

CRUISING IN VENICE: the economic impact in 2017

RESEARCH REPORT PRESENTATION (Rome, Oct 25)

Anthony La Salandra
Managing director, Risposte Turismo

CRUISING IN VENICE & THE STALEMATE

A brief recap of the stalemate steps and the current situation:

2012

first threshold limit (the “40,000” GRT)

2014

the “**over 96,000 GRT**” **limit** (removed by the Venice’s regional administrative court)

2014

CLIA cruise companies **voluntarily** refrain from bringing ships +96,000 GRT

2018

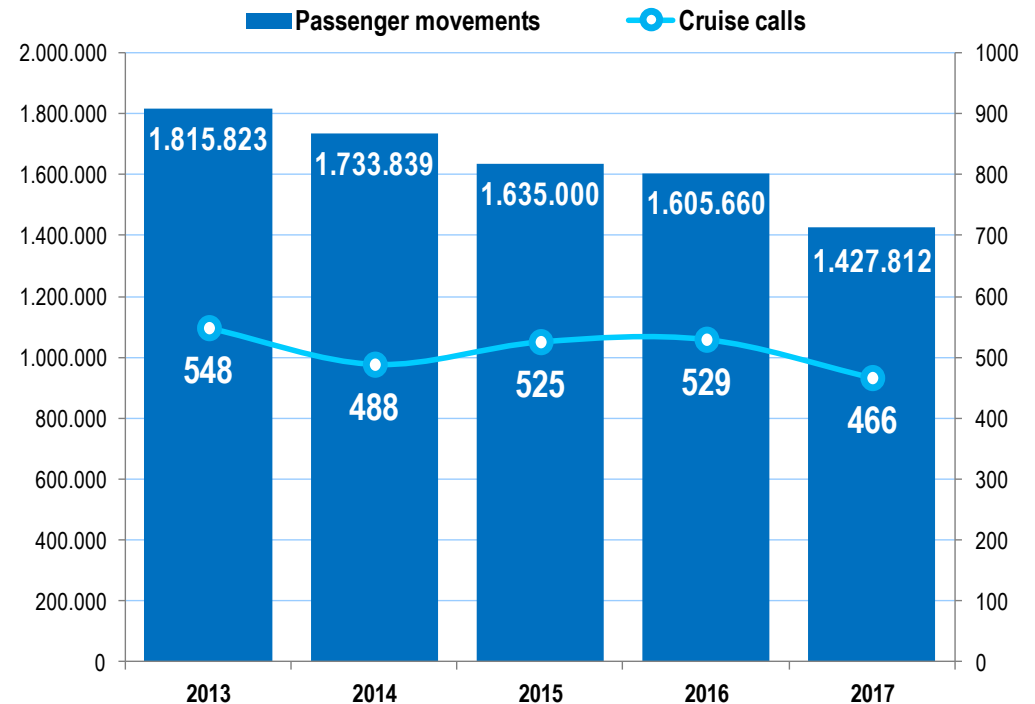
the **Venice Harbormaster's Office new rule** (not based by cruise ship dimension but considers further variables based on an algorithm)

VENICE CRUISE TRAFFIC DECLINE 2013-2017

2017 is the lowest point of the series with the cruise port losing 82 cruise calls (-15%) and almost 400,000 passengers (-21.4%) on its peak.

CRUISE TRAFFIC IN VENICE

Variation Year on Year	Passenger movements	Cruise Calls
2014 on 2013	-4.5%	-10.9%
2015 on 2014	-5.7%	7.6%
2016 on 2015	-1.8%	0.8%
2017 on 2016	-11.1%	-11.9%
2017 on 2013	-21.4%	-15.0%
2017 on 2015	-12.7%	-11.2%
CAGR (2017-2013)	-5.8%	-4.0%



