

Contribution of Cruise Tourism to the Economies of Europe 2011

Country Report Germany



Prepared for

The European Cruise Council

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Germany

Germany participates in all aspects of the industry from shipbuilding to crewing, to serving as an embarkation market. However, shipbuilding makes the largest contribution to the cruise industry's economic impact in Germany, having accounted for more than 50% of the industry's direct economic impact in 2011. Furthermore, Germany is the second largest source market for cruise passengers in Europe behind the UK with an estimated 1.39 million residents of Germany having purchased cruises in 2011. Finally, around 375,000 passengers embarked on cruises from German ports in 2011. This was the fourth highest country total in Europe.

During 2011, Germany experienced further growth in passenger activity with passengers sourced from Germany having increased by 14% and embarkations by 4%. However, port-of-call visits increased by 50% after increasing by 36% in 2009. Combined with increases in cruise line expenditures for shipbuilding and other goods and services, total direct expenditures by the cruise industry in Germany increased by 10% during 2011 after growing by 20% in 2010.

Quick Facts

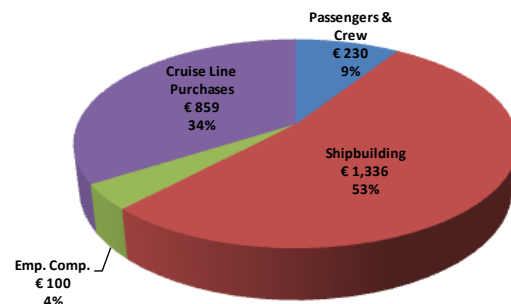
- Major cruise ports: Kiel, Rostock-Warnemunde, Hamburg and Bremerhaven.
- Major cruise shipyards: Meyer Werft, Lloyd Werft, Blohm + Voss.
- Global cruise passengers sourced from Germany:
 - 2006: 705,000;
 - 2007: 763,000;
 - 2009: 907,000;
 - 2009: 1,027,000;
 - 2010: 1,219,000;
 - 2011: 1,388,000.
- Cruise passengers embarking on cruises from German ports:
 - 2006: 200,900;
 - 2007: 292,000;
 - 2008: 215,000;
 - 2009: 273,000;
 - 2010: 361,000;
 - 2011: 375,000.
- Cruise passenger visits to German ports-of-call:
 - 2006: 256,500;
 - 2007: 215,700;
 - 2008: 196,000;
 - 2009: 328,400;
 - 2010: 210,000;
 - 2011: 315,000.
- Cruise industry expenditures in Germany:
 - 2006: €1.7 billion;
 - 2007: €2.1 billion;
 - 2008: €2.4 billion;
 - 2009: €1.9 billion;
 - 2010: €2.3 billion;
 - 2011: €2.5 billion.

- Total employment generated by the cruise industry:
 - 2006: 29,930;
 - 2007: 36,136;
 - 2008: 41,560;
 - 2009: 31,395;
 - 2010: 36,084;
 - 2011: 39,238.
- Total employee compensation generated by the cruise industry:
 - 2006: €1.15 billion;
 - 2007: €1.37 billion;
 - 2008: €1.57 billion;
 - 2009: €1.09 billion;
 - 2010: €1.31 billion;
 - 2011: €1.43 billion.

Direct Cruise Industry Expenditures

Cruise tourism generated €2.52 billion in direct expenditures in Germany in 2011, 17% of the industry's direct expenditures throughout Europe. Buoyed by a 13% increase in shipbuilding expenditures and a 13% growth in passenger and crew spending, total direct cruise industry expenditures in Germany rose by 9% from 2010. 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 Germany, 2011 €2.52 Billion



Shipbuilding

The cruise industry spent an estimated €1.34 billion with German shipyards for new buildings and the maintenance and refurbishment of existing cruise ships, 53% of total cruise industry expenditures in Germany.

- The €1.34 billion in expenditures in Germany accounted for 35% of the cruise industry's total expenditures for shipbuilding and refurbishment among all European shipyards during 2011, a significant increase on 2010 when the German share was 28%.
- More than 90% of these expenditures covered the work-in-progress for the construction of new cruise ships.
- German shipyards are building 8 of the 24 cruise ships on order from the end of 2011, representing 39% of the new capacity and 39% of the new investment during 2012-16.
- German ship repair yards were the leading yards in Europe for major cruise ship conversions.

Cruise Line Purchases

Cruise lines spent an estimated €859 million, 34% of the total, with German businesses in support of their administrative and operating activities. As indicated in the following table expenditures by the cruise lines in 2011 increased by 3% from 2010.

