

Deloitte.



Economic Impact Study in Palma de Mallorca

November 2019

Contents

Background and goal

3

Measuring impact

7

Methodological approach

11

Results of the study

18



Background and goal



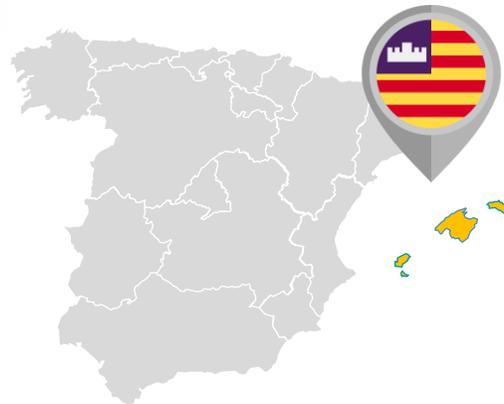
Background and goal

The APB economic impact study in Balearic islands - overview



In line with the long tradition of the development of **cruise industry** impact study on **Balearic islands**, in 2016 the **Balearic Port Authority** (APB) launched an impact study to investigate the magnitude of the economic interdependencies among the different operations related to the Balearic ports management. It was the third study with those characteristics (the previous ones were carried out with data from 2007 and 2011).

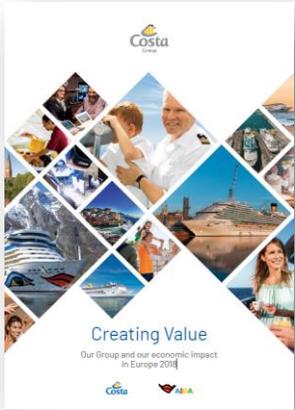
The study aimed at quantifying the contribution – in terms of billing, gross value added (GVA), employment and taxes – generated by the APB activities in the port areas, calculated at **direct**, **indirect** and **induced** level.



Impact results of the activities related to the cruise tourism in 2015		
Activity	Full Time Equivalent	Total impact (million of €)
Transit Pax	3,200	130.9
Base Pax	1,164	56.8
Crew members	727	29.6
Cruise companies	366	26.2
Public Investment	126	5.2
Airport activities	151	7.9
Total	5,733	256.7

Background and goal

The first Costa Group economic impact study in Europe - overview



In 2018 Costa Group implemented its **first impact study** to open up a dialogue and educate key stakeholders on the **value created by Costa Group in Europe (in economic and employment terms)** in order to strengthen Costa Group position.

With the support of Deloitte, the project consisted of a review of the full P&L and CAPEX, cooperation with Fincantieri and Meyer on allocation of shipbuilding costs, a guest survey on individual guest spending in the destinations, the estimate of crew spending and self arranged guest arrival/departures.

5 focus countries

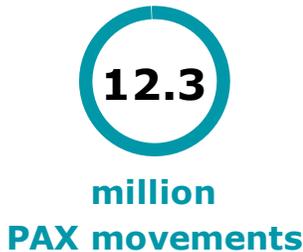
Germany, Italy, France, Spain, Norway

12 focus ports

Bergen, Kiel, Hamburg, Rostock, Genoa, Savona, Venice, Civitavecchia, Marseille, Barcelona, Palma de Mallorca, Dubrovnik

2 focus regions

North Germany (Schleswig-Holstein, Bremen, Hamburg, Mecklenburg-Vorpommern, Niedersachsen) and Liguria