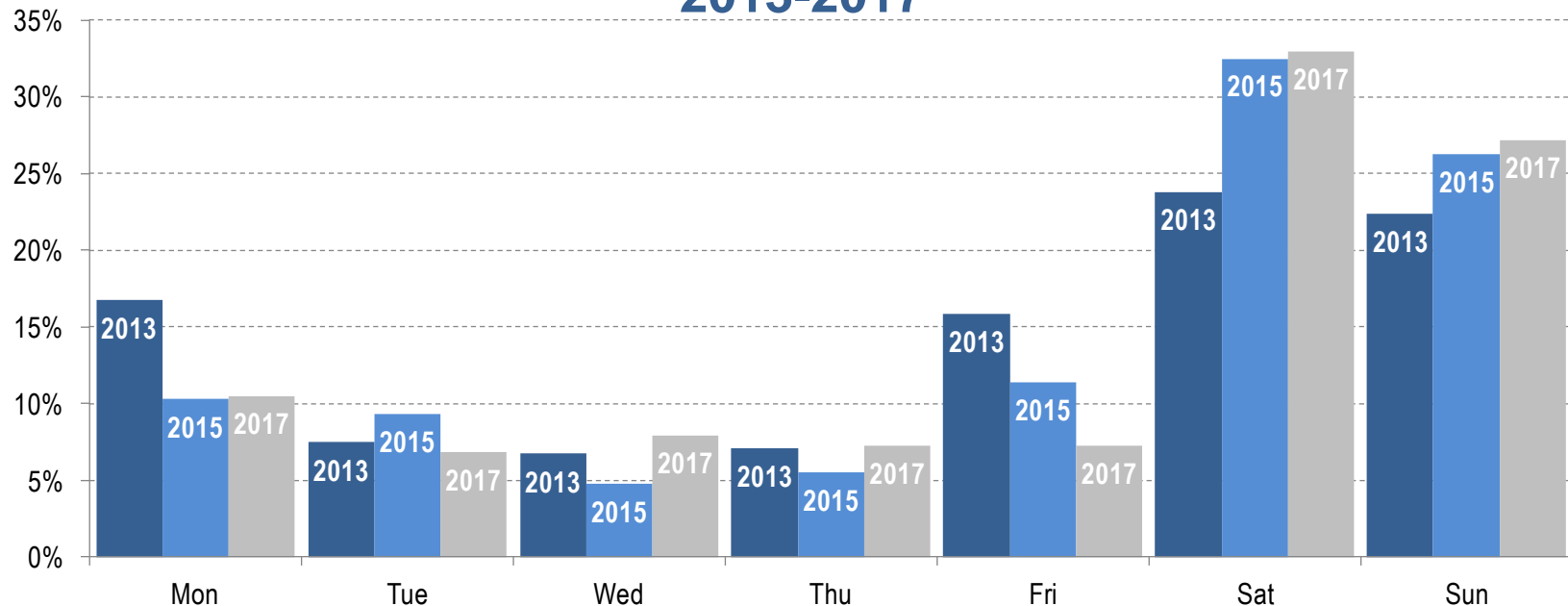
Source: Risposte Turismo.

WEEKLY CONCENTRATION IN VENICE

The traffic concentration during the last two days of the week is increasing.

A concentration that generates the full use of the cruise terminal in some days but, on the other hand, some leakages (jobs, supplies, activities, run with peaks and lows).

