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CRUISE TOURISM IN LISBON - CRUISE TOURISM ACTIVITY AND ITS IMPACT ON THE CITY

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1. EXECUTIVE SUMMARY

Recognized as one of the most diversified, customized and specialized industries at a global scale, tourism has become an important activity for the development of many regions. Likewise, tourism has turned Lisbon into one of the most important European tourist destinations.

Whatever the type of tourism, Lisbon has welcomed an increasing number of tourists in such a way that it has motivated first-time and repeat visitors to return. Despite being at a smaller scale, recently cruise tourism has shown rapid growth positively affecting the city of Lisbon. Nevertheless, Lisbon has not been able to benefit from its real potential. Time has been needed to overcome obstacles, which might have affected its local impact.

In this way, the following study intends to analyse cruise tourism activity in Lisbon, particularly its economic impact. The second section demystifies the activity, by identifying the main elements composing the cruise tourism system approach. It also presents the main rules and strategies followed by cruise companies to define itineraries and its consequent impact on destinations. In the third section cruise tourism activity in Lisbon is analysed by identifying the local activities and facilities. The potentialities and obstacles are also analysed on a SWOT/TOWS analysis in order to find solutions to overcome constraints and to improve the benefit to the local population (whether in direct, indirect or induced impact). In light of the role of cruise tourism in Lisbon, the fourth section identifies the source and estimate the economic impact based on existing and predicted considerations. Hence, the fifth section presents conclusions and suggestions in order to reach additional benefits and support the cruise tourism activity as a means of economic and social development in Lisbon.

To support the development of the subject, qualitative and quantitative research was carried out. From the entities contacted, nine interviews with key players (such as cruise companies, port authority, tour operators, local entities among others) were held in order to complement secondary research. To identify cruise passengers' behaviour when in Lisbon, information was based on the annual research carried out by the *Observatório do Turismo de Lisboa* using a questionnaire which presents a sample of 47 cruise ships in Lisbon between May and October of 2013, interviewing

1000 cruise passengers (142 national and 858 foreign). Lastly, to estimate the economic impact, information was collected and supported by primary and secondary research.

2. Cruise Tourism - An Overview Of Cruise Industry

2.1. Cruise Tourism System Approach And Its Systemic Model

As one of the fastest growing segments of the leisure tourism industry, the cruise industry has achieved an important presence in tourism and become a central business, increasingly affecting the coastline locations and the city ports (Exhibits 2 and 3). It turned into a complex system, interacting within and with different environments and contexts (Cooper, 1998). Even though, any model has been presented. Through the understanding of its singularities and multiple elements, it is following intended to present cruise tourism as system, based on tourism approach.

From studies focused on understand the overall tourism activity, authors emerged "some models describing what happens at a destination (as the Butler's model (1980)), while others recognise that a tourist's journey is not only an integral part of the tourism experience but also it needs to be seen as part of the tourism industry" (Beeton, 2006). However, the development of a system approach towards understanding tourism is presented by Leiper (1979). Rather than seeing tourism as separate and independent entities, Leiper's system (1979) focuses on "a group of interrelated, interdependent and interacting elements that together form single functional structure" (Weaver 2002). To identify those elements, this author structured the touristic activity into three geographic areas, called as generating region, destination region and the transit region (which connect the two previous ones). Additionally, the tourist and the tourist industry are identified as the elements that interact in the context (Vasconcelos, 2005). In this way, considering the psychological elements that influence the decision-making of tourists, through Leiper (1979) tourism is perceived as the flow of tourists from one location to the destination, where the experiences occur, and the consequent return. The overall perception of the previous experience is essential for the future decision-making of tourist.

The flexibility on the structure of Leiper model and its simple interpretation, turns the model likely to be applied in different fields of study, which is favourable given the multidisciplinary nature of tourism (Page and Connell, 2006). As such, the substantial similarities between cruise industry and other tourism products (Papatheodorou, 2001), supports the decision to base the development of cruise tourism system approach through the Leiper model.

The major aspect that distinguishes cruise tourism from general tourism is the presence of a group of destinations during the same journey, instead of one. This fact is important to adequate the name and definition of the elements composing the original systemic model for studying tourism, in order to represent the elements of cruise tourism (definitions on exhibit 4).

As figure 1 (exhibit 5) represents, the systemic model for studying cruise tourism is interdependent and composed by cruise tourists (CT), tourism-generating regions (TGR), transit routes (TR), tourist port-destination regions (TPR) and cruise tourism industry (CTI). To offer the service to the cruise tourists, the CTI analyses different factors to support the decisions regarding ship category, specialization and on board activities. Based on that, the cruise companies, which individually belong to the CTI, determine the characteristics required for the cruise service, through the definition of: the TR, by choosing the routes were the ship will navigate; the home port/TGR where the ship will begin and will end the journey; and the TPR as the sum of locations where the cruise tourist might disembark to enjoy the tourist activities in the city and can also begin or finish the journey if the port is a interporting location (figure 2 in exhibit 6).

That is, each cruise ship journey starts at the TGR. National and foreign passengers travel to embark at the home port location. After travelling through a group of destinations (TPR), the cruise passenger tends to end the journey in the TGR. However, some cruise companies now give passengers the opportunity to embark and disembark during the cruise, in secondary ports, which is called interporting. Please see exhibit 7 to additional information.

To conclude, the combination of Leiper's (1997) system and the elements linked to cruise service are intended to highlight the importance that ports and destinations represent in each cruise experience. Decisions are based not only on technical services and essential supplies offered but also on tourist attractions (culture, beach, leisure, fashion, shopping, etc), which are included in the itinerary as secondary ports.

2.2. Process Behind Cruise Ship Location - Strategy Of Itinerary Planning

The cruise line industry has been developing its itineraries based on the market's demand. As the major source of passengers, North America also has the largest bed day capacity (47% of the global capacity), mainly in the Caribbean region. It is followed by Europe (37%), because of the Mediterranean region. The four largest cruise companies representing 83.2% of the industry, in 2013, are Carnival Corporations, Royal Caribbean, MSC and Norwegian Cruise Line, with 45,5%, 23,5%, 7.1% and 7.1% of market share, respectively (BREA, 2013).

Itinerary planning is one of the most powerful and "strategic levers to accomplish the company's mission to achieve its corporate goals" (Martinón, 2014). Despite following different methods, some general procedures are respected by cruise companies to develop itineraries. Each cruise company has its own centralized physical facilities such as the operations, sales, marketing and financial departments and even representatives in some locations with higher business market dimension. Moreover, each company has representatives in each country to support the operations. The shipping agent is the one who, in each port, represents the cruise company in the destination regarding the connection between the cruise ship and the port, providing all required ship services. Moreover, the shore excursion / ground handler agent provides assistance during the ship's turn day, managing details and any type of arrangements, such as (dis)embarking, supervising shore tours and the arrival of passengers at the airport. Finally, the sales & marketing agent can represent the cruise company with its own offices in the country (such is the case of MSC in Lisbon) or through a preferred agent (such as Melair and James Rawes) engaged exclusively in selling their cruises (additional information in exhibit 8).

The development of the itineraries is primarily managed in accordance with a deeper analysis "to maximize the commercial potential and utilization of the ship assets" (Rodrigue, 2013). Profitability is the primary driver of every decision. As Rodrigue (2013) states, the cruise industry focuses on unique aspects: creating demand through a push strategy; offering itineraries with greater experiences as a whole rather than the sums of its parts; offering on board and shore-based excursions to increase additional revenues; and adapting to demand changes by repositioning their ships and changing itineraries.

Since this industry works to reach the full capacity of its beds/year, this leads to a combination of factors to reach the lowest possible cost, namely guest demand, guest satisfaction, yield management, geographic proximity and infrastructures (figure 3 in exhibit 9). Since companies are customer driven, they take passengers where they want to go. For this reason, on every cruise, passengers rate how important each port was in their decision to buy the cruise and are asked where they would like to cruise next. The best rated ports which passengers both recognize and wish to visit, are thus considered the marquee ports (primary source – Exhibit 10). This makes it possible for the company to understand the level of satisfaction on previous cruises and predict customers' desires regarding future destinations. Therefore, the success of a port depends on the passengers' satisfaction. Regarding the yield, ships are distributed to places where companies maximize financial return from cruise fare and on-board revenue versus operating and overhead costs. Moreover, cruise companies establish itineraries that appeal to more passengers in order to fill their cruise ships, reaching economies of scales. Here, ports and services need to be affordable. With regard to geographic proximity, some elements need to be considered. Port location is critical in relation to other key cruise ports since it is necessary to consider the miles between the ports versus the low ship speed and the high price of the fuel. Companies must also consider the increasing demand for seven-day cruises versus the best selling itineraries, by offering more ports.

In order to define the home-port and the ports of scale, companies base their decisions on the information collected, the type of market they intend to attract, and the port specificities obtained through local representatives. The most important elements considered are: infrastructures, the city's attractions, taxes applied by ports, attractiveness to costumers and shore tours. All this is taken into consideration so as to achieve the maximum profitability per week, per cruise. Regarding the annual profitability per each cruise ship, companies relocate their cruise ships from one region to another to profit from the attractiveness of regions in different periods of the year. This relocation depends on the ship's category, type of itinerary and season.

Regarding home-port, for turnaround purposes, decisions are based on two additional factors. The first is connected to the local passengers' demand and/or the need for scheduled airlift to transport foreign passengers; the second depends on cruise terminal facilities and its capacity to manage turnaround's operations. Since the home port location is dependent and associated with highest source of passengers, air transportation might be needed to transport foreign passengers. In this way, the port's facilities and the airport requirements are key factors since the inadequacy of one of these elements is enough to lose the cruise company to another port.

To sum up, local coordination is essential since the operational area is defined depending on the attractiveness to potential customers, taking advantage of local tourist attractions. What is more, the port's operational requirements, as port facilities, equipment, safety and services, are considered in order to reach the lowest possible cost in terms of taxes, fuel consumption, among others (Krumrine, 2014). The most attractive itineraries are defined in order to offer best cruise travel experiences.

The saleability of the location and the cruise company's expected profit also affects the decisions. From two possible ports with the same source of passengers, company opts for the port with the highest generated medium price (primary source). In fact, depending on the travel region, companies are choosing home-ports near the source of passengers since customers can benefit greatly from "close to home" ports. Passengers prefer to have a close embarkation point to reduce or completely avoid airport hassles. In this way, the cruise company ensures full capacity in the ship and, at the same time, pleases the passenger.

To conclude, this industry works with a two-year distance "in order to maximize the commercial potential and utilization of the ship assets" (Rodrigue, 2013). Companies search for their own specific strategies and goals, making different decisions (primary source).

2.3. Cruise Consumer Behaviour And Cruise Market Segmentation

From the demand perspective, the cruise industry has not only appealed to repeat demand but also to new tourists by offering different types of cruise ships and experiences, depending on taste, age and budget. Cruise companies are not only presenting new cruise vessels but also redesigning the on board entertainment with more unusual options. The services offered are now more sophisticated, pleasing different segments, attracting new consumers and meeting their new needs. Thus, the aim is to stimulate demand before supply.

The appearance of affordable cruise travel options and the diversity of services has attenuated the exclusivity of leisure activity for the elite, mainly rich seniors, and modified the market segmentation of cruise passengers. Although it is mainly focused on adults and young families rather than children, companies are searching to satisfy from children to seniors' needs. In this way, companies increase market opportunities by attracting families who usually opt for land resorts, by offering relaxing moments and entertainment for all. Therefore, there is a larger business segmentation expecting to attract more clients.

Generally speaking, the cruise industry identifies four segments: luxury, premium, contemporary and budget (UNWTO, 2010). Companies focus on one or two segments and each cruise ship on only one. The luxury segment is focused on providing a personalized service and unique experiences centred on destinations and on board activities. The size of the ship is smaller, with limited number of passengers, in a formal atmosphere and with a duration of more than 10 days. The premium segment offers a sophisticated product, mostly to repeat passengers. It combines passengers over the age of 40, often professionals, cruising for more than seven days. The contemporary segment is the most profitable, explained by economies of scale. The duration varies between 3 to 7 days and offers resort-type on board facilities, well adapted to families with children. The target are families, couples, young people and, especially, first-time passengers. Finally, the budget segment provides a basic service, with minimum on-board facilities and attracts youth and lower income tourists.

Currently, the sales process is dynamic and usually starts one year and half before the period of travel. Marketing is changing from a centralized promotion near the repeat cruisers into a wider promotion, attracting new demand. Taking advantage of tourists' motivators such as price and itinerary, companies have started to use their brand entity to attract their customers (primary source). In addition, they have been increasing itinerary options and on board diversity in accordance with the same price level, specially for customers who define the itinerary based on their budget.

Regarding purchasing behaviour, CLIA (2011) concludes that customers continue to use travel agents to book cruise travel (68%), considering it the distribution channel that offers the best prices. Regarding online booking, some cruise companies and travel agents are already developing their websites (CLIA, 2011), but the majority do not offer the possibility to book online.

Age is another factor which influences segmentation. The cruise image associated with luxury vacations, which formerly attracted elderly-couple passengers, with high standards of living and seeking a peaceful trip, has been replaced by active passengers looking for dynamic experiences. However, the group of passengers over-60 are still an important segment for the industry (Silligankis, 2001). Being the most loyal customers, this group purchases cruise vacations shortly after the release, requiring minimal marketing efforts. They tend to choose the same company and have a greater tendency to choose luxurious and expensive trips. What is more, they look for low-season trips in order to avoid crowded experiences. On the other hand, a new group of travellers between the age of 45 and 60 has begun to gain significance (CLIA, 2011). This is due to on-shore thematic activities and marketing campaigns looking to attract all ages. It particularly attracts younger consumers, with purchasing power, but who lack free time and seek comfort, variety and safety (RCCT, 2012). Furthermore, the growing concept of all-inclusive has been essential to increasingly attract families and group of friends. This segment tends to look for thematic ships, during summer holidays, and mostly on a 7-day cruise trip. Regarding the repetitive passengers, cruise lines are now offering top quality services and hospitality as an added value. According to UNWTO (2010), the two groups particularly large are cruise for families and thematic cruises, between contemporary and premium segments. The last cruise is centred on golf, educational themes, wine tasting, cinema or others. The central activity takes place not only on board but also at the destinations. Other growing specialised cruises include cultural cruises.

Indeed, tourists understand that cruise travel has changed. It is now perceived as a comfortable way to travel, by packing just once but visiting several places during the same holiday while enjoying on board entertainment along the way. From those changes, **new** cruise tourist behaviours have been identified. Shorter cruises are growing in demand because of a working population with less free time. More **experienced cruisers**, who have already explored many tourist hotspots are now looking for on board facilities, unknown destinations and new experiences. The growth of this industry is creating a new target group, the **budget tourist**, a well-informed tourist with regard to the destinations' attractions, who is self-sufficient and aware of their budget. There are also more and more **exploring tourists** who are looking for unique holiday experiences rather than a mass-oriented one, where individualised luxury destinations might benefit this new niche market. Finally, the gradually lower average age of cruise passengers is also affecting tourist behaviour, as they are now looking for more active holiday products (European Commission, 2009).

2.4. Cruise And City-Ports Connection – Positive Aspects Of Cruise Port

Ports have a two-side benefit, regarding cruise tourism. If, in one hand, ports are an integral part of the experience for passengers, on the other hand, they are a port-related value added. The constant exploration from cruise companies for new and diverse itineraries (Wood, 2000) to satisfy repeat and loyal cruise passengers is a both renewable opportunity. Cruise companies might retain for a longer time the same passenger (different ports generate different itineraries annually) and ports have the opportunity to attract new ships every year.

The diversity of cruise ports and its oversupply, competing to attract cruise lines, intensifies the necessity to differentiate themselves from others. Cruise companies select a particular port that also provides the most positive experience to customers (as explained before). It influences the likelihood of a return visit, meaning that high level of activities and experiences are vital to support tourists' satisfaction and, consequently, the long-term success of the port's destination. To do so, the concept of competitive advantage can be applied in different ways, where passengers can benefit from. So, it is required to identify local attractions and features that stimulate cruise tourists' desire to visit the destination. Preferably, attract them before competing ports.

European Commission (2009) identified three main categories as drivers of tourist attractiveness of a region: climate, social/cultural and natural factors, since "the availability of historic sights, natural heritage, seasonal sporting facilities, pleasant climate, proximity to the coast and the cultural/social development of a destination were found to be especially important". Some may be more important than others, depending on destination and passengers' desires, but those factors allow to explore the destination and escape from the everyday life routine which cruise passengers look for. More, the attractiveness of a destination to cruise tourists is also influenced by its accessibility, such as regarding the easiness of access to the main tourist attractions, depending from the perspective as turnaround or transit passengers.

Nowadays, the diversification of cruise passengers is changing their usual behaviours and influencing the cruise company's revenues. This is especially true regarding the shore tours activities. Among other services, to overcome the base charges that are relatively inexpensive, cruise companies encourage passengers to book shore tours, either during or previously to cruise trip. In this way, cruise companies generate an important part of their income from shore tours, retaining a profit margin of 50% for each sale. However, informed-customers are now opting to discover the destination individually, instead of purchase onboard excursions. The same happens with families, who are looking for dynamic activities on land, that engage the whole family at an affordable price comparing with the quality/price of the shore tours' choice that are offered on board.

Since onshore activities are important source of profitability for cruise companies, ports have now a challenge but also an opportunity to differentiate. Taking advantage from local potentialities to develop attractive land experiences, it might recover customers' behaviours and increase cruise companies' profitability. Moreover, it can also generate a positive perception from cruise passengers about the destination. Examples from worldwide ports locations can exemplify this. Diversified experiences might be provided with special welcome to passengers; might be given use from water for diversified activities (as possible in Seattle's cruise port); enjoy a wildlife safari to see unusual local species (as wolf, moose, and Dall sheep), fish king salmon, attending a native dance performance, or enjoying an salmon bake (possible in Alaska Port)[1]; or explore the scuba diving and snorkeling spots in the Pacific Ocean or Caribbean Sea (Puerto Vallarta, Mexico)[2]. At European destinations may be offered a set of experiences that combine local features into interesting experiences where cruise passengers can be positively attracted. Suggesting renewed experiences,

[1] http://www.princess.com/learn/cruise-destinations/alaska-cruises/why-alaska/
[2] http://www.cruising.org/vacation/destinations/mexico

ports create conditions to increase cruise passengers' satisfaction as well as cruise companies, obtaining advantage from their competitor ports.

Indeed, changes in consumer behaviours require a fast adaptation from destinations. The correct coordination between local players is critical in order to provide fast, interesting, dynamic and valuable solutions to support this leisure industry and provide a consistent and high quality service. Without this, destinations will be negatively affected with the lower interesting from cruise passengers and their long-term negative reviews.