Europe



Focus on Palma de Mallorca



Background and goal

The goal of the CLIA study in Palma de Mallorca



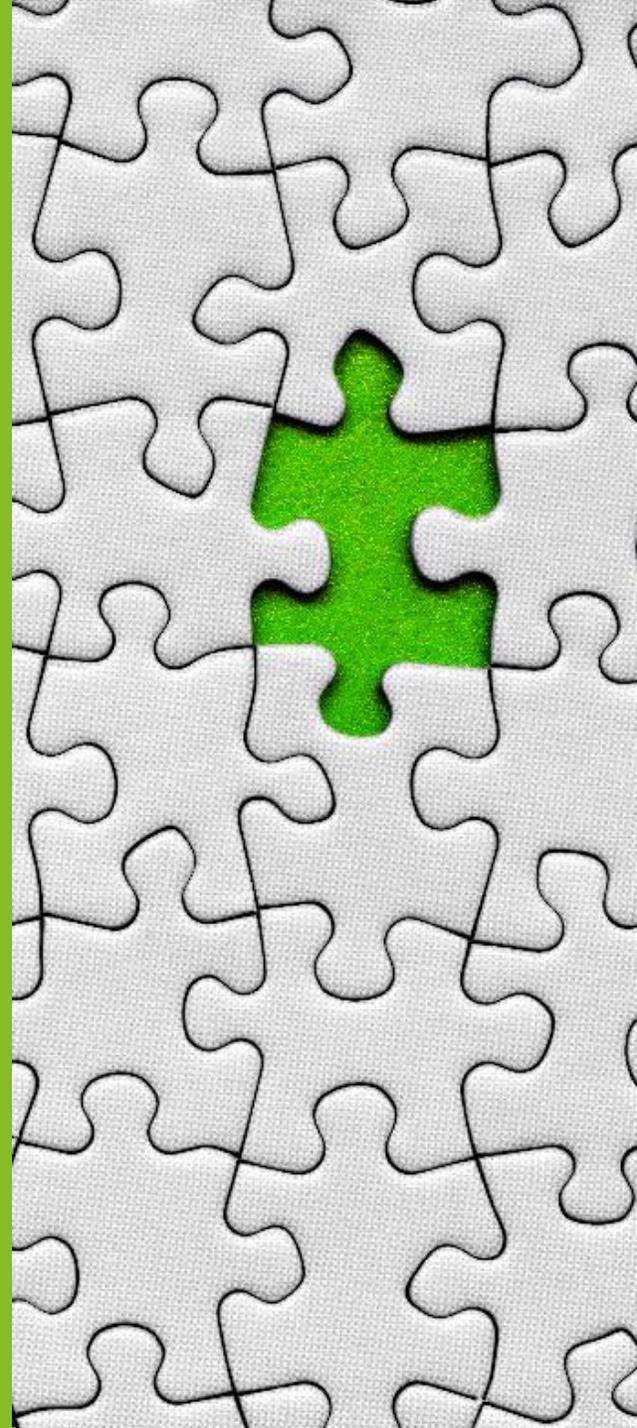
Based on the Costa Group economic impact study performed at European level 12 ports in scope (including Palma de Mallorca), **CLIA aims to provide a reliable quantification of the economic and employment impact (direct, indirect, and induced impact) of all cruise companies in Palma de Mallorca**, in order to improve the ability to negotiate with government and ports & public perception.

- In line with the impact evaluation run for the Costa Group study, the **Input-Output econometric model** has been selected as the most appropriate also for the CLIA study, with the support of the **analogue statistical public databases**, methodological assumptions and considerations, **in order to get consistent results**.
- **Since the analysis has been focused on FY18 data**, data and information already gathered from the Costa Group study – particularly guests and crew expenditures onshore, travel agents and shorex activities, head tax and port costs – have been used **and projected for all cruise companies operating in Palma de Mallorca**.
- Results in terms of economic and employment impact, presented in this document, could be reported and included in **specific flyer and executive summary impact reports**, as well as used for **post on website and social media** and other external communication activities.



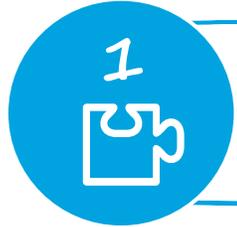
In the following slides the methodological approach used to run the analysis for Palma de Mallorca is presented, according to the economic model already used in the Costa Group study based on FY18 data.