WEEKLY DISTRIBUTION OF CRUISE SHIPS BY ARRIVAL DAY, 2013-2017

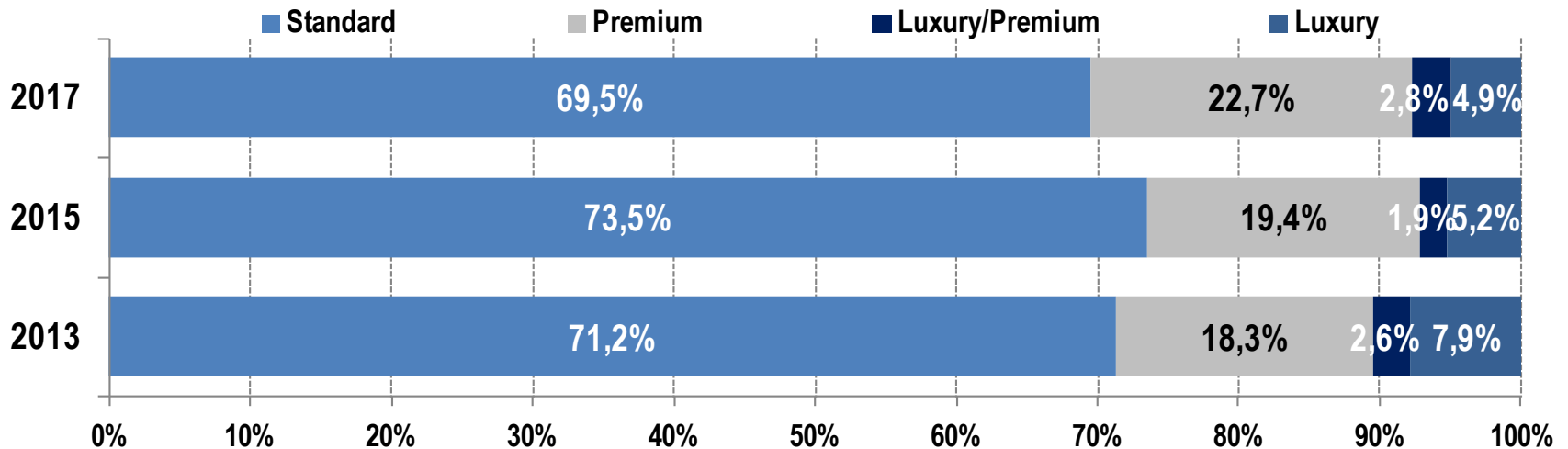


Source: Risposte Turismo.

WHICH SHIPS CALLED VENICE IN 2017

Between 2013 and 2017 a slight reduction of the weight of luxury cruise ships.

CRUISE CALL SHARE IN VENICE BY SHIP CATEGORY, 2013-2015-2017



Source: Risposte Turismo.

Methodology

THE THREE COMPONENTS

DIRECT EXPENDITURE OF CRUISE TOURISTS

DIRECT EXPENDITURE ONSHORE OF CREW MEMBERS

DIRECT EXPENDITURE OF CRUISE SHIPS

People
onshore

This approach implies an underestimation instead of an overestimation of the entire cruise industry phenomenon value.

One example is provided by the values related to the yearly share of middle-long term investments, not included in the provided estimates (such as more than 25.71 million of Euro invested directly from Venezia Terminal Passeggeri from 2013 to 2017).

The 2017 season CRUISE DIRECT ECONOMIC IMPACT

In 2017 cruising in Venice generated more than **150** million Euro in direct expenses.

This means an average of **426,500 euro each day** of the year. If we just consider the days in which at least 1 cruise ship was berth in Venice, this value rise up to **676,000 euro/day**.

70% of the total amount has been generated from cruise tourists, **24%** from cruise ships (so from the cruise companies) and **6%** from crew members.

CRUISE ECONOMIC DIRECT IMPACT IN VENICE



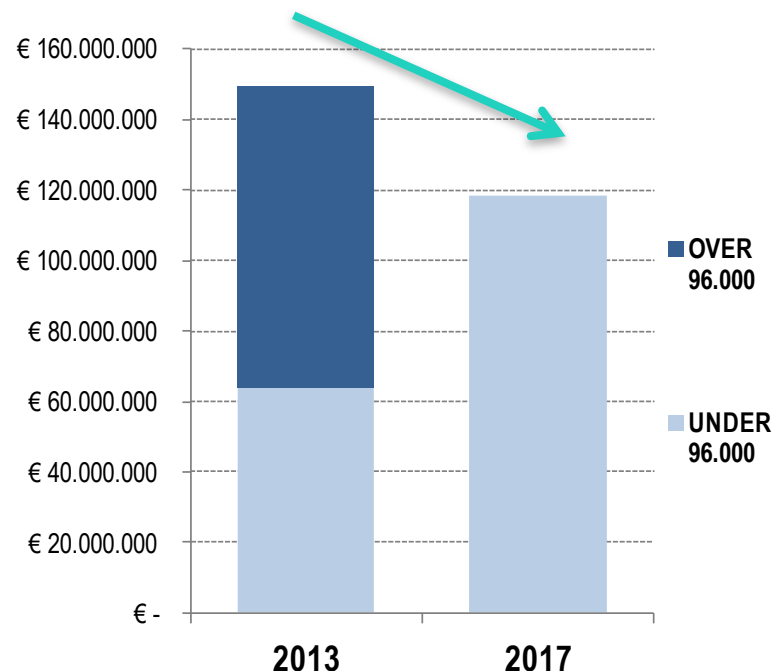
Source: Risposte Turismo . Note: All values in million Euro.

