Florida-Caribbean Cruise Association

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Cruise Industry Overview - 2006

State of the Cruise Industry

In 2006, the growth of the cruise industry continues as we enter an era distinguished by innovative, feature-rich ships, international ports-of-call and convenient departures from proximal embarkation cities. We are forecasting a record 11.7 million passengers in 2006, an increase of 0.5 million guests over 2005, with 10.14 million originating in North America. Thus representing a 4.5% yearly growth.

This positive forecast for 2006 follows another successful year for the cruise industry in 2005. Based on third-quarter 2005 results and fourth quarter estimates the cruise industry carried 11.2 million worldwide passengers in 2005, a 6.9% increase over the 10.46 million carried in 2004, with 9.71 million North Americans in 2005 (compared with 8.87 million in 2004). The industry also maintained their high utilization rates, posting a collective occupancy factor of 103% in 2005.

The industry's growth is headlined by the Caribbean, which, continues to rank as the dominant cruise destination, accounting for 46.4% of all itineraries.

Between 2006 and 2009, the CLIA-member cruise lines will invest a staggering $13.5 billion in 22 state-of-the-art new ships. In 2006 alone, six new ships, from Costa Cruises, Holland America Line, MSC Cruises, Norwegian Cruise Line, Princess Cruises and Royal Caribbean International, with guest capacities ranging from 1,848 and 3,600 passengers, will sail the world's waters for the first time.

These ships will 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 1 million children under the age of 18 are scheduled to sail 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, Mexico 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 its 13th year of existence, it has provided almost $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 our partner 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.

Cruise Industry Overview

- In 2006 a record of 11.7 million passengers are forecasted to cruise (a 4.5% increase), with 10.14 million originating in North America.
- CLIA-member cruise lines carried 11.2 million worldwide passengers in 2005 (a 6.9% increase), 9.71 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 8.5% per annum.
- Since 1980, nearly 100 million passengers have taken a 2+ day cruise. Of this number, 61% of the total passengers have been generated in the past 10 years and 37% 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 new 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 46.4% of capacity development.
- Slightly more than 18% of all North American cruisers embark out of Florida ports.
- 22 new state-of-the-art new ships are contracted or planned to be added to the North American fleet through 2009, at a cost of $13.5 billion.

				PAX-NIGHTS
Group	Ships	Lower berths	Cruises	Pax
Carnival Corp & plc	58	106,270	1,656	3,433,814
European independents	24	13,767	203	118,425
N Am independents	23	11,426	700	513,450
Other *	1	616	1	616
RCCL	26	58,414	899	2,143,669
Star/NCL	7	12,806	187	365,612
Total	**139**	**203,299**	**3,646**	**6,575,586**
2005 Total	**134**	**194,340**	**3,559**	**6,346,125**

*ResidenSea

Source: GP Wild (International) Limited

Cruise Passenger Profile

- 97% of cruisers are 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+, 34% has *ever* taken a cruise, 17% have cruised in the past three years. Of all cruisers, 51% took their last cruise within the last three years.
- It is estimated that only 16% of the total US population has cruised *ever* and 7 to 8% have done so within the last three years.
- Cruisers spend approximately $1,632 per person, for their cruise and onboard expenses.
- Cruisers average age is 50 with a household income of $99,000. 65% are college graduates and 24% are post-graduates. 83% are married, 58% work full-time, and 93% are white/Caucasian.

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 over three (3.3) trips each year, thereby taking nine other non-cruise vacations in the three year period.

PER GROUP

Bah	E Carib	W Carib	Trans-Canal	Ex-Carib	Total
2,056,168	9,072,756	9,851,634	865,280	413,742	22,294,860
	506,336	404,722	78,355	131,031	1,120,444
953,572	801,410	359,056	161,820		2,275,858
	10,000	9,096			19,096
1,624,768	4,897,326	6,261,920	390,336		13,174,350
543,988	988,530	1,129,230	102,784		2,764,532
5,178,496	**16,276,358**	**18,015,658**	**1,598,575**	**544,773**	**41,649,140**
4,721,944	**15,305,168**	**18,360,344**	**1,603,682**	**279,631**	**40,368,185**

- Cruisers generally plan their cruise trip 4 to 6 months in advance.

- Cruisers primarily travel with their spouse (82%), followed by children (29%), friends (26%), and other family members (25%).

- Internal sources primarily dominate the major influences for both vacations and cruises:
    - Word of mouth (45%)
    - Always wanted to go there (38%)
    - Spouse or travel companion desire (38%)
    - 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 (26% vs. 3%)
    - Travel agent recommended (13% vs. 5%)
    - Travel magazine (12% vs. 9%)
    - Internet advertisement (10% vs. 8%)
    - Magazine advertisements (9% vs. 6%)
    - Direct mail (6% vs. 2%)

- When comparing cruising to other vacations, cruisers are more likely than non-cruisers to consider cruising:
    - Good value for the money (57% vs. 24%)
    - Reliable (53% vs. 20%)
    - Safe (48% vs. 20%)
    - Easy to plan and arrange (64% vs. 36%)
    - Relax/Get away from it all (69% vs. 43%)
    - Explore a vacation area to return later (61% vs 35%)

- When considering planning a cruise, 93% of travelers 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 (29%)
    - Convenience of the ability to drive (26%)
    - Reduced hassle of flying (20%)

- 69% 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	8.7	8.7
The price	7.3	7.1
Best opportunity to relax and unwind	7.1	7.1
Fit my vacation schedule/days available	6.5	7.0
Offered a unique experience	7.0	6.6
The convenience	6.8	6.6
The particular hotel/resort property or cruise ship	6.5	5.1
Good programs for children and family	3.8	4.4

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 Popular Cruise Destinations 2005

		2005 vs. 2004 Percent change
Caribbean	**40.69%**	**.77%**
Mediterranean	12.6%	.31%
Alaska	8.3%	8.51%
Mexico (West Coast)	**7.45%**	**19.31%**
Europe	7.14%	-26.96%
Bahamas	**5.69%**	**20.26%**
Hawaii	3.76%	10.57%
Trans Canal	**3.52%**	**-7.23%**
South America	**1.83%**	**30.20%**
Bermuda	1.72%	.35%
Canada/New England	1.52%	-21.12%

Economic Impact of Cruise Industry on Destinations

Highlights of the 2000 Economic Impact Study conducted by Business Research & Economic Advisors (BREA) and PricewaterhouseCoopers (PwC) 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 over $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 $103.88, and average spending per port of call by crew members was $72.06.**

- Almost **80%** of cruise passengers reported a high degree of satisfaction with the destinations they visited while on the cruise vacation.

- The typical cruise ship carrying 2,000 passengers and 900 crew members conservatively generates **$300,000 in passenger and crew expenditures during a single port-of-call visit.**

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.

We are pleased to note that in conjunction with CTO (Caribbean Tourism Organization) and CHA (Caribbean Hotel Association), 19 destinations (Antigua, Aruba, Bahamas, Barbados, Belize, Cayman Islands, 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.) in partnership with the FCCA are embarking on an Economic Impact Study being conducted by BREA (Business Research and Economic Advisors) that will be released at the FCCA Caribbean Cruise Conference and Trade Show in the Cayman Islands this October, 2006.