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 tobacco manufacturers received €85 million in purchases for provisions consumed on board cruise ships.
- An estimated €62 million was spent on other non-durable goods, primarily bunker fuel, lubricants and other chemical products, such as paints and cleaning supplies.
- Another €108 million was spent for metal products and machinery such as fabricated sheet metal, hardware supplies, material handling equipment and computers.
- An estimated €168 million in commissions were paid to German travel agents (included in Transportation and Utilities).
- The cruise industry spent €279 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.

Direct Cruise Line Expenditures by Industry, 2010 and 2011 (Excluding Ship Repair)

Industry	Expenditures (Millions)		Share of Total
	2010	2011	2011
Agr., Min. & Construction	€ 2	€ 2	0.2%
Manufacturing	€ 277	€ 313	36.4%
Food & Tobacco	€ 77	€ 85	9.9%
Other Non-durable Goods	€ 58	€ 62	7.2%
Metals & Machinery	€ 101	€ 108	12.6%
Other Durable Goods	€ 41	€ 58	6.7%
Wholesale Trade	€ 29	€ 29	3.4%
Transportation & Utilities	€ 201	€ 214	24.9%
Finance & Business Services	€ 301	€ 279	32.5%
Personal Services & Gov't	€ 20	€ 22	2.6%
Total	€ 830	€ 859	100%

Cruise Passengers

Passengers and crew spent an estimated €230 million at ports-of-embarkation and call, accounting for 9% of total cruise industry expenditures. Expenditures by passengers and crew increased by 13% from 2010.

- The 1.4 million passengers sourced from Germany and the 375,000 cruise passengers that embarked on their cruises from German ports accounted for 93% of all passenger spending in Germany. They spent an estimated €212 million on airfares, port fees, lodging, food and beverages, excursions and other purchases in Germany.
- An estimated 375,000 cruise passengers visited German ports-of-call. One port, Warnemunde (est. 200,000), accounted for over 50% of cruise passenger visits to Germany in 2011 with Hamburg and Kiel the other principal ports.

- These visits generated an additional €15 million in expenditures for tours, food and beverages and other merchandise.
- Combining the 375,000 embarkations and the 315,000 port-of-call visits and excluding airfare expenditures, each passenger visit at a German port generated an average expenditure of €66 per passenger visit.
- An estimated 300,000 crew arrived at German ports in 2011 and spent an estimated €3.0 million.

Compensation of Cruise Line Employees

Cruise lines spent an estimated €100 million on compensation for employees who resided in Germany during 2011. These expenditures accounted for 4% of total cruise industry expenditures in the country. The cruise lines employed nearly 4,000 residents of Germany in their administrative offices and as crew onboard their ships.

The Economic Benefits of Cruise Tourism

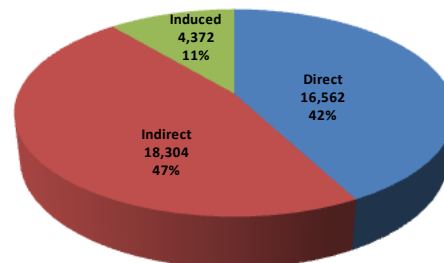
The €2.52 billion in direct cruise tourism expenditures in Germany during 2011 generated an estimated 39,238 jobs (direct, indirect and induced). This was a 9% increase from 2010.

Direct Economic Impacts

The direct economic impacts of the cruise industry in Germany 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 Germany;
- Passenger spending for retail goods in German port cities; and
- Purchases of supplies by the cruise lines from businesses in Germany.

Total Employment Impact in Germany, 2011 39,238 Jobs



The 16,562 direct jobs that were generated by cruise-related expenditures paid €688 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 a result of the 15% increase in employment in financial and business services, the total direct employment impact increased by 6% and the wage impact rose by 8% from 2010.

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.

As indicated in the following table the direct employment impacts are broadly based and include the following.