Comparing 2013 and 2017 CRUISERS AND CREW MEMBERS EXPENDITURE VALUES

Since 2013 Venice economy is losing an average of **7,7** million Euro each year and overall more than **73** million Euro, only in relation to direct expenditure values of cruisers and crew members.

Overall variation in 4 years	%	Mln. Euro
2017 on 2013	-26.0%	- 30.9
2017-2013	CAGR - 5.6%	AVG YoY - 7.7

DIRECT EXPENDITURE OF CRUISERS AND CREW MEMBERS IN VENICE

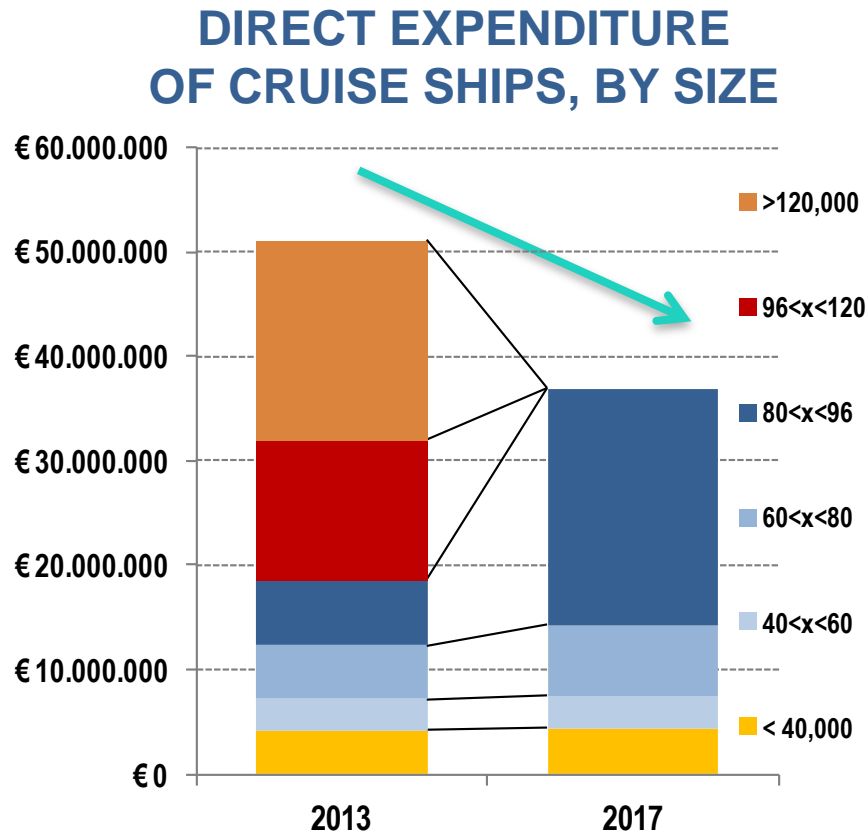


Source: Risposte Turismo on CLIA cruise companies data. Values in Mln Euro. Note (*): estimates.

Comparing 2013 and 2017 CRUISE SHIP EXPENDITURE VALUES

Since 2013 Venice economy is losing an average of **3.55** million Euro each year and overall more than **50.28** million Euro, only in relation to values of cruise ships expenditures in Venice cruise port. The overall impact of cruise ship expenditures lowered from 51 million Euro to 37 in 2017.

Overall variation in 4 years	%	Mln. Euro
2017 on 2013	-27.8%	-14.2YOY
2017-2013	CAGR -7.8%	AVG YoY -3.55



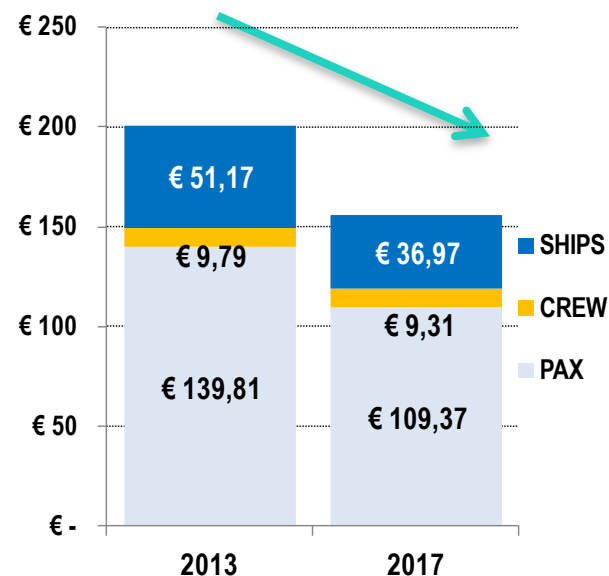
Source: Risposte Turismo on CLIA cruise companies data.

