

Contribution of Cruise Tourism to the Economies of Europe 2010

Country Report Spain



Prepared for

The European Cruise Council

September 2011

Spain

Including the Canary Islands, Spain is the second largest destination market for cruise passengers in Europe behind Italy with some 4.9 million cruise passengers having visited Spanish ports in 2010. In addition, 1.15 million passengers embarked on cruises from Spanish ports in 2010, the second highest country total behind Italy. While Spain does participate in all aspects of the cruise industry, passenger and cruise line spending accounts for more than 80% of the cruise industry's direct expenditures in Spain.

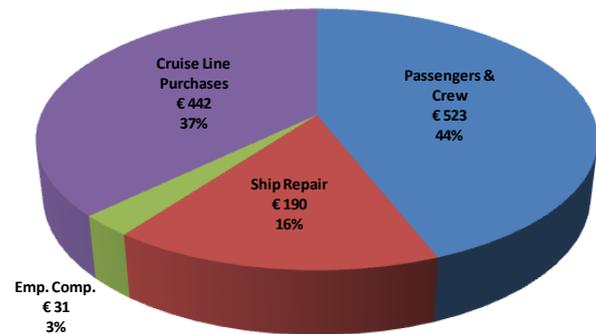
Quick Facts

- Major cruise ports: Barcelona, Balearics (Palma Majorca, Port Mahon, Ibiza), Valencia, Alicante, Cartagena, Malaga, Cadiz, Vigo, A Coruna, Canary Islands (Las Palmas, Santa Cruz, Arrecife).
- Global cruise passengers sourced from Spain:
 - 2005: 379,000;
 - 2006: 391,000;
 - 2007: 518,000;
 - 2008: 497,000;
 - 2009: 587,000;
 - 2010: 645,000.
- Cruise passengers embarking on cruises from Spanish ports:
 - 2005: 586,700;
 - 2006: 716,400;
 - 2007: 918,000;
 - 2008: 1,038,000;
 - 2009: 991,000;
 - 2010: 1,155,000.
- Cruise passenger visits to Spanish ports-of-call:
 - 2005: 2,600,000;
 - 2006: 2,778,000;
 - 2007: 3,191,000;
 - 2008: 3,600,000;
 - 2009: 4,118,000;
 - 2010: 4,911,000.
- Cruise industry expenditures in Spain:
 - 2005: € 683 million;
 - 2006: € 780 million;
 - 2007: € 947 million;
 - 2008: €1,078 million;
 - 2009: €1,119 million;
 - 2010: €1,186 million.
- Total employment generated by the cruise industry:
 - 2005: 13,940;
 - 2006: 15,496;
 - 2007: 18,977;
 - 2008: 22,397;
 - 2009: 24,248;
 - 2010: 25,220.
- Total employee compensation generated by the cruise industry:
 - 2005: €422 million;
 - 2006: €480 million;
 - 2007: €601 million;
 - 2008: €693 million;
 - 2009: €729 million;
 - 2010: €764 million.

Direct Cruise Industry Expenditures

Cruise tourism generated €1.19 billion in direct expenditures in Spain in 2010, nearly 8% of the industry's direct expenditures throughout Europe and an increase of 6.0% over 2009. As indicated in the following figure, these expenditures were broadly distributed across the major source segments: passengers, shipbuilding, cruise line purchases and compensation of cruise line employees.

Direct Cruise Industry Expenditures in Spain, 2010
€1.19 Billion



Cruise Line Purchases

Cruise lines spent an estimated €442 million, 37% of the total, with Spanish businesses in support of their administrative and operating activities. As indicated in the following table expenditures by the cruise lines in 2010 increased by 2.6% from 2009.

These purchases included a broad range of products and services and impacted most major industries in the country. Among the major industries that were impacted by cruise tourism expenditures were:

- Food and beverage manufacturers received €27 million in purchases for provisions consumed on board cruise ships.
- Manufacturers of non-durable goods in Spain provided €115 million in goods to the cruise industry. The primary goods were bunker fuels, lubricants and other chemical products, such as paints and cleaning supplies.
- Producers of durable goods, primarily electrical and non-electrical machinery used onboard cruise ships and in administrative offices received €31 million from cruise lines operating in Europe.

