PRICEWATERHOUSECOOPERS

Economic Contribution of the FCCA Member Lines to the Caribbean and Florida

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Dear Partners in Tourism:

The Florida-Caribbean Cruise Association is pleased to present the attached economic impact studies conducted by Business Research & Economic Advisors (BREA) and PricewaterhouseCoopers (PwC). These studies analyze the economic impact of the FCCA Member Lines throughout the Caribbean and are organized into the following major areas:

- Cruise passenger and crew arrivals;
- Cruise passenger and crew spending;
- Economic impact of passenger and crew spending.

Furthermore, these studies attempt to analyze other areas such as:

- Cruise passenger destination satisfaction;
- Economic contribution of the FCCA Member Lines;
- Total Caribbean employment generated by cruise-related expenditures.

The Member Lines of the FCCA believe that economic impact studies are one of the most valuable tools that we and our destination partners have in evaluating our progress as an industry.

The economic impact of the FCCA Member Lines on the Caribbean included in this report is the culmination of a considerable amount of effort by a large number of people. The findings in this report are more than just numbers and statistics, they are indicators; guides to how well we are doing.

Highlights of these studies for the 1999/2000 cruise year include:

- FCCA Member Lines' passengers and crew accounted for approximately *$1.4 billion in direct spending* and *$1.2 billion in indirect spending* - for a ***total annual economic impact of $2.6 billion*** throughout the Caribbean from the cruise industry.
- Cruise-related expenditures generated ***60,136 jobs*** throughout the Caribbean. These cruise-generated jobs paid *$285 million in wage income* to Caribbean residents.
- Average cruise ***passenger spending per port of call was $103.83*** and average spending per port of call by *crew members was $72.06.*
- Caribbean cruise ***passenger capacity grew by 21.8%*** in the year 2000.
- The *Caribbean's market share* of the North American cruise capacity was ***45.6%*** in the year 2000.
- Almost ***80%*** of cruise passengers reported a *high degree of satisfaction* with the destinations they visited.
- Many cruise passengers ***(51.6%)*** expressed an *interest in returning to the ports of call* on a land-based vacation because of their cruise visit.
- The typical cruise ship carrying 2,000 passengers and 900 crew members generates almost ***$259,000 in passenger and crew expenditures during a port of call visit.***

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

The Member Lines of the FCCA

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Our work is for the use of the Florida-Caribbean Cruise Association ("FCCA"). The information and analyses provided in this report are intended solely for its use and should not be relied upon for any other purpose or by any other person or entity. Neither this report nor any other presentation material, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, appraisal, loan or other agreement. Further, we have no responsibility to update our report for events and circumstances occurring after the report date.

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PricewaterhouseCoopers was created by the merger of Price Waterhouse and Coopers & Lybrand in 1998. An earlier study titled "The Economic Impact of the Passenger Cruise Industry on the Caribbean 1995" was prepared for the Florida-Caribbean Cruise Association by Price Waterhouse. Given different market conditions and different survey methods the two reports should be read independently.

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EXECUTIVE SUMMARY

Introduction

The Florida-Caribbean Cruise Association ("FCCA") engaged PricewaterhouseCoopers ("PwC") to analyze the economic impact of passengers and crew traveling aboard cruise ships operated by the member lines of the FCCA. This analysis included estimating the level of passenger and crew expenditures that occurred during the first quarter of 2000 and the resulting direct and indirect economic impacts. To accomplish these objectives PwC worked with FCCA member cruise lines and partner organizations in each of the locations to conduct a survey of passenger and crew spending, collected data on passenger and crew arrivals at each port, and developed regionalized economic impact models.

The principal results and conclusions of this research are reported below and have been organized into the following major areas of analysis:

- Cruise Passenger and Crew Expenditures;
- Economic Contribution of the FCCA Member Cruise Lines; and
- Cruise Passenger Destination Satisfaction.

