

Contribution of Cruise Tourism to the Economies of Europe 2010

Country Report France



Prepared for

The European Cruise Council

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France

France receives significant economic benefits from the cruise industry and participates in all aspects of the industry. France was the fourth highest cruise destination market in Europe with over 2 million passenger visits in 2010, an 8.5% increase from 2009. It also ranked fifth as a source market for cruise passengers. Finally, France is a major centre for the construction of cruise ships and with an estimated €447 million in cruise industry expenditures for construction and maintenance. While this accounts for 11% of total cruise ship construction expenditures throughout Europe, it represents a 54% decline from 2008.

Quick Facts

- Major cruise ports: Nice-Villefranche, Cannes, Marseille, Ajaccio (Corsica), Toulon and the VAR ports, Le Havre.
- Major cruise shipyards: STX France at Saint-Nazaire.
- Global cruise passengers sourced from France:
 - 2005: 233,000;
 - 2006: 242,000;
 - 2007: 280,000;
 - 2008: 310,000;
 - 2009: 347,000;
 - 2010: 387,000.
- Cruise passengers embarking on cruises from French ports:
 - 2005: 93,000;
 - 2006: 102,300;
 - 2007: 165,700;
 - 2008: 110,000;
 - 2009: 101,800;
 - 2010: 141,000.
- Cruise passenger visits to French ports-of-call:
 - 2005: 1,034,000;
 - 2006: 1,398,000;
 - 2007: 1,343,700;
 - 2008: 1,787,000;
 - 2009: 1,851,000;
 - 2010: 2,010,000.
- Cruise industry expenditures in France:
 - 2005: €536 million;
 - 2006: €849 million;
 - 2007: €1.16 billion;
 - 2008: €1.40 billion;
 - 2009: €1.16 billion;
 - 2010: €972 million.
- Total employment generated by the cruise industry:
 - 2005: 7,265;
 - 2006: 11,072;
 - 2007: 15,092;
 - 2008: 18,265;
 - 2009: 15,128;
 - 2010: 13,012.
- Total employee compensation generated by the cruise industry:
 - 2005: €310 million;
 - 2006: €497 million;
 - 2007: €683 million;
 - 2008: €818 million;
 - 2009: €587 million;
 - 2010: €577 million.

Direct Cruise Industry Expenditures

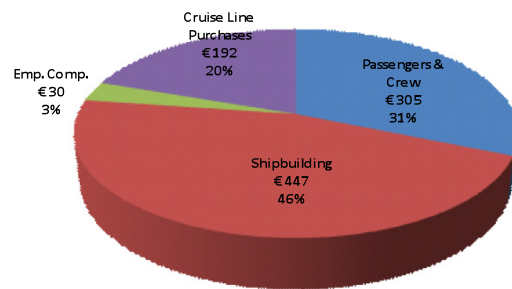
Cruise tourism generated €972 million in direct expenditures in France in 2010, 6.7% of the industry's direct expenditures throughout Europe. As a result of the 54% decrease in shipbuilding expenditures in France since 2008, total direct cruise industry expenditures have also declined by nearly 31% from 2008. 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.

Shipbuilding

The cruise industry spent an estimated €447 million with French shipyards for new buildings and the maintenance and refurbishment of existing cruise ships, 46% of total cruise industry expenditures in France.

- The €447 million in expenditures in France accounted for 11% of the cruise industry's total expenditures for shipbuilding and refurbishment among all European shipyards during 2010.
- Nearly all of these expenditures covered the work-in-progress for the construction of new cruise ships.
- French shipyards are building three of the 23 cruise ships on order from the end of 2010, representing 12% of the new capacity and 12% of new investment during 2011-14.¹

Direct Cruise Industry Expenditures in France, 2010
€972 Million



Cruise Passengers and Crew

Passengers and crew spent an estimated €305 million at ports-of-embarkation and call, accounting for 25% of total cruise industry expenditures in France and a 7% increase over 2009.

