

Contribution of Cruise Tourism to the Economies of Europe 2011

Country Report Italy



Prepared for

**The European Cruise Council
Euroyards**

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Italy

Italy continues to be the major centre for cruise activity in Europe. The country participates in all aspects of the industry from shipbuilding, to crewing, to serving as a destination market. Despite the contraction in cruise ship construction in 2011, Italy is expected to share with Germany the major part of cruise ship building during 2012-16 with 10 new ships under order with Italian ship yards accounting for 36% of the gross tonnage under construction in Europe. Italy has also led all European countries in cruise embarkations throughout the five-year period from 2006 through 2011.

After falling into a virtual tie with Greece for in-transit visits during 2009, Italy resumed its status as the number one cruise destination in Europe with 5.4 million intransit visits in 2010 and 6.5 million in 2011. As a result, Italy was the beneficiary of the largest share of cruise industry expenditures in Europe and consequently had the highest economic impact, accounting for approximately 30% of the industry's economic impacts in Europe during 2011, including direct expenditures, total jobs and total compensation.

Quick Facts

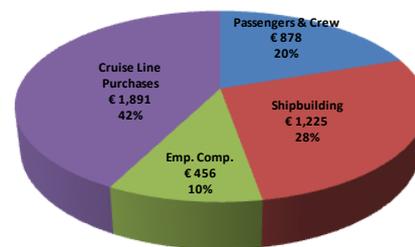
- Major cruise ports: Venice, Naples, Civitavecchia, Livorno, Genoa, Savona, Palermo, Bari, and Messina.
- Global cruise passengers sourced from Italy:
 - 2006: 517,000;
 - 2007: 640,000;
 - 2008: 682,000;
 - 2009: 799,000;
 - 2010: 889,000;
 - 2011: 923,000.
- Cruise passengers embarking on cruises from Italian ports:
 - 2006: 1,133,000;
 - 2007: 1,541,300;
 - 2008: 1,682,000;
 - 2009: 1,703,500;
 - 2010: 1,887,600;
 - 2011: 1,861,000.
- Cruise passenger visits to Italian ports-of-call:
 - 2006: 3,411,000;
 - 2007: 4,180,600;
 - 2008: 4,993,000;
 - 2009: 4,956,000;
 - 2010: 5,403,000;
 - 2011: 6,471,000.
- Cruise industry expenditures in Italy:
 - 2006: €3.2 billion;
 - 2007: €4.0 billion;
 - 2008: €4.3 billion;
 - 2009: €4.3 billion;
 - 2010: €4.5 billion;
 - 2011: €4.45 billion.
- Total employment generated by the cruise industry:
 - 2006: 74,287;
 - 2007: 90,545;
 - 2008: 97,152;
 - 2009: 96,076;
 - 2010: 99,057;
 - 2011: 100,089.

- Total employee compensation generated by the cruise industry:
 - 2006: €2.3 billion;
 - 2007: €2.8 billion;
 - 2008: €3.0 billion;
 - 2009: €2.8 billion;
 - 2010: €3.0 billion;
 - 2011: €3.04 billion.
- Major cruise shipyards: Fincantieri at Ancona, Monfalcone (Trieste), Marghera (Venice) and Sestri (Genoa), and T. Mariotti (Genoa), together with ship repair facilities including Fincantieri (Palermo) and San Giorgio del Porto (Genoa).

Direct Cruise Industry Expenditures

Cruise tourism generated €4.45 billion in direct expenditures in Italy in 2011, 31% of the industry's direct expenditures throughout Europe and a two per cent decline 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 Italy, 2011 €4.45 Billion



Shipbuilding

The cruise industry spent an estimated €1.23 billion with Italian shipyards for new buildings and the maintenance and refurbishment of existing cruise ships, 32% of total cruise industry expenditures in Italy and a 24% decline from 2010.

- The €1.23 billion in expenditures in Italy accounted for 32% of the cruise industry's total expenditures for shipbuilding and refurbishment among all European shipyards during 2011.
- Nearly 85% of these expenditures covered the work-in-progress for the construction of new cruise ships.
- Italian shipyards will be building 10 of the 24 cruise ships on order from the end of 2011, representing 37% of the new lower berth capacity and 38% of new investment in the cruise fleet during the 2012-16 period.