Methodological approach



Methodological approach

The main activities of the study



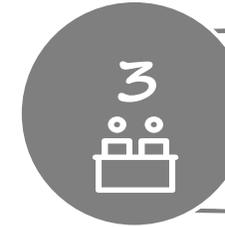
Define the logical model of the study

- Defining the scope of the analysis and identifying which kind of impact must be measured
- Contextual analysis of the CLIA operations in Palma de Mallorca
- Analysis of relevant literature on impact evaluation and cruise sector in Palma de Mallorca
- Definition of the logical model of the study
- Definition of the geographical scope (Palma de Mallorca port) and period in scope (FY18)
- Identification of the Costa Group study's data useful to run the CLIA study



Collect and elaborate information and data

- Sharing of the framework (model, methodology, assumptions and data) with the CLIA working group
- Selection and collection of Costa Group data and information useful to run the CLIA study
- Selection and collection of CLIA data and information useful to run the CLIA Study, regarding all cruise companies operating in the port in scope and the port authority
- Data elaboration and consolidation, with the CLIA working group



Quantify the impact

- Run of the Input-Output model with elaborated data and based on the new port in scope
- Quantification of the economic and employment impact for Palma de Mallorca
- Elaboration of an executive summary (ppt) including a methodological note and all results obtained.

Methodological approach

Main assumptions



Crew ashore expenditures

- To estimate the **direct expenditures of the crew members, results coming from the survey addressed to crew members for the impact study on cruise tourism spending in Balearic islands** (slide 4) were used:
 - **the average value of crew expenditures per person** (76.2 euro, with the following breakdown: shopping/products & goods (86%), food and beverages (12%), local transportation (2%));
 - **the estimated % of crew members which disembarked** in ports of calls: 40%;
- The average ashore expenditure (including its breakdown) and the average % of disembarked crew members have been projected for the total n. of crew members travelled in Palma in 2018 (considering all cruise companies), which has been estimated in the following way:
 - It has been calculated the **weighted average of the ratio crew/PAX for the Costa Group ships** that went through Palma in FY18 on the basis of the databases analyzed for Costa impact report (**1/3.28 crew/PAX**);
 - This weighted ratio, consistent with the one used in the Balearic islands impact study (1/3), has been multiplied by the total number of the CLIA total PAX passed through Palma in 2018, to obtain the estimation of the total crew members.
- By multiplying the EURO/crew (and its breakdown in the three expenditure categories, each of them linked to a specific NACE category, as for the guest expenditures) to the CLIA total crew members, it has been estimated the total expenditure of CLIA total crew members in Palma in 2018. Based on public statistical data on VAT per country and per NACE category, final direct expenditures have been split in "**VAT included**" (considered only in the direct impact) and "**Net Costs**" (considered for indirect and induced impacts).

Results for Palma de Mallorca	
Nr of crew members (Nr.)	624,768
% of disembarked crew members (Nr.)	40%
Nr of disembarked crew members (Nr.)	249,907
Total expenditure per person (€/person)	76.20 €
Total expenditure of disembarked crew members (€)	19,042,931 €

Crew expenditures - Direct Impact


Transportation
NACE allocation: CPA_H49
 Land transport services and transport services via pipelines
349,870 €


Food & Beverages
NACE allocation: CPA_I
 Accommodation and food services
2,249,165 €


Goods & Products
NACE allocation: CPA_G47
 Retail trade services, except of motor vehicles and motorcycles
16,443,896 €

Methodological approach

Main assumptions



Travel agents, shorex activities and Head Tax

In order to include the **travel agents, shorex activities** and **head tax costs**, it has been calculated the ratio between the Costa expenditures in Palma de Mallorca (for travel agents, shorex and head tax) and the total number of Costa PAX passed through Palma de Mallorca in FY18 coming from Costa impact study. This ratio has been multiplied by the total number of the CLIA PAX passed through Palma in 2018 (considering all cruise companies), to obtain the estimation of the travel agents, shore activities and head tax expenses in Palma in 2018.

As for Costa, these input data have been allocated by port location.



Port costs

In order to include the **Port costs**, it has been calculated the ratio between the Costa expenses (for port costs) in Palma de Mallorca and the total number of **port call** in Palma de Mallorca in FY18 coming from Costa impact study. This ratio has been multiplied by the total number of the CLIA port calls in Palma in 2018, to obtain the estimation of port cost expenses considering all cruise companies.