- The 387,000 passengers sourced from France and the 141,000 cruise passengers that embarked on their cruises from French ports accounted for 22% of all passenger spending in France. They spent an estimated €72 million on airfares, port fees, lodging, food and beverages, excursions and other purchases in France.
- Just over 2 million cruise passengers visited French ports-of-call. Four port groups, Marseille (est. 441,000) Nice-Villefranche/ Cannes (est. 650,000) and Toulon/ VAR (est. 255,000) accounted for 67% of cruise passenger visits to France in 2010.
- These visits generated an additional €228 million in expenditures for tours, food and beverages and other merchandise.

¹ These figures include the ship originally ordered for a Libyan company, which is expected to be acquired by another operator.

- Combining the 141,000 embarkations and the 2 million port-of-call visits and excluding airfare expenditures, each passenger visit at a French port generated an average expenditure of approximately €115 per passenger visit.
- An estimated 935,000 crew arrived at French ports in 2010 and spent an estimated €5.8 million.

Cruise Line Purchases

Cruise lines spent an estimated €192 million, 20% of the total, with French businesses in support of their administrative and operating activities. As indicated in the following table, expenditures by the cruise lines in 2010 increased by 10% 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:

- Manufacturers of non durable goods received €43 million in purchases primarily for provisions and other hotel supplies consumed and used on board cruise ships
- An estimated €22 million was spent with durable goods manufacturers primarily for fabricated metal products and electrical and non electrical machinery used on cruise ships.
- An estimated €45 million was paid to businesses in the Transportation & Utilities sector, which included travel agents.
- The cruise industry spent €56 million on financial and business services including: insurance, advertising, engineering and other professional services, including computer programming and support services and direct mail and market research.

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

Industry	Expenditures (Millions)		Share of Total
	2009	2010	
Agr., Min. & Construction	**	**	--
Manufacturing	€ 60	€ 65	33.9%
Non durable Goods	€ 42	€ 43	22.4%
Durable Goods	€ 18	€ 22	11.5%
Wholesale Trade	€ 16	€ 17	8.9%
Transportation & Utilities	€ 45	€ 45	23.4%
Finance & Business Services	€ 49	€ 56	29.1%
Personal Services & Gov't	€ 5	€ 9	4.7%
Total	€ 175	€ 192	100%

** Less than €200,000

Compensation of Cruise Line Employees

Cruise lines spent an estimated €30 million on compensation for employees who resided in France during 2010. These expenditures accounted for 3% of total cruise industry expenditures in the country. The cruise lines employed slightly less than 1,000 residents of France in their administrative offices and as crew onboard their ships.

The Economic Benefits of Cruise Tourism

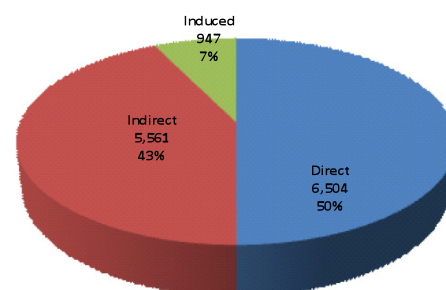
The €972 million in direct cruise tourism expenditures in France during 2010 generated an estimated 13,012 jobs (direct, indirect and induced). This was a 14% decline from 2009.

Direct Economic Impacts

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

Total Employment Impact in France, 2010 13,012 Jobs



The 6,504 direct jobs that were generated by cruise-related expenditures paid €304 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 33% decrease in shipbuilding employment, the total direct employment and wage impacts decreased by 11% and 15% respectively, compared with 2009.

