2017

ASIA CRUISE TRENDS

CRUISE LINES INTERNATIONAL ASSOCIATION

Asia Cruise Trends

2017 Edition

Report prepared by:

Design, research, analysis, and findings by:

CHART MANAGEMENT CONSULTANTS PTY LTD
CRUISE SHIPPING AND TOURISM STRATEGY & EXECUTION

About Cruise Lines International Association (CLIA) – One Industry, One Voice

Celebrating its 40th Anniversary in 2015, Cruise Lines International Association (CLIA) is the unified voice and leading authority of the global cruise community. As the largest cruise industry trade association with 15 offices globally, CLIA has representation in North and South America, Europe, Asia and Australasia.

CLIA's mission is to support policies and practices that foster a safe, secure, healthy and sustainable cruise ship environment for the more than 25 million passengers who cruise annually, as well as promote the cruise travel experience. Members are committed to the sustained success of the cruise industry and are comprised of the world's most prestigious ocean, river and specialty cruise lines; a highly trained and certified travel agent community; and other cruise industry partners, including ports, destinations, ship developers, suppliers, business services and travel operators.

For more information, visit www.cruising.org, www.cruiseforward.org or follow Cruise Lines International Association on the CLIA Facebook and Twitter fan pages.

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About CHART Management Consultants

CHART assists senior management to understand complex issues, to develop strategic solutions to problems and to devise innovative approaches to capitalizing on the growth of the cruise industry. The firm brings unique experience, analytical rigor, strong communication and implementation skills and exceptional client service to every project.

CHART's clients span the globe. In recent years the firm's focus has moved more to Asia and the Pacific. The firm created the strategy for Papua New Guinea, resulting in many cruise ships now visiting its ports and island destinations. CHART recently delivered the National Cruise Tourism Strategy for the Philippines government. The firm designed and delivered the 2013 Asia Cruise Association White Paper as well as the 2014, 2016 and this current CLIA *Asia Cruise Trends* project. It conducted the Pacific Cruise Market Research and Intelligence project and the Pacific Cruise Tourism Development Strategy for SPTO. CHART is currently working on other projects in Asia.

CHART Principal, Ted Blamey, a Harvard MBA and McKinsey and Co. consultant, was appointed Managing Director Sitmar Cruises Australasia at age 33 and global President/CEO 8 years later. After initiating the first cruise industry consolidation by sale of Sitmar to P&O/Princess he served as a Port Authority Chair and Retail Travel Group CEO. He founded CHART in 1997. CHART's Associates have all held senior executive positions in cruise lines, contributing now to the firm's strategy and research work.

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TABLE OF CONTENTS

INTRODUCTION

The cruise industry in Asia is growing rapidly. As many cruise lines deploy more capacity to the region, including brand new, large cruise ships purpose-built for Asian consumers, government authorities, cruise lines, destinations and industry stakeholders need to understand the trends, the overall potential for cruise tourism growth and associated infrastructure needs and to monitor guest source markets.

To achieve these goals, Cruise Lines International Association commissioned CHART Management Consultants to undertake this third in-depth *Asia Cruise Trends* analysis.

With the collaboration of 29 international and regional cruise brands and analyzing published data for another 4, thus accounting for over 98 percent of regional capacity, this project set out to update and extend the 2015 and 2016 studies of Asia's ocean cruise segment (2+ nights) and accomplish key objectives:

- Provide industry stakeholders with actionable, meaningful information, in particular
  - Trends in the key drivers of cruise activity: capacity, deployment, and destinations
  - Accurate data on the size and growth of Asia passenger source markets.
- Provide a tool to work with governments and the private sector to structure long-term benefits for local economies and specifically to
  - Assist authorities in forming cruise industry-specific policies and regulations
  - Provide analyses to inform investment and infrastructure decisions.
- Generate detailed destination volume data to underpin economic impact assessments.

The following report outlines capacity and destination trends between 2013 and 2017, based on analysis of detailed itinerary information obtained from the cruise lines that are operating in Asia. Key capacity metrics, like ship counts, cruises, operating days and passenger capacity, are analyzed. Additional destination metrics such as port calls and passenger destination days describe the deployment trends.

It also provides an historical overview of passenger source volume from the twelve main Asian markets between the 2013 and 2016 calendar years, reviewing metrics such as passenger source volume, types of cruises and ship segments selected, length of cruises taken, destinations visited, and passenger ages.

As Asia is a rapidly growing and dynamic market, three-year trends are typically analyzed using a compound annual growth rate to identify underlying trends against the year over year variability in markets.

Throughout this report, and consistent with CHART's Asia Cruise Association 2013 *White Paper,* all analyses and information *exclude* one-night cruises.

KEY FINDINGS

THE TRENDS

Cruise tourism in Asia is still growing at an impressive rate due especially to a sharp increase in passenger volume from China.

Between 2013 and 2017, **cruise capacity has increased across all metrics.**

- The number of ships deployed in Asia grew 53 percent since 2013
- Similarly, the number of cruises and voyages within and through Asia increased at a 25 percent CAGR
- Operating days expanded 137 percent since 2013.
- Passenger capacity almost tripled from 1.51M passengers in 2013 to 4.24M passengers in 2017

The cruise industry is bringing more cruise visits to destinations in Asia.

- There will be 7,196 Asian cruise calls in 2017, an increase of 29 percent in absolute volume from 2016's 5,574 calls.
- Destinations with the greatest growth in total port calls this year are Japan, China and Thailand with 852, 306 and 218 additional calls, respectively. Other destinations with any port call growth are Hong Kong (78), Taiwan (61) and the Philippines (55).

As a source market for cruise tourism worldwide, **the absolute volume of cruise travelers sourced from Asia quadrupled since 2012.**

- Between 2012 and 2016, passenger volume grew from 775,000 to nearly 3.1 million passengers, **a 41 percent compound annual growth rate.**
- **China is a main driver of passenger growth in Asia**, adding more than 1 million passengers since last year and growing at an impressive 76% CAGR since 2012.
- Four of the five other major markets also saw double-digit 3-year compound growth: Taiwan (22 percent), Japan (27 percent), Hong Kong (43 percent) and India (25 percent).

Among the nearly 3.1 million cruise passengers from Asia, **China accounted for two-thirds of the regional passenger volume in 2016.**

- 2.1 million passengers came from mainland China compared to 1 M sourced from the rest of Asia
- Other leading source markets include Taiwan (236,800), Japan (215,300) and Singapore (196,900.)
- India (120,600) and Hong Kong (110,700) and are the other two markets with over 100,000 passengers in 2016.

KEY FINDINGS (continued)

Asian cruise passengers predominantly cruise only within Asia on short sailings.

- The majority (94 percent) of **Asian cruisers sailed within the region** in 2016.
- **Europe (55 percent) was the leading destination among the long-haul cruisers that sailed outside of Asia**, followed by Alaska/Canada/New England (19 percent) destinations and the Caribbean/Western U.S./Hawaii (18 percent).
- Shorter sailings were by far the most popular, with the greatest share of passengers sailing 4 to 6 nights (69 percent) followed by 2 to 3 nights (22 percent) and 7 to 13 nights (8 percent).

THE 2017 PICTURE

- The momentum of cruise tourism continues with 35 brands active in Asia in 2017.
- 66 ships will be deployed.
- More than 2,086 cruises and voyages are scheduled, up from 1,628 in 2016.
- **Passenger capacity is estimated at more than 4.24 million,** up from just under 3.1 million in 2016

In 2017, there will be increasing variation in the ship product mix.

- Most capacity will be on the mega and large ships with 5 and 13 of them deployed in Asia this year respectively.
- 26 mid-size ships are also deployed in 2017.
- Small upscale ships will be active in the region with 17 deployed seasonally.
- The Expedition niche will have 5 ships deployed in limited seasons.

The top 5 brands account for 64% of the total sailings, 79% of the passenger capacity and 54% of the operating days in 2017.

Asia to Asia cruises and short sailings will dominate itineraries in 2017.

- 1,992 such cruises are scheduled up from 1,536 last year.
- A further 94 voyages (beginning or ending outside of Asia) will pass through the region.
- The majority of cruises will be 4-6 night (52 percent) and 2-3 night (31 percent)
- The cruise industry will have a potential to **bring 13.5 million passenger destination days across local communities** in the region this year.
- With almost 7,200 port calls scheduled, itineraries will touch 294 destinations.
- **Japan, China and South Korea are the countries scheduled to welcome the most port calls** (2378, 1156 and 737 respectively).
- **Top ports with over 300 total calls planned** in 2017 include Baoshan/Shanghai, China (581), Jeju Island, South Korea (477), and Singapore (393).
- In terms of potential for tourist visits, **Japan, China and South Korea were planned to host the most passenger destination days** with capacity for over 4.3 million passengers arriving in Japanese destinations, approximately 2.6 million passengers arriving in in China and 1.8 million scheduled in South Korea.

CAPACITY

Deployment and number of sailings

Asia continues to see rapid growth in deployment and cruise capacity.

In 2017, 35 cruise brands are active in Asian waters, deploying a total of 66* ships of which 18 are year-round and another 18 operate for 5 or more months. Five of these are mega ships (over 3,500 passenger capacity or over 150,000 GRT) and 13 are large (2,000 to 3,500 passengers and over 75,000 GRT). In 2013 there were but 43 ships cruising in Asia.

These ships are providing 1,992 cruises and a further 94 voyages in 2017, 28% more sailings than in 2016. The 4-year compound annual growth in number of cruises since 2013 is 25%.

The operators fall into four distinct tiers:

1. Six cruise lines each operate over 100 sailings, 68% of the industry total in 2017
2. Ten lines offer 20 to 99 sailings, 24% of the 2017 total
3. Ten lines offer between 9 and 19 (6%)
4. And the remaining nine, 8 sailings or less (1.5%).

* [Note: a new mega ship, *World Dream* is to enter service in November 2017. As details of her deployment are yet to be announced (at time of publication) this ship is <u>not</u> included in the total of 66].

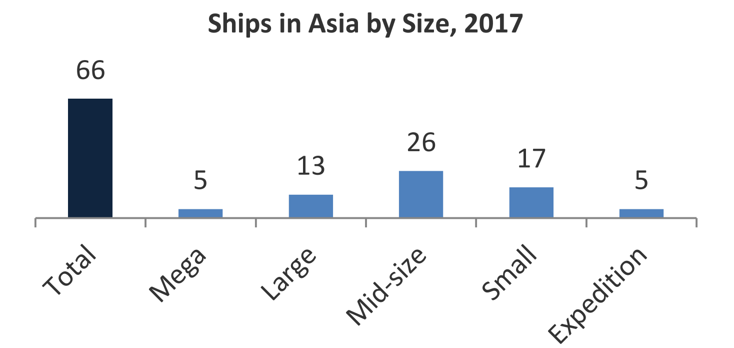
Passenger capacity

The industry is generating capacity for 4.24 million passengers to cruise in Asia in 2017 (4.12 M on Asia cruises, 117,000 on voyages passing through Asia).

The 4.24 M passenger capacity on Asian cruises is 38% more than in 2016 and has almost tripled since 2013.

Capacity: 2017 Picture

In 2017, 66 ships are scheduled to sail in Asian waters with a variety of product offerings. Mid-sized ships will account for most of the fleet (26 ships) followed by 17 small ships and 13 large ships. An additional five expedition ships and five mega ships will host passengers in 2017.

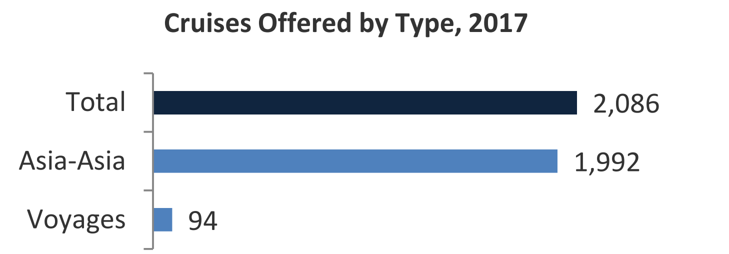


Cruise lines will cater mainly to the premium and contemporary segments with 16 lines in the Asia region. Another 11 cruise lines will be upscale. There will be four luxury lines and four expedition lines.

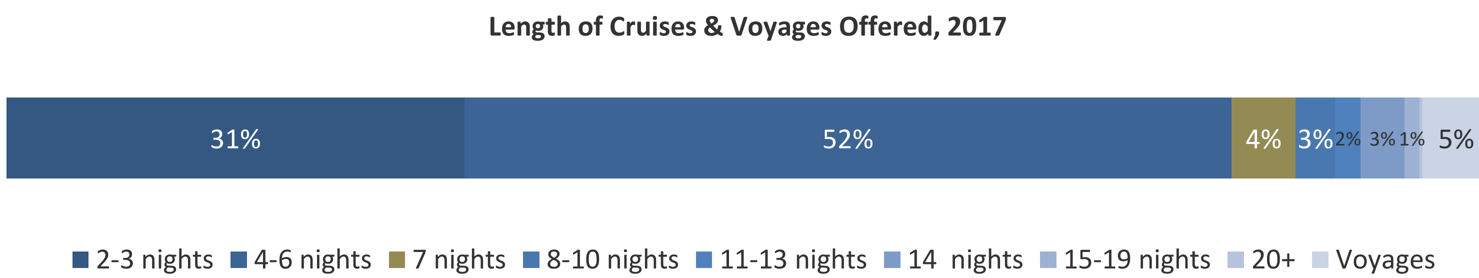
Cruise Ship Segments, 2017

Cruise Ship Segment	# Lines
Premium & Contemporary	16
Upscale	11
Luxury	4
Expedition	4

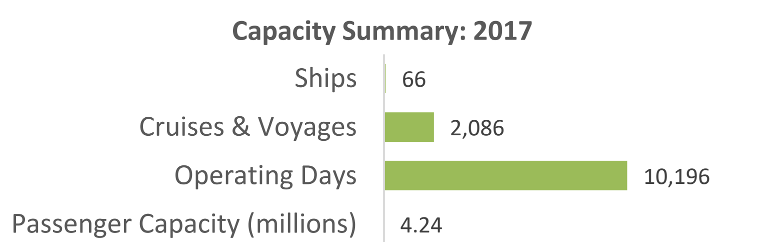
The vast majority of cruises scheduled are within the Asia region with 1,992 Asia-to-Asia itineraries and a smaller volume of voyages (94) that touch the region at some point in the itinerary. In total, 2,086 sailings are scheduled in 2017.



Short cruises still dominate the itineraries in Asia. Cruises of 4-6 nights will account for the highest share of all cruises, 52 percent, followed by 2-3 night offerings representing 31 percent of all cruises.



The allocation of ships and cruise itineraries will result in 10,196 operating days in Asia for 2017 providing a total capacity for 4.24 million passengers.



Capacity: Trends

Between 2013 and 2017, cruise industry capacity had double-digit growth across all capacity metrics. The volume of ships deployed grew 53% from the baseline of 43 ships in 2013 to 66 in 2017, expanding across all ship size categories.

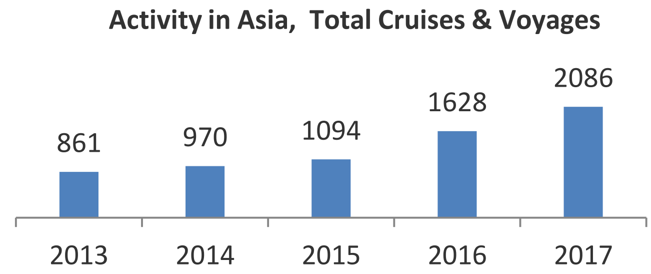
Sailings in and through Asia had strong growth, increasing 142% from 861 cruises and voyages in 2013 to 2,086 in 2017.

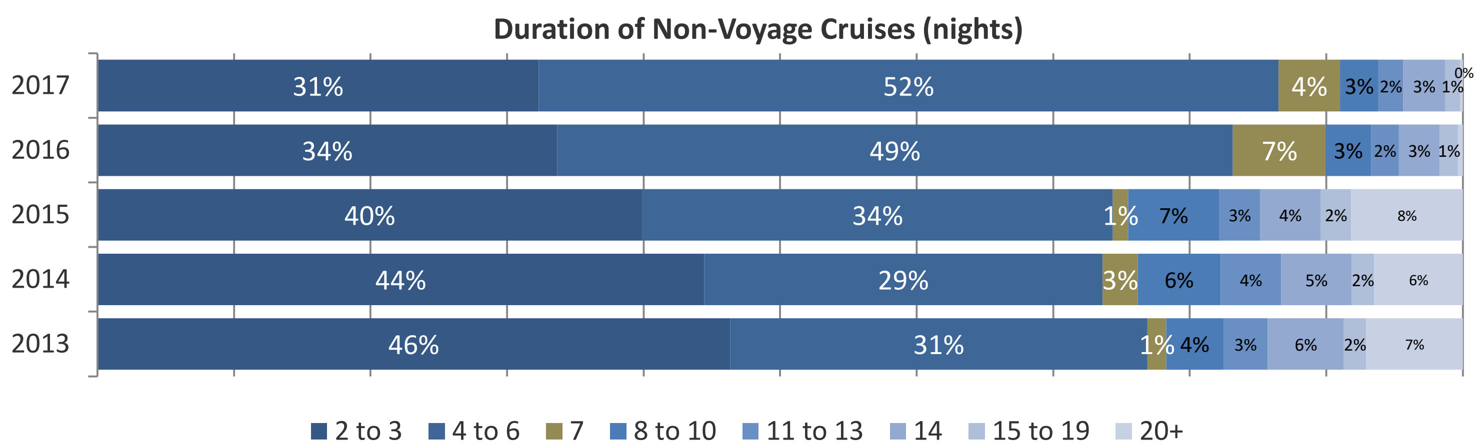
Cruises of 4-6 nights now represents more than 50% of the volume in Asia growing from 31% of the sailings in 2013 to 52% in 2017. As a result, the relative share of 2-3 night cruises continues to shrink from 46% in 2013 to 31% in 2017. The longer 7-10 night cruises are slightly down from last year from 9% to 7%.

Cruises of duration ranging anywhere from 2 to 10 nights represents close to 90% of the planned 2017 cruises.

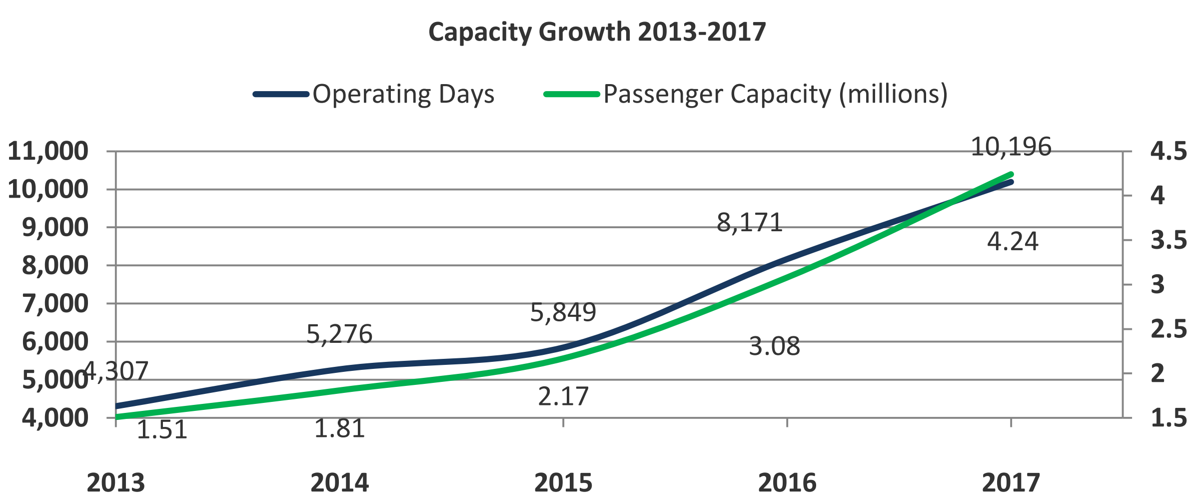
Cruise Ships Deployed by Type, Asian Region

	Expedition	Small	Midsize	Large	Mega	**Total**
2013	2	14	19	8	0	**43**
2014	5	15	21	9	0	**50**
2015	4	14	22	11	1	**52**
2016	6	16	21	15	2	**60**
2017	5	17	26	13	5	**66**





These product trends brought operating days up 137% percent from 4,307 operating days in 2013 to 10,196 in 2017; this is also an increase of 25% over the 8,171 in 2016. Overall, the opportunity to host passengers in Asia grew almost by a factor of three this timeframe, from a passenger capacity of 1.51 million in 2013 approaching the four and a quarter million mark in 2017 (4.24 million).



