



Florida-Caribbean Cruise Association

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Cruise Industry Overview - 2010

State of the Cruise Industry

Based on third quarter 2009 results and fourth quarter estimates, we are forecasting that a record 13.445 million passengers cruised in 2009, an increase of 440,000 guests over 2008, with 10.29 million originating in North America. Coupled with an annual occupancy percentage that exceeded 104% in 2009, this 3.4% annual passenger growth for 2009 shows an industry where demand continues to outstrip supply, even in the harshest economic environments.

In 2009 alone, fourteen new ships debuted, from AMA Waterways, Avalon Waterways, Carnival, Celebrity, Costa, MSC Cruises, Royal Caribbean International, Seabourn, Silversea Cruises and Uniworld with guest capacities ranging from 82 to 5,400 passengers, sailed the world's waters for the first time.

The industry's growth is headlined by the Caribbean, which continues to rank as the dominant cruise destination, accounting for 37.02% of all itineraries in 2009, versus 37.25% in 2008, 41.02% in 2007 and 46.69% in 2006. Despite the decrease in capacity, passenger numbers have continued to increase for the Caribbean to record numbers.

In 2010, the growth of the cruise industry continues as we enter an era distinguished by twelve additional innovative, feature-rich ships, international ports-of-call and convenient departures from proximal embarkation cities. The current cruise ship order book extends from 2010 through 2012 and now includes 26 new builds (23 ocean-going vessels and 3 European cruise riverboats), with 54,000 berths at a value of nearly \$15 billion.

The selling environment in 2010 is likely to remain challenging for all providers of goods and services, including travel, due to the global economic environment. Recent signs of recovery are welcome and should improve the overall sales climate. Cautious optimism is the forecast for 2010 following a year whereby the cruise industry performed admirably despite difficult market conditions. Based on known ship additions and deletions in 2010, the industry forecasts 14.3 million guests in 2010, a 6.3% increase over 2009.

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 1.6 million children under the age of 18 sailed with their families in 2009.

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.



FLORIDA-
CARIBBEAN
CRUISE
ASSOCIATION

FCCA Member Lines

AIDA Cruises

Azamara Club Cruises

Carnival Cruise Lines

Celebrity Cruises

Costa Cruise Lines

Cunard Line

Disney Cruise Line

Holland America Line

MSC Cruises (USA) Inc.

Norwegian Cruise Line

Ocean Village

P&O Cruises

Princess Cruises

Royal Caribbean International

Seabourn Cruise Line

What is the FCCA?

The Florida-Caribbean Cruise Association (FCCA) is a not-for-profit trade organization composed of 15 Member 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/public 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

AIDA Cruises, Azamara Club Cruises, Carnival Cruise Lines, Celebrity Cruises, Costa Cruise Lines, Cunard Line Ltd, Disney Cruise Line, Holland America Line, MSC Cruises (USA) Inc., Norwegian Cruise Line, Ocean Village, P&O Cruises, Princess Cruises, Royal Caribbean International, Seabourn Cruise Line.

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 Outreach Program** – FCCA training seminars provide destination partners with valuable information regarding cruise passengers – their 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** – 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.
 - **Taxi Pride** – This presentation geared towards taxi drivers, tour operators and vendors providing ground transportation is an entertaining and informative workshop that focuses on five 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 *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 at the \$ 300 level for the FCCA Gala Dinner
- One complimentary registration for the FCCA Cruise Conference & Trade Show
- Private lunch and meeting at the FCCA Cruise Conference & Trade Show
- Serving on FCCA's Platinum Associate Member Advisory Council (PAMAC)
- Complimentary registration on annual PAMAC Cruise
- Invitations to inaugural events & cruises
- Complimentary registration for the PAMAC Conference
- 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 region. In its 16 years of existence, the Foundation has impacted thousands of Caribbean citizens by providing millions in funding to causes and charities throughout the region. Programs include:

- **Holiday Gift Project** – The FCCA reaches out to the Caribbean and Latin American destinations by providing 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 2009, 31 destinations participated in the program, with over 7,000 children receiving holiday gifts.

