁵ Mitchel and Sawyer (1967), p. 21.

²⁶ Schäfer (1998), pp. 66-67.

²⁷ Miller (1988), pp. 12-20.

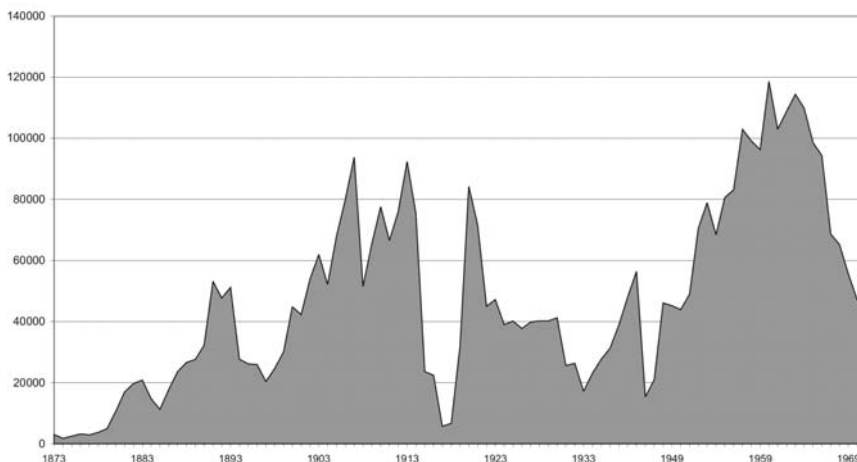
²⁸ Official company histories include: De Boer (1923); Wentholt (1973). See also: De Boer (1998); Miller (1998); Dalkman and Schoonderbeek (1998); Gischler (2003).

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The number of passengers, mostly emigrants, carried by HAL between 1873 and 1920 steadily increased, although demand was highly irregular (see chart 1).

The effect of emigration laws passed in the 1890s and 1920s is clearly visible. It forced HAL to develop new markets. However, HAL was a slow starter in the cruise industry. The first HAL cruise, an “excursion”, took place in 1895: a trip from Rotterdam to Copenhagen to celebrate the opening of the Kaiser Wilhelm canal. The First World War temporarily halted any further development of cruises. Company directors thought their ships were unsuited for cruises and could not compete with the more luxurious British, German and French passenger ships.

Chart 1: Number of passengers carried by HAL (1873-1971).



Source: A.D. Wentholt, *HAL Statistische gegevens en aanvullende aantekeningen op het boek* (Rotterdam 1973).

Because the Netherlands remained neutral during the First World War, HAL was able to expand and modernize its fleet. From the start, Dutch shipping companies shared an interest in airlines. They also bought shares in the newly founded Royal Dutch Airlines in 1918. In the 1920s and 1930s, cruises thus gained importance for HAL. In the early days of the cruise industry, shipping companies chartered their ships to tour operators. The tour operator was responsible for the entertainment on board and ashore, while the shipping company remained in charge of the crew and the ship. The American tourist company Raymond & Whitcomb (Boston) chartered the Rotterdam (IV) in 1923 for a cruise to the

Mediterranean²⁹. From 1924, HAL assumed responsibility for organising its Mediterranean cruises through their New York booking office, but continued to rely on experienced tour operators to organise excursions on land (e.g. American Express Company). The first HAL cruise sailing from New York to the Caribbean occurred in 1926. The trusted Frank Tourist Company organised the cruise, while HAL provided ships and crews. HAL continued to offer short and cheap cruises in the Caribbean during the economic crisis of the 1930s and these became immensely popular with American tourists³⁰. The revenues from these cruises most likely saved HAL from bankruptcy in the early 1930s³¹.

American cruisers began avoiding Europe after 1936, because of the risky political situation (e.g. the Spanish Civil War, 1936-1939) and preferred cruises in the Caribbean, their “American Mediterranean”, instead. HAL was able to profit from this demand by launching new ships that became very popular with American tourists (e.g. the *Statendam* (III), entering service in 1929 and the *Nieuw Amsterdam* (II), launched in 1938). Because of its high level of service, HAL earned its reputation as the “spotless fleet” and became one of the most important European cruise companies operating from New York. Between 1934 and 1939, the regular transatlantic service carried 133,881 passengers, while in the same period 91,542 cruisers boarded HAL ships in New York.