Direct Cruise Industry Economic Impacts by Industry, 2009 and 2010

Industry	2009		2010	
	Direct Jobs	Direct Wages (Millions)	Direct Jobs	Direct Wages (Millions)
Manufacturing	3,543	€ 207	2,512	€ 141
Nondurable Goods	169	€ 11	180	€ 12
Metals & Machinery	64	€ 3	79	€ 4
Shipbuilding & Repair	3,258	€ 191	2,189	€ 123
Other Durable Goods	52	€ 2	64	€ 2
Wholesale & Retail Trd	495	€ 16	532	€ 17
Transport & Util.Ⓞ	1,963	€ 72	2,063	€ 83
Hospitality	461	€ 26	507	€ 27
Finance & Business Ser.	584	€ 23	568	€ 21
All Other Sectors	232	€ 12	322	€ 16
Total	7,278	€ 356	6,504	€ 305

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

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

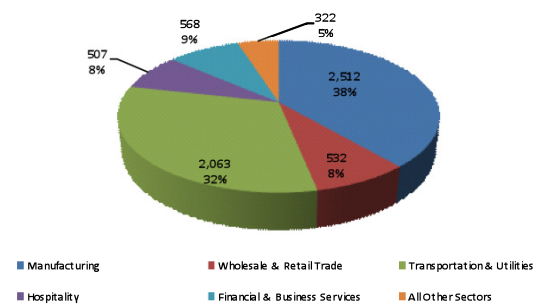
The direct jobs generated by the cruise industry are located on cruise ships, at manufacturing plants that provide goods consumed by passengers and crew on cruise ships and structural metal products and machinery used in ship building and repair, and tour operators that provide shore excursions purchased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

- During 2010, French manufacturers employed just over 2,500 workers, 39% of the direct jobs, to provide the cruise industry with a wide range of goods. These workers were paid €141 million in compensation which accounted for 46% of the direct compensation impacts
 - The shipbuilding industry accounted for more than 87% of the direct manufacturing impacts in France. French shipyards employed an estimated 2,189 workers in 2010 on the construction of new cruise ships and the refurbishment and repair of existing ships. The impacted employees in this industry received €123 million in compensation. The direct employment impact in French shipyards declined by 33% from 2009 while the compensation impact decreased by 36%.
 - An estimated 180 jobs were generated in the manufacture of non-durable goods which, in turn, produced €12 million in employee income. The primary goods were food and beverages and apparel.
 - An estimated 79 workers were employed in the metal 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 €4 million in compensation.
- The Wholesale and Retail Trade sector employed an estimated 532 workers, 8% of the direct employment impacts. These employees were paid wages and benefits of €17 million.
- The Transportation and Utilities sector employed an estimated 2,063 workers, 32% 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 €82 million in compensation, 27% of the direct compensation impacts in France.

- An estimated 568 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 €21 million.
- An estimated 507 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 €27 million in wages and benefits.

Direct Employment by Sector, 2010
6,504 Jobs



- Finally, an estimated 332 jobs were generated elsewhere in the French economy, principally personal services and government that yielded €16 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.

Indirect and Induced Economic Impacts by Industry, 2009 and 2010

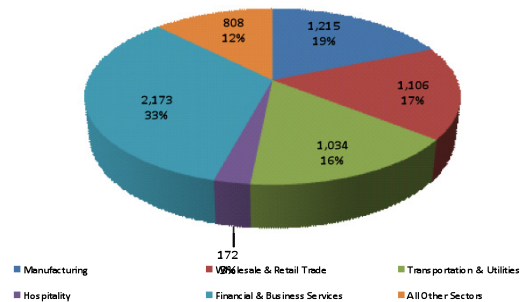
Industry	2009		2010	
	Indirect & Induced Jobs	Indirect & Induced Wages (Millions)	Indirect & Induced Jobs	Indirect & Induced Wages (Millions)
Agric., Min. & Constr.	350	€ 7	302	€ 6
Manufacturing	1,635	€ 84	1,215	€ 62
Non-durable Goods	477	€ 21	433	€ 13
Metals & Machinery	530	€ 23	399	€ 17
Transportation Eq. ②	455	€ 29	309	€ 20
Other Durable Goods	173	€ 11	74	€ 12
Wholesale & Retail Trd	1,309	€ 42	1,106	€ 28
Transportation & Util.	1,138	€ 48	1,034	€ 37
Hospitality	199	€ 8	172	€ 5
Finance & Business Ser.	2,593	€ 115	2,173	€ 96
All Other Sectors	626	€ 27	506	€ 38
Total	7,850	€ 331	6,508	€ 272

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 6,508 indirect and induced jobs were generated throughout France by the cruise industry in 2010. These jobs generated €272 million in employee compensation. Relative to 2009, the indirect and induced employment and compensation impacts declined by 17% and 18% respectively.