Comparing 2013 and 2017 THE ECONOMIC LOSS IN VENICE

In comparison to what happened in 2013, the 2017 generated in direct expenditure **45** million Euro less for Venice economy. On average, the year on year reduction had been of **11.28** million each of the 4 years. Overall, over **123** million Euros are missing in the Venice economy in the last few years, considering, as point of reference, the economic impact value that emerged in 2013.

CRUISING IN VENICE DIRECT ECONOMIC IMPACT, MLN. EURO

year	PAX	CREW	SHIPS	TOTAL
2013	139.81	9.79	51.17	200.76
2017	109.37	9.31	36.97	155.65
<i>Variation 2017-2013</i>	-22%	-5%	-28%	-22% (-45,11mln. €)
CAGR 2017-2013	-6,0%	-1,2%	-7,8	-6,2%



Source: Risposte Turismo . Note: All values in million Euro.

CRUISE INDUSTRY AND VENICE TOURISM INDUSTRY

The connection between the Venice cruise industry and the Venice tourism industry and its operator is strong, for example, the analysis of the data provided by the cruise companies interviewed for this work let emerge that:

- in Venice cruise companies can offer to their tourists large variety of possible **organized shorex excursion with prices that can range from 25 Euro up to 250 Euro per person** (a value that excludes further possible expenses such as souvenirs, gifts and so on);
- two relevant cruise operators affirmed that **they offer to their clients 20 different organized shorex excursions in Venice available for each call**. On average, cruise companies offer 14 different tours to cruisers (not to mention private initiatives and not-organised tours);
- Just **for crew members more than 10,000 hotel rooms** in Venice had been paid in 2017 by the cruise companies (an estimate on the data collected and referred to 158 cruise calls, 34% on total, with 3,511 hotel rooms purchased).

SOME DECREASE CONSEQUENCES (1/3)

The variation of cruise traffic is generating further effects, some of them described below as results of collected info or comments provided by professionals interviewed for this work:

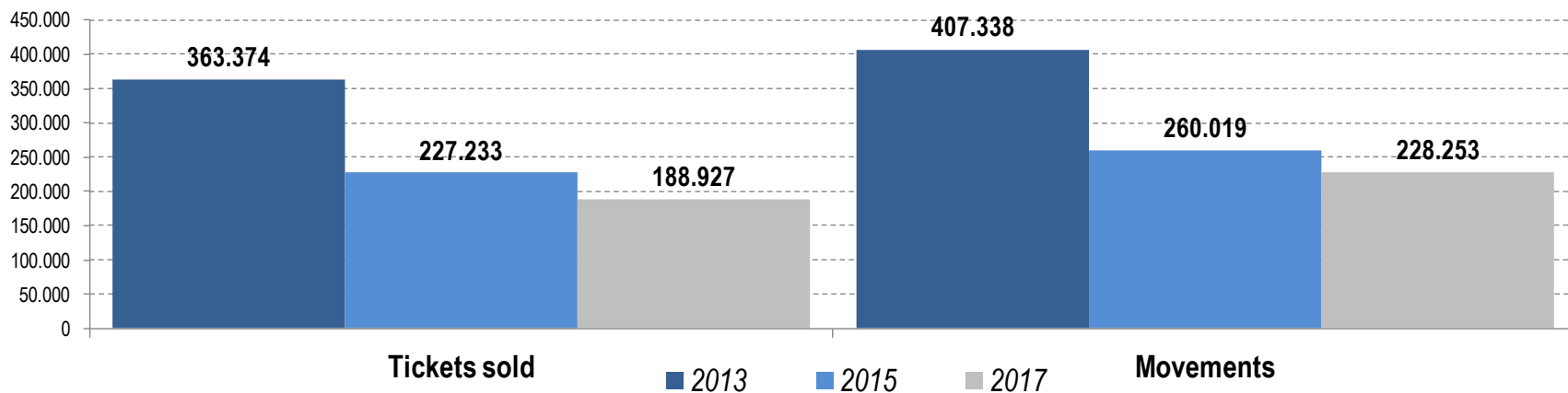
- as Venice is a relevant homeport, hotels may be suffering negative effects. Many cruise companies, due to the deployment variations, admitted a decrease of hotel reservations. Two of the cruise companies (among more than 40 calling Venice) showed a **80%** and a **60% drop** in direct hotel reservation in 2017 compared to 2013;
- even if an average turn-around (cruise ship of 2,000 pax) **still involves 45 local professionals for ground operations** (30 only at check-in desks), when 3,000 pax ships were still calling Venice they were 60 (41 at check-in desks), an example of a reduction of 25% of local jobs generated by cruising;
- a local operator showed data related to a **reduction of 24% in revenue** due to the diminished cruise traffic in 2017 in comparison to 2013;
- one of the shipping agent affirmed that some local suppliers (i.e. water taxis) started to **switch their attention** to other kind of tourists, reducing the offer for cruisers.

