



FLORIDA-CARIBBEAN CRUISE ASSOCIATION

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Cruise Industry Overview - 2007

State of the Cruise Industry

In 2007, the growth of the cruise industry continues as we enter an era distinguished by 12 additional innovative, feature-rich ships, international ports-of-call and convenient departures from proximal embarkation cities. We are forecasting a record 12.6 million passengers in 2007, an increase of 0.5 million guests over 2006, with 10.6 million originating in North America. Thus representing a 4.1% yearly growth.

This positive forecast for 2007 follows another successful year for the cruise industry in 2006. Based on third quarter 2006 results and fourth quarter estimates the cruise industry carried 12.1 million worldwide passengers in 2006, an 8% increase over the 11.18 million carried in 2005, with 10.2 million North Americans in 2006 (compared with 9.67 million in 2005).

The industry also maintained their high utilization rates, posting a collective occupancy factor of 104.7% through the first three quarters in 2006. The industry's growth is headlined by the Caribbean, which, continues to rank as the dominant cruise destination, accounting for 46.6% of all itineraries.

Between 2007 and 2010, the CLIA-member cruise lines will invest a staggering \$15.2 billion in 29 state-of-the-art new ships. In 2006 alone, seven new ships, from Costa Cruises, Holland America Line, MSC Cruises, Norwegian Cruise Line, NCL America, Princess Cruises and Royal Caribbean International, with guest capacities ranging from 1,848 and 3,600 passengers, sailed the world's waters for the first time.

These ships offered a new generation of onboard features and a world of innovation, including surf pools, planetariums, on-deck LED movie screens, golf simulators, water parks, demonstration kitchens, self-leveling billiard tables, multi-room villas with private pools and in-suite Jacuzzis, ice-skating rinks, rock-climbing walls, bungee-trampolines and much more. Today's new ships also offer facilities to accommodate family members of all generations traveling together, a market that is ideally suited for Caribbean cruising. More than 1 million children under the age of 18 sailed with their families in 2006. From a product standpoint, our ships offer an array of feature-rich innovative facilities, amenities and services that exceed the expectations of a growing population of travelers. Today's travelers would be hard pressed to not find a cruise line, ship, stateroom or itinerary that did not offer something for everyone.

What is the FCCA?

Founded in 1972, the FCCA is the trade organization that represents 12 Member Cruise Lines in Florida, the Caribbean, and Latin America. The FCCA is the symbol of unity between the cruise industry and the Caribbean and Latin America. By fostering an understanding between the lines and destinations, the FCCA seeks to strengthen existing relationships and build new ones, developing bilateral partnerships with every sector.

The FCCA is committed to fostering the growth and development that benefits both the destinations and cruise lines collectively. The FCCA works with the governments, ports, and private sector representatives to maximize the economic benefits that cruise tourism brings local economies and to also enhance each destination's product, to ultimately bring cruise passengers back to the destination as long-stay visitors.

The FCCA benefits the Caribbean and the cruise industry with the following programs:

FCCA Foundation - The Foundation provides a tangible mechanism for the cruise industry to fund a range of humanitarian causes in the Caribbean and Latin America. In its 14th year of existence, it has provided over \$3 million in funding. Some of the beneficiaries include the Caribbean Special Olympics, holiday gifts for the underprivileged, Hurricane Relief and many other programs for the needy.

Research and Training - The FCCA collects and distributes data on cruise passenger demographics, purchasing power, travel habits, and more. The FCCA also utilizes its research and information capabilities to develop training seminars that are available to all Caribbean destinations. The training programs available include Service Excellence/Cruise Passengers Equal Profits and Taxi Pride. These programs provide an understanding of today's cruise passengers, their wants, needs, and habits.

FCCA Caribbean Cruise Conference and Trade Show - The annual FCCA Caribbean Cruise Conference & Trade Show is the premier industry event of the year, providing an opportunity for cruise executives, destinations, suppliers and tour operators to meet in a roundtable format to analyze industry trends and discuss current issues. The Conference opens up the channels of communication between all parties.

