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Contribution of cruise tourism to the economies of Europe

G. P. Wild (International) Limited and Business Research and Economic Advisors were engaged by the European Cruise Council and its partners Euroyards, MedCruise and Cruise Europe to conduct a comprehensive analysis of the global cruise industry's operations in Europe and its contribution to the European economy using the most recent available statistics.

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CRUISE EUROPE

MEDCRUISE
THE ASSOCIATION OF MEDITERRANEAN CRUISE PORTS

Prepared by **G.P. Wild (International) Limited**
and **Business Research & Economic Advisors**

G. P. Wild (International) Limited and Business Research and Economic Advisors were engaged by the European Cruise Council and its partners to conduct a comprehensive analysis of the global cruise industry's operations in Europe and its contribution to the European economy in 2005. Some of the major highlights of cruise operations in Europe during 2005 were:

- **At the end of 2005 there were 36 cruise lines domiciled in Europe which operated a fleet of 100 cruise ships with a capacity of almost 86,000 lower berths. Another 40 vessels with a capacity of 44,100 lower berths were deployed in Europe by non-European lines.**
- **Nearly 3.3 million European residents booked cruises representing 23% of all cruise passengers worldwide, compared with 17% ten years earlier.**
- **More than 2.8 million passengers embarked on their cruises from a European port with 90% of these being European nationals.**
- **The vast majority of these cruises visited ports in the Mediterranean, the Baltic and other European regions and generated 13.1 million passenger visits at European port cities.**

As a result of the European cruise operations and the investment in new cruise ships by the global cruise industry, this industry generated significant economic impacts throughout Europe in 2005. These economic impacts included the following:

- **€8.3 billion in direct spending** by cruise lines and their passengers,
- **€19.1 billion in total output,**
- **187,252 jobs,** and
- **€6.0 billion in employee compensation.**

These impacts are the sum of the direct, indirect and induced impacts of the cruise industry. In summary:

- **Each €1 million in cruise industry expenditures generated**
- **€2.3 million in business output, and**
- **Just over 22 jobs paying an average wage of €32,000.**

Direct Economic Impacts

The direct economic impacts include the production, employment and compensation that were generated in those European businesses that supplied goods and services to the cruise lines and its passengers. The direct impacts also include the compensation paid to the European employees of the cruise lines.

In 2005, the cruise industry generated direct expenditures of €8.3 billion. These expenditures included the following:

- **€3.1 billion** in spending for the construction of new cruise ships and the maintenance and refurbishment of existing ships with European shipyards.
  - During 2005, there were 10 cruise ships under construction at European shipyards.
  - As of the end of 2006, European shipyards were under contract to build 33 cruise ships with a combined value of €18.6 billion up to 2010.
- **€2.9 billion** in spending by cruise lines with European businesses for goods and services in support of their cruise operations. Among the major expenditures were the following:
  - Food and beverage manufacturers produced €246 million in provisions consumed on board cruise ships.
  - An estimated €480 million in commissions was paid to European travel agents.
  - The cruise industry spent more than €550 million on financial and business services including: insurance, advertising, engineering and other professional services.
- **€1.6 billion** in cruise passenger spending for shore excursions, pre- and post-cruise hotel stays, air travel and other merchandise at ports-of-embarkation and ports-of-call.
  - Excluding airfares, embarking passengers spent an average of €100 at embarkation port cities.
  - On average, cruise passengers then spent another €50 at each port visit on their cruise itinerary.
- **€0.7 billion** in wages and salaries plus benefits paid to the European employees, administrative staff and crew, of the cruise lines.
  - Cruise lines employed over 5,000 European nationals in their headquarters and administrative offices.
  - Another 28,000 Europeans were employed as officers and ratings on cruise ships.

These expenditures generated employment and employee compensation across a wide range of industries and in virtually every country that sourced passengers and/or hosted cruise ship calls. As indicated in the following table, the €8.3 billion in direct expenditures generated over **90,000 direct jobs** paying **€2.8 billion in employee compensation**.

Direct Economic Impacts of the Cruise Industry by Industry, 2005

Industry	Expenditures € Million	Jobs	Compensation € Million
Agr., Mining & Construction	€ 13	133	€ 4
Manufacturing	€ 4,252	28,750	€ 1,063
Nondurable Goods	€ 662	2,438	€ 96
Durable Goods	€ 3,590	26,312	€ 967
Wholesale & Retail Trade	€ 286	3,584	€ 80
Transportation & Utilities	€ 1,641	11,904	€ 449
Hospitality	€ 233	2,421	€ 61
Financial and Business Services	€ 944	7,323	€ 303
Personal Services & Govt	€ 203	2,323	€ 100
Subtotal	€ 7,572	56,438	€ 2,060
Cruise Line Employees	€ 754	33,666	€ 754
Grand Total	**€ 8,326**	**90,104**	**€ 2,814**

- The Manufacturing sector, led by the shipbuilding industry, accounted for 50% of the cruise industry's direct expenditures, 30% of the direct jobs and 40% of the direct employee compensation.
- European employees of the cruise lines accounted for 37% of the direct jobs generated by the cruise industry and about one-fourth

[1] The ECC's partners were Euroyards, MedCruise and Cruise Europe.

[2] For the purposes of this report, unless otherwise stated, Europe is defined as the EU with 25 members plus the 3 EEA member states of Switzerland, Norway and Iceland. The EU-25 member states are fully defined in the Glossary.

[3] Full time equivalents.

[4] By definition, total output includes compensation. Output includes all intermediate inputs, taxes net of subsidies, net surplus (profits, net interest, dividends and other items) and employee compensation.

of the compensation.

- The Transportation and Utilities sector which includes tour operators and travel agents accounted for 20% of the direct expenditures and 13% of the direct jobs and 16% of the compensation impacts.

Total Economic Impacts

The total economic impacts are the sum of the direct, indirect and induced impacts. The indirect impacts result from the spending by the directly impacted businesses for those goods and services they require to support the cruise industry. The induced impacts result from the spending by the impacted employees for household goods and services. Thus, the indirect impacts primarily affect business-to-business enterprises while the induced impacts primarily affect consumer businesses. The total economic impacts are shown in the following table.

Total Economic Impacts of the Cruise Industry by Industry, 2005

Industry	Output € Million	Jobs	Compensation € Million
Agr., Mining & Construction	€ 1,182	15,762	€ 260
Manufacturing	€ 7,949	55,013	€ 2,052
Nondurable Goods	€ 1,952	10,190	€ 404
Durable Goods	€ 5,997	44,823	€ 1,648
Wholesale & Retail Trade	€ 757	11,401	€ 245
Transportation & Utilities *	€ 3,891	57,581	€ 1,686
Hospitality	€ 617	7,826	€ 201
Financial and Business Services	€ 4,041	30,012	€ 1,241
Personal Services & Govt	€ 647	9,657	€ 332
Total	**€ 19,084**	**187,252**	**€ 6,017**

* Includes the European employees of the cruise lines and their compensation.

The total economic impacts are more evenly spread among the various industries than the direct economic impacts as the indirect and induced impacts affect non-cruise sectors. Yet the manufacturing (primarily shipbuilding) and transportation sectors still accounted for more than half of the cruise industry's total impact throughout Europe.

- The Transportation and Utilities sector, which includes the employees of the cruise lines, accounted for 20% of the total output and about 30% of the total employment and compensation impacts.

- The Manufacturing sector, which includes the shipbuilding industry, accounted for 40% of the total output, 30% of the jobs and 34% of the total compensation generated by the cruise industry.

Country Impacts

The economic impacts were spread throughout Europe. As indicated in the following table the top six countries accounted for approximately 85% of the impacts throughout Europe.

Total Direct Economic Impacts of the Cruise Industry by Country, 2005

Country	Direct Expenditures € Million	Total Jobs	Total Compensation € Million
Italy	€ 2,501	61,445	€ 1,810
UK	€ 1,686	37,319	€ 1,457
Germany	€ 1,073	19,969	€ 725
Spain	€ 683	13,940	€ 422
Finland	€ 621	10,205	€ 371
France	€ 536	7,265	€ 310
Top Six	**€ 7,100**	**150,143**	**€ 5,095**
Rest of the EU +3	€ 1,226	37,109	€ 922
Total	**€ 8,326**	**187,252**	**€ 6,017**

The three countries of Italy, UK and Germany accounted for almost two-thirds of the direct expenditures of the cruise industry. These countries generally participated in all segments of the industry:

- Serving as major source and destination markets for cruise passengers,
- Maintaining headquarters facilities and providing crew,
- Providing shipbuilding and repair services, and
- Provisioning and fuelling of cruise ships.

The remaining three countries in the top six tended to be impacted in one or two major segments:

- Spain serves primarily as a source and destination market with some headquarters operations.
- Finland's impacts flow almost exclusively through its shipbuilding activity.
- France is principally a source and destination market with the addition of shipbuilding.

[5] Since compensation is included in total output, these impacts are not additive. Output is a measure of the industry's impact on the overall economy while compensation is a measure of the industry's impact on employees and the household sector.

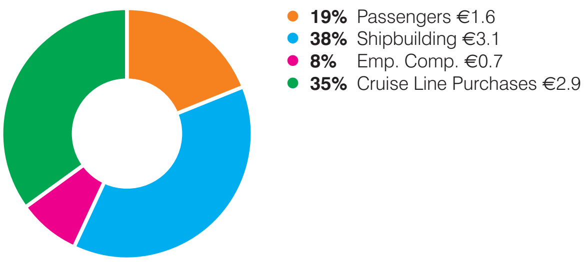
[6] These two industries accounted for 80% of the cruise industry's direct impacts.

[7] The UK contribution is limited to ship repair services.

The cruise industry in Europe[8,9], is a dynamic source of economic activity providing economic benefits to virtually all industries and countries throughout Europe.

- Cruise tourism in Europe impacts all of the major aspects of the industry, including: ports of embarkation, ports-of–call, shipbuilding, ship maintenance, provisioning, sales and marketing and the staffing of cruise ships and administrative facilities.
- Almost 3.3 million European residents booked cruises in 2005.
- In 2005, Europeans represented 23% of all cruise passengers worldwide, compared with 17% ten years earlier.
- More than 2.8 million passengers embarked on their cruises from a European port. Approximately 2.5 million (90%) were European nationals.
- The vast majority of these cruises visited ports in the Mediterranean, the Baltic and other European regions and generated 13.1 million passenger visits during 2005.

Direct Cruise Industry Expenditures in Europe, 2005 €8.3 Billion



- In total, the cruise industry generated €8.3 billion in direct expenditures throughout Europe by the cruise lines[10] and their passengers.
  - Cruise passengers spent an estimated €1.6 billion in purchases during their port visits, ranging from accommodation to retail purchases of jewellery, clothing and other similar items.
  - Europe is also the centre of and world leader in cruise ship construction and refurbishment. During 2005, the cruise industry spent an estimated €3.1 billion for cruise construction and maintenance. This is expected to rise to €4.4 billion in 2009.
  - Included in the € 8.3 billion is €754 million in compensation paid to the European employees of the cruise industry.
  - The cruise lines also spent another €2.9 billion with European businesses to support their cruise and administrative operations.
- Spending by the cruise lines and their passengers generated an estimated 187,300 jobs[11] throughout Europe through direct, indirect and induced economic impacts.
- Workers in these jobs produced an estimated €19.1 billion in total output and received €6.0 billion in total (direct, indirect and induced) compensation[12].

The cruise industry is a major source of employment and the industry's expenditures generated significant employment throughout Europe in 2005.

The cruise industry generated an estimated **187,300 jobs throughout Europe.**

This total included more than 90,100 direct jobs

- Cruise lines operating in Europe and elsewhere directly employed an estimated 33,700 European residents as crewmembers and administrative staff.
- The shipbuilding industry employed an estimated 22,600 European residents for the construction and maintenance of cruise ships.
- The remaining 33,800 plus jobs were generated in industries which supplied a variety of goods and services to the cruise industry, ranging from food and beverages to advertising and to travel agent services.

Nearly 69,000 indirect jobs were generated through the purchases of goods and services by companies that supply and support the cruise industry's direct suppliers.

Approximately 28,200 induced jobs resulted from the spending by directly and indirectly impacted employees.

