The future of the global cruising industry: Layoffs, pay cuts and prolonged misery for crews

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Despite the prolonged frenzy of industry media speculation surrounding the resumption of luxury cruising after its shutdown in March—even as daily global COVID-19 infections reach new heights—developments over the past several weeks have made it clear that there will be no return to normal under the given circumstances.

Last Tuesday, June 23, Standard & Poor (S&P) and Moody's, two major US financial analytics companies, announced a reduction in the credit rating of Carnival Corp (CCL), the world's largest cruising company, to below investment-grade. This followed similar downgrades to "junk" status in late-March of two other major cruise companies, Royal Caribbean Cruise, Ltd. (RCCL) and Norwegian Cruise Lines (NCL). RCCL and NCL are the world's second and third-largest cruise operators, respectively.

Carnival's downgrading came days after an announcement by the Cruise Line Industry Association (CLIA) that the shutdown of sailings in United States ports would remain in effect until September 15 of this year. The CLIA briefing read, "Although we are confident that future cruises will be healthy and safe, and will fully reflect the latest protective measures, we also feel that it is appropriate to err on the side of caution to help ensure the best interests of our passengers and crew members. […] The additional time will also allow us to consult with the CDC on measures that will be appropriate for the eventual resumption of cruise operations."

The firsthand experience of crew members who remain stranded on ships, or of those who have recently been repatriated from a marooned ship, completely belie the CLIA's claim that the industry is prioritizing the interests of cruise workers.

As the WSWS has widely documented, the industry halt in the spring was followed by the complete failure of the cruise corporations, worldwide governments and their lackeys in the global labor bureaucracies to repatriate hundreds of thousands of maritime workers. As a result, cruise crew member casualties have numbered in the dozens and thousands of others have faced financial ruin. While there were a number of deaths among ship workers that were related to COVID-19, many others were widely suspected to have been suicides by desperate and depressed employees who saw no other way out. A June 24 press release by the Seafarer's Hospital Society (SHS), a British maritime charity organization, declared that suicide has become "now the foremost cause of deaths amongst seafarers."

The disastrous impact of the pandemic was well-known to the cruise corporations from the outset. As early as March, these enterprises took initiatives to force their impending losses onto the backs of their employees. Just days after the shutdown, thousands of stranded onboard crew were deemed "non-essential" and then pressured into accepting waivers to their salary while they waited indefinitely for repatriation. Thousands more onboard crew whose incomes had previously relied heavily on customer gratuities during normal operation were also reduced to receiving a fraction, if any, of their income.

On March 18, it was revealed by a leaked document that NCL planned to reduce the pay and hours of its salaried shoreside employees in the US by 20 percent. Although the measure was only scheduled to go into effect until June, the company's CEO Frank Del Rio soon thereafter announced additional furloughs for up to 20 percent of the NCL shoreside staff.

"As voyage suspensions continue to extend however, we are left with little choice but to make additional difficult decisions regarding our current state of operations, and the resources needed to support it, in order to ensure our business is well-positioned when sailings resume," the CEO said in a statement.

By mid-April, RCCL announced that it would shed 26 percent of its 5,000 shoreside workers in the US. The 1,300 job losses were comprised primarily of permanent layoffs, though some were described as "90-day temporary furloughs with paid benefits." More than 500 of these cuts were described as permanent layoffs of transportation and warehousing jobs, all from the state of Florida.

Carnival plc, the British division of CCL's dual-listed operations, cut 450 jobs at its headquarters in Southhampton in early-May. These were followed by CCL's announcement that it would eliminate 850 of its shoreside positions and furlough another 537 employees in the US. These remaining American workers are to take a 20 percent pay cut, and senior officers are to have their earnings reduced by 25 percent. CEO Arnold W. Donald accepted a 50 percent reduction to his annual compensation, which had averaged $11 million per year from 2013 to 2019. The latest round of cuts, announced by Carnival UK last Wednesday, axed "nearly a third" of their shoreside staff.

Cruise companies have worked closely with the large banks to secure loans to bolster their liquidity for what they see as an unstable short-term future. While leveraging the trillions in credit which was unconditionally assured to US banks by the federal government in the CARES Act, these corporations are not only looking to finance what remains of their ongoing operations, but also doubtlessly seeking to keep their senior officers' bloated earnings afloat.