Cruise Passengers and Crew

Passengers and crew spent an estimated €878 million at Italian ports-of-embarkation and call, accounting for 20% of total cruise industry expenditures in Italy.

- The 923,000 passengers sourced from Italy and the 1.86 million cruise passengers that embarked on their cruises from Italian ports accounted for 49% of all passenger spend-

ing in Italy. They spent an estimated €417 million on airfares, port fees, lodging, food and beverages, excursions and other purchases in Italy.

- Another 6.47 million cruise passengers visited Italian ports-of-call. The top seven ports-of-call in Italy during 2011, namely Civitavecchia, Naples, Livorno, Palermo, Messina, Bari and Venice, accounted for 80% of these visits.
- These visits generated an additional €433 million in expenditures for tours, food and beverages and other merchandise.
- Combining the 1.86 million embarkations and the 6.47 million port-of-call visits and excluding airfare expenditures, each passenger visit at an Italian port generated an average expenditure of about €70 per passenger visit.
- An estimated 3.51 million crew arrived at Italian ports in 2011 and spent an estimated €28 million.

Cruise Line Purchases

Cruise lines spent an estimated €1.89 billion, 30% of the total, with Italian businesses in support of their administrative and operating activities. As indicated in the following table and led by the growth in the manufacturing, especially nondurable goods, and business service sectors, expenditures by the cruise lines in 2011 increased by 11% from 2010.

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

Industry	Expenditures (Millions)		Share of Total
	2010	2011	2011
Agr., Min. & Construction	€ 1	€ 1	0.1%
Manufacturing	€ 823	€ 938	49.6%
Food & Tobacco	€ 170	€ 190	10.0%
Other Non-durable Goods	€ 284	€ 335	17.7%
Metals & Machinery	€ 278	€ 310	16.5%
Other Durable Goods	€ 91	€ 103	5.4%
Wholesale Trade	€ 132	€ 148	7.8%
Transportation & Utilities	€ 324	€ 357	18.9%
Finance & Business Services	€ 283	€ 315	16.6%
Personal Services & Gov't	€ 133	€ 132	7.0%
Total	€ 1,696	€ 1,891	100%

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 €190 million in purchases for provisions consumed on board cruise ships. These expenditures increased by nearly 12% from 2010 driven primarily by the increase in cruise passenger arrivals and embarkations.
- An estimated €335 million was spent on other non-durable goods, primarily bunker fuel, lubricants and other chemical products, such as paints and cleaning supplies, an increase of approximately 18%.
- Another €310 million was spent for metal products and machinery such as fabricated sheet metal, hardware supplies, material handling equipment, computers and other equipment that are inputs in the shipbuilding industry. Overall,

cruise line spending among manufacturers of durable goods increased by about 12% from 2010.

- An estimated €191 million in commissions were paid to Italian travel agents (included in Transportation and Utilities).
- The cruise industry spent €318 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. This was an increase of 11% from 2010.

Compensation of Cruise Line Employees

Cruise lines spent an estimated €456 million on compensation for employees who resided in Italy during 2011, an increase of 9.4% from 2010. These expenditures accounted for 10% of total cruise industry expenditures in the country. The cruise lines employed over 13,000 residents of Italy in their administrative offices and as crew onboard their ships.

The Economic Benefits of Cruise Tourism

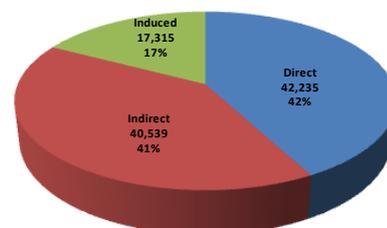
The €4.45 billion in direct cruise tourism expenditures in Italy during 2011 generated an estimated 100,089 jobs (direct, indirect and induced). This represented a one percent increase from 2009.

Direct Economic Impacts

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

Total Employment Impact in Italy, 2011 100,089 Jobs



The 42,235 direct jobs that were generated by cruise-related expenditures paid €1.33 billion 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. The direct employment and income impacts were virtually unchanged 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.