Cruise New Building and Investment 2007-10

Year Completed	Ships	Berths	Investment (Millions)
2007	9	21,964	€ 3,295
2008	10	25,793	€ 3,973
2009	10	27,312	€ 4,391
2010	6	15,442	€ 2,754
Total	**35**	**90,511**	**€ 14,413**

- As at the end of 2006, there were 35 cruise vessels on order for worldwide trading with capacity for 90,500 passengers. Of these 36,000 berths (40%) are primarily for the European source market. Many of the others will visit European destinations. In early January 2007 Carnival's P&O Cruises signed a letter of intent for a new 3,076 lower berth, 116,000gt cruise ship[13] to be built in Italy for an estimated €535m. This ship is scheduled for delivery in spring 2010. This new investment underlines the cruise industry's continuing commitment to the future of its business.
- New capacity over the next four years represents a 28% increase on current active capacity of 317,000 berths. Further orders for 2010 are in the pipeline.

[8] The European cruise industry is defined as those cruise-related activities that take place within Europe including cruise itineraries that visit European ports and destinations and also directly impact businesses and individuals located in Europe. It is broadly defined to include cruise lines and their employees; the direct suppliers to the cruise lines, such as wholesale distributors, stevedoring firms, and financial and business service providers, such as insurers and consultants; shipyards; and cruise passengers.

[9] For the purposes of this report, unless otherwise stated, Europe is defined as the EU with 25 members plus the 3 EEA member states of Switzerland, Norway and Iceland. The EU-25 member states are fully defined in the Glossary.

[10] Cruise lines are defined as those cruise companies that offer multi-day cruises in open waters. It excludes companies that offer river cruises. The term cruise line can also be used to refer to cruise brand names such as, P&O Cruises, Island Cruises and Costa, which are owned by larger corporate entities.

[11] These are full time equivalent jobs (FTEs).

[12] As defined by the OECD – see Glossary. Compensation and remuneration are used interchangeably in the report and are considered to mean the same thing. Also, compensation is included in output.

[13] This ship is not included in the analysis contained in the report.

The cruise industry generated an estimated €8.3 billion in direct expenditures throughout Europe in 2005. These expenditures were derived from four major sources of spending:

- Cruise passengers;
- The construction and maintenance of cruise ships;
- Cruise line purchases in support of their operations; and
- Compensation of cruise line administrative staff and crew in Europe.

Furthermore, this spending impacted to some degree each of the 28 European countries included in the analysis.

Cruise Industry Direct Expenditures by Country, 2005

Country	Direct Spending (Millions)	Share of Total
Italy	€ 2,501	29.9%
United Kingdom	€ 1,686	20.1%
Germany	€ 1,073	12.8%
Spain	€ 683	8.2%
Finland	€ 621	7.4%
France	€ 536	6.4%
Norway	€ 276	3.3%
Greece	€ 200	2.4%
Netherlands	€ 156	1.9%
Sweden	€ 98	1.2%
Top 10	**€ 7,829**	**94.0%**
Rest of Europe	€ 496	6.0%
Total	**€ 8,326**	**100.00%**

- The top ten countries accounted for 94% of the cruise industry's expenditures throughout Europe.
- Italy, as the leading centre for cruise ship construction in Europe and the largest cruise embarkation and destination market, benefited from €2.5 billion in direct cruise industry expenditures.
- The UK was the largest source market for cruise passengers in Europe. Over one million residents of the UK boarded one or more cruises during 2005. It was also the second largest market in terms of cruise industry direct spending with €1.7 billion.
- Germany was the third country with more than €1 billion in direct cruise industry expenditures. Germany was the second largest cruise passenger source market in Europe and the third largest market for cruise ship construction and maintenance.
- The four major centres for cruise ship construction, Italy, Finland, Germany and France, were among the top six countries for cruise industry spending. These four countries accounted for 86% of construction and maintenance of cruise ships and 57% of total industry expenditures in Europe during 2005.

The cruise industry is a significant segment of the global travel and tourism industry. The industry offers cruises around the globe and cruise passengers are sourced from nearly every developed country.

A Global Industry

The cruise industry has enjoyed dynamic growth over a period of 25 years, driven mainly by demand from North America. The following table sets out international cruise sector growth between 1995 and 2005.

International Demand for Cruises 1995 to 2005

Region	1995	2000	2001	2002	2003	2004	2005
	Million passengers						
N. America	4.35	6.88	6.91	7.64	8.19	9.11	9.96
Europe *	1.00	2.06	2.14	2.40	2.71	2.83	3.30
Sub-total	**5.35**	**8.94**	**9.05**	**10.04**	**10.90**	**11.94**	**13.26**
RoW	0.37	0.78	0.87	0.97	1.05	1.13	1.21
Total	**5.72**	**9.72**	**9.92**	**11.01**	**11.95**	**13.07**	**14.47**
% N America	76.0	70.8	69.7	69.4	68.5	69.7	68.8

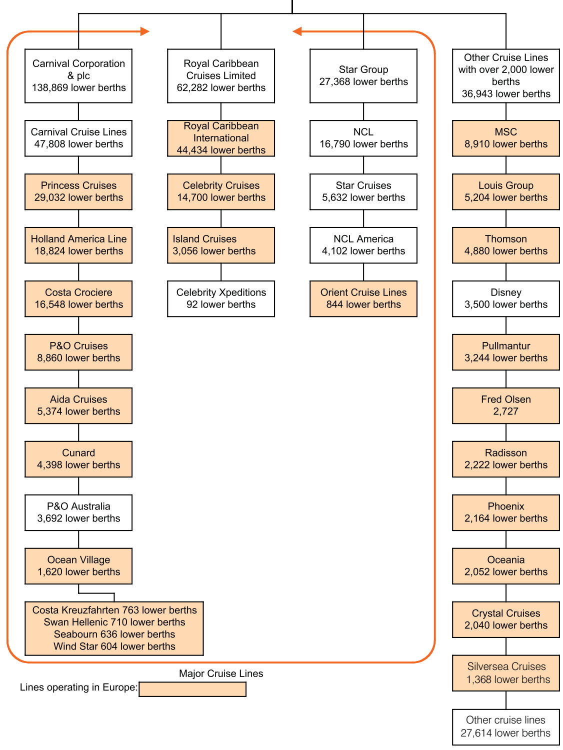
* Including Russia and Eastern European countries outside the EU-25 and EEA.

Source: G. P. Wild (International) Limited from PSA, CLIA, ECC and other sources.

- Over the ten years from 1995 to 2005, demand for cruising worldwide has more than doubled from 5.72 million passengers to 14.47 million (+152%). Over a similar period, global, mainly land-based tourism has grown by less than 50% to an estimated 806 million in 2005.
- Although North American cruise passenger numbers have doubled, its share of the total has declined from 76% in 1995 to just under 69% by 2005.

Cruise Industry Structure

Structure of the Cruise Industry – end 2005



Note: Pullmantur was acquired by Royal Caribbean Cruises Limited in November 2006.

As can be seen from the next figure, the majority of cruise lines operate in Europe and are paying increasing attention to the market as it offers excellent growth prospects in the future as the European market continues to build on its past success with the Passenger Shipping Association (PSA) having estimated that the UK market would reach 1.25 million in 2006.

- During 2006 Carnival Cruise Lines has entered the European market for the first time and Norwegian Cruise Line (NCL) has re-entered the European theatre after a brief absence.
- Other lines such as Royal Caribbean International are increasing their presence in Europe.
- Independent lines are an important part of the market in comparison to other parts of the world.

A European Growth Industry

The falling global share of the North American market, despite its continuing growth, has been largely due to growth in Europe as can be seen from the more detailed figures for European growth over 2003-5, which are shown in the next table.

Western European Cruise Market 2003-5

	2003		2004		2005		
Source Market	Group Total 1,000s Pax	Market Share %	Group Total 1,000s Pax	Market Share %	Group total 1,000s Pax	Market Share %	% Change 2003/5
UK	964	36	1,029	36	1,071	33	+11
Germany	537	20	583	20	639	20	+19
Italy	346	13	400	14	514	16	+49
Spain	307	12	300	11	379	12	+24
France	212	8	222	8	233	7	+10
Other	304	11	300	11	380	12	+25
Total	**2,670**	**100**	**2,835**	**100**	**3,216**	**100**	**+21**

Source: ECC

- In 1995 an estimated 1.0 million Europeans cruised but by 2005 this figure had more than trebled to 3.3 million, representing an increase of 230%.
- Over a similar period Europe as a source market for land-based tourism grew by only 45%.

The European Cruise Fleet

At the end of 2005 there were 36 cruise lines domiciled in Europe which operated a fleet of 100 cruise ships with a capacity of almost 86,000 lower berths. In addition there were 16 cruise lines domiciled outside Europe participating in the European cruise market. These lines, which were predominately from North America, employed 40 vessels in Europe with a capacity of 44,100 lower berths.

There were at least 119 cruise ships active in the Mediterranean and 87 in North Europe during 2005[14], some of which repositioned from the Mediterranean for the shorter season in Northern Europe. The ships operating in Europe ranged in size from the 2,600 passenger *Queen Mary 2* to ships with a capacity of under 100 passengers.

The Mediterranean

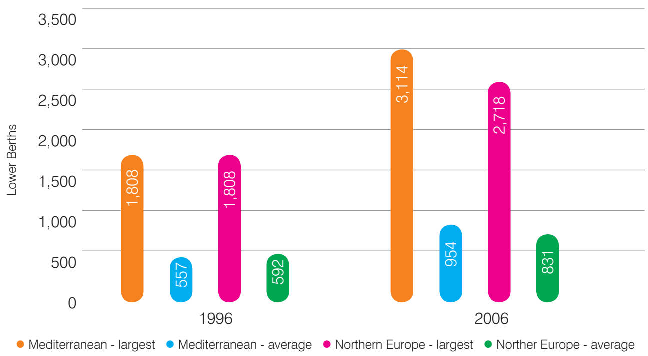
- In 2005 119 cruise ships were active in Mediterranean waters with a capacity of 110,725 lower berths (average 930 berths per ship).
- Collectively these ships carried a potential 1.83 million passengers on 1,879 cruises, offering a total capacity of 14.66 million passenger-nights, giving an average cruise length of eight nights.
- The Mediterranean market is growing with over 17 million passenger-nights offered in 2006 and over 21 million in 2007.
- In 2005, 37 ships were deployed by North American operators with 36,071 berths and 59 by European domiciled lines which offered 62,560 lower berths.

Northern Europe

- In 2005 87 cruise ships were active in Northern European waters with a capacity of 70,101 lower berths (average 806 berths per ship).
- Collectively these carried a potential 619,000 passengers on 824 cruises, offering a total capacity of 5.92 million passenger-nights, giving an average cruise length of 9.6 nights.
- The Northern European market is growing with 6.66 million passenger-nights offered in 2006 and is expected to show a further expansion in 2007.
- In 2005, 24 ships, with 28,465 berths, were deployed by North American operators and 49 vessels with almost 36,000 lower berths were operated by European domiciled cruise lines.

Increasing size of ships in European Waters

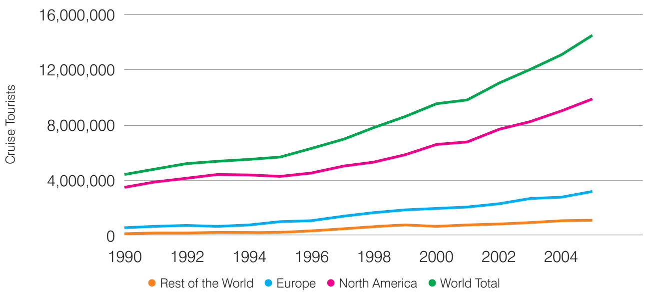
Mega cruise ships are an increasing feature of the European scene as can be seen in the next figure. Since 1996, the average size of cruise ships has increased by 40% in Northern Europe and 70% in the Mediterranean. Furthermore, ships with capacity in excess of 3,000 passengers are sailing in the Mediterranean and ships larger than 2,500 passengers are now sailing in Northern Europe.



As indicated in the following chart, the increased global capacity has generated increased cruise tourism. Globally, cruise passengers have more than tripled from just over 4 million in 1996 to 14.5 million in 2005, while in Europe there has been a four-fold increase over the same period.

[14] The figures for the Mediterranean and North European fleets cannot be compared with those given for the domiciled and non-domiciled fleets as ships move between markets both within Europe and in other parts of the world. For the same reason the Mediterranean and North European fleets are not directly comparable.