Cruise Passenger and Crew Expenditures

To develop estimates of the typical expenditures by cruise passengers and crew visiting each of the ports PwC organized a series of surveys that were conducted by the FCCA member cruise lines and partner organizations such as national tourist boards. These surveys were administered during February, March and early-April 2000 to be representative of typical spending patterns during the "high season" of the Caribbean cruise industry. Three groups were surveyed in this process: 1) port of call passengers returning to their ship, 2) passengers who had just embarked on a cruise voyage from a homeport, and 3) crew members at the end of a cruise.

Passenger Visits to Ports of Call

- The results from more than 4,200 passenger surveys reveal that the typical port of call passenger spends $103.83 at each port they visit (**Table ES-1**).
- Typical spending by port of call passengers includes $39 on watches and jewelry, $13 on clothing and $12 on souvenirs, as well as smaller amounts in other categories.
- Visitors to St. Thomas in the U.S. Virgin Islands reported spending an average of $173.24 – the highest of any of the ports of call surveyed.

Passenger Visits to Homeports

- At the homeports surveyed, the average passenger spent $42.51. The spending patterns of homeport passengers fell into two distinct groups – spending by those that arrived the day of the cruise, and spending by those that planned pre- or post-cruise stays in the homeport city. A total of 2,900 surveys were completed by homeport passengers at the three homeports.

- Spending by passengers who arrived the day of the cruise averaged $14.33, consisting largely of food and beverages, averaging $4.70, and transportation, averaging $3.35, (**Table ES-2**).
- Of the homeport passengers surveyed, 32.9 percent had arranged to stay in the area for a pre- or post-cruise visit. Passengers with overnight stays spent a daily average of $78.91 and their average stay was 1.3 nights.

ES-1 – Passenger Spending During Port of Call and Homeport Visits - First Quarter 2000

	Average spending per passenger
Ports of call	
Antigua	$ 86.81
Aruba	82.02
Bahamas (Nassau and Grand Bahama)	77.90
Barbados	81.12
Cayman Islands	79.42
Jamaica	
Ocho Rios	74.77
Montego Bay	71.53
Mexico (Cozumel)	131.40
Puerto Rico (San Juan)	53.84
St. Kitts and Nevis	56.22
U.S. Virgin Islands (St. Thomas)	173.24
Average spending at ports of call*	**103.83**
Homeports	
Port Everglades, Florida	35.23
Port of Miami, Florida	43.72
Puerto Rico (San Juan)	49.47
Average spending at homeports*	**42.51**
Combined average spending*	**87.10**

* Weighted by number of first quarter 2000 passenger visits aboard cruise ships operated by FCCA member lines.

Source: PricewaterhouseCoopers.

ES-2 – Passenger and Crew Spending During Homeport Visits - First Quarter 2000

	Passengers that arrived the day of the cruise	Passengers with pre- or post-cruise stays		Crew at homeport
Homeport	Average spending	Average daily spending	Average length of stay (nights)	Average spending
Port Everglades, Florida	$ 12.34	$ 69.19	1.4	$ 120.50
Port of Miami, Florida	17.07	74.00	1.2	113.30
Puerto Rico (San Juan)	11.16	104.58	1.4	92.50
Average*	**14.33**	**78.91**	**1.3**	**111.67**

* Weighted by number of first quarter 2000 passenger/crew embarkations aboard cruise ships operated by FCCA member lines.

Source: PricewaterhouseCoopers.

Crew Visits to Ports of Call and Homeports

- More than 1,800 crew surveys were completed. Including visits to ports of call and homeports, the average crew member spent $84.15 while ashore (**Table ES-3**).
- Crew members who went ashore while visiting ports of call reported spending an average of $72.06 per visit. Based on survey results, 79.6 percent of the crew surveyed reported going ashore during the typical port of call visit.
- Crew members who went ashore while visiting a homeport (representing 94.4 percent of those surveyed) reported spending an average of $111.67 per visit.

