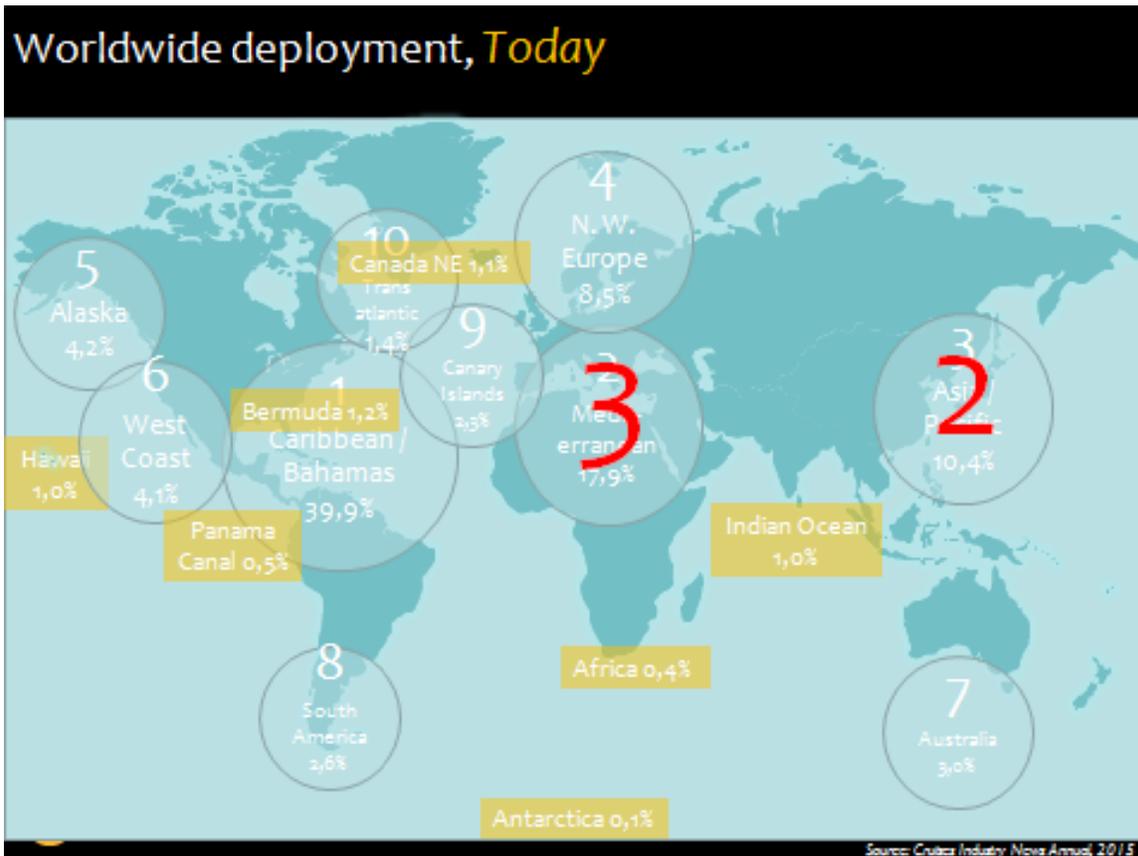


Backgrounder

Cruise Tourism

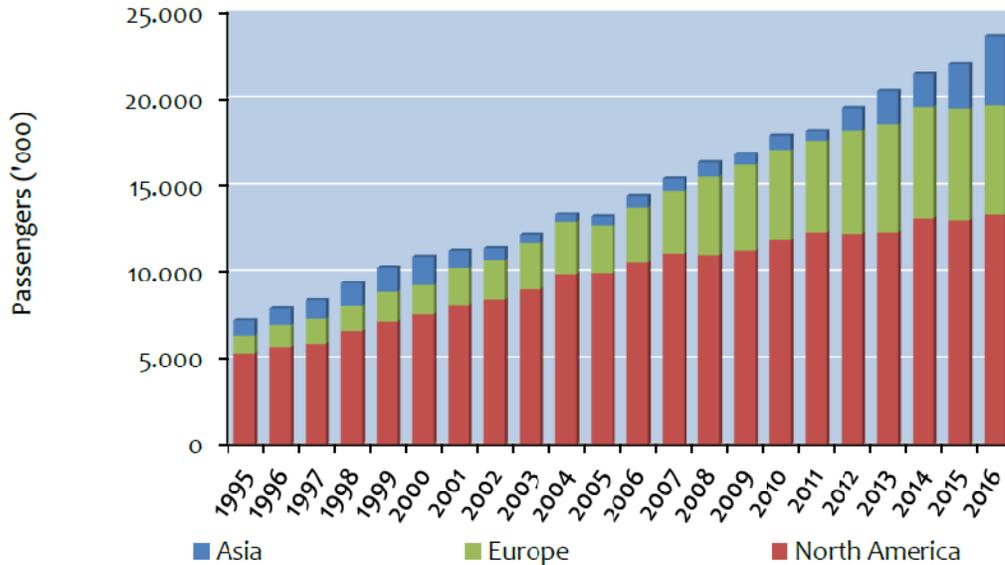
Global overview

The cruise industry has been one of the most successful hospitality sectors over the past three decades. According to *Cruise Industry News Annual*, the overall passenger berth capacity for 2016 was 496,653 berths on 310 ships worldwide.



Cruise passengers, 1995 – 2016

Figure 1: Cruise passengers, 1995 – 2016
Source: B&A and Cruise Industry News Annual



The industry has seen steady growth, year after year, irrespective of recession, political turmoil or other factors that have influenced the visitor and travel industry across the globe.

While the growth in North America has been the highest, Asia has maintained a relatively flat growth over the period, with China being the major market. Each of the major cruise corporations are focusing on the development of the Chinese consumer market