Direct Cruise Line Expenditures by Industry, 2009 and 2010 (Excluding Ship Repair)

| Industry | Expenditures (Millions) | | Share of Total |
|--|-------------------------|--------------|----------------|
| | 2009 | 2010 | |
| Agr., Min. & Construction | € 2 | € 2 | 0.5% |
| Manufacturing | € 165 | € 173 | 39.1% |
| Food & Tobacco | € 24 | € 27 | 6.1% |
| Non-durable Goods | € 110 | € 115 | 26.0% |
| Durable Goods | € 31 | € 31 | 7.0% |
| Wholesale Trade | € 35 | € 28 | 6.3% |
| Transportation & Utilities | € 127 | € 132 | 30.0% |
| Finance & Business Services | € 71 | € 75 | 17.1% |
| Personal Services & Gov't | € 31 | € 31 | 7.0% |
| Total | € 431 | € 442 | 100% |

- An estimated €85 million in commissions were paid to Spanish travel agents (included in Transportation and Utilities).
- The cruise industry spent €75 million on financial and business services including: insurance, advertising, engineering and other professional services, computer programming and support services and direct mail and market research.

Cruise Passengers and Crew

Passengers and crew spent an estimated €523 million at ports-of-embarkation and call, accounting for 44% of total cruise industry expenditures in Spain.

- The 645,000 passengers sourced from Spain and the 1.16 million cruise passengers that embarked on their cruises from Spanish ports accounted for nearly half of all passenger spending in Spain. They spent an estimated €249 million on airfares, port fees, lodging, food and beverages, excursions and other purchases at the embarkation ports.
- Around 80% of passenger embarkations were from Barcelona or Palma Majorca.
- An estimated 4.9 million cruise passengers visited Spanish ports-of-call. The top four destinations in Spain accounted for more than 75% of port-of-call visits.
 - Barcelona: 1,084,700;
 - Canary Islands: 1,180,000;
 - Balearic Islands: 974,700;
 - Malaga: 459,100.
- These visits generated an additional €265 million in expenditures for tours, food and beverages and other merchandise.
- Combining the 1.16 million embarkations and the 4.9 million port-of-call visits and excluding airfares, each passenger visit at a Spanish port generated an average expenditure of nearly €65 per passenger visit.
- An estimated 2.6 million crew arrived at Spanish ports in 2010 and spent an estimated €9 million.

Compensation of Cruise Line Employees

Cruise lines spent an estimated €31 million on compensation for employees who resided in Spain during 2010. These expenditures accounted for 3% of total cruise industry expenditures in the country. The cruise lines employed approximately 1,100 residents of Spain in their administrative offices and as crew onboard their ships.

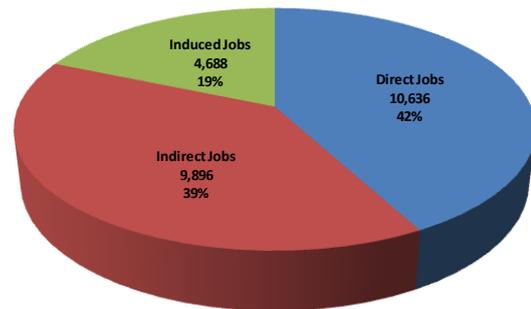
Ship Repair

The cruise industry spent an estimated €190 million with Spanish shipyards primarily for the maintenance of existing cruise ships, 16% of total cruise industry expenditures in Spain.

The Economic Benefits of Cruise Tourism

The €1.19 billion in direct cruise tourism expenditures in Spain during 2010 generated an estimated 25,220 jobs (direct, indirect and induced). This was a 4.0% increase over 2009.

Total Employment Impact in Spain, 2010
25,220 Jobs



Direct Economic Impacts

The direct economic impacts of the cruise industry in Spain are derived from a broad range of activities including:

- Port services and cruise industry employment;
- Transportation of cruise passengers from their place of residence to the ports-of-embarkation;
- Travel agent commissions;
- Spending for tours and pre- and post-cruise stays in port cities of Spain;
- Passenger spending for retail goods in Spanish port cities; and
- Purchases of supplies by the cruise lines from businesses in Spain.