3. Lisbon As A Cruise Tourism Destination

3.1. The Lisbon Port

Lisbon and its port welcome tourists who want to explore the heritage and experience local traditions. Located in the city and 15 minutes away from the international airport, Lisbon Port welcomes tourists passing through Lisbon, either in transit or in turnaround. It is the major European port of Atlantic orientation, whose geo-strategic centrality gives it a prominent status in the supply chains of international trade. As a cruise port terminal, the Lisbon Port is the number one in European port-of-call regarding the Northern Europe (please see exhibit 11 for benchmarking analysis among Lisbon Port and its direct competitors).

Lisbon is historically connected with maritime adventures (exhibit 12). Located on the bank of the River Tejo, Lisbon Port has long refuge for many cruise ships. Lisbon Port has three terminal locations. Two of them are cruise terminals (Santa Apolónia and Alcântara terminals) and situated near the city centre, equipped with safety equipment and a variety of services. The development of the cruise activity over the years brought improvements in both cruise terminals, with x-ray baggage hand and x-ray basement and offering a set of services (APL, 2014). The project of the new cruise terminal plans to connect the *Cais do Jardim do Tabaco* with Santa Apolónia terminal, releasing the areas of the Alcântara terminal and the *Rocha do Conde d'Obidos* for freight containers operation. Regarding Lisbon Port's level of activity, please see exhibit 13.

Following strategic reasons that also based the same decision for containers, the local port authority, called *Administração Porto de Lisboa* (APL), decided to concession the cruise activity in

Lisbon. In this way, since 2014, *Lisbon Cruise Terminal* (LCT) is the entity representing a group of shareholders, which was granted the area of Santa Apolónia and Jardim do Tabaco, during 35 years. Furthermore, financing was obtained to improve current facilities by building the new Lisbon cruise terminal. Please see exhibit 14 to additional information.

3.2. Lisbon – Touristic City

Called the "city of the sea" and "the city of explorers", the popularity of Lisbon has been growing, specially, on the last years.

Supported by the *Turismo de Portugal* (TP) and *Instituto Nacional de Estatística* (INE) data, between 2004 and 2013, 85 million tourists visited Lisbon, generating a revenue over 5 billion euros. Particularly motivated by the air transport expansion (especially with the low cost airlines), Lisbon felt a raising affluence on travelling motivations, either for business or leisure activities. Moreover, the permanent work development and promotion in the city led to the growth of tourism. In 2013, Lisbon registered 10 million tourists' overnights, more 6.4% than 2012, mostly of foreigners (75,6%) since the presence of national tourists in Lisbon decreased slightly its representation (Exhibit 15). The main source of tourists is, thus, composed by Spain, France, Brazil, German, UK and EUA. Lisbon received more 550 thousands tourists through cruise tourism activity.

As the Europe's second-oldest capital, Lisbon presents a diversity of natural and cultural features being sought for leisure activities. Tourists travel to Lisbon to visit and gather new experiences, looking for explore heritage monuments and museums at the city or nearby (such as in Sintra and Óbidos), nautical activities, walking and enjoying the beautifulness of Lisbon (attracting walkers and photographers), sports (as golf), gastronomy, shopping, beaches and nightlife (attracting the youngest travellers). The natural characteristics of the wild climate in mountains and beaches are also attracting active tourists. Considering as one of the safest European capitals, it is a welcome and friendly city to all visitors and families (goLISBON, 2014).

3.3. Tourist Profile Arriving Via Cruises

The characteristics of the cruise tourists' profile visiting Lisbon can be identified based on the research annually developed by the *Observatório do Turismo de Lisboa* near cruise passengers in

Lisbon (OTL, 2013). According to this study, passengers are mostly British, with an average age of 50 years (51 in 2012), married, with no kids, and traveling with friends. Moreover, 81.7% with university graduation, professionally active (99.3%) and for 77.5% was the first cruise travel experience. The entertainment was the main reason to do a cruise travel and the set of cities to visit included in the itinerary was the main factor to choose the cruise.

The same analysis concluded that, and among others, passengers identify the climate, the local population and the easiness of access to the city as the factors that position Lisbon in top 10 destinations to visit. The analysis also finds that the average degree of satisfaction with the visit to Lisbon is 7.7 (8.3 in 2012) in a scale between 1 to 10, with 56.1% of respondents saying that their expectations were exceeded. During the visit in Lisbon by passengers in transit, which lasts nine hours, they did an individual average expenditure around 97.40€, in 2013 (118.39€ in 2012). Dissimilar to what was verified since 2006, where passengers opted to visit the city independently (45% in 2012), in 2013, 19% chose this option, with passengers purchasing on board organized tours, with tourist guide. Reasons might be related with changes on shore tours' supply which might had motivated cruise passengers to opt for visit Lisbon in an organised way. The most visited places in the city were the Baixa-Chiado, Bairro Alto and Belém/Cais do Sodré. Cascais represented 54.3%. Of the passengers questioned 0.2% stayed overnight in Lisbon (0.6% in 2012), expending an average of 68.85€ per person.

In the year of 2013, respondents in Lisbon asserted perform expenses on transportation (98.3%), food (96.4%) and shopping (84.7%). The most populated and therefore wanted products are the wine, crafts and pastries and also visit the monuments and attractions (63.7%). But when asked about how they gather information about the city, the advertising is the primer source (for the first time selected as the main source) and then the internet, the information available on the ship and the one received from friends and/or family.

For 38.3% of respondents consider their return to Lisbon in cruises as likely or very likely (59% in 2012), and 94% ranked their return to Lisbon in leisure, out of cruise context (86.3% in 2012). The destination is highly recommended as a transit point for cruises and as a tourist destination, with

98.8% (97.4% in 2012) and 98.9% (97% in 2012), respectively.

Concerning Portuguese cruise passengers, less than 1% of the population do cruises trips. Nonetheless, the relation between price and quality and the increasing interest of this market on the cruise product supports growth expectations of the Portuguese market in cruise tourism. From the questionnaire developed by Timóteo (2012), focused on the Portuguese cruise tourist, it was concluded that these tourists belong to a medium/high socio-economic class, employed and with higher education, travel with company but commonly without children, enjoy visit several destinations on the same trip and appreciate diversified onboard experiences. However, it was concluded that an important number of Portuguese cruise passengers did not boarded in Lisbon since that possibility was not available for the intended cruise trip. Nonetheless, a higher number of Portuguese cruise tourists is an achievable goal.

3.4. Local Cruise Network – Moving Toward Cruise Tourism?

As a recent cruise touristic city, Lisbon has been effective in overcome some limitations in order to meet visitors' needs and expectations. However, additional factors influencing Lisbon as a cruise destination are important to be identified and analysed, as a system approach. In this way, it is primarily important to identify the main players involved in the cruise activity in Lisbon. They are TP, *Turismo de Lisboa* (TL), *Aeroportos de Portugal* (ANA), APL, *Serviço de Estrangeiros e Fronteiras* (SEF), and, more recently, LCT (primary source). Promotion is directly related with APL/LCT and supported by TP and TL, especially promoting the city and its multiple touristic activities. TAP and ANA are the entities that coordinate the airline supply and LCT manage the operational issues to welcome the cruise ship. The local services are mostly supported by tour and transports companies (bus or taxis), supporting shore tours in Lisbon. Other entities as, restaurants, accommodation and cultural locations, complement the presence of cruise tourists in Lisbon.

Favourably, adjustments have not only been made to cruise companies and passengers' behaviours, but also to destinations and their local network. Lisbon has felt severe constraints to counteract some preconceptions in relation to this sector. Locals believed that cruise tourism is an autonomous industry and Lisbon is nothing more than a harbour crossing without any economic benefit (primary source). Besides the sizeable number of passengers in the city on excursions, organized by a closed cluster of companies, no other information regarding this activity is known. Fortunately, the growing presence of cruise tourists in Lisbon looking for self-organized visits, in addition to the efforts from port authority to emphasize the importance of this activity to Lisbon, have been essential to modify locals' perception, giving it proper value.

Albeit, Lisbon features other positive and negative aspects, ranged in external and internal factors. Those are following identified (table 1) and developed in the exhibit 16.

Table 1: Internal and External Factors Currently Influencing Cruise Tourism Activity in Lisbon

External Factors	-	+
Geographical Position	Outside of alternative regions such as Mediterranean and North Europe	Destination with competitive price/cost ratio compared with other European ports
Internal Factors	-	+
Source of Passengers	Reduced potential of Portuguese's tourists to develop cruise trips	Managing constraints, conditions might be provided to transport key foreign source of passengers for turnaround in Lisbon
Turnaround Operations	Reduced conditions to turnaround operations and its consequent reduced impact of foreign cruise passengers' behaviours in Lisbon	Conditions are created to host different cruise passengers in turnaround. Lisbon has faced an substantial increase in accommodation (208 hotels in 2013)
Shore Tour Activities	Limitations for new entities enter in the business and/or adapt current shore tours offered on board to passengers in Lisbon	
Physical Conditions of Cruise Terminal	- Growth size of cruise ships affect the ships docked simultaneously and number of scales; - Inadequacy of facilities prevent the flow of passengers and its presence in closed area	
Source: Research and conclusions made by the author		

The success of a port destination requires three essential factors. Firstly, it is important to be an attractive tourist destination, in terms of cultural and heritage history, superior tourism and service infrastructure. More, it is required an outstanding port facilities with capacity for fast, high-volume (des)embarking and high levels of security. Ultimately, the logistical support must be of a high quality, whereas related with equipment, repairs, maintenance and entities delivering additional services as airport, excursion players and others. The lower operational costs is also important.

As such, it is possible to conclude that, on the physical point of view, Lisbon Port is not prepared to develop larger number of passengers (dis)embarking or even expand as a port-of-call.

3.5. SWOT/TOWS Analysis – Cruise Port At The Lisbon Touristic City

The linkage between Lisbon and its port cannot be devalued. Whereas some aspects affect the daily activity, others are essential to support the development of Lisbon as remarkable cruise destination. Through SWOT analysis, the elements that support cruise tourism in Lisbon and the obstacles needed to be overcome were identified, present on the following table 2.

Table 2: LISBON SWOT ANALYSIS

Strengths	Weaknesses
S1 - Prestigious and highly attractive destination to all visitors, especially youth and families with children; **S2** - Extensive cultural, historical and heritage offer at affordable prices (Western Europe's Least Expensive Capital); **S3** - Lisbon as the capital city of Portugal and the Europe's second-oldest capital. Awarded in different touristic areas; **S4** - Safe and welcoming destination with attractive weather during whole year. **S5** - Offers a variety of touristic attractions (gastronomy, palaces, museums and natural park); **S6** - International airport in the city centre; **S7** - Diversified accommodation supply with quality services (4 and 5 star's hotels); **S8** - New cruise port terminal and its new management (LCT); **S9** – Fado - Intangible World Heritage by UNESCO **S10** – Lisbon Port localized in the city centre	**W1** - SEF's and other local taxes applied to crew and cruise ships; **W2** – Constraints on regular flow of tour buses transporting tourists in the city centre; **W3** - Obsolete terminal with physical problems to receive higher volume of passengers; **W4** - Poor first impression when cruise tourist land; **W5** - Lack of completed information about cruise tourism; **W6** - Lack of airline supply for key demand markets (poor connections) **W7** – Undeveloped digital platforms to promote the city and its touristic attractions **W8** –Cruise information dispersed in different informatics systems ("*Janela Única Portuária*" (JUP) and SEF) **W9** – Low Portuguese demand for cruises (0.4% in 2014) **W10** – Seasonality of the cruise activity in Lisbon
Opportunities	**Threats**
O1 - Attract important cruise source of passengers (as USA or Spain); **O2** - Emerging key markets on leisure travel (such as Brazil); **O3** - Manage accessibilities between Lisbon Port and city; **O4** - Increasing presence at international tourism events; **O5** - Intensification of promotion to tourists in Lisbon; **O6** – Intensification of cruise demand, especially attracting potential Portuguese cruise tourists as well as stimulate their turnaround in Lisbon; **O7** – Incentive tourists for cruise travel experience with informational campaigns; **O8** – Changes on cruise tourists characteristics and behaviours; **O9** – Increasing affordability of cruise packages; **O10** – Agreements with airline companies to support turnaround operations of cruise tourism in Lisbon. **O11** – Competitive port authority fees to cruise companies	**T1** - National and international uncertainty - Economic crises; **T2** - Annual vulnerability with inconstant number of cruise ships in Lisbon; **T3** – Port localized in the city centre and the consequential limitations regarding flow of tourists and traffic (crowding); **T4** - Economic limitations affecting budget to invest in promotion, specially at the cruise tourism sector; **T5** – Emerging of new cruise regions (such as Asia) affecting the number of cruise ships in Europe; **T6** – European ports' competition, well developed and positioned; **T7 –** Lower level of tourists expenditure at port-of-call; **T8 –** Geographical position of Lisbon, outside of main itineraries.

Source: Research and conclusions made by the author

Based on the SWOT analyses is identified a group of strengths and opportunities which might support improvements on weaknesses and manage threats, in order to improve local cruise tourism activity. As such, some strategic actions are following presented, based on TOWS analysis:

Maximize Opportunities Exploring Strengths

S6, S7,S10;O2,O7 - Positive growth of Brazilian tourists in cruise and its high demand for vacations in USA and Europe, might be an important source of passengers to Lisbon. Since this market desires to visit European cities and do shopping, are important potential for turnaround operations in Lisbon (PWC, 2014); Promotion is essential.

S1,S2,S4,S5;O1,O9 - Appeal particularly Spanish tourists living near the boundary with Portugal and who have already travelled by car to do vacations in Portugal (especially families), taking advantage from shorter distance to travel to Lisbon than to Barcelona. Important source of passengers to Lisbon, supporting turnaround as well as local tourism, staying additional days to visit the city and surrounding areas.

S2,S5,S9;O7,O8 - Lisbon and its entities might take advantage from the surrounding heritage to attract curious and newer cruise tourists (as families and youngers), providing specialized tours. Thematic or dynamic tours can be developed to independent cruise tourists visit.

Sidestep Treats Exploring Strengths

S2;S4,S8;T2,T7 - Promote changes and new benefits at new Lisbon cruise terminal near cruise companies to intensify the local cruise activity; As a affordable city might be used to promote Lisbon near niche market searching for cost-effective tourism packages and offer them special incentives to opt to start/finish the cruise in Lisbon and stay additional days to visit the city.

S6,S7,S8;T4 - To overcome the low investment in promotion, under the cruise tourism, coordinate local stakeholders to cooperate in marketing efforts, such as airline companies, hotels, travel agencies, local tourist boards, and other businesses serving the cruise tourism locally.

Manage Weaknesses And Minimize Treats

W7,W8;T2,T3 - Development of computer system providing relevant information and support communication between main entities (through B2B channel), to work on providing the best land services.

W3,W4;T6 - Reinforce welcome of cruise tourists, by providing highest facilities and entertainment during cruise operations, will deliver a positive impression to companies and its passengers, who will intend to return and repeat the experience.

Diminish Weaknesses By Take Advantage From Opportunities

W6;O1,O10 - Partnerships between port and airport entity (LCT and ANA) to support and adjust connections with foreign source of passengers in order to match the cruise ship turnaround operation with airport capability. Proposals: develop specific agreements with airline companies to take advantage from the Star Alliances to extra charter airplanes; Provide services to support passengers connection between airport and cruise terminal, as luggage express transporting from airport to port.

W2,W10;O7,O8 - Promoting Lisbon as a cruise destination to be enjoyed throughout the year by experiencing diversified and attractive activities, may support the reduction of the cruise seasonality and problems associated the local bus congestion.

It is concluded that the diversity of local potentialities can be potentially used in order to improve facilities, services and experiences delivered to cruise passengers. The level of cruise activity in Lisbon can be intensified, with important impact for local community.

3.6. Turning Lisbon Into A Dynamic Cruise Destination

The previous analysis has helped to understand cruise tourism and the relationship between the main players. Cruise companies clearly have a strong power (primary source) and are the rulers of the industry. Therefore, the remaining players are continuously fighting to follow companies' requirements and stand out from the competition. The fact is that the destination may have the necessary conditions, but this does not mean that it will have an increased activity or become part of the itineraries. Since Lisbon's neighbour ports are marketable and strategically attractive, cruise companies will continue to opt for certain destinations, even if with less conditions (primary source). This is due to the fact that cruise companies' decisions are based on profitability and saleability of tickets. Consequently, destinations and their local players must attract companies by showing the benefits that cruise companies may obtain with higher activity in that destination.

By analyzing Lisbon's cruise system approach, significant issues have already been identified and it is important to seek possible solutions. The main constraints related with port are expected to be overcome with facilities provided through the new cruise terminal and LCT's renovation actions. Moreover, the high satisfaction expressed by cruise passengers after visiting Lisbon supports its positive image among cruise tourists. Nonetheless, differences were detected in cruise passengers' opinions in the latest annual surveys, regarding the shore tours.

The success of shore tours related to onboard selling and customers' satisfaction is important for cruise companies since they benefit from them. However, passengers have avoided to purchase onboard shore tours, justified by the easy access to online information and also by low purchasing power. Moreover, passengers' culture also affects the money spent since, traditionally, there are nationalities (such as Americans) who buy more shore tours than others (English).

From the onboard brochures promoting shore tours in Lisbon, it is possible to see that the average price for full day tours is between 99.90€ for adults and 69.60€ for children, and the 5-hour excursion costs 45.90€ and 32.90€, respectively. Thematic options are offered, such as visiting Lisbon and Sintra, exploring wine in Arrábida or discovering the surrounding areas and local pastries. However, the problem lies in the inadequacy of offers. Although, until recently, passengers would purchase these tours regularly, their behavior is changing and there are also more repeat cruise passengers stopping in Lisbon (primary source), looking for diversified alternatives.

According to local tour operators, passengers who purchase shore tours to visit Lisbon are elderly, retired, have high cultural expectations and prefer to have a general idea of the city or surrounding area in a safe, relaxed and organized way. If this is not possible, they prefer to remain on board. Additionally, younger segments, especially couples or families, look for attractive and interesting experiences. When it comes to families, the lack of alternative options is evident, specially for children, which lead families to go on land for independent visits or opt to leave children on board while they visit the city. Moreover, the easy access to Lisbon's city center and its local attractions, have encouraged passengers to visit the city on their own instead of purchasing expensive shore tours, specially for those who are active.