CRUISE DESTINATIONS

Note: This report is based on planned itineraries for 2017.

After the 2017 season commenced, China suspended permission for cruise ships departing China ports to call in Korea.

The situation is fluid. The resulting effect on 2017 deployment and destination volumes will not be known until year-end.

We do know that calls in Korea will be much less and calls at Japan ports many more than planned but that homeports and cruise durations are largely unaffected.

The expansion of cruise capacity naturally impacts the volume of visits across destinations in Asia. In 2017, 7,196 port calls are being made in the region, 1,622 or 29% more than last year.

Destinations especially benefiting from this trend are three in East Asia: Japan, with 852 more calls, mainland China with 306 more and Hong Kong with an increase of 78 over 2016 levels. In Southeast Asia there is good growth in Thailand with 218 more calls this year.

Twenty two Asian ports will host over 100 calls each in 2017.

In fact, 294 different destinations in Asia will receive cruise ships in 2017.

All this activity in 2017 will naturally have a powerful tourism impact, bringing passengers to destinations across the region. With the combination of more and larger ships, added cruises and multiple port call visits, the cruise industry will bring 13.5 million passenger destination days to localities across Asia. This will be 2.6 million or 24% more than in 2016.

The volume of total port calls scheduled throughout Asia in 2017 will reach 7,196.

For a second year in a row, the region is experiencing a significant increase in number of calls, growing 30% in 2017 following an impressive 46% gain in 2016.

Last year – 2016

2016 saw solid growth versus 2015 (up 465) with a significant shift towards East Asia versus 2015.

Overall, with 5,570 scheduled calls in 2016, the cruise industry was due to bring 10.9 million passenger destination days to Asia, a 55% percent increase over the 7 million from 2015.

There was more concentration in the East Asia region which hosted 64% of the port calls and 71% of Asia's passenger destination days.

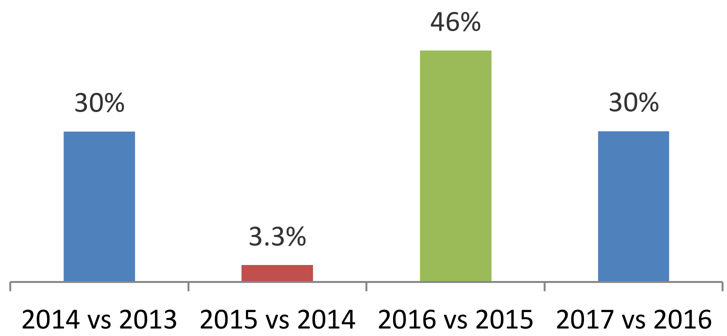
In 2016 the key **countries** hosting port calls were led by Japan with 1,526 total calls, China with 850, South Korea with 745, and Vietnam with 466 calls. Malaysia, Singapore and Thailand each saw around 300 calls or higher.

The top 16 **ports** in Asia hosted over 100 total calls, with the top 4 hosting over 200 calls each. South Korea's Jeju Island had the most total calls, reaching 460. China's Baoshan/Shanghai ranked second at 437. Singapore and Japan's Fukuoka/Hakata followed in ranking with 391 and 294 total calls, respectively.

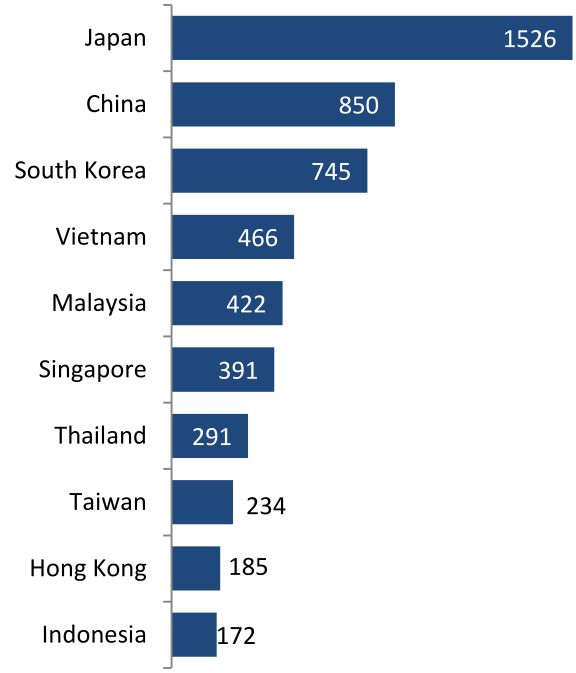
There were 39 turnaround ports, with Shanghai and Singapore hosting the vast majority (402 and 329). Keelung (Taiwan), Hong Kong and Tianjin (China) hosting a notable volume with 170, 112 and 110 turnarounds scheduled, respectively.

Overnight calls were scheduled across 42 ports in 2016. Laem Chabang/Bangkok, Thailand hosted the most overnight calls (47), followed by Singapore (40), Hong Kong (39), Yangon, Myanmar (34) and Phu My/Ho Chi Minh City, Vietnam (29).

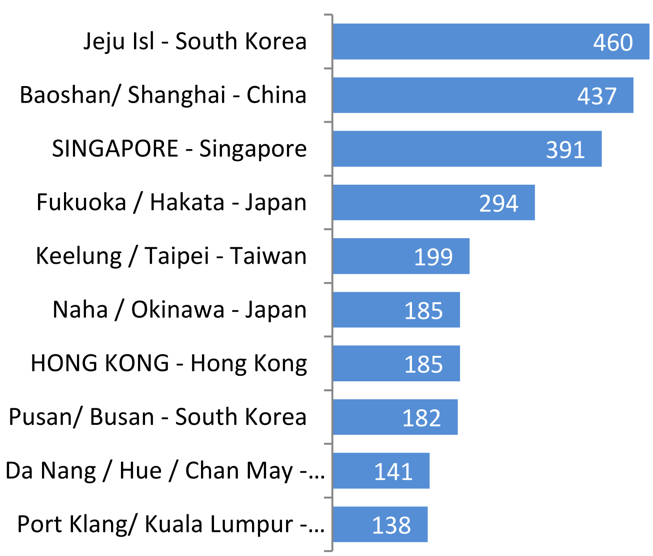
Growth in Total Port Calls



Top 10 Destinations by Total Calls, 2016 Picture



Top 10 Ports by Total Calls, 2016 Picture



Key Destination Metrics by Region, 2016

	Ports	Calls	Passenger Destination Days (000s)
East Asia	116	3,540	7,756
Southeast Asia	75	1,835	2,961
South Asia	13	195	154
Total Asia	**204**	**5,570**	**10,871**

Note: This report is based on planned itineraries for 2017.

The effect on 2017 deployment and destinations of the ban on China home-ported ships calling at Korean destinations will not be known until year-end.

We can say that calls in Korea will be much less and calls at Japan ports more than planned and that there will be more days at sea.

2017 Picture

2017 sees another significant shift towards East Asia versus 2016.

Overall, with 7,196 calls in 2017, the cruise industry is bringing 13.5 million passenger destination days to Asia, a 24% percent increase over the 10.9 million from 2016.

These are now concentrated much more strongly in the East Asia region which is hosting 68% of the port calls to see 74% of Asia's passenger destination days.

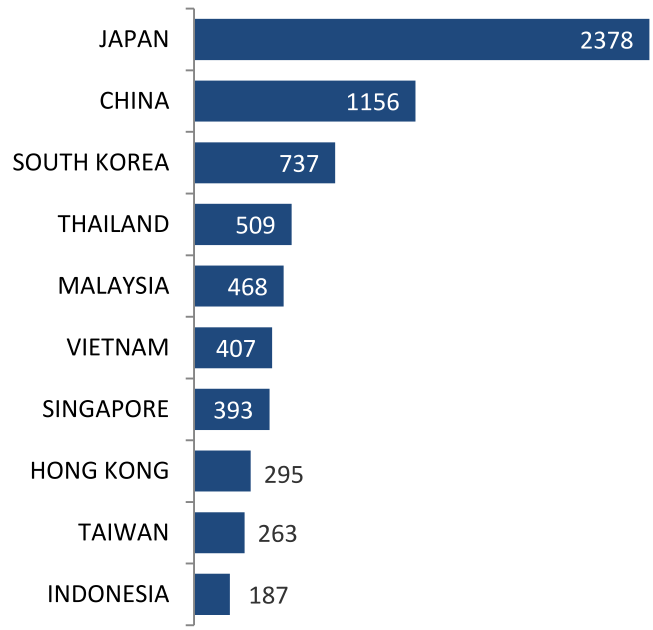
Countries set to host the greatest volume of calls in 2017 include Japan, China, South Korea, Thailand, Vietnam, Malaysia, and Singapore, all to receive over 300 calls.

The top 21 **ports** in Asia will each host over 100 total calls, with the top 5 hosting over 300 calls each. Baoshan/Shanghai will have the most total calls, reaching 581. South Korea's Jeju Island ranks second at 477. Singapore and Japan's Fukuoka follow in ranking with 393 and 341 total calls, respectively. Hong Kong is fifth with 263.

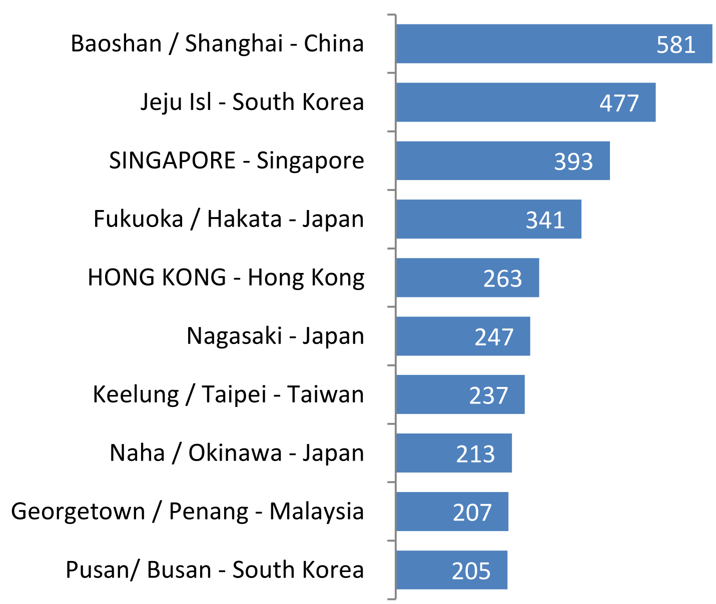
There will be 47 turnaround ports, with Shanghai and Singapore hosting the vast majority (529 and 325). Keelung (Taiwan), will also host a notable volume with 191 scheduled.

Overnight calls are scheduled across 44 ports in 2017. Laem Chabang/Bangkok, Thailand will host the most overnight calls (51), followed by Singapore (44) and Hong Kong (37).

Top 10 Markets by Total Calls, 2017 Outlook



Top 10 Ports by Total Calls, 2017 Outlook



Key Destination Metrics by Region, 2017

	Ports	Calls	Passenger Destination Days (000s)
East Asia	153	4,853	9,998
Southeast Asia	113	2,093	3,230
South Asia	28	250	250
Total Asia	**294**	**7,196**	**13,478**

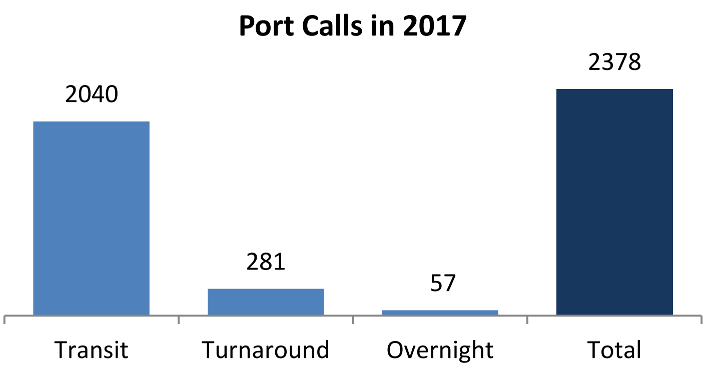
Cruise Destination: Japan

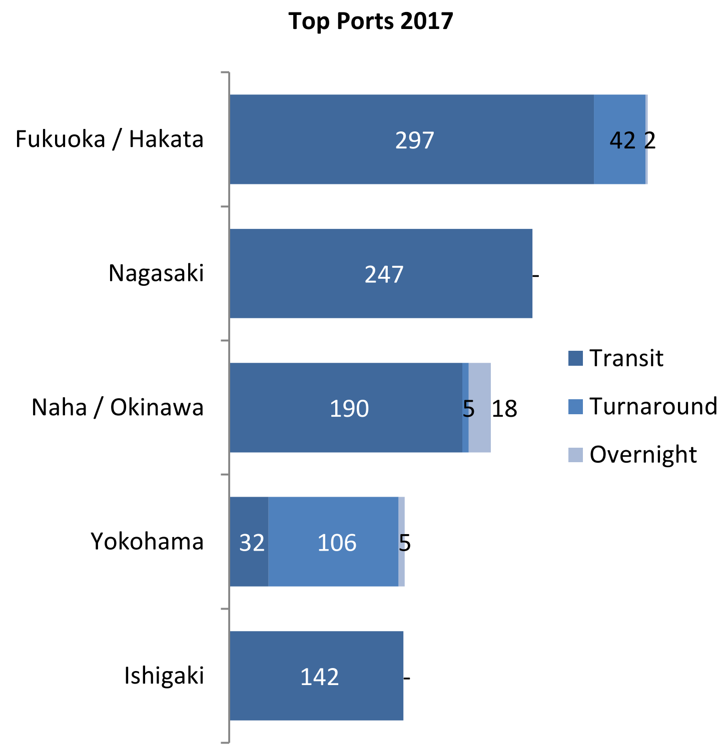
Japan will have the most port calls in 2017 among all Asia destinations, with 2,378 total calls scheduled, at 33% of the entire Asian region. Predominantly transit calls (2,040), these visits will result in a potential for over 4.3 million Passenger Destination Days in the destination, up from 2.9 million in 2016.

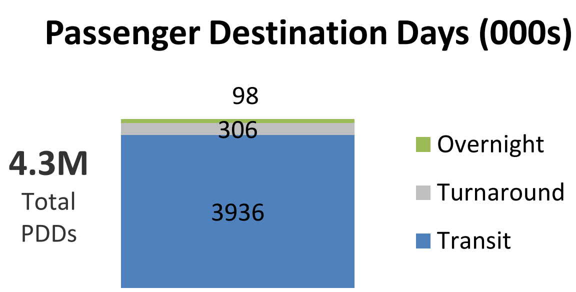
Growth Trends:

Since 2013, there has been a 622 percent absolute growth in Japan port calls, for a combined annual growth rate of 64 percent.

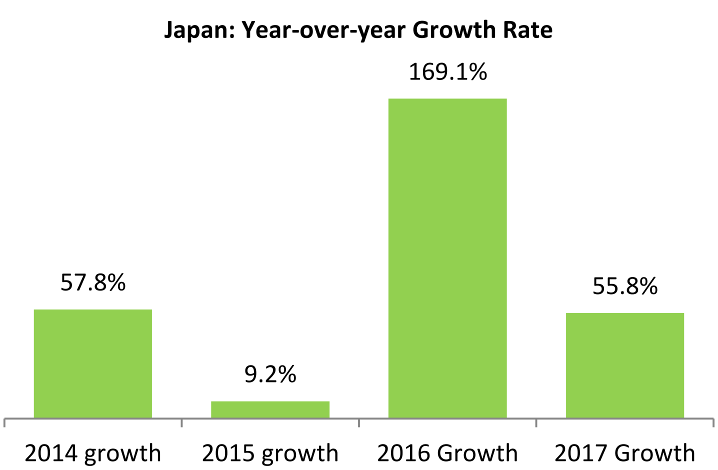
2017 Picture

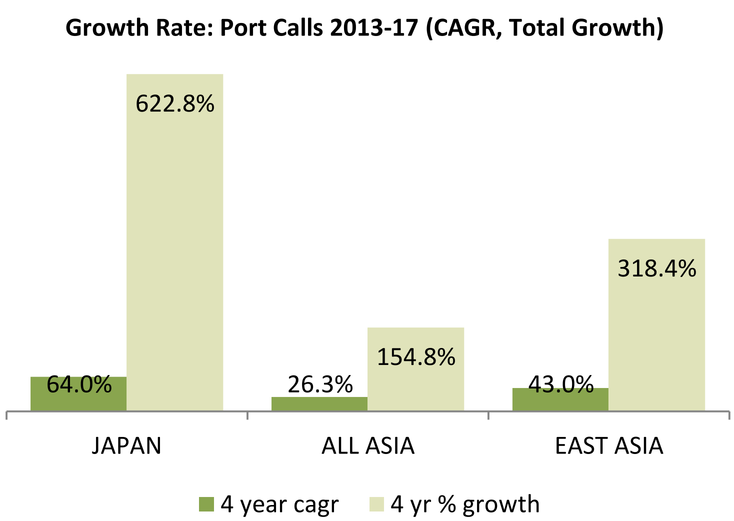






Growth Trends





Cruise Destination: China

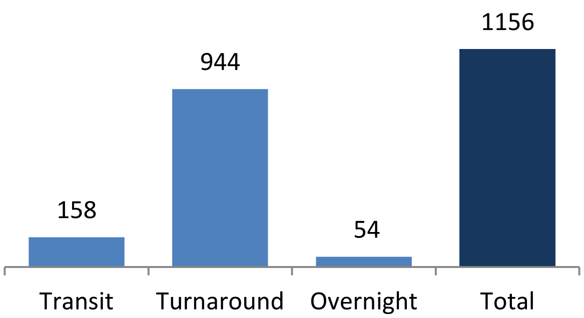
Mainland China, as a destination, is scheduled to welcome 1,156 port calls in 2017, up from 850 port calls in 2016. While over 82% of the calls will be turnaround (944 calls, up 219), 158 transit calls are also scheduled (up 55) and 54 overnights (up 32). This will bring a potential for 2.6 million Passenger Destination Days to the country.

Growth Trends:

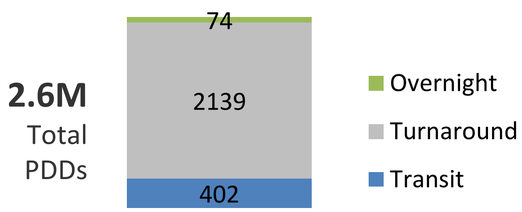
China destinations are benefiting strongly from the growth in the Asian Cruising economy, as evidenced by a huge 183% increase from 2015 to 2016 in port calls and 36% increase from 2016 to 2017.