The outbreak of the Second World War prevented a further development of cruises, because most ships of the HAL were in Allied service or destroyed during the German bombardment of Rotterdam in May 1940. During the war discussions on the future of passenger shipping took place between representatives of important Dutch business (e.g. Heineken, Dutch banks). In their report, written late 1940, the advisory committee predicted a fierce competition from transatlantic airlines after the war. Business leaders would prefer the fastest crossing possible, thus favouring airlines. Fast ocean liners, such as the *Normandy*, the *Queen Mary* and the *Queen Elizabeth*, would become obsolete and it would therefore be foolish for Dutch shipping companies to invest in such types of ship after the war. However, some passengers would still prefer crossing the Atlantic by ship, because “the average European and American traveller does not consider travel by ship a punishment, but as a way to relax”³².

Official company histories of HAL stress the importance of regular passengers, but on closer examination, it seems HAL already developed into a major cruise company before 1940 (see chart 2). We can only speculate on the development of cruises had the Second World War not occurred.

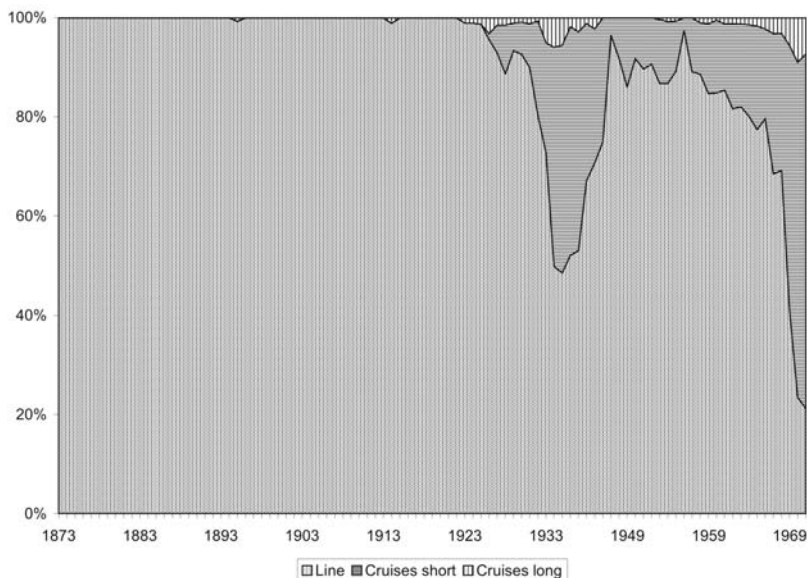
²⁹ After 1877, all passenger ships were given names with “dam” suffixes and all cargo ships ended in “dijk” (dike). To avoid confusion ships bearing the same name of older vessels are followed by a number.

³⁰ On the early history of HAL cruises see: Krans (1998), p. 347.

³¹ Van de Laar and De Goey (1995), pp. 23-62.

³² National Archives, Raad voor het Bedrijfsleven 2.06.041 (Organisatie Woltersom). Inventory number 185: Advisory Committee (c. November 1940).

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Chart 2: HAL passengers: liner service and cruises (1873-1971) (%).

Source: A.D. Wentholt, *HAL Statistische gegevens en aanvullende aantekeningen op het boek* (Rotterdam 1973).

Between 1950 and 1970, HAL gradually transformed itself from a liner shipping company in a full time cruise company³³. Newly build ships reflect the growing importance of tourism and cruises. The smaller twin sister ships Ryndam (II) (1951) and Maasdam (IV) (1952) held only two classes, of which 90 per cent went to the tourist class³⁴. In addition, for the first time in the history of Atlantic passenger service, tourists occupied the better decks (Promenade, Main, A and B), while the first class was located on Boat Deck. During the construction of the Statendam (IV), launched in 1957, and the flagship Rotterdam (V) entering service in 1959, their potential contribution to cruises was very important. The interior design and panelling particularly appealed to American tourists, depicting historical scenes from Dutch American relations since the early seventeenth century.

Between 1961 and 1965, the number of cruisers grew from 14,997 to 21,846, compensating for the steady declining number of passengers. In the booming post-war American cruise market, HAL held a share of 20 percent in 1965. From 1965, HAL deployed the Statendam (IV) solely to cruises and its flagship Rotterdam (V) in 1969, following a major overhaul. For the first time in its history, the fleet of HAL ships deployed in cruising exceeded those in regular passenger service.

³³ The annual reports of HAL provide only general information on revenues from passenger services.

³⁴ Miller (1988), p. 105.