In order to correctly address passengers' needs and reap greater benefits, it is particularly important to identify cruise tourists' behavior before they arrive in Lisbon. Three different types can be identified: tourists who decide to remain on board, tourists who choose to visit Lisbon independently and tourists who purchase shore tours. Since the last two increase cruise companies' profit, proposals from local entities must meet passengers' needs. To do so, new and attractive activities must be proposed in such a way that cruise companies see their potential and passengers consider them valuable and interesting options. Besides the traditional gastronomy and entertainment, Lisbon has fifty museums portraying Portuguese symbols such as Fado or ceramic tile. In addition, the waterfront and climate provide conditions for many alternatives. Regardless of the type of activities promoted, special efforts must be made to stimulate local consumption and counteract tourists' unwillingness to spend money. The adequacy of activities and prices charged must be developed bearing in mind a double economic benefit, that is, not exclusively for the cruise company but also for Lisbon's economy.

It is equally important to provide solutions to support cruise passengers who still opt for individual experiences by proposing different ways to visit the desired locations, considering their time constraints. To do so, it is essential to deal with local limitations. Cruise companies and local tour operators have identified problems regarding on land operations caused, in part, by the fact that Lisbon's port is centrality located, which affect the time needed for tour buses to reach the city center. Moreover, there is a lack of signaling in strategic points to guide tourists to the main areas. Indeed, efforts must be made to address these issues.

On the other hand, the main concern resides in the time needed for local entities to overcome barriers imposed by cruise companies. However, solutions must be found in the near future, especially by small companies, tour guides or any other individuals, in order to stimulate the interaction between cruise passengers and Lisbon, and consequently improve the economic impact of cruises in Lisbon. One idea would be for local entities to specialize in different types of activities so as to offer better service and experiences and avoid competing directly with other local entities. By offering programs suitable for the different segments, this will improve Lisbon's positive image among tourists. Consequently, more and more passengers will choose a cruise trip which includes Lisbon and, as a result, cruise companies will include in their itineraries more frequently. The city will be positively affected, both in its external image and internal growth.

The improvement of how passengers are welcomed and of the overall local experience will strengthen Lisbon and increase its potential to succeed as a cruise destination. This will provide an opportunity for more business relationships and growth in the number of tourists who return to Lisbon for a longer visit. Even though cruise passengers continue to belong to the older age group, the diversification of onboard ages has been a result of the growing number of activities on board. It is essential to improve experiences for independent and shore tour tourists and change their perception of a destination with a wide and diverse range of activities (budget to luxury). Diversified promotional activities are an important weapon for Lisbon to stand out as a cruise tourism destination as it will foster tourists' loyalty to the destination and increase Lisbon's notoriety (Exhibit 17).

4. Cruise Tourism And Its Economic Impact on Lisbon

In respect to the economic contribution of cruise tourism, this subject has been internationally analysed and acknowledged. Still, the estimation focus on a certain destination is essential since it allows to understand whether or not the cruise industry is a source of economic benefits for the local community. In this way, the following section aims to analyse the economic impact of cruise tourism on the city of Lisbon. To do so, attention has been given to the studies developed by Dwyer, since he identified and structured the main factors to estimate the local impact of this business, known as the economic agents (Dwyer, 2004). They are cruise passenger, crew, port authorities, local destinations and cruise companies, which must be grouped in direct, indirect and induced economic contribution (described in exhibit 18.1).

The estimation of the impact of cruise tourism on Lisbon focused on two periods of time (please see exhibit 18 for a complete analysis). The first analysis presents the economic impact in 2013 and the second between 2014, when changes were made to cruise management, and 2019. Regarding 2013, the estimation was based on the information available with regard the factors that influenced Lisbon during that year. For the period between 2014 and 2019, estimation was based on expectations regarding the factors under analysis. Both measurements were developed through the tourism multiplier, which makes it possible to measure the proportion that recirculates in the economy, creating further economic activity and employment (FedNor, 2014). Please see Exhibit 18.2 and 18.3 for considerations and limitations.

4.1. Contribution To Lisbon - Local Economic Impact and Projections

Tourist's expenditure supports the regional development, since it increases the economic activity in four areas of the tourism industry: transportation, accommodation (including food and beverage), attractions and tour operators. Generated by passengers and cruise ships in Lisbon, that expenditure supports related businesses such as local commerce, tour operators, restaurants, and, periodically, hotels, benefitting the local economy. As such, the economic impact on Lisbon is presented:

TABLE 3: CRUISE INDUSTRY - IMPACT TO LOCAL ECONOMY, LISBON				
Period		Direct Expenditures	Indirect Expenditures	Total
2013		55 158 098 €	22 890 000 €	78 048 098 €
2014 - 2019	Pessimistic	55 129 369 €	22 386 420 €	77 515 789 €
	Normal	58 032 428€	22 935 780 €	80 968 208 €
	Optimistic	60 986 697 €	23 393 580 €	84 380 277 €

For **the year of 2013,** some conclusions are presented based on the calculations developed (exhibit 18.4). During this year, Lisbon welcomed a record number of passengers but on observing the impact generated, it can be concluded that the main impact came from direct expenditure (55 158 098€) and was generated by transit operations. Most economic entities benefitting from the cruise passengers visits were, therefore, the port authority, traditional commerce and businesses providing shore tours and local transportation. Other sectors such as hotels or even restaurants were not substantially affected. Although some cruise passengers leave the ship for the full day, others simply do it after the main meal, avoiding expenses in restaurants (primary source). During this year, 90% were transit passengers (507 206) and the remaining were turnaround (10%), of which an insignificant number stayed for additional days in Lisbon. Despite data's limitations regarding the percentage of tourists staying in Lisbon, as well as their characteristics and behaviours, it was noted that this group purchased a reduced number of services/products, namely in the case of hotel services, since the expression of turnaround passengers staying was insignificant. Finally, based on calculations is seen that the impact was mostly concentrated on a small group of players, with low reflection on Lisbon.

In conclusion, the year of 2013 generated a total expenditure of 78 million euros and is considered to have had a low economic impact. In light of the level of activity, regarding the record in number of passengers and scales, the estimated economic impact on Lisbon should have been higher than what was recorded.

To project the cruise impact on Lisbon from 2014 forward, the analysis is divided into two economic impacts. The aim is to identify the economic impact of a normal/stable or substantial increase of cruise passengers' stay for additional days in Lisbon. As such, the economic impact is estimated for the period between 2014 and 2019 and additional impact is analysed for the years between 2017 and 2019. The last period considers a positive impact generated by Lisbon's new cruise terminal which is expected to support the intensification of turnaround and the number of cruise passengers in turnaround spending additional days in Lisbon. A group of considerations and projections were assumed based on research and forecasts regarding Lisbon and the cruise industry on the whole. Nonetheless, bearing in mind the vulnerability of some of these elements, the economic analysis for this period was carried out through three analysis of sensitivity, identified as pessimistic, normal and optimistic.

Regarding the **period from 2014 to 2019**, the estimation is based on a group of considerations (Exhibit 18.5). With 353 scales in 2013, the year of 2014 and 2015 are expected to see a decrease in the number of scales to 320 and 310, respectively (primary source). Many explanations support this decrease but the main one is related to the fact that cruise companies are looking for alternatives, in order to overcome possible saturation and stimulate passengers' demand, and also new regions to expand, such as the Asia. The reduced number of cruise ships has led companies to reallocate them until they receive new ones. Bearing in mind the instability of this business, a decrease of one cruise ship tends to represent an average reduction of 2000 passengers, which has a significant economic impact on destinations. Nonetheless, data collected since 2003 has shown that the average number of passengers per cruise in Lisbon has increased (exhibit 18.6), following cruise tourism trends. In this way, despite the expected decrease in scales, the total number of passengers may suffer less impact. Until November 2014, scales decreased by 15%, while the number of passengers decreased by 10%. As such, to this period in analysis (exhibit 18.7.1), the normal sensibility estimates an economic impact on Lisbon of 80 968 208 € annually, with a difference of over and under 4 million in relation to pessimistic and optimistic analysis, respectively. Compared to 2013, the variation is not expressive (two million euros more). Under this expectations, the impact will be mostly concentrated on a small number of businesses, as verified until 2013, representing a reduced expression for local tourism impact.

Nonetheless, identifying 2014 as the year in which main changes on cruise tourism management were established and the construction of the Lisbon's new cruise terminal was officialised, new strategies have been set by LCT to improve the level of cruise activity in Lisbon (exhibit 14 and 17). Changes are expected to be made in order to establish Lisbon Port as an important and desirable destination for cruise companies and passengers. Even so, besides external and uncontrolled factors that tend to affect the annual activity, the impact from those actions will take time to be perceived locally. In fact, the years between 2014 and 2016 are predicted to be substantially affected by the reduced number of scales in Lisbon, emphasizing the negative impact originated by the lack of proper terminal facilities. As such, 2016, and particularly 2017, are expected to see the biggest physical and strategic changes in Lisbon, supporting the increase of this activity's economic impact.

Based on a group of assumptions, the following analysis estimate the additional impact of the business point on the destination, in the **period from 2017 to 2019**: an increase in the duration of cruise passengers' stay in Lisbon, supported with the finalization of the Lisbon's new cruise terminal in 2016 along with a group of strategic actions expected to support the growth of turnaround as of 2017 (exhibit 18.7.2). Mostly justified by geographical constraints, the opinions collected consider that the potentialities of Lisbon are located in turnaround operations, with itineraries starting or ending in Lisbon. As such, the analysis considers: an intensification of passengers in turnaround between 2017 and 2019, which 50% of turnaround passengers will stay in Lisbon for three days before or after the cruise trip and do total expenses of approximately 701€ over a 3-day period.

It is concluded that the annual contribution of turnaround cruise passengers to Lisbon, staying 3 days before or after the cruise trip is 21 110 647€ according to the normal sensitivity analysis. Analysing fluctuations between the percentage of passengers staying in Lisbon and the inflation rate (estimated to be 1.5% for the 3 years considered) a pessimistic impact is predicted to be of 4 159 733€ and an optimistic impact of 38 373 541€. Furthermore, the expected increase of turnaround passengers will also have an impact on Port Agency Fees (here considered APL and SEF) predicted to be of 623 669 €, 717 220 € and 860 664 €, between 2017 and 2019. This represents an average increase of 733 851 € per year. To sum up, an additional total annual impact of 21 844 498€ euros is expected for Lisbon. Comparing with the previews analysis is possible to conclude that the intensification of turnaround and the number of passengers in Lisbon will generate an important impact on Lisbon, representing an central activity for the local community.

Considering the concession agreement, LCT will have an annual average cost of 3 million euros paid to APL and an additional cost of 7 millions during the new terminal's construction, expected to be concluded in a 3-year term. From the annual average revenue expected of 16 million euros (estimated on "Vessel Related Expenditures"), LCT will have a balance of 6 million euros between 2014 and 2016 and of 13 million euros per year from 2017 onward (exhibit 18.8).

Albeit what is economically possible to estimate, this passenger's behaviour will also generate additional expenses, impacting Lisbon such as on those related to airline fare expenses or even less common services. The airline expenses might affect the local economy, especially if tourists travel with the Portuguese airline, TAP. Moreover, indirect and induced impact will also be intensified. Employment will increase since entities will need to increase the number of permanent employees, not only at Lisbon airport and in hotels, but also in local commerce and industries providing products and services demanded by tourists. More importantly, cruise companies will look for Portuguese people to join their crew and the cruise terminal will need to hire staff to ensure the required operational procedures. The development of these activities will not only benefit the city, but they will also increase the number of people who return to Lisbon, which represents a double economic impact on the city.

5. Conclusion And Recommendations

Cruise tourism has been studied as a system in order to identify the main factors which support its impact on the city of Lisbon. This led to important conclusions. Not only is the demand for cruise tourism activity increasing quickly, but onboard services are also changing in order to cater for passengers expectations. Thematic cruises have widened the range of opportunities to develop itineraries whereas comfort and entertainment offered on board have supported the growth in the number of passengers. Changes in the sector are visible, both in demand and supply, which has increasingly segmented the cruise market.

Upon understanding how itineraries are defined and ports are selected, it became clear that cruise companies have the power to control the industry. In fact, it is cruise passenger's satisfaction and profitability which support the cruise companies' strategic selections of some ports instead of others. The passengers' experiences on land are a decisive factor regarding the image of the port and the city as well as for the future of the local activity.

Lisbon has registered important growth in terms of the number of cruise passengers. Natural and cultural characteristics are the main reasons identified by cruise passengers to visit Lisbon. However, several constraints are affecting the quality of the experience as well as the intensification of operations at Lisbon Port. First, the current facilities offered at the cruise terminal are inadequate; the poor source of local passengers make it necessary to transport foreign passengers from key markets although, currently, Lisbon airport cannot guarantee this service for a higher level of turnaround operations; there is little promotion of Lisbon as a cruise destination; shore tour activities are not using local facilities properly in such a way that it intensifies the local experience as well as economically impacts the local entities; finally, the reduced level of turnaround operations affects the impact of the cruise tourism in Lisbon since it could increase the number of passengers staying in Lisbon before or after a cruise trip, with greater impact on a wider range of local entities (such as hotels, local commerce, transports or restaurants).

The economic estimation of the cruise tourism impact in Lisbon was also estimated. To the year of 2013, the total impact for the city of Lisbon was of around 78 millions of euros and it is expected to goes to 80 millions of euros, annually, from 2014 to 2019. If turnaround operations will increase between 2017 and 2019 and half passengers would opt to stay in Lisbon, Lisbon would reach additionally impact of 21 110 647€ per year, in respect to the additional cruise passengers' expenses staying in Lisbon. However, the overall impact on Lisbon (although it has not been possible to be estimated) is even higher, affecting in three different ways (direct but specially indirect and induced).

The study allows to present a group of conclusions and suggestions (please see exhibit 19).

In conclusion, Lisbon needs to grow in size and quality. By doing this, Lisbon will increase the number of visitors (first-time and repeat visitors) from the traditional and emerging markets. At the same time, this will make this sector more profitable, through normal passengers expenses and longer overnight stays. At the same time, it is important to attract segments with greater purchasing power and increase cross selling between regional tourist products and the country. The future of Lisbon as a cruise tourism destination will depend on its ability to attract the main cruise passenger segments as well as the cruise companies attention. In light of the fact that safety and opportunity to visit international destinations in a controlled and organized way are the two main factors that have supported the growing demand for cruises, Lisbon must use them to find its competitive advantage over other destinations.

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A work project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics

EXHIBITS

CRUISE TOURISM IN LISBON - CRUISE TOURISM ACTIVITY AND ITS IMPACT ON THE CITY

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A project carried out on the Field Lab of Tourism, under the supervision of

PROFESSOR SÓNIA DAHAB

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EXHIBIT 1: Definitions

The following vocabularies and meanings were collected from a group of books and studies, such as *Dictionary of the cruise industry*[3] and UNWTO (2010).

Berth - the bed or beds in the passenger cabins on the ship. A term used to determine a ship's "official" capacity.

Cruise - defined as "to make a trip by sea in a liner for pleasure, usually calling at a number of ports" (Collins English Dictionary).

Cruise Ship - view as a floating hotels which transports passengers from one place to another[4].

Cruise Tourism - the use of ships for pleasure cruising and not merely for transportation, being unique in the manner in which it provides a combination of transportation, accommodation, entertainment, retail ad destination services UNWTO (1997).

Cruise destination - port destination of visit by cruise ships (e.g. port of Lisbon).

Direct spending - gross total spending generated by an entity (such as tourist, cruise company, etc) in its area of presence.

Direct economic impact - the value added and employment directly created by the direct spending of an entity (tourist, cruise company, and others) in its area of presence.

Economic impact - impact generated by an entity due to its direct spending in its area of presence.

Employment effects - the economic impact created by the spending of employees' wages in the wider economy.

Home port – port at which a cruise ship is based, normally for a series of cruises.

Indirect Impact – result from the spending by the directly impacted businesses for those goods and services they require to support the cruise industry. Primarily affect business-to-business enterprises.

Induced Impact – result from the spending by the impacted employees for household goods and services. Primarily affect consumer businesses.

Itinerary - the proposed route or journey of a cruise ship, aggregating a group of ports-of-call.

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3 Israel, Giora and Miller, Laurence. 1999. "Dictionary of the cruise industry "Seatrade Communications, Ltd

4 Dowling, Ross K. 2006. "Cruise Ship Tourism". CABI Publishing

Lower berths - used to measure the normal capacity of a ship when two beds in each cabin are occupied.

(Unique) Passenger - refers to an individual cruise tourist.

Passenger visit - refers to a visit by a cruise tourist to a particular port. A turnaround port can receive two passenger visits by the same passenger during a cruise.

Port-of-call – port at which a cruise hip calls during the course of a cruise. Also sometimes referred to as a transit port or destination port.

Saleable – cruise travel or cruise itinerary that fit for selling or it is capable of being sold.

Shore tour – optional activities, usually involving a tour, offered to passengers at each port-of-call. They are not generally included in the cruise fare and may last from a few to several hours.

Transit call - refers to a cruise call into a port, where passengers and crew are effectively day visitors. A transit port is referred to as a cruise destination on the itinerary of a cruise ship.

Tourist attractiveness - the extent to which a destination/region is attractive for tourists.

Tourist attraction - a specific object (or cluster of objects) that attracts tourists to a tourist destination.

Total Economic Impact – sum of the direct, indirect and induced impacts.

Turnaround call - refers to a cruise call at a port where the cruise begins or ends and where the cruise passengers embark or disembark. A turnaround port is referred to as the port where an itinerary starts or ends.

Value added: The value attributed to products, and services as the result of a particular process by a company.

Yield management - based on the principle that the greater the demand the more clients pay. Cruise lines market their bed-places based on a market segment strategy, grouping staterooms to form various price categories. The assumption is that this makes it possible to book a cruise ship much more fully and improve the occupancy rate, which is the variable that most affects profitability. Each price is associated with characteristics specifically defined in terms of two factors: the time reservations and payments are made and the category of stateroom and itinerary (UNWTO, 2010).

EXHIBIT 2: Evolution Of Cruise Tourism

The world changes in the last quarter of the century "made tourism an important activity for the world's inhabitants, especially those from the industrialized nations" (Hudman 2002). Defined as a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or professional purposes (UNWTO, 2010), tourism has registered progress among major sectors of the world economy.

As one of the fastest growing segments of the leisure tourism industry, the cruise industry has achieved an important presence in tourism and become a central business, increasingly affecting the coastline locations and the city ports. It is defined as "a sea voyage of at least 60 hours on a vessel that transports only passengers and visits at least two ports (excluding the port of embarkation)" (OECD), or even "cruise tourism is the use of ships for pleasure cruising (...) being unique in the manner in which it provides a combination of transportation, accommodation, entertainment, retail and destination services" (UNWTO, 1997). What was previously called mobile resorts is now known as floating resorts, full of numerous facilities such as restaurants, bars, sports facilities, shopping centres, entertainment, beauty areas and casinos, among others.

