SELF-INFLICTED DAMAGE

On the one hand, the post-pandemic cruise industry has been celebrating rapid and progressive fleet reactivation. On the other hand, it has announced successive sailing cancellations and blamed them on supply-chain disruptions. But the figures may tell a different story – a story of under-occupancy.

With barely over 50% occupancy on 75% reactivated capacity in the first quarter of 2022, it was a weaker rebound than we had been led to believe. The over-eager reactivation could even be counterproductive. The industry still appears to be operating on the supply-led model that served it well before the pandemic. But circumstances have changed, and cruise business must take note. The relentless forward momentum of success has been replaced by silent, ever-present uncertainty.

Incessantly building new ships, which leading players see as part of strategic manoeuvring and expansion, can also be damaging. It doesn't just intensify the overcapacity problem. In current conditions, new ships serve to increase the weight of an already insupportable debt burden.

Yet cruise lines have little choice. They have to activate their ships as quickly as possible, and continuously add capacities, in order not to lose market shares in these critical moments of battle-line redrawing – even though these acts may be counterproductive to their business in the short run, destructive to balance sheets, and devastating to the passenger ship building industry.

Extortionate oil prices, rampant inflation, and galloping costs are squeezing the shipyards to breaking point. Their full orderbook quickly becomes a liability if prices are not renegotiated.

This uncomfortable position is a result of the recent dual crises: war and pandemic. In these extraordinary circumstances, the recovering industry – caught between a rock and a hard place – must initially endure injury.

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