As for Costa, these input data have been allocated by vendor residence (Palma) in three different NACE categories by using the same percentages used for Costa (16% waste management, 3% water services and 81% warehousing).



Results of the study



Results of the study

CLIA main figures in Palma de Mallorca

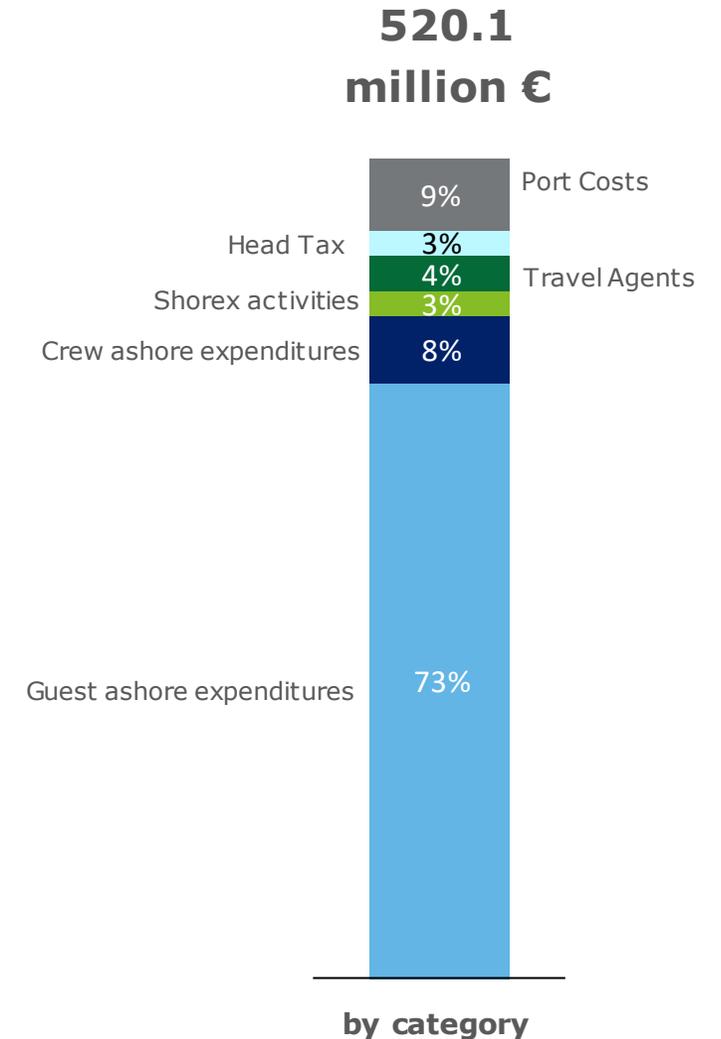


Results of the study

CLIA economic impact in Palma de Mallorca

Category impact, in MEUR	Direct	Indirect	Induced	TOTAL	X*
Guest ashore expenditures	160.2	95.1	121.8	377.1	x2.6
Crew ashore expenditures	19.0	9.6	14.6	43.2	x2.3
Shorex activities	4.5	6.7	3.6	14.8	x3.3
Travel Agents	7.0	10.5	5.6	23.1	x3.3
Head Tax	5.5	5.6	4.8	15.9	x2.9
Port Costs	16.0	16.5	13.4	45.9	x2.9
TOTAL	212.3	144.0	163.8	520.1	x2.4