Despite these measures, HAL suffered severe financial losses in the late 1960s and a complete restructuring was unavoidable. In the early 1970s, HAL, on the advice of the consultant firm McKinsey, decided to de-invest in liner shipping completely and become a full time cruise company. It cancelled all regular Atlantic passenger services from September 1971 and relocated the main office from Rotterdam to New York. It also sold the freight division in 1975, because containerisation required huge investments in new freight ships. HAL became a cruise operator based in the USA, organising trips to the Caribbean and Alaska.

The decision to become a cruise company led to a major renewal of the fleet in the 1970s and 1980s. These were all purpose-build cruise ships. The *Prinsendam* (II) entered service in 1973. The *Nieuw Amsterdam* (III) (1983), the *Noordam* (III) (1984) and *Westerdam* (II) (1988) followed it. Until the takeover by CCL, these ships formed the core of the cruise fleet of HAL. As part of the makeover, HAL introduced a new company logo (two blue and one black in the middle) and new colours on the hull (midnight blue) and the funnel (orange). To counter rising wages in the Netherlands, it recruited Indonesian staff in the lower ranks.

To strengthen its position in the cruise industry in America, HAL acquired the tourist company Westours (Seattle) in 1977. HAL and Westours merged in 1983 to form Holland America Westours, later renamed Holland America Line-Westours Inc., and A.K. “Kirk” Lanterman, formerly of Westours, became President and CEO. Profits increased from 11.6 million US Dollar in 1984, to 25 million in 1985 and 44 million in 1986³⁵. The profits financed the expansion of the cruise business. In 1987, HAL acquired Windstar Sail Cruises that owned luxury sailing ships for cruises in the Mediterranean, Caribbean and French Polynesia. This acquisition was followed, in 1988, by the takeover of Home Lines, a small Italian-Greek-Swiss company³⁶. The high profits and strong market position made HAL an attractive target for a take over. On 17 January 1989, CCL bought the cruise division of HAL for 625 million US Dollar and HAL became a whole-owned subsidiary of CCL.

3. The development of Carnival Cruise Lines (c. 1970-1989)

In 1972, HAL celebrated its 100 anniversary, while in Miami a completely new cruise company was just beginning. The growing American demand for cruises in the 1950s offered an attractive market for entrepreneurs not necessarily acquainted with passenger transport. Therefore, the cruise industry in its early days numbered a mixture of old liner-shipping companies and newly established tour operators. One of these newcomers is the founder of Carnival Cruise Lines (CCL), Ted Arison (1924-1999), an Israeli-born son of a ship-

³⁵ Gischler (2003), p. 219.

³⁶ Eugen Eugenides founded Home Lines in 1946. She sailed from New York to South America, but later she ran a seven-day cruise line from New York to Nassau. See: Kohler (2005), p. 14-18.

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owner³⁷.

After serving in the British Army during the Second World War and earning a degree in engineering, Arison took over the family business of M. Dizengoff & Company. In the early 1950s, he started his own shipping firm using Flags of Convenience (FOC) to reduce taxes. After the Korean War, Arison sold his company and migrated to the USA to earn a living in the air cargo industry. In 1966, he sold the company to retire in Miami, but he soon gave up this idea to manage a newly established Miami based cruise company³⁸.

Knut Ulstein Kloster founded Norwegian Caribbean Lines (NCL)³⁹ and began operating a cruise line with just one ship, the motor ship Sunward, a newly build passenger and automobile ferry⁴⁰. The Sunward originally carried sun-starved English tourists from Southampton to Lissabon and Gibraltar. However, after General Franco closed the border between Gibraltar and Spain and the British economy worsened, allowing passengers only £50 travelling money, Kloster tried his luck in Miami⁴¹. The Sunward, promoted as “an air-conditioned floating palace of fun in an incomparable Norwegian tradition”, made its maiden voyage from Miami in December 1966, which marked the start of the modern cruise industry in Florida.

NCL offered package deals to tourists including airfares and cruises⁴². It also pioneered in introducing one-class cruises to the Caribbean at very low prices and offered short cruises (three or four days) including beach holidays on a private island⁴³. Before 1972, NCL was able to add three other cruise ships to its fleet. The success of NCL encouraged other companies to enter the cruise business. Other newcomers, again Norwegian entrepreneurs, founded Royal Caribbean Cruise Lines (RCCL) in 1969⁴⁴.