2017 Picture

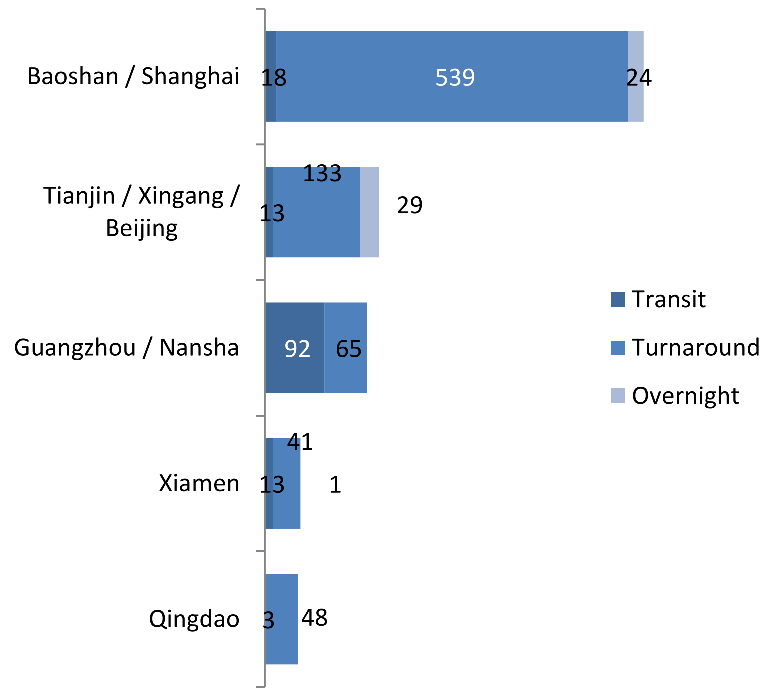
Port Calls in 2017



Passenger Destination Days (000s)

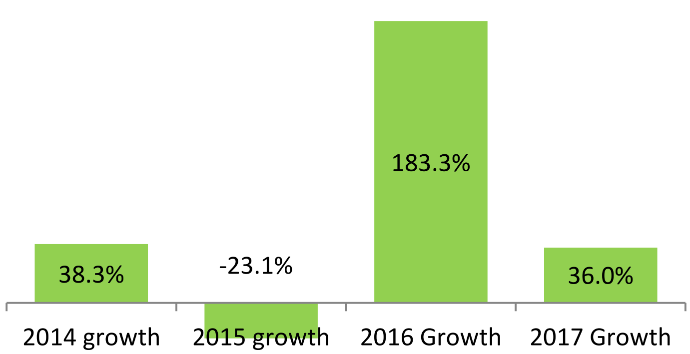


Top Ports 2017

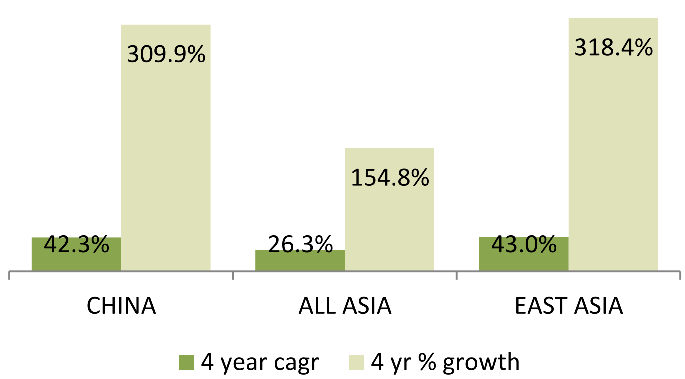


Growth Trends

CHINA: Yr-Yr Growth Rate Port Calls



Growth Rate: Port Calls 2013-17 CAGR, Total Growth, and 2017 year over year



Cruise Destination: South Korea

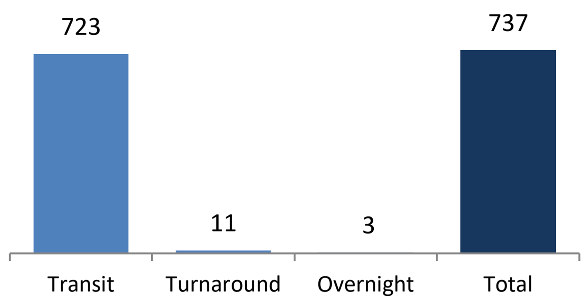
South Korea is mostly a transit destination but the volume will be mostly flat in 2017. Increases in planned calls by some cruise lines, are offset by a significant reduction scheduled by the brand with the most calls, especially to Jeju.

Growth Trends:

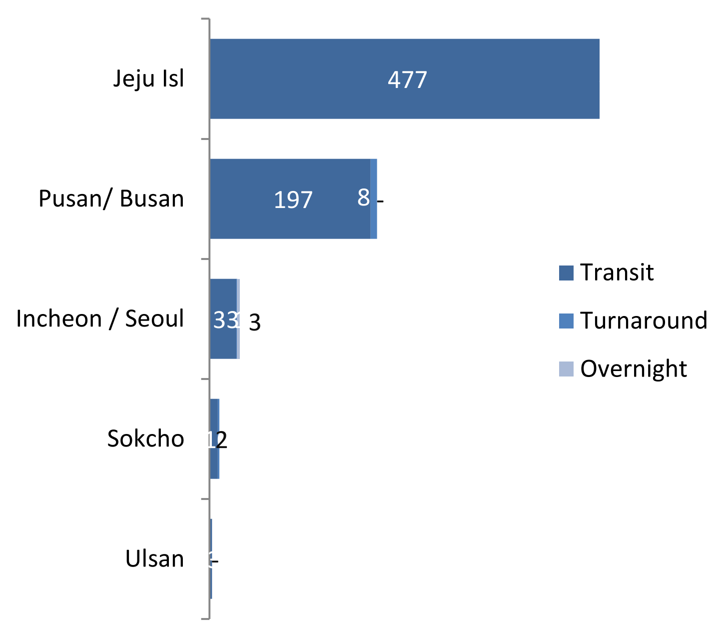
- From 2013 to 2017, this destination saw a 25% compound annual growth rate in calls representing a 141 percent growth.

2017 Picture

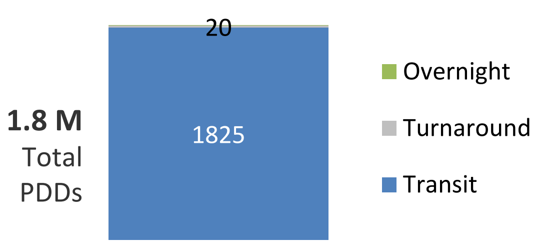
Port Calls in 2017



Top Ports 2017

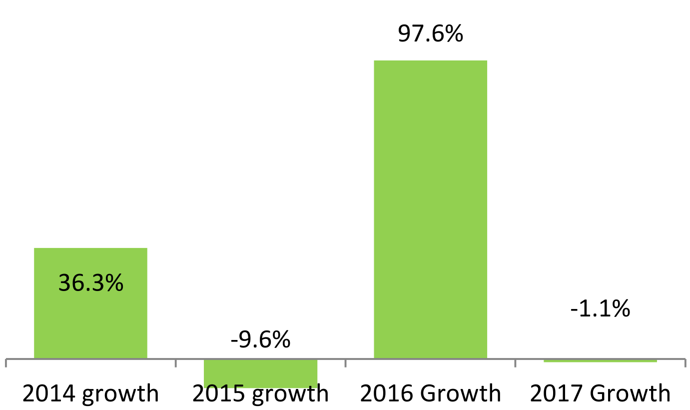


Passenger Destination Days (000s)

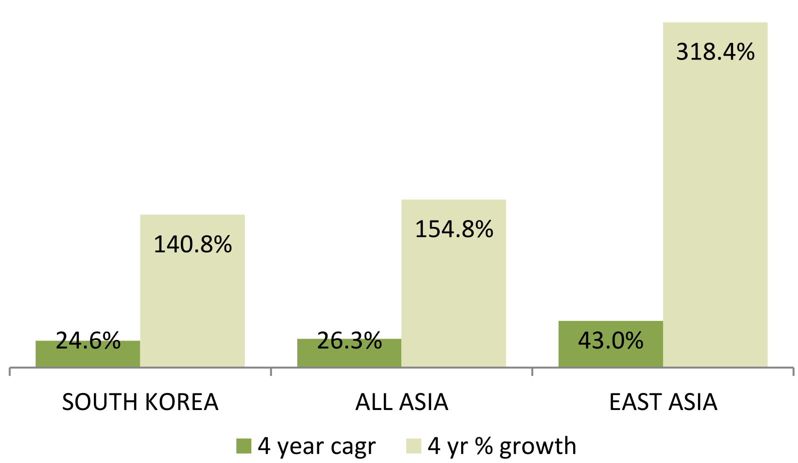


Growth Trends

SOUTH KOREA: Yr-Yr Growth Rate Port Calls



Growth Rate: Port Calls 2013-17 (CAGR, Total Growth)



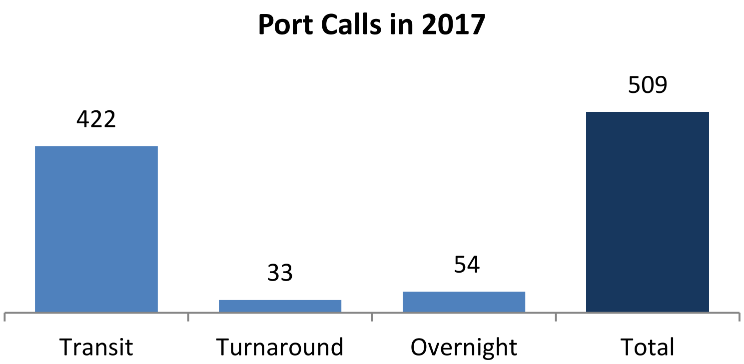
Cruise Destination: Thailand

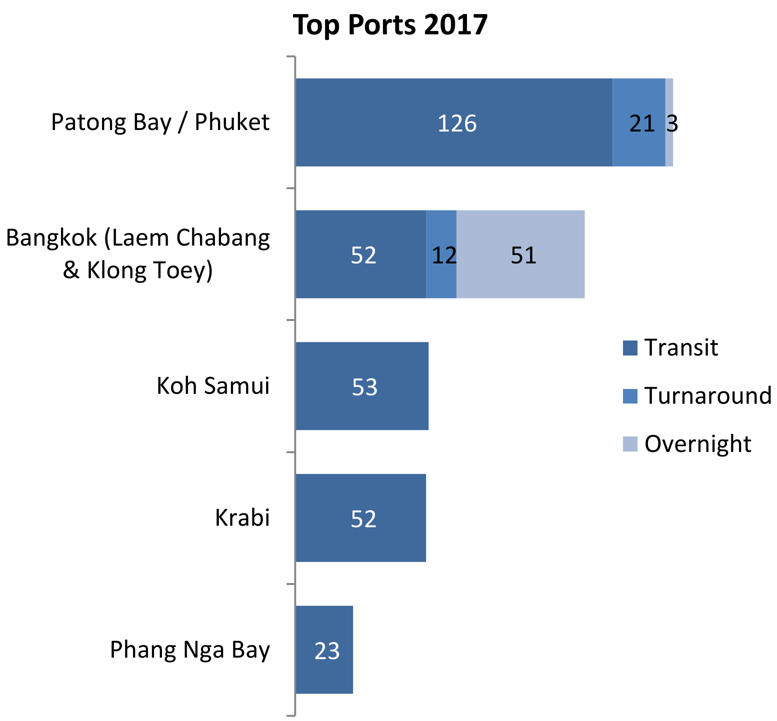
Thailand is scheduled to host 509 port calls in 2017 with a potential for 624,000 Passenger Destination Days, both well up from their respective figures in 2016 . Transit traffic will be the majority of port call volume, at 83 percent of total. Phuket and Bangkok will lead Thailand in port calls in 2017.

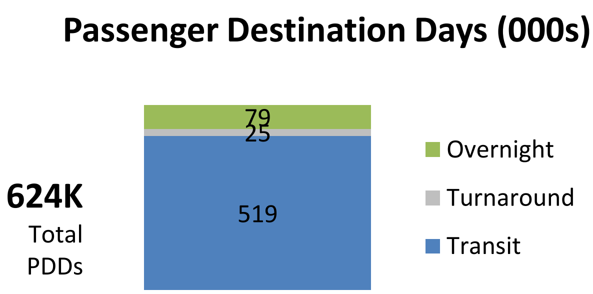
Growth Trends:

- After a slow down last year, the call volume is due to increase by almost 75% in 2017, largely due to one ship being redeployed in 2017 out of Penang.
- From 2013 to 2017, this destination saw a 11.5% compound annual growth rate in calls representing a 55 percent growth.

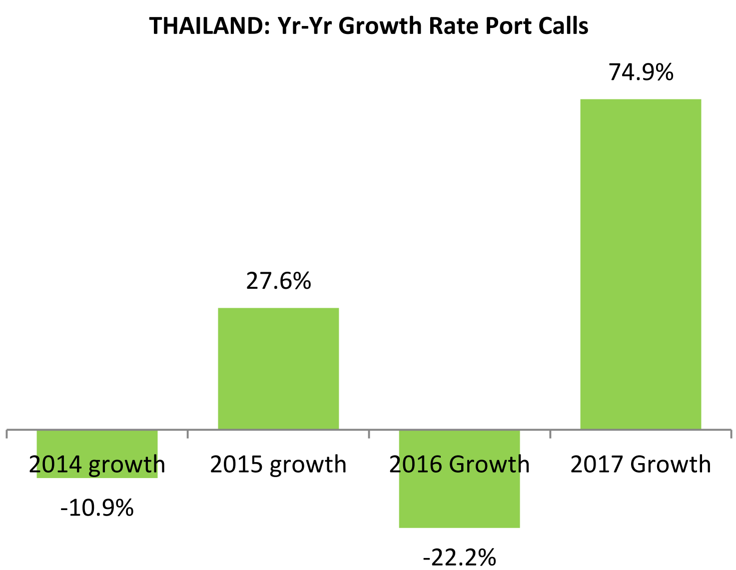
2017 Picture

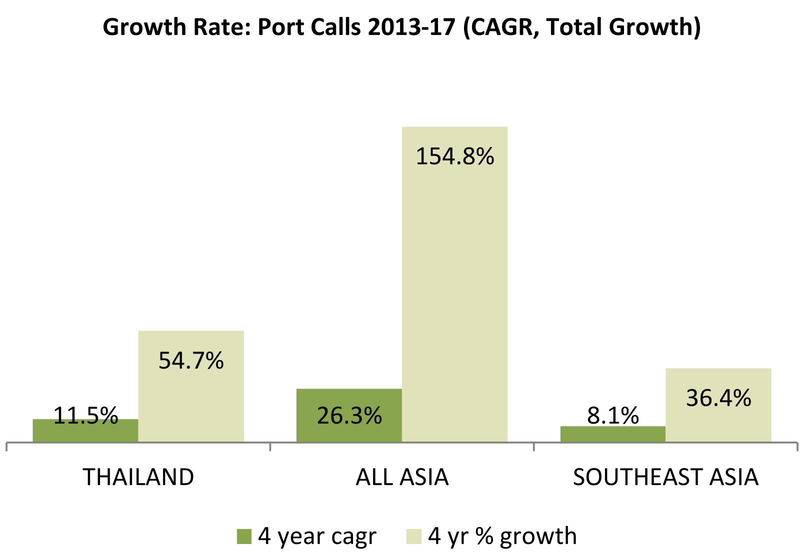






Growth Trends





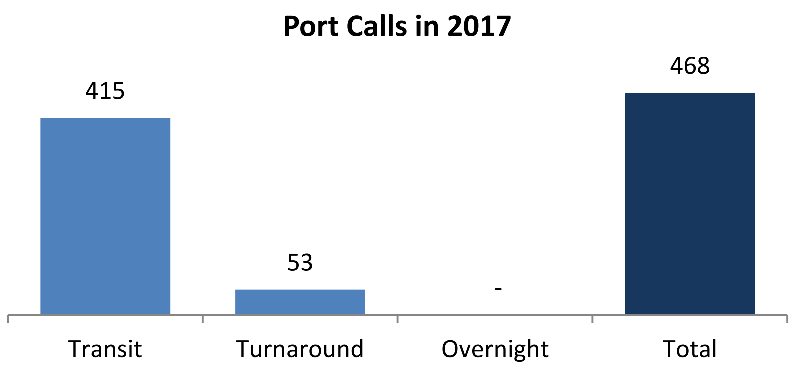
Cruise Destination: Malaysia

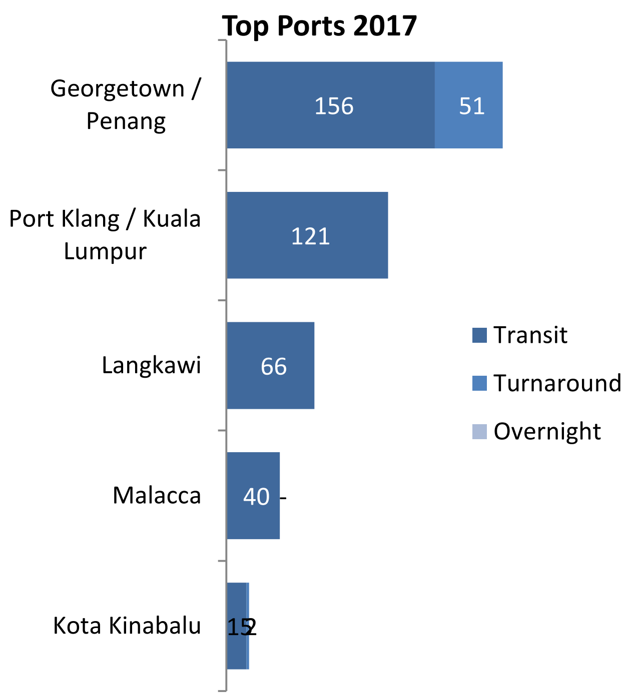
Malaysia, fifth in call volume among destinations in Asia, is scheduled to welcome 468 port calls in 2017, the majority as transit calls (89 percent). Georgetown/Penang and Port Klang/Kuala Lumpur will lead Malaysia in calls. The destination will have a potential to host 816,000 Passenger Destination Days, up from 740,000 PDD in 2017.

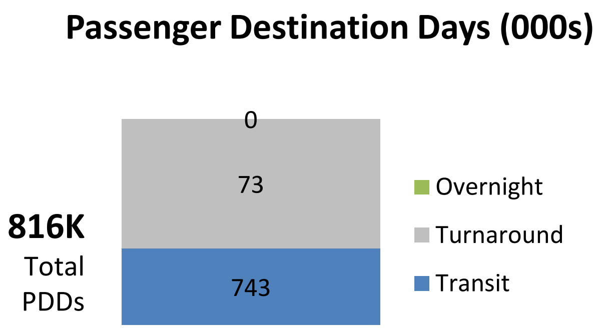
Growth Trends:

- Malaysian port calls are due to grow by 11% in 2017
- Since 2013, port calls grew 23 percent in absolute volume, for a combined annual growth rate of 5.3 percent, lower than Southeast Asia's rate of 8.1 percent.

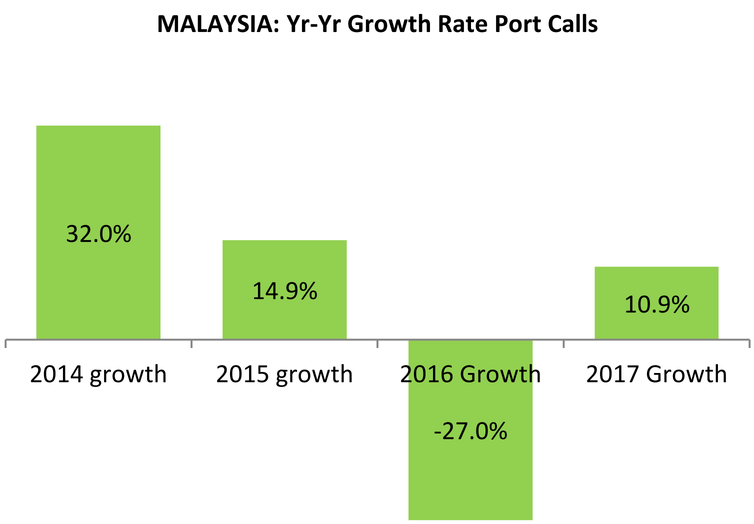
2017 Picture

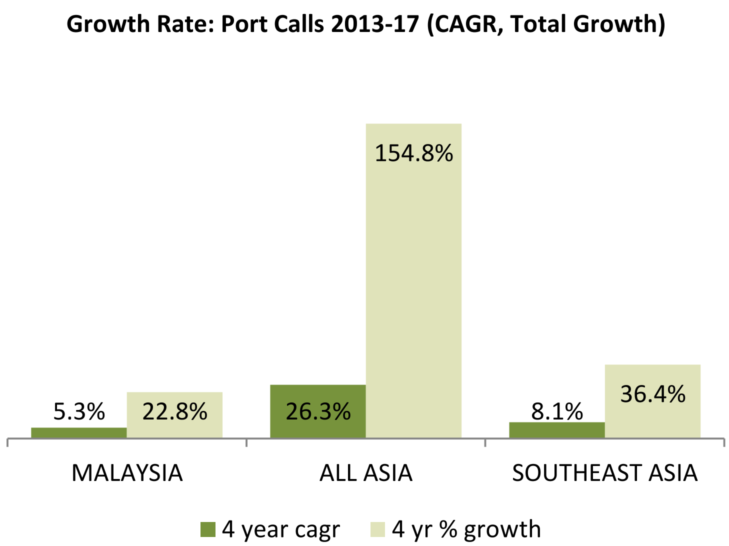






Growth Trends





Cruise Destination: Vietnam

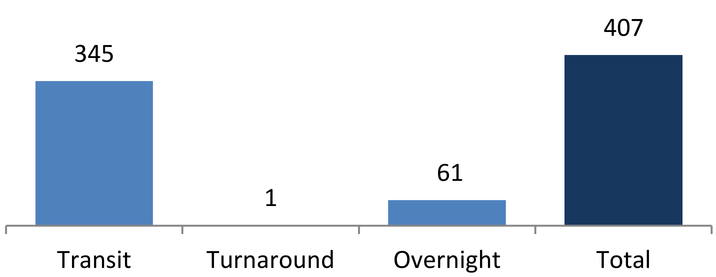
Vietnam is scheduled to welcome 407 cruise calls in 2017, down from 466 in 2017 - with the majority transit calls. Da Nang and Ho Chi Minh City to lead the port calls in Vietnam. The destination has a potential to host 753,000 Passenger Destination Days in 2017.