Cruise tourism is not a recent activity and it has suffered several changes. The first signs of cruise travel appeared in the 1800s when the first comfortable scheduled services were offered to transport passengers, alongside with mail service crossing. During the same period, Samuel Cunard, who later founded the Cunard Line, introduced new concerns related with safety, speed and reliability rather than simply comfort. Therefore, he was pioneer in introducing leisure passenger travel on the seas. Passengers belonged to the older generation, between forty and seventy, and were eager to repeat the experience. In fact, the current popularity of cruise travel resembles those original ideas, well described by Twain, when he stated it was hassle-free, entertaining and good for making new friends.

In the 1900s, ocean voyage was mainly supported by immigration since travelling for pleasure was replaced by the need to escape political repressions. In addition, this period was marked by a growth in commerce between Europe and North America, which intensified the number of people on voyages. The elite travelled in first-class accommodation, with luxurious services and areas, the second class had decent conditions but no luxury, and the third class was accommodated in dormitories with crowded public toilet and bath facilities (Dickinson, 2008). At the end of the 1960s, important expansion was experienced, when the "tourist ship passengers" concept was gradually introduced, with valuable additions in terms of accommodation and activities. This sector started moving from a very small part of the oceanic passenger industry into a complete and complex vacation business, leading to the development of massive and ornate floating hotels. The 1970s and 1980s represented a moderate growth, especially supported by the broadcast of the Love Boat television series, increasing the awareness of cruising as a romantic and relaxing vacation.

However, it was in the 1990s that leisure tourism enter its period of biggest growth, reaching Europe, Asia and Oceania. From then on, the industry has seen constant investments and improvements, mostly supported by the worldwide demand within the tourism industry. Whereas before the main objective of cruise companies was to create conditions to attract rich and powerful business customers who wanted a fast means of transportation, now these cruise companies aim to provide longer and leisure-oriented trips. Even though some of the former concerns still remain such as the special dedication to providing the best service and entertainment for passengers, cruise ships are becoming far larger, more modern and safer than ever before. On-board entertainment has become a crucial element, as have the pleasure of the trip and the discovery of new stops[5].

Despite various economic setbacks (such as the oil crisis in the 80s, the Iraq war in the 90s, September 11th or Costa Concordia accident), this segment has grown. The number of passengers on board has increased, with most ships carrying an average of 2000 passengers, although some can transport 5000 passengers. Similarly, cabins and the percentage of cabins with balconies has increased (Jaunted, 2014). The former division into three classes, which differentiated features such as special areas, services and accommodation was simplified into two classes (first and cabin class) but, in today's cruise liners, these have evolved into one class (Haven, 2013). The price is now the element that differentiates the type of cabin but the overall service is the same for everyone. To

[5] http://library.duke.edu/digitalcollections/adaccess/guide/transportation/passenger-ships/ (accessed on August 28, 2014)

benefit from additional services there is an additional cost. In fact, the ship itself became differentiating element.

In 2013, about 21.3 million passengers took a cruise around the world, a number which was substantially higher than ten years before when there were only 12 million. Forecasts suggest that this will continue, with the European market growing substantially, while new markets will emerge. However, despite its growth, the participation of this industry in the large leisure tourism market is still very low if we consider the fact that it represents less than 2% of world tourism.[6] The potential for the activity's growth is, in fact, very high.

The truth of the matter is that the study of the social, economic, and environmental issues that affect regions where the cruise industry operates have been neglected in literature (Christy Loper, 2005). Furthermore, the number of researchers who have studied the impact of tourism is surprisingly small (Braun et al, 2002), namely regarding the quantification of the economic effects of cruise tourism on ports (WTO, 2003). In fact, Lisbon is one of the port cities which has been positively affected by the expansion of this type of tourism, but it is also one of the examples were research and analysis of its impact is practically non-existent. The following study aims to present a brief overview of cruise tourism in Lisbon, and present how it has influenced the city.

EXHIBIT 3: Cruise Industry's Background - Worldwide Facts And Trends

The cruise industry has gone through a significant change and become a global market. In order to identify dissimilarities worldwide, the activity was separate and identified into three main groups: North America, Europe and the Rest of the World.

North-America, which was formerly the leading area, has been affected by the growing demand registered in Europe. According to the research carried out by Cruise Lines International Association (CLIA, 2011), Europe represents an important share of the international cruise demand, having seen an increase from 12 million passengers in 2003 to 21 million in 2013 (77% more). During the same period, the North American demand increased 43.6%. However, North America continued to be the market leader with a global market share of 55.5% (in 2013), whereas Europe represented 30% of

[6] Study developed by APL in May, 2011

market share. The strong growth of new markets has helped to increased the Rest of the World's market share, from 9% (in 2003) to 14,5% in 2013.

According to the same study (CLIA), North-America is the largest source of passengers, with the United States representing the largest percentage (92%) and Canada comes second with 7%. North-America is also the most active area where, in 2013, more than 4000 cruises began from its ports and carried almost 11 million passengers. For this reason, it represents 51% of global cruise passengers, with Miami being the most important port.

With regard to Europe, despite its growth, passengers' distribution is not homogenously spread all over the European countries. The major European source of passengers is located in five countries - the United Kingdom (UK), Germany, Italy, France and Spain - which in 2013 accounted for 83% of the European passengers and represent 80% of the cruise industry's impact all over Europe. The two leaders – the UK and Germany – represent half (52%) of the passengers, in comparison to Italy, Spain and France which represent 30% of European-sourced passengers. The remaining percentage comes from the rest of the European countries. Together, Italy, the UK and Germany, represent 66% of the cruise industry's impact, due to their presence in all relevant segments of the industry, such as serving as a source and destination market; providing shipbuilding and repair services; and also provisioning and fuelling cruise ships.

Based on a European report by CLIA, 125 cruise ships operated in Europe with a capacity of around 145 000 lower berths in 2013. In addition, 6.4 million European residents booked cruises, representing 30% of all cruise passengers worldwide and 6 million passengers embarked in Europe (5.2% more than in 2012), where 5 million were European and 1 million came from outside Europe.

Concerning the Rest of the World, Australia, Brazil and China account for 74% of the passengers sourced from this area, while South Africa, Argentina, Japan and Singapore provide 21% of the passengers.

As a result, in 2013 this industry generated significant economic impacts throughout Europe, with the direct expenditures of 16.2 billion and 339 417 jobs. Moreover, 6.1 million of the European passengers embarked from European cruise ports but a significant part boarded cruises outside

Europe. The top non-European cruise destinations for European passengers are the Caribbean, Bermuda and the U.S./Canada. In Europe, the main home ports in Northern Europe are Southampton, Copenhagen and Kiel and the main Mediterranean ports are Barcelona, Venice and Civitavecchia. The main ports-of-call are Marseille, Naples and Dubrovnik in the Mediterranean and Lisbon and St Petersburg in Northern Europe.

From the global cruise itineraries and passenger arrivals, it is possible to conclude that the average length of a cruise is approximately seven days. Besides the home port call, a typical ship stops at between three and four ports-of-call. The 21.32 million cruise passengers embarking generated 71.8 million visits per day in the ports-of-call around the globe. Ports in Europe received 28.66 million visits per day, representing 40% of the total worldwide visits. The crew visits generated 6.15 million visits per day. The United States and Europe accounted for 58% of global crew visits per day (BREA, 2014) In terms of capacity, in 2014, the total cruise ships worldwide were 296 with a passengers capacity of 21.4 million (Cruise Industry News, 2014). Between 2014 and 2017, 27 new ships are expected, representing an investment of $13 billion and additional capacity of 76 161 passengers (Harmer, 2014). Regarding cruise tourism, the main trends are identified on the following scheme. It is perceived that new larger ships will increase on board the capacity, the falling of average age tends to intensify with increasing presence of younger passengers which also support the emerge of exploring cruisers, the number of repeat tourist will continue to growth, the budget cruisers tends to increase to attract new segments. Moreover, locations as China and India tend to be important cruise markets and cruise companies tends cruise season to expand profits.

Overall, the worldwide countries forming the top 10 source of passengers, and responsible for 90% of the global cruise passengers, are the United States (which alone represents 50% of the global cruise passengers), the UK, Germany, Italy, Australia, Canada, Brazil, China, France and Spain. In relation to the global cruise itineraries, the market share is led by the Caribbean, the Mediterranean and Europe. At the end of 2014, an increase is predicted for the Caribbean and Europe, reaching 37.3% and 22.1% respectively, but the Mediterranean is predicted to suffer a decrease to 18.9%.

Trends Of Cruise industry And Implications To The Industry And To Destinations

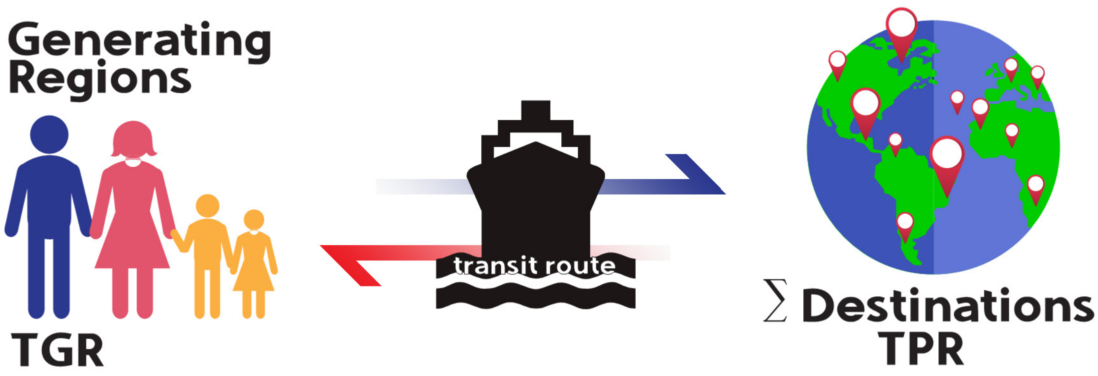
Increasing ship capacity	Discounted fares, lower margins for operators, intensified competition among ports	Larger ships, lower margins on port fees, pressure to lower costs
Shorter cruises	Lower revenues per passenger per cruise, more turnaround activity, time optimization	Less time spent in ports, more turnaround potential
Falling average age	Child friendliness more important	Child friendly destinations more attractive, child friendly facilities more important
More experienced cruisers	Ship facilities more important, geographic spread of tourism (avoid overcrowded hotspots)	Unexplored port regions more attractive
Emergence of the budget cruise tourist	Less luxury ships, discounted fares, less crew per passenger, lower margins for operators	More tours booked on shore, more self-exploring tourists
Emergence of the exploring cruise tourist	Smaller ships, personal touristic experience more important, geographic spread of tourism	Unexplored (quality) port regions more attractive, more self-exploring tourists
Emerging cruise markets (China and India)	More mass market oriented tourists	Crowding, language issues, more organized tours
Expanding cruise season	Opportunity for tourists to cruise during the low season	More cruise activity during the low season
Stricter ISPS code	Stronger security measures	Significant investments are required to comply with the code

Source: Tourist facilities in ports – Economic factors, Commissioned by European commission, August 2009

EXHIBIT 4: Tourism and Cruise Tourism System – Definition of Elements

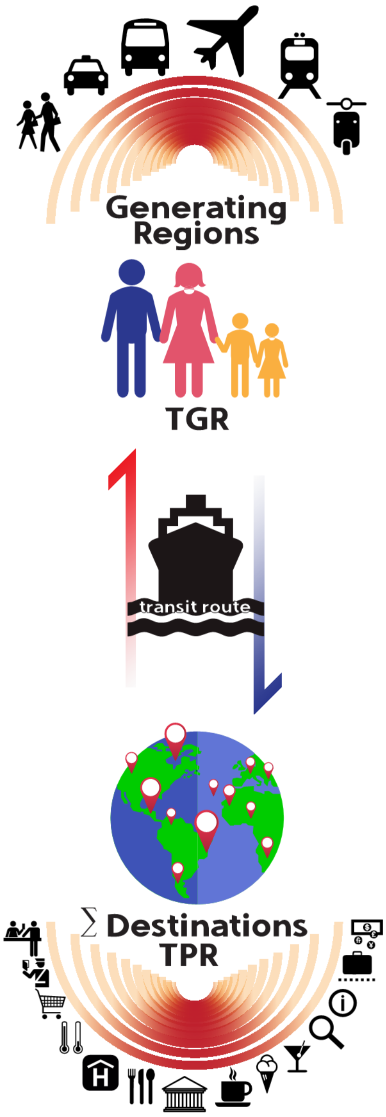
TOURISM AND CRUISE TOURISM SYSTEM APPROACH – DEFINITION OF ELEMENTS			
TOURISM		CRUISE TOURISM	
Elements	**Description**	**Elements**	**Description**
Tourists	Person on tourist trips	**Cruise Tourists**	Person who travels to a number of destinations, on a ship, where they can disembark for short periods to visit land-based places
Traveller-generating Regions (TGRs)	Places where a tourist's trip begins and normally ends	**Traveller-generating Regions (TGRs)**	Place(s) where a cruise tourist's journey normally begins and ends. These are called home-ports
Transit Routes	Places where a tourist's main travelling activity occurs	**Transit Routes**	Itinerary made by each cruise ship at sea, during a period of time, travelling from the previous to the following port
Tourist destination regions (TDRs)	Places where a tourist's main visiting activity occurs	**Tourist port-destination regions (TPRs)**	A port visited by a cruise ship but where passengers do not normally begin or end their journey. These are called as ports-of-call
Tourism Industry	Group of organizations in the tourism business, providing services.	**Cruise Tourism Industry**	Group of organizations offering products and services, whether during the journey or during the visit to land-based places
Source: description of tourism elements through Leiper's system and description of cruise tourism elements through personal opinion			

EXHIBIT 5: Figure 1 - Cruise Tourism System Approach Through Leiper Model



Source: Developed by the author

EXHIBIT 6: Figure 2 - Cruise Tourism System Approach Representing Dependent Factors



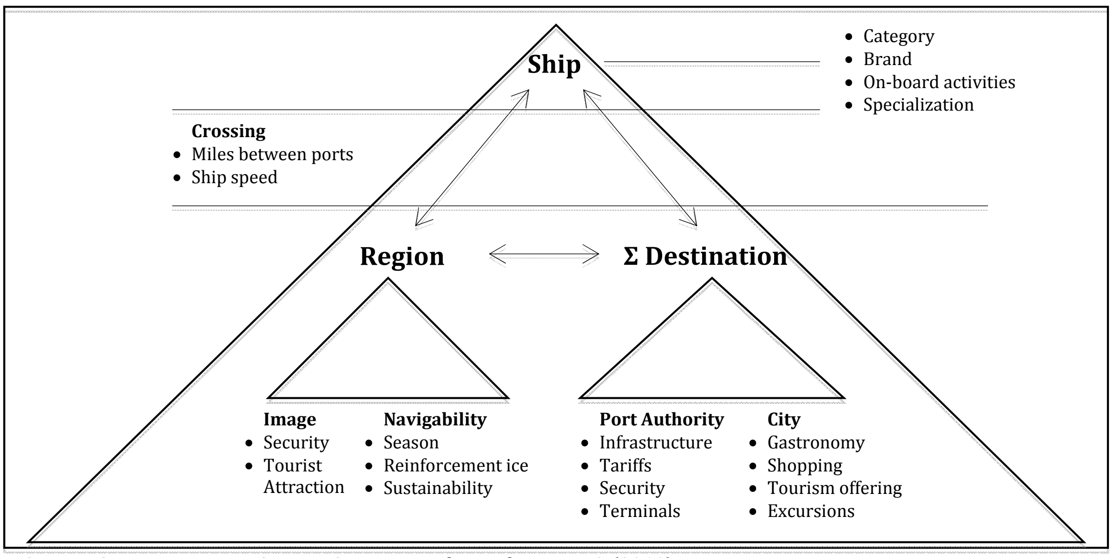
Source: Developed by the author

EXHIBIT 7: The product from the destinations' perspective

As the following figure shows, the tourist destinations, which receive cruise ships - whether home or ports-of-call (TGR and TPR) - are chosen depending on distinctive variables but also essential in the decision-making process. From the scheme developed by UNWTO (2010), the product (that is, the cruise) is analysed from the destination's perspective. It highlights the relationship and connection between the ship, the region and the sum of destinations as well as the four main items that play a decisive role defining them. It is a useful tool for destinations explore and understand how they can act and be more efficient (UNWTO, 2010).

The analysis of the scheme starts defining the ship's characteristics, but the following analysis focus on the destination and region. Those are the factors considered by costumers to choose the cruise trip, and so they must be attractive for potential costumers. Regarding the region, the image associated with the port destination and navigability is essential, since the image of the region depends on the experiences offered. As, the Caribbean is associated to paradise beaches whereas Europe is associated to culture as point of interest. Moreover, it depends on safety since customers tend to avoid unsafe locations affected by conflicts or attacks. Related with destination, the analysis of cruise ports depend on aspects deeply developed on the following topic. Withal, since the local attractiveness to potential customers, medium-term prospects for growth and the regional availability of ships are influencing factors to the decision, a team work from the local entities is essential.

The product from the destination's perspective



Source: Cruise Tourism – Current Situation and Trends, UNWTO (2010)

EXHIBIT 8: Cruise Industry Deployment Drivers and Issues

Cruise Industry Deployment Drivers & Issues

Profitability | Primary driver for every decision

- Gross sales grow pretty steadily as fleets grow
- Increasing net profits is more challenging
- Maintaining growth requires enormous amounts of capital
- International diversification requires investment in
- International sales, marketing and distribution

Sourcing Passengers | Moving cruise ships closer to new customers

Who is cruising?

Country	Population (million)	2006 cruisers	2011 cruisers	% of population	5 year growth
Entire World	7 billion	15940000	21000000	0.31%	29%
USA	314 mm	9776000	10370000	3.3%	10%
Canada	34 mm	675000	763000	2.3%	13%
UK	63 mm	1337000	1700000	2.7%	24%
German	82 mm	762000	1388000	1.7%	82%
Spain	47 mm	538000	703000	1.5%	30%
Italy	61 mm	640000	923000	1.5%	44%
France	65 mm	280000	441000	0.7%	57%
Australia	23 mm	350000	588000	2.6%	60%
Brazil	199 mm	300000	793000	0.4%	170%

Size | Increasing size of cruise ships and its implications on infrastructure upgrades and expansion

Industry Capacity Allocation

Region	2000	2012
Caribbean	52%	43%
Europe	22%	31%
North American	13%	8%
Alaska	7%	5%
International	4%	10%
Other	2%	3%

Cruise Ship delivered

	Ships Delivered	Total tonnage	Average Pax
2010	17	33841	1980
2011	8	22928	2840
2012	6	17847	2940
2013	6	13360	2670
2014	5	17900	3580
2015	7	20710	2970
2016	4	1400	3600

Repeat & new cruise passengers | New routes to accommodate cruise ships and appeal repeat and new pax

• Industry building 4 to 6 big ships annually
• Each new ship does homeport & 4 ports per week; winter route and summer route: 10 ports impacted by each cruise ship.
• Each new cruise ship makes 260 port calls annually
• 6 new ships/year make 1 500 incremental port calls annually
• 23 ships on order: by 2016 will be 6000 additional annual port calls, somewhere…
• The industry needs more port infrastructure: new ports, upgrades of existing ports.