Kloster and Arison parted in 1972 and Arison started his own cruise company Carnival Cruise Lines (1974), after the acquisition of the motor ship Mardi Gras⁴⁵. A accident on the maiden voyage of the Mardi Gras and the economic recession of the early 1970s almost bankrupted the young company, but Arison managed to survive. In the following years, CCL expanded its fleet with refurbished second hand ships: Carnivale (1976) and Festivale (1978), and the newly build Tropicale

³⁷ Miller (1986), pp. 17-23.

³⁸ Kloster founded a shipping company in Oslo, Norway in 1924: Kloster Rederi A/S. See: Dawson (2000), pp. 79-85.

³⁹ After 1973: Norwegian Cruise Lines, since 2000 owned by Star Cruises (Malaysia).

⁴⁰ Cartwright and Harvey (2004), p. 39.

⁴¹ Cartwright and Harvey (2004), p. 27; http://www.norhouse.com/influence.asp?art_id=IN-032201

⁴² Dawson (2000), p. 83.

⁴³ Schäfer (1998), pp. 210-211.

⁴⁴ Scandinavian ship owners, particularly Norwegians, ran a freight service from the Caribbean to the Gulf ports in the USA in charter for the United Fruit Company. They were thus quite familiar with the area and its potential attraction for tourists.

⁴⁵ Schäfer (1998), pp. 213-216; Carnival Cruise Lines (1997-2003); Dawson (2000), pp. 115-123.

(1982). In the second half of the 1980s, more vessels followed (e.g. Holiday [1985], Jubilee [1986] and Celebration [1986]).

CCL introduced the idea of “fun ships”, including casinos and discothèques, to attract younger and middle-class cruisers. According to C. Schäfer, CCL thus finalised the “democratisation of cruises”⁴⁶. According to L. Miller, Carnival’s early success rested on several factors: aggressive marketing, early and good use of air/sea fares, and a growing reputation for quality at the lower end of the market, careful cultivation of a youth image to attract younger costumers, a competent and dedicated staff that kept the company out of the negative press⁴⁷.

In 1987, CCL made a public offering of 20 percent of its shares, while the Arison family kept the majority of the shares and managed the company. CCL used the earnings to expand the business by building new ships and to acquire existing upmarket cruise lines. It made an unsuccessful bid for its main competitor Royal Caribbean Cruise Lines. Instead, CCL acquired Holland America Line in 1989. The acquisition of HAL gave CCL a market segment (upper class) and destination (Alaska) not targeted before, including the marketing expertise and reputation. The reputation of HAL derived from long-standing shipping history, while CCL was a still a young shipping company and with a completely different type of costumers. CCL obtained the exclusive right to use the name “Holland America Line” and immediately reinstated the old company symbol and colours. The symbol depicts Henry Hudson’s sailing ship Halve Maen in front of the Nieuw Amsterdam (III). Obviously, the policy intended to strengthen the image of Holland America Line as an old, trustworthy, and traditional company in the cruise industry.

Table 1: Financial results Carnival Corporation (1995-2003)

	1995	1997	1999	2001	2003
Revenues (million US Dollar)	1,998	2,447	3,497	4,536	6,718
Net income (million US Dollar)	451	666	1,027	926	1,194
Total Assets (million US Dollar)	4,105	5,427	8,286	11,564	24,491
Passengers carried (x 1000)	1,543	1,945	2,366	3,385	5,037

Source: Carnival Corporation, Annual Report (1997, 1999, 2001, 2003)

After the takeover, CCL continued to expand and acquired several other cruise lines: Seabourn Cruise Line (1992); Costa Cruises (1997) and Cunard Line (1998). On April 17, 2003, CCL and the British company P&O Princess Cruises

⁴⁶ Schäfer (1998), p. 214.

⁴⁷ Miller (1986), p. 21.

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merged. Carnival Corporation, the holding company founded in 1993, currently owns 13 brands encompassing 66 ships (17 vessels scheduled for delivery in 2006) with more than 100,000 lower berths and about 65,000 employees. It is the largest leisure travel company in the world.

Table 2: Portfolio of Carnival Corporation (2003).