Growth Trends:

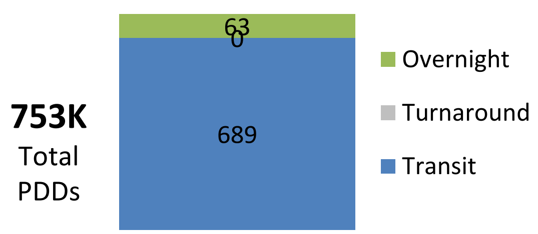
- After a strong growth last year. 2017 has brought a 13 percent decrease in port calls.
- From 2013 to 2017 the CAGR is around 4.6% versus 8.1% for Southeast Asia

2017 Picture

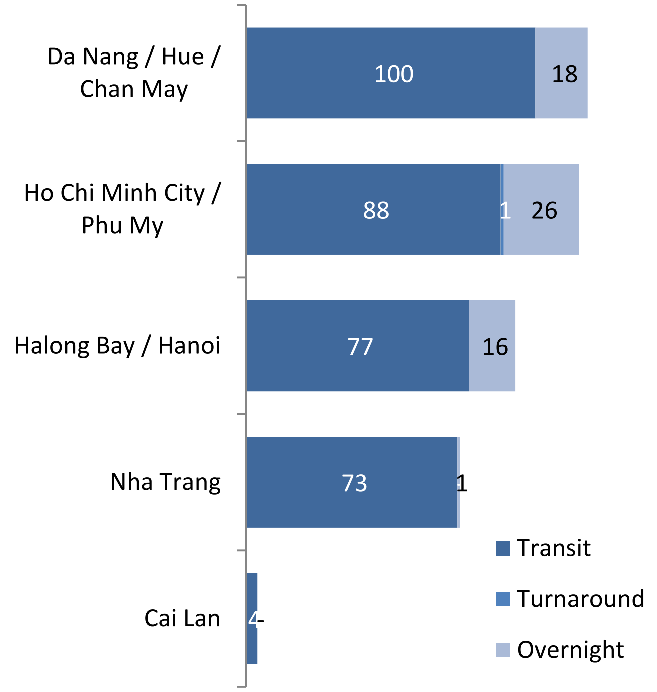
Port Calls in 2017



Passenger Destination Days (000s)

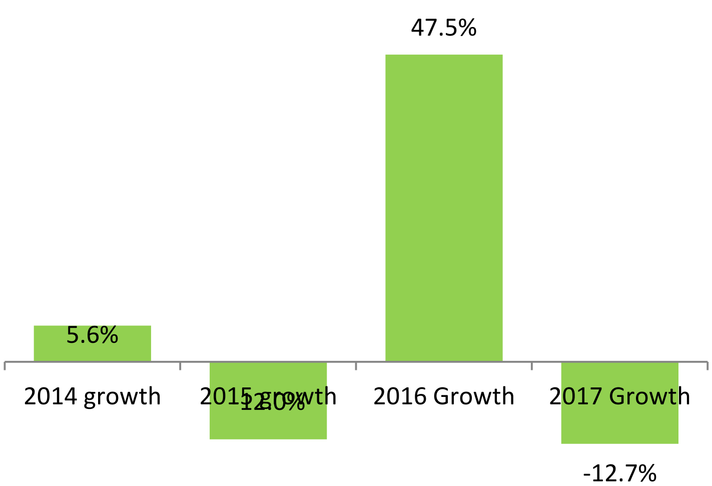


Top Ports 2017

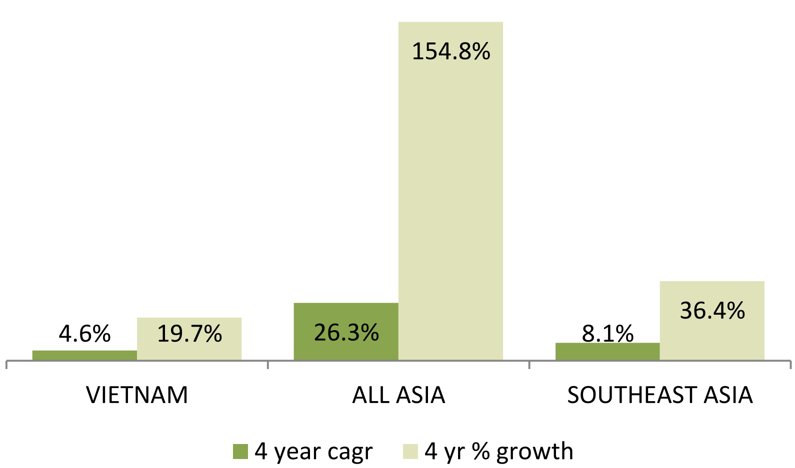


Growth Trends

VIETNAM: Yr-Yr Growth Rate Port Calls



Growth Rate: Port Calls 2013-17 (CAGR, Total Growth)



Cruise Destination: Singapore

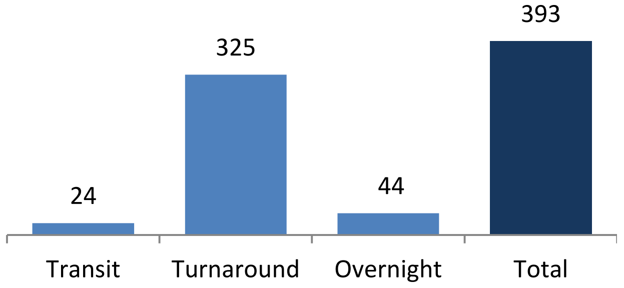
Singapore will host 393 calls in 2017, about the same number as last year. The destination is slated to host 748,000 Passenger Destination Days, up from 701K in 2016. Turnaround calls will dominate, with 83 percent of total calls.

Growth Trends:

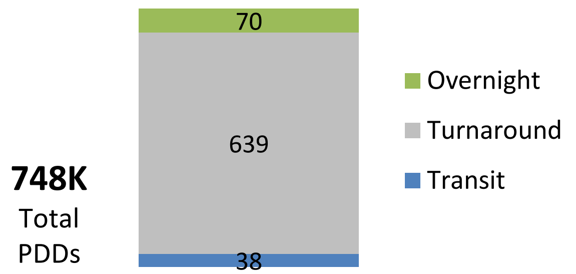
- Overall growth continues but is decelerating from 15% in 2014 to only 0.5% in 2017
- With an absolute increase of 36 percent in port calls over the 2013-2017 period, the port had a combined annual growth rate of 8 percent.

2017 Picture

Port Calls in 2017

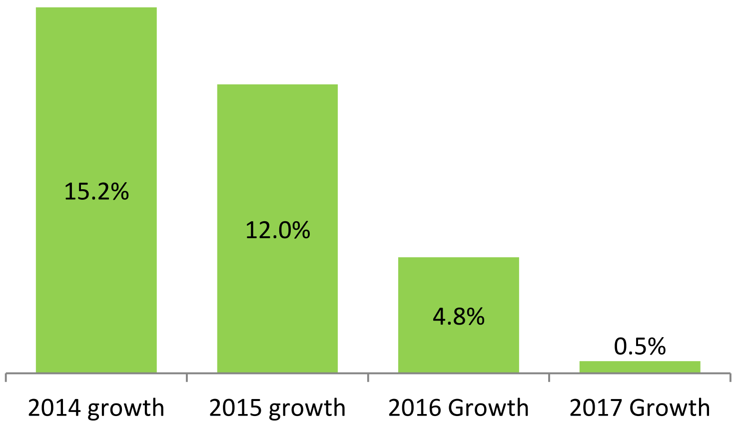


Passenger Destination Days (000s)

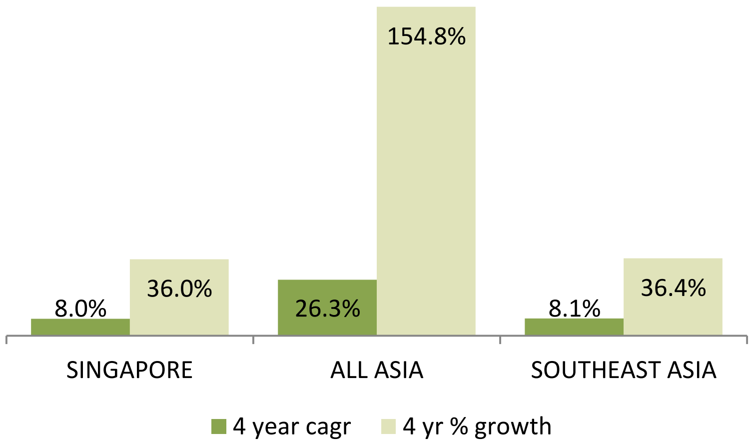


Growth Trends

SINGAPORE: Yr-Yr Growth Rate Port Calls



Growth Rate: Port Calls 2013-17 (CAGR, Total Growth)

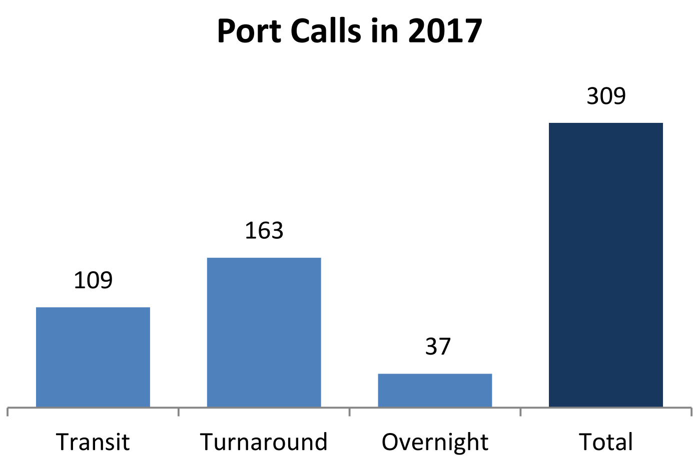


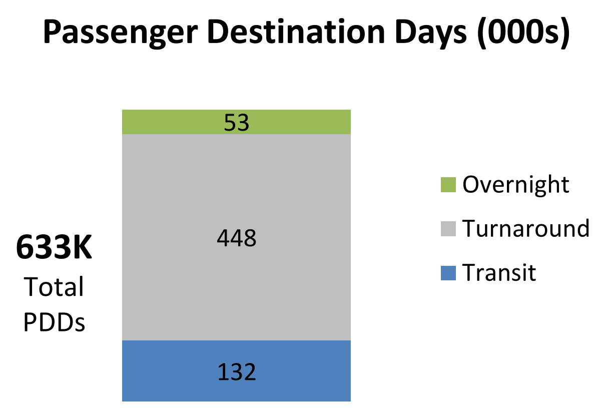
Cruise Destination: Hong Kong

Hong Kong will host 309 calls in 2017, 124 higher than last year. The destination is slated to host 633,000 Passenger Destination Days, up from 403K in 2016. Turnaround calls account for a little over half of the total port calls.

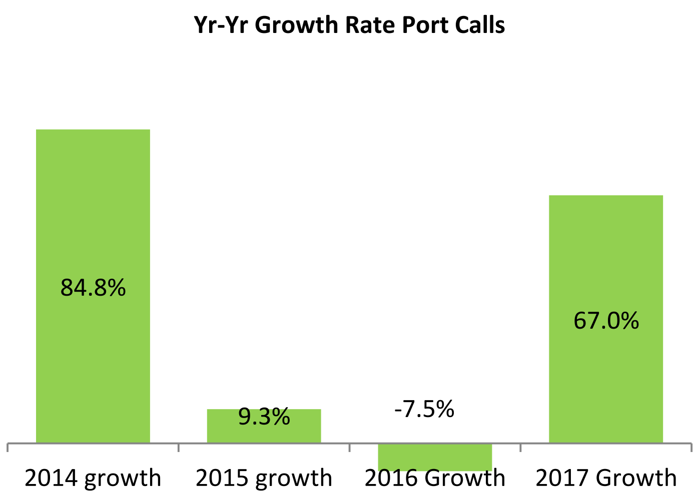
Growth Trends:
- After a moderate decline in growth in 2016, 2017 sees growth of 67% over last year
- With an absolute increase of 212 percent in port calls over the 2013-2017 period, the port had a combined annual growth rate of 33 percent.

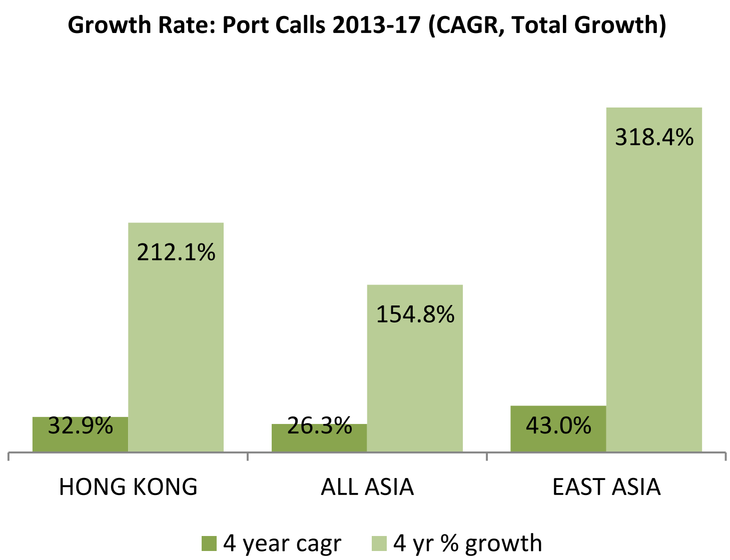
2017 Picture





Growth Trends





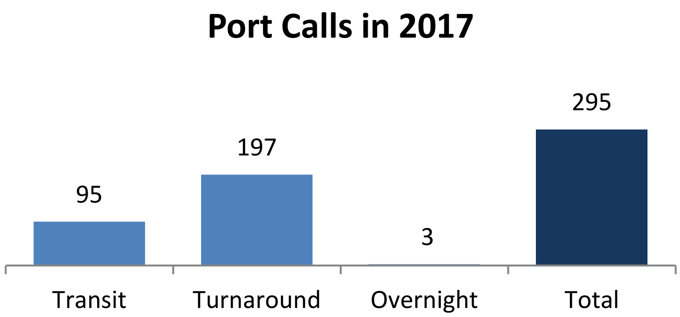
Cruise Destination: Taiwan

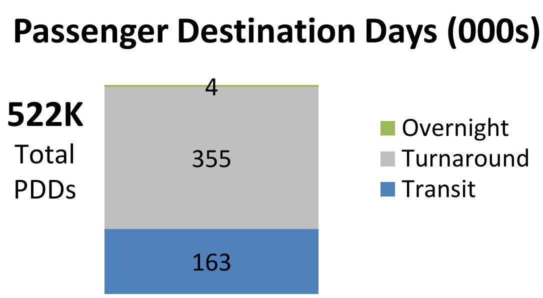
Taiwan will host 295 calls in 2017, 59 more calls than in 2016. The destination is slated to host 522,000 Passenger Destination Days, up from 431K in 2016. Turnaround calls will dominate, with 66 percent of total calls.

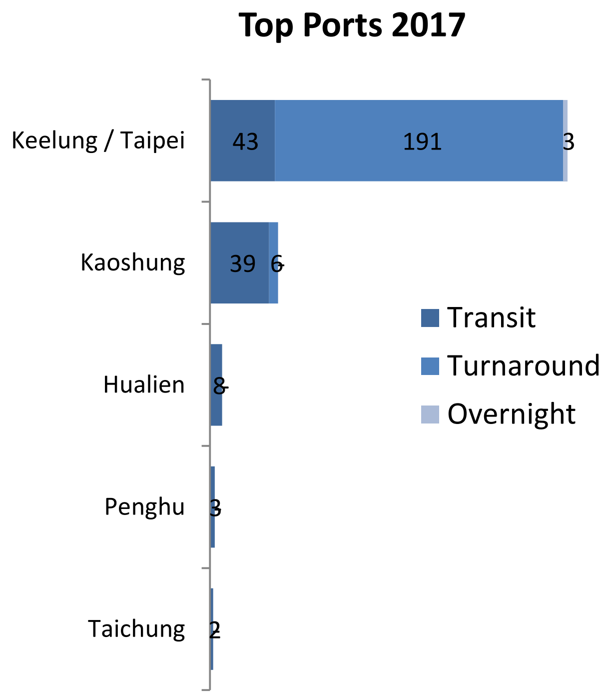
Growth Trends:

- It appears Taiwan’s ports experienced a tick-tock of alternating years increasing and decreasing growth with 2017 showing a 26% growth rate over 2016
- With an absolute increase of 55percent in port calls over the 2013-2017 period, Taiwan’s ports had a combined annual growth rate of 11.5 percent.

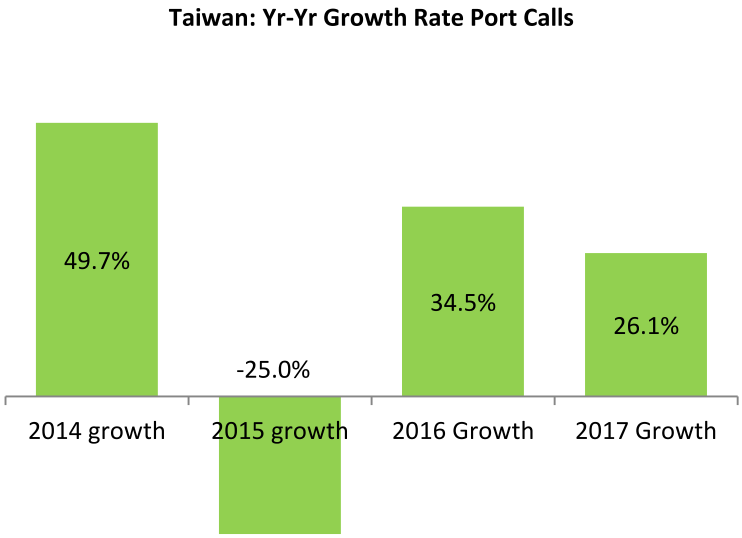
2017 Picture

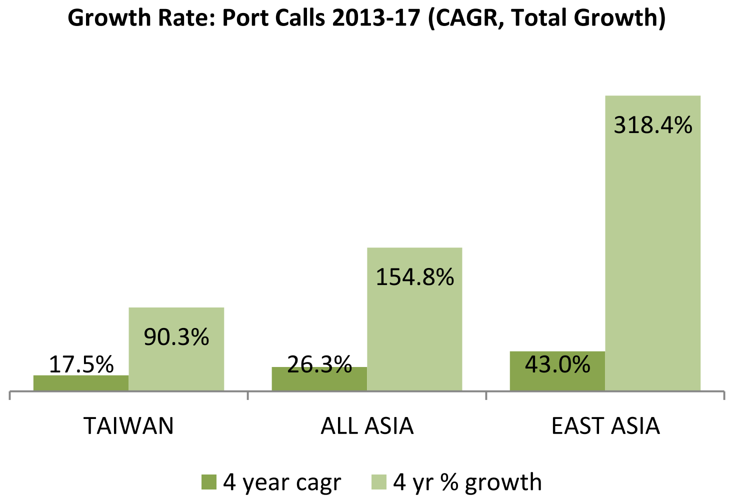






Growth Trends





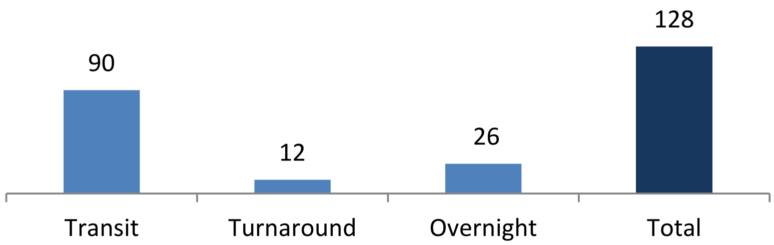
Cruise Destination: India

India will host 128 calls 2017, about the a third more than last years 95 calls. The destination is slated to host 140,000 Passenger Destination Days, up from 82K in 2016. Transit calls are the most voluminous type of call, with 70 percent of total calls.