Direct Cruise Industry Economic Impacts by Industry, 2010 and 2011

Industry	Direct Jobs		Direct Wages (Millions)	
	2010	**	2011	**
Agr., Min. & Constr.	21	**	21	**
Manufacturing	6,599	€ 354	6,538	€ 360
Food & Tobacco	470	€ 14	486	€ 14
Other Non-durable Gds	241	€ 10	233	€ 11
Metals & Machinery	582	€ 25	452	€ 21
Shipbuilding & Repair	5,049	€ 297	5,122	€ 306
Other Durable Goods	257	€ 8	245	€ 8
Wholesale & Retail Trd	415	€ 13	460	€ 14
Transport & Util. ①	4,766	€ 152	4,982	€ 161
Hospitality	336	€ 6	421	€ 7
Finance & Business Ser.	3,047	€ 102	3,500	€ 127
All Other Sectors	486	€ 13	640	€ 19
Total	15,670	€ 640	16,562	€ 688

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

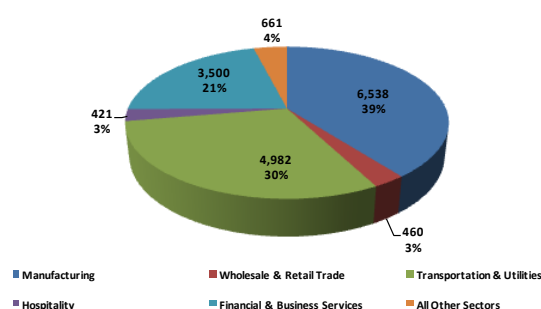
** Compensation is less than €500,000.

- During 2011, German manufacturers employed over 6,500 workers, slightly fewer than in 2010, to provide the cruise industry with a wide range of goods. These workers accounted for 39% of the direct jobs and were paid €360 million in compensation which accounted for 52% of the direct compensation impacts.

- The shipbuilding industry accounted for 78% of the direct manufacturing impacts in Germany. German shipyards employed an estimated 5,122 workers in 2011 on the construction of new cruise ships and the refurbishment and repair of existing ships. The impacted employees in this industry received €306 million in compensation.
- An estimated 486 jobs were generated in the food, beverage and tobacco industry which, in turn, produced €14 million in employee income. These workers produced food and beverage items consumed on cruise ships.
- Another 452 workers were employed in the metals and machinery industries to produce fabricated metal products, such as tanks and other sheet metal products, computers, material handling equipment, engine parts and communication equipment used in offices and cruise ships. These employees earned €21 million in compensation.
- Around 245 jobs were generated in the manufacture of other durable goods, including furniture and medical equipment. These workers received €8 million in earnings.

- The Wholesale and Retail Trade sector employed an estimated 460 workers, nearly 3% of the direct employment impacts. These employees were paid wages and benefits of €14 million.
- The Transportation and Utilities sector employed nearly 5,000 workers, 30% of the total direct jobs, in support of the cruise industry. These included employees of the cruise lines, truckers 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 communications industries. In aggregate these workers received €161 in compensation, 33% of the direct compensation impacts in Germany.
- Financial and business service providers employed an estimated 3,500 persons, 21% of the total direct jobs. 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 €127 million.
- An estimated 421 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 €7 million in wages and benefits.
- Finally, an estimated 661 jobs were generated elsewhere in Germany economy, principally personal services and government that yielded €19 million in income. These included photographers, health care employees and social service providers among others.

Direct Employment by Sector, 2011 16,562 Jobs



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 table below, an estimated 22,676 indirect and induced jobs were generated throughout Germany by the cruise industry in 2011. These jobs generated €745 million in employee compensation. Relative to 2010, the indirect and induced employment and wage impacts each increased by 11%.

- The indirect and induced impacts of cruise industry spending generated over 4,800 jobs within the manufacturing sector during 2010, 21% of the total indirect and induced employment impacts. Almost 74% of these jobs were in the metals, machinery and transportation equipment industries, highlighting the importance of shipbuilding activity in particular as a component of the cruise industry in Germany. Impacted manufacturing employees were paid an estimated €219 million in compensation.
- The Finance and Business Services sector accounted for 38% of the indirect and induced employment impacts and 35% of the compensation impacts with just over 8,700 jobs and €259 million in wages and benefits. The indirect impacts measured in this sector are primarily concentrated in the insurance, legal, accounting and professional services industries.

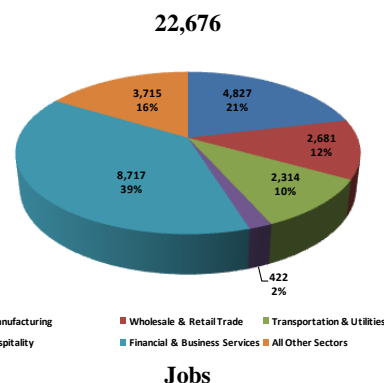
Indirect and Induced Economic Impacts by Industry, 2010 and 2011

