



# FLORIDA-CARIBBEAN CRUISE ASSOCIATION

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## Cruise Industry Overview - 2008

### State of the Cruise Industry

In 2008, the growth of the cruise industry continues as we enter an era distinguished by eight additional innovative, feature-rich ships, international ports-of-call and convenient departures from proximal embarkation cities. The current cruise ship order book extends through 2012 and now includes 35 new builds, with 88,900 berths at a value of over \$21 billion. We are forecasting a record 12.8 million passengers in 2008, an increase of 200,000 guests over 2007, with 10.5 million originating in North America. This 1.6% growth for 2008, shows an industry where demand continues to outstrip supply.

This positive forecast for 2008 follows another successful year for the cruise industry in 2007. Based on third quarter 2007 results and fourth quarter estimates the cruise industry carried 12.6 million worldwide passengers in 2007, a 4.1% increase over the 12.1 million carried in 2006, with 10.3 million North Americans in 2007 (compared with 10.2 million in 2006).

The industry also maintained their high utilization rates, posting a collective occupancy factor of over 105% in 2007. The industry's growth is headlined by the Caribbean, which, continues to rank as the dominant cruise destination, accounting for 41.02% of all itineraries (down from 46.6% in 2007).

Between 2008 and 2012, the CLIA-member cruise lines will invest a staggering \$21 billion in 35 state-of-the-art new ships. In 2008 alone, eight new ships, from Carnival Cruise Lines, Celebrity Cruises, Holland America Line, MSC Cruises (USA) Inc., Pearl Seas, Princess Cruises and Royal Caribbean International, with guest capacities ranging from 210 to 3,642 passengers, will sail the world's waters for the first time.

Today's ships offer 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 one million children under the age of 18 sailed with their families in 2007.

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?

The Florida-Caribbean Cruise Association (FCCA) is a not-for-profit trade organization composed of 11 Member Cruise Lines operating more than 100 vessels in Floridian, Caribbean and Latin American waters. Created in 1972, the FCCA's mandate is to provide a forum for discussion on legislation, tourism development, ports, tour operations, safety, security and other cruise industry issues. By fostering an understanding of the cruise industry and its operating practices, the FCCA seeks to build cooperative relationships with its partner destinations and to develop productive bilateral partnerships with every sector. The FCCA works with governments, ports and all private sector representatives to maximize cruise passenger, cruise line and cruise line employee spending, as well as enhancing the destination experience and the amount of cruise passengers returning as stay-over visitors.

## Member Lines

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

## Partnerships

Some of the ways the FCCA works with the cruise-oriented destinations include:

- **Port Improvements** – The FCCA provides technical assistance on port expansion, including input on port and pier design and improvements and new services being planned.
- **Research** – Research is conducted and provided to destination partners in an effort to create a better understanding of cruise passengers, improve the landside product delivery and maximize the benefits of cruise tourism.
- **FCCA Training Seminars/Outreach Program** – FCCA training seminars provide destination partners with valuable information regarding cruise passengers – wants, needs and habits – enabling them to maximize the impact of cruise tourists in their country. The FCCA has two core training programs:
  - **Service Excellence** – Cruise Passengers Equal Profits: A workshop on the importance of excellent customer service and the economic impact of the cruise industry. A happy guest not only spends more money, but will return again and again, thereby producing greater profits and converting cruise passengers into return stay-over guests.
  - **Caribbean Taxi Pride** – This presentation geared towards taxi drivers, tour operators and vendors providing ground transportation. This entertaining and informative workshop focuses on three main areas: courtesy, professionalism, marketing, rules and safety.

In addition, the FCCA has designed outreach programs for destination requests, including, but not limited to, the following areas: Cleaning Beaches/Roads, Painting Schools/Hospitals/Orphanages, Hurricane Clean-Up, Visiting Elderly, Community Projects and Volunteering at Hospitals.

## Associate Membership

The FCCA has designed a two-level Associate Membership program, the Platinum Membership program and the Associate Membership program for destination partners and private organizations impacted by cruise tourism to foster an even closer, direct working relationship with the FCCA Member Cruise Lines.

### **Associate Member Benefits:**

- Member meetings and luncheons
- Listing/profile in Membership Directory and in *Caribbean Cruising* magazine
- Access to up-to-date research and statistical studies
- \$500 discount on first ad placed in *Caribbean Cruising* (first year of membership only)
- Savings on registration fees for the FCCA Cruise Conference & Trade Show
- Discount on insurance program for tour operators
- Associate Member plaque and yearly updates
- Use of FCCA logo on printed materials

### **Platinum Associate Member Benefits** (in addition to the benefits above):

- One complimentary registration up to \$400 for the FCCA Gala Dinner
- One complimentary registration for the FCCA Cruise Conference & Trade Show
- Complimentary registration on annual PAMAC Cruise
- Complimentary registration for the PAMAC Conference
- Private lunch and meeting at the FCCA Cruise Conference & Trade Show
- Serving on FCCA's Platinum Associate Member Advisory Council (PAMAC)
- Invitations to inaugural events & cruises
- Biannual full-day meetings with FCCA operations executives, followed by networking cocktail receptions (open to all cruise executives)

## FCCA Foundation

The FCCA Foundation provides a tangible mechanism for the cruise industry to fund a range of humanitarian causes in the Caribbean and Latin America. In its 15 years of existence, the Foundation has impacted hundreds of thousands of citizens by providing over \$3 million in funding to causes and charities throughout the region. Programs include:

- **Holiday Gift Project** – FCCA reaches out to our partners in Caribbean and Latin American destinations to provide gifts to children in foster homes or institutions where holiday gifts would not ordinarily be possible. The gifts are delivered on Member Lines' vessels to the destinations where the children

enjoy a holiday party in their honor. In 2007, 28 destinations participated in the program, with over 8,000 children receiving holiday gifts.