Relative Market Share of Key Source Markets for Cruise Tourists



A flexible product

- The cruise industry draws part of its strength compared with general, land-based tourism from the flexibility of its assets.
- Cruise ships are mobile and can be moved from a region of declining demand to one of growth. They can also be modified to suit regional preferences or the needs of niche markets.
- Cruise ship deployment will also respond to relative economic conditions, including overall economic growth, currency fluctuations, regulatory environments and fiscal regimes.
- This flexibility allows the industry leaders to respond to critical situations such as the first Gulf War in 1991 and the post 9/11 situation in 2001/2 by redeploying ships.
- The industry has demonstrated its ability to recover rapidly from major world events such as 9/11, the Iraq War and the SARs pandemic.

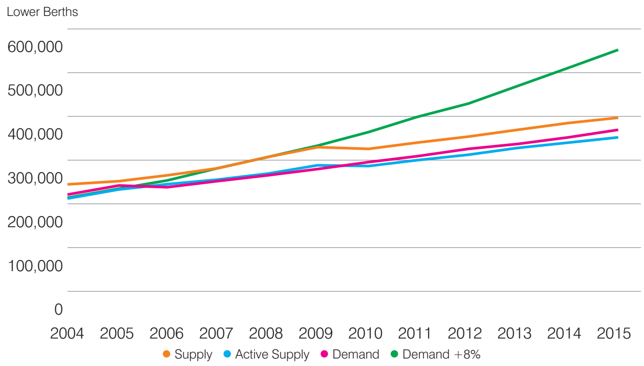
Drivers of Growth

- The percentage of the North American population cruising has now reached three per cent, whereas in Europe as a whole it is under one per cent (UK two per cent). There is thus considerable latent demand for cruising in Europe in particular among those who aspire to take a cruise but have not yet done so.
- The population base of Europe is also greater than that of North America and thus in the longer run Europe has the potential to exceed North America as the world's premier source market for cruising.
- Growth in demand may also be expected among new EU citizens in Eastern Europe, as their lifestyles become more closely aligned with the more affluent older member-countries with greater disposable income resources.
- Product differentiation within the cruise product to appeal to different target audiences such as children with the increasing development of child friendly offerings.
- The range of products offered the industry, from 3-star to 6-star, with prices to suit a spectrum of budgets.
- Despite efforts to attract people in the under 40 age groups to cruising, it remains a leisure activity that appeals most to the more mature age range. Demographics suggest that with the stagnated birth rate in Europe and the ageing of the baby boom generation the grey market will become increasingly important in the years ahead.
- Paradoxically a number of European cruise markets, notably Germany and Spain, have had success in attracting younger people to cruising. Most recent average ages reported in key markets are:
  - UK, 53.5 years;
  - USA, 49.0 years;
  - Germany, 48.3 years;
  - The Spanish average age is unknown but may be in the low 40s.

Current Market Position

- At the end of 2003, following a difficult two years as a consequence of world events outside the control of the cruise industry, including 9/11, the Afghan War, the Iraq War and SARs, the market for cruise tourism recovered rapidly and in 2004 and 2005 the cruise lines reported buoyant trading conditions.
- Good trading conditions have continued in 2006 and 2007 is also expected to be a good year. Currently the market is near to equilibrium in terms of supply and demand and appears to remain so even with the record levels of new building planned up to 2009, as can be seen from the following figure.

Cruise Industry Supply Demand Outlook 2004 to 2015

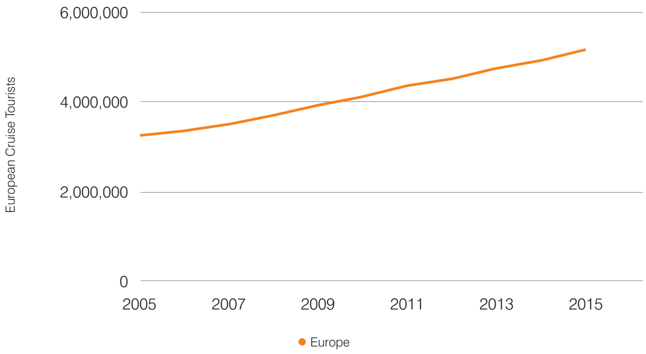


Growth of Cruise Tourism in Europe

- The cruise lines view Europe as the market that offers the greatest growth potential for the foreseeable future.
- Ultimately Europe offers the prospect of developing into an even bigger market for cruising than North America. It also has the added advantage that a large proportion of its population live relatively close to the sea.
- If present trends are maintained it is estimated that about 4.1 million cruise tourists can expect to be sourced from European countries by 2010 and it can be calculated that this could reach around 5.2 million by 2015.

Current trends for the growth of European cruise tourism are illustrated in the next figure.

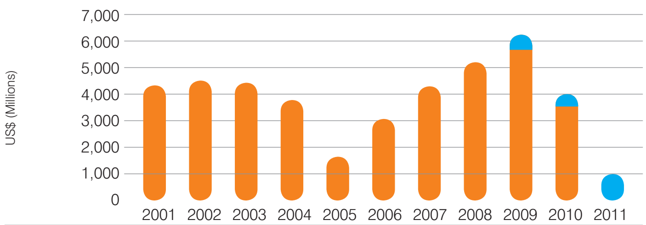
Prospective Growth of European Cruise Tourism to 2015



Cruise Industry Investment and European Ship Building

- In the last three years from 2004 to 2006 the cruise industry both in Europe and other parts of the world has experienced buoyant demand leading to record profits for the cruise lines and this has encouraged them to make increased levels of investment in new tonnage, as can be seen from the figure which follows.

Planned Investment by the Cruise Industry to 2011
Years of Planned Delivery

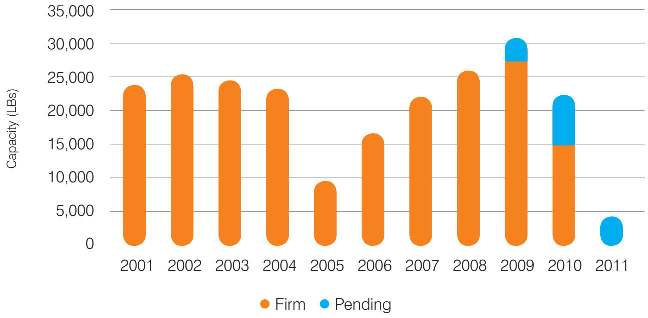


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pending	0	0	0	0	0	0	0	0	490	450	942
Firm	4,331	4,497	4,420	3,757	1,598	3,053	4,284	5,164	5,708	3,534	

Note: These figures are based on orders that have been placed as of the end of 2006.

- With the exception of two very small cruise ships, which are being built in Canada, all scheduled new buildings are being constructed in European shipyards.
- Buoyant trading conditions since the end of 2003 have meant that the previous record levels of investment and capacity growth by the cruise lines, which occurred in 2002, will be exceeded in both 2008 and 2009, if the present building schedules are maintained, as shown in the next figure.

Planned Capacity Increases to 2011
Years of Planned Delivery



Note: These figures are based on orders that have been placed up to the end of 2006.

- Although the order book for 2008 is effectively closed for any major deliveries, additional orders for delivery in 2009 remain possible. Orders for delivery in 2010 remain incomplete and more are probable, as the present position remains favourable to further investment by the industry. This suggests that the recovery in the building programme from the 2005 low is likely to be maintained, if the current market conditions continue.
- Most authorities and leading analysts anticipate that cruising will continue to grow and that the considerable latent demand in Europe, along with increasing prosperity in liberalised economies, and favourable European demographics will be major factors in contributing to the future development of the industry both in the region and worldwide.
- Demand for new ships continues and will be fed by the expansion of demand and the need to replace older ships as these are retired through age and the need to meet international regulations.
- Although other shipyards outside Europe are likely to seek and obtain a share of the market, Europe can be expected to remain the market leader in building ships for both the European market and for the North American and other international markets.

The European cruise industry is to a large extent destination-led and the Mediterranean and Northern European regions include many attractive destinations. This is reflected in the large number of cruise ports that are members of the two major cruise industry orientated trade associations, MedCruise (68) and Cruise Europe (93).

- Many of the leading ports are regarded as "must see" or "marquee" destinations that destination planners will wish to include in their itineraries.
- Other ports, some of which are also marquee ports in their own right, have advantages of strategic position and access to major hub airports and suitable bed-stock, enabling them to feature prominently as home-ports, where cruises are embarked and/or disembarked.

The following table summarises the position in 2005 for the leading ports in the Mediterranean and Northern Europe in respect of their respective embarkations, disembarkations and Port-of-Call visits.

Leading EU Cruise Ports in 2005 – Thousands of Passengers

	Revenue Passengers, 2005			
Port	Embarking	Disembarking	Port Call	Total
Mediterranean				
Barcelona	294	190	645	1,229
Civitavecchia	157	157	669	983
Palma Majorca	196	195	486	878
Naples	68	68	694	830
Venice	338	349	128	815
Savona	241	241	114	596
Northern Europe				
Southampton	345	345	11	701
Copenhagen	120	120	147	387
St Petersburg	6	6	288	300
Tallinn	0	0	292	292
Helsinki	9	9	222	240
Lisbon	21	23	195	239
Stockholm	15	15	198	228

Note: Includes some estimation where exact breakdown is unavailable.
Source: MedCruise, Cruise Europe and individual port data.

Major European Home Ports

The principal homeports in the Mediterranean and Northern Europe are shown in the following table with passenger throughputs (or revenue passengers[15]), where available for 2003-5.

Revenue Passengers - Major European Home Ports 2003-5

Home Port	Country	2003	2004	2005
Mediterranean				
Barcelona	Spain	1,054,412	1,024,851	1,228,561
Civitavecchia	Italy	558,520	659,277	983,171
Palma Majorca	Spain	742,662	744,974	877,912
Venice	Italy	689,836	677,976	815,153
Savona	Italy	195,303	530,057	595,859
Genoa	Italy	615,000	310,000	362,000
Piraeus (Athens)	Greece	452,506	407,723	284,763
Northern Europe				
Southampton	UK	469,500	548,000	701,000
Copenhagen	Denmark	268,391	320,000	387,412
Dover	UK	162,000	178,817	159,253
Kiel	Germany	93,172	128,500	132,000
Amsterdam	Netherlands	95,099	105,422	122,105
Harwich	UK	95,400	92,000	88,620
Bremerhaven	Germany	63,170	70,000	72,000

Note: Where a port also handles Port-of-Call passengers, these are also included in the totals shown in the above table. Source: MedCruise, Cruise Europe and individual port data.

Key European Ports-of-Call

The principal ports-of-call in the Mediterranean and Northern Europe are shown in the following table with passenger throughputs, where available, for 2003-5.

Major EU Ports-of-Call 2003-5

Port-of-Call	Country	2003	2004	2005
Mediterranean				
Naples	Italy	613,609	773,223	830,158
Livorno	Italy	363,883	387,385	462,383
Nice/ Villefranche	France	346,581	380,210	364,908
Marseille	France	367,202	337,022	361,000
Limassol	Cyprus	369,133	350,657	349,399
Palermo	Italy	206,804	193,197	329,859
Valletta	Malta	389,361	291,225	320,263
Bari	Italy	213,984	262,888	277,979
Messina	Italy	242,201	219,619	216,760
Malaga	Spain	200,202	209,149	204,535
Gibraltar	UK dep	215,352	162,780	188,810
Ajaccio	France	113,815	144,041	163,608
Toulon/ St Tropez	France	60,470	88,851	140,391
Monte Carlo	Monaco	80,003	124,309	133,110
Cannes	France	113,775	70,361	129,675
Ibiza	Spain	79,983	80,105	118,474
Valencia	Spain	58,221	105,461	106,724
Northern Europe				
St Petersburg	Russia	204,405	252,553	299,703
Tallinn	Estonia	204,151	205,578	292,000
Helsinki	Finland	161,000	195,000	240,000
Lisbon	Portugal	209,331	241,557	239,524
Stockholm	Sweden	202,000	210,000	228,000
Bergen	Norway	136,329	157,263	190,055
Oslo	Norway	120,044	144,739	186,000
Geiranger	Norway	105,661	116,634	130,357
Cadiz	Spain	145,000	164,248	125,877
Rostock/ Warnemunde	Germany	95,092	92,209	124,500
Visby	Sweden	102,418	66,864	113,387
Riga	Latvia	180,193	124,655	94,267
Flam	Norway	69,735	78,283	91,506
Havre, Le	France	51,151	59,301	71,199
Zeebrugge	Belgium	74,535	67,200	67,172
St Peter Port	UK dep	45,000	62,673	65,565
Dublin	Irish Rep	34,000	32,000	57,346
Reykjavik	Iceland	31,264	44,630	54,795
Tromso	Norway	46,062	54,745	51,722

Notes:

1. Where a port also handles some home porting passengers, these are also included in the totals shown in the above table.