	Brand name	Stars	Primary market	Number of cruise ships	Accommodation (lower berths)	Number of passengers carried in 2002
1	Aida	4	Germany	3	3,370	76,000
2	A'rosa	3	Germany	11	1,500	28,000
3	Carnival Cruise Lines	3	North America	18	38,348	2,482,000
4	Costa Cruises	2	Europe	8	10,754	462,000
5	Cunard Line	5	United Kingdom / USA	2	2,458	72,000
6	Holland America Line	5	North America	11	14,494	481,000
7	Ocean Village	3	United Kingdom	1	1,610	NA
8	P&O Cruises	5	United Kingdom	4 ²	7,730	154,000
9	P&O Cruises Australia	5	Australia	1 ²	1,200	81,000
10	Princess Cruises	4	North America	10	17,910	850,000
11	Seabourn Cruise Lines	4	North America	3	624	22,000
12	Swan Hellenic	4	United Kingdom	1	676	8,000
13	Windstar	1	North America	3	604	30,000
	TOTAL			66	101,728	4,726,000

Source: Carnival Corporation, *Promotional flyer* (2003)

The financial results of Carnival Corporation as documented in table 1, display a strong increase in revenues, net income, assets and passengers carried. Profits were high thanks to the use of Flags of Convenience. According to D. Burke, Carnival earned \$ 2 billion dollar between 1995 and 1998 and paid less than one percent in income taxes in Panama⁴⁸.

⁴⁸ Burke (2000), p. 692.

In October 2004, Mickey Arison, son of the founder and at present CEO of Carnival Corporation, explained the business model that is driving Carnival Corporation. “Separate organizations are in the best interest of the overall profitability of the group, and in the viability of each brand. Wherever we have reasonable scale, we let each brand stand on its own. The value of each company is more than its name. Each brand needs its own unique history and unique future in order to be successful. Each company has its own true culture, which the customer expects to find”⁴⁹. Marketing theorists call this a portfolio marketing strategy (see table 2) ⁵⁰.

4. The cruise industry in the 1990s.

In the 1990s, cruising became big business. The number of cruisers reached about 2 million in 1980 and in the year 2000 that number increased to almost 9 million. In 2005, about 11.1 million people went on a cruise. Some observers predict the industry will carry 12 million cruisers by 2010⁵¹.

The American cruise market is still by far the largest and covers about 75 to 80 percent of all cruises. In recent years, Europe is a fast growing and highly profitable market as well and this explains the current increase in the number of cruise ships calling at European ports (see table 3)⁵². In 2003, over 1 million British residents boarded a cruise ship to spend their holidays⁵³.

Table 3: Global demand for cruises by region (1980-2001) (millions)

Passengers by area	1980	1985	1995	1999	2001
North America	1.43	2.15	4.40	5.89	6.80
Europe	0.39	0.43	1.00	2.00	
Rest	0.14	0.19	0.30	0.85	
TOTAL	1.96	2.77	5.70	8.74	8.40

Sources: Christian Schäfer, Kreuzfahrten. Die touristische Eroberung der Ozeane (Erlangen-Nürnberg, 1998) 315; United Nations Environment Programme (UNEP), Industry as a partner for sustainable development: Tourism (Paris 2002); Business Research & Economic Advisers, The Contribution of the North American Cruise Industry to the U.S Economy in 2002 (Exton, PA; 2003).

⁴⁹ <http://www.cruiseindustrynews.com/> [Winter 03-04: “Global Strategy” (Thursday, 14 October 2004)].

⁵⁰ Aaker (2004), p. 16; Weilbacher (1993); Middleton (2001).

⁵¹ Wild (1995), p. 13; Schäfer (1998), p. 311.

⁵² Wild and Dearing (2000), pp. 315-333.

⁵³ Scott and Barkham (2004).

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Primary destinations of cruises in 1990s were the Caribbean region (44.5 percent), the Mediterranean (12.7 percent), Europe (8.1 percent), Alaska (7.9 percent), and Panama Canal region (4 percent). South East Asia is becoming an interesting destination as well.

The economic benefits of the cruise industry in the USA alone are substantial. According to the Business Research and Economic Advisors (BREA), total economic benefit of the cruise industry and cruise-related activities in 2000 was approximately 17.9 billion US dollars⁵⁴. Indirect effects are also large, because these involve other sectors, such as banking, insurance, airlines, travel agents, food and beverage suppliers, and shipbuilding. In 2002, the direct and indirect economic contribution of the US cruise industry reached 20.4 billion US dollars and it generated almost 280,000 jobs in America⁵⁵.

Five large companies dominated the cruise industry in the 1990s: Carnival Cruise Lines, Royal Caribbean, P&O Cruises, Norwegian Cruises, and Star Cruises. Following the take over of Norwegian Cruises by Star Cruises in March 2000 and the merger between CCL and P&O, only three large companies remain. CCL's market share in 2004 was about 45 percent; Royal Caribbean held 21 percent and Star Cruises another 10 percent.⁵⁶ CCL is planning to grow further. Arison explains: "We are now a truly global company with very good resources and understanding of what is happening nearly everywhere - whether in the U.K., Germany, Italy, Argentina, or Asia. We have product, knowledge, and distribution in all the key markets - except for Asia, which we will eventually address. As we go forward, we will study which of our brands will work there. Asia is targeted for the near future"⁵⁷.