that has an unexhausted growth potential due to its large population base with fast-growing income streams and the desire to travel both within the vast Asian region and further abroad. In Europe, the lines are focusing their product on each country and population base by creating individual brands.

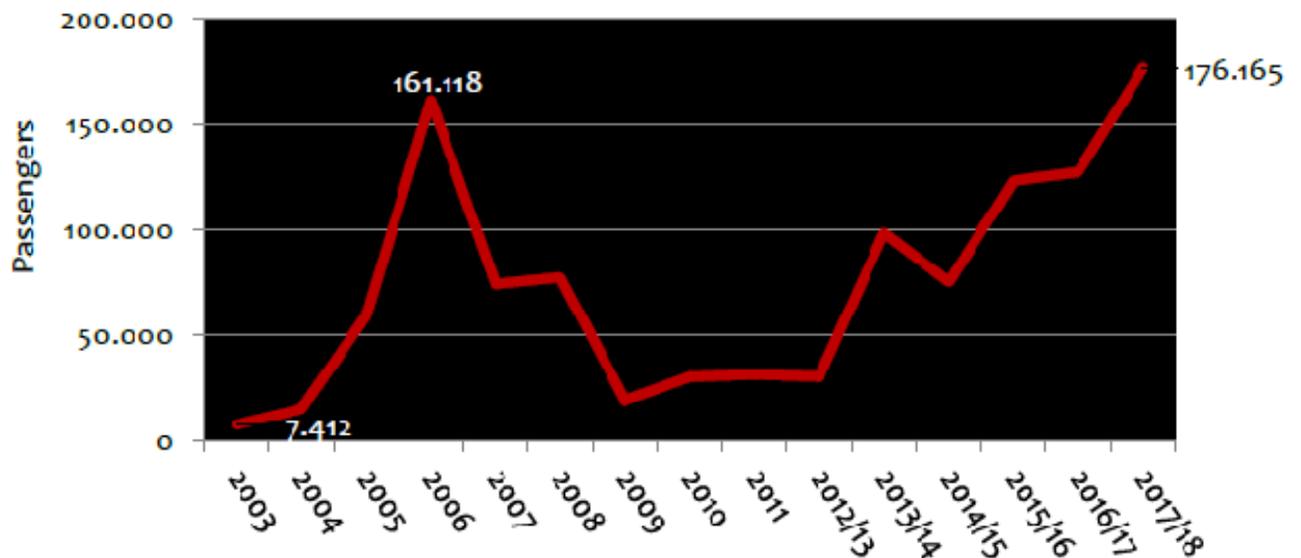
Cruise Industry Growth Factors

Since its inception, the cruise industry is constrained by ships (supply) and not by the availability of passengers (demand). As a result, ships of all the major lines sail at nearly 100% capacity year-round. Cruise lines have been able to increase market penetration with the introduction of new ships with larger capacities into the fleet. There is a large market opportunity as the industry is very small in comparison to worldwide tourism with a penetration rate of less than 4%. The supply model is likely to continue well into the next 20-year period.