2. Although the Adriatic port of Dubrovnik, which is a member of MedCruise, is outside the EU it is a major cruise destination and port-of-call in the Mediterranean, handling 510,641 cruise tourists in 2005. Other MedCruise member ports located in the Mediterranean but outside Europe, which are important ports-of-call, are, for instance, the Tunisian ports (mainly La Goulette), which handled 563,993 cruise passengers in 2005.

Source: MedCruise, Cruise Europe and individual port data.

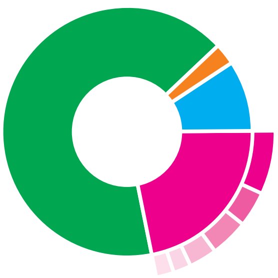
[15] The term "revenue passengers" reflects the revenue potential of cruise passengers based upon passenger fees. Ports generally collect passenger-based fees each time a passenger embarks and disembarks. This is especially true for homeport operations. Thus passenger embarkations are roughly half of the calculated revenue passengers. However, this a very rough calculation due to the complex nature of the European cruise market in which there are numerous "one-way" cruises and several lines which allow passengers to embark and disembark throughout a ship's itinerary.

Where do they come from and where do they go?

Source Markets

There were an estimated 14.5 million global cruise passengers in 2005. The countries of Western Europe accounted for 21% of them.

Global Source Markets by Cruise Passengers 14.5 Million Passengers



During 2005, 3.3 million residents of Europe cruised. The top 5 source markets, UK, Germany, Italy, Spain and France, accounted for 86% of the market.

European Cruise Passengers by Source Country, 2005

Country	Passengers	Share of Total
United Kingdom	1,071,000	32.6%
Germany	639,000	19.4%
Italy	514,000	15.6%
Spain	379,000	11.5%
France	233,000	7.1%
Austria	46,343	1.4%
Netherlands	43,450	1.3%
Switzerland	42,559	1.3%
Cyprus	38,068	1.2%
Sweden	28,430	0.9%
Belgium	27,345	0.8%
Ireland	22,978	0.7%
Greece	20,000	0.6%
Portugal	17,945	0.5%
Denmark	17,186	0.5%
Finland	16,495	0.5%
Norway	14,538	0.4%
Other EU + 3	108,900	3.3%
EU+3	**3,280,237**	**99.8%**
Other Europe	6,488	0.2%
Total	**3,286,725**	**100.0%**

Source: European Cruise Council and other trade sources.

- The European market has grown by 22% over the past three years and by 230% over the last ten. Sixty percent of Europeans cruised in the Mediterranean and Atlantic Isles in 2005, 15% in Northern Europe and the remaining 25% cruised outside Europe.

Cruise Passengers Embarked at European Ports

Just over 2.8 million cruise passengers embarked on their cruises from European ports.

- Italian ports, led by Venice, Savona, Genoa and Civitavecchia, were European market leaders with just under 1 million passenger embarkations in 2005.
- Spain was in second position with nearly 600,000 passenger embarkations during 2005. Barcelona and Palma were Spain's major embarkation ports, with Barcelona being the leading cruise port in Europe.
- The United Kingdom was only slightly behind Spain with over 500,000 embarkations. The principal embarkation ports for UK passengers were Southampton and Dover.
- The next three most important cruise embarkation countries were Greece, Germany and Denmark. Each country had more than 100,000 embarkations during 2005. The major embarkation ports in these countries were: Piraeus in Greece, Kiel in Germany and Copenhagen in Denmark.

Cruise Passengers by Country of Embarkation, 2005

Country	Passengers	Share of Total
Italy	986,347	34.7%
Spain	586,710	20.7%
United Kingdom	503,000	17.7%
Greece	187,120	6.6%
Germany	139,106	4.9%
Denmark	126,000	4.4%
Cyprus	99,661	3.5%
France	93,286	3.3%
Netherlands	39,566	1.4%
Malta	25,000	0.9%
Portugal	21,797	0.8%
Sweden	14,142	0.5%
Other EU + 3	14,434	0.5%
EU+3	**2,836,169**	**99.9%**
Other Europe	3,000	0.1%
Total	**2,839,169**	**100.0%**

Source: European Cruise Council and other trade sources.

Port-of-Call Visits

The vast majority of cruise port calls in Europe are at the Mediterranean and Baltic ports.

The top ten destination countries accounted for 85% of cruise passenger visits in 2005. The top four countries are in the Mediterranean and accounted for two-thirds of all European passenger visits.

- Led by the ports of Civitavecchia and Naples, Italian ports hosted visits of more 3 million cruise passengers.
- With the inclusion of the Canary Islands, Spanish ports received 2.6 million cruise passenger visits.
- Greece was third in passenger visits with just under 2.1 million. Cruise calls were spread throughout the country with the ports of Piraeus, Corfu, Katakolon, Santorini, Rhodes and Mykonos, each having in excess of 200,000 passenger visits.

European Cruise Passengers by Country of Destination, 2005

Country	Passengers	Share of Total
Italy	3,028,224	23.0%
Spain	2,627,726	20.0%
Greece	2,069,767	15.7%
France	1,034,092	7.9%
Norway	691,209	5.3%
Portugal	498,431	3.8%
Malta	336,400	2.6%
United Kingdom	322,000	2.4%
Sweden	301,826	2.3%
Estonia	249,102	1.9%
Finland	240,000	1.8%
Germany	201,738	1.5%
Gibraltar	188,810	1.4%
Netherlands	169,105	1.3%
Cyprus	151,866	1.2%
Denmark	116,101	0.9%
Poland	88,723	0.7%
Belgium	67,172	0.5%
Other EU + 3	198,597	1.5%
EU+3	**12,580,889**	**95.7%**
Other Europe	565,136	4.3%
Total	**13,146,025**	**100.0%**

Shipbuilding

Although conventional merchant shipbuilding has been in decline in Europe since the late 70's in the face of lower-cost competition from Japan, Korea and China, the European industry has been more successful in retaining market share in a number of specialist sectors.

- The most important of these is cruise ship construction in which the European industry has been the world leader for nearly 40 years.
- All but two very small cruise ships currently on order are being built in European yards.
- The yards in Finland, France, Germany and Italy are the most important suppliers to the market and currently have collectively the following shares of the world total of new orders due for completion from 2007 to 2010:
  - 94% by number;
  - 99% by tonnage;
  - 99% by capacity; and
  - 99% by investment.
- Although other yards have the capacity and technology to build cruise ships, they may not have project management ability or aptitude or the desired balance of labour and skills required to deliver a cost effective result within a required budget in the contracted delivery time.

As of the end of 2006, the allocation of the 2007-10 order book by country of build is shown in the next table.

Ocean-going Cruise Vessels – Scheduled Newbuildings, 2007-2010

Country of Build	No.	GT	Pax (LB)	Cost € Millions	Share of Cost
Finland	3	536,000	12,668	€ 2,628	14.0%
France	6	745,700	20,100	€ 4,064	21.7%
Germany	8	721,500	19,046	€ 4,024	21.5%
Italy	16	1,488,639	38,322	€ 7,919	42.3%
Total, Europe	**33**	**3,491,839**	**90,136**	**€ 18,635**	**99.5%**
Non-Europe *	2	8,300	375	€ 102	0.5%
Total	**35**	**3,500,139**	**90,511**	**€ 18,737**	**100.0%**

Note: These figures are based on orders that have been placed as of the end of 2006. GT (Gross Tonnage), LB (Lower Berths), Pax (Passenger)

* Canada.

Source: G. P. Wild (International) Limited.

- The majority of cruise ships serving the European market are dry-docked in Europe and a number of North American ships summering in Europe are often refitted in European yards prior to or following their European season.
- European yards also undertake major conversions that may include replacement of main engines, insertion of a mid-body to lengthen the ship, insertion of additional decks and wide scale alterations to the internal layout of the ship.
- The outstanding reputation of European yards has meant that US cruise lines have continued to order ships in Europe despite the weakness of the US dollar against the euro.
- Europe offers an abundance of specialist skills and sophisticated technology in areas such as navigation and outfitting, which support European cruise ship construction and assist the yards in maintaining a competitive edge over their rivals in other parts of the world.

A Broadly Based Flow of Spending

Major Segments

Cruise tourism generated €8.3 billion in direct expenditures[16] throughout Europe in 2005. As indicated in the following figure, these expenditures were broadly distributed across the major source segments: passengers, shipbuilding, cruise line purchases and compensation of cruise line employees.

Direct Cruise Industry Expenditures in Europe, 2005 €8.3 Billion

Shipbuilding

The global cruise industry spent €3.1 billion, 38% of total European cruise industry expenditures, with European shipyards for newbuildings and the repair, conversion, maintenance and refurbishment of existing cruise ships.

Cruise Industry Expenditures for Newbuildings and Refurbishment (Millions), 2005

Country	Newbuildings	Refurbishment	Total
Italy	€ 1,138	€ 81	€ 1,219
Finland	€ 564	€ 6	€ 570
Germany	€ 483	€ 33	€ 516
France	€ 306	€ 2	€ 308
Other EU+3	€ 328	€ 193	€ 521
Subtotal	**€ 2,819**	**€ 315**	**€ 3,134**
Non-EU	€ 30	€ 2	€ 32
Grand Total	**€ 2,849**	**€ 317**	**€ 3,166**

- Approximately 90% of these expenditures covered the work-in-progress for the construction of new cruise ships, the remaining 10% covering conversion, refitting, refurbishment and maintenance of cruise ships.
- 2005 was a comparatively poor year for shipyards, reflecting the impact of 9/11 on the industry's investment programme. This has subsequently recovered as confidence has been restored. In 2005 only 4 new ships were delivered, compared with 10 in the previous year.

Cruise Line Purchases

Cruise lines spent an additional €2.9 billion, 36% of the total, with European businesses in support of their cruises. These purchases included a broad range of products and services and touched virtually every industry in Europe.

Direct Cruise Lines Purchases by Industry (Millions), 2005 (Excludes Shipbuilding)

Industry	Expenditures	Share of Total
Agric., Mining & Construction	€ 12	0.4%
Food & Tobacco	€ 246	8.5%
Textiles & Apparel	€ 57	2.0%
Paper & Printing	€ 20	0.7%
Petroleum & Chemicals	€ 256	8.8%
Stone & Glass	€ 7	0.3%
Metals	€ 78	2.7%
Machinery	€ 241	8.2%
Other Manufacturing	€ 88	3.0%
Utilities	€ 5	0.2%
Wholesale Trade	€ 164	5.7%
Air Transport	€ 533	18.4%
Transport Services	€ 580	19.9%
Other Transport	€ 16	0.5%
Communications	€ 15	0.5%
Finance, Insurance & Real Estate	€ 122	4.2%
Business Services	€ 440	15.2%
Personal Services & Government	€ 23	0.8%
Total	**€ 2,903**	**100.0%**

Note: In this and subsequent tables in the economic impact sections, the totals may differ from the sum of the components due to rounding.

Among the major industries that benefited from the impact of direct cruise line spending were:

- Food and beverage manufacturers produced €246 million in provisions consumed on board cruise ships.
- An estimated €256 million in petrochemical products were produced, including bunker fuels, lubricants, paint and cleaning supplies.
- Another €241 million in electrical and nonelectrical machinery was manufactured, including material handling equipment, engines, lighting equipment and computers.
- An estimated €480 million in commissions was paid to European travel agents (included in Transport Services).
- The cruise industry spent more than €550 million on financial and business services including: insurance, advertising, engineering and other professional services, computer programming and support services and direct mail and market research.

Cruise Passengers

Passengers spent €1.6 billion at ports-of-embarkation and call, accounting for 19% of total cruise industry expenditures.