18 Guiding Design Principles

•Embark/Disembark 6 000 guests in < 3 hours.
• 90 check-in stations; no lines Goal: max 5 minute wait
• Large space that feels intimate
• Flexibility of terminal for any class of ship
• Parking for 18 containers and reefer hookups
• Intensify the directional signage
• 3 000 seat waiting lounge in case cruise ship arrival is delayed

Fuel costs & ECA* implications

Profitability and Performance

- **Many costs for operating a cruise ship are fixed**

– Construction, crew, food, repairs and maintenance, etc.
• Other costs, as well as all revenues, vary significantly based upon where a ship is deployed and what type of itinerary is offered
– The same ship deployed out Alaska will have significantly different costs and revenues vs. a ship deployed from San Juan or Venice
• Ticket revenue, onboard revenue and tour revenue will vary greatly for different types of cruises
• Fuel costs, port fees and taxes all differ significantly by region and itinerary
• Fuel is the greatest and most volatile variable cost associated with offering a cruise
• Deployment of our fleet is optimized to balance between variable revenues and costs
– Any material change to a variable component will alter the equation

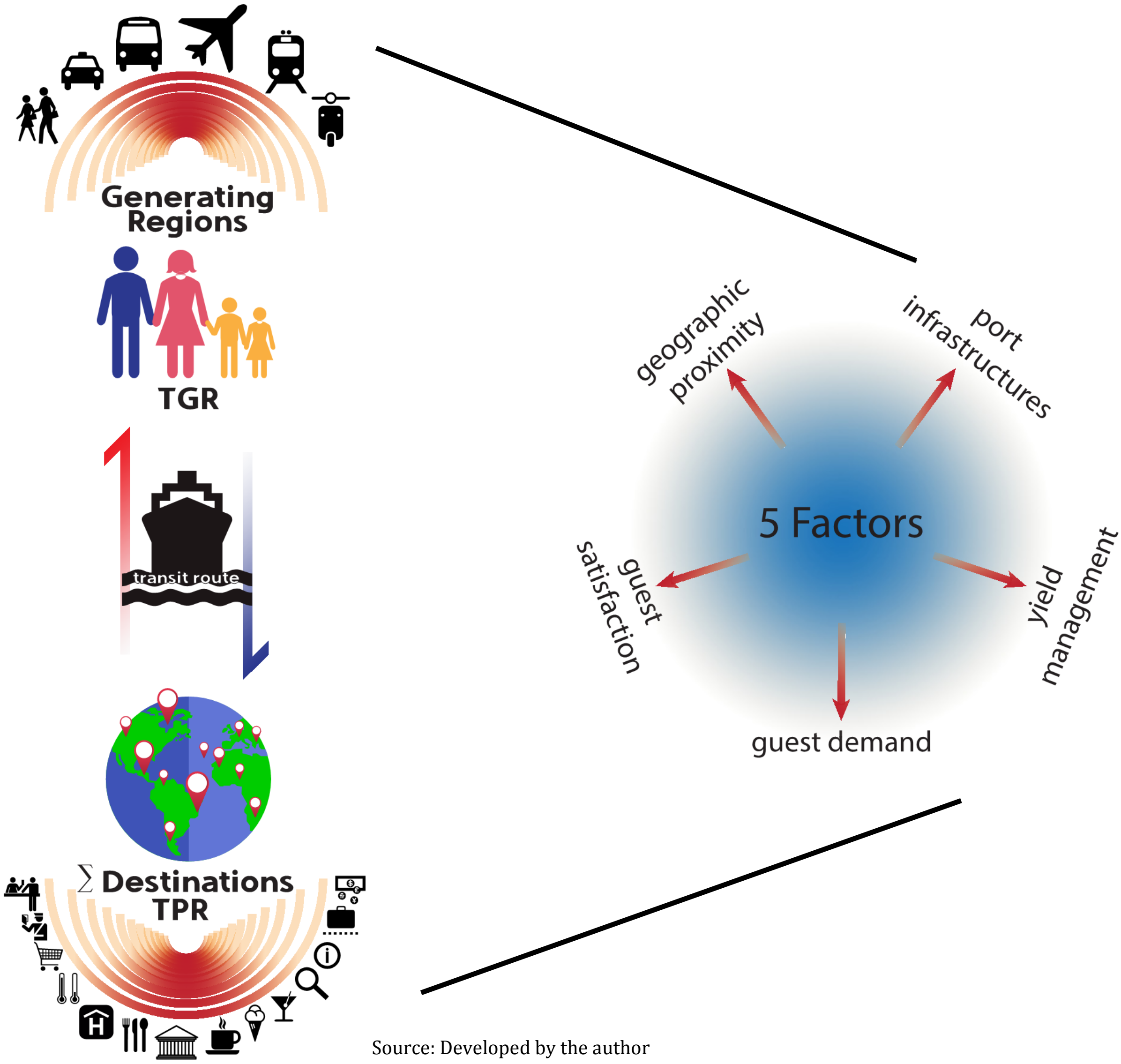
*Emission control area

Functional & Economic Deployment Drivers

- Guest Demand & Preference: Industry using new media to get feedback and choices from past & future guests
- Time-Speed Distance Equation: 220 Nautical Miles/night
- Port Capacity & Infrastructure
- Port Fees & Incentives; berthing preference contracts
- Port berths versus tendering (Cayman pax volume has diminished as big ships don't tender)
- Fuel cost & fuel availability
- Seasonality; weather patterns; safety

Source: Cruise Industry Trends & Deployment Drivers, John Tercek, Royal Caribbean Cruise Ltd, CLIA, Miami November, 2013

EXHIBIT 9: Figure 3 - Five Factors Influencing Cruise Companies On Defining Itineraries



Source: Developed by the author

EXHIBIT 10: Interviews developed with local players

The following group of questions were integrated on interviews developed to cruise companies, tour operators, port authority, local entities among others. A group of questions were individually developed in order to correctly approach each interviewee, and structured or changed during the interview.

- When itineraries are developed, what are the factors considered by cruise companies?
- What are the main reasons that supported the decision to develop a concession agreement for the cruise activity in Lisbon?
- What are the main differences and advantages proportionated by the new Lisbon cruise terminal?

- In each way local entities and authority should work to develop and adequate conditions to increase the level of activity in Lisbon?
- What are the main constraints affecting the cruise tourism activity in Lisbon?
- There is any information regarding cruise passengers developing turnaround in Lisbon and staying additional days in the city?
- How do you see the future of cruise activity in Europe, and particularly in Lisbon?
- What are the main expenses and services/products acquired by cruise ships?
- What are the main strategic promotions to improve the cruise activity?
- In each way the attraction to the Asian region can impact the level of activity in Europe?
- Which factors makes Lisbon an attractive destination to cruise companies?
- What are main factors affecting the cruise activity in Lisbon and should be managed?
- In each is planned to re-launch the cruise tourism in Lisbon, with new cruise terminal completed?
- How is planned to involve local entities, which directly or indirectly contribute to cruise tourism, in order to improve the service delivered and intensify passenger's experience?
- What are the main objectives that are planned to be achieved in the near future to cruise tourism in Lisbon?
- What are the most important topics that composed the concession agreement between APL and LCT?
- What will be the most notorious influence and modifications supported by the Lisbon's new cruise terminal to cruise operations in Lisbon? And regarding turnaround operations?

EXHIBIT 11: Benchmarking Analysis – What determines the Lisbon Port's competitors success?

Despite the positive ranking position that Lisbon port has being conquering (comparing with others Northern European ports) and its importance on the cruise tourism, many improvements remain to be managed. To correctly identify those improvements, a benchmarking analysis is performed between Lisbon and its directly competitors: Barcelona, Southampton, Civitavecchia, Venice, Copenhagen and Marseille. Notwithstanding belonging to different cruise regions, it is intended to cover the main important ports in different levels of performance (such as in respect to number of tourists, type, region of operation, promotion, infrastructures, and others).

With the benchmarking, a comparable analysis between the leader with other players, at the same industry, evaluate and measure those players based on the same group of indicators previously defined. It is defined by Camp (1989) as "the search for industry best practices that leads to superior performance"[7]. This not only allows the identification of the best foreign practices that match with the Portuguese reality but can also identify the main aspects that Lisbon must work to differentiate from the opponent ports. In this way, the cruise ports analyses is done through set of criteria that allows to understand, in which way, the destination is competitive and have capacity to differentiate from its reputed cruise ports neighbours. Among a larger group, the criteria was developed through: the market region, size, seasonality, function in itinerary, accessibility, cruise terminal, ownership and operations, and local and regional integration (Rodrigue, 2013).

The importance of the **market region** make this criteria the first considered. The cruise port location is part of a region that has a specific and attractive conditions/characteristics, which is essential to make the region part of the destination or belonging to an itinerary.

Besides this, is the **size**. One of the consequences of the development of the cruise ships for the ports were, and still is, the size of the ships. The size is an important aspect that influence the capacity and development of the area. The way that the port deal and answers to this problem will determine the capacity to compete and be on the front.

Seasonality is other important differentiating factor. While some locations just have conditions to receive cruise ships between May and September (as is the case of Alaskan and Norwegian), others might be active during all the year. Consequently, the return and profit from the cruise tourism to the entities and to the region will be higher comparing with the others.

The function in **itinerary**, is directly dependent with the main activity of the port: a turnaround or a transit/call port. The differences of those situations requires, understandably, more supporting

[7] Citation from Kozak, Metin. 2002. "Destination Benchmarking". *Annals of Tourism Research,* Vol. 29, No. 2

infrastructures and services on the turn port than on a call port. The cruise ships require a supply system, which is specially important for turnaround operations.

In respect of **accessibility,** this represents the type of solutions available for passengers reach the port The cruise tourism accessibility is mostly related with the international airport facilities and its connections with a wide range of markets. Nonetheless, the driving and train are also important ways to connect between the home city and the turn port.

Since the "cruises are touristic operations" (UNWTO, 2010), the **attractiveness** of destinations have an important responsibility. While the "marquee port" is the base and has an important role attracting the customers, the "discovery port" complements the route, because even being a less famous location offer will appeal the cruisers interest.

The **cruise terminal** and its available conditions to receive the cruise ships is, with no doubt, the most essential base of the cruise tourism at the region.

The **ownership and operations** is related with the stakes involved. The cruise terminal can be privately or publicly owned, mostly through port authorities.

Finally, the **local and regional integration**. The cruise port has three level of integration of its locality and region. On the destination cruise port, the port area is only destination and point of interest, with little incentives to see anything else out of the area. The gateway cruise port is referred to the entrance ports to a major touristic destination, where the destination it self do not offers cultural or physical attractions (the port of Civitavecchia is the gateway to Rome, one of the most visited cities in the world). Lastly, the balanced cruise port considers the two previous characteristics. The port can be a destination but excursions are also available and appreciated by cruise tourists.

From the group of items presented and explained before, the following table presents conclusions reached in respect to the elements that distinguish the main European destination ports. The group is composed by the leading cruise ports of Mediterranean – Barcelona, Civitavecchia and Venice, and also with the leading cruise ports of Northern Europe – Southampton, Copenhagen and Lisbon.

Port	Size	Seasonality	Function in itinerary	Accessibility	Attractiveness	Cruise terminal	Ownership and operations	Local and regional integration	Website (1 – less developed to 7 – best)
Major European Ports - Mediterranean									
Barcelona (Spain)	Huge (2599 thousands passengers)	Low	Turn and call port but mainly a turnaround port	Air hub port; Drive / Train to port	Marquee ("must see") port	Dedicated terminal	Concession	Destination port	1 Port Authority website will operational information
Civitavecchia (Italy)	Huge (2538 thousands passengers)	Low	Turn and call port but mainly a call port	Drive / Train to port	Discovery port	Dedicated terminal	Private	Gateway port	5 Clarified and organized information; promotion of the local activities
Venice (Italy)	Huge (1815 thousands passengers)	Low	Turn and call port but mainly a turnaround port	Air hub port; Drive / Train to port	Marquee ("must see") port	Dedicated terminal	Public and private management	Balanced port	4 Port Authority website for focusing on cruise supply; simples but organized; info regarding operations
Marseille (France)	Huge (1188 thousands passengers)	Low	(Unknown)	Air hub port; Drive / Train to port	(Unknown)	Dedicated terminal	Private	Destination port	3 Port Authority website but with clear info regarding cruise operations and to travel the city; Disorganized website; online newsletter.
Major European Ports – Northern Europe									
Southampton (UK)	Huge (1646 thousands passengers)	Low	Turn and call port but mainly a turnaround port	Air hub port; Drive / Train to port	Marquee port	Dedicated terminal	Public and private management	Gateway port	6 Attractive and informed website; interactive accommodation search; warnings related with works on infrastructures.
Copenhagen (Denmark)	Very Large (800 thousands passengers)	Average	Turn and call port	Air hub port; Drive / Train to port	Marquee ("must see") port	Dedicated terminal	Public and private management	Balanced port	7 City promotion with pleasure photos and clear information of the location; press release download; reasons to visit the location; previews awards; private are for suppliers
Lisbon	Huge (558 thousands passengers)	Low	Turn and call port but mainly a call port	Air hub port; Drive / Train to port	Marquee ("must see") port	Dedicated terminal	Public management (until august 2014)	Balanced port	2 Port authority website including some references about the cruise operations

Legend: Size (Huge (More than 1 million visits); Very Large (500,000 to 1 million visits); Large (250,000 to 500,000 visits); Medium (100,000 to 250,000 visits); Small (Less than 100,000 visits)); Seasonality (Low (perennial port; 4 peak months less than 40% of visits); Average (4 peak months 40 to 60% of visits); High (4 peak months 60 to 80% of visits); Very high (4 peak months more than 80% of visits); Function in itinerary (turn port; call port); Accessibility (Marquee ("must see") port; "Discovery port"); Cruise terminal (Dedicated terminal; Dedicated pier; Tendering); Ownership and operations (Public (port authority); Private; Concession); Local and regional integration (Destination port; Gateway port; Balanced port)
Source: Research on several online websites; primary source

From the previous analysis is possible to conclude that:

- The leading turnaround ports are also the ones who presents the highest source of passengers in Europe (as the case of Southampton which has the highest source of market in UK). They also holds one of the best cruise websites.
- Italy is the following case, with two ports in the top 3. Venice has the highest level of turnarounds and Civitavecchia the highest level of transit/call operations.
- Italy, German and UK are the three countries which participate in all segments of cruise industry. They serve as major source and destination market to passengers, provide ship building and repair services and finally provisioning and fuelling cruise ships.

- Both leading ports, Southampton and Barcelona, are marquee ("must see") ports destinations. They also present advantages for its strategic position, for the access to major central airports and for the capacity to fulfil cruise ships. Those factors supports its attraction for cruise planners and the fact that are mostly included on itineraries, as home ports.
- Barcelona is the leader cruise port regarding revenue from passengers and have the highest level of turnaround and port operations. But it is also the port with the poorest website, since it not provides any type of information to cruise passengers. As such, Barcelona benefit from the geographical location, which they have been taking advantage by increasing and improving the facilities of Barcelona Port.

It is concluded that there is an important relation between elements considered, which are dependent and influence the level of cruise activity. Excluding the case of Lisbon - where constraints on physical and airline conditions prevents the increase on turnaround operations – the analyses showed an relationship between accessibilities and itineraries. That is, the ports destinations with central airports are the ones which register an important turnaround activity. This is explained with the fact that, besides the good geographic location, the main turnaround ports presents good access to and services from the airport. Otherwise, foreign passengers are unable to reach the hub port location, which is mainly done by plain.

Regarding the ports-of-call, this operation is verified in all ports considered, even on the ones that are mainly turnaround ports. This is explained due to the geographical-location requirement for the day calls of the cruise itinerary, since it needs to be suitably located between two other ports-of-call to allow the traditional sailing at night followed by a port visit each day (Dowling, 2006).

Finally, the analysis is also focus on characteristics and contents presented on port's website in order to evaluate the type of contents presented, the level of promotion included but, mostly, to understand the improvements that are being developed in each port. Since digital platforms and the use of internet are, more than ever, used from worldwide people as well as tourists to support their vacations' decisions, the fact is that digital represents an important weapon to promote cruise destinations and increase the cruise tourists' willingness to visit destinations. As such, it is concluded that there is no an direct relation between port's activity and their website contents. To some destinations, such as Southampton and Copenhagen, both are taking advantage from new technologies and facilities to attract cruise tourists to the destination.

To sum up, it is possible to conclude that Barcelona are positively affect by its geographic position and local source of passengers, the group of Italian ports are taking positive advantages from both operations and Southampton and Copenhagen are the two main ports. From this brief analysis of the main European cruise ports, it is possible to understand that the port and the city are directly related and dependent. Lisbon needs to address changes on physical facilities, in promotion and in creating better and superior conditions to transport key source of passengers to Lisbon.

EXHIBIT 12: Historical References of Cruise Tourism in Lisbon

The European coastlines, that Lisbon make part of, supported the economic trade and the development of the city, becoming an important attraction for travellers all over the world.

The natural harbour conditions always appealed active role from Lisbon in maritime history. The first signals of Portugal's pioneering in world exploration may be traced back to as far as 1279 (goLISBON, 2014). However, main conquests started in 1415, when Portugal's overseas expansion started. It turned into a vital contribution from Portuguese, discovering and shaping the world map by finding several locations as India, Brazil, China and Japan. The ocean-going fleets intensified as well as the sailing travel for trade. In the ship was carried goods such as salt and came textiles, exotic goods, precious commodities or gold. Later, colonies intensified trade transporting passengers from Lisbon to Africa and Brazil. Like this, Lisbon Port intensified its importance and the city grew around it.

The first steamer arrived in 1820, starting an endless flow of passengers shipping in Lisbon waters. In the second half of the 19th century, Lisbon was called by a growing number of new steamship lines and passenger vessels sailing the world's routes. Nonetheless, an important contribution for this flow of passenger shipping in Lisbon waters was the Portuguese emigration toward Americas, and especially from Brazil. The outbreak of the first world war put a stop on a cruise growth but the post-war recovery was relatively easy thanks to the growing interest of North

Americans for cruising. Several ships were positioned in New York, organizing long cruises to the Mediterranean, calling usually in Lisbon. The year of 1982 marked a positive turn in Lisbon cruising activities. Over the years, Lisbon profited from the continued development of cruising with the introduction of new and larger ships attracting more satisfied passengers (Correia, 2007). Cruise tourism has been a constant and reliable source of new business growth across coastal communities, supporting Lisbon as one of the European cities examples of the success on cruise industry in Europe

EXHIBIT 13: Lisbon Port - Level of activity

At national level, Madeira port has the higher share in total number of cruise passengers, followed by Lisbon Port (TP, 2013), with Cruise Terminal (at Santa Apolónia) and Alcântara terminal having the higher utilization rate with, respectively 74% and 21% (APL, 2013).