In 2016, the estimated North American market penetration is 3.3% as compared to 1.4% for Europe and .04% for Asia with more than 4.3-billion persons.

India – the growth opportunity:

Figure 14: India's estimated cruise tourism growth, 2003 – FY2017/18



With India having a rich heritage, history, natural resources, has immense growth potential for cruise tourism.

As seen globally, it is generally the responsibility of the region or destination to sell themselves to the consumer. The India port market currently does a poor job at selling the destination to the potential world cruise consumer and to date has just begun to look inward at the India consumer option.

The India region will need to grow its word of mouth (B2C) and general branded tourism targeting cruise line decision makers (B2B).

Current Scenario:

- Cruise tourism is the driver of growth in the areas touched by it. Indian population size and its enormous popularity as tourism destination are major factors that can sustain cruise tourism in India.
- Ocean cruises have impact on ports and the area within 50 kms driving distance of the port. River cruises have the potential to foster economic development along the route.
- Currently Indian ports are primarily ports of call for cruise lines. In 2016-17, cruise vessels made 158 calls at ports in Mumbai, Cochin, Goa, New Mangalore and Chennai.

- No. of Cruise Vessels Handled At Five Ports-Mumbai, Mormugao, Cochin, New Mangalore and Chennai

Year	2013-14	2014-15	2015-16	2016-17
No of cruise ships	103	139	128	158

- In 2014-15 a total of 1,04,125 cruise passengers were handled at five major ports which increased to 1,25,838 during 2015-16 achieving a growth of 20.85% over the previous year.
- In 2016-17, about 1.92 lakh cruise passengers embarked/disembarked at major ports
- The country has potential to grow to 1.5 million by the year 2031-32 and by 4 million by 2042-43.
- Average employment on a cruise ship is one job for every 3-4 passengers.
- Home porting generates substantial employment as a vessel with a capacity of 3000 passengers using Indian port as home port, generates employment of approx. 1000 jobs.
- On the land excursion part of a cruise tourism, average tourists spend around USD 70-100 per day. Thus, a cruise

ship with capacity of 3000 plus passengers translates into enormous volumes and transactions per day.

- The Ship Costa Neo Classica made Mumbai Port as home Port for three months for seven voyages in December, 2016.

Steps already taken for growth of cruise tourism.

- SoPs for handling cruise vessels and passengers have been implemented.
- Foreign flag vessels carrying passengers allowed to call at Indian ports without obtaining license from DG (Shipping).
- Port-level Committees constituted to address manpower, coordination and logistics issues for handling cruise vessels at ports;
- A minimum rebate of 30% is given at Major Port in Port charges.
- Additional rebate of 25% for home port cruise vessels in addition to 40% rebate for coastal cruise transportation.
- E-Visa facility extended to five major ports.
- Proposal to introduce e-Landing card for cruise passengers

Global benchmarking & Assessment study- Approach & Methodology:

The Ministry of Shipping alongwith Ministry of Tourism facilitated an assessment study by a global consultant, for Preparation of an Action Plan for Development of Cruise Tourism in India. The assessment process was undertaken by the consultant via three aspects – stakeholder interviews, site visits and user interviews with the cruise line decision-makers. The key findings so far, of the study by global consultants is summarized:

SWOT:

Strength	opportunity
<ul style="list-style-type: none">• Strong brand – Incredible India• Rich in history, culture and attractions• Potential for good revenue from shore excursions• Good will to improve business and processes amongst all stakeholders• India is a tech savvy country / ease to modernize systems	<ul style="list-style-type: none">• Government to commit to standards• Training long term cruise business strategy• Focus on delivering outstanding passenger experience• Create awareness and demand for India as a cruise destination• Improve service and attitude and create a new awareness at national and international level

	<ul style="list-style-type: none">• Clearance and immigration procedures to meet international of new procedures and attitude at mid to lower level staff from CIFS, Immigration, customs and others handling cruise• Assist cruise lines and India stakeholders to make more revenue from tours and increase passenger satisfaction• Tourism board to develop a cruise strategy targeting B2C and supporting B2B (together with ports, operators, agents)• PR campaign to improve the perception of India worldwide
	<ul style="list-style-type: none">• Product development for cruise to be done as destination level• Guide training programs (technique, content and languages)• Port authorities to become