- The 2.8 million cruise tourists that embarked on cruises from European ports spent an estimated €900 million on airfares, port fees, accommodation, excursions, food and beverages amongst others at the embarkation ports.
- European airfares accounted for approximately two-thirds of these embarkation expenditures.
- As noted previously, the 2.8 million cruise passengers generated 13.1 million passenger visits at European ports-of-call. These visits generated an additional €700 million in expenditures for tours, food and beverage, merchandise and other similar expenditures.
- Including the 2.8 million port-of-embarkation visits, each passenger visit at a European port generated an average total passenger expenditure of just over €100 including airfares.

[16] The methodology employed to calculate the direct, indirect and induce economic impacts of the cruise industry in Europe are fully explained in the annexes to this report.

Compensation of Cruise Line Employees

European cruise lines spent €754 million on compensation for employees who resided in Europe during 2005. These figures accounted for 8% of total cruise industry expenditures. The cruise lines employed an estimated 33,666 residents of Europe in their administrative offices and as crew onboard their ships.

- The cruise industry employed more than 5,000 workers in their European offices. The vast majority of these workers were located in the U.K., Italy, Germany, Spain and France.
- Almost 29,000 Europeans worked as sea staff onboard cruise ships. Approximately half of these crewmembers were residents of Western European countries and half were from Eastern Europe. These include hotel, entertainment and medical staff, as well as more conventional crew functions of deck and engine-room staff.

Cruise Line Compensation Shares by Country, 2005

Country of Residence of Employees

Country	Share of Total
Italy	35.9%
United Kingdom	31.1%
Norway	10.9%
Germany	8.8%
Spain	3.8%
Portugal	2.7%
France	1.8%
Netherlands	1.3%
Poland	0.8%
Ireland	0.7%
Austria	0.5%
Hungary	0.3%
Switzerland	0.3%
Sweden	0.3%
Denmark	0.2%
Slovakia	0.2%
Rest of EU+3	0.4%

Direct Expenditures by Country

As indicated in the following tables, businesses in virtually every country in Europe were directly impacted by the European cruise industry.

- The three countries of Italy, UK and Germany accounted for almost two-thirds of the direct expenditures of the cruise industry. These countries participated in all segments of the industry:
  - Serving as major source and destination markets for cruise passengers,
  - Maintaining headquarters facilities and providing crew,
  - Providing shipbuilding and repair services, and
  - Provisioning and fuelling of cruise ships.
- The remaining seven countries in the top ten tended to be impacted in one or two major segments:
  - Spain: primarily a source and destination market with some headquarters operations;
  - Finland: provides shipbuilding;
  - France: principally a source and destination market, together with shipbuilding;
  - Norway: provides ship maintenance services and is an important destination market in Northern Europe;
  - Greece: predominantly a destination market with some ship repair services;
  - Netherlands: mainly provides support services and provisioning for cruise ships;
  - Sweden: chiefly a destination market although it also provides some ship repair services.

Direct Cruise Industry Expenditures by Country, 2005

€ Millions

Country	Direct Spending	Share of Total
Italy	€ 2,501.1	30.0%
UK	€ 1,685.7	20.2%
Germany	€ 1,072.8	12.9%
Spain	€ 683.4	8.2%
Finland	€ 621.1	7.5%
France	€ 535.7	6.4%
Norway	€ 276.1	3.3%
Greece	€ 200.1	2.4%
Netherlands	€ 155.7	1.9%
Sweden	€ 97.6	1.2%
Top Ten	**€ 7,829**	**94.0%**
Malta	€ 92.9	1.1%
Portugal	€ 85.1	1.0%
Denmark	€ 83.3	1.0%
Cyprus	€ 46.1	0.6%
Switzerland	€ 37.8	0.5%
Poland	€ 28.0	0.3%
Austria	€ 27.6	0.3%
Rest of the EU+3	€ 95.7	1.1%
Total	**€ 8,326**	**100.0%**

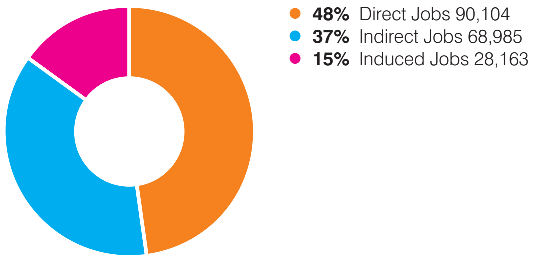
- The next seven countries had direct cruise industry spending less than €100 million but more than €25 million. These countries were primarily impacted as either source markets, destination markets or as sources for crew.
  - Source Markets: Switzerland and Austria;
  - Destination Markets: Malta, Portugal, Cyprus;
  - Sources for crew: Poland;
  - Denmark, like the top three markets, is impacted by all segments of the industry but at a relatively moderate level.
- The remaining 11 countries all had direct cruise industry expenditures under €25 million. These countries were primarily impacted as either source markets or as sources for crew:
  - Source Markets: Ireland, Iceland and Luxembourg;
  - Sources for crew: Estonia, Hungary, Slovakia, Lithuania, Czech Republic, Latvia and Slovenia.

The cruise industry generates employment and income

Employment Impacts

The €8.3 billion in direct cruise tourism expenditures throughout Europe in 2005 generated 187,252 jobs (direct, indirect and induced). Of these 90,104 were direct jobs.

Total Employment Impact in Europe, 2005
187,252 Jobs



Direct Employment Impacts

The cruise tourism expenditures directly generated 90,104 jobs. These jobs included the employees of the cruise lines, the direct suppliers to the cruise lines and the employees of those establishments that provide goods and services to cruise passengers.

The direct economic impacts of the cruise industry in Europe are derived from a broad range of activities including:

- Port services and cruise industry employment;
- Transportation of cruise passengers from their place of residence to the ports of embarkation;
- Travel agent commissions;
- Spending for tours and pre- and post-cruise stays in European port cities;
- Passenger spending for retail goods in European port cities; and
- Purchases of supplies by the cruise lines from European businesses.

The direct jobs generated by the cruise industry are located on cruise ships, in headquarters of cruise lines, at travel agencies that sell cruises to the public, at manufacturing plants that provide goods consumed by passengers and crew on cruise ships, at shipyards that repair and build cruise ships, at advertising agencies, and at hotels that are used by passengers for pre- and post-cruise stays.

As indicated in the next table the direct employment impacts are broadly based and include the following:

- Cruise lines directly employed 33,666 European residents in their administrative offices and on board cruise ships. They accounted for 37% of the direct employment impacts.
- European manufacturers employed an estimated 28,750 workers, 32% of the direct jobs, to provide the cruise industry with a wide range of goods.
    - European shipyards employed an estimated 22,607 workers in 2005 on the construction of new cruise ships and the repair of existing ships.
    - Just over 1,000 jobs were generated in the food, beverage and tobacco industry to produce food and beverage items consumed on cruise ships.
    - Over 2,000 workers were employed in the machinery and electrical machinery industries to produce computers, material handling equipment, engine parts and communication equipment used in offices and on cruise ships.

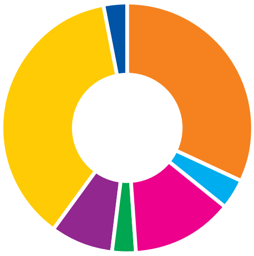
Direct Cruise Industry Employment by Industry, 2005

Industry	Direct Jobs	Share of Total
Agr., Mining & Construction	**133**	**0.1%**
Manufacturing	**28,750**	**31.9%**
Food & Tobacco	1,054	1.2%
Textiles & Apparel	616	0.7%
Paper & Printing	321	0.4%
Petroleum & Chemicals	447	0.5%
Stone, Clay & Glass	53	0.1%
Metals	749	0.8%
Machinery	1,996	2.2%
Electrical Machinery	195	0.2%
Shipbuilding	22,607	25.1%
Other Manufacturing	710	0.8%
Trade	**3,584**	**4.0%**
Wholesale Trade	2,161	2.4%
Retail Trade	1,423	1.6%
Hospitality	**2,421**	**2.7%**
Hotels & Restaurants	1,809	2.0%
Amusements & Recreation	612	0.7%
Transportation & Utilities	**11,904**	**13.2%**
Air Transport	3,340	3.7%
Transport Services	7,807	8.7%
Other Transport	554	0.6%
Communications & Utilities	203	0.2%
Financial and Business Services	**7,323**	**8.1%**
Finance, Ins. & Real Estate	915	1.0%
Business Services	6,408	7.1%
Personal Services & Govt	**2,323**	**2.6%**
Subtotal	**56,438**	**62.6%**
Cruise Line Employees ** – Ashore	5,376	6.0%
Cruise Line Employees ** – Shipboard	28,290*	31.4%
Grand Total	**90,104**	**100.0%**

* From 2007, when Romania and Bulgaria join the EU, this figure will increase significantly.
** European Nationals

- The wholesale and retail trade sector employed nearly 3,600 workers to provide goods to the cruise lines and their passengers.
- The Transportation & Utilities sector employed 11,904 workers, 13% of the total, in support of the cruise industry. These included air transportation workers dependent on air travel by cruise passengers and crew, truckers who deliver goods to cruise ships, travel agents who sell cruises and tour operators that provide onshore excursions for cruise passengers.
- Business service providers employed more than 6,400 persons. These included, among others, computer programmers, engineers, management consultants, lawyers and accountants.
- Over, 2,400 workers were employed in hotels, restaurants and amusement enterprises as a direct result of passenger spending as part of their cruise vacations.
- Finally, in excess of 2,300 jobs were generated in the personal services and government sectors. These include photographers, health care employees and social service providers, among others.

Direct Employment by Sector, 2005
90,104 Jobs



Indirect Employment Impacts

The indirect economic benefits derived from the cruise industry result, in part, from the additional spending by the suppliers to the cruise industry. For example, food processors must purchase raw foodstuffs for processing; utility services, such as electricity and water, are needed to run equipment and process raw materials; transportation services are required to deliver finished products to the cruise lines or wholesalers; and insurance is necessary to cover property and employee liabilities. Consequently, the indirect jobs are generated in virtually every industry with a concentration in those industries that produce goods and services for business enterprises.

As indicated in the subsequent table an estimated 68,985 indirect jobs were generated throughout Europe by the cruise industry in 2005. These include:

- The indirect impacts of cruise industry spending generated over 19,800 jobs within the Manufacturing sector during 2005, 29% of the total indirect employment impacts. Just over two-thirds of these jobs were in the metals, machinery and transportation equipment industries, highlighting the importance of shipbuilding activity in particular as a component of the cruise industry in Europe.

- Financial and Business Services accounted for 25% of the indirect employment impacts with more than 17,100 jobs. The indirect impacts measured in this area are primarily concentrated in the insurance, legal, accounting and professional services industries.

- Just over 10,000 indirect jobs, 14% of the total indirect employment impacts were generated in the Agriculture, Mining and Construction sector. These indirect jobs were concentrated in the metal mining and non-residential construction industries.

- Transportation & Utilities remained an important area of activity within Europe accounting for around 9,400 indirect jobs, which amounted to 14% of the total indirect employment impacts. This reflects the strong inter-industry linkages within the transportation sector, as well as, the heavy usage of a variety of transportation services to supply businesses with their inputs and to deliver consumer goods to retail outlets.

Indirect Employment by Industry, 2005

Industry	Indirect Jobs	Share of Total
Agr., Mining & Construction	**10,027**	**14.5%**
Manufacturing	**19,854**	**28.7%**
Food & Tobacco	625	0.9%
Textiles & Apparel	1,144	1.7%
Paper & Printing	1,261	1.8%
Petroleum	93	0.1%
Chemicals	1,582	2.3%
Stone & Glass	421	0.6%
Metals	5,323	7.7%
Machinery	2,268	3.3%
Electrical Machinery	2,140	3.1%
Transportation Equipment	3,800	5.5%
Other Manufacturing	1,197	1.7%
Trade	**5,585**	**8.1%**
Wholesale Trade	4,025	5.8%
Retail Trade	1,560	2.3%
Hospitality	**2,452**	**3.5%**
Hotels & Restaurants	1,338	1.9%
Amusements & Recreation	1,114	1.6%
Transportation & Utilities	**9,394**	**13.6%**
Air Transport	562	0.8%
Transport Services	3,595	5.2%
Other Transport	2,564	3.7%
Communications & Utilities	2,673	3.9%
Financial & Business Services	**17,138**	**24.9%**
Finance, Ins. & Real Estate	2,682	3.9%
Business Services	14,456	21.0%
Personal Services & Govt	**4,535**	**6.6%**
Total	**68,985**	**100.0%**

- Combined, the Trade and Hospitality industries benefited from more than 8,000 indirect jobs, 12% of the indirect employment impacts. The trade jobs were primarily among wholesale trade organisations, while the hospitality jobs were concentrated among hotels and eating and drinking establishments.

