

# Knowledge is power

Cruise ships are returning to Egypt and Tunisia, but the Arab Spring revolutions continue to affect the industry's fortunes. **Giovanni Spadoni** of MedCruise and **Neil Palomba** of MSC Cruises speak to Andrea Ashfield about their response to the geopolitical upheaval.

**A**fter months of political uprisings and popular protests throughout the Middle East and North Africa, the impact of the Arab Spring continues to reverberate across the cruise industry. Since the first revolution in Tunisia in December 2010, the wave of upheaval has spread to affect some of the industry's most important ports of call. Operators have been forced to reroute many itineraries, and while some ships have now returned to Egypt and Tunisia, other areas are still classed as no-go zones.

The impact for some has been worse than first thought. In June 2011, Carnival Corporation said it had underestimated the effect of geopolitical events on its second-half earnings for 2011. Combined with the recent earthquake and subsequent nuclear disaster in Japan, the Arab Spring was thought to be responsible for more than 300 deployment changes across the group's brands, which include Holland America, Princess Cruises, Seabourn and P&O. The cost was estimated at an additional \$0.15 per share

for the second half of the year. Immediately after this announcement, Carnival's share price fell by 38p to £22.61. The company also reported that pricing for some of its brands had been significantly affected, particularly in southern Europe.

Royal Caribbean was also impacted, although less significantly, with 63 of its cruises redeployed because of the troubles. Along with events in Japan, this was expected to have a direct negative impact on the company's yields of approximately 1% for the full year.

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The effect of geopolitical events should not be underestimated, according to Giovanni Spadoni, president of MedCruise, the association of Mediterranean cruise ports.

"The impact of the popular revolutions and the shifts in changes in government and leadership in North Africa has extended beyond the boundaries of the African land mass," says Spadoni. "It has caused all Mediterranean nations and ports to pay special attention to Tunisia, Egypt and other nearby countries in order to meet the challenges and create common strategies."

Spadoni thinks cruise lines have a responsibility to monitor political situations to ensure high standards of security.

"Cruise lines must fully guarantee the safety of their passengers and ships," he says. "Any threat or risk at ports or on excursions must be fully mitigated to protect both the passengers and the reputation of the region."

He also believes that intense media coverage can sometimes be unhelpful.

"Cruise lines send their ships where passengers want to go," he says. "If passengers do not want to visit a port, country or region, ships won't be deployed there. The problem is not always the political shifts or strife, but rather the international media portrayal of events."

One operator affected by the situation is MSC Cruises, which has a number of key routes around the Mediterranean.

"MSC Cruises always places the security and safety of its guests and crew before all considerations, and as a result, the political unrest in North Africa and the Middle East has affected our scheduled itineraries," says corporate operating officer Neil Palomba. "Some of our cruise ships have been re-routed to avoid these areas and to guarantee maximum safety to our guests."

While cruise lines may have more flexibility than land-based hospitality businesses, changing itineraries at short notice is not without its difficulties.

"Rerouting itineraries implies undertaking several tough challenges," adds Palomba. "The first consideration is geographical, since we need to identify an alternative port that can be reached by the ship in the timeframe at disposal, without affecting the rest of the itinerary. Berth allocation and availability, and port congestion, could also be an issue."

Making sure guests are satisfied with the new schedule is also important.

"Our primary concern is also to provide our guests with a pleasant destination that will fulfil their expectations," says Palomba. "Rerouting a ship is not an easy task and it requires an efficient collaboration between various departments, from the operational and planning divisions to sales and marketing. The cruise industry has, somehow, a natural right to make quick changes in terms of itineraries, based on the changing demands of its customers."

### Revival hopes

MSC Cruises recently announced it would be returning to Tunisia.

"La Goulette in Tunisia is the only destination to be reinstated so far," says Palomba. "The country is back to normal and security is now stable, which is why we decided to offer our guests one of our favourite destinations again this summer."

The four MSC ships that are scheduled to call at the port promise to bring between 350,000 and 400,000 passengers to the country each year, marking an important step in the recovery of the area.

Other ships have also been returning and, according to reports, passengers arriving on *Eurodam* and *AIDAbella* in April were greeted with a celebration of dancing, music and traditional culture, designed to show that the country is back on its feet. Businesses in Egypt are also keen to encourage cruise passengers once more, with international tourism accounting for 11.5% of the country's GDP.

MedCruise is active in helping to boost tourism across the region.

"Strategies to bring cruise lines back to Tunisia and Egypt are based on clear, consistent, honest and professional communication between ports, government ministries and the cruise lines," says Spadoni. "MedCruise can be a tool to help establish technical working groups to manage security plans at these member ports. We can act as a liaison between the ports and the cruise lines, facilitating communication and planning for a resurgence of cruise shipping in North Africa. This is a big concern, and one that is worthy of commitment and action."

While some ports have suffered, others have experienced a boost as diverted ships come to call.

"Cruise tourism links all the countries located around the Mediterranean," says Spadoni. "When traffic was cancelled in our brethren countries, other members of our family, including Sicily, Malta and Greek ports, received some extra unexpected calls."

This may seem like a positive development for the ports concerned, but Spadoni is not so sure.

"From a larger perspective, we have lost as a whole, because our itineraries became weaker," he explains. "Tourists from afar see the Mediterranean as one place, so war or strife in any part of it will affect the success of the sea as a whole. What affects one country impacts on the whole region."

### Deep understanding

Palomba believes operators are duty-bound to build a thorough local knowledge of each port of call.

"Our fleet sails the world, and collaborating with local governments and port authorities in various countries implies some duties in terms of knowledge," he says. "We constantly keep informed about the political, economic and social situations in all countries we cruise to. This enables us to be flexible and adapt our itineraries."

If similar events occur in future, Palomba is confident that MSC Cruises will be ready to respond accordingly.

"In the current geopolitical context, these situations are likely to happen on a regular basis," he says. "From a cruise line perspective, it is essential to remain flexible in terms of itineraries in order to offer our guests the safest type of vacation possible. Cruise ships are mobile assets and this makes it easier to embrace change."

Spadoni agrees, and also thinks the wave of unrest across the region offers the tourism industry a chance to develop a deeper understanding of North Africa and the Middle East.

"This explosion of vitality in Arab countries renews and sharpens our need for a deeper understanding of places we mistakenly consider exotic," he says. "We can finally learn to enjoy the beauty of these countries without ignoring the need to know them in a different light." ■