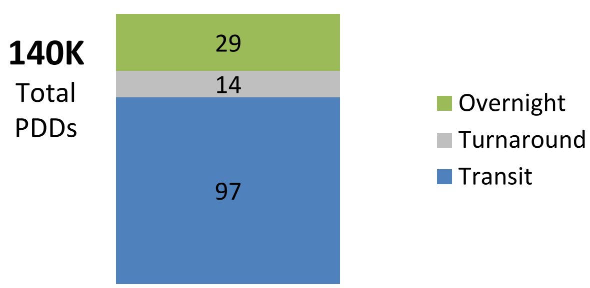
Growth Trends:
- Overall growth has rebounded to 34.7% in port calls, more than compensating for the 16% decrease in 2016
- With an absolute increase of 45.5 percent in port calls over the 2013-2017 period, India's ports had a combined annual growth rate of 9.8 percent.

2017 Picture

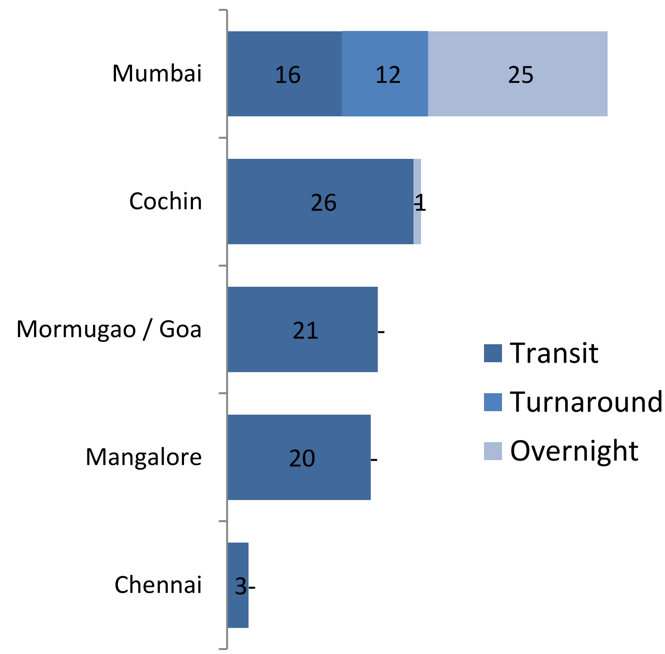
Port Calls in 2017



Passenger Destination Days (000s)

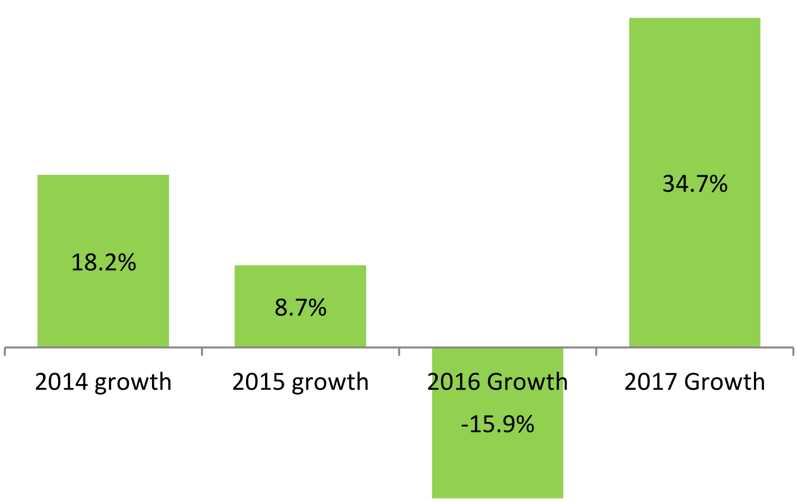


Top Ports 2017

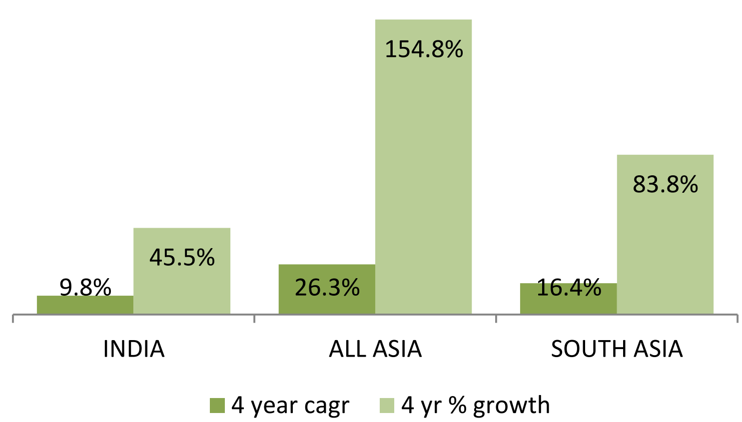


Growth Trends

Yr-Yr Growth Rate Port Calls



Growth Rate: Port Calls 2013-17 (CAGR, Total Growth)



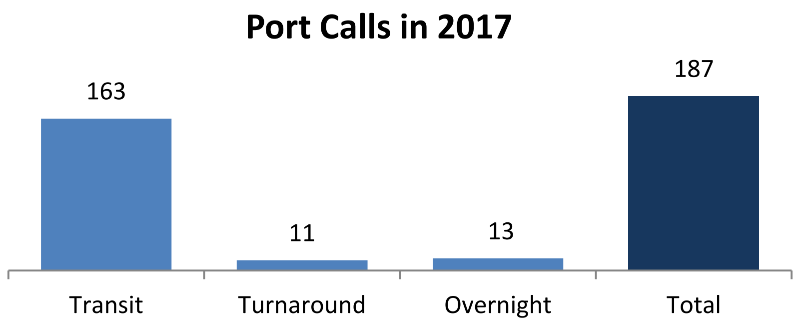
Cruise Destination: Indonesia

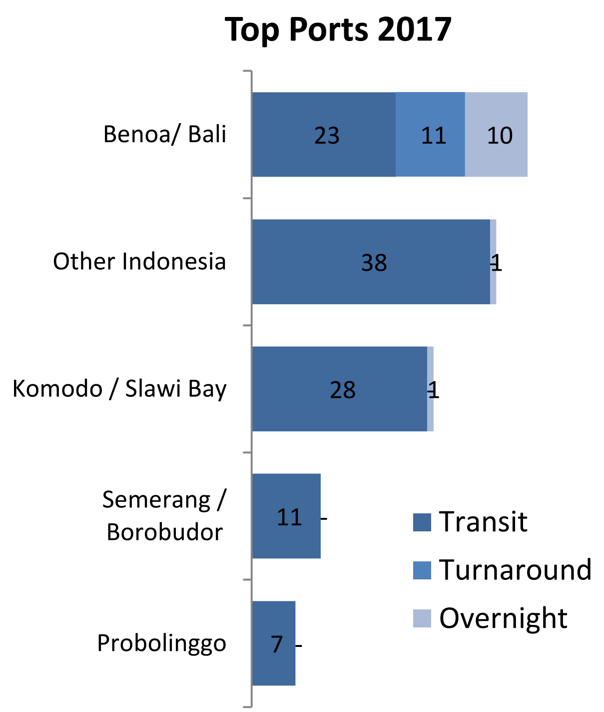
Indonesia will host 187 calls in 2017, slightly higher than last year. The destination is slated to host 132,000 Passenger Destination Days. Indonesia will see more Transit calls than any other type, with 163 of the 187 total calls, or 87 percent.

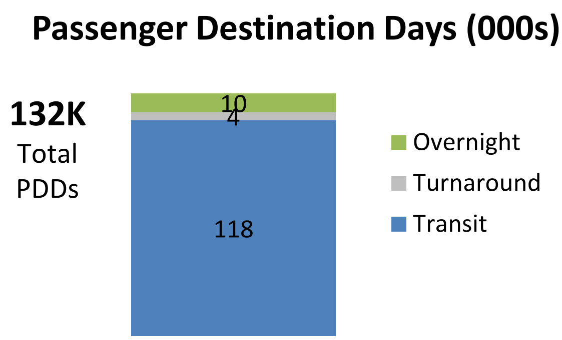
Growth Trends:

- Overall growth in calls had decelerated two years in a row and declined last year, but has rebounded slightly for 2017 at 8.7% for 2017.
- With an absolute increase of 29 percent in port calls over the 2013-2017 period, Indonesia's ports had a combined annual growth rate of 6.6 percent.
- However PDD show a decline of 30% in 2017 (due to a trend to smaller ships visiting).

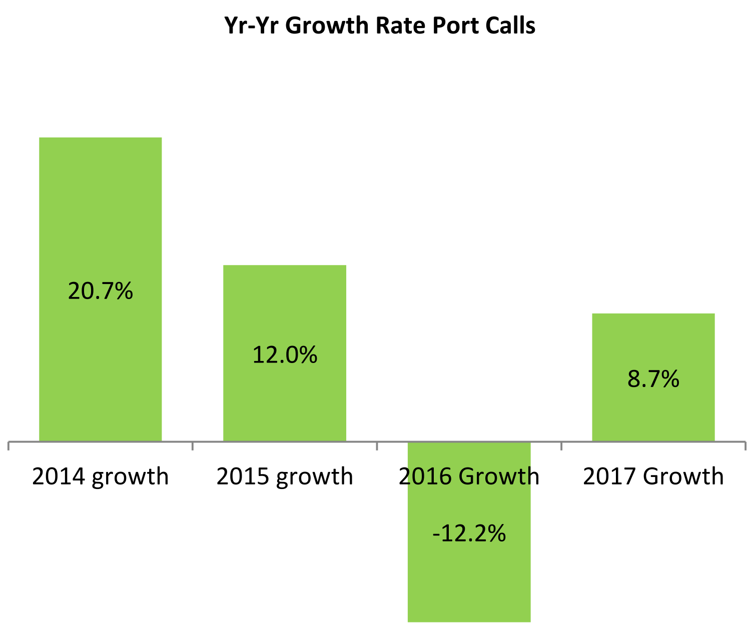
2017 Picture

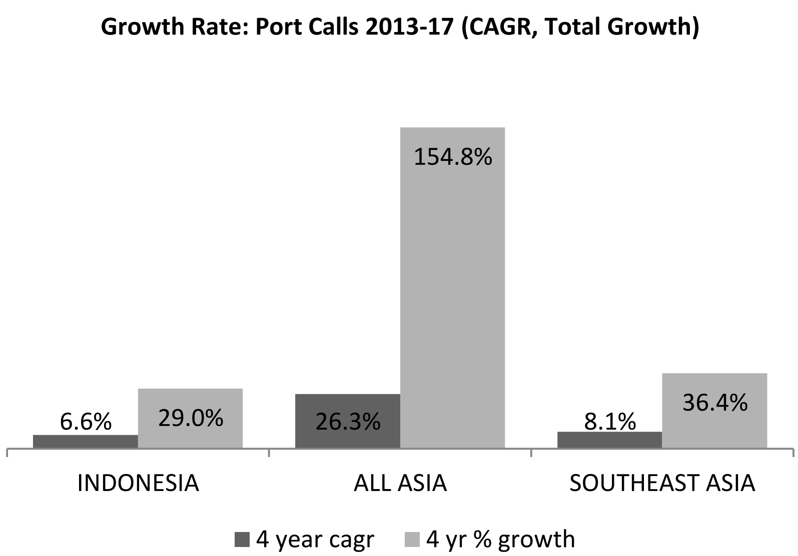






Growth Trends



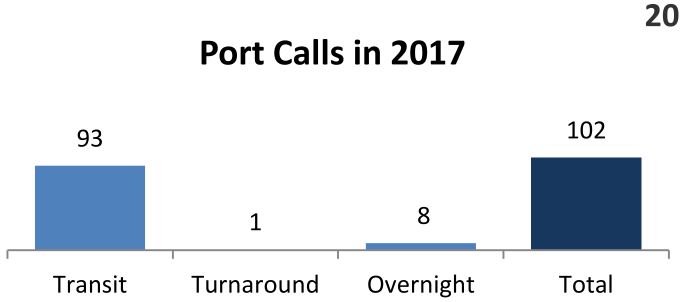


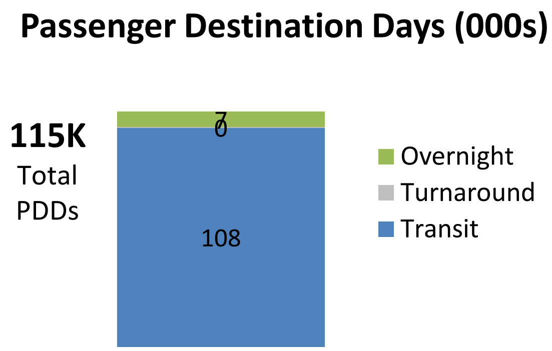
Cruise Destination: Philippines

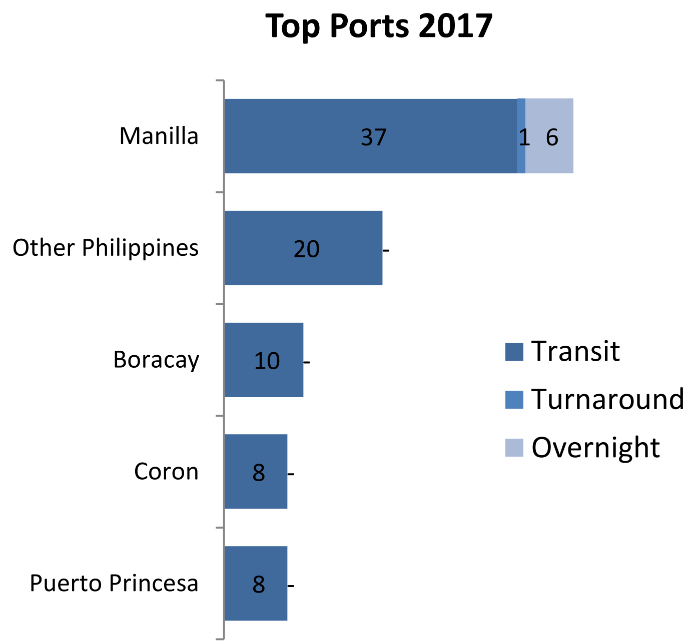
The Philippines will host 102 calls in 2017, more than double last year's number of calls. The destination is slated to host 115,000 Passenger Destination Days, up from 47K in 2016, again more than double. Transit calls will dominate, with 91 percent of total calls.

Growth Trends:
- Growth in port calls has made a comeback this year, with a 117 percent increase over 2016.
- With an absolute increase of 629 percent in port calls over the 2013-2017 period, Philippine ports had a combined annual growth rate of 64 percent.

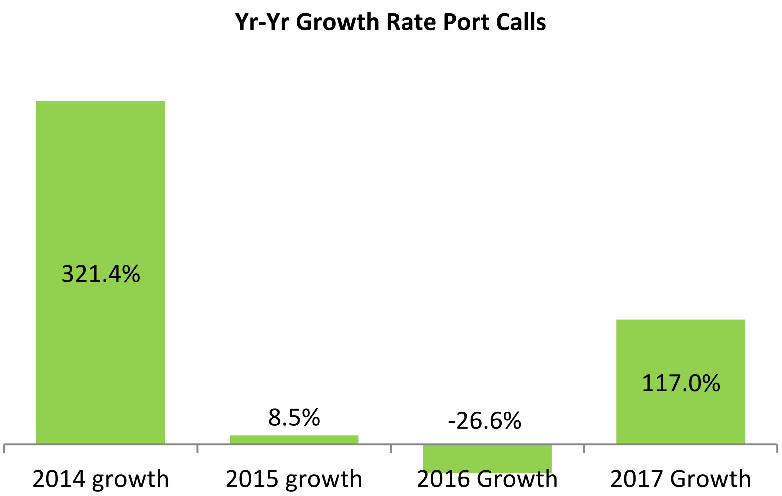
2017 Picture

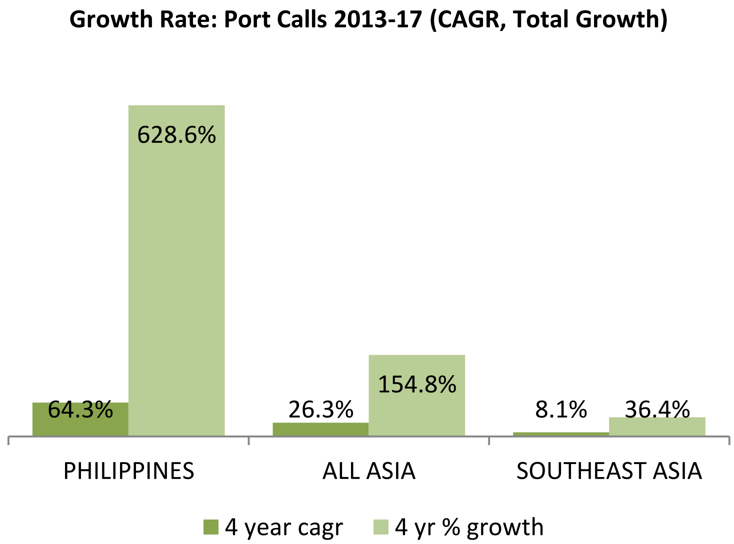






Growth Trends





Rest of Asia - Number of Calls - Passenger Destination Days

Calls by type 2017	Transit	Turnaround	Overnight	Total
SRI LANKA	42	2	2	**46**
MALDIVES	14	1	24	**39**
MYANMAR	18	0	14	**32**
CAMBODIA	24	0	-	**24**
RUSSIA (East)	23	0	1	**24**
BANGLADESH	5	0	-	**5**
BRUNEI	3	-	-	**3**

# of Calls/Year	2013	2014	2015	2016	2017	4 Year CAGR	2017Vs 2016
SRI LANKA	26	34	39	38	**46**	15.3%	21%
MALDIVES	9	8	13	11	**39**	44.3%	255%
MYANMAR	13	45	73	51	**32**	25.3%	-37%
CAMBODIA	16	15	34	35	**24**	10.7%	-31%
RUSSIA (East)					**24**		
BANGLADESH					**5**		
BRUNEI	19	21	22	10	**3**	-37.0%	-70%
TIMOR	2			1	**0**		

Passenger Destination Days 2017 (000s)	Transit	Turnaround	Overnight	Total
SRI LANKA	46	1	1	**48**
MALDIVES	18	1	29	**48**
RUSSIA (East)	41	0	1	**41**
CAMBODIA	39	0	0	**39**
MYANMAR	5	0	8	**13**
BRUNEI	3	0	0	**3**
BANGLADESH	1	0	0	**1**

Rest of Asia - Call Volume – most prominent ports

Country	Port	Transit	Turnaround	Overnight	ALL
Malaysia	Georgetown / Penang	156	51	-	**207**
Malaysia	Port Klang / Kuala Lumpur	121	-	-	**121**
Malaysia	Langkawi	66	-	-	**66**
Malaysia	Malacca	40	-	-	**40**
Maldives	Male	12	1	23	**36**
Sri Lanka	Colombo	32	2	2	**36**
Cambodia	Sihanoukville	23	-	-	**23**
Myanmar	Yangon (Rangoon)	7	-	14	**21**

SOURCE MARKETS

Asian source markets are becoming the new growth engine of the global cruise industry demonstrating an exceptional 41% compound annual growth in passengers over the four years from 2012 to 2016

A total of 3.1M Asians took cruises in 2016, 55% more than in 2015.

Of these, 68% or 2.1M were from mainland China, a market which almost doubled as it grew by 99% last year and at a 4-year CAGR of 76%, confirming China as the world's fastest *growing* major source of passengers.

Asia's other major passenger source markets were Taiwan (237K), Japan (215K) and Singapore (197K). India (121K) and Hong Kong (110K) were the fifth and sixth largest Asian markets.

Asian travelers predominantly take cruises within the region. In 2016, 94 percent of Asian cruisers sailed in Asian waters (91.8% on round-trip Asia-Asia and just 2.6% on Asia fly-cruise). Among the 5.6% minority cruising outside Asia most chose European destinations (55 percent) followed by Alaska/Canada/New England (19%) and the Caribbean (15%).

Aligned with the capacity offerings, Asian passengers mainly sailed on Contemporary ships (95 percent).