Indirect Employment by Sector, 2005
68,985 Jobs

[17] Transportation equipment includes shipbuilding, but also the manufacture of other transportation equipment, such as automobiles, buses, trucks, airplanes, railroad stock, etc. Most of the indirect and induced impacts occur in these other industries.

Induced Employment Impacts

The induced economic benefits are derived from the spending activities of those directly and indirectly employed as a result of the activities of the European cruise industry. This spending supports jobs in a number of different sectors including retailing, the production of consumer goods, residential housing and personal and health services.

As indicated in the following table an estimated 28,163 induced jobs were generated throughout Europe by the cruise industry in 2005.

- The induced impacts of cruise industry spending generated just over 6,400 jobs within manufacturing during 2005, accounting for 23% of the total induced employment impacts. Nearly two-thirds of the induced impacts occurred in the production of non-durable goods, such as food, textiles and clothing. This reflects the fact that consumers are the primary source of induced demand.
- The Finance and Business Services sector accounted for 20% of the induced employment impacts with almost 5,600 jobs. The induced impacts measured in this sector are primarily concentrated in the finance sector, including banking, insurance and real estate.

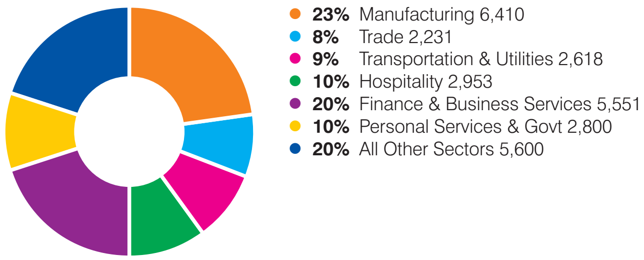
Induced Employment by Industry, 2005

Industry	Induced Jobs	Share of Total
Agr., Mining & Construction	**5,600**	**19.9%**
Manufacturing	**6,410**	**22.9%**
Food & Tobacco	613	2.2%
Textiles & Apparel	1,158	4.1%
Paper & Printing	572	2.0%
Petroleum	44	0.2%
Chemicals	660	2.3%
Stone & Glass	300	1.1%
Metals	853	3.0%
Machinery	296	1.1%
Electrical Machinery	692	2.5%
Transportation Equipment*	437	1.6%
Other Manufacturing	785	2.8%
Trade	**2,231**	**7.9%**
Wholesale Trade	1,303	4.6%
Retail Trade	928	3.3%
Hospitality	**2,953**	**10.9%**
Hotels & Restaurants	2,042	7.2%
Amusements & Recreation	911	3.2%
Transportation & Utilities	**2,618**	**9.3%**
Air Transport	157	0.6%
Transport Services	429	1.5%
Other Transport	853	3.0%
Communications & Utilities	1,179	4.2%
Financial & Business Services	**5,551**	**19.6%**
Finance, Ins. & Real Estate	1,896	6.7%
Business Services	3,655	12.9%
Personal Services & Govt	**2,800**	**9.9%**
Total	**28,163**	**100.0%**

* See footnote 9 on page 4 for a definition of this industry and its components.

- Nearly 20% of the total induced employment impacts were generated in the Agriculture, Mining and Construction industries, which benefited from 5,600 jobs. These induced jobs were concentrated in the agriculture and residential construction areas.
- Combined, the Trade and Hospitality sectors benefited from almost 5,200 induced jobs, amounting to 18% of the induced employment impacts. Trade employment was concentrated primarily among retail traders, while the hospitality jobs were focused in eating and drinking and amusement establishments.
- The Personal Services and Government sector accounted for 10% of the total induced employment impacts with 2,800 induced jobs. These jobs were concentrated in the education, medical care and social services industries.
- While not as important as it is to the direct and indirect impacts, nonetheless the Transportation & Utilities sector accounted for 9% of the total induced employment impacts. These impacts are driven primarily by the delivery of consumer goods to retail outlets.

Induced Employment by Sector, 2005
28,163 Jobs



Total Employment Impacts

As indicated in the following table an estimated 187,252 total jobs, comprising direct, indirect and induced employment, were generated throughout Europe by the cruise industry in 2005.

- European manufacturers employed just over 55,000 workers, 28% of the total jobs, as a result of the total economic impact of the cruise industry.
  - Transportation equipment manufacturers employed an estimated 26,800 workers in 2005, of which 98% worked on the construction, repair and maintenance of cruise ships and other vessels.
  - More than 5,200 jobs were generated in the food, textiles and apparel industries as result of cruise line, passenger and household demand for food, clothing and related products.
  - Over 14,500 workers were employed in the metal and machinery industries primarily as a result of the direct and indirect demand from the shipbuilding industry.
- Cruise lines directly employed nearly 34,000 European residents in their administrative offices and on board cruise ships. They accounted for 18% of the total employment impacts.

Total Employment by Industry, 2005

Industry	Total Jobs	Share of Total
Agr., Mining & Construction	**15,762**	**8.4%**
Manufacturing	**55,013**	**28.3%**
Food & Tobacco	2,293	1.2%
Textiles & Apparel	2,918	1.6%
Paper & Printing	2,154	1.2%
Petroleum	312	0.2%
Chemicals	2,513	1.3%
Stone & Glass	775	0.4%
Metals	6,926	3.7%
Machinery	4,560	2.4%
Electrical Machinery	3,027	1.6%
Transportation Equipment*	26,844	14.3%
Other Manufacturing	2,691	1.4%
Trade	11,401	6.1%
Wholesale Trade	7,489	4.0%
Retail Trade	3,912	2.1%
Hospitality	**7,826**	**4.2%**
Hotels & Restaurants	5,188	2.8%
Amusements & Recreation	2,638	1.4%
Transportation & Utilities	**23,915**	**12.8%**
Air Transport	4,059	2.2%
Transport Services	11,830	6.3%
Other Transport	3,971	2.1%
Communications & Utilities	4,055	2.2%
Financial & Business Services	**30,012**	**16.0%**
Finance, Ins. & Real Estate	5,493	2.9%
Business Services	24,519	13.1%
Personal Services & Govt	**9,657**	**5.2%**
Subtotal	**153,586**	**82.0%**
Cruise Line Employees	33,666	18.0%
Grand Total	**187,252**	**100.0%**

* See footnote 9 on page 4 for a definition of this industry and its components.

- Finance and Business Services accounted for 16% of the total employment impacts with more than 30,000 jobs. While the total impacts measured in this section were spread throughout all components of this sector as a result of business and consumer demand, the impacts were most heavily concentrated in the area of business services.
- Combined, the Trade and Hospitality sectors accounted for 10% of the total employment impacts, which amounted to over 19,200 total jobs. The trade jobs were primarily among wholesale trade establishments, while the hospitality jobs were concentrated in hotels and eating and drinking outlets.
- Transportation & Utility services accounted for 13% of the total employment impacts with about 23,900 jobs. This reflects direct demand generated by the cruise industry and the strong inter-industry linkages which reflect the heavy usage of a variety of transportation services to supply businesses with their inputs and to deliver consumer goods to retail outlets.
- Almost 15,800 total jobs, amounting to 8% of the total employment impacts were generated in the Agriculture, Mining and Construction segments. These jobs were spread fairly evenly throughout the agriculture, mining and construction industries.
- The Personal Services and Government sector accounted for 5% of the total employment impacts with almost 9,700 total jobs. These jobs were concentrated in the education, medical care and social services industries.

Total Employment by Sector, 2005
187,252 Jobs

Total Employment by Country

As indicated in the following table, the European cruise industry was responsible for generating employment in each of the EU+3 countries. The employment impacts were, however, concentrated in 10 countries, which accounted for 92% of the industry's job creation. Another 6 countries had total employment impacts in excess of 1,000 jobs and accounted for another 6% of the industry's total job creation. The remaining 12 countries accounted for 2% of the total employment impacts and each had less than 1,000 jobs generated by the cruise industry.

Total Employment by Country, 2005

Country	Total Jobs	Share of Total
Italy	61,445	32.8%
UK	37,319	19.9%
Germany	19,969	10.7%
Spain	13,940	7.4%
Finland	10,205	5.4%
Norway	8,168	4.4%
France	7,265	3.9%
Greece	4,845	2.6%
Portugal	4,745	2.5%
Poland	4,150	2.2%
Top 10	**172,051**	**91.9%**
Netherlands	3,264	1.7%
Malta	2,387	1.3%
Hungary	1,782	1.0%
Sweden	1,388	0.7%
Cyprus	1,355	0.7%
Denmark	1,114	0.6%
Rest of EU+3	3,911	2.0%
Total	**187,252**	**100.0%**

The Top Ten

- The three countries of Italy, UK and Germany accounted for 63% of the cruise industry's total employment impact in Europe. As noted previously, these countries participated in all segments of the industry, including:
    - Maintaining headquarters facilities and providing crew,
    - Serving as major source and destination markets for cruise passengers,
    - Providing shipbuilding and repair services, and
    - Provisioning and fuelling cruise ships.
- Italy accounted for 33% of the total employment impacts with 61,445 jobs. These jobs were concentrated in the following sectors:
    - The manufacturing sector accounted for 32% of the total

  impact with these jobs concentrated in the shipbuilding and metals industries.

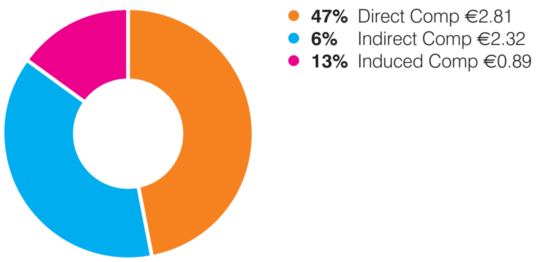
  - As Europe's largest cruise destination market, the transportation, trade and hospitality industries accounted for a combined 21% of the total employment impacts.
  - The cruise lines directly employed an estimated 10,000 Italian residents as crew and administrative staff, which accounted for 16% of the total employment impacts.

- The United Kingdom accounted for 20% of the total employment impacts with approximately 37,300 jobs. These jobs were concentrated in the following sectors:
  - The Finance and Business Services sector accounted for 24% of the total impact. These jobs were primarily in the advertising, professional consulting and insurance industries.
  - As Europe's largest cruise passenger source market, the transportation, trade and hospitality industries accounted for a combined 25% of the total employment impacts.
  - The cruise lines directly employed about an estimated 6,700 UK residents as crew and administrative staff, which accounted for 18% of the total employment impacts.
- Germany accounted for 11% of the total employment impacts with almost 20,000 jobs. These jobs were concentrated in the following sectors:
  - Manufacturing accounted for 40% of the total impact. This reflected Germany's status as a major shipbuilding centre, with these jobs concentrated in the shipbuilding and metals industries.
  - As Europe's second largest cruise passenger source market, Germany's transportation and hospitality industries accounted for a combined 13% of the total employment impacts.
  - The cruise lines directly employed an estimated 2,300 German residents as crew and administrative staff, which accounted for 11% of the total employment impacts.
- The remaining seven countries in the top ten tended to be impacted in one or two primary segments:
  - Spain, as a major source and destination market with some headquarters operations, had a total employment impact that reached almost 14,000 jobs. Cruise line employees accounted for 8% of its total employment impact while the transportation, trade and hospitality industries accounted for 38% of the impact.
  - Finland features primarily as a shipbuilding centre. Its employment impact of in excess of 10,200 jobs was concentrated in the manufacturing sector, which accounted for 65% of the total impact.
  - France is a ship building centre and a source and destination market. It had a total employment impact of almost 7,300 jobs. The manufacturing sector accounted for 44% while the transportation, trade and hospitality industries accounted for 26% of the total employment impact.
  - Norway provides ship maintenance services and crew and is a destination market with a total employment impact of just under 8,200 jobs. Cruise line employees accounted for 35% of the total employment impact while the manufacturing sector accounted for 25%.
  - Greece is primarily a destination market with some ship repair services and had a total employment impact of 4,845. Approximately 50% of these jobs were in the transportation sector and 10% in manufacturing.
  - Portugal is a source for crew, ship repair services and is also a cruise destination market. It had a total employment impact of about 4,800 jobs. Employees of the cruise lines accounted for 60% of the total impact and the transportation, trade and hospitality sectors accounted for 12%. The shipbuilding industry accounted for a quarter of the direct employment impacts and 4% of the total impacts.
  - Poland is primarily a source market for crew, but it is also mid-sized destination market. Cruise line employees accounted for 84% of the total employment impacts while the transportation, trade and hospitality sectors accounted for 6% of the total.
- The remaining 12 countries were primarily impacted as source markets, destination markets or as sources for crew. As a result most of the jobs generated in these countries were either as crew or in the transportation, trade and hospitality sectors.