- **Foundation Events** (*every penny raised going to needy causes in the Caribbean and Latin America*):
 - **FCCA Online Auction** – This project, which takes place in December each year, 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.
 - **FCCA Gala** – The Gala was created by the Member Lines 16 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.

FCCA Magazines and Publications

- **Cruising** – Published quarterly, Cruising is the official magazine of the FCCA and cruise industry that serves to educate and bring about an understanding of the cruise industry's inner-workings. With a circulation of over 18,000, the magazine offers advertisers direct access to over 13,000 travel agents, 5,000 industry partners, and key 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 on 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 Member Lines executives, FCCA Associate and Platinum members as well as all the Ministers of Tourism within partner destinations.
- **Conference and Gala Program** – Delegates who attend these functions receive comprehensive programs packed with useful FCCA schedules, information and accomplishments.

FCCA Cruise Conference & Trade Show

For many cruise executives, destinations, suppliers and tour operators, this is the premier industry event of the year, 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 2010, the Conference will be held in Santo Domingo, Dominican Republic, October 25-29.

The Annual Golf Tournament has become an important resource for meeting top executives in an exclusive casual atmosphere. Play in a foursome hosted by a Cruise Executive and contribute to a worthy cause, the FCCA Foundation. The Golf Tournament will take place on Monday, October 25, 2010.

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

- The industry forecasts 14.3 million passengers in 2010, a 6.3% increase over 2009.
- In 2009 a record of 13.445 million passengers are forecasted to cruise (a 3% annual increase), with 10.29 million originating in 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 approximately 7.4% per annum.
- Since 1990, over 154 million passengers have taken a 2+ day cruise. Of this number, over 68% of the total passengers have been generated in the past 10 years and nearly 40% in the past 5 years.
- The average length of cruises is nearly 7 days (7.2 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% (104% in 2009).
- The Caribbean is the number one destination, with 37.02% of capacity in 2009.
- 26 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 nearly \$15 billion US.

Cruise Passenger Profile

- CLIA defines the cruiser target market as adults 25 years or older, with household earnings of \$40,000+. This segment represents 43% of the total US population.
- Of the total US population that is 25 years or older, with household earnings of \$40,000+, 44.6% indicates that they have taken a cruise, with 22.7% having cruised in the past three years.
- It is estimated that only 19.9% of the total US population has cruised ever and 9.9% have done so within the last three years.
- Cruisers spend, on average, approximately \$1,770 per person, per week for their cruise and other vacations as compared to non-cruise vacationers who spend an average of \$1,200.
- Cruisers average age is 50 years of age with a household income of \$109,000. 69% are college graduates and post-graduates. 86% are married and 62% 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.

- 80% of cruise passengers think that cruising is an important vehicle for sampling destination areas to which they may return. Cruisers indicate they return for land-based vacations as follows: Caribbean (50%), Bahamas (21%), Hawaii (13%), Mexico (13%), Europe (12%), and Alaska (11%).
- Cruisers are not exclusively cruisers; they are frequent vacationers that cruise as part of their vacation mix. They average approximately three (2.9) trips each year with 21% of their total vacations being a cruise.
- Cruisers generally plan their cruise trip an average of 5.6 months in advance.
- Cruisers primarily travel with their spouse (75%), followed by children under 18 (25%), friends (23%), and other family members (21%).
- Internal sources primarily dominate the major influences for both vacations and cruises:
 - Destination websites (39%)
 - Word of mouth referrals (33%)
 - Spouses (32%)
 - Cruise websites (28%)

- When comparing cruising to other vacations, cruisers are more likely than non-cruisers to consider cruising:
 - Explore a vacation area to return later (62% vs. 30%)
 - Good value for the money (53% vs. 22%)
 - Offers something for everyone (59% vs. 31%)
 - Reliable (49% vs. 22%)
 - Safe (45% vs. 18%)
 - Relax/get away from it all (63% vs. 37%)
 - Hassle-free (58% vs. 32%)
 - Fun vacation (53% vs. 28%)
- About three-quarters (74%) of all cruise passengers book at least some of their cruises through travel agents.
- For cruise passengers, the largest benefits to having more cruise embarkation points available are:
 - Drive-to convenience (71%)
 - Cost savings (67%)
 - Fewer airport hassles (64%)
- 72% of potential cruisers indicate that having more “close to home” ports will increase their likelihood of cruising in the next three years.

