WORLD PASSENGER AND PASSENGER CARGO FLEET DEVELOPMENT / THE ISL CRUISE FLEET REGISTER

At the beginning of 2005, the total passenger fleet for ships of 300 gt and over was composed of 3,976 ships totalling 28.2 mill gt and representing 4.7 per cent of the total gt tonnage of the world merchant fleet. During the period 2001 – 2005, the total passenger tonnage, in terms of gt, expanded on average by 5.8 per cent per year. Looking at the ship type composition of the total passenger fleet, different developments can be observed.

This issue of SSMR also deals with the ISL Cruise Fleet Register which includes all seagoing passenger vessels of 1000 gt and over, with 100 or more berths year-round or temporary engaged in cruising.

There are 263 vessels (11.543 mill gt) actively trading in 2005 or planned to be commissioned until December 2005.

Tonnage supply 2005

The total passenger fleet is composed of various sub-types having their own momentum in the market.

The tonnage development of the pure passenger fleet which increased by 8.9 per cent on average in the period 2001-2005) is largely influenced by fleet additions of (larger) cruise vessels.

Tab. 1: Fleet development as of January 1st, 2001 and 2005

	2001		2005		Av. growth rate '01-'05		Average age (years)	
Ship type	No	gt	No	gt	No	gt	2001	2005
Cargo passenger	225	0.8	209	0.6	-1.8	-5.5	31.4	32.5
Ro/Ro passenger	2173	12.9	2309	15.1	1.5	4.1	21.5	22.3
Pure passenger	1327	8.9	1458	12.5	2.4	8.9	20.4	20.7
Total	3725	22.5	3976	28.2	1.6	5.8	21.7	22.2

Ships of 300 gt and over; tonnage in mill.
ISL based on LR/Fairplay

In the mentioned period the tonnage of the ro-ro passenger ships expanded by 4.1 per cent p.a., whereas the cargo passenger tonnage decreased by 5.5 per cent yearly.

ISL records indicate that since 1998 demolition rates for passenger ships (incl. ferries etc) were relatively low. During 2004 only 80 vessels with 0.56 mill gt were broken up. Passenger vessels, ferries and cargo passenger vessels reached by far the highest age with about 37.6 years before they were scrapped.

More over, ISL figures show that the total passenger fleet additions (newbuildings) during 2005 reached 1.4 mill gt, thereof 9 cruise vessels with 0.9 mill gt. Compared with last year's results the additions remained on the same level.

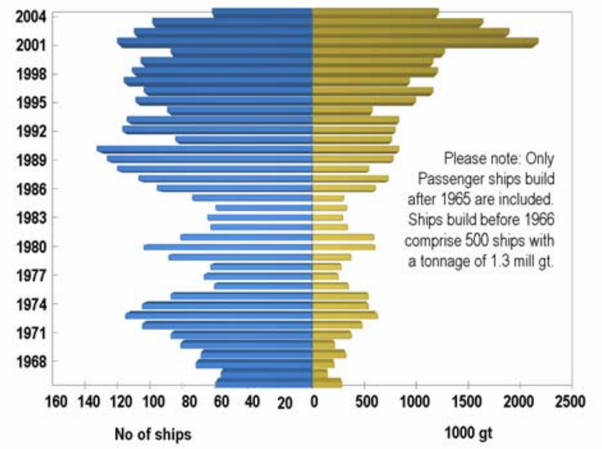
At the beginning of 2005, passenger and passenger cargo ships, namely the whole passenger carrying fleet, had an average age of 22.2 years. Nearly 62 per cent of all ships, which equals to more than 38 per cent of the total gross tonnage, were already built before 1990, whereby the age profile for the various sub-types differs.

Overaging is especially true for the cargo passenger fleet. As of January 1st, 2005, this fleet segment had an average age of 32.5 years compared to 31.4 years at the beginning of 2001.

The same is true for ro-ro passenger ships. As of January 1st, 2005 this fleet segment had an average age of 22.3 years and 21.5 years in 2001 respectively.

Due to the strong increase of the pure passenger fleet's tonnage (8.9 per cent on average in terms of gt) during the past five years the average age still remains just like at the last two years shortly above 20 years.