Asian passengers are overwhelmingly selecting shorter sailings (mostly due to importance of the Chinese market) between 2-3 nights (22 percent) and 4-6 nights (69 percent). 7-13 night cruises accounted for a further 8 percent. We calculate the weighted average cruise duration for Asians as 4.9 nights.

Asian cruise passengers are found across the age spectrum. We calculate the weighted average age as 44.6 years, with only two markets showing real divergence: India, a young 36 year average and Japan an older 57 years. The average age in China was 44 years.

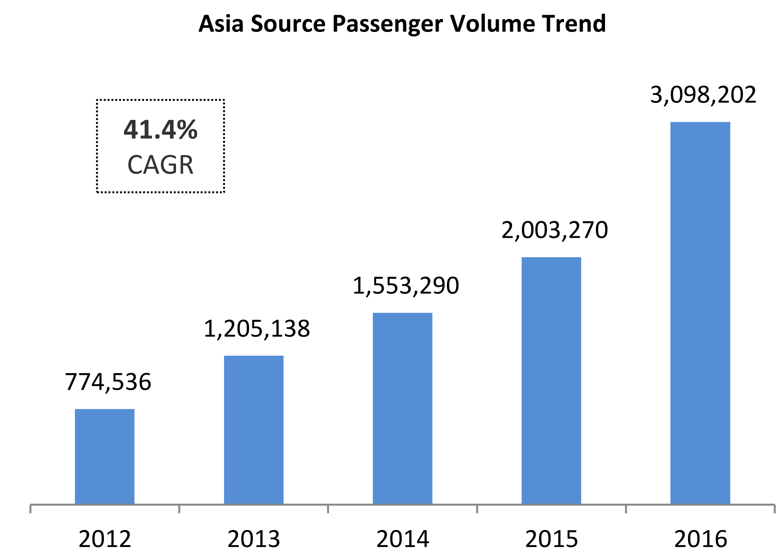
Source Markets: Regional Overview

Note: figures for 2015 have been updated since last year's report due to more and better data from cruise lines and to correct an overstatement of passengers for two smaller contemporary brands – affecting their 2015 international fly-cruise results for all markets other than China.

Cruise demand out of the Asia region has grown substantially since 2012. With an annual compound growth rate of 41 percent, passenger volume sourced from Asia reached nearly 3.1 million in 2016.

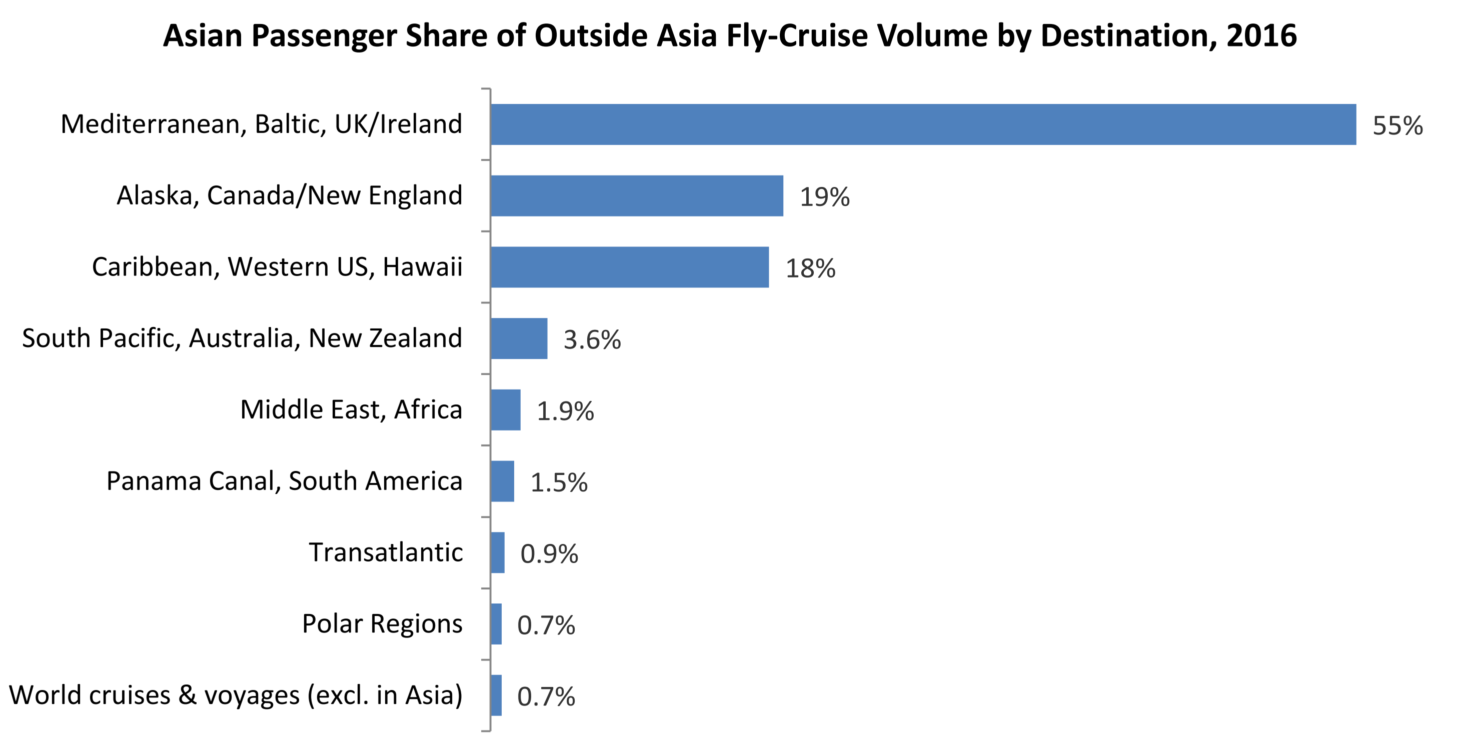
Regional cruises comprise the majority of sailings selected by Asian passengers. While the volume of sailing across all cruise types has increased since 2012, Asian cruise only passengers grew at the fastest rate mostly due to the increase in the Chinese market.

Among the Asian cruise passengers that traveled to long-haul destinations, the majority visited destinations in Europe, 55 percent (down from 74% last year). America also attracted more than a third of long-haul passengers: 19 percent visited Alaska/Canada/New England followed by the Caribbean/Western US/Hawaii attracting 18 percent.



Asia Source Passenger Share by Cruise Type %

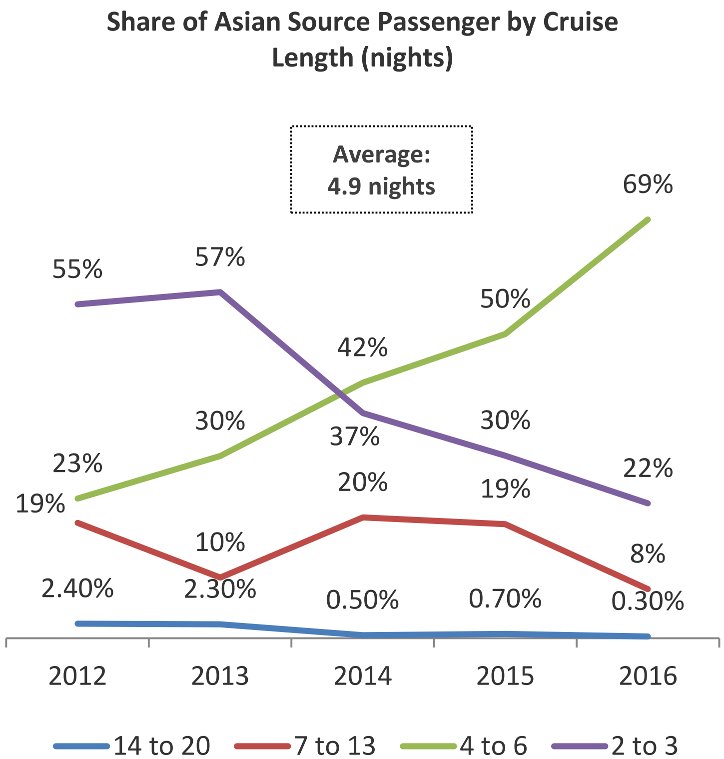
	2012	2013	2014	*2015*	*2016*
Asia Cruise	79%	86%	80%	*80%*	*92%*
Asia fly-cruise	6%	3%	2%	*3%*	*2.6%*
Fly-cruise outside Asia	15%	11%	17%	*16%*	*5.6%*

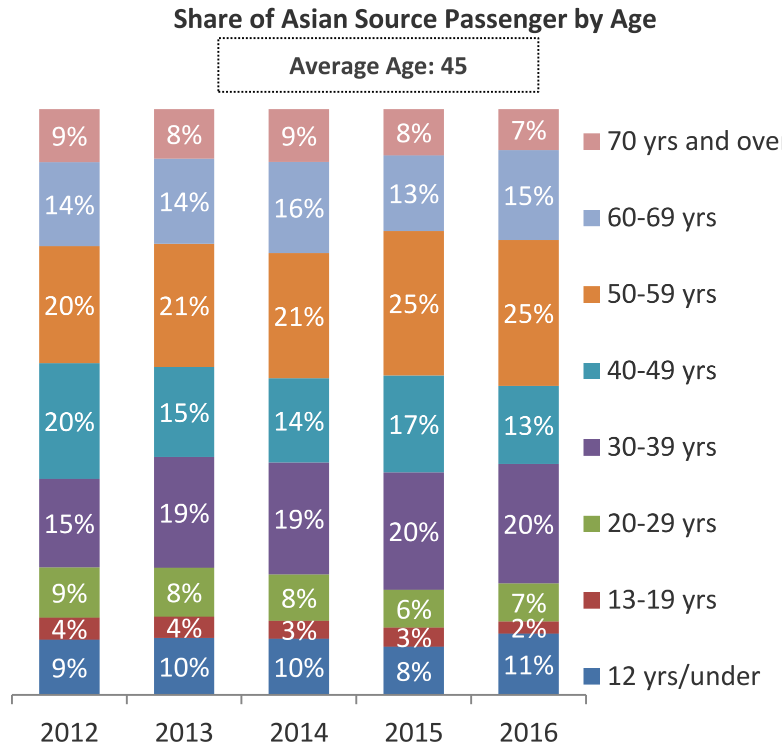


Source Markets: Regional Overview

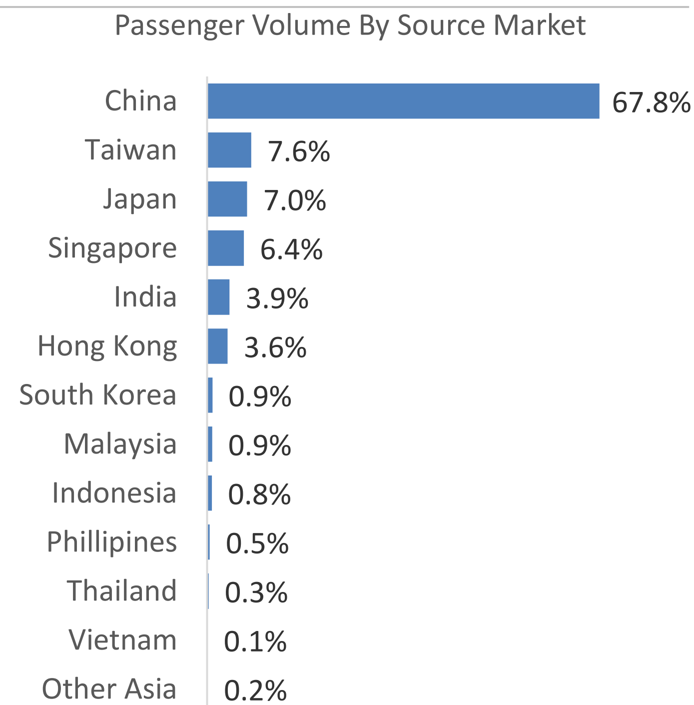
Short sailings keep dominating cruises taken by Asian passengers. With an average of 4.9 nights, close to 70 percent of the 2016 passengers took a cruise lasting 4-6 nights, followed by 2-3 nights for 22 percent of cruisers and 7 to 13 nights for 8 percent. Cruises 14 to 20 nights accounted for below one percent of all passenger sailings.

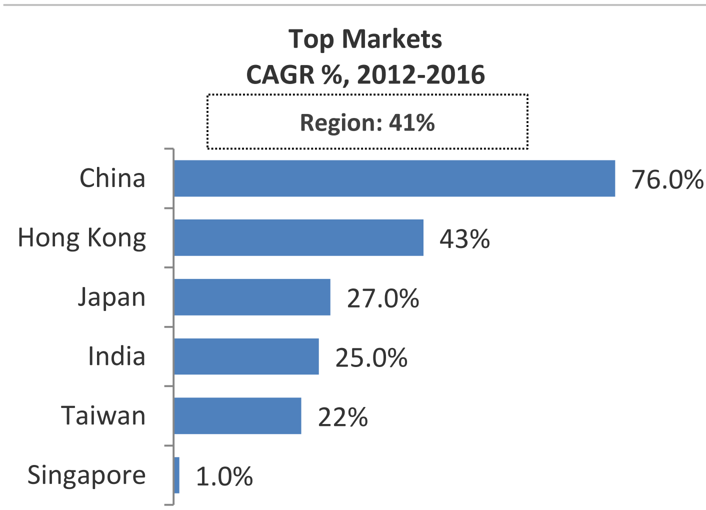
Asian travelers spread across the age spectrum with most passengers falling in the 50-59 age cohort (25 percent) and 30-39 cohort (20 percent).





A major driver of the growth in Asia source volume were passengers from mainland China. The Chinese market contributed more than two thirds of the source volume for the region in 2016 and increased by 76 percent compound annually since 2012. Other markets driving passenger volume growth in the region over the 4 years include Taiwan, Japan and Hong Kong, though some smaller markets show larger percentage figures.



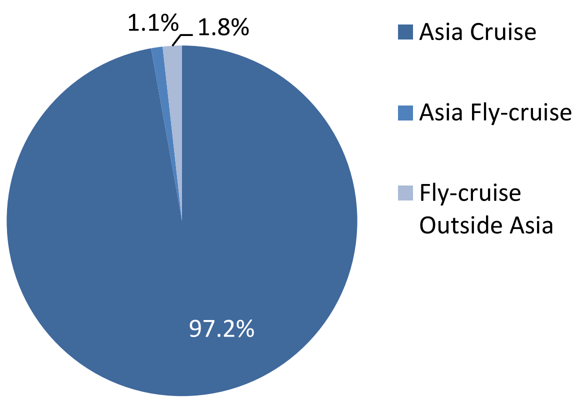


Cruise Passenger Source Market: China

In 2016 more than 2.1M Chinese passengers took a cruise vacation, growing 76 percent annually since 2012. The vast majority took a non-fly cruise within the region, at 97% of all cruises taken. Other key characteristics include:

- 99 percent selected a Premium or Contemporary cruise line
- The average length of cruise was 5 nights
- The average age of the Chinese cruise passenger was 44 years

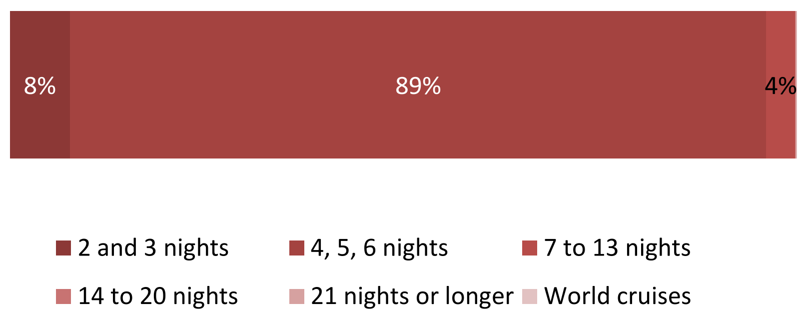
China: Share of passengers by cruise type,



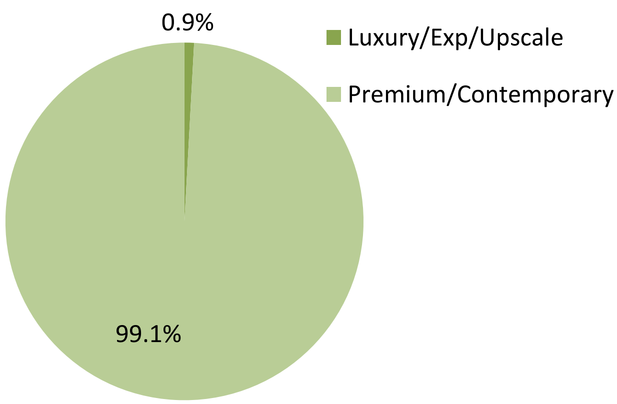
5.0 nights

Average length of cruise

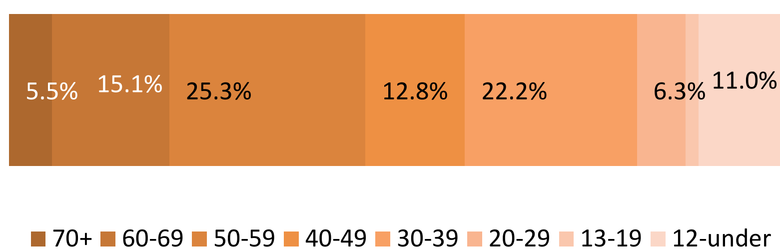
Length of Cruise



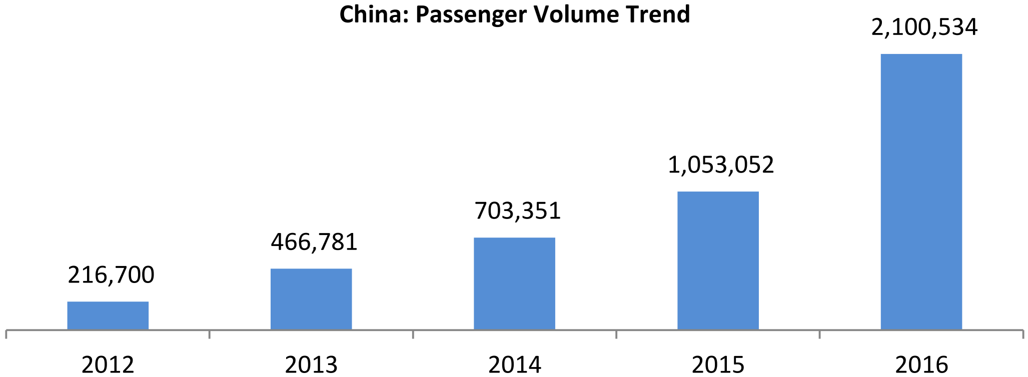
China: Share of Passengers by Cruise Line Segment



Passenger Age
Average 44



China: Passenger Volume Trend

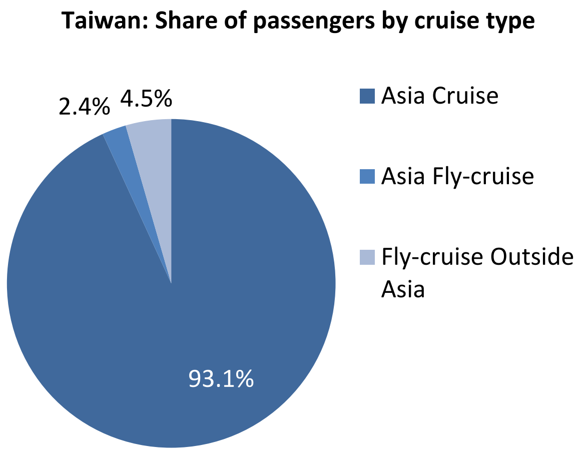


76%
Compound annual growth rate

Cruise Passenger Source Market: Taiwan

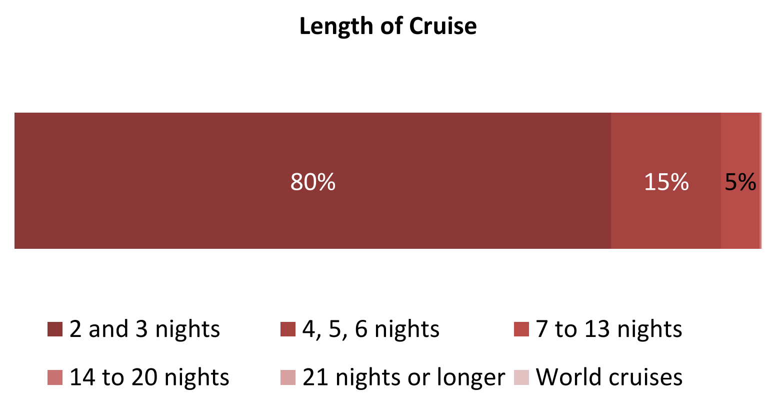
In 2016, over 237K passengers from Taiwan took a cruise vacation, growing 22 percent annually since 2012. 93% of cruisers chose Asia-Asia (non fly) cruises. Other key characteristics include:

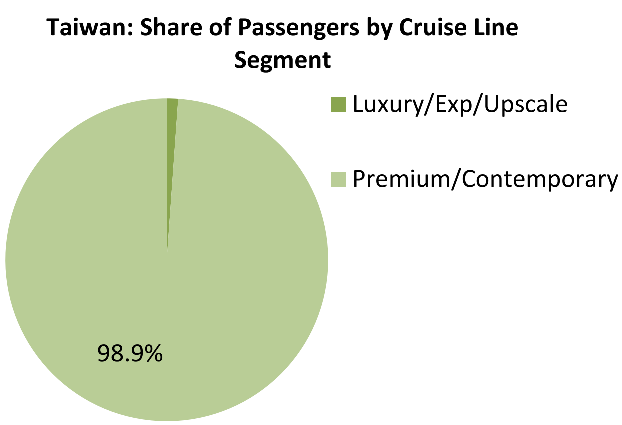
- 99 percent selected a Premium/Contemporary cruise line
- The average length of cruise was 3.3 nights, the shortest in 2016, compared to the 5 night Asian average
- The average age of the cruise passenger was 45 years, little changed year over year.