The 10,636 direct jobs that were generated by cruise-related expenditures paid €344 million in employee compensation. These jobs included the employees of the cruise lines, the direct suppliers to the cruise lines and the employees of those establishments that provide goods and services to cruise passengers. As shown in the following table, the total direct employment impact increased by 4.2% and the wage impact rose by 5.2% from 2009.

Direct Cruise Industry Economic Impacts by Industry, 2009 and 2010

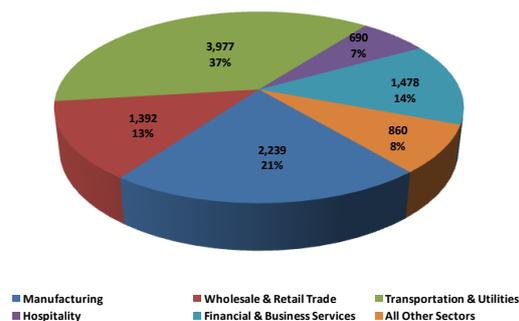
| Industry | Direct Jobs | Direct Wages (Millions) | 2010 | |
|------------------------------------|--------------|-------------------------|---------------|-------------------------|
| | | | Direct Jobs | Direct Wages (Millions) |
| | | | 2009 | |
| Agric., Min. & Constr. | 21 | € 1 | 21 | € 1 |
| Manufacturing | 2,318 | € 76 | 2,239 | € 73 |
| Non-durable Goods | 428 | € 21 | 439 | € 22 |
| Durable Goods | 1,890 | € 55 | 1,800 | € 51 |
| Wholesale & Retail Trd | 1,239 | € 21 | 1,392 | € 24 |
| Transport & Util. ① | 3,895 | € 138 | 3,977 | € 147 |
| Hospitality | 591 | € 17 | 690 | € 19 |
| Finance & Business Ser. | 1,472 | € 38 | 1,478 | € 37 |
| All Other Sectors | 667 | € 36 | 839 | € 43 |
| Total | | € 327 | 10,636 | € 344 |

① Includes Spanish employees of the cruise lines and their compensation.

The direct jobs generated by the cruise industry are located on cruise ships, at manufacturing plants that provide goods consumed by passengers and crew on cruise ships and structural metal products and machinery used in ship building and repair, and tour operators that provide shore excursions purchased by cruise passengers.

- During 2010, Spanish manufacturers employed over 2,200 workers, 21% of the direct jobs, to provide the cruise industry with a wide range of goods. These workers were paid €73 million in compensation which accounted for nearly 21% of the direct compensation impacts.
 - Durable goods manufacturers accounted for 80% of the direct manufacturing impacts in Spain. Businesses in this segment of manufacturing employed an estimated 1,800 workers in 2010 primarily in the construction of fabricated metal products and machinery. The impacted employees in this industry received €51 million in compensation.
 - Over 400 jobs were generated in non-durable goods industries which, in turn, produced €22 million in employee income. These workers primarily produced food and beverage and other hotel items used and consumed on cruise ships.
- The Wholesale and Retail Trade sector employed an estimated 1,392 workers, 13% of the direct employment impacts. These employees were paid wages and benefits of €24 million.
- The Transportation and Utilities sector employed nearly 4,000 workers, 37% of the total direct jobs, in support of the cruise industry. These included employees of the cruise lines, lorry drivers who deliver goods to cruise ships, and tour operators that provide onshore excursions for cruise passengers. Also included are employees in the power generation and communication industries. In aggregate these workers received €147 million in compensation, 43% of the direct compensation impacts in Spain.
- Financial and business service providers employed an estimated 1,478 persons. These included employees of insurance companies and agencies, advertising and market research firms, computer programming companies, engineering and management consulting firms, law firms and accounting agencies. Their compensation totalled an estimated €37 million.
- Almost 700 workers were employed in hotels, restaurants and amusement enterprises as a direct result of passenger spending as part of their cruise vacations. These workers were paid an estimated €19 million in wages and benefits.