Fig. 1: World passenger fleet by year of build as of January 1st, 2005



ISL 2005

At the beginning of 2005, 3,871 passenger ships equal to 97.4 per cent of all passenger ships representing in terms of gt 70 per cent of the total world passenger tonnage were attributable to size classes below 50,000 gt. This includes 2301 of 2309 ro-ro passenger ships and all cargo passenger ships.

21 passenger ships, all of them cruise ships ranging in size classes above 100,000 gt, were built since 1998, with the exception of the Carnival Destiny, which was build 1996.

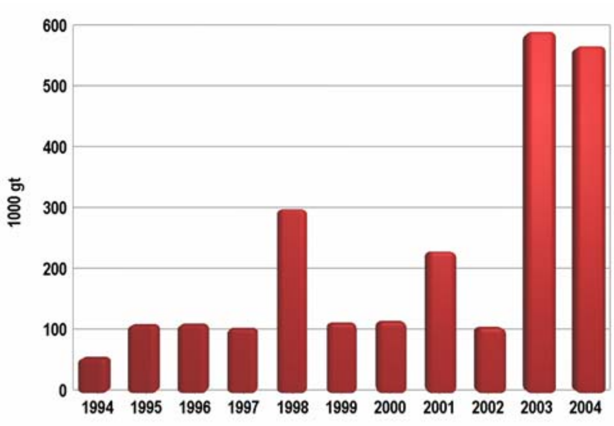
With 148,528 gross tons Carnival's flagship, the "Queen Mary 2" is by far the world's largest cruise ship. With regard to passenger capacity, the Voyager class ships of Royal Caribbean Cruise Lines with a capacity of around 1,213 crew and around 3,114 passengers are still the record holders.

Ships added to the fleet during 2004 mainly consisted of units in size classes above to 50,000 gt. The order book as of January 1st, 2005, reflects that additional tonnage consists by more than 63 per cent of units above 80,000 gt. More precisely the order book included 24 passenger ships (all cruise ships) above 80,000 gt representing 2.4 mill gt.

Supply / demand development in the passenger/cargo fleet sector

Two factors are relevant for future tonnage supply of passenger and passenger cargo ships, namely the demolition potential and the order activity.

Fig. 3: Yearly broken-up tonnage of Passenger and Passenger cargo ships 1994-2004



In 2004 broken-up figures are on a similar high level than one year ago. 80 passenger and passenger cargo ships, totalling more than half a million gt, were sold to breakers, which represents, in terms of tonnage, a decrease of 4 per cent compared with results in 2003. This high amount results primarily from the scrapping of 63 ro-ro passenger ships totalling 400,000 gt.

Passenger and passenger cargo ships are more than 37 years in service. The majority of these vessels were built in the seventies. As of January 1st, 2005, the scrapping potential based on this age segment consisted of about 683 ships older than 37 years with a tonnage of 1.9 mill gt.

Order activities for passenger and passenger ships are an indicator for the "market climate". Ordering of new tonnage developed positively during the period 2001 - 2005 with a peak of 31 new orders totalling 896,000 gt during the fourth quarter of 2004. In the third quarter of 2005 only 13 ships with 0.7 mill gt were ordered.

As of January 1st, 2005, the order book represented a gt-share of 12.9 per cent related to the existing fleet.

Fig. 4: Passenger and passenger cargo fleet – Quarterly order book and new orders development 1999 - 2005

At the beginning of 2005, the passenger and passenger cargo ship order book (ships of 300 gt and over) consisted of 183 ships with 3.6 mill gt, thereof 11 cruise vessels in the size class of 100,000 gt and above. As in the previous years, order activity in this fleet sector has mainly been on cruise vessels. As of January 1st 2005, the order book saw 35 ships with a tonnage share of 69.1 per cent of the total passenger order book. In terms of gross tonnage, the order book of passenger (cruise), passenger cargo and ro-ro ships (ferries) increased by 25.8 per cent compared with tonnage figures at the beginning of 2004. This growth was mainly driven by the high amount of new orders of big cruise ships in sizes up to 158,000 gt.

The shipbuilding industry

The year 2004 was the relatively good year of passenger shipbuilding activities. Newbuilding figures for passenger ships showed increasing tendencies for the second year in a row.

