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An Unfolding Crisis

Case Study: How the cruise industry became a symbol of COVID-19



Figure 1.1: The Diamond Princess (courtesy of Princess Cruises image library)

It was 3 February 2020, and passengers aboard Carnival's Diamond Princess were enjoying the last night of their two-week cruise. Yes, they had heard about a mysterious virus that was scything through mainland China, but it looked like it wouldn't be affecting their vacation and they would be arriving in Japan the next day. They tucked into what they thought would be their last meal on the ship, unaware that an 80-year-old passenger – a man who had coughed through the first third of the cruise – had been admitted to a hospital in Hong Kong. Suddenly over dinner the ocean liner's intercom came to life, and the ship's captain told everyone about the passenger in Hong Kong who had tested positive

for the new virus. Accordingly, he said, when the Diamond Princess reached Yokohama, everyone would need to stay on the vessel for an extra day while Japanese health officials screened them.

By morning, as the ship idled close to shore, nine more passengers and one crew member had tested positive for the coronavirus. All passengers were to return to their cabins, where they would remain quarantined for two weeks by order of the Japanese government. Rather than release 3,700 potential vectors – who could infect Japan or their home countries – public health officials were transforming the Diamond Princess into a floating quarantine center. On the second day of the quarantine, the captain announced that the number of cases had doubled to 20. By day nine, when it reached 218, the ship had more cases than every nation in the world except China. In late March, the Centers for Disease Control and Prevention (CDC) reported that out of the Diamond Princess's 3,711 passengers and crew, 712 had eventually tested positive. Nine people had died. These numbers were a fraction of the sizeable casualties steadily accumulating across the globe, but from the Diamond Princess emerged a few of the original germs from which a huge tragedy would grow.

Until COVID-19, the cruise sector was one of the most successful and dynamic subsectors of the global tourism industry. The number of passengers carried by the cruise industry had grown year-on-year and was about 30 million in 2019, responsible for over a million jobs and over \$50 billion in wages and salaries. Many destinations relied heavily on the cruise sector for their income. Passengers spend on average \$376 in port cities before boarding a cruise and spend \$101 in each visiting port destination during a cruise. Around 32 million passengers were expected to set sail in 2020, and to meet ongoing demand, CLIA Cruise Lines were scheduled to debut 19 new ocean ships in 2020.

But then along came the pandemic, and the cruise industry suddenly went from being the golden child of the tourism sector to a sober symbol of the deadly disease. Cruise ships were a focal point of the pandemic from the beginning, widely blamed for a series of major outbreaks that helped spread the disease across the world. No cruise operator was hit harder than Carnival. At least seven of the company's ships at sea became virus hot spots, resulting in more than 1,500 positive infections and at least 39 fatalities. Carnival's Princess Cruises mentioned above gained most of the attention, drawing worldwide attention and leading to several countries repatriating their citizens from the ship. But two other Carnival cruise ships were at the center of the outbreak.

Shortly before the coronavirus was declared a pandemic, and with over 2,700 passengers on board, another ship from the Princess Cruises portfolio, the Ruby Princess, sailed into international waters despite a global increase of confirmed cases of COVID-19. By mid-April, there were 662 confirmed cases among Australian passengers alone and 19 deaths. The subsequent discharge of infected passengers into Australia worsened the national pandemic there to the extent that on 5 April, New South Wales police announced they had launched a criminal investigation into whether the operator of the Ruby

Princess downplayed potential coronavirus cases before thousands of passengers disembarked in Sydney.

If this wasn't a big enough blow for Carnival, another of its cruise ships, the Grand Princess, was also in the headlines due to the coronavirus. Early in March, American Vice President Mike Pence announced that 21 people on board the ship off the coast of California had tested positive for the coronavirus. The panic over the fate of the ship, which was returning from Hawaii, began when a 71-year-old man died after traveling on a previous leg of the cruise, a round trip from San Francisco to Mexico. Then, more cases with links to the ship emerged. In Placer County, northeast of San Francisco, officials announced three new cases – all passengers who had previously traveled on the Grand Princess on a trip to Mexico. Nearby in Contra Costa County, officials also announced three new COVID-19 cases, including two who had been aboard the Grand Princess.

Carnival's response to the coronavirus outbreak raised questions about corporate negligence and fleet safety, and as a result, US Congress opened an inquiry into the company's handling of the outbreak. President and Chief Executive Officer Arnold Donald said his company's response was reasonable under the circumstances. "This is a generational global event – it's unprecedented," he said. Carnival canceled all its cruises in mid-March, and the company's share price fell sharply, along with the rest of the industry. Despite assurances from President Trump, the cruise sector was left out of his country's \$2 trillion stimulus package, so at the end of March, Carnival began an effort to raise \$6 billion by selling stock, bonds and other securities. Donald said the sale would generate enough cash for the company to survive without revenue into 2021. He added that Carnival hoped to take advantage of stimulus programs in other countries where it operates, like Germany, Britain and Australia. Before the coronavirus crisis began, the company's nine cruise brands employed 150,000 people who served nearly 11.5 million travelers a year, a significant segment of the global market.

Carnival and the cruise industry will recover. Unlike many restaurants and other smaller tourism business that are now on the brink of collapse, the cruise lines started the crisis with healthy balance sheets, and analysts say the major cruise lines have enough money to survive at least six months on lockdown. Several cruise lines turned to social media as a means of maintaining interest with their loyal consumer base. Using videos and virtual tours, Viking helped homebound travelers to tour popular destinations, while Carnival crewmembers posted pictures from the ships. Holland America streamed a Lincoln Center musical performance from its onboard entertainment, and a former Royal Caribbean International cruise director even created a virtual cruise with daily installments, all to remind travelers of the joys of cruise travel. "The cruise industry will weather this outbreak," concludes Rhonda Weaver, a travel agent based in Kent, Washington. "But it will take time and a lot of work."

Sources: Carr & Palmeri, 2020; Yaffe-Bellany, 2020; Jordan, 2020; Clark, 2020