The FCCA works with their partners to expand the number of destinations that harbor cruise ships and also to increase the range of attractions and activities that make each port-of-call unique. The FCCA's past successes have been based upon the principles of win-win partnerships between the cruise lines and the destinations private and public sectors.

FCCA MEMBER LINES

*Carnival Cruise Lines • Celebrity Cruises • Costa Cruise Lines • Cunard Line • Disney Cruise Line
Holland America Line • MSC Cruises (USA) Inc. • Norwegian Cruise Line • Princess Cruises
Regent Seven Seas Cruises • Royal Caribbean International • Windstar Cruises*

Cruise Industry Overview

- In 2007 a record of 12.6 million passengers are forecasted to cruise (a 4.1% increase), with 10.6 million originating in North America.
- CLIA-member cruise lines carried 12.1 million worldwide passengers in 2006 (a 8% increase), 10.2 million from North America.
- The cruise industry is the fastest-growing category in the leisure travel market. Since 1980, the industry has experienced an average annual passenger growth rate of over 8% per annum.
- Since 1990, over 103 million passengers have taken a 2+ day cruise. Of this number, nearly 75% of the total passengers have been generated in the past 10 years and 45.6% in the past 5 years.
- The average length of cruises is nearly 7 days (6.9 days).
- The cruise product is diversified. Throughout its history the industry has responded to the vacation desires of its guests and embraced innovation to develop new destinations, new ship designs, new and diverse onboard amenities, facilities and services, plus wide-ranging shore side activities. Cruise lines have also offered their guests new cruise themes and voyage lengths to meet the changing vacation patterns of today's travelers.
- The cruise industry's establishment of 32 North American embarkation ports provide consumers with unprecedented convenience, cost savings and value by placing cruise ships within driving distance of 75% of North American vacationers. By providing significant cost savings through the convenience of avoiding air travel, the new homeports have introduced leisure cruising to a wider customer base.
- From a capacity standpoint, utilization is consistently over 100%.
- The Caribbean is the number one destination, with 46.6% of capacity deployment.
- 29 new state-of-the-art ships are contracted or planned to be added to the North American fleet through 2010, at a cost of \$15.2 billion.

Cruise Passenger Profile

- The cruiser target market is adults 25 years or older, with household earnings of \$40,000+. This segment represents 44% of the total US population.
- Of the total US population that is 25 years or older, with household earnings of \$40,000+, 39% indicates that they have taken a cruise, with 22% having cruised in the past three years.
- It is estimated that only 17% of the total US population has cruised ever and 10% have done so with in the last three years.
- Cruisers spend, on average, approximately \$1,690 per person, per week for their cruise and other vacations as compared to non-cruise vacationers who spend an average of \$1,180.
- Cruisers average age is 49 years of age with a household income of \$104,000. 57% are college graduates and 23% are post-graduates. 83% are married and 57% work full-time.

Cruise Passenger Behaviors & Attitudes

Overall, the cruise product delivers unparalleled customer satisfaction. For both first-time and frequent cruisers, the cruise experience consistently exceeds expectations on a wide range of important vacation attributes. The on-going challenge for the industry is to convert cruise prospects into new cruisers.

- Over 85% of cruise passengers think that cruising is an important vehicle for sampling destination areas to which they may return. Nearly 50% fully expect to return to the same geographical area/destination for a land based vacation.
- Cruisers are not exclusively cruisers; they are frequent vacationers that cruise as part of their vacation mix. They average over three (2.8) trips each year with 25% of their total vacations being a cruise.
- Cruisers generally plan their cruise trip an average of 5 months in advance.
- Cruisers primarily travel with their spouse (77%), followed by children under 18 (30%), friends (25%), and other family members (23%).