Industry	2010		2011	
	Indirect & Induced Jobs	Indirect & Induced Wages (Millions)	Indirect & Induced Jobs	Indirect & Induced Wages (Millions)
Agric., Min. & Constr.	602	€ 14	774	€ 17
Manufacturing	4,633	€ 209	4,827	€ 219
Food & Tobacco	148	€ 5	173	€ 5
Other Non-durable Gds	472	€ 23	517	€ 26
Metals & Machinery	2,711	€ 115	2,730	€ 116
Transportation Eq. ②	737	€ 43	831	€ 49
Other Durable Goods	565	€ 23	576	€ 23
Wholesale & Retail Trd	2,543	€ 75	2,681	€ 79
Transportation & Util.	2,041	€ 73	2,314	€ 83
Hospitality	377	€ 6	422	€ 7
Finance & Business Ser.	7,604	€ 222	8,717	€ 259
All Other Sectors	2,614	€ 72	2,941	€ 81
Total	20,414	€ 671	22,676	€ 745

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 Transportation & Utilities sector in Germany benefited from an estimated 2,314 indirect and induced jobs, 10% 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 €83 million in compensation.

Indirect and Induced Employment by Sector, 2011



- Combined, the Trade and Hospitality sectors benefited from the 3,103 indirect and induced jobs, 14% 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 €86 million.
- The remaining industries, which include Agriculture, Mining, Construction, Personal Services and Government benefited with an estimated 3,715 jobs and €98 million in employee compensation.

Total Employment Impacts

As indicated in the following table an estimated 39,238 total jobs, comprising direct, indirect and induced employment, were generated throughout Germany by the cruise industry in 2011. The workers who held these jobs earned €1.43 billion in employee compensation. The total employment impacts in Germany and the total compensation impacts increased by 9% in 2011, compared with 2010.

Total Cruise Industry Economic Impacts by Industry, 2010 and 2011

Industry	2010		2011	
	Total Jobs	Total Wages (Millions)	Total Jobs	Total Wages (Millions)
Agric., Min. & Constr.	623	€ 14	795	€ 17
Manufacturing	11,232	€ 563	11,365	€ 579
Food & Tobacco	618	€ 19	659	€ 19
Other Non-durable Gds	713	€ 33	750	€ 37
Metals & Machinery	3,293	€ 140	3,182	€ 137
Transportation Eq. ②	5,786	€ 340	5,953	€ 355
Other Durable Goods	822	€ 31	821	€ 31
Wholesale & Retail Trd.	2,958	€ 88	3,141	€ 93
Transportation & Util.	6,807	€ 225	7,296	€ 244
Hospitality	713	€ 12	843	€ 14
Finance & Business Ser.	10,651	€ 324	12,217	€ 386
All Other Sectors	3,100	€ 85	3,581	€ 100
Total	36,084	€ 1,311	39,238	€ 1,433

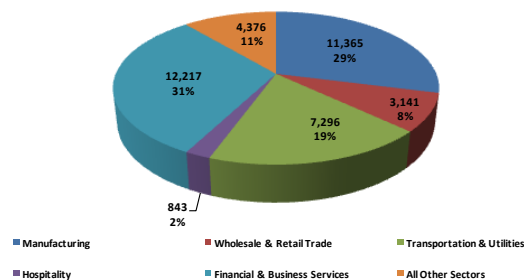
① Includes Germany employees of the cruise lines and their compensation.

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

- Manufacturers in Germany employed 11,365 workers, 29% of the total jobs, and paid them €579 million in wages and benefits.

- Finance and Business Services accounted for 31% of the total employment impacts with more than 12,200 jobs and €324 million in compensation.
- Combined, the Trade and Hospitality sectors accounted for 10% of the total employment impacts with nearly 4,000 total jobs and €107 million in employee income.
- Transportation & Utilities accounted for 19% of the total employment impacts with an estimated 7,296 jobs, including the administrative staff and crew of the cruise lines that reside in Germany. These workers received €244 million in remuneration.
- Nearly 4,400 total jobs, amounting to 11% of the total employment impacts were generated in the remaining sectors of German economy. These jobs were concentrated in the agriculture, mining, personal services and construction industries. These workers were paid €117 million in wages and benefits.

Total Employment by Sector, 2011
39,238 Jobs



Thus, in Germany almost 16 jobs were generated for every €1 million in direct cruise industry expenditures. Furthermore, the average job generated by the cruise industry paid approximately €36,500 in employee compensation.

Given the direct impacts of 16,562 jobs and €688 million in employee compensation, the effective economic multipliers for the cruise industry in Germany were 2.37 for employment and 2.08 for compensation.