Direct Cruise Industry Economic Impacts by Industry, 2010 and 2011

Industry	2010		2011	
	Direct Jobs	Direct Wages (Millions)	Direct Jobs	Direct Wages (Millions)
Agr., Min. & Constr.	10	**	10	**
Manufacturing	14,732	€ 488	12,856	€ 420
Food & Tobacco	580	€ 17	639	€ 19
Other Non-durable Gds	571	€ 24	779	€ 32
Metals & Machinery	2,085	€ 70	2,378	€ 77
Shipbuilding & Repair	10,880	€ 360	8,322	€ 271
Other Durable Goods	616	€ 17	738	€ 21
Wholesale & Retail Trd	3,034	€ 38	3,345	€ 43
Transport & Util. Ⓞ	17,351	€ 618	17,931	€ 640
Hospitality	1,721	€ 30	2,147	€ 39
Finance & Business Ser.	3,097	€ 75	3,387	€ 98
All Other Sectors	2,180	€ 77	2,559	€ 90
Total	42,125	€ 1,326	42,235	€ 1,330

Ⓞ Includes Italian employees of the cruise lines and their compensation.

** Compensation is less than €250,000.

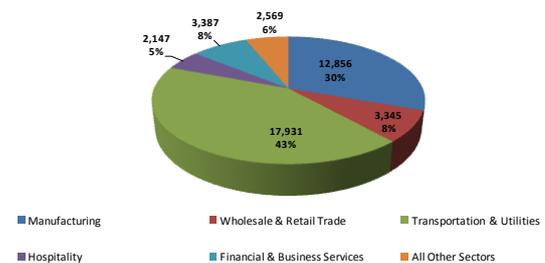
As indicated in the above table the direct employment impacts are broadly based and include the following.

- During 2011, Italian manufacturers employed some 12,856 workers, 30% of the direct jobs, to provide the cruise industry with a wide range of goods. These workers were paid €420 million in compensation which accounted for 32% of the direct compensation impacts. Overall, manufacturing employment and wages declined by 12.7% and 13.9%, respectively, from 2010.
- The shipbuilding industry accounted for approximately 65% of the direct manufacturing impacts in Italy. Italian shipyards employed an estimated 8,332 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 €271 million in compensation. The direct employment and compensation impacts in Italy's shipyards declined by about 25% from 2010.
- An estimated 639 jobs were generated in the food, beverage and tobacco industry which, in turn, produced €19 million in employee income. These workers produced food and beverage items consumed on cruise ships.
- Another 2,378 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 €77 million in compensation.
- More than 700 jobs were generated in the manufacture of other durable goods, including furniture and medical

equipment. These workers received €21 million in earnings.

- The Wholesale and Retail Trade sector employed an estimated 3,345 workers, 8% of the direct employment impacts. These employees were paid wages and benefits of €43 million.
- The Transportation and Utilities sector employed more than 17,900 workers, 42% 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 workers in this sector received €640 million in compensation, 47% of the direct compensation impacts in Italy.
- An estimated 3,387 persons were employed by financial and business service providers. 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 €98 million.
- An estimated 2,147 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 €39 million in wages and benefits.
- Finally, an estimated 2,569 jobs were generated elsewhere in the Italian economy, principally personal services and government that yielded €90 million in income. These included photographers, health care employees and social service providers among others.

Direct Employment by Sector, 2011 42,235 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.

Indirect and Induced Economic Impacts by Industry, 2010 and 2011

Industry	Indirect & Induced Jobs		Indirect & Induced Wages (Millions)	
	2010	2011	2010	2011
Agric., Min. & Constr.	10,947	€ 110	11,806	€ 124
Manufacturing	13,795	€ 473	13,513	€ 482
Food & Tobacco	639	€ 17	691	€ 19
Other Non-durable Gds	3,050	€ 128	3,158	€ 137
Metals & Machinery	6,318	€ 219	6,049	€ 218
Transportation Eq. ②	2,054	€ 67	1,883	€ 64
Other Durable Goods	1,734	€ 42	1,732	€ 44
Wholesale & Retail Trd	7,830	€ 92	7,913	€ 97
Transportation & Util.	6,811	€ 322	6,939	€ 344
Hospitality	2,403	€ 51	2,444	€ 54
Finance & Business Ser.	13,455	€ 542	13,489	€ 570
All Other Sectors	1,691	€ 36	1,750	€ 39
Total	56,932	€ 1,626	57,854	€ 1,710

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

As indicated in the table above, an estimated 57,854 indirect and induced jobs were generated throughout Italy by the cruise industry in 2011. These jobs generated €1.71 billion in employee compensation. Relative to 2010, the indirect and induced employment impacts increased by 1.6% and the compensation impacts grew by 5.2%.