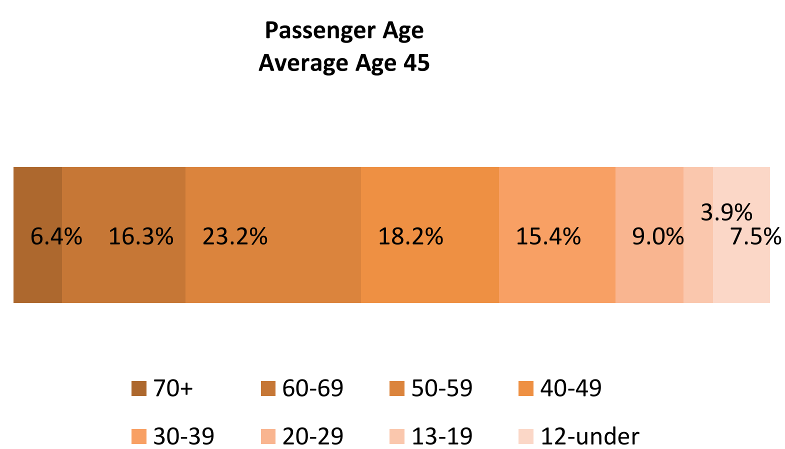


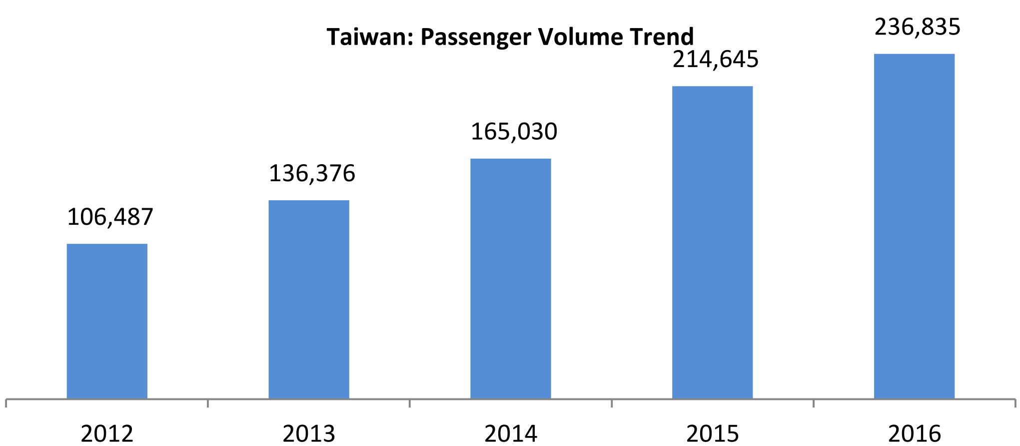
3.3 nights

Average length of cruise









22%

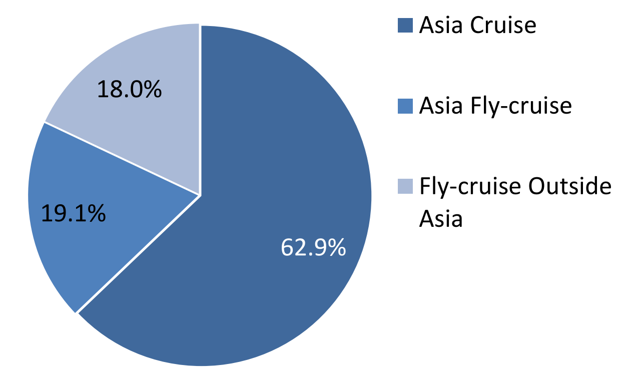
Compound annual growth rate

Cruise Passenger Source Market: Japan

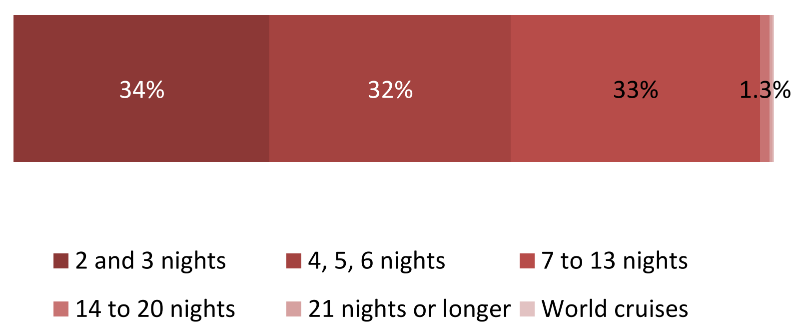
In 2016, more than 215,000 Japanese passengers took a cruise vacation, growing 27 percent annually since 2012. While the majority took a cruise within the region, slightly less than a fifth took a fly cruise outside the region, compared to 5.6 percent among Asian cruisers as a whole. Other key characteristics include:

- 53 percent selected an Upscale and a further 1% a Luxury or Expedition cruise line (Note: the three Japanese cruise lines are included in the Upscale segment)
- The average length of cruise lasted 6 nights, compared to 5 nights for all Asian cruisers
- The average age of the Japanese cruise passenger was 57 years, the oldest among all markets and 12 years above the all Asia average

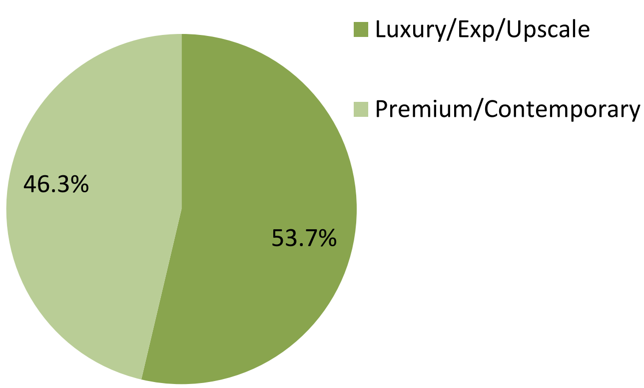
Japan: Share of passengers by cruise type



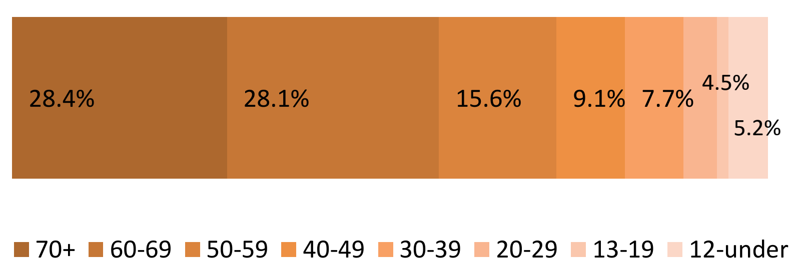
6.0 nights
Average length of cruise
Length of Cruise



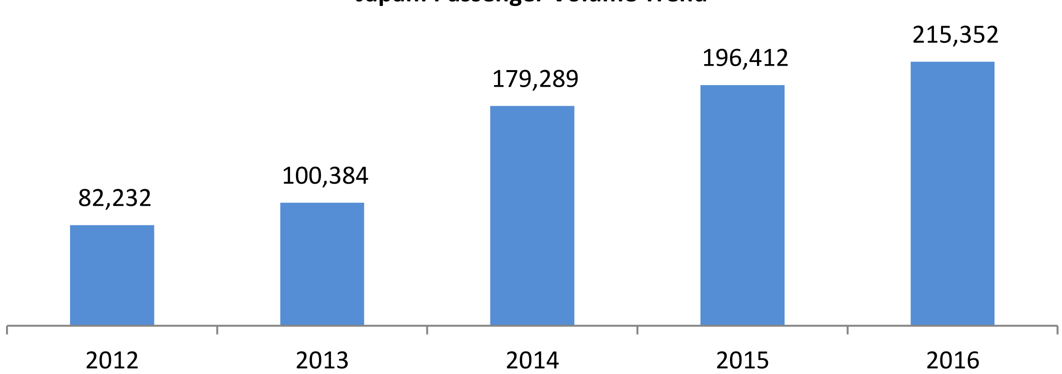
Japan: Share of Passengers by Cruise Line Segment



Passenger Age
Average 57



Japan: Passenger Volume Trend



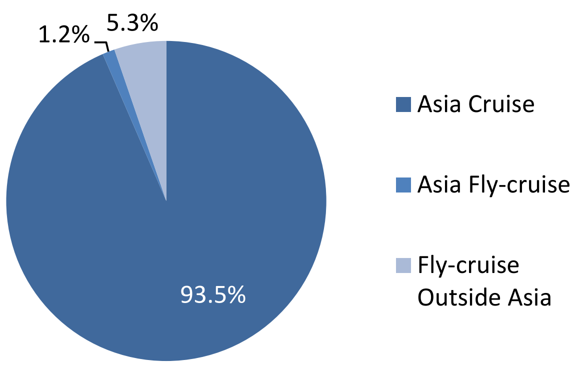
27%
Compound annual growth rate

Cruise Passenger Source Market: Singapore

In 2016, close to 197K individuals from Singapore took a cruise vacation, a growth of 1 percent annually since 2012. The vast majority, 94 percent, chose regional cruises within Asia. Other key characteristics include:

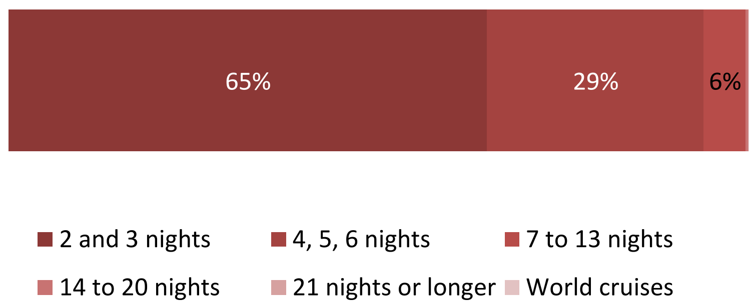
- 99 percent selected a Contemporary cruise line
- The average length of cruise was shorter than the Asian average, 3.7 nights
- The average age of the cruise passenger was 45 years

Singapore: Share of passengers by cruise type

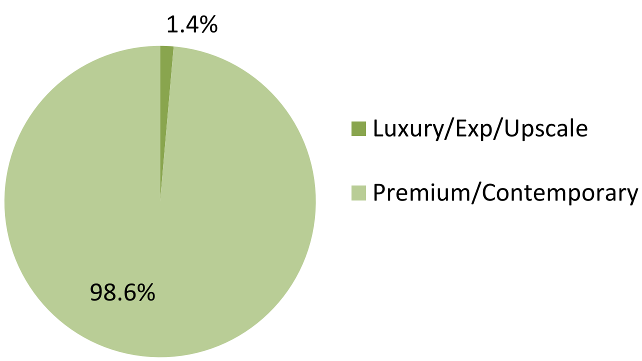


3.7 nights
Average length of cruise

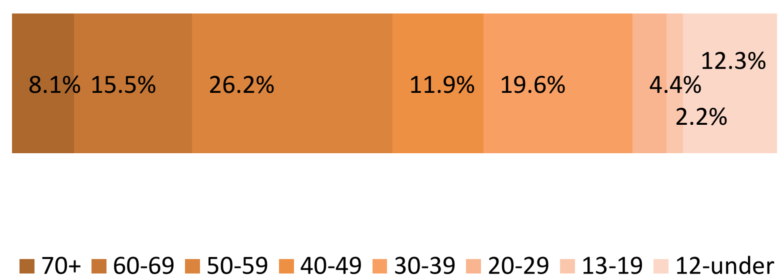
Length of Cruise



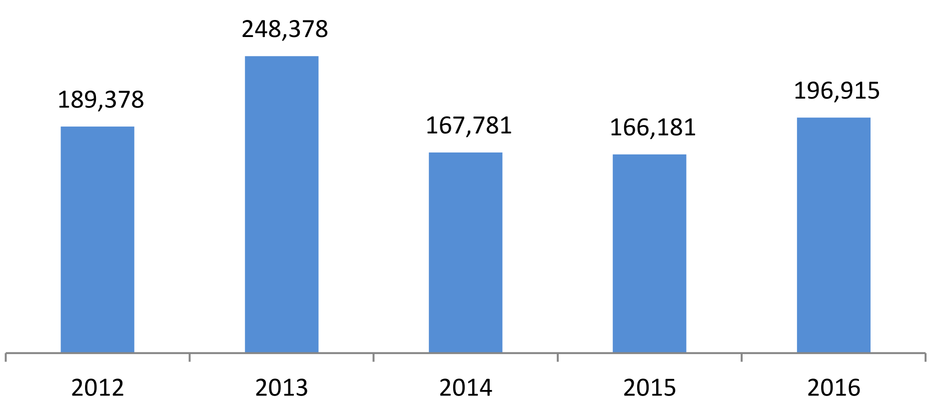
Singapore: Share of Passengers by Cruise Line Segment



Passenger Age
Average Age 45



Singapore: Passenger Volume Trend



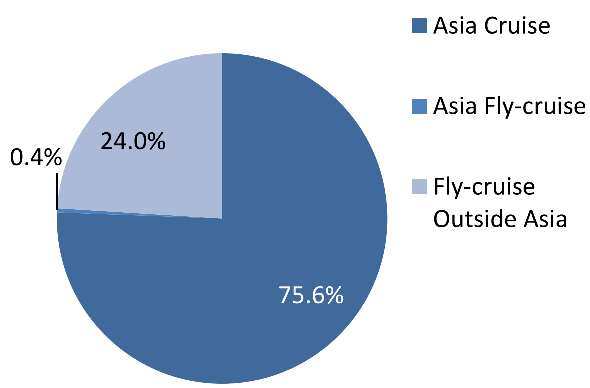
1%
Compound annual growth rate

Cruise Passenger Source Market: India

In 2016, over 120K Indian passengers took a cruise vacation, growing 25 percent annually since 2012. Indian cruisers predominantly selected premium/contemporary cruise lines, 97 percent, and were also likely to take a local Asian cruise, 76 percent. Other key characteristics include:

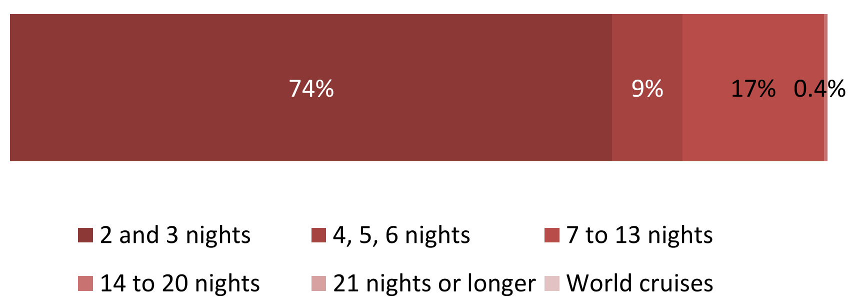
- Were more likely to take a long-haul fly cruise outside of Asia, versus Asian passengers overall, 24 percent versus 5.6 percent, respectively
- The average length of cruise was 4.1 nights
- The average age of the Indian cruise passenger was 36 years, the youngest of all Asian markets in 2016

India: Share of passengers by cruise type

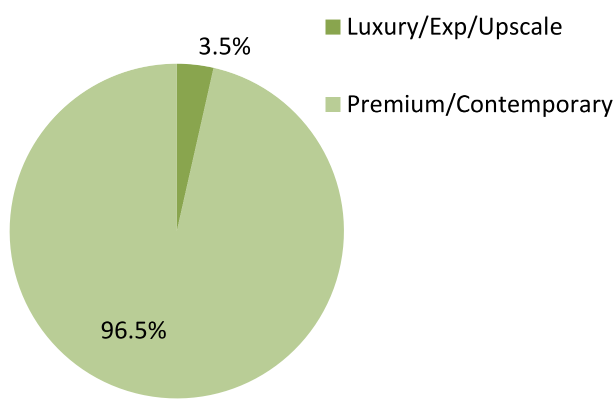


4.1 nights
Average length of cruise

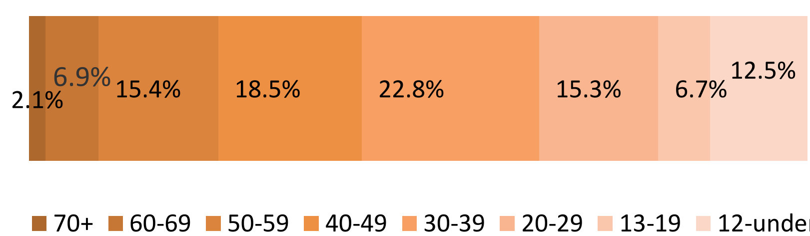
Length of Cruise



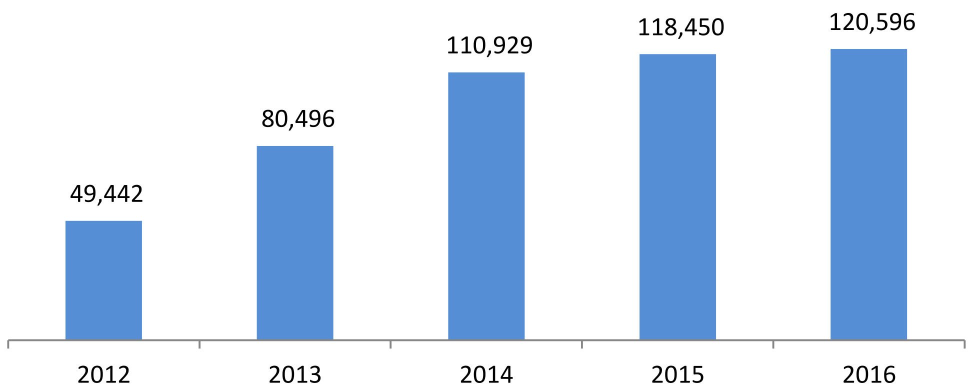
India: Share of Passengers by Cruise Line Segment



Passenger Age
Average Age 36



India: Passenger Volume Trend



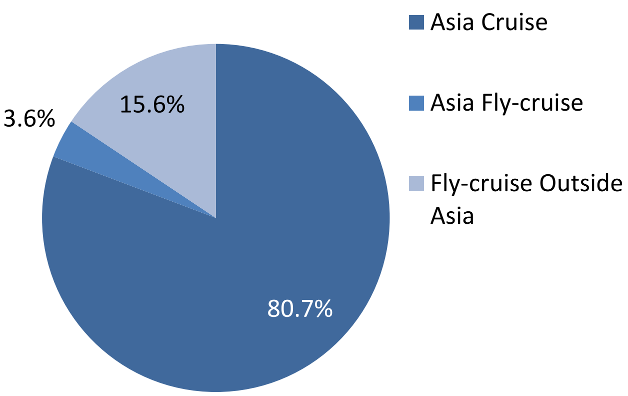
25%
Compound annual growth rate

Cruise Passenger Source Market: Hong Kong

In 2016, close to 111K passengers from Hong Kong took a cruise vacation. Growing 43 percent annually since 2012, it was the second fastest growing major source market in Asia. 81 percent of cruisers chose Asia region cruise only options, 16 percent chose fly-cruises outside Asia. Other key characteristics include:

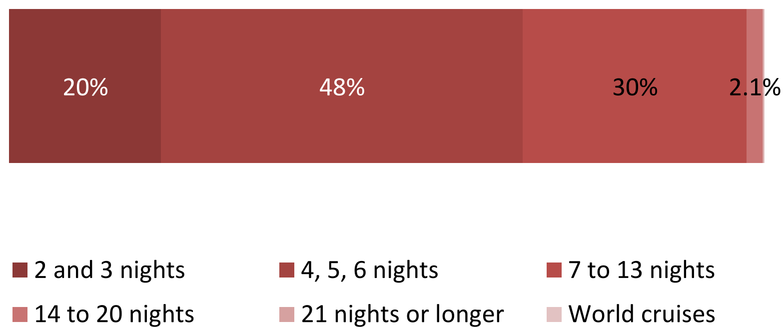
- 83 percent selected a Premium or Contemporary cruise line
- The average length of cruise was 6.3 nights
- The average age of the Hong Kong cruise passenger was 46 years

Hong Kong: Share of passengers by cruise type

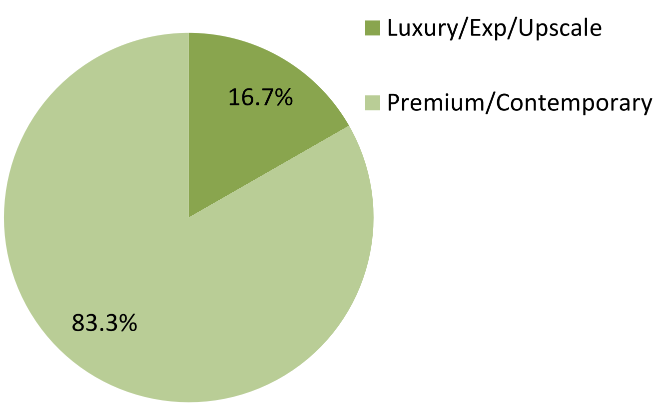


6.3 nights
Average length of cruise

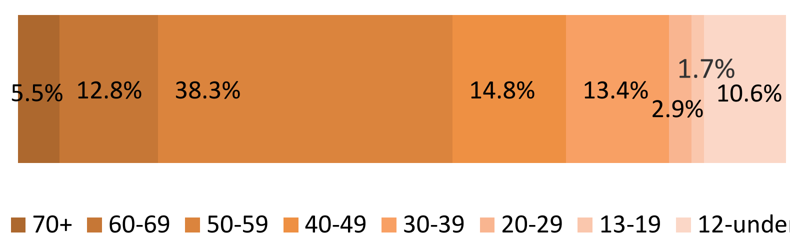
Length of Cruise



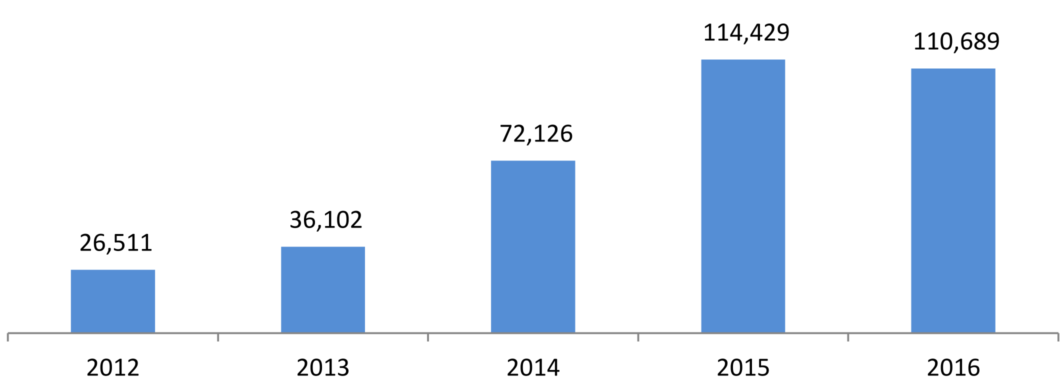
Hong Kong: Share of Passengers by Cruise Line Segment



Passenger Age
Average 46



Hong Kong: Passenger Volume Trend



43%
Compound annual growth rate

Remaining Asia Countries	Asia Cruise	Asia Fly-cruise	Fly-cruise Outside Asia	Total
South Korea	19,310	683	9,100	29,093
Malaysia	22,851	815	4,510	28,176
Indonesia	22,470	422	3,423	26,315
Philippines	8,886	868	5,503	15,257
Thailand	4,222	409	4,617	9,248
Vietnam	3,756	8	400	4,164
Other Asia	2,258	152	2,618	5,028

Remaining Asia Countries	Luxury, Expedition & Upscale	Premium & Contemporary	Total
South Korea	1,075	28,018	29,093
Malaysia	1,161	27,015	28,176
Indonesia	1,419	24,896	26,315
Philippines	1,172	14,085	15,257
Thailand	1,710	7,538	9,248
Vietnam	110	4,054	4,164
Other Asia	924	4,104	5,028

APPENDIX

Appendix - Methodology

The study entails a comprehensive and detailed analysis of trends in ocean cruise capacity, destinations visited, and passenger source markets among 29 international and regional brands.

It should be noted that all figures *exclude* one-night cruises.

The cruise lines included in the study represent over 98 percent of the capacity identified in Asia.

Four brands did not participate, for which **deployment and capacity** data were obtained from published sources, some translated and all analyzed.

All **source market** information comes directly from the cruise lines themselves (under strict confidentiality). For one Chinese brand we have no data. For one Japanese brand we have only one aggregate passenger figure. Consequently, the market size figures for China will be slightly under-reported while for the breakdowns (by destination, age and cruise length) in Japan we have prepared close estimates.

Study participants: International & Regional Cruise Lines

1 AIDA Cruises
2 Azamara Club Cruises
3 C & M
4 Celebrity Cruises
5 Costa Cruises
6 Crystal Cruises
7 Cunard Line
8 Diamond Cruises
9 Dream Cruises
10 Fred.Olsen
11 Hapag Lloyd Cruises *
12 Holland America Line
13 Mitsui OL
14 MSC Cruises
15 Norwegian Cruise Line
16 NYK
17 Oceania Cruises
18 P&O Cruises Australia
19 P&O Cruises UK
20 PONANT
21 Princess Cruises
22 Regent Seven Seas Cruises
23 Royal Caribbean International
24 Seabourn
25 Silversea Cruises *
26 SkySea
27 Star Cruises
28 TUI Cruises
29 Windstar Cruises

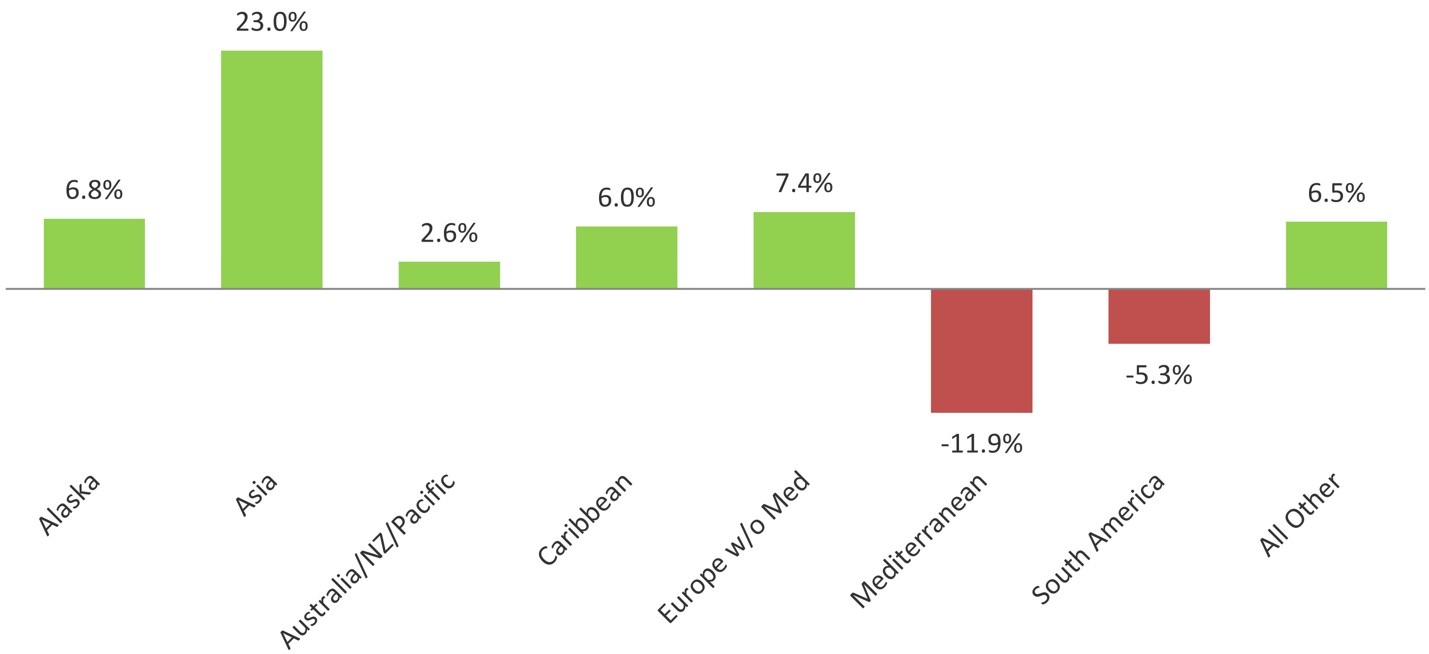
*** Note:** Silversea and Hapag-Lloyd have ships in two segments, both Luxury and Expedition.

Cruise Lines for which data was sourced from published sources:

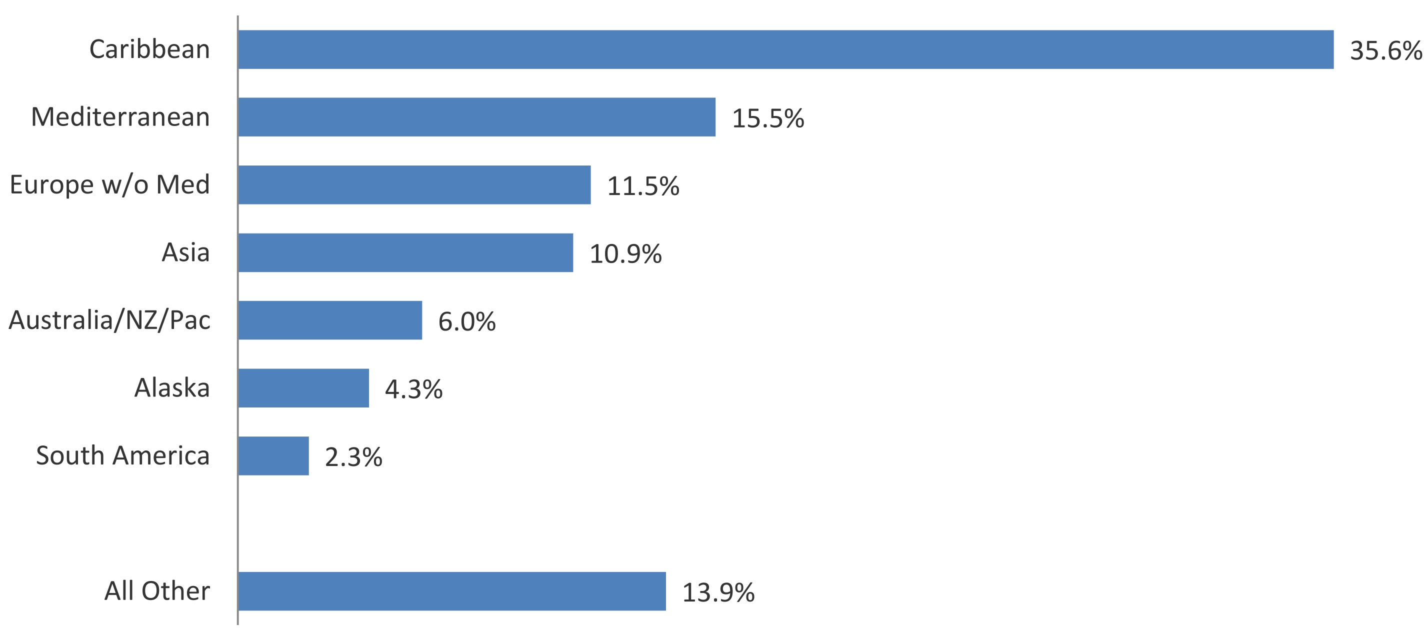
Noble Caledonia
Star Clippers
Japan Cruise Line
Bohai Cruises

Appendix - Global Capacity Deployment

Capacity Share Changes by Region
(Percentage Point Change/ALBDs* 2016 vs 2017)



Share of Deployed Capacity by Region
(% of ALBDs, 2017)



** ALBD = Available Lower Bed Days. Assumes double occupancy per cabin for sale by revenue producing operating days*

Source: CLIA 2017 Deployment Survey among 18 international brands

Scheduled Port Calls by Port, 2017 (40 or more calls)

Rank	Country	Port	Transit	Turnaround	Overnight	ALL
1	China	Baoshan / Shanghai	18	539	24	581
2	South Korea	Jeju Isl	477	0	0	477
3	Singapore	SINGAPORE	24	325	44	393
4	Japan	Fukuoka / Hakata	297	42	2	341
5	Hong Kong	HONG KONG	63	163	37	263
6	Japan	Nagasaki	247	0	0	247
7	Taiwan	Keelung / Taipei	43	191	3	237
8	Japan	Naha / Okinawa	190	5	18	213
9	Malaysia	Georgetown / Penang	156	51	0	207
10	South Korea	Pusan/ Busan	197	8	0	205
11	China	Tianjin / Xingang / Beijing	13	133	29	175
12	China	Guangzhou / Nansha	92	65	0	157
13	Thailand	Patong Bay / Phuket	126	21	3	150
14	Japan	Yokohama	32	106	5	143
15	Japan	Ishigaki	142	0	0	142
16	Japan	Other Japan	126	11	3	140
17	Japan	Miyakojima	121	0	0	121
18	Malaysia	Port Klang / Kuala Lumpur	121	0	0	121
19	Vietnam	Da Nang / Hue / Chan May	100	0	18	118
20	Thailand	Bangkok (Laem Chabang & Klong Toey)	52	12	51	115
21	Vietnam	Ho Chi Minh City / Phu My	88	1	26	115
22	Japan	Sasebo	106	0	0	106
23	Japan	Kagoshima	98	0	1	99
24	Vietnam	Halong Bay / Hanoi	77	0	16	93
25	Japan	Kobe	28	42	10	80
26	Vietnam	Nha Trang	73	0	1	74
27	Malaysia	Langkawi	66	0	0	66
28	China	Xiamen	13	41	1	55
29	India	Mumbai	16	12	25	53
30	Thailand	Koh Samui	53	0	0	53
31	Japan	Osaka	42	6	4	52
32	Thailand	Krabi	52	0	0	52
33	China	Qingdao	3	48	0	51
34	Japan	Sakaiminato	51	0	0	51
35	Japan	Yonaguni	51	0	0	51
36	Japan	Kanazawa	44	4	0	48
37	Taiwan	Kaoshung	39	6	0	45
38	China	Dalian	4	40	0	44
39	Indonesia	Benoa/ Bali	23	11	10	44
40	Philippines	Manilla	37	1	6	44
41	Japan	Kumanoto	42	0	1	43
42	Japan	Shimizu	42	0	0	42
43	Japan	Shimonoseki	39	0	2	41
44	Japan	Maizuru	37	3	0	40
45	Malaysia	Malacca	40	0	0	40

Source Market Passenger Volume by Market, 2012-2016

	2012	2016	4-Year Change 2012 to 2016	
	2012	**2016**	**# Chg**	**CAGR**
Japan	82,232	215,352	133,121	27.2%
South Korea	13,973	29,093	15,120	20.1%
China	216,700	2,100,534	1,883,834	76.4%
Hong Kong	26,511	110,689	84,178	42.9%
Taiwan	106,487	236,835	130,348	22.1%
Vietnam	158	4,164	4,006	126.6%
Philippines	11,597	15,257	3,660	7.1%
Thailand	5,234	9,248	4,014	15.3%
Malaysia	52,054	28,176	-23,878	-14.2%
Singapore	189,378	196,915	7,537	1.0%
Indonesia	15,763	26,315	10,552	13.7%
India	49,442	120,596	71,154	25.0%
Other Asia *	5,002	5,028	26	0.1%
ALL ASIA	774,531	3,098,202	2,323,671	41.4%

Appendix - Glossary

Cruises: Encompass deployment within Asia only. Our definition of a Cruise is a one that both begins and ends in an Asian port and includes only Asian ports in its itinerary. A Round-trip cruise returns to its port of embarkation while an Open-jaw cruise (fly-cruise) begins in one Asian port and finishes in another.

East Asia: Geography that includes China, Hong Kong, Taiwan, South Korea, Japan and East Russia.

Fly-Cruise: Cruise begins or ends with a flight to/from an Asian port (or both)

Ocean cruise: A cruise itinerary that sails to destinations via the ocean; itineraries last 2 or more nights.

Operating Days: Days spent cruising (on both voyages and cruises) in Asian waters.

Overnight Port Call: An *overnight* call occurs when the vessel departs at least one day after arriving in port. Overnight calls may be added to a transit call or added to a turnaround call. For example, a vessel arriving in Bangkok on 21 May and departing on 23 May is counted as making one transit call (21/5) and two overnight calls (21 and 22/5). A vessel arriving in Hong Kong on 21 May and departing with a different cruise number on 22 May is considered to have had one turnaround and one overnight call. Note that, in our treatment, an overnight does not exist independently of one or the other calls.

Passenger Capacity: The number of lower berths multiplied by the number of cruises for each vessel. [Example: Mariner's 3,114 lower berths on the 80 cruises it operates in 2017 results in a passenger capacity of 249,120]

Passenger Destination Days (PDD): A measure of potential visits from cruise passengers when a ship calls at a destination. It assumes 100% lower berth occupancy and that all passengers have the opportunity to go ashore. [Example: A ship of 1,000 capacity calling at a destination for one day creates a potential of 1,000 PDD. So, if that ship visits 3 ports on one cruise, it generates 3,000 PDD].

Product Segments:

Contemporary & Premium : Mostly large ships that offer predominantly short – 3,4,5-night – cruises as well as some 7-night and longer

Upscale: Distinguished by more spacious, refined on-board accommodation, superior dining, a more discrete service and higher prices.

Luxury: The Luxury lines are another step above the Upscale in on-board comforts, product inclusions and price-point. Their ships typically carry few passengers and have very high staff-to-guest ratios. They also typically operate longer cruises – such as 12 nights.

Expedition: Small ships (100 to 300 passengers) offering immersion in remote destinations, usually with a high standard of service and accommodation.

South Asia: Geography that includes India, Myanmar/Burma, Bangladesh, Sri Lanka and the Maldives

Southeast Asia: Geography that includes Singapore, Malaysia, Indonesia, Brunei , Philippines, Thailand, Cambodia, Vietnam, and Timor.

Transit Port Call: A *transit* call applies to all ships that have the arrival and departure scheduled on the same day. The same passenger load arrives and departs on a transit call.

Turnaround Port Call: A *turnaround* call occurs when the vessel arrives under one cruise number and departs with a different cruise number. This would generally involve all passengers on board disembarking and a new passenger load embarking. Turnarounds mark the end of one cruise and the start of the next. Passengers typically do not have the opportunity to sight-see or shop, take shore excursions or tour on a turnaround unless they opt to arrive in the port city early or stay over for an additional night or nights. The ship usually takes on fuel, fresh water, provisions, etc. Passengers and their baggage have to be disembarked and go through customs and immigration procedures, take transfers to the airport (or hotels). The new passenger complement has to be embarked.
[Note that in Asia some ships are taking passengers on board in consecutive ports on the one cruise – e.g. Shenzhen and Hong Kong. In this case the first port is counted as turnaround, the second as transit].

Voyages: Itineraries that include ports of call outside the regions of Asia. Voyages are typically longer than cruises. Voyages often involve the seasonal positioning of a vessel from Europe, America or Australia to an Asian port from where it will offer a series of cruises (or from Asia back to one of those cruising areas). Other voyages include vessels on round world or other long trips, calling at Asian ports as part of the journey.

* * *

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