	<p>educated and involved in cruise matters – assign cruise manager for each port</p> <ul style="list-style-type: none">• Cruise coordinators to be assigned for each destination• Expand river cruise activities• Port infrastructure developed for cruise operations and future expansion• Develop cooperation with Sri Lanka, Maldives and Arabian Gulf ports• Implement berth allocation policy• Develop new ports and destinations in India• Improve tender facilities to access islands and small ports• Taxi drivers and union education and training program for tourism (inclusive of cruise) at
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	national level
Weakness	Threat
<ul style="list-style-type: none"> • Little demand from India as a cruise destination • Visa process is lengthy, complicated and expensive • Clearance and Immigration procedures are lengthy, complicated and inconsistent from port to port • High port fees based on Gross Tonnage • Attractions located far from ports • Ports not adequate for cruise • Cabotage restrictions for Indians to travel in Indian itineraries (shorter cruises are most preferred by Indians) • Majority of cruise lines report bad passenger experience when visiting 	<ul style="list-style-type: none"> • No changes and improvements on regulations and processes • Excess bureaucracy remains an obstacle • No development on port infrastructure • Cruise terminals being built are not aligned with the future operational needs of the mega liners (over 4000 pax) • No cooperation between the stakeholders • Cruise passengers keep complaining about India's experience

<p>Indian ports</p> <ul style="list-style-type: none"> • Delivery of cruise is lower than expectations • Passenger experience is damaged by complicated immigration and security processes at the pier 	
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- For India to capitalize on the huge cruise tourism opportunity, India will need to become a region as it is currently not recognized due to its limited consumer demand and market presently observed. Asia, Middle East, Caribbean, Aus/NZ and others will be pulling cruise vessel deployments to open new consumer markets over the next 3- to 5 years. India MUST create domestic and International consumer demand, produce higher yields, lower costs of operations and alleviate policies that negatively impact cruise line deployment and growth to become a regional cruise destination of substance with an opportunity to grow.
- More ports and destinations will be needed to grow the India cruise market as 5 key ports will not be enough to generate continued consumer demand. Thus, island and thematic destinations will be required to supplement the itinerary patterns and draw new cruiser tourist to the market. Additionally, key regional partnerships focused on creating an expanded marketplace will be significant for growth. They may include Muscat, Male, Colombo, Port Blair, Singapore, etc.

- For cruise lines to return to India following poor homeport operations, the goal needs to be to improve on all cruise operational and regulatory matters. India will need to provide assurances to cruise lines that future calls will be smooth, efficient and profitable operations.

Key items for success

- Creating and developing the right market atmosphere
- Immigration process for cruise tourism
- Security procedures that do not impede movement
- Taxation regime that allows for a platform for growth
- Customs & Duties procedures that do not tie the industry
- Internationally comparable tariffs
- Port and tourism infrastructure that meet the needs of the cruise line and visitor today and tomorrow

As seen globally, one of the major characteristics of an attractive cruise destination is a customer-friendly and hassle-free logistical process for the disembarking and embarking cruise passengers. This ease of process is essential as passengers begin and end a cruise holiday visiting India destinations and touring tourist sites.

In the majority of the destinations worldwide Authorities understand the nature of cruise and rely on the vessel operator's own security procedures and data collecting systems at ticketing, embarkation and debarkation to gather and submit this information for clearance processing. The time for processing and the gathering of personal data relates more in particular to procedures with regard to Immigration, Security, Customs and Health and Taxation, all of which could impact the embarkation and disembarkation processing times as well as the hotel functions on board for non-debarking passengers and crew.

In view of the above, the Ministry of Shipping based on the key recommendations from the study, will lay down an Action plan for improvising the procedures which will be put up to the various stakeholders:

- Security
- Immigration
- Customs
- Ports

Minister, Shri Nitin Gadkari will be chairing a workshop on 27 June 2017 at 10:30 AM at India Habitat Centre. All stakeholders would be attending the workshop where the steps to be taken by all stakeholders would be discussed and agreed, in order to create an enabling eco-system for growth of cruise tourism industry in India, one of the priority areas for the Government in view of its high EMPLOYMENT GENERATION POTENTIAL.

The Ministry of Shipping does not only look at policies and infrastructure for movement of cargo on the seas, but is also looking at realizing the full potential of port-led development under the SAGARMALA PROGRAMME.