SOME DECREASE CONSEQUENCES (2/3)

PEOPLE MOVER: it is a monorail connecting the Marittima Cruise Terminal and also the Tronchetto parking with the city gate.

It is evident how a decrease in the number of cruise passengers lead to a decrease in the number of People Mover tickets sold and people movements. The graph shows a **-48%** and a **-43%** variation on 2013 in comparison to what registered in 2017.

NUMBER OF TICKETS SOLD AND MOVEMENTS, 2013-2015-2017

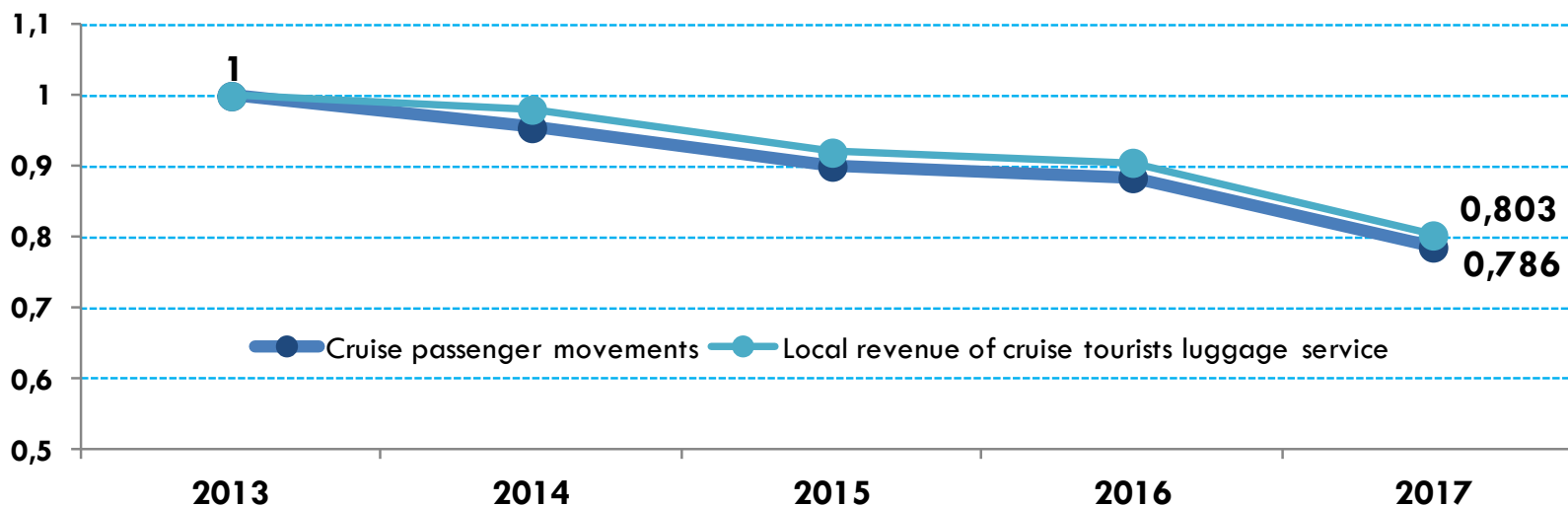


Source: Risposte Turismo on A.V.M. S.p.A. data

SOME DECREASE CONSEQUENCES (3/3)

LUGGAGE SERVICES: at the end of 2017 a decrease of more than **1.2 million of suitcases** carried for cruisers in Venice since 2013 had been estimated. What in 2013 was 1 now is 0,8 (a reduction of 20%).