Del Rio, an individual whose net worth was estimated by wallmine.com to be $36.4 million in February, 2020, made a telling statement to the Re-Engineering Readiness conference, a travel-industry summit, in late-May. He said, “People are rushing to bars and restaurants as they reopen, they want to get back to their normal lives, and cruising is a part of their normal lives.” Echoing the lines of the US establishment and its criminally reckless return to work drive, Del Rio declared, “Great harm has been done on a permanent basis to economies, and that has to stop immediately.” He then boasted, “The growth we have seen in the cruise sector over the last 20 years, we will see over the next ten years.”

In a damning follow-up to Del Rio’s comments, Jim Walker, a writer and attorney for CruiseLawNews.com, a Miami-based law firm and cruise crew advocacy group, published an article with the headline, “Cruise Line CEO’s Income: The Rich Get Richer.”

Walker notes that Del Rio was the highest paid cruise industry CEO in 2018. He cites Seatrade Cruise, a cruise industry publication, which noted that “Mr. Del Rio received compensation valued at $31.9 million in 2015, including nearly $17.8 million in stock options and $10.3 million in stock awards. His cash income was about $4 million including a salary of over $1.8 million, and a bonus of $1,900,000. Other compensation in 2015 included a cash automobile allowance, tax preparation service and a country club membership [totaling] $140,651.”

According Walker’s report, Donald is currently valued at $68.5 million. According to a report issued by the company to the Securities and Exchange Commission in February, Donald’s earnings in 2019 were $11,149,514—approximately 723 times the median annual employee wage of $15,429.

Donald has referred to the cuts at Carnival as a “very difficult thing to do.” Adding insult to injury, he continued, “unfortunately, it’s necessary, given the current low level of guest operations […]” stating that he “look[s] forward to the day when many of those impacted are returning to work with us.” Considering the drastic difference between his income and that of his average employee, the crocodile tears from Donald, no less with Del Rio’s rapacious calls for an immediate return to sailing, should be seen as completely fraudulent and self-serving.

Richard Fain, the CEO of RCCL, is estimated by Walker’s article to have a current net worth of $123 million. “In 2018, he collected $13,510,000 (versus $13,343,413 in 2017 and $10,405,684 in 2016). Mr. Fain was the highest paid cruise executive for 2016 and 2017,” the report states.

The *Miami Herald* documented in mid-May a discussion between RCCL officials and a representative of the Centers for Disease Control (CDC) in which the company declared that CDC restrictions on travel made repatriation of their crew “too expensive.” Although RCCL later denied the validity of these comments to its employees, it continued to shift the blame for the failure to repatriate them on to the local governmental agencies.

The report given by Moody’s last Tuesday on CCL’s credit downgrading came with the following explanation: “Carnival […] benefits from our view that over the long run, the value proposition of a cruise vacation relative to land-based destinations as well as a group of loyal cruise customers supports a base level of demand once health safety concerns have been effectively addressed. In the short run, Carnival’s credit profile will be dominated by the length of time that cruise operations continue to be highly disrupted and the resulting impact on the company’s cash consumption, liquidity and credit metrics. The normal ongoing credit risks include […] the highly seasonal and capital intensive nature of cruise companies, competition with all other vacation options, and the cruise industry’s exposure to economic and industry cycles as well as weather related incidents and geopolitical events.”

The report continued, “The rapid spread of the coronavirus outbreak and deteriorating global economic outlook are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. The cruise sector has been one of the sectors most significantly affected by the shock given its sensitivity to consumer demand and sentiment. More specifically, Carnival’s exposure to increased travel restrictions has left it vulnerable to shifts in market sentiment in these unprecedented operating conditions and the company remains vulnerable to the continued uncertainty around the potential recovery from the outbreak.”

Put in simpler terms, the entire cruise industry is seeking to insulate the profits of its top earners against a prolonged future of global economic and political turbulence. Only four days after Moody’s report on CCL, Angela Merkel announced that the EU would deny incoming US citizens entry into the European Union (EU).

As the WSWS reported, although the rationale for this measure was the US’s inadequate response to the containment of the number infected to COVID-19, it came within the context of increasing tensions between the US and the EU over the viability of the US dollar as well as Trump’s continued threats to default on US debts to China. Days later, at a press conference before the July 1 European Council, Merkel issued calls for increased military spending for the purpose of independently defining global European alliances.

The capitalist ruling elites worldwide are responding to the crisis of the coronavirus pandemic not only with a murderous back-to-work policy and an attack on living conditions for the working class, but also with an increasingly aggressive drive toward what the US has outlined as “major power conflict.” Maritime workers at home and on ships around the world must join together with their brothers and sisters in the international struggle against inequality, austerity, war, and the capitalist system as a whole. We urge seafarers interested in taking up this fight to contact the WSWS today.