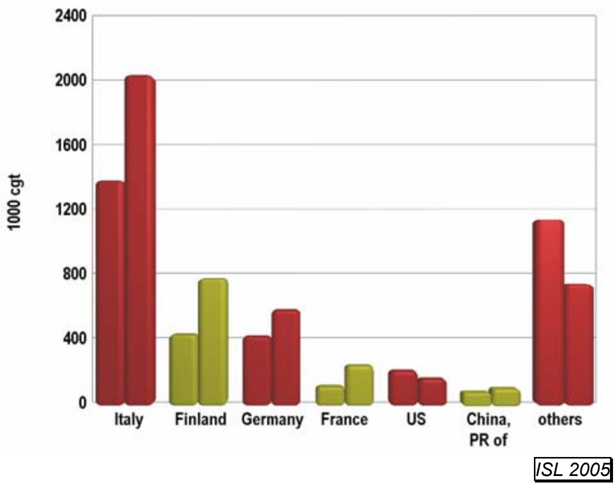
At the beginning of 2005, the order book reached a level of 4.6 mill cgt for all passenger ships. Two third of this tonnage belongs to cruise vessels and about 25 per cent to ro-ro passenger ships. Compared with previous years' cgt figures, the order book for all passenger ships decreased by 22.7 per cent.

Marked leader is Italy (in particular the yards of Fincantieri and Visentini). Passenger ships ordered at Italian yards summarized up to 37 ships with 2.0 mill cgt, the market share on all ordered passenger tonnage stood at 43.6 per cent. As of January 1st, 2005, 80.2 per cent of all ordered passenger tonnage (cgt) was placed on Italian, Finish, German, Spanish and French yards.

At the beginning of 2005, the order book for CESA-yards stood at 3.9 mill cgt. CESA countries won back market shares especially from its Asian competitors.

The cgt-market shares climbed from 72.5 per cent in 2004 to 84.4 per cent at the beginning of 2005.

Fig. 6: Passenger and Passenger cargo ships on order by country of build and gt size class as of January 1st, 2004 and 2005 (in cgt)



THE ISL CRUISE FLEET REGISTER 2005/2006

The following contribution relates to the ISL Cruise Fleet Register 2005/2006 published in this issue. Besides a description of the fleet development it will also give some background information on the other elements of the market.

Demand for cruises

The world cruise industry is definitely back on its growth path: demand is increasing, profits are rising and building contracts for new ships are being signed.

CLIA, PSARA, ECC and DRV have provided their statistics for the year 2004. According to the Cruise Lines International Association (CLIA) which aggregates the figures of 19 cruise operators the number of American passengers rose by 11% to 8.9 millions. Together with 1.6 m international passengers the total of 2004 was an all-time record of 10.5 m. For 2005 around 11 m are predicted. "Bookings for 2005 are coming in at a fast and furious pace, far in advance of departure dates" says the president of CLIA. The ships of the member lines sail at 104% occupancy.

The first quarter 2005 has already exceeded the forecasts for the USA. The member lines carried 12.9% more guests than one year before. And another good news is that the average duration of a cruise increased from 7.09 to 7.33 days.

While the CLIA has a good coverage of the US market their figures for the European market are not satisfying. The British PSARA cares better for the latter and, first of all, for the UK market. Even excluding the more than 111,000 river cruises the British have now passed the one million mark with 1.03m ocean cruises. Compared to 2003 this is an increase of 7%. Further growth can be expected by the introduction of new ships by P&O or RCI 2005 and by Island cruises, Ocean Village and Fred Olsen 2006. Within one year the average price of the cruises sold in the UK rose by 150 to 1200 GBP (PSA Annual Cruise Review 2004).

UK residents have still the largest share of the 2.8 m European passengers (+ 5.3%). These statistics are compiled by the European Cruise Council (ECC) since 2003. The small growth in Europe is due to the demise of the two operators Festival Cruises and Royal Olympic Cruises whose ships were out of order temporarily. The major cruise nations (< 50,000 passengers) in Europe are the UK, Germany, Italy, Spain and France.