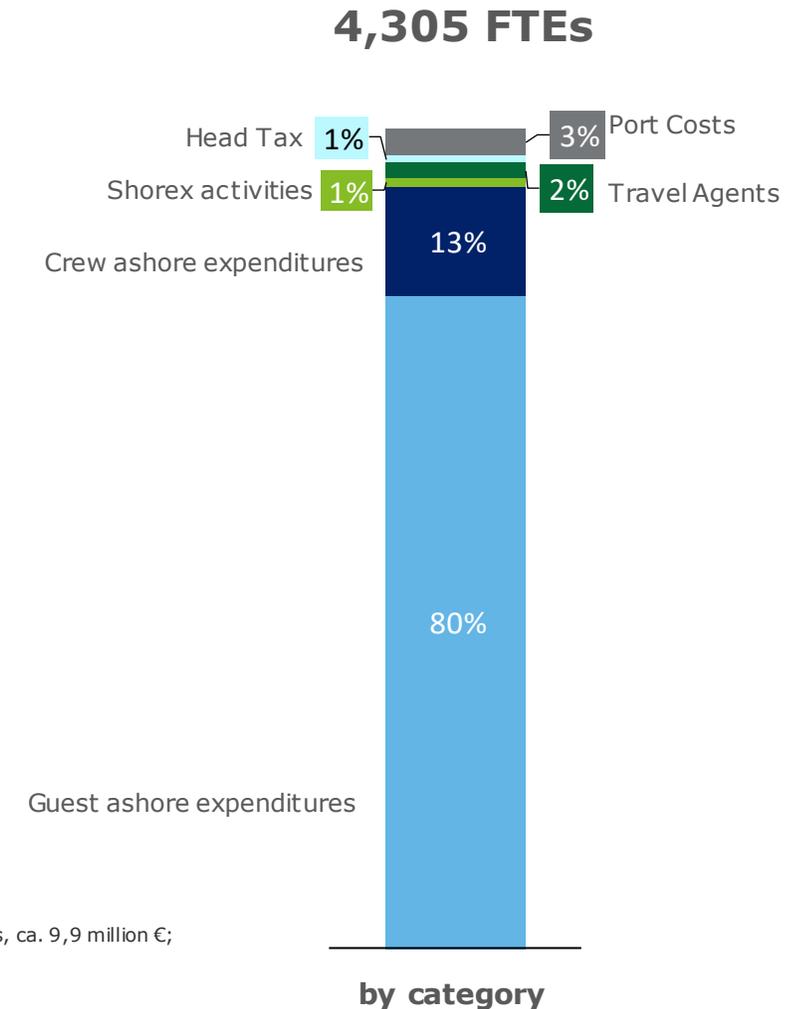
* The multiplier X has been calculated through the ratio between the Total impact (direct + indirect + induced impacts) and the direct impact (direct cruise companies expenditures).



Results of the study

CLIA employment impact in Palma de Mallorca

Category impact, FTEs	Direct	Indirect	Induced	TOTAL
 Guest ashore expenditures	Not applicable	1,448	1,954	3,402
 Crew ashore expenditures	Not applicable	220	347	567
 Shorex activities	Not applicable	32	17	49
 Travel Agents	Not applicable	50	27	76
 Head Tax	Not applicable	24	21	44
 Port Costs	Not applicable	77	61	138
TOTAL	28*	1,851	2,426	4,305



* The number of direct employees who work in Palma in the cruise sector (expressed in FTEs) has been estimated through Palma port authority data:

- the percentage of cruise calls at Palma on the total cruise calls at Balearic islands, 69%, has been applied to the total APB revenues related to the cruise activities, ca. 9,9 million €;
- the obtained value, ca. 6,8 million €, has been divided by the total APB revenues, ca. 78.6 million €;
- the ratio obtained, 9%, has been applied to the total number of FTEs working at APB in 2018, 325, assuming that 1 Headcount = 1 FTE.

In the right-side chart, the 28 direct employees have been split equally in all the six categories.

Results of the study

Multiplier and main industries triggered

The following table illustrates the direct economic impact of the different category considered in the impact study, and its breakdown in each industry triggered and NACE:

NACE Code	Industry / NACE Code description	Guest Expenditures	Crew expenditures	Travel Agent	Shorex activities	Head Tax	Port Costs	Total
CPA_E37-39	Sewerage services; sewage sludge; waste collection, treatment and disposal services; materials recovery services; remediation services and other waste management services	-	-	-	-	-	2,585,468 €	2,585,468 €
CPA_G47	Retail trade services, except of motor vehicles and motorcycles	50,557,441 €	16,443,896 €	-	-	-	-	67,001,337 €
CPA_H49	Land transport services and transport services via pipelines	13,742,247 €	349,870 €	-	-	-	-	14,092,117 €
CPA_H50	Water transport services	-	-	-	-	-	528,303 €	528,303 €
CPA_H52	Warehousing and support services for transportation	-	-	-	-	5,520,388 €	12,915,750 €	18,436,138 €
CPA_I	Accommodation and food services	52,281,599 €	2,249,165 €	-	-	-	-	54,530,764 €
CPA_N79	Travel agency, tour operator and other reservation services and related services	-	-	7,013,877 €	4,494,726 €	-	-	11,508,603 €
CPA_R90-92	Creative, arts, entertainment, library, archive, museum, other cultural services; gambling and betting services	43,624,906 €	-	-	-	-	-	43,624,906 €
Total		160,206,192 €	19,042,931 €	7,013,877 €	4,494,726 €	5,520,388 €	16,029,521 €	212,307,635 €

Results of the study

Multiplier and main industries triggered

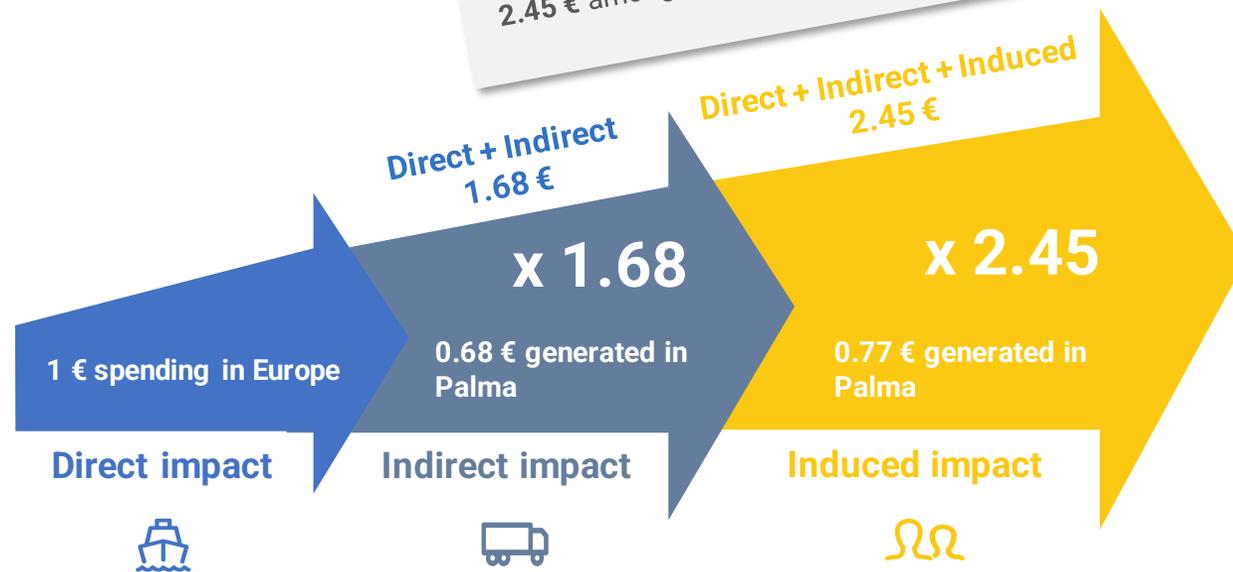
The following example illustrates the total economic impact of a direct spending in the cruise tourism sector in **Palma de Mallorca**:

 Location: **Palma de Mallorca**

 Expenditure: **1 €**

 Total impact: **2.45 €**

On the basis of the industries triggered by the direct spending in Palma de Mallorca, the model shows that a direct expenditure of **1 €** generates a total impact of **2.45 €** among all the industries in Palma.



The main **economic sectors** triggered by cruise companies in Palma

- 32%  Retail Trade
- 26%  Accomodation & Food
- 20%  Creative, arts and entertainment activities
- 9%  Warehousing and transport services support
- 7%  Travel Agency
- 5%  Land transport
- 1%  Sewerage & waste services
- <1%  Water transport services

Results of the study

Conclusions