- The indirect and induced impacts of cruise industry spending generated an estimated 1,215 jobs within the Manufacturing sector during 2010, nearly 19% of the total indirect and induced employment impacts. Nearly 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 France. Impacted manufacturing employees were paid an estimated €62 million in compensation.
- The Finance and Business Services sector accounted for 33% of the indirect and induced employment impacts and 35% of the compensation impacts with an estimated 2,173 jobs and €96 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 France benefited from an estimated 1,034 indirect and induced jobs, 16% 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 €37 million in compensation.

Indirect and Induced Employment by Sector, 2010 6,508 Jobs



- Combined, the Trade and Hospitality sectors benefited from an estimated 1,278 indirect and induced jobs, nearly 20% 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 €33 million.
- The remaining industries, which include Agriculture, Mining, Construction, Personal Services and Government benefited with an estimated 808 jobs and €44 million in employee compensation.

Total Employment Impacts

As indicated in the following table an estimated 13,012 total jobs, comprising direct, indirect and induced employment, were generated throughout France by the cruise industry in 2010. The workers who held these jobs earned €577 million in employee compensation. The total employment impacts in France in 2010 declined by 14% from 2009 while the total compensation impacts fell by 16%.

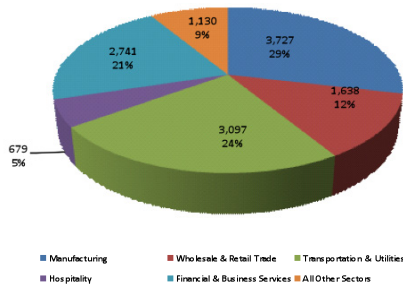
Total Cruise Industry Economic Impacts by Industry, 2009 and 2010

Industry	2009		2010	
	Total Jobs	Total Wages (Millions)	Total Jobs	Total Wages (Millions)
Agric., Min. & Constr.	350	€ 7	302	€ 6
Manufacturing	5,178	€ 291	3,727	€ 203
Non-durable Goods	646	€ 32	613	€ 25
Metals & Machinery	594	€ 26	478	€ 21
Transportation Eq. ②	3,713	€ 220	2,498	€ 143
Other Durable Goods	225	€ 13	138	€ 14
Wholesale & Retail Trd.	1,804	€ 58	1,638	€ 45
Transportation & Util.	3,101	€ 120	3,097	€ 120
Hospitality	660	€ 34	679	€ 32
Finance & Business Ser.	3,177	€ 138	2,741	€ 117
All Other Sectors	858	€ 39	828	€ 54
Total	15,128	€ 687	13,012	€ 577

- ① Includes France 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 France employed just over 3,700 workers, 29% of the total jobs, and paid them €203 million in wages and benefits.

- Finance and Business Services accounted for 21% of the total employment impacts with just over 2,700 jobs and €117 million in compensation.
- Combined, the Trade and Hospitality sectors accounted for 18% of the total employment impacts with just over 2,300 total jobs and €77 million in employee income.
- Transportation & Utilities accounted for 24% of the total employment impacts with an estimated 3,097 jobs, including the administrative staff and crew of the cruise lines that reside in France. These workers received €120 million in remuneration.
- An estimated 1,130 total jobs, amounting to 9% of the total employment impacts were generated in the remaining sectors of French economy. These jobs were concentrated in the agriculture, mining, personal services and construction industries. These workers were paid €60 million in wages and benefits.

Total Employment by Sector, 2010
13,012 Jobs



Thus, in France just over 13 jobs were generated for every €1 million in direct cruise industry expenditures. Furthermore, the average job generated by the cruise industry paid approximately €44,300 in employee compensation.

Given the direct impacts of 6,504 jobs and €305 million in employee compensation, the effective economic multipliers for the cruise industry in France were 2.00 for employment and 1.89 for compensation.