Italy was the winner amongst the 2004 market development. Clearly related to the capacity enlargement of the Italian based companies Costa (Carnival group) and Mediterranean Shipping Cruises, the carryings rose by 16% to 400,000. Completely different, Spain has seen fast expansion in the previous year and stagnates now at 300,000 passengers. ECC admits, however, that the Spanish figures are still partly estimated.

France is the prove that demand is depending on supply. While no major brand cares mainly about the French market the figure is hovering around 220.000 trips per year.

Figures for Germany are based on the yearly report of the DRV, the national travel agent's and operators' association. The number of passengers increased from 537,000 (2003) to 583,000 by 8.5%. This was mainly born by new ships dedicated to the German market like the AIDAaura and DELPHIN RENAISSANCE while international operators experienced a set back by the demise of Festival Cruises. National operators with their owned and chartered ships have attracted two thirds of the guests. National operators include AIDA Cruise which is owned by the Carnival group. The average duration of trips made by German speaking passengers is 9.8 (-0.2) days. Regarding this decrease the mean price of 1955 Euro is stagnating.

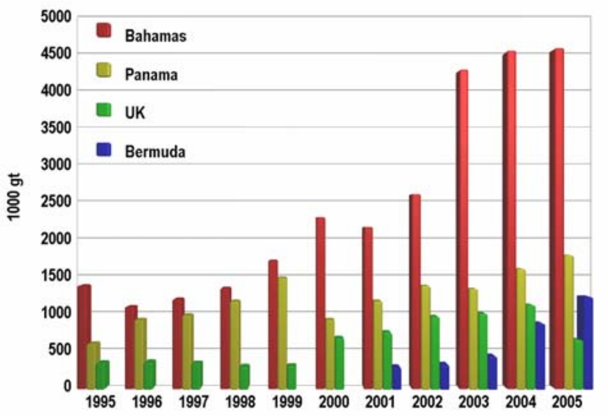
By the way, Germany has a very active river cruise market which attracts 300,000 travellers.

Fleet developments

While the demand side has outgrown the 2001 terrorist attacks, the supply side is just feeling the effects of reduced new ship ordering activity between late 2001 and 2003. The result is a decrease in the number of ships from 266 last year to 263 in the 2005 season (table 1.3.5.1). Only five big and one small newly built vessels will join the fleet in the current year whereas eleven ships have left the 2004 fleet. Among them are five ships sold for scrap like the TARAS SHEVCHENKO, ATALANTE and UNIVERSE EXPLORER. Several other ships will change over to short gambling cruises, the most prominent being the catamaran

RADISSON DIAMOND. The difference is made up by two ships re-entering the cruise market resp. doing seasonal cruises.

Fig. 7: World cruise fleet - development of the top ranking registered flags 1995 - 2005 (in 1000 gt)



ISL 2005

The eleven retired ships aggregate 150,000 gt but the eight additions make up nearly 500,000 gt. Therefore, the total tonnage is now 11.5 million gross tons. Consequently the number of lower beds augmented too and has passed the 300,000 mark. The average size of the 263 cruise vessels is around 44,000 gt and 1,150 beds.

Cruise operators rely on flags of convenience when registering their ships (table 1.3.5.2). The most preferred flag is that of the Bahamas aggregating 4.5 m gt. The Panama and Bermuda registers are also developing positively. Among the national flags Italy has won and the UK has lost nearly half of the tonnage. The reason is that Carnival has decided to transfer the AIDA fleet to Italy as daughter of Costa and to transfer Princess Cruises tonnage to Bermuda.

The countries of domicile (table 1.3.5.4) give an indication of the real ownership of the cruise fleet. In fact the US dominance is more pronounced because the RCI fleet listed as Norwegian is owned in partnership with US companies.

Table 1.3.5.5 allows some interesting insights into the age and size structure of the fleet. All ships are built after World War II now and five of them are over 50 years old. 111 (42%) are younger than 10 years and 181 (69%) are younger than 20 years. Before 1980 the average size of the vessels was always below 20,000 gt, in the 1980ies it rose to 28,000, in the early 90ies to 40,000, in the late 90ies to 57,000 and since 2000 it is 80,000 gt for newly built ships.

