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Norwegian Cruise Line, Which Has Weekly Calls to St. Thomas, is at Risk of Going Out of Business

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Norwegian Cruise Line said Tuesday that it does not have enough cash to meet its obligations over the next 12 months if it's unable to secure additional funding. By. (Richard Tribou / Orlando Sentinel)

As the novel coronavirus continues to ravage economies the world over, the virus could claim the life of a business that has become an essential part of the Virgin Islands tourism industry. Norwegian Cruise Line, which has calls on St. Croix twice a season and weekly to St. Thomas, said this week that it could go out of business after coronavirus-related restrictions handicapped its operations.

The company said in a filing with the Securities Exchange Commission Tuesday that the effect of Covid-19 on its business “raised substantial doubt about the company’s ability to continue as a going concern.” The cruise line said it may need to raise money on unfavorable terms, and if could not raise the funds, it would need to reorganize entirely and even seek bankruptcy protection.

The company's shares were down 20 percent Tuesday during midday trading.

Norwegian said it was seeking to raise about \$2 billion in debt and equity, which includes a \$400 million investment from a private-equity firm. The financing, along with other measures, would give it \$3 billion in cash security that would allow it to survive even if it could not sail again for more than a year.

The cruise line canceled its sailings through June 1, and said it planned to restart some cruises as early as July 1 if the Centers for Disease Control and Prevention lifts its no-sail order by then.

The effect of no cruise lines at the West Indian Company and Crown Bay in St. Thomas has been devastating to the Virgin Islands economy — more pointedly in St. Thomas, which relies heavily on tourism. Tourism represents about 60 percent of the U.S. Virgin Islands' gross domestic product (GDP), according to the V.I. Department of Tourism.

The CDC no-sail order is meant to blunt the spread of the virus, but it comes with a high economic price. According to Governor Albert Bryan, roughly 7,000 people in the territory had filed unemployment claims as of Monday, a large portion of whom worked in the tourism industry. Initially, the governor said the number may have been off, but on Tuesday he told the Consortium that the figure was more than likely accurate.

The cruise industry has been among the hardest hit by the coronavirus pandemic, with many ships becoming sites of outbreaks. According to the Wall Street Journal, Norwegian expects to post a loss for the first quarter and the full year, the company said. About half of customers of canceled voyages requested cash refunds as of April 24, the company said. Norwegian did not guarantee that the proportion of customers who choose to accept future cruise credits over cash would remain the same.

In all, Norwegian had \$1.8 billion in advanced ticket sales as of March 31, the company said, a substantial portion of which it may need to refund. Norwegian is still taking bookings for this year, 2021 and 2022 and receiving deposits and final payments for them, the company said.

Meanwhile, bigger rival Carnival Cruise Line said it plans to resume some cruise activity from Florida and Texas on August 1. Carnival was able to raise almost \$6 billion in the bond markets in April after drawing down its \$3 billion credit line in March.

The Wall Street Journal [reported last week](#) that cruise-ship operators had ample evidence to believe their fleet of luxury liners were incubators for the new coronavirus, yet they continued to fill ships with passengers and helped spread the disease.

Carnival on Monday said it plans to resume sailings on Carnival Dream, Carnival Freedom and Carnival Vista from Galveston, Texas; Carnival Horizon, Carnival Magic and Carnival Sensation from Miami; and Carnival Breeze and Carnival Elation from Florida’s Port Canaveral. Carnival said it chose those ports because they are accessible by car, according to WSJ.

“There will obviously be changes once we start sailing again,” Carnival spokesman Vance Gulliksen said in an email. “We are using this extended pause to continue to build a strong set of protocols for guest, crew and community health and safety.”