Cruise lines are increasingly interested in attracted a new clientele from the business community and schools by offering conference and educational facilities⁵⁸. New market segments, like younger cruisers require a new type of ship and level of service, a more informal dress code, and different types of restaurants (e.g. more buffet type). Already, about 30 percent of the costumers are below 40 years of age and although the average age of cruisers is still about 50 years, the image of the cruise as being primarily for elderly people is becoming out of date⁵⁹. Market segmentation, already very high, will continue to grow. However, hyper-segmentation will have adverse effects on the cruise industry, because operating a cruise ships requires a certain scale.

In response to the rapidly growing demand, cruise companies ordered new ships that can accommodate more passengers and present more entertainment

⁵⁴ UNEP (2002), p. 12-13.

⁵⁵ Business Research & Economic Advisors (2002), p. 4.

⁵⁶ <http://www.starcruiises.com/News/2000/index.html>. (Press release of Star Cruises Ltd. March 17, 2000). Coleman, Meyer, Scheffman (2003) 121-156; Miller and Grazer (2002)221-235.

⁵⁷ <http://www.cruiseindustrynews.com/> [Winter 03-04: "Global Strategy" (Thursday, 14 October 2004).]

⁵⁸ Burke (2000), pp. 698-717.

⁵⁹ Wild (1995), p. 47.

onboard. In 1998, CCL *Destiny* broke the 100,000-ton limit (twice the size of the *Titanic*) and the latest CCL ship, *Liberty* measures 110,000 GRT and can carry 2,974 passengers. In 2004, the *Queen Mary 2*, owned by CCL subsidiary Cunard Line, was still the largest cruise vessel. She is capable of carrying 2,620 passengers and has a crew of about 1,500: less than two passengers for every crewmember⁶⁰. Not to be outdone, rival Royal Caribbean Cruises ordered two 160,000 GRT ships from the Swedish shipyard Kvaerner Masa-Yards, to be delivered in 2006 and 2007. Because of the growing size of cruise ships, the guest-to space ratio declined offering less space per passenger in public rooms and on deck. Veteran cruisers increasingly avoid the newly build cruise ships and are more attracted to the classic cruise ships (sixties and seventies style), because they seem to offer a genuine cruise experience⁶¹. Other cruise operators opted to upgrade their product by ordering smaller, but more luxuriously ships, catered to a very specific market segment.

Besides upgrading, the cruise industry will experience downgrading as well. In May 2005, self-styled “serial entrepreneur” Stelios Haji-Ioannou, founder of the easyGroup of businesses, started easyCruise. This venture offers short, cheap cruises in the Mediterranean for “independently minded travelers in their 20’s, 30’s and 40’s”⁶². Service on board the all orange painted converted ferry is minimal, offering only a coffee shop, a cocktail bar and an American style sports bar. In contrast to existing cruises, the ships will stay in port during the whole night, thus offering cruisers the chance to experience the city’s leisure industry. In the early morning, the ships sail to the next port of call on the itinerary⁶³.

In the near future, the cruise industry will have to face several problems. Demographic changes, the increase in the number of elderly people, will affect company strategy⁶⁴. In the year 2000, already one in four Europeans is over 55 years of age, and this percentage will increase further until 2020-2030⁶⁵. Overcrowding require companies to develop new but more risky destinations (e.g. Central America, Africa, and South East Asia). The increasing size of cruise ships further limits the number of ports capable of receiving these ships and this will also affect future destinations. Environmental issues, fear of terrorism, and economic problems limit further expansion. Health safety on board is rapidly becoming a major concern for cruise lines as is testified by the increasing number of outbreaks of contagious stomach viruses (the Norwalk virus) on board of cruise ships in recent years. Dissatisfied costumers might turn their back on the cruise industry.

⁶⁰ Schama (2004).

⁶¹ Passenger reviews of cruises can be found on the Internet: <http://www.cruisereviews.com/>

⁶² <http://www.easycruise.com/faqs/AboutUs.asp> (April 2005).

⁶³ Clark (2005)

⁶⁴ Scott and Barkham (2004).

⁶⁵ Wild (1995), p. 19.

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