Compensation Impacts

The cruise industry is also responsible for the generation of significant income throughout Europe. The 187,252 total jobs generated by cruise tourism also generated €6 billion in total compensation, which is comprised of direct, indirect and induced impacts. Of this, €2.8 billion was direct compensation.

Total Compensation Impact in Europe, 2005
€6.0 Billion



Direct Compensation Impacts

The cruise tourism expenditures directly generated €2.8 billion in compensation throughout Europe. This compensation included that received by the employees of the cruise lines, the direct suppliers to the cruise lines and the employees of those establishments that provide goods and services to cruise passengers.

The distribution of compensation among the major industries in Europe is similar to but not identical to the employment distribution. The differences are due to the wage differentials among the impacted industries and the countries in which the jobs are generated.

As indicated in the following table the direct compensation impacts are broadly based and include the following.

- The 33,666 European residents directly employed by the cruise lines in their administrative offices and onboard cruise ships received €754 million in compensation. They accounted for 27% of the direct employment impacts.
- The 28,750 European manufacturing employees dependent on

cruise-related spending earned an estimated €1.1 billion in compensation, amounting to 38% of the total direct compensation.

- Employees of European shipyards engaged in the construction and maintenance of cruise ships received an estimated €842 million in compensation in 2005.
- Employees in the food, beverage and tobacco industry earned €45 million from the production of provisions consumed by cruise passengers and crew.
- Workers directly employed in the machinery and electrical machinery earned €78 million producing a broad range of equipment used on cruise ships and in administrative offices.

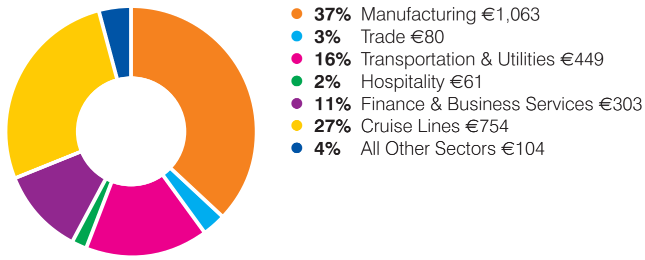
- It was estimated that the 3,584 wholesale and retail trade sector employees directly employed as a result of cruise industry expenditures received €80 million in compensation.
- It was also estimated that over 11,900 workers directly employed in Transportation & Utilities sector employed, earned €449 million, amounting to 16% of the total direct compensation impacts.
- A total in excess of 7,300 persons were calculated to be employed in the Financial & Business Services sector to provide computer programming, engineering, management consulting, legal and accounting services were paid €303 million, 11% of the direct compensation impacts.

Direct Cruise Industry Compensation by Industry, 2005

Industry	Direct Compensation € Millions	Share of Total
Agr., Mining & Construction	**€ 4**	**0.1%**
Manufacturing	**€ 1,063**	**37.9%**
Food & Tobacco	€ 45	1.6%
Textiles & Apparel	€ 14	0.5%
Paper & Printing	€ 10	0.4%
Petroleum	€ 15	0.6%
Chemicals	€ 12	0.4%
Stone & Glass	€ 2	0.1%
Metals	€ 26	0.9%
Machinery	€ 70	2.5%
Electrical Machinery	€ 8	0.3%
Shipbuilding	€ 842	29.9%
Other Manufacturing	€ 19	0.7%
Trade	**€ 80**	**2.8%**
Wholesale Trade	€ 59	2.1%
Retail Trade	€ 21	0.7%
Hospitality	**€ 61**	**2.2%**
Hotels & Restaurants	€ 41	1.5%
Amusements & Recreation	€ 20	0.7%
Transportation & Utilities	**€ 449**	**15.9%**
Air Transport	€ 161	5.7%
Transport Services	€ 258	9.2%
Other Transport	€ 19	0.7%
Communications &Utilities	€ 11	0.3%
Financial & Business Services	**€ 303**	**10.8%**
Finance, Ins. & Real Estate	€ 35	1.2%
Business Services	€ 268	9.6%
Personal Services & Govt	**€ 100**	**3.6%**
Subtotal	**€ 2,060**	**73.2%**
Cruise Line Employees	€ 754	26.8%
Grand Total	**€ 2,814**	**100.0%**

- The more than 2,400 workers that were employed in the hospitality sector as a direct result of passenger spending as part of their cruise vacations made €61 million in compensation and accounted for 2% of the total.

Direct Compensation by Sector, 2005
€2.8 Billion



- In the Personal Services and Government sectors, it was estimated that the 2,323 directly generated jobs produced €100 million in compensation, nearly 4% of the total direct compensation impacts.

Indirect Compensation Impacts

As indicated in the table below it was estimated that the 68,985 indirect jobs that were generated throughout Europe by the cruise industry resulted in earned compensation of €2.3 billion.

Indirect Compensation by Industry, 2005

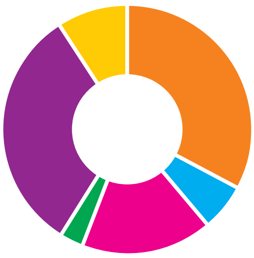
Industry	Indirect Compensation € Millions	Share of Total
Agr., Mining & Construction	**€ 191**	**8.3%**
Manufacturing	**€ 742**	**32.0%**
Food & Tobacco	€ 26	1.1%
Textiles & Apparel	€ 26	1.1%
Paper & Printing	€ 51	2.2%
Petroleum	€ 8	0.4%
Chemicals	€ 67	2.9%
Stone & Glass	€ 16	0.7%
Metals	€ 193	8.3%
Machinery	€ 90	3.9%
Electrical Machinery	€ 90	3.9%
Transportation Equipment*	€ 145	6.2%
Other Manufacturing	€ 30	1.3%
Trade	**€ 124**	**5.3%**
Wholesale Trade	€ 98	4.2%
Retail Trade	€ 26	1.1%
Hospitality	**€ 59**	**2.5%**
Hotels & Restaurants	€ 31	1.3%
Amusements & Recreation	€ 28	1.2%
Transportation & Utilities	**€ 369**	**15.9%**
Air Transport	€ 31	1.3%
Transport Services	€ 122	5.3%
Other Transport	€ 86	3.7%
Communications &Utilities	€ 130	5.6%
Financial & Business Services	**€ 689**	**29.7%**
Finance, Ins. & Real Estate	€ 133	5.7%
Business Services	€ 556	24.0%
Personal Services & Govt	**€ 143**	**6.2%**
Total	**€ 2,317**	**100.0%**

* See footnote 9 on page 4 for a definition of this industry and its components.

- The 19,854 indirect manufacturing jobs generated by cruise industry spending resulted in these employees receiving €742 million in compensation, which amounted to 32% of the total indirect impacts.
- Financial and Business Services accounted for 30% of the indirect compensation impacts with €689 million.

- The 10,000 indirect jobs generated in the Agriculture, Mining and Construction sector produced €191 million in compensation, 8% of the indirect impacts.
- The 9,394 workers indirectly employed in the Transportation & Utilities sector earned €369 million and accounted for 16% of the total direct compensation impacts.
- The 8,037 workers that were employed in the Trade and Hospitality sectors as a result of the indirect economic impacts of the cruise industry were paid €183 million and accounted for 8% of the indirect compensation impacts.
- In the Personal Services and Government sectors, the 4,535 indirectly employed workers received €143 million, which amounted to 6% of the total indirect compensation impacts.

Indirect Compensation by Sector, 2005
€2.3 Billion



Induced Compensation Impacts

As indicated in the following chart an estimated €887 million in induced compensation were generated throughout Europe by the cruise industry in 2005.

Induced Compensation by Sector, 2005
€887 Million

- The induced 6,410 jobs within the Manufacturing sector during 2005 generated €246 million in compensation for these workers, amounting to 28% of the total induced compensation impacts.
- Finance and Business Services accounted for 28% of the induced compensation impacts with €248 million.
- Nearly 8% of the total induced compensation impacts were generated in the Agriculture, Mining and Construction sector. Workers in these industries were paid €67 million in compensation as a result of the induced impacts of the cruise industry.
- The 5,184 jobs of the European Trade and Hospitality services that resulted from the induced impacts of the cruise industry generated €122 million in compensation and accounted for 14% of the induced compensation impacts.
- The Personal Services and Government sector accounted for 10% of the total induced compensation impacts with €90 million in induced compensation.
- While not as important as it is to the direct and indirect impacts, the Transportation & Utilities accounted for 13% of the total induced compensation impacts.

Induced Compensation by Industry, 2005

Industry	Induced Compensation € Millions	Share of Total
Agr., Mining & Construction	**€ 67**	**7.5%**
Manufacturing	**€ 246**	**27.8%**
Food & Tobacco	€ 35	4.0%
Textiles & Apparel	€ 36	4.1%
Paper & Printing	€ 24	2.7%
Petroleum	€ 5	0.5%
Chemicals	€ 30	3.4%
Stone & Glass	€ 11	1.3%
Metals	€ 29	3.3%
Machinery	€ 12	1.3%
Electrical Machinery	€ 26	2.9%
Transportation Equipment*	€ 19	2.1%
Other Manufacturing	€ 19	2.2%
Trade	**€ 41**	**4.6%**
Wholesale Trade	€ 28	3.1%
Retail Trade	€ 13	1.5%
Hospitality	**€ 81**	**9.1%**
Hotels & Restaurants	€ 57	6.4%
Amusements & Recreation	€ 24	2.7%
Transportation & Utilities	**€ 114**	**12.8%**
Air Transport	€ 8	0.9%
Transport Services	€ 16	1.7%
Other Transport	€ 30	3.4%
Communications &Utilities	€ 60	6.8%
Financial & Business Services	**€ 248**	**28.0%**
Finance, Ins. & Real Estate	€ 117	13.2%
Business Services	€ 131	14.8%
Personal Services & Govt	**€ 90**	**10.1%**
Total	**€ 887**	**100.0%**

* See footnote 9 on page 4 for a definition of this industry and its components.

Total Compensation Impacts

As indicated in the following table an estimated €6 billion total compensation, which combines the sums derived from direct, indirect and induced compensation, was earned by workers throughout Europe as a result of the European cruise industry in 2005.

- The 55,000 European manufacturing jobs generated by the European cruise industry produced €2.1 billion in total compensation. Manufacturing compensation accounted for just over one-third of the cruise industry's total compensation impacts.
  - The 26,844 workers estimated to be employed in the manufacturing of transportation equipment for the earned an estimated €1 billion in 2005. Over 97% of these earnings were paid to workers in the shipbuilding and repair industry.
  - The more than 5,200 employees the food, textiles and apparel industries earned € 182 million in compensation as result of cruise line, passenger and household demand for food, clothing and related products.
  - A total of over 14,500 workers employed in the metal and machinery industries primarily as a result of the direct and indirect demand from the shipbuilding industry. These employees received €544 million in remuneration.

Total Compensation by Industry, 2005

Industry	Total Compensation € Millions	Share of Total
Agr., Mining & Construction	**€ 260**	**4.3%**
Manufacturing	**€ 2,052**	**34.2%**
Food & Tobacco	€ 106	1.8%
Textiles & Apparel	€ 76	1.3%
Paper & Printing	€ 85	1.4%
Petroleum	€ 29	0.5%
Chemicals	€ 109	1.8%
Stone & Glass	€ 30	0.5%
Metals	€ 248	4.1%
Machinery	€ 172	2.9%
Electrical Machinery	€ 124	2.1%
Transportation Equipment*	€ 1,004	16.7%
Other Manufacturing	€ 69	1.1%
Trade	**€ 245**	**4.1%**
Wholesale Trade	€ 185	3.1%
Retail Trade	€ 60	1.0%
Hospitality	**€ 201**	**3.3%**
Hotels & Restaurants	€ 129	2.1%
Amusements & Recreation	€ 72	1.2%
Transportation & Utilities	**€ 932**	**15.4%**
Air Transport	€ 200	3.3%
Transport Services	€ 396	6.6%
Other Transport	€ 135	2.2%
Communications &Utilities	€ 201	3.3%
Financial & Business Services	**€1,241**	**20.6%**
Finance, Ins. & Real Estate	€ 285	4.7%
Business Services	€ 956	15.9%
Personal Services & Govt	**€ 332**	**5.5%**
Subtotal	**€ 5,263**	**87.5%**
Cruise Line Employees	€ 754	12.5%
Grand Total	**€ 6,017**	**100.0%**

* See footnote 9 on page 4 for a definition of this industry and its components.