VARIATION OF CRUISE PASSENGER MOVEMENTS AND LUGGAGE REVENUE, 2013-2017 (INDEX, 2013=1)



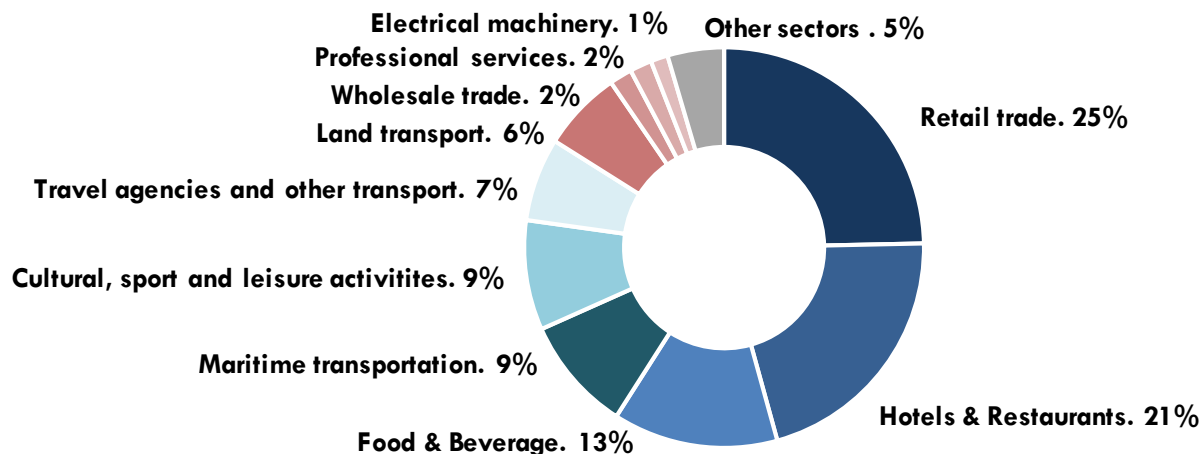
Source: Risposte Turismo (2018).

FROM DIRECT EXPENSES TO OVERALL CRUISE ECONOMIC IMPACT

17 sectors (out of the 59 in which national economy is divided in the Input-Output matrix) are already involved by direct expenses.

The sectorial distribution of direct impact is characterized by a concentration in few sectors (95% in the first 10 of the 17 involved). It should be remembered how values spent in bunker had not been included in this analysis.

SHARE OF DIRECT ECONOMIC CONTRIBUTION IN VENICE, PRODUCTION AND SERVICE SECTORS 2017



Source: Risposte Turismo (2018)

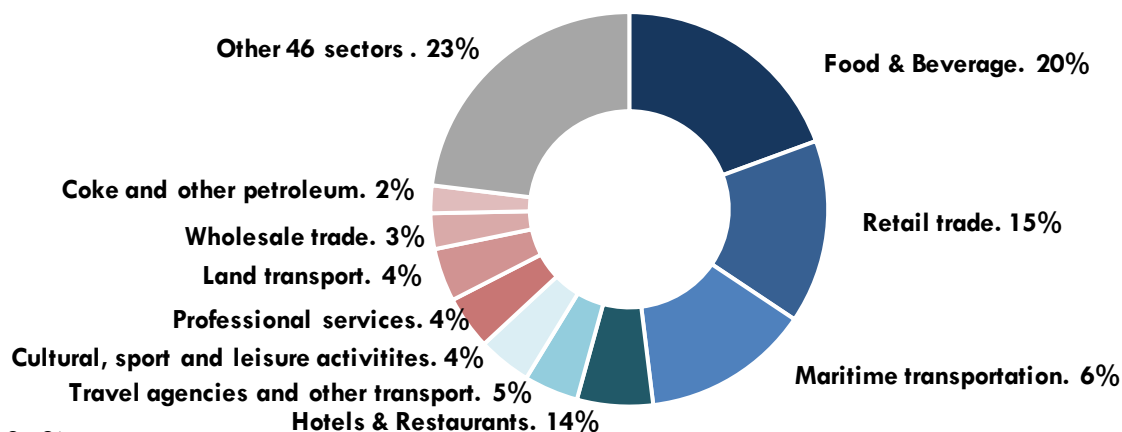
The 2017 season OVERALL CRUISE ECONOMIC IMPACT

From the cited direct economic contribution it had been calculated the indirect economic contribution (resulting from the subsequent demand for goods and services generated from direct expenses) and the induced contribution (resulting by the spending of the ones benefiting from direct expenses, first of all cruise ship suppliers and the involved tourism companies).