- Internal sources primarily dominate the major influences for both vacations and cruises:
 - Word of mouth (38%)
 - Always wanted to go there (38%)
 - Spouse or travel companion desire (35%)
 - Destination websites (37%)

- There are distinct differences between cruisers and vacationers with respect to the information sources that influenced their last vacation/cruise choice. Cruisers respond to a greater degree to external marketing/promotions. Cruisers are more likely to be influenced by:
 - Cruise website (30% vs. 2%)
 - Travel agent recommended (12% vs. 5%)
 - Travel magazine (8% vs. 6%)
 - Internet advertisement (11% vs. 10%)
 - Magazine advertisements (8% vs. 6%)
 - Direct mail (4% vs. 2%)

- When comparing cruising to other vacations, cruisers are more likely than non-cruisers to consider cruising:
 - Good value for the money (52% vs. 22%)
 - Reliable (48% vs. 21%)
 - Safe (40% vs. 14%)
 - Easy to plan and arrange (61% vs. 37%)
 - Relax/Get away from it all (62% vs. 37%)
 - Explore a vacation area to return later (59% vs 31%)

- When considering planning a cruise, 88% of cruise vacationers with internet access for personal use would research and gather cruise information online.

- Almost all cruise passengers (80%) book at least some of their cruises through travel agents.

- For cruise passengers, the largest benefits to having more cruise embarkation points available are:
 - Cost savings (73%)
 - Convenience – reduced hassle of flying and the ability to drive (69%)
 - Reduced hassle of flying (20%).

- 68% of potential cruisers indicate that having more cruise embarkation points will increase their likelihood of cruising in the next three years.

Criteria for Making Vacation Decisions

	Cruisers	Non-Cruiser-Vacationers
The destination	8.1	8.3
The price	6.8	6.6
Best opportunity to relax and unwind	6.4	6.2
Fit my vacation schedule/days available	5.8	5.9
Offered a unique experience	6.1	5.6
The convenience	6.0	5.8
The particular hotel/resort property or cruise ship	5.9	4.6
Good programs for children and family	4.0	4.1

Note: Data used is based on a 10-point scale where "10" is "most influence" and "1" is "did not influence at all".

Top 10 Most Appealing Destinations to Cruise

Caribbean/Eastern Mexico	47%
Alaska	28%
Bahamas	22%
Bermuda	16%
Hawaii	16%
Mediterranean	13%
Europe	10%
Mexico (West Coast)	9%
Trans Canal	9%
Canada/New England	6%
South America	4%

Economic Impact of Cruise Industry on Destinations

Highlights of the 2006 Economic Impact Study conducted by Business Research & Economic Advisors (BREA) include:

- The analysis of cruise tourism's direct expenditures shows that the cruise ship calls that brought 16.3 million passenger and crew visits to the 19 participating destinations during the 2005-2006 cruise year generated \$1.8 billion in direct spending by passengers, crew and cruise lines.
- Cruise-related expenditures generated 41,500 jobs throughout the Caribbean. These cruise generated jobs paid \$600 million in wage income to Caribbean residents.
- Average cruise passenger spending per port of call was \$98.01, and average spending per port of call by crew members was \$74.56.
- Cruise passengers were, in general, very satisfied with their Caribbean cruise vacation with a mean score of 7.2 (Very Satisfied) for "Visit Met Expectations" (Using a 10-point scale with 10 being the highest and 1 being the lowest).
- The typical cruise ship carrying 2,000 passengers and 800 crew members conservatively generates \$190,476 in passenger and crew expenditures during a single port-of-call visit.
(Total spending amount is based on 85% of passenger arrivals and 40% Crew Arrivals)

It is, therefore, clear that the cruise industry's economic impact in the Caribbean region is significant and continues to grow. The Member Lines of the FCCA urge you to carefully analyze all this information and see for yourself how the cruise industry is positively impacting the economy of your country.