- **FCCA Online Auction** – This project, which takes place in December, is open to anyone with a valid email address. The auction allows guests to bid on items ranging from vacation packages, artwork, jewelry and sports memorabilia donated by cruise industry partners throughout the Caribbean and Latin America. Last year, this program raised over \$25,000 for the FCCA Foundation.
- **FCCA Gala** – The Gala was created by Member Lines 14 years ago to enable cruise executives and industry partners to gather on a social level, establish new relationships and enhance existing ones. Attendees dine with the cruise executive of their choice, giving them the opportunity to foster a better relationship with their table host. Most importantly, all proceeds from the Gala benefit the FCCA Foundation.

### FCCA Magazines and Publications

- **Caribbean Cruising** – Published quarterly, *Caribbean Cruising* is the official magazine of the FCCA and cruise industry. It serves to educate and bring about an understanding of the cruise industry's inner-workings. With a circulation of over 12,000, the magazine offers advertisers optimal access to over 3,000 travel agents and the decision-makers in the marine operations, marketing and strategic planning departments of the major cruise lines.
- The **Highlight Issue** features a who's who in the cruise industry and contains cruise executive profiles and information for all FCCA Member Lines. It is a useful tool when dealing directly with the cruise industry.
- **Membership Directory** – The FCCA directory contains a complete listing of all FCCA Associate and Platinum members as well as all the Ministers of Tourism within partner destinations.
- **Conference Program and Gala Program** – Members who attend these functions receive comprehensive programs packed with useful FCCA schedules, information and accomplishments.

### FCCA Cruise Conference & Trade Show

For many cruise executives and destination representatives, suppliers and tour operators, this is the premier industry event of the year. It is an opportunity to meet in a roundtable format with key players to analyze industry trends and discuss current issues. The FCCA Conference brings together over 100 cruise executives and 1,000 industry partners. For 2008, the Conference will be held in Trinidad on October 27–31. As the FCCA proceeds into tomorrow, they will remain steadfast in their mission to create win-win partnerships between the cruise lines and cruise destinations throughout the greater Caribbean and Latin American region.

# Cruise Industry Overview

- In 2008 a record of 12.8 million passengers are forecasted to cruise (a 1.6% increase), with 10.5 million originating in North America.
- CLIA-Member Cruise Lines carried 12.6 million worldwide passengers in 2007 (a 4.1% increase), 10.3 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 128 million passengers have taken a 2+ day cruise. Of this number, over 70% of the total passengers have been generated in the past 10 years and nearly 44% 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 over 30 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 41.02% of capacity deployment (down from 46.6% in 2007).
- 35 new state-of-the-art new ships are contracted or planned to be added to the North American fleet through 2012, at a cost of \$21 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 within 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 sample 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 approximately three (2.8) trips each year with 25% of their total vacations being a cruise.
- Cruisers generally plan their cruise vacation 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 planning a cruise, 88% of cruise vacationers with internet access for personal use 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" "did not influence at all".*

## Top 10 Most Appealing Destinations to Cruise

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



# Economic Impact of Cruise Industry on Destinations

Highlights of the 2006 Economic Impact Study conducted by Business Research & Economic Advisors (BREA) and PricewaterhouseCoopers (PwC) 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 per 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 assess how the cruise industry positively impacts the economy of your country.

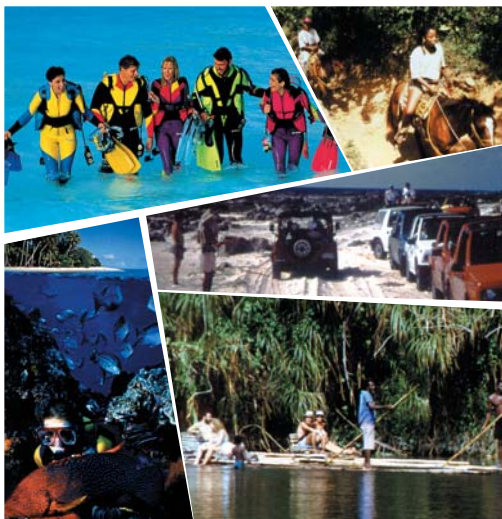
Participating destinations in the 2006 Economic Impact Study included: Antigua, Aruba, Bahamas, Barbados, Belize, Cayman Islands, Cartagena-Colombia, Costa Maya-Mexico, Cozumel-Mexico, Curacao, Dominica, Grenada, Key West-FL, Martinique, San Juan-Puerto Rico, St. Kitts, St. Lucia, St. Maarten and U.S.V.I.



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## ROYAL MARINE INSURANCE GROUP

ROYAL MARINE IS NOW APPROACHING A DECADE 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 CRUISE LINES AS

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 LALTA, FCCA MEMBERSHIP DIRECTOR AT 954-441-8881 OR GO TO WWW.FCCA.COM AND COMPLETE EVERYTHING ON-LINE.

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.RMIG.US FOR ADDITIONAL INFORMATION ON THE MANY INSURANCE COVERAGE'S AVAILABLE THROUGH THE ROYAL MARINE INSURANCE GROUP.

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