ES-3 – Crew Spending During Port of Call and Homeport Visits - First Quarter 2000

	Average spending per crew
Ports of call	
Antigua	$ 50.70
Aruba	85.50
Bahamas (Nassau and Grand Bahama)	32.70
Barbados	33.10
Cayman Islands	41.50
Jamaica (Ocho Rios and Montego Bay)	53.90
Mexico (Cozumel)	66.90
Puerto Rico (San Juan)	99.70
St. Kitts and Nevis	20.80
U.S. Virgin Islands	108.40
Average spending at ports of call*	**72.06**
Homeports	
Port Everglades, Florida	120.50
Port of Miami, Florida	113.30
Puerto Rico (San Juan)	92.50
Average spending at homeports*	**111.67**
Combined average spending*	**84.15**

* Weighted by number of first quarter 2000 crew arrivals aboard cruise ships operated by FCCA member lines.

Source: PricewaterhouseCoopers.

Economic Contribution of the FCCA Member Lines

The analysis showed that the FCCA member lines had a substantial impact on the economies of each of the selected Caribbean countries and the state of Florida. The key findings were as follows:

- During the first quarter of 2000 a total of 2.6 million passengers and 800,000 crew visited the selected destinations aboard ships operated by the FCCA member lines. In addition about 1 million passengers and 350,000 crew visited the three homeports surveyed.
- These passenger and crew spent $410.5 million on goods and services during their visits (**Table ES-4**).
- This spending generated an estimated $85.4 million in compensation earned by residents of the Caribbean countries and Florida. This compensation impact includes the direct impact caused by passenger and crew purchases and the indirect impact that occurred as the effect of these purchases rippled through the local economies.

- Passengers and crew traveling aboard FCCA member lines were responsible for about 48,700 jobs (direct and indirect) during the first quarter of 2000.
- The typical cruise ship carrying 2,000 passengers and 900 crew members generates almost $259,000 in passenger and crew expenditures during a port of call visit and almost $180,000 during a homeport visit.

ES-4 – Economic Contribution of FCCA Member Lines - First Quarter 2000

	Passenger and crew first quarter expenditures (millions of US$)	Total compensation (millions of US$)	Total employment
Caribbean Ports			
Antigua	$ 12.3	$ 1.7	1,600
Aruba	20.7	3.4	4,400
Bahamas	40.6	5.7	5,600
Barbados	11.9	1.5	1,500
Cayman Islands	30.0	3.9	6,400
Jamaica (Ocho Rios and Montego Bay)	22.4	2.6	2,900
Mexico (Cozumel)	56.7	12.7	13,000
Puerto Rico (San Juan)	34.2	10.7	6,100
St. Kitts	1.2	0.2	200
U.S. Virgin Islands (St. Thomas)	115.8	13.5	2,700
Sub-total	345.8	55.7	44,400
Florida Ports			
Port Everglades, Florida	23.4	10.0	1,500
Port of Miami, Florida	41.3	19.7	2,900
Sub-total	64.7	29.7	4,300
Total	**410.5**	**85.4**	**48,700**

Source: PricewaterhouseCoopers.

Cruise Passenger Destination Satisfaction

The survey results indicate a high degree of satisfaction among cruise passengers with the destinations they visited. The key findings follow:

- Most cruise passengers were visiting destinations for the first time (71.1 percent among port of call visitors, and 59.3 for homeport visitors).
- Almost 80 percent of passengers reported that they were "Very Satisfied" or "Satisfied" with their on-shore shopping experience at the ports of call.
- Passengers' shopping purchase decisions were primarily affected by price, accessibility of shops, destination-specific products and quality of goods.
- Many passengers expressed an interest in returning to the ports of call on a land-based vacation because of their cruise visit (51.6 percent of passengers indicated "Very Likely" or "Likely").
- Passengers were satisfied with the boarding process at the homeports – with 80 to 90 percent indicating they were "Very Satisfied" or "Satisfied" with the various aspects of boarding.