Passengers at Lisbon Port - Cruise Terminal Ocupation

Lisbon Cruise Terminal	Passengers	Utilization Rate (%)
TC Lisboa	413004	74%
Alcântara	116046	21%
Rocha	28990	5%

Source: APL

The majority of the cruise ships scaling in Lisbon are developing the Atlantic or Occidental Mediterranean itineraries. The location of Lisbon reduce the competition with principal cruise market, as of the Mediterranean, but the same geographic position benefits Lisbon as a strategic location for itineraries of North Europe and Mediterranean as well as Transatlantic. Lisbon has registered an increase on scale and on number of passengers. It is also a port location for annual repositioning of cruise ships leaving Europe in the autumn and returning in the spring. Between 2009 and 2013, scales growth from 294 to 353 in 2013 (excluding between 2011 and 2012 with decreasing of 330 to 314 scales, respectively).

Number of Cruise Passengers - Evolution between 2009 and 2013

Year	Number	Change	Variation (%)
2009	415758	-	-
2010	448497	32739	7,87%
2011	502644	54147	12,07%
2012	522604	19960	3,97%
2013	558040	35436	6,78%

Source: APL

Evolution Of Cruise Ship Activity - Lisbon Port

Year	Number	Change	Variation (%)
2009	294	-	-
2010	299	5	1,70%
2011	330	31	10,37%
2012	314	-16	-4,85%
2013	353	39	12,42%

Source: APL

The number of scales in transit was higher than for turnaround purposes (242 versus 64, respectively, in 2013). There is an annual presence of cruise passengers in Lisbon but with a no linear movement (seasonality), mainly intensified in April, May, September, October and November. In transit, passengers are mostly English (49%), Italian (16%) and Germans (13%) between April, September and October. In turnaround purposes, the main nationalities are American (29%), Portuguese (21%), German (17%) and English (14%), intensified during April, September and November.

Passengers' Market Share Per Nationality at Lisbon Port

Nationality	Total		Transit		Turnaround	
	# Passengers	Market Share (%)	# Passengers	Market Share (%)	# Passengers	Market Share (%)
English	255702	46%	248425	49%	14746	29%
Italian	83639	15%	83114	16%	10730	21%
German	74720	13%	66166	13%	8554	17%
American	57343	10%	42597	8%	7177	14%
French	18083	3%	16469	3%	1614	3%

Source: APL

Cruise Passengers - Monthly Level Of Activity in 2013

Month	Number of Passengers	Variation (%)
January	17162	-
February	16031	-6,59%
March	29393	83,35%
April	73975	151,68%
May	54852	-25,85%
June	23846	-56,53%
July	36640	53,65%
August	46593	27,16%
September	75722	62,52%
October	96261	27,12%
November	59791	-37,89%
December	27774	-53,55%

Source: APL

EXHIBIT 14: Cruise terminal management – Port Authority and Activity's Concession

The *Administração Porto de Lisboa* (APL) is a public entity, which regulates Lisbon Port operations in multiple aspects, associated with maritime activities. However, the changes in global trade and the dispersion of decision centres, led APL to adapt new strategic plans to become logistics network facilitators, acting on coordination and promotion to improving competitive levels of the port.

The decision to concession the cruise activity in Lisbon, was one of the strategic actions examples. In order to address the monetary incapacity to adequate the local facilities to answer the fast-changes of the cruise maritime transport, the decision was done (primary source). Moreover, APL seeks to bring together the experience and skills that arise from entities that already managed several passenger terminals worldwide. As happened with the container industry, which became an attractive business on the monetary level, cruises follow the same reality. Spain was the pioneer in the concession of the cruise operations, and it was followed by other countries such as Italy and Turkey. Therefore, concessions become gradually a widespread reality (primary source).

From the concession agreement is now expected a greater flexibility on managing, a higher service quality and consequential benefit for the sector and city. The concession was conceded and headed by the Global Liman Isletmeleri and composed also by Sousa group (30%), by Royal Caribbean Cruises (20%) and Creuers del Port de Barcelona (10%) (primary source).

Lisbon Cruise Terminal (LCT) is the entity representing the group of shareholders, managing since August 2014. This entity will pay to APL during 35 years 300 000 euros, a rate of 0.22 euros per passenger and the compensation from services provided of approximately 2.5 million euros per year. Additionally, it will support the investment of 22 million euros to build the terminal in Santa Apolónia (APL, 2014), which will adequate the conditions to welcome cruise passengers and managed the operational services It will include waiting-room, check-in, security control and luggage area as well as restaurant, a small shopping area and green spaces. The capacity to dock several ships will be extended to a maximum capacity estimated to have seven ships simultaneously. Until now, it was able for five cruise ships, but the fifth with a shorter size if the rest four are big ships, as the example of Queen (primary source). APL estimates a new maximum capacity of the 1.8 million passengers per year.

LCT has the concession of the area of Santa Apolónia and Jardim do Tabaco, during 35 years. During the first fifteen years LCT has the exclusivity of the cruise activity in Lisbon. From the sixteenth year, APL will have the possibility to grant concession of another space (such as Alcântara or Rocha) to another entity operate on cruise activity in Lisbon (primary source). Besides, the regulation of taxes is the responsibility of LCT and controlled by APL. The new cruise terminal in Santa Apolónia will support cruise operations, whether on transit or in turnaround operations. Nonetheless, if it reach the overcapacity, the facilities in Rocha and Alcântara might be rent to support operations. For now, those two terminals will remain in operations, leaded by APL, supporting other operations which are not related with cruise activity.

EXHIBIT 15: Lisbon Tourism in Numbers (2012 and 2013)

Lisbon Tourism in Numbers - 2013

	Value	Share	Var. 13/12
TOURISTS - GUESTS	**4 318 700**	**100 %**	**4,9%**
Portuguese Guests	1 393 900	32,3	-1,2 %
Foreign Guests	2 924 800	67,7	8,1 %
TOURISTS – OVERNIGHT STAYS	**10 040 800**	**100 %**	**6,4 %**
Portuguese Overnight Stays	2 446 700	24,4 %	- 1,1%
Foreign Overnight Stays	7 594 100	75,6 %	9,0 %
PASSENGERS - LISBON PORT	**558 040**	**100%**	**6,8 %**
Transit Passengers	507 206	90,9 %	6 %
Embarking Passengers	24 448	4,4 %	4,4 %
Disembarking Passengers	26 386	4,7 %	28,2 %

Source: Turismo de Portugal based on INE data

EXHIBIT 16: Factors Influencing Cruise Tourism Activity in Lisbon - Analysis

Regarding external factors, the geographical position restrict the operational area. The distance between Mediterranean or North Europe regions place Lisbon outside of the alternatives considered by cruise companies to diversify their itineraries, affecting the intensification of scales. Nevertheless, the price/cost ratio places Lisbon as competitive destination when it is compared with other European ports.

Related with internal factors, higher constraints are affecting Lisbon. As explained, the source of passengers, regarding local demand, are essential to cruise companies when the home port is selected. The fact is that, as a small country, Portugal has a lower number of Portuguese inhabitants, 10 457 295, in 2013 (Pordata, 2014). Since a lower percentage do vacations, it is concluded that only 410 658 Portuguese are targeted to do cruise tourism. Knowing that 55 000 Portuguese passengers took advantage of cruise travels, in 2013, it means that a significant part of Portuguese tourists are already doing cruise tourism (14.4%). Nevertheless, only 10 730 (APL, 2013) made turnaround in

Lisbon, in 2013. From this, it is concluded that efforts must be addressed to attract potential local tourist to do cruise vacations and to incentive local demand to opt for itineraries with turnaround location in Lisbon.

Portugal – Potential Portuguese Inhabitants to Cruise Tourism Vacations	
Population Density (2013)	10.457.295
Population doing vacations (37.4% in 2010)	Around 4 millions (3911028 inhabitants)
Population - holidays abroad (10.5% in 2010) Portuguese target for the cruise tourism	410 658 Portuguese inhabitants
Source: conclusions made by the author based on INE data and online research (http://expresso.sapo.pt/turismo-numero-de-portugueses-que-este-ano-fizeram-um-cruzeiro-subiu-49-para-55-mil=f542071)	

In the meantime, travel conditions should be managed to reach foreign market. Beside the source of passengers, cruise companies do not place cruise ships for turnaround operations without several guarantees, such as scheduled flights. Apart from geographical location, this is one of the strongest factors preventing Lisbon Port to increase turnaround operations. Yet, reduced and irregular flights connections between key source of foreign passengers difficult Lisbon to guarantee operations, requiring transportation of foreign passengers from particular markets to Lisbon and vice-versa, all in a certain times per day. Based on benchmarking analysis (exhibit 11) is possible to conclude that one of the factors that support the success of European ports in the UK, German and Italy is the fact that those locations can answers to the industry requirements, with UK as the 5-stars location for the European and American cruise companies. Equally, it is what occurs in Barcelona or Rome. Besides the strong source of local passengers, their current airline supply can answers to the cruise's demand, transporting foreign demand to the city from main tourists issuing markets. Like this, Lisbon must overcome the airline's constraints between crucial source of passengers, such as USA or Canada. Currently, the direct flights from those locations correspond to the short-term requirements of Lisbon Port activity, currently with 10% of turnaround operations. However, it affects the intended long-term growth on non regular operations (meaning begin or end in Lisbon). This intended development just will be feasible after adjustments on local airline connections in such a way that guarantee the flow of passengers on schedule.

The fact is that Lisbon has conditions to grow in cruise operations. Even knowing that geographic and strategic reasons affect the non linear level of activity, Lisbon has potentialities to increase in both operations, especially recover rates of 30% in turnaround, as historical references of Lisbon Port highlights. Recent developments in Lisbon are providing the required support to not only intensify turnaround operations but also intensify the presence of incoming cruise passengers for additional days in Lisbon and its consequential local economic benefit. With substantial expansion in accommodation, Lisbon accounted in 2013 (TP, 2014) with 208 hotels offering 20 430 rooms, distributed in 34 five, 80 four and 53 three-star hotel. More, accessibilities are provided between main points of interest and services (as to airport or hotels), and a wide range of touristic attractions and leisure services are offered in Lisbon and in surrounding areas. Yet, appropriated and differentiated services remain to be settled.

Based on information collected through primary research, cruise companies renovate annually the shore tour activities sold on board. Depending on the type of company and its target, local entities deliver proposals to the cruise companies. Based on them, the shore tours are chosen to be sold on board. Local entities compete with each other to offer the best proposal. Lisbon companies such as James Rawes, Shore Tour or Iberia Cruises are equally considered, even if one of the proposals come from the shipping agent entity representing the cruise company in Lisbon. Beyond those forceful entities, the entry of a new local company requires suited proposals in order to overtake cruise companies requirements (such as insurance), which is not simple to accomplish). Traditionally there are companies that have worked for many years in this industry and have remaining, but this is changing from year to year with cruise companies switching to different supply. Even though, companies supporting the shore tours activities tend to be composed by a closed group of local entities able to follow restrictions and deliver the best proposals. Limitations encountered in new companies to enter in the business have been affecting the diversification of innovative activities (as shore tours) to be offered to cruise passengers in Lisbon.

Nonetheless, main structural difficulties affecting the cruise operations are related with physical conditions at Lisbon Port. The growth size of cruise ships is affecting the number of ships docked and consequently the number of scales. Additional, the inadequacy of facilities are affecting specially turnaround operations and passengers (dis)embarking. The inadequacy of terminal infrastructures prevent the flow of passengers, which increase with higher number of cruise ships and passengers. Moreover, those consequences are intensified during the raining days. The lack of protected and closed areas force the permanence of passengers under the rain, being doubly affected with slow and lengthy security process. Despite, cruise terminal presents conditions to replenish the cruise ship, if required.

EXHIBIT 17: Outstanding the cruise tourism destination of Lisbon through promotion

Lisbon Port has been guiding its efforts on providing the render services to satisfy passengers and promoting the activity in Lisbon. Efforts ahead by APL, and supported by TP and TL, looked to highlight the Lisbon characteristics as a cruise tourism destination and stand out from the competition.

Recognizing the intensification of the cruise tourism in Lisbon and its wealth that generates and employment that creates, local authorities joined to APL in order to support the promotion of cruise tourism. Promotion was centralized into two main focuses: consumers and suppliers. Annually APL was present at the main international fairs of cruise tourism, as the European Seatrade Convention (in Germany) and Cruise Shipping Miami. Here, an important networking opportunity was created to promote Lisbon with the most important cruise companies as well as travel agents and partners. Similarly, APL welcomed cruise companies in Lisbon to visit port infrastructures and other considerations. To promote near customers, initiatives such as the first-time presence of tree Queen's cruise ships in Lisbon in 2014, allowed to spread and promote the sector, originating the presence of news and free international promotion (primary source).

The operational transition of cruise activity in Lisbon to LCT has raising additional strategies and renewable actions to promote and intensify the recognition of Lisbon as a cruise destination. Looking to manage the current challenges in the cruise activity, ports must follow and act as supporters and proactives to overcome competition. Likewise, LCT is working to take advantage from trends in the cruise industry meaning that efforts are taken to promote an third type of operation, characterized for the presence of the ship during two days. In order to stimulate this type of cruise tourism in Lisbon, LCT looks to develop a one-to-one promotion to address the companies individualities and offer a wider extension of benefits when the annual program of cruise ships in Lisbon is negotiated. Moreover, other actions will be developed. Generically, coordination with local entities is intended to promote Lisbon as touristic city full of diversified activities such as a cruise tourism near cruise companies and passengers. To cruise passengers or potentials passengers, promotions are intended to stimulate the tourists willingness to visit Lisbon, being encouraged to search for cruise travels that include Lisbon. LCT looks to promote Lisbon as a port destination that will diversify the itinerary in order to maintain a double satisfaction of passengers and company. With positive experiences cruise passengers will intended to return to enjoy from local attractions and spread their pleasure abroad. On cruise companies, LCT seeks to offer more than what they required. Beside the normal requirements, LCT proposals will contain supplementary solutions to differentiate and attract cruise passengers while a higher service and security is guaranteed to cruise ships and passengers when in the port and also demonstrate that cruise companies will benefit to opt for this location. Likes this, LCT is basing their efforts to satisfy the client whereas cruise company or passenger, switching from the vision of terminal as a crossing point to a locations to serve the client. It is important to captive the client since beginning until the end.

Related with marketing digital, TP plans to the development of a section at the TP's portal to promote near the tourists as well as providing information for potential tourists. Besides, a website is planned to be developed to aggregate the main information to cruise passengers use internet to search for information about Lisbon.

EXHIBIT 18: Cruise tourism – Its economic impact analysis on Lisbon

The economic estimation represents a very important argument on socio-economic level, at local population and the involved (or even not involved) local entities. Support the recognition of this activity as a source of impact locally and not merely neutral leisure activity. As such, the cruise tourism activity in Lisbon needs to be seen as an opportunity for all sectors since its success dependents from all stakeholders.

Exhibit 18.1: The direct, indirect and induced economic contribution

Despite growth on the cruise industry, the impact on destinations has following different tendency. Regarding the economic impact of ports, this tends to come mainly from the value added by cargo since, for most seaports, the value added by cruises remains low (Olaf, 2010). However, potential seaport's destinations have been working to strengthen the cruise activity in their tourist portfolio, in the hope of bringing a range of profits and benefits (Dwyer, 1998).

It is important to understand the type of cruise segment the destination attracts and, among others, analyse the economic contribution generated by cruise tourism to the city. As a starting point, the economic agents intervening on the local economic impact analysis are the cruise passenger, the crew, the port communities, the local destinations and the cruise lines (Dwyer, 2004). To then quantify the economic contribution, those previews agents are grouped into three sections called direct, indirect and induced economic contribution.

The direct expenditures generated by passengers, crew, and cruise companies are source of economic benefits from the industry to the local economy. These expenditures support employment and employee's income by providing goods and services demanded by tourists (CLIA, 2011). On passengers expenditures, they purchase pre- and post-cruise trips and onshore expenditures mostly done outside of the cruise namely souvenirs, food and beverage or taxis. Crew purchases "similar set of goods and services, with a heavier concentration on retail goods" (BREA, 2013). Regarding cruise operations, depending on the strategic planning to supply the cruise ship along the itinerary, cruise companies might acquire fuel, food and beverage or utilities while in port. Behind this, the navigation and utility services provided are also charged to cruise companies. Even some references claiming that crew category is often skewed (Merk, 2010), the fact is that the expenditures from cruise companies and passenger generally accounts for the largest share of revenues in ports-of-call (OECD).

On the indirect impact, it represents the subsequent goods and services acquired to support the direct impacted businesses. The induced impact is interrelated with the spending of cruise lines' employees or their suppliers' employees, proportionated through salary received. Their income supports the purchase of goods and services, meaning that the induced contribution is localized in the final demand for final goods produced for the household sector. Consequently, indirect impacts the business-to-business enterprises and the induced impacts affects consumer businesses. The total economic impacts are more spread among the industries than the economic. The indirect and induced impacts the regional markets, affecting expressively the non-cruise sectors (UNWTO, 2010).

Nonetheless, the easiness behind the theoretical comprehension do not follow the realistic requirements to estimate the local economic impact. The globalization of this leisure activity turned into a complex system. Representing the four faces of tourism industry (transportation, accommodation, attractions and tour operations), the economic impact of cruise tourism need also to be analyzed depending on the port category, meaning home or call port (Brida, 2010). Therefore, some references are identified as challenges before to develop the economic estimation. Not all local expenditures done by passengers or cruise companies stays in local economy; expenditures per cruise passenger tends to be higher at home ports than on port-of-call (depending on operational areas); accommodation's expenses are only considered to passengers in turnaround and who stays for additional period of time; the services provided directly to the ships are usually near the port (UNWTO, 2010) and mostly transported from international countries to support operations in each port; cruise ships require fewer local services leading to lower expenditures; finally, cruise companies are also interested in having some passengers on board, while in the port (especially those who are not interested in shore tours), since support the onboard expenditures. Moreover, the increasing onboard facilities and features, as resorts, are also affecting the intention to land, affecting the economic impact of ports-of-call.