Most Appealing Destinations to Cruise

Caribbean	43%
Alaska	25%
Bahamas	25%
Hawaii	15%
Mediterranean/Greek Islands/Turkey	14%
Bermuda	11%
Europe	9%
Panama Canal	8%
Mexico (West Coast)	8%

Source for the following: CLIA 2008 Market Profile Study

Criteria for Making Vacation Decisions

	Cruisers	Non-Cruiser-Vacationers
Chance to Visit Several Locations	73%	50%
Being Pampered	62%	45%
Fine Dining	62%	41%
Luxurious	58%	42%
Relax/Get Away From It All	63%	37%
Unique & Different	56%	39%
Variety of Activities	58%	35%
Explore Vacation Area/Return Later	62%	30%
High Quality Entertainment	55%	36%
Hassle-free	58%	32%
Easy to Plan and Arrange	57%	33%
Offers Something for Everyone	59%	31%
Exciting and Adventurous	53%	32%
Fun Vacation	53%	28%
Romantic Getaway	46%	35%
Makes Me Feel Special- Rich & Famous	46%	30%
Good Value for the Money	53%	22%
Reliable	49%	22%
Good Vacation for Entire Family	46%	23%
Cultural Learning Experience	40%	24%
Safe	45%	18%
Comfortable Accommodations	38%	21%
Good Activities for Children	35%	24%
Participate in Sports You Enjoy	22%	16%

Survey Question:

Q11. How do you think cruise vacations compare to other vacations you've taken? Are cruises much better, somewhat better, the same, somewhat worse, or much worse than your other vacations in terms of...

Economic Impact of Cruise Industry on Destinations

Highlights of the 2009 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 29 participating destinations during the 2008-2009 cruise year generated \$2.2 billion in direct spending by passengers, crew and cruise lines.
- Cruise-related expenditures generated 56,000 jobs throughout the Caribbean. These cruise generated jobs paid \$720 million in wage income to Caribbean residents.
- Average cruise passenger spending per port of call was \$97.26, and average spending per port of call by crew members was \$89.24.
- Cruise passengers were, in general, very satisfied with their Caribbean cruise vacation with a mean score of 7.3 (Very Satisfied) for "Visit Met Expectations" (Using a 10-point scale with 10 being the highest and 1 being the lowest).
- Over 50% of cruise passengers that visited the Caribbean were likely to return within the next three years. More so, 70.7% of cruise parties that completed the surveys stated that this had been their first visit to the destination.
- The typical cruise ship carrying 2,550 passengers and 480 crew members conservatively generates \$285,773 in passenger and crew expenditures during a single port-of-call visit.
(Total spending amount is based on 85% of passenger arrivals and 38% crew arrivals)

It is, therefore, clear that the cruise industry's economic impact in the Caribbean and Latin American 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.

2009 participating destinations included: Acapulco, Antigua, Aruba, Bahamas, Barbados, Belize, Cayman Islands, Cartagena, Costa Rica, Cozumel, Curacao, Dominica, Dominican Republic, Ensenada, Grenada, Guatemala, Honduras, Huatulco, Jamaica, Key West, Martinique, Nicaragua, San Juan, St. Kitts, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Trinidad and Tobago, Turks and Caicos, and U.S.V.I.

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- General Liability / Third-Party Liability Coverage
- Contingent Auto Liability Coverage
- Contingent Watercraft Liability Coverage
- Claims Consulting Services
- Loss Control Services

With more than 40 Aon and Aon Affiliate offices located throughout the Caribbean and Latin America, we stand ready to serve the needs of the F-CCA membership.

To inquire about Aon services for F-CCA Members, **contact: Hellen Mena Savitt**, Aon Risk Services, p: +1.305.961.6231, e: hellen_savitt@ars.aon.com