- The indirect and induced impacts of cruise industry spending generated just over 13,500 jobs within the manufacturing sector during 2011, 23% of the total indirect and induced employment impacts. Approximately 60% 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 Italy. Impacted manufacturing employees were paid an estimated €482 million in compensation.
- The Finance and Business Services sector accounted for 23% of the indirect and induced employment impacts and 33% of the compensation impacts with nearly 13,500 jobs and €570 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 Italy benefited from an estimated 6,939 indirect and induced jobs, 12% 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 €344 million in compensation.
- Combined, the Trade and Hospitality sectors benefited from more than 10,300 indirect and induced jobs, 18% 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 €151 million.

- The remaining industries, which include Agriculture, Mining, Construction, Personal Services and Government benefited with an estimated 13,556 jobs and €163 million in employee compensation.

Indirect and Induced Employment by Sector, 2011 57,854 Jobs



Total Employment Impacts

As indicated in the following table an estimated 100,089 total jobs, comprising direct, indirect and induced employment, were generated throughout Italy by the cruise industry in 2011. The workers who held these jobs earned just over €3.0 billion in employee compensation. The total employment impacts in Italy in 2011 increased by 1.0% from 2010 while the total compensation impacts increased by 3.0%.

Total Cruise Industry Economic Impacts by Industry, 2010 and 2011

Industry	Total Jobs		Total Wages (Millions)	
	2010	2011	2010	2011
Agric., Min. & Constr.	10,957	€ 110	11,816	€ 124
Manufacturing	28,527	€ 961	26,369	€ 902
Food & Tobacco	1,219	€ 34	1,330	€ 38
Other Non-durable Gds	3,621	€ 152	3,937	€ 169
Metals & Machinery	8,403	€ 289	8,427	€ 295
Transportation Eq. ②	12,934	€ 427	10,205	€ 335
Other Durable Goods	2,350	€ 59	2,470	€ 65
Wholesale & Retail Trd.	10,864	€ 130	11,258	€ 140
Transportation & Util.	24,162	€ 940	24,870	€ 984
Hospitality	4,124	€ 81	4,591	€ 93
Finance & Business Ser.	16,552	€ 617	16,876	€ 668
All Other Sectors	3,871	€ 113	4,309	€ 129
Total	99,057	€ 2,952	100,089	€ 3,040

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

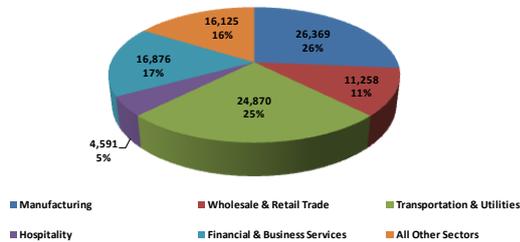
② Transportation equipment includes shipbuilding, but also the manufacture of other transportation equipment, such as automobiles, buses, trucks, airplanes, railroad stock, etc.

- Manufacturers in Italy employed over 26,400 workers, 26% of the total jobs, and paid them €902 million in wages and benefits.
- Finance and Business Services accounted for 17% of the total employment impacts with an estimated 16,876 jobs and €668 million in compensation.
- Combined, the Trade and Hospitality sectors accounted for 16% of the total employment impacts with nearly 16,000 total jobs and €233 million in employee income.
- Transportation & Utilities accounted for 25% of the total employment impacts with just under 24,900 jobs, including

the administrative staff and crew of the cruise lines that reside in Italy. These workers received €984 million in remuneration.

- More than 16,100 total jobs, amounting to 16% of the total employment impacts were generated in the remaining sectors of Italian economy. These jobs were concentrated in the agriculture, mining, personal services and construction industries. These workers were paid €253 million in wages and benefits.

Total Employment by Sector, 2011
100,089 Jobs



Thus, in Italy approximately 22 jobs were generated for every €1 million in direct cruise industry expenditures. Furthermore, the average job generated by the cruise industry paid nearly €30,400 in employee compensation.

Given the direct impacts of 42,235 jobs and €1.33 billion in employee compensation, the effective economic multipliers for the cruise industry in Italy were 2.37 for employment and 2.29 for compensation.