Direct, Indirect and Induced Impacts On Cruise Tourism

Direct Impact	Concern expenditure within the tourism sector, based on a list of typical tourism products
Indirect Impact	Concern intermediate consumption for the production of goods and services in the tourism sector. Tourism companies purchase from their suppliers, forming the tourism supply chain.
Induced Impact	Concern expenditure by employees from wages paid by companies in direct contact with tourists

Source: The Indirect Impact of Tourism, Professor François Vellas, Toulouse University

Exhibit 18.2: Factors considered on economic estimation and source of data collected

Considering the variables identified and whose economic value are known, to both periods (2013 and 2014 to 2019 economic analysis) the total impact on Lisbon raise from direct and indirect impact. To the direct impact is considered two variables, passenger and vessel related expenditures. The first represents the average expenses made in Lisbon by three type of cruise tourists, known as transit passengers, turnaround passengers, and crew. The second represents the vessel related expenditure and is analyzed in two elements: the fees charged to passenger and to vessel. Both are paid by cruise company to the port. Passengers' fee are related with type of passengers on board, whereas in transit or turnaround and are charged by a local entities, known as SEF and APL. Regarding the vessel expenditure, its fee is respected to the vessel and services required by cruise companies for the normal maintenance in the port. Regarding crew employment, it is not included since their wage do not interfere directly to the economy of Lisbon.

To collect the information, some research were carried out. For the direct impact and to obtain the information concerning the passengers related expenditures, it was required to obtain consistent information for the three categories of consumption in Lisbon. The cruise tourists behaviour in Lisbon is annually analysed by "*Observatório do Turismo de Lisboa*" but, besides the discrepancy between the average expenditures, it only reflects passenger's expenditures. Based on this, the data reported by CLIA (2013) is considered, since it estimate the cruise tourists' average expenditure based on expenses developed in European seaport destinations, including Portugal. Additionally, being aware of differences between the total number of passengers and crew on board and the number of cruise tourists landing, a deeper research was developed to clarify this point. Once again, the lack as well as differences between the available data is founded, especially between APL and SEF. To simplify, the numbers used are from APL's data. The taxes applied to passengers and cruise ships were obtained by APL and SEF regulations and considered to both periods analysed since LCT's taxes were not defined until the date on which the study was conducted. The vessel expenditure was collected from the APL financial report for the year of 2013 (the most recent data). Finally, the indirect impact only focus on manufacturing, due to constraints found to accurate additional indirect factors. Its value was collected from CLIA report.

Lately, the analysis between 2014 and 2019 is based on the information from 2013 and future predictions. It is completed with sensibility analysis in order to gain insight into which assumptions are critical and determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions[8].

Exhibit 18.3: Limitations to estimate the economic impact on Lisbon

In respect to limitations, two main aspects are important to be emphasized. One is related with data that simply is not made available/public. The second one is that the data available and used must be treated intently.

Measure the economic impact based on the gain generated by sales and not from the margin between the gains and expenses, represents an obstacle in this analysis. However, considering the reduced level of information available regarding Lisbon, it was intended to base the analysis on a cohesive data, avoiding overstated suppositions on the values obtained. In this way, the margin concept is not used, even it is where the impact accurately occurs. Moreover, projections from 2014 do not consider LCT's rates but APL. This is due to the fact that during the period when the economic impact on Lisbon was estimated, the LCT's rates had not been publicly released. Moreover, the total amount of fees applied to cruise ships and passengers is not public, which is an important limitation since the value expected to be collected from cruise passengers and vessel's fees is, in fact, higher than what is possible to estimate. In this study is considered two entities, since are the ones known that currently applied fees near cruise companies (SEF and APL) but from the information collected was known that other entities apply their fees which increases the total fees requested.

Exhibit 18.4: Cruise Tourism activity and the impact on Lisbon in 2013

Registering an record on cruise tourism activity, in 2013 Lisbon Port welcomed 353 cruise ships, transporting a total of 558 040 passengers and 232 496 crew members. As such, the estimation of the economic impact on Lisbon considers that different elements incurs in different expenditures.

[8] http://www.investopedia.com/terms/s/sensitivityanalysis.asp

The passenger related expenditure is spread in transit, turnaround and crew and, based on CLIA (CLIA, 2014), they incur on a average local expenditure of 62€, 80€, 23€, respectively. Regarding turnaround operations and the practically non-existent information, cruise passengers with additional expenses in airline transportation are not considered on the analysis for the year of 2013. This is mostly because the airline expenses do not directly impact the city Lisbon (in exception to flights purchased on Portuguese airline company TAP). From that, it is concluded that, in 2013, the total of passenger related expenditure in Lisbon was of 4 0860 900€.

In respect to the vessel related expenditure, the analysis is divided in two expenditures. The first one is respected to the fees applied by APL and SEF to passengers and cruise ship, and the second is respected to fees applied by APL as well as the additional services required to APL. Respecting the charged from APL and SEF, in 2013, was received 2 673 154€. Since APL apply 10,51€ to passengers landing for turnaround and 3,05€ for passengers in turnaround, in 2013 APL accounted a total revenue of 2 081 857€. Likewise, SEF accounted with 1 471 741€, value spread by the fees charged to passengers, crew and cruise ship. It applies 3,08€ to passengers in turnaround and 2,06€ for transit operations as well as 1€ for crew member that is authorized to land. As such, SEF received an gain of 1 440 884€.

Additionally, SEF request a fee to cruise ships. Depending on the flag, European or not European, the cruise ships must pay a fee of 80€ or 92,52€, respectively. Searching for total number of cruise ships and its flag representing the origin country of the cruise ship, was concluded that from 144 European cruise flag and 209 no European cruise flag, there is a total of 30 857€. Related with vessel expenditures at Lisbon Port, the limited information available and the confidentiality that prevented to have access detailed data, lead to accurate these expenditures based four components, that are pilotage fee, TUP ship, residues and equipment. Based on the data available on APL's financial report, is possible to concluded that in 2013 the total expenditure of all cruise ships in Lisbon was 11 624 044€. All the expenditure referred generated a total direct impact of 55 158 098€.

Regarding indirect impact from cruise activity on Lisbon is only consider the manufacturing. As such, CLIA (CLIA, 2014) identifies the related expenditure to Portugal of 22 890 000€, which is then assumed for the case of Lisbon since many of the associated activities are located in Lisbon.

Cruise Tourim Activity - Impact on Lisbon's Economy In Respect for 2013

Cruise Industry - Direct Impact for the local economy (Lisbon)			
PASSENGER RELATED EXPENDITURE	**Average Expenditure**	**Number (SEF)**	**Total**
Transit	62	507206	31 446 772 €
Turnaround	80	50834	4 066 720 €
Crew	23	232496	5 347 408 €
Total - Passenger Related Expenditure in Lisbon			**40 860 900 €**
VESSEL RELATED EXPENDITURES			
PASSENGER CHARGE FROM AUTHORITIES			
	Type of Cruise Tourist Passengers		
	Embark / Disembark	**Transit**	**Total**
APL			
Port Agency Fees per Passenger	10,5101 €	3,0512	
Number of Passengers (including crew)*	50834	507206	
Total - APL Cruise Passenger Fee	**534 270,4 €**	**1 547 586,9 €**	**2 081 857,4 €**
SEF			
Authority Fees per Passenger	3,08 €	2,06 €	
Number of Passengers	50834	507206	
Total - SEF Cruise Passenger Fee	**156 568,7 €**	**1 044 844,4 €**	**1 201 413,1 €**
Authority Fees per crew member to be licensed to land			1,03 €
Number of Crew members			232 496 €
Total - SEF Crew Members Fee			239 471 €
Total - SEF Cruise Ship Nationality Fee			30 857 €
Total - SEF			**1 471 741 €**
Total - Passenger charge from (APL and SEF) Authorities			**2 673 154 €**
VESSEL EXPENDITURES AT LISBON PORT			
			Total
APL			
Pilotage Fee		5 213 686 €	
TUP Ship		5 554 662 €	
Residues		791 927 €	
Equipment		63 769 €	
Total - Vessel Related Expenditures			**11 624 044 €**
TOTAL - DIRECT EXPENDITURES			**55 158 098 €**

Cruise Industry - Indirect Impact On Local Economy, Lisbon			
	European Total Impact	**European Impact (%)**	**Total**
Manufacturing	109 000 000 €	21%	22 890 000 €
TOTAL - INDIRECT EXPENDITURES			**22 890 000 €**

Cruise Industry - Total Impact On Local Economy, Lisbon	
TOTAL	**78 048 098 €**

Auxiliary calculations and data required to estimate the total economic impact on Lisbon to 2013:

Number of Cruise Tourists in 2013		**Total**
Passengers		
Transit	507206	
Turnaround	50834	
Total		558040
Crew		232496

SEF			
Cruise Ship Characteristics	**Fee**	**Cruise Ships**	**Total**
European Cruise Flag Fee	80 €	144	11 520 €
No European Cruise Flag Fee	92,52 €	209	19 336,68 €
Total			30 857 €

Cruise Ship Flag - 2013			
European Flag		**Non European Flag**	
Country	**# Ship**	**Country**	**# Ship**
France	7	Bahamas	96
Malta	52	São Vicente	1
German	2	Ilhas Marshall	6
Finland	2	Bermudas	75
Portugal	10	Panama	31
Norway	2		
Italy	55		
Holand	14		
Total	**144**	**Total**	**209**
TOTAL - Cruise Ship at Lisbon Port in 2013			**353**

Source: Porto de Lisboa

Based on previous analyses and the aggregation of different considerations, it is concluded that is the total economic impact of cruise tourism on Lisbon was 78 048 098€, value supported by direct and indirect cruise tourism impact.

If , in one hand, the record level of activity registered in 2013 demonstrates that Lisbon was not significantly affected by external factors, such as the geographical location and the lack of interesting nearby ports for itineraries, on the other hand, Lisbon was affected by the lack of adequate facilities to intensify the turnaround operations.

It is a fact that Lisbon do not has aptitudes to become a home port destination and growth in such way that will reach similar level of activities present in ports as Barcelona or Southampton. Considering the local potentialities, the level of operations in Lisbon Port will tend to remain focused on transit operations. Nevertheless, Lisbon has an important opportunity to growth in three different scenarios: to be considered as port for starting or ending of cruise trips, to be selected as a an interporting destination, and for a port location with duration scales of two days. The source of passengers from present and emerging markets, such as Spanish, American or Brazilian, can be attracted in order to stimulate their willingness to include Lisbon in their cruise trip. Independently the purpose which that decision is based, the local activity and economy will be more beneficiated from cruise tourism. Even though, any of those important business points will be possible to be developed and effectively achieved without the physical support, i.e. a new cruise terminal in operation to support correctly all different type of cruise operations. As such, it is possible to conclude that, despite the activity presented in 2013, Lisbon could have obtained an larger economic contribution from cruise tourism activity than what was obtained.

Exhibit 18.5: Cruise Tourism activity and predicted impact for the coming five years

The following analysis aims to present the impact for the coming five years. It is based on a group of restrictions, changes and planned actions from internal and external facts, impacting this activity on Lisbon. The impact is measured in two possible scenarios, which are distinctive due to turnaround operations. Considering the period between 2014 and 2019, the analysis is started assuming that turnaround variable will not be affected. Then, the impact is analysed from 2016 to

2019, reflecting the intensification of cruise passengers starting or ending the cruise activity in Lisbon, supported by the new Lisbon cruise terminal and the increasing presence as well as expenditures/consumption from cruise passengers in the city of Lisbon.

The analysis starts from 2014 because it is the mark that reflects important changes on the cruise activity in Lisbon. The consecutive postponements on critical issues had presented the first signals of change with the new team, leading the management of the cruise tourism activity and which will support the consequential progress expected with the new cruise terminal facilities. That is, beside the increasing potentiality that the new cruise terminal will reflect on this activity, LCT plans a group of potential actions, especially important after terminal is open (predicted to be in 2016).

For the economic estimation in respect of the five coming year, a group of considerations are important to be firstly acknowledged. Although the last data appoints 2013 as the year which Lisbon received a record number of scales (353), at least since 2000, the year of 2014 is predicted to end with a reduction and it is expected to remain in 2015. The restricted number of cruise ships and the cruise companies strategic intention to intensify their present in Asia, moving part of cruise ships to this area, is one of the main reasons pointed out. Being aware of the local current constraints, this leads to a decrease in the number of cruises ship in Lisbon (primary source). Even though, the increasing size of the cruise ships is expected to attenuate the decrease on the number of passengers. Moreover, the 27 cruise ships ordered until 2017 are planned to attenuate the impact from the raising of new regions. After 2016, and especially in 2017, it is expected an increase in the activity. Beside the willingness from companies to stop in Lisbon, attracted with the new cruise terminal, the planned actions on promotion and service delivered is expected to be particularly impacted from 2017 to forward – admitting that any change occurs.

Exhibit 18.6: Lisbon Tourism Activity between 2004 and 2013

Lisbon Tourism Activity between 2004 and 2013

LISBON PORT	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Scales	258	251	269	256	308	294	299	330	314	353
Total - Passengers	241557	239524	270893	305185	407508	415758	448497	502644	522604	558040
Average - Passengers per scale	936	954	1007	1192	1323	1414	1500	1523	1664	1581

Source: Analysis developed by the author

Exhibit 18.7: Cruise Economic Impact on Lisbon

Exhibit 18.7.1: Cruise Economic Impact – Period between 2014 and 2019

The estimation of the economic impact on Lisbon from 2014 is achieved through the estimation carried out for 2013. Each expenditure's analysis is completed with the sensitivity analysis, aiming to identify economic impact supported by unexpected modifications.

From the referred variables and considerations, the passengers' growth rate was estimated based on the predicted projections for the years between 2014 and 2019, having a average rate of 2%. It is based on a cruise passengers' decrease and followed by an increase from 2016. Furthermore, the average inflation rate, of 1.2%, is also considered based on the International Monetary Fund estimation for Portugal regarding the period in analysis. Based on this two grow rates, the passenger related expenditure is estimated, depending the growth of passengers and average consumption on the previews defined rates

However, and before to continue the analysis, it is intended to highlight one aspect that is valid for the following analysis using the inflation rate. Considering the sensitivity analysis considering the inflation rate, it is concluded that with a higher inflation rate the expenses from cruise passengers increases. Bearing in mind the fact that, theoretically, the increase on inflation rate causes an increase in the general prices and, consequently, leads to a decrease of purchasing power (since the price of goods and services purchased become more expensive), this analysis would be incorrectly considered. In order to correctly approach this aspect, research and different opinions was collected in order to reach an consistent assumption. It is concluded that, since the analysis including the inflation rate predicts an inexpressive variation of the rate, it does not affect the analysis and conclusions. Furthermore, as the analysis exposes tourists' consumptions during a short period of time in Lisbon, it is not expected an higher rigidity in the inflation's reaction function. That is, for tourist which desire to purchase or incur in a group of expenses, their intention to purchase and do expenses will remain, particularly for a small variations of the inflation rate. As such, when tourists decide to do vacations their behaviours and purchases tend to not be so affected by the prices, that is, from a small variation of prices.

Please, consider the following table for a further analysis.

PASSENGER RELATED EXPENDITURE | Annual Forecast 2014-2019

Passengers	2013	2014	2015	2016	2017	2018	2019
Transit	507206	517350	527697	538251	549016	559996	571196
Turnaround	50834	51851	52888	53945	55024	56125	57247
Crew	232496	237146	241889	246727	251661	256694	261828
Total	790536	806346,72	822474	838923	855702	872816	890272
Growth Rate	2,0%						
		-10%	0%	3%	5%	7%	9%
Average Expenditure per passenger							
Cruise Passengers spent excluding airfares at embarking p	80	81,0	81,9	82,9	83,9	84,9	85,9
Cruise Passengers expenditure at each port call	62	62,7	63,5	64,3	65,0	65,8	66,6
Crew expenditure at each port call	23	23,3	23,6	23,8	24,1	24,4	24,7
Portugal	2013	2014	2015	2016	2017	2018	2019
Inflation, average consumer prices (Index).	0,4%	0,0%	1,1%	1,5%	1,5%	1,5%	1,5%
Average annual inflation	1,2%						
PASSENGER RELATED EXPENDITURE	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Transit	31 446 772 €	32 460 616 €	33 507 146 €	34 587 417 €	35 702 515 €	36 853 564 €	38 041 723 €
Turnaround	4 066 720 €	4 197 831 €	4 333 169 €	4 472 870 €	4 617 076 €	4 765 930 €	4 919 584 €
Crew	5 347 408 €	5 519 808 €	5 697 767 €	5 881 463 €	6 071 081 €	6 266 813 €	6 468 855 €
Total - Passenger Related Expenditure in Lisbon	**40 860 900 €**	**42 178 255 €**	**43 538 082 €**	**44 941 750 €**	**46 390 672 €**	**47 886 307 €**	**49 430 162 €**

					Inflation		
		42 178 255 €	0%	0,50%	1%	1,50%	2%
		-2%	40 043 682 €	40 243 900 €	40 444 119 €	40 644 337 €	40 844 556 €
Annual Forecast 2014 - 2019		0%	40 860 900 €	41 065 205 €	41 269 509 €	41 473 814 €	41 678 118 €
	Growth Rate - Passenger	2%	41 678 118 €	41 886 509 €	42 094 899 €	42 303 290 €	42 511 680 €
		4%	42 495 336 €	42 707 813 €	42 920 289 €	43 132 766 €	43 345 243 €
		6%	43 312 554 €	43 529 117 €	43 745 680 €	43 962 242 €	44 178 805 €

For the period of 2014 and 2019 is concluded that for passengers' related expenditures is expected an annual normal impact of 42 094 899€. Moreover, an average of more 2 million for the optimistic analysis as well as of less 2 millions for the pessimistic analysis.

Regarding vessel related expenditure's, the estimation assumes that the fees applied by Lisbon Port to cruise ships would remain unchanged in order to simplify the assumptions. Nonetheless, besides the expected changes in taxes applied from LCT, other changes are similarly expected to occur, particularly if the level of activity will increase. Since those are applied to external entities, i.e. cruise companies, it means that the local government will be attempted to change taxes, gathering additional benefits from tourism activity in Lisbon. For passengers the grow rate considered is the previous reached on the passengers related expenditure. In respect of cruise vessel and its average growth, it is estimated a new rate, based on the information collected. As explained, with the increase average number of passengers in each cruise ship, is appropriate to assume different taxes of growth. The vessel growth rate of 0.47% is estimated considering a similar annual variation of passengers, starting with an important decrease and then is consider an positive growth from 2016. Having those growth rates, is possible to calculate total reached by APL and SEF. Nonetheless, a new touristic fee per cruise passenger is consider from in 2015, as was announced by Lisbon city hall in November, 2014. The sensibility analysis is then estimated over both rates. Please consider the following table, which presents the performed calculations and estimations.