Direct Employment by Sector, 2010
10,636 Jobs



- Finally, an estimated 860 jobs were generated elsewhere in the Spanish economy, principally personal services and government that yielded €44 million in income. These included

photographers, health care employees and social service providers among others.

Indirect and Induced Economic Impacts

The indirect economic benefits derived from the cruise industry result in part from the additional spending by the suppliers to the cruise industry. For example, food processors must purchase raw foodstuffs for processing; utility services, such as electricity and water, to run equipment and process raw materials; transportation services to deliver finished products to the cruise lines or wholesalers; and insurance for property and employees. Consequently, the indirect jobs are generated in virtually every industry with a concentration in those industries that produce goods and services for business enterprises.

The induced economic benefits are derived from the spending activities of those directly and indirectly employed as a result of the European cruise industry. This spending supports jobs in retailing, the production of consumer goods, residential housing and personal and health services.

As indicated in the following table, an estimated 14,584 indirect and induced jobs were generated throughout Spain by the cruise industry in 2010. These jobs generated €420 million in employee compensation. Relative to 2009, the indirect and induced employment impacts increased by 3.8% and the compensation impacts increased by 4.5%.

Indirect and Induced Economic Impacts by Industry, 2009 and 2010

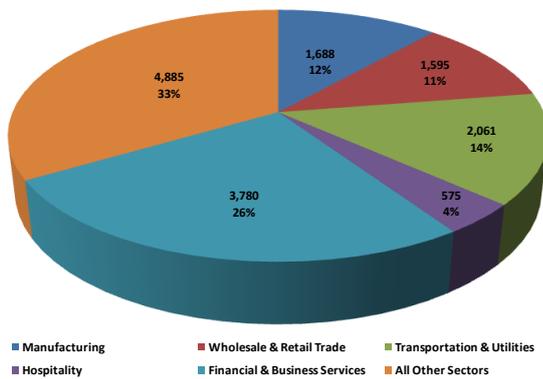
| Industry | 2009 | | 2010 | |
|------------------------------------|-------------------------|-------------------------------------|-------------------------|-------------------------------------|
| | Indirect & Induced Jobs | Indirect & Induced Wages (Millions) | Indirect & Induced Jobs | Indirect & Induced Wages (Millions) |
| Agric., Min. & Constr. | 2,217 | € 44 | 2,196 | € 44 |
| Manufacturing | 1,684 | € 46 | 1,688 | € 47 |
| Non-durable Goods | 763 | € 16 | 779 | € 17 |
| Durable Goods | 921 | € 30 | 909 | € 30 |
| Wholesale & Retail Trd | 1,502 | € 25 | 1,595 | € 26 |
| Transportation & Util. | 1,949 | € 74 | 2,061 | € 80 |
| Hospitality | 493 | € 15 | 575 | € 17 |
| Finance & Business Ser. | 3,576 | € 109 | 3,780 | € 116 |
| Personal Serv & Gov't | 2,624 | € 89 | 2,689 | € 90 |
| Total | 14,045 | € 402 | 14,584 | € 420 |

② Transportation equipment includes shipbuilding, but also the manufacture of other transportation equipment, such as automobiles, buses, trucks, airplanes, railroad stock and so on.

- The indirect and induced impacts of cruise industry spending generated nearly 1,700 jobs within the Manufacturing sector during 2010, 12% of the total indirect and induced employment impacts. Fifty-four percent of these jobs were in non-durable goods industries, highlighting the importance of provisioning cruise ships and the impact of the induced economic impacts. Impacted manufacturing employees were paid an estimated €47 million in compensation.
- The Finance and Business Services sector accounted for 26% of the indirect and induced employment impacts and 28% of the compensation impacts with an estimated 3,780 jobs and €116 million in wages and benefits. The indirect impacts measured in this sector are primarily concentrated in the insurance, legal, accounting and professional services industries.