Italy benefits with more than **410** million Euro from cruising in Venice.

Overall impact activated in 2017 more than **4,000** jobs (4,063 in terms of full-time equivalent jobs so the people employed are even more). These employees earned 85.7 million Euro in income.

SHARE OF OVERALL ECONOMIC CONTRIBUTION FOR ITALY, PRODUCTION AND SERVICE SECTORS 2017



Source: Risposte Turismo (2018)

CRUISING IN VENICE: the economic impact in 2017

FINAL CONSIDERATIONS (1/2)

TRAFFIC CHANGES.

The year 2017 is **the lowest point of these years** with the cruise port losing 82 cruise calls (-15%) and almost 400.000 passengers (-21.4%) on its peak. At the same time Venice is recording an increased weekend concentration and less luxury ships. Extending the area of interest to the entire Adriatic, the Venice stalemate is influencing the whole area too. From the 5 million mark that was achieved in 2013: cruise traffic in 2017 dropped to 4,7 million with cruise calls also decreasing to less than 3,500 (3,428).

CRUISE INDUSTRY'S CHANGING.

The connection between the Venice cruise industry and the Venice tourism industry and its operator is strong but current decrease in cruise passengers is already generating some consequences: from People Mover monorail to luggage services.

DIRECT EXPENSES.

In 2017 cruising in Venice generated **more than 150 million Euro in direct expenses**. This means an average of **426,500 euro each day of the year**.

CRUISING IN VENICE: the economic impact in 2017

FINAL CONSIDERATIONS (2/2)

NOT ONLY DIRECT.

Italy benefits with more than **410** million Euro from cruising in Venice. Overall impact activated in 2017 more than **4,000** jobs (4,063 in terms of Full-time Equivalent jobs that means that overall people working is more than that value).

ECONOMIC IMPACT LOSS.

In 2013 – when the cruise traffic peak for Venice had been registered – the economic impact was much higher: since then Venice economy is losing an average of **7.7** million Euro each year and overall more than **73** million only in relation to direct expenditure values of cruisers and crew members. Overall over **123** million Euros are missing in the Venice economy in the last few years, considering, as point of reference, the economic impact value as emerged in 2013.

DESPECIALIZATION RISKS.

The present situation is also causing many operators to search for other clients, if not to work in other activities. This is also implying to have even less dedicated people to work just for cruise services. A despecialization process that will be then hard to invert. A **fragile situation** in which some local operators are not anymore putting all their efforts in the cruise sector but just trying to maintain the actual level of engagement while investing in other activities and businesses.



CRUISING IN VENICE: THE ECONOMIC IMPACT IN 2017

RESEARCH REPORT PRESENTATION

Realised for CLIA Europe by



Risposte Turismo s.r.l. www.risposteturismo.it

Fond.ta S. Giacomo 212 ph. 041.2446990
30133 Giudecca fax 041.2446985
Venezia info@risposteturismo.it

METHODOLOGY: DATA SOURCES

This research had being carried out on empirical bases from direct sources as well as using documents and existing tools to complete the analysis:

- the first source are the **CLIA cruise companies that provided detailed info** about the cruise calls in Venice realised in 2017. Moreover to deployments, also average expenditures on shore, investments, disbursement accounts and other cruise companies expenditures had been collected and elaborated in order to estimate the global dimensions of the business' economic impact on the city of Venice in 2017 and some considerations for the upcoming ones. Each company provided its data which had been aggregated in this report for evident reasons;
- a second source is **CLIA Association** providing economic values that had been used for calculate cruise tourism and crew expenses onshore;
- the third source is represented by **Venezia Terminal Passeggeri**, the passenger terminal company operating on concession of Venice Port Authority;
- the final source is composed by the **other companies locally involved** in the management of ships and passengers which provided quantitative and qualitative elements essential to complete the framework, strengthening the overall results and providing further specific details and additional considerations.