To the period under analysis is concluded that the annual economic impact on vessel related expenditures is of 3 962 439€, considering an normal analysis, and an difference of 150 thousand euros to the pessimistic and optimistic analysis.

VESSEL RELATED EXPENDITURE | Annual Forecast 2014-2019

Passenger Charges From Local Authorities

Lisbon - Cruise Ship Fees		**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
APL -Port Agency Fees per Passenger (including crew)								
Transit (per passenger)	3,05 €	1 756 858 €	1 791 995 €	1 827 835 €	1 864 391 €	1 901 679 €	1 939 713 €	1 978 507 €
Turnaround (per passenger)	10,51 €	656 448 €	669 577 €	682 969 €	696 628 €	710 561 €	724 772 €	739 267 €
APL - Total		**2 413 306 €**	**2 461 572 €**	**2 510 803 €**	**2 561 019 €**	**2 612 240 €**	**2 664 485 €**	**2 717 774 €**
SEF -Port Authority Fees per Passenger (including crew)								
Transit (per passenger)	2,06 €	1 044 844 €	1 065 741,25 €	1 087 056,07 €	1 108 797,19 €	1 130 973,14 €	1 153 592,60 €	1 176 664,45 €
Turnaround (per passenger)	3,08 €	156 569 €	159 700,09 €	162 894,10 €	166 151,98 €	169 475,02 €	172 864,52 €	176 321,81 €
Crew (per passenger)	1,03 €	239 471 €	244 260,30 €	249 145,50 €	254 128,41 €	259 210,98 €	264 395,20 €	269 683,11 €
Cruise Ship Fees per Nationality								
European Cruise Flag Fee (per ship)	80 €	11 520 €	11 574 €	11 628 €	11 682 €	11 737 €	11 791 €	11 846 €
Non-European Cruise Flag Fee (per ship)	92,52 €	19 337 €	19 427 €	19 518 €	19 609 €	19 700 €	19 792 €	19 884 €
SEF - Total		**1 471 741 €**	**1 500 702 €**	**1 530 241 €**	**1 560 368 €**	**1 591 096 €**	**1 622 436 €**	**1 654 400 €**
Touristic Fee - Lisbon city hall (per passenger)	**1 €**	**-**	**-**	**822 474 €**	**838 923 €**	**855 702 €**	**872 816 €**	**890 272 €**
Total (SEF and APL)		**3 885 046 €**	**3 962 274 €**	**4 863 518 €**	**4 960 311 €**	**5 059 037 €**	**5 159 736 €**	**5 262 446 €**

Calls	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
European Cruise (#)	144	145	145	146	147	147	148
Non European Cruise (#)	209	210	211	212	213	214	215
Total	353	355	356	358	360	361	363
Calls		-8%	-7%	0,8%	3%	6%	8%
Growth Rate - Vessel	**0,47%**						
		320	310				

Annual Forecast 2014 - 2019

		Growth Rate - Vessels				
	3 962 274 €	0,25%	0,5%	1,0%	1,25%	1,5%
Growth Rate - Passengers	-2%	3 808 040 €	3 808 117 €	3 808 271 €	3 808 348 €	3 808 425 €
	0%	3 885 124 €	3 885 201 €	3 885 355 €	3 885 432 €	3 885 509 €
	2%	3 962 207 €	3 962 284 €	3 962 439 €	3 962 516 €	3 962 593 €
	4%	4 039 291 €	4 039 368 €	4 039 523 €	4 039 600 €	4 039 677 €
	6%	4 116 375 €	4 116 452 €	4 116 606 €	4 116 683 €	4 116 761 €

*November, 10 of 2014

Regarding cruise ships in Lisbon, the historical references concerning the cruise ship expenditures allow to conclude that despite the increasing number of annual scales, the related expenditures have been decreasing or registering minor increasing, especially on Residues and Equipment items. Even though, LCT plans to develop a group of strategies that support economies of scale that currently cruise companies search for, reducing the applied taxes depending on the number of planned cruise ship scales. Moreover, other services are available to be deliver, considering the price establish for the service. Finally, incentives are been developed in order to stimulate cruise companies to opt for duration scale of two days, following the cruise companies' intention to increase profits. The local diversity of activities can be important elements to attract and support the cruise companies' decision to intensify Lisbon Port's presence on the itineraries. Considering the identified planned actions in order to increase the cruise tourism activity in Lisbon, those are important reasons that justify the expectations in the increase of the cruise ship expenditures for a average annual grow rate of 1.5%. Additionally, in respect to the average number of cruise ships for the upcoming years, the growth rate for number of cruise ships is based on 0.47%, as was previously estimated.

VESSEL RELATED EXPENDITURE | Annual Forecast 2014-2019

Vessel Expenditures at Lisbon Port	2013	2014	2015	2016	2017	2018	2019
Total number of passengers in Lisbon, including crew (per year)	790536	806347	822474	838923	855702	872816	890272
Number of vessels in Lisbon (per year)	**353**	**355**	**356**	**358**	**360**	**361**	**363**
Average number of passengers per cruise ship in Lisbon	2239	2250	2260	2271	2282	2292	2303
Vessels - Growth Rate	**0,47%**						
Pilotage Fee	5 213 686 €						
TUP Ship	5 554 662 €						
Residues	791 927 €						
Equipment	63 769 €						
Total	**11 624 044 €**	**11 853 464 €**	**11 908 780 €**	**11 964 354 €**	**12 020 188 €**	**12 076 282 €**	**12 132 638 €**
Average expenditure per vessel at Lisbon Port	32 929 €						
Growth Rate Expenditure	1,5%						

		Growth Rate - Expenditure				
	11 853 464 €	-1%	0%	1%	2%	3%
Growth Rate - Passengers/Vessel	-2%	11 277 647 €	11 391 563 €	11 505 479 €	11 619 394 €	11 733 310 €
	0%	11 507 804 €	11 624 044 €	11 740 284 €	11 856 525 €	11 972 765 €
	2%	11 737 960 €	11 856 525 €	11 975 090 €	12 093 655 €	12 212 221 €
	4%	11 968 116 €	12 089 006 €	12 209 896 €	12 330 786 €	12 451 676 €
	6%	12 198 272 €	12 321 487 €	12 444 702 €	12 567 916 €	12 691 131 €

Through sensitivity analysis, possible changes on the growth rate of cruise ship expenditures and the number of passengers per cruise ship, it is concluded that 11 975 090€ are the expected annual impact respected to vessel related expenditures (considering an normal sensitivity analysis). Regarding the pessimistic and optimistic analysis, expectations are positioned of 11 277 647€ and 12 691 131€, respectively. That is, an average of 700 thousand euros are expected to influence negatively or positively the annual economic impact on Lisbon.

Regarding the indirect cruise impact, similar considerations are taken. In order to estimate the manufacturing's indirect impact on Lisbon, some constraints were identified. Searching for the most related rate, that is industrial production variation, was founded that the past five years registered an deflation with an average of -2.64%. From the research developed was possible to concluded that this is one of the most important fears of many economists, predicting to Portuguese and European economies. Unwilling to overlook this information, since this analysis impacts to understand a short-term impact of this industry locality, is assumed the possibility to be identified a average growth, even insignificant, of 0.2%.

CRUISE INDUSTRY - INDIRECT IMPACT TO LOCAL ECONOMY, LISBON | Annual Forecast 2014-2019

	2013	2014	2015	2016	2017	2018	2019
Manufacturing	22 890 000 €	22 935 780 €	22 981 652 €	23 027 615 €	23 073 670 €	23 119 817 €	23 166 057 €
Indirect Impact	22 890 000 €	22 935 780 €	22 981 652 €	23 027 615 €	23 073 670 €	23 119 817 €	23 166 057 €

Manufacturing Portugal	2009	2010	2011	2012	2013
Industrial Production (annual variation in %) (from focus-economy website)	-8,1%	1,5%	-0,9%	-6,1%	0,4%
Average annual - Industrial Production	-2,64%				
Considered Average annual - Industrial Production	**0,2%**				

		22 935 780 €
	-2,2%	22 386 420 €
	-1,2%	22 615 320 €
Growth Rate - Industrial Production	0,2%	22 935 780 €
	1,2%	23 164 680 €
	2,2%	23 393 580 €

To accomplish the indirect impact, the sensitivity analysis is developed considering one growth rate, that is the industrial production, since is the only rate influencing this factor. As such, it is concluded that, and only based on manufacturing factor, Lisbon is expected to be annually impacted on 22 935 780 €. If any unconsidered issue will influence this factor, around 22 million of euros will be generated considering an pessimistic analysis and an average of 23 million of euros will be obtained considering an optimistic analysis.

The aggregation of all analysis and considerations previously identified are thus presented on the following table. In this way, it is concluded that the cruise tourism activity from 2014 to 2019 will originate an average benefit 80 968 208€ for the city of Lisbon. Similarly, from the remaining two sensitivity analysis, 77 515 789€ are expected to be achieved if the worst scenario will be face cruise tourism activity during the period under analysis, or, instead an 84 380 277 € if the Lisbon will face an important and positive growth.

CRUISE INDUSTRY - IMPACT TO LOCAL ECONOMY, LISBON

Annual Forecast 2014 - 2019	Sensitivity Analysis Pessimistic	 Normal	 Optimistic
Direct Expenditures			
Passenger Related Expenditure	**40 043 682 €**	**42 094 899 €**	**44 178 805 €**
Vessel Related Expenditure	**15 085 687 €**	**15 937 529 €**	**16 807 892 €**
Passenger Fees Charged	3 808 040 €	3 962 439 €	4 116 761 €
Vessel Expenditure	11 277 647 €	11 975 090 €	12 691 131 €
Total Direct Expenditures	**55 129 369 €**	**58 032 428 €**	**60 986 697 €**
Indirect Expenditures	**22 386 420 €**	**22 935 780 €**	**23 393 580 €**
Total Expenditures	**77 515 789 €**	**80 968 208 €**	**84 380 277 €**

To sum up, from the preview analysis, the economic impact of cruise tourism on Lisbon from 2014 to 2019 will originate more two million euros than what was achieved and possible to estimate in respect to 2013.

Based on the following economic conclusions, some considerations are reached. The impact is mostly influenced based on the level of activity that predicts to affect negatively Lisbon in the next two years, i.e. 2014 and 2015. Nonetheless, considering the expectations for the following years from 2016, those are expected to attenuate the overall economic impact. Furthermore, if improvements will be registered in the world economy, it will also support improvements on cruise passengers' expenses in Lisbon, with important benefits to the local economy.

Expenses from cruise passengers in Lisbon is the variable that will generate the higher benefit to Lisbon. Nonetheless, it might follows what was previously highlighted when the estimation for 2013 was reached, which is the fact that the impact might remain concentrated on a small group of players. However, considering that new actions and changes expected to be developed by LCT (from 2014), it is predicted that the impact will be extended to other areas or to the same area but to different entities. This can be particularly true regarding tour operators. Concerns are now focused in order to diversify and stimulate the cruise passengers experience in Lisbon. As such, different programs and activities are planned to be developed and proposed, spreading the impacts in different players since it will require a larger group of entities and individuals in order to take advantage from diversified areas and resources. Despite this fact, since the economic estimation do not include changes on turnaround operations, the local services such as hotels or other touristic services and products (usually demanded by general tourists when in Lisbon) are not planned to be substantially affected. Lastly, the fact is that the local passengers' expenses are the one that directly influence the local commerce, businesses and support the future development of the city. On the other hand, it is also the variable that represents cruise passengers' behaviour in the city, and its variation over the years is likely to be very important to be analysed. Crossing this information with the annual surveys developed near cruise passengers, will be possible to understand behaviours and desires carried or intended to be carried by cruise passengers when in Lisbon. Thereby, the annual actions taken by local players are more likely to be correctly supported and developed through the aggregation of this variable with others related.

Exhibit 18.7.2: Cruise Economic Impact of Turnaround Operations on Lisbon respected to period from 2017 to 2019

Considering the individualities on cruise tourism in relation to other types of tourism, the turnaround operations tend to be the operation that reflects the highest benefits for the destination since requires a larger group of services demanded by cruise tourists unlikely to be required when they are in transit.

Lisbon's cruise activity is mostly concentrated on transit operations but conditions are expected to be created in order to support the intensification of turnaround. As such, the following analysis identifies the services that can be affected by this intensification in order to estimate the overall economic impact on Lisbon.

Based on the information collected was concluded that, and at least for a short-term perspective, the greatest potentialities for Lisbon Port's are concentrated on cruise trips starting **or** ending in Lisbon. That is since factors affecting cruise activity in Lisbon, as regarding the geographical location, place the Lisbon Port outside of important itineraries. In this way, the analysis is concentrated on cruise passengers opting to stay 3 additional days in Lisbon, which is two additional days besides the start/end day. Moreover, a group of possible expenses are identified based on conclusions presented on the questionnaire developed near cruise passengers in Lisbon (from OTL). Even with dissimilar behaviours and willingness, it is possible to highlight a group of expenditures generically made by cruise passengers when in Lisbon. Those expenses are accommodation, food and beverage, local transportation, entertainment/museums and shopping. The following table presents the average expenses per passengers/day and also for three days in Lisbon.

Expected Expenditures in Lisbon	Average Expenses - Passenger/Day	Average Expenses - Passenger/ 3 Days
Accomodation	100 €	200 €
Food and Beverage	50 €	150 €
Local tranportation	27 €	81 €
Entertainment/Museums	20 €	60 €
Shopping	70 €	210 €
Total	**267 €**	**701 €**

In respect to the accommodation was concluded that cruise passengers search for four and five-star hotels. Based on data from *Turismo de Portugal*, in 2013, the average price per room in a hotel in Lisbon was of 265€ for five-start and 117€ for four-star hotels, which can reflect and average price of 191€. Considering that rooms have the possibility to accommodate two guests, for the analysis was considered an average price of 100€ per passenger. Additionally, expecting an duration stay of three days and two overnights, the total expenses on accommodation per passenger for three days are 200€. For the remaining factors, conclusions were based on data from OTL and studied developed by Brito and Zarrili (2013). From the first study, conclusions were collected in respect to the average prices of items purchased. For the second one in respect to tourists behaviours in Lisbon, since behaviours from cruise tourists in turnaround are similar to a common tourist who desire to visit the city. Based on these studies, it is concluded that the taxi is the transportation mostly used, since prices are perceived as reasonable, and it is followed by subway and bus as the most chosen. Moreover, transportation, food and beverage and shopping are the items which 90% of cruise tourists interviewed identified by having done expenditures (OTL, 2013). Visits to museums is also identified, although with a less frequency. In respect to the average prices, those were selected in order to cover different cruise passengers', regarding the different type of cruise passengers behaviours and diversity of local supply. That is: 50€ on food and beverage, 27€ on local transportation, 20€ on entertainment/museums and 70€ on shopping. Based on this analysis, the total expenditure per cruise passenger in Lisbon is of approximately 267€ per day and 701€ over a 3-day period. Since the analysis is for the period of time between 2017 and 2019, the inflation rate was estimated and considered to be of 1.5%.

Regarding the expectations for the level of turnaround operations in Lisbon, it is assumed that Lisbon will face an increasing number of turnaround operations. As such, the number of passengers in turnaround in 2016 is predicted to increase by 10%, 15% and 20% between 2017 and 2019, respectively. Supported by the diversification of activities and actions implemented in order to not only provide conditions for cruise companies intensify their operations in Lisbon, especially supporting the turnaround operations, but also incentive passengers to stay before or after their cruise trip. In this way and considering the potentiality of Lisbon in turnaround on itineraries starting **or** ending in Lisbon (primary source), it is assumed that 50% of turnaround passengers will stay in Lisbon for three days.

Marginal Turnaround Impact On Lisbon | Annual Forecast 2017 - 2019						
Expected Turn. Passengers in Lisbon	**2016**	**2017**	**2018**	**2019**		
Passengers in Turnaround	53945	55024	56125	57247		
Expected Rate Increase	-	10%	15%	20%		
Expected # Turnaround Passengers	-	**59340**	**68241**	**81889**		
Expected Rate Turn. Passengers in Lisbon	-	50%	50%	50%		
Total - Turn. Passengers Expected	-	**29670**	**34120**	**40945**		
Assumption: Passengers Staying 3 days Before or After	**2016**	**2017**	**2018**	**2019**		
Average Expected Expenses - Passenger/day	267 €	271 €	275 €	279 €		
Total per Passenger for 3 day	701 €	712 €	722 €	733 €		
Average Inflation	1,5%					
		1,549%	1,497%	1,495%		
	2016	**2017**	**2018**	**2019**	**Total**	**Average/Year**
Annual Expenses Per Passengers/Day	-	8 041 800 €	9 388 055 €	11 436 191 €	28 866 045 €	9 622 015 €
Annual Expenses Per Passengers/Three Day	-	**21 113 490 €**	**24 648 039 €**	**30 025 354 €**	75 786 883 €	25 262 294 €

		Inflation				
	21 113 490 €	0,0%	1%	1,5%	2%	2,5%
Growth Rate Passenger Turn Lisbon	10%	4 159 733 €	4 201 331 €	4 222 129 €	4 242 928 €	4 263 727 €
	30%	12 479 200 €	12 603 992 €	12 666 388 €	12 728 784 €	12 791 180 €
	50%	20 798 667 €	21 006 654 €	21 110 647 €	21 214 641 €	21 318 634 €
	70%	29 118 134 €	29 409 316 €	29 554 906 €	29 700 497 €	29 846 088 €
	90%	37 437 601 €	37 811 977 €	37 999 165 €	38 186 353 €	38 373 541 €

It is concluded that the intensification of cruise passengers staying in Lisbon will generate an additional impact of 21 113 490€, 24 648 039€ and 30 025 354€ to 2017, 2018 and 2019, respectively. The expected average impact per year on Lisbon will be of 25 million of euros. Through sensitivity analysis is concluded that from the normal impact of 21 million of euros, the pessimist analysis can down to 4 millions whereas the impact regarding the optimistic analysis can increase for 38 million of euros.

Since the previews analysis (in respect to the period between 2014 and 2019) concluded that the annual impact is expected to be of 80 968 208 €, is concluded that the intensification of cruise passengers staying, with an average impact of 25 262 294€, will increase the cruise tourism impact on Lisbon from 80 968 208 € to 106 230 502€. In this way, is possible to conclude that the intensification of turnaround operations in Lisbon generate an important economic impact to Lisbon, supporting the local commerce and economy.

The growth on turnaround operations will also increase the benefits from fees applied by Port agencies. For the analysis is considered APL and SEF. Even though APL is no longer an authority applying direct fees to passengers, it is considered in order to estimate an average impact from port authorities. Based on the following table, Lisbon will obtain, annually, 948 907€ in taxes, which an increase of 20%.

Marginal