- The Transportation & Utilities sector in Spain benefited from nearly 2,100 indirect and induced jobs, 14% of the total indirect and induced employment impacts. This reflects the strong inter-industry linkages within the transportation sector, as well as, the heavy usage of a variety of transportation services to supply businesses with their inputs and to deliver consumer goods to retail outlets. These workers were paid an estimated €80 million in compensation.
- Combined, the Trade and Hospitality sectors benefited from nearly 2,200 indirect and induced jobs, 15% of the indirect and induced employment impacts. The trade jobs were primarily among wholesale trade establishments, while the hospitality jobs were concentrated among hotels and eating and drinking establishments. Compensation of these workers totalled €43 million.
- The remaining industries, which include Agriculture, Mining, Construction, Personal Services and Government benefited with an estimated 4,885 jobs and €134 million in employee compensation.

Indirect and Induced Employment by Sector, 2010
14,584 Jobs



Total Employment Impacts

As indicated in the following table an estimated 25,220 total jobs, comprising direct, indirect and induced employment, were generated throughout Spain by the cruise industry in 2010. The workers who held these jobs earned €764 million in employee compensation. The total employment impacts in Spain in 2010 increased by 4.0% from 2009 while the total compensation impacts rose by 4.8%.

- Manufacturers in Spain employed almost 4,000 workers, 16% of the total jobs, and paid them €120 million in wages and benefits.
- Finance and Business Services accounted for 21% of the total employment impacts with an estimated 5,258 jobs and €153 million in compensation.
- Combined, the Trade and Hospitality sectors accounted for 17% of the total employment impacts with an estimated 4,252 total jobs and €86 in employee income.
- Transportation & Utilities accounted for 24% of the total employment impacts with an estimated 6,038 jobs, including the administrative staff and crew of the cruise lines that reside in Spain. These workers received €227 million in remuneration.

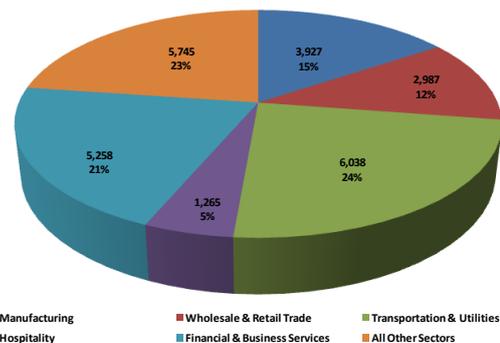
Total Cruise Industry Economic Impacts by Industry, 2009 and 2010

| Industry | 2009 | | 2010 | |
|------------------------------------|---------------|------------------------|---------------|------------------------|
| | Total Jobs | Total Wages (Millions) | Total Jobs | Total Wages (Millions) |
| Agric., Min. & Constr. | 2,238 | € 45 | 2,217 | € 45 |
| Manufacturing | 4,002 | € 122 | 3,927 | € 120 |
| Non-durable Goods | 1,191 | € 37 | 1,218 | € 39 |
| Durable Goods | 2,811 | € 85 | 2,709 | € 81 |
| Wholesale & Retail Trd. | 2,741 | € 46 | 2,987 | € 50 |
| Transportation & Util. | 5,844 | € 212 | 6,038 | € 227 |
| Hospitality | 1,084 | € 32 | 1,265 | € 36 |
| Finance & Business Ser. | 5,048 | € 147 | 5,258 | € 153 |
| Personal Serv & Gov't | 3,291 | € 125 | 3,528 | € 133 |
| Total | 24,248 | € 729 | 25,220 | € 764 |

- ① Includes Spanish employees of the cruise lines and their compensation.
- ② Transportation equipment includes shipbuilding, but also the manufacture of other transportation equipment, such as automobiles, buses, trucks, airplanes, railway rolling stock and so on.

- An estimated 5,745 total jobs, amounting to 23% of the total employment impacts were generated in the remaining sectors of Spanish economy. These jobs were concentrated in the agriculture, mining, personal services and construction industries. These workers were paid €178 million in wages and benefits.

Total Employment by Sector, 2010
25,220 Jobs



Thus, in Spain just over 21 jobs were generated for every €1 million in direct cruise industry expenditures. Furthermore, the average job generated by the cruise industry paid just over €30,000 in employee compensation.

Given the direct impacts of 10,636 jobs and €344 million in employee compensation, the effective economic multipliers for the cruise industry in Spain were 2.37 for employment and 2.22 for compensation.