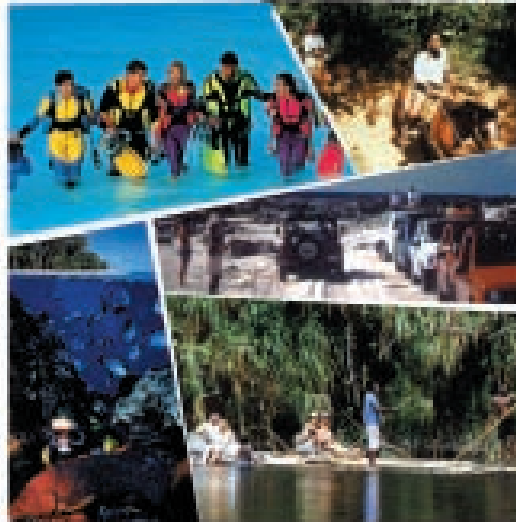
2006 participating destinations included: Antigua, Aruba, Bahamas, Barbados, Belize, Cayman Islands, Cartagena-Colombia, Costa Maya-Mexico, Cozumel-Mexico, Curacao, Dominica, Grenada, Key West-FL, Martinique, San Juan-Puerto Rico, St. Kitts, St. Lucia, St. Maarten and U.S.V.I.



AVIATION BUSINESS & INDUSTRY COMMERCIAL VESSELS YACHTS MARINE OPERATIONS PRIVATE CLIENT TRANSPORTATION

ROYAL MARINE INSURANCE GROUP

WE ARE NOW IN THE FORTH YEAR OF PROVIDING THE PROGRAM TO COVER THE INSURANCE NEEDS OF THE FLORIDA-CARIBBEAN CRUISE ASSOCIATION SHORE EXCURSION OPERATORS AND TOUR SITES UNDERWRITTEN BY ACE USA RATED "A" EXCELLENT AND PROVIDING WORLDWIDE JURISDICTION.



THERE ARE THREE SEPARATE AND DISTINCT COVERAGE'S OFFERED OF WHICH SOME OR ALL MIGHT BE APPROPRIATE DEPENDING ON THE STRUCTURE OF YOUR PARTICULAR TOUR. ALL HAVE THE STANDARD LIMIT OF 2 MILLION DOLLARS WITH HIGHER LIMITS AVAILABLE TO 10 MILLION DOLLARS ALL AUTOMATICALLY NAMES THE FCCA

AS AN FCCA MEMBER YOU ARE ABLE TO ACCESS THIS INSURANCE PROGRAM DESIGNED AND DEVELOPED TO PROVIDE TRUE ONE-STOP-SHOPPING FOR THE INSURANCE COVERAGE'S NECESSARY TO MEET THE REQUIREMENTS FOR SHORE EXCURSION OPERATORS DOING BUSINESS WITH THE CRUISE LINES. WHILE DESIGNED AT THE REQUEST OF THE CRUISE LINES THIS POLICY COVERS ALL TOURS ALL THE TIME.

IF YOU ARE NOT A CURRENT MEMBER YOU MAY CONTACT VICTORIA LATA, FCCA MEMBERSHIP DIRECTOR AT 954-441-8881 OR SIMPLY GO TO WWW.FCCA.COM AND COMPLETE EVERYTHING ONLINE.

CRUISE LINES AS ADDITIONALLY INSURED. THEY ARE GENERAL LIABILITY, ALSO CALLED THIRD PARTY LIABILITY, CONTINGENT AUTOMOBILE LIABILITY AND CONTINGENT WATERCRAFT LIABILITY.

YOU ARE INVITED TO VISIT OUR WEB SITE WWW.ROYALMARINE.COM FOR ADDITIONAL INFORMATION ON THE MANY INSURANCE COVERAGE'S AVAILABLE THROUGH THE ROYAL MARINE INSURANCE GROUP.

FOR FURTHER INFORMATION PLEASE CONTACT BILL ROVERSI AT BILL@RMIG.US