

# New orders bring relief to struggling shipyards

LAST year looked like being a year without a single cruiseship order — until Carnival Corp signed an agreement with **Fincantieri** in December for a 130,000 gt sister to *Carnival Dream*. Two months later, there followed an order for a 139,000 gt prototype and sister for Princess Cruises.

This is welcome news not only for the Italian builder but for the industry generally. For **Fincantieri**, it has gone some way to alleviating the dearth in new orders and consequent effects on its shipyards.

**Giuseppe Bono**, chief executive at **Fincantieri**, commented on the Princess Cruises order: "I am convinced that **Fincantieri**, by consolidating its world leadership in the sector, will succeed in overcoming the crisis and be even stronger than before."

STX Europe was in a worse situation when MSC Cruises announced its letter of intent on March 1 for the *MSC Favolosa*, a sistership to the 133,500 gt *MSC Fantasia*, to be built at the St Nazaire yard for delivery in June 2012. Prior to this, the yard was facing a black hole following the delivery of the 153,000 gt prototype *Norwegian Epic* in June. At Turku the situation is similar, with only the 225,282 gt *Allure of the Seas* under construction, for delivery in December this year.

Germany's Meyer Werft, however, is in a much better position, with a strong orderbook following a massive programme of investment in its production facilities.

Suppliers too will have welcomed the news and must be hoping this signals the beginning of the orderbook revival. They can take heart from figures released by GP Wild (International) in January suggesting that passenger demand worldwide will have reached 21.39m by 2015. It is estimated this would represent a total demand for about 422,000 lower berths compared to 331,000 in 2009, which translates into around 15,000 new berths per annum.

What is certain right now is it is a buyers' market and there has been some tough negotiating taking place. Carnival Cruise Lines' 3,690-passenger vessel is to be built under a US dollar denominated contract with the all-in cost being about \$200,000 per lower berth. The two Princess ships, each carrying 3,600 passengers, will have an all-in cost of about €155,000 per lower berth.

Pierfrancesco Vago, chief executive of MSC Cruises, said of the timing of the letter of intent: "It is an economical moment now. For anybody who is in a position to

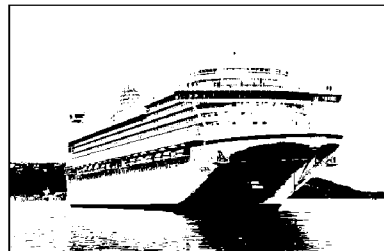
negotiate, it is a client's market nowadays, always with great respect to the suppliers. Even the yard can obtain better pricing for raw materials etc. The financing has been a joint effort between the yard, the French government, MSC and our banks."

Oceania Cruises has two ships on order with **Fincantieri** and a third on option. Frank del Rio, chairman and chief executive of Oceania Cruises, said: "We need to be 100% sure that the demand is there before taking out the option on a third ship." However, he pointed out that the decision was "about the market, not about financing". The option expires on September 30 and it seems likely that it will be extended.

This year could witness the first cruise-ship contract in a South Korean yard. Utopia Residences signed a binding letter of intent in December 2009 with Samsung Heavy Industries for a 105,000 gt vessel with 190 private residences and a 204-suite hotel. Private equity company The Frontier Group is to invest in the \$1.1bn contract, which is expected to be signed early this year for delivery in 2013.

Meanwhile, this year sees some groundbreaking deliveries such as Compagnie du Ponant's first newbuilding *Le Boreal* and Norwegian Cruise Line's *Norwegian Epic*. At either end of the size spectrum, they are both prototypes.

Yards not so commonly associated with cruise are also delivering ships this year. Pearl Seas Cruises begins as a brand with the *Pearl Mist* in the autumn. The ship is being built at Irving Shipbuilding, Nova Scotia, while American Cruise Lines will take delivery of the *Independence* from Chesapeake Shipbuilding Corp in Maryland. In Europe, Factoria de Naval Marin in Spain is working on the *Sea Cloud Hussar* for Sea Cloud Cruises.



P&O Cruises' 116,000 gt cruiseship *Azura*: delivered this month by **Fincantieri**