The most important size group (table 1.3.5.6) by aggregated tonnage was by 1985 the 20,000 to 30,000 gt class with 27 % of total tonnage. Ten years later it was still the same group but with only 20 % of the total tonnage. Today the share of the group diminished to7 % while the ships above 100,000 gt make up 21 %.

Ownership patterns and cruise operators

The Miami based Carnival Group has not enlarged its portfolio of cruise brands during the last 12 months. With 79 ships, 5,4 million gt and 136,000 beds Carnival controls 47 % of the world tonnage and 45 % of the lower beds. Any new major acquisition would be a case for the monopoly commissions. Nevertheless, Carnival will soon operate more than half of the world fleet based on internal growth.

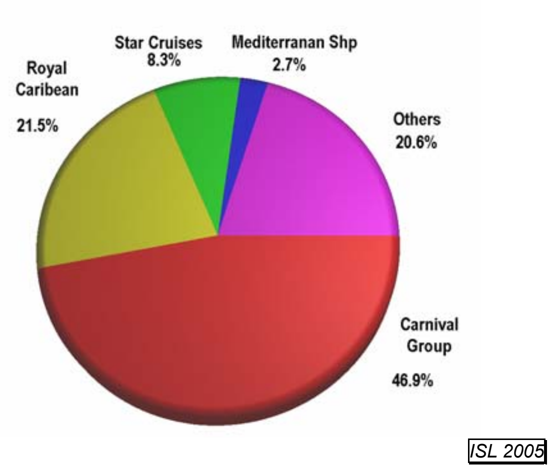
Because the integration of seven new ships into the fleet during the difficult year 2003 proved to be smoother than expected Carnival increased the order book massively. The status of Fincantieri as main supplier of the group was tightened by a multiple order of post-panamax ships for the major brands Carnival Cruise Line, Princess Cruises and Costa, whereby the final choice who will get the later vessels is not yet taken. In addition, a new QUEEN VICTORIA has been ordered for the subsidiary Cunard Line because the ship formerly intended for Cunard has been finished as ARCADIA for P&O Cruises recently. This flood of orders is some kind of interim solution for the group, because Carnival and Fincantieri continue to prepare the design for the Pinnacle project, the totally new generation of ships announced several years ago.

Royal Caribbean Cruise Ltd. together with the sister brand Celebrity Cruises will not commission any new vessel this year. Both companies use the slower pace of expansion to reduce the debt ratio. The lengthening programme for the Vision class is under way but only one stretched ship re-enters the fleet in 2005.

Next year the Freedom class will make its debut. Being an enlarged version of the Voyager class the FREEDOM OF THE SEAS is nothing less than the largest passenger ship in the world, exceeding the QM2 by 10,000 gt at least. And this new giant is no more the only one in the order book of RCI. A sister vessel will come by 2007 and the third by 2008. Like the predecessors they are under construction in Finland. Speculation that also for the Celebrity brand new ships are due soon have been proved by a letter of intent with Meyer Werft at Papenburg recently. In spite of the more up-market level of Celebrity the ships will also increase in size to 1117,000 gt and 2,850 lower beds. The higher comfort shall be guaranteed by considerably larger cabins.

Star Cruises is eager to strengthen its American arm NCL more than ever. This summer the partly US built partly German built PRIDE OF AMERICA could finally be taken over from Lloyd Werft of Bremerhaven. Shortly afterwards Meyer Werft sent the NORWEGIAN JEWEL down the small river Ems. The JEWEL and her sister PRIDE OF HAWAII to be delivered next summer are among the first ships ordered after September 2001.

Fig. 8: Market shares of the major cruise ship owners in 2005 (gt-per cent share)



Meanwhile Star/NCL has confirmed the one-ship-per-year plan by an order for a further sister of the JEWEL to be completed in early 2007. When older NCL ships will be transferred to Star Cruises for employment in Asia the net capacity growth in America is rather small. Therefore, NCL negotiated a new type with Aker Yards in Finland. When it turned out that this contract would not materialize Meyer could offer another dock slot for delivery in late 2007. So the new series for Star/NCL comprises four ships.