- A sum of €754 was paid in compensation to the almost 33,700 European residents that were directly employed by the cruise lines in 2005. They accounted for 13% of the total compensation impacts.
- Finance and Business Services were estimated to employ over 30,000 workers due to the economic activities of European cruise industry. These workers made €1.2 billion in remuneration and accounted for 21% of the total compensation impacts.
- Combined, the Trade and Hospitality sectors accounted for 7% of the total compensation impacts with €446 million in earnings.
- There were almost 24,000 jobs created in the Transportation & Utilities sector as a result of the direct, indirect and induced impacts of the European cruise industry. These jobs produced €932 million in employee compensation, amounting to 15% of the total impacts.
- The approximately 15,800 total jobs generated in the Agriculture, Mining and Construction industries produced €260 million in compensation, 4% of the total compensation impacts.
- The Personal Services and Government sector accounted for 5% of the total compensation impacts with €332 million in earnings. This was earned by the almost 9,700 workers that were employed as a result of the total impacts of the cruise industry in Europe.

Total Compensation by Sector, 2005
€6 Billion

Total Compensation by Country

As indicated in the following table, the European cruise industry was responsible for generating compensation in each of the EU+3 countries. The majority of these compensation impacts were, however, concentrated in 10 countries, which accounted for 95% of the industry's income creation. Another 6 countries had total compensation impacts in excess of €20 million and accounted for another 3.8% of the total. The remaining 12 countries accounted for 1.3% of the total compensation impacts and each had less than €20 million in total compensation generated by the cruise industry.

Total Compensation by Country, 2005

Country	Total Compensation	Share of Total
Italy	€ 1,810	30.1%
UK	€ 1,457	24.2%
Germany	€ 725	12.0%
Spain	€ 422	7.0%
Finland	€ 371	6.2%
Norway	€ 322	5.3%
France	€ 310	5.1%
Greece	€ 119	2.0%
Netherlands	€ 109	1.8%
Malta	€ 65	1.1%
Top 10	**€ 5,708**	**94.9%**
Sweden	€ 53	0.9%
Portugal	€ 50	0.8%
Denmark	€ 47	0.8%
Cyprus	€ 36	0.6%
Poland	€ 27	0.4%
Switzerland	€ 21	0.3%
Rest of EU+3	€ 76	1.3%
Total	**€ 6,017**	**100.0%**

The Top Ten

The three countries of Italy, UK and Germany accounted for 66% of the cruise industry's total compensation impact in Europe.

- Italy accounted for 30% of the total compensation impacts with €1.8 billion in earnings. This income was concentrated in the following sectors:
  - Manufacturing accounted for 37% of the total impact with compensation totalling €657 million and concentrated in the shipbuilding and metals industries.
  - As Europe's largest cruise destination market, the transportation, trade and hospitality industries accounted for a combined 19% of the total compensation impacts with €334 million in earnings.

    - The 10,029 workers calculated to be directly employed by the cruise lines as crew and administrative staff earned €261 million, which accounted for 14% of the total compensation impacts.

- The United Kingdom accounted for 24% of the total compensation impacts with €1.5 billion in earned income. These earnings were concentrated in the following sectors:

    - Finance and Business Services, with € 406 million, accounted for 28% of the total compensation impacts. These earnings were concentrated in the advertising, professional consulting and insurance industries.

    - As Europe's largest cruise passenger source market, the transportation and hospitality industries accounted for €199 million in compensation, amounting to 14% of the total compensation impacts.

    - The 6,645 workers estimated to be directly employed by the cruise lines as crew and administrative staff earned €226 million, which accounted for 16% of the total compensation impacts.

- Germany accounted for 12% of the total compensation impacts with earnings amounting to €725 million. This compensation was concentrated in the following sectors:

    - Manufacturing accounted for 44% of the total impact with €319 million in employee compensation. This reflects Germany's status as a major shipbuilding centre, with these jobs concentrated mainly in the shipbuilding and metals industries.

    - The 2,258 workers directly employed by the cruise lines as crew and administrative staff earned €64 million, which accounted for 9% of the total compensation impacts.

    - As Europe's second largest cruise passenger source market, Germany's transportation and hospitality industries accounted for a combined 11% of the total compensation impacts with €83 million in earnings.

- The remaining seven countries in the top ten tended to be impacted in one or two primary segments:

    - Spain, as a major source and destination market with some headquarters operations, had a total compensation impact of €422 million, accounting for 7% of the total European impact. Cruise line employees accounted for 7% of its total compensation impact while the transportation, trade and hospitality industries accounted for 29% of the impact.

    - Finland features primarily as a shipbuilding centre. Its compensation impact of €371 million was concentrated in the manufacturing sector, which accounted for 68% of the total impact.

    - Norway provides ship maintenance services and crew and is a destination market with a total compensation impact of €322 million, 5% of the total European impact. Cruise line employees accounted for 25% of the total compensation impact while the manufacturing sector accounted for 27%.

    - France is a ship building centre and a source and destination market. It had a total compensation impact of €310 million in earnings. The manufacturing sector accounted for 48% while the transportation, trade and hospitality industries accounted for 25% of the total compensation impact.

    - Greece is primarily a destination market with some ship repair services and had a total compensation impact of €119 million, 2% of the total European impact. Approximately 57% of the compensation was in the transportation sector and 10% in manufacturing.

    - Netherlands primarily provides support services and provisioning for cruise ships. It had a total compensation impact of €109 million in earnings, 1.8% of the total European impact. Manufacturing accounted for 32% of the total impact while the Finance and Business Services sector accounted for 23%.

    - Malta is primarily a destination market and also undertakes ship repair. With €65 million in total compensation impacts, it accounted for 1% of the total European impact. The manufacturing sector accounted jobs 28% of the total impact while Transportation accounted for 25%.

The remaining 12 countries were primarily impacted as source markets, destination markets or as sources for crew. As a result most of the compensation generated in these countries was either as cruise line compensation or earnings in the transportation, trade and hospitality sectors.

Prospective European Economic Impacts - 2010

As the cruise industry expands in Europe so will its contribution to economic activity. The previous data indicate that all phases of the industry will expand over the coming years. The global cruise industry is in the midst of accelerating the pace of newbuildings and is commissioning increasingly larger ships. Current information suggests that newbuildings should continue to average around eight or more new ships per annum up to 2010.

The number of cruise ships undertaking European itineraries should also continue to grow with the expansion of the fleet and the continued redeployment of some ships from North America to Europe. Finally, the numbers of lower berths and consequently the passenger-nights offered to the market will experience growth, as more and larger ships operate in Europe in the years ahead.

This expansion of European capacity will support the projected increase in cruise tourists sourced from Europe that is projected to reach 4.1 million by 2010. Based upon current itineraries and the anticipated increase in North Americans cruising in Europe, it can be estimated that cruise embarkations in Europe could reach more than 3.6 million and that passenger visits at European ports-of-call could exceed 17 million in 2010. Combining the 3.6 million embarkations and the 17 million passenger visits, total passenger visits at European ports could thus total nearly 20.6 million by 2010, if current trends are maintained. This represents a 28% increase over 2005's total visits of 16 million.

Direct Impacts

Based upon the expected increase in passenger visits, cruise ship construction and the number of European employees (crew and administrative staff); it can be anticipated that direct cruise tourism expenditures could grow to €12.7 billion by 2010, a 50% increase from the €$8.3 billion spent in 2005. Nearly 40% of the projected growth is due to the expansion of cruise ship construction and refurbishment.

Based upon the current economic structure of Europe and stable global economic conditions, the €12.7 billion in direct cruise industry expenditures would be expected to generate approximately 117,000 jobs throughout Europe and employee compensation can be estimated to amount to €4.2 billion[18].

Indirect and Induced Impacts

The spending of the directly impacted businesses and their employees is expected to generate another 123,000 jobs and €4.8 billion in employee compensation as a result of the indirect and induced economic impacts.

Total Impacts

Combining the direct, indirect and induced impacts, the €12.7 billion cruise industry expenditures are expected to generate 240,000 jobs throughout Europe and €9 billion in employee compensation by 2010, assuming present trends are maintained. This amounts to a 28% increase in prospective employment opportunities within European as generated by the cruise industry by the end of the decade.

Estimated Economic Impacts of the European Cruise Industry, 2005 and 2010

Item	2005	2010
	(€ Billion)	
Direct Expenditures	€ 8.3	€ 12.7
Direct Compensation	€ 2.8	€ 4.2
Direct Employment (no.)	90,104	117,000
Total Compensation	**€ 6.0**	**€ 9.0**
Total Employment (no.)	**187,252**	**240,000**

[18] Note: All €-denominated figures are in 2005 € and an annual productivity increase of 1.5% per annum has been assumed in the calculation of the employment impacts.

Term or Abbreviation	Definition
CLIA	Cruise Lines International Association, US-based body representing the interests of cruise lines active in North America. It has recently combined with the ICCL (International Council of Cruise Lines).
Compensation (Remuneration)	Compensation (remuneration, income) is the sum of wage and salary payments, benefits, including health and life insurance, retirement payments and any other non-cash payments; includes all income to workers paid by employers.
Cruise Europe	Organisation representing the interests of cruise ports located mainly in Northern European, non- Mediterranean waters
ECC	European Cruise Council, formed in 2003 to represent the interests of cruise lines active in Europe.
EEA	European Economic Area, normally defined as the European Union plus residual members of the European Free Trade association (EFTA). These are Iceland, Norway and Switzerland.
EU	Prior to 31st December 2006, comprising 25 member states of Belgium, Denmark, Germany, Greece, Spain, France, Republic of Ireland, Italy, Luxemburg, Netherlands, Austria, Portugal, Finland, Sweden, United Kingdom, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.
EU+3	The EU countries listed above plus Switzerland, Norway and Iceland.
First Gulf War	War undertaken in early 1991 by US-led coalition to recapture Kuwait following invasion by Iraq in 1990.
Full time equivalents (FTEs)	Employment (jobs, workers) figures are expressed as full-time equivalent employment, a computed statistic representing the number of full-time employees that could have been employed if the hours worked by part-time employees had been worked by a full-time employee. Thus, FTE is always less than the sum of full-time and part-time employees.
Homeport	Port at which a cruise ship is based, normally for a series of cruises. May also be referred to as base-port.
International cruising	This normally refers to cruises on ships that visit ports in more than one country and are also marketed internationally. The terms open sea cruising and oceanic cruising are also used to similar effect. Other non-international cruising such as coastal and riverine is excluded from the scope of the current study.
Lower Berths	Used to measure the normal capacity of a ship when two beds or in some cases a doubled bed in each cabin are occupied.
Marquee Destination	A destination that is recognized as having sufficient tourist attraction for cruise planners to model their itineraries around. Sometimes referred to as "Must-see".
MedCruise	Organisation representing the interests of cruise ports located in the Mediterranean and adjacent waters.
Newbuildings	Term used in the shipbuilding industry to described new ships on order.
9/11	September 11 2001, date of the terrorist atrocities in New York and Washington.
OECD	Organisation for Economic Co-operation and Development, a body comprising mainly the established industrialized countries in Europe, North America and the Commonwealth.
Pax	Abbreviation for passengers.
Pax-nights	Number of passengers in lower berths multiplied by the number of nights a ship is occupied during a cruise. May also be referred to as bed-days or pax-days.
Port-of-Call	Port at which a cruise ship calls during the course of a cruise. Also sometimes referred to as a transit port.
PSA	Passenger Shipping Association, UK body representing the interests of cruise lines and ferry operators active in the UK market.
SARs	Severe Acute Respiratory Syndrome, a disease of pandemic proportions which ravaged China, other parts of Asia and Canada during 2002/3.

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Cruise Council

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