

RESORT RECREATION

THE BUSINESS of EXCEPTIONAL HOSPITALITY

March/April 2011

NEWS, IDEAS & TRENDS IN BRIEF market briefs >



Is Bigger Better?

The trend toward larger cruise ships

Prior to the 1980s, cruise ships were relatively small vessels that carried just a few hundred passengers and offered little more than shuffleboard and sun bathing. These ships are a far cry from today's luxury vessels capable of carrying thousands of passengers

and offering amenities and entertainment that rival those of a five-star Las Vegas hotel. The trend toward larger cruise ships, which produced cruising as we know it today, was ushered in when Norwegian Cruise Lines unveiled the Norway in 1980. Though

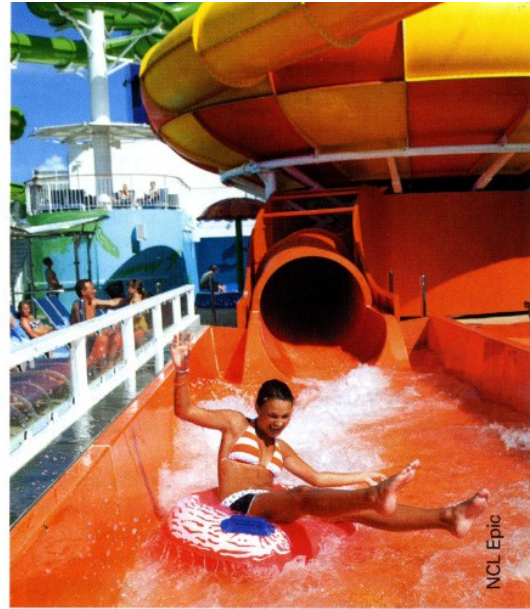
small on today's scale, the Norway dwarfed other ships of its time, boasting capacity for 2,181 passengers. As the battle for the biggest ship continued to wage into the next decade, competition for the best amenities and entertainment began to heat up as well. In 1999, Royal Caribbean introduced the first onboard ice skating rink and, in 2003, the company was the first to add rock-climbing walls to ship decks. Other cruise lines followed suit and soon bowling alleys, in-line skating, and trampolines became common onboard activities.

When Royal Caribbean launched the Oasis of the Seas in 2009 (with its sister ship, Allure of the Seas, in December 2010) and Norwegian Cruise Line's Epic set sail in 2010, the trend toward larger cruise ships with more extreme activities literally reached new heights. The Epic has capacity for 4,100 passengers and boasts three different water slides, some spanning several decks. Not to be outdone, the Oasis and the Allure have capacity for 5,400 passengers and feature zip-lines and surf simulators, among many other activities. The cost to build these behemoth ships seems to have paid off as press from both companies indicated that, although larger ships are more expensive to build, they are more profitable to run.



Although revenue may be higher on these larger ships, the increased size and greater number of guests creates a higher risk of accidents and injuries; especially in light of the trend toward extreme activities. In order to prevent liability for injuries sustained on activities such as zip lining, cruise lines can, and should, establish certain risk management policies that are implemented at all stages of the activity, from the design of the ship to the operation of the activity, and from employees to guests. For instance, at the design stage, cruise lines should consult experts, such as qualified engineers, to identify the risks posed by the activity and to point out ways that the risk may be reduced. Similar experts should be consulted on a regular basis to conduct inspections of the area where the activity takes place and the equipment used by guests to ensure that everything is in the proper order.

At the employee level, cruise lines need to ensure that their crewmembers are given proper training on a variety of issues associated with the activity, such as training on how to properly



operate equipment and training on how to instruct guests as to safe participation in the activity. This type of training should be done on a regular basis and should be attended by every employee that works in the activity area and/or operates equipment associated with the activity. Cruise lines may consider certifying those employees that are allowed to work in or near the activity and ensure that other employees do not work at these locations.

At the passenger level, cruise lines need to ensure that guests are aware of the risks posed by certain activities, even though some risks may seem to be obvious. This can be accomplished by having guests read and sign a document that outlines the risks involved and requires the guest to acknowledge these risks. It can also be accomplished by placing warning signs in conspicuous places so that guests will see the signs before and during participation in the activity. In addition, cruise lines may wish to limit certain activities to those guests who are of a certain age or height. For example, the large water slides may not be suitable for children under a certain height and weight. To enforce these requirements, employees need to be trained on the physical requirements of each activity and know when to refuse admittance to certain guests.

So, is bigger better? The competition to create the biggest ship, the most extreme activities, and the most lavish accommodations has transformed the cruise ship industry. If the fanfare over the Oasis, Allure, and Epic are any indication of whether bigger is better, the answer seems to be yes.

Cruise lines interested in establishing risk management policies are encouraged to consult a local attorney before doing so.

ABOUT THE AUTHORS:

Darren Friedman is a founding partner and principal at Foreman Friedman. Lauren Smith is an associate in the firm's maritime division.