Carnival, RCI and Star are the market leaders even if each in its own size group: Star offering more than 25,000 beds, RCI more than 50,000 and Carnival more than 100,000 beds. Rank number four is occupied by Mediterranean Shipping Cruises (MSC) who are the only in the group between 5 and 10,000 beds. And they are the last one not yet mentioned who have a newbuilding program. During the last two years MSC made already a major step forward by integrating two new ships and two similar acquisitions from the bankrupt Festival Cruises. But the company is firmly intended to become a major player in the cruise business following the success of the sister company in the container branch. Currently two 2,550 bed cruisers are under construction for completion in 2006 and 2008 at St. Nazaire. Neither by fleet size nor by ship size this should be the limit for expansion. Letters of intent have been signed recently for even bigger vessels with the same yard.

A very complicated structure is that of the ever growing Louis Group of Cyprus. Being a tour operator they had started the cruise business offering short cruises from Cyprus to Egypt and Lebanon with ships bought second hand. The acquisition and operation of older tonnage is still the core business, but cruises out of Cyprus are only one possibility to use the ships. Others have been transferred to a new subsidiary Louis Hellenic Cruises in Piraeus where Aegean cruises are organised in succession of the defunct Royal Olympic Cruises. The third business field is the management of ships which are marketed by other companies like Thomson Holidays. One of these Thomson ships is managed by Louis but resold to Norwegian owners. Every ship is only mentioned one time in the register and in the tables and this makes the assignment to the ship operator or tour operator sometimes difficult.

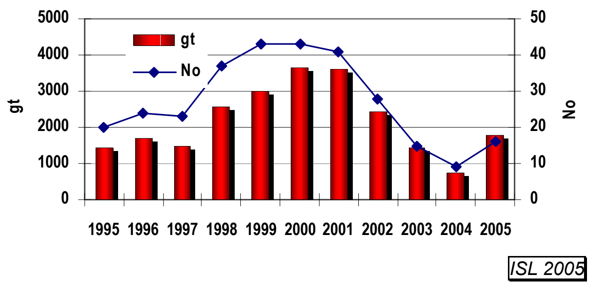
The just mentioned Greek company Royal Olympic Cruises could not be saved from bankruptcy. After loosing the two modern ships they were also forced to auction the remainder of the fleet. One is now in the hands of the Louis Group, the oldest has been "downgraded" to gambling trips and the last one found new owners in America.

NYK (Nippon Yusen Kaisha) has decided to transfer the oldest unit of the three ship Crystal fleet operating in the international market to the Japanese home market. There it replaces the ASUKA as ASUKA II while the original one goes per long-term charter to the German operator Phoenix Reisen. This expanding cruise operator without own ships will get its fourth vessel this way. Crystal Cruises is thought to be in need of a new ship.

Shipyard dock utilisation

Following the flood of orders signed before September 2001 the ship builders worked on a diminishing order book until last year. The workload shrank so far that the shipyards had to cut back their work force. Now the fate has changed again and especially Star Cruises-NCL is urging to get more dock slots. For three of the four European cruise ship builders the situation is now satisfying again.

Fig. 9: Cruise vessels on order - Development of newbuilding contracts from 1995 – 2005 (up to July)



Fincantieri, the world leader in cruise ship and RoRo/ferry building, has now a very close relationship to the Carnival group. Carnival is now the only operator having placed cruise ship orders at the Italian builder but the group has occupied all docks at Monfalcone, Venice and Sestri until late 2007 or 2008. With the last ship for the Holland America brand under construction and the Pinnacle project under way Fincantieri can hope for further important contracts in a not too distant future.

Meyer Werft of Papenburg has suffered a difficult period with construction of four container ships and a cruise ferry but can now enjoy again a satisfying workload of cruise ships. After delivery of the first 92.000 gt ship for NCL three more have to be finished before the end of 2007. The German subsidiary of

Carnival, AIDA Cruises, has also a major expansion in mind. For that they did not return to the Aker yard in Wismar but came to Meyer for the first time. AIDA first required two ships for 2,030 to be completed 2007 and 2009; because of the good booking level of the four existing vessels they are now committed to take over a third one in 2008.

Tab. 4: Adjusted newbuilding schedule of all cruise shipping companies as of mid of 2005

Owner	Ship Name	Service	1000 gt	Capacity	Shipyard
Carnival - Aida	unnamed	April 2007	68.5	2,030	Meyer Werft
Carnival - Aida	unnamed	April 2008	68.5	2,030	Meyer Werft
Carnival - Aida	unnamed	April 2009	68.5	2,030	Meyer Werft
Carnival - Costa	COSTA	June 2006	113.0	3,000	Fincantieri-Sestri
Carnival - Costa	COSTA	2007	113.0	3,000	Fincantieri-Sestri
Carnival Group	unnamed	2008	110.0	3,000	Fincantieri-Sestri
Carnival - Holland	NOORDAM	Jan. 2006	82.0	1,800	Fincantieri-
Carnival Cruise Lines	CARNIVAL	Jan. 2007	110.0	3,000	Fincantieri-
Carnival - Cunard	QUEEN VICTORIA	Dec. 2007	90.0	2,000	Fincantieri-
Carnival - Princess	CROWN PRINCESS	May 2006	113.0	3,100	Fincantieri-Monf.
Carnival - Princess	EMERALD	2007	113.0	3,100	Fincantieri-Monf.
Carnival Group	unnamed	2008	113.0	3,100	Fincantieri-Monf.
MSC Cruises, Italy	MSC MUSICA	June 2006	90.0	2,550	Atlantique
MSC Cruises, Italy	MSC ORCHESTRA	June 2007	90.0	2,550	Atlantique
MSC Cruises, Italy	unnamed	2008	130.0	3,200	Atlantique
MSC Cruises, Italy	unnamed	2009	130.0	3,200	Atlantique
Royal Caribbean	FREEDOM OF THE	May 2006	158.0	3,600	Aker Finnyards
Royal Caribbean	unnamed	2007	158.0	3,600	Aker Finnyards
Royal Caribbean	unnamed	2008	158.0	3,600	Aker Finnyards
RCL - Celebrity	unnamed	2008	117.0	2,850	Meyer Werft
RCL - Celebrity	................(option)		117.0	2,850	Meyer Werft
Star Cruises - NCL	PRIDE OF HAWAII	April 2006	92.0	2,400	Meyer Werft
Star Cruises - NCL	unnamed	Feb. 2007	92.0	2,400	Meyer Werft
Star Cruises - NCL	unnamed	Oct. 2007	92.0	2,400	Meyer Werft

(a) gt estimated

Source: ISL Cruise Fleet Register 2005/2006

Already being the only builder serving two owner groups Meyer is close to sign a contract with a third. RCI is planning to meet the demand for new tonnage for the Celebrity brand with Meyer. The planned ships – one letter of intent and one option – with spacious cabins for 2,850 passengers and 117,000 gt would be the first post-panamax vessels for the German builder. The recent successes could not hold back Meyer from maintaining another old business field: two orders for LPG tankers were also accepted.

The famous Finnish cruise ship builder Masa-Yards is now part of the Aker Group and was merged with Finnyards which have also experience with cruise ferries and smaller cruise ships. Aker at Turku is busy until 2008 with the largest cruise vessels ever built, the 158,000 gt Freedom class for Royal Caribbean Cruise. While this utilises the capacities of one yard the others could return to traditional work like cruise ferries, RoPax and ice-breaking ships.

In the "club of the four leading cruise ship builders" Chantiers de l'Atlantique is now less favoured. A lifeline was thrown by MSC who have already four Atlantique built ships in their fleet. One vessel each is to be delivered 2006 and 2007, and, if letters of intent can be confirmed, two larger ones will follow 2008 and 2009. Even if three LNG tankers under construction are taken into consideration this is much less activity than a few years before.

Provided the Euro exchange rate against the US Dollar will further deteriorate a few more orders can be expected. If the European docks are occupied, capacity supply could still develop in line with demand for cruises. The year 2006 has every chance to become another good year for the operators with a supply growth of hardly more than 5 %.

One problem becomes more and more urgent: Currently only the four big operators have new ships on order placed with the four big yards. The smallest vessel under construction has a tonnage of 68,500 gt. Economies of scale lead to low operating costs on these big ships. How can the numerous small operators replace their ageing fleets of the still much beloved more intimate ships?

Dieter Stockmann, Editorial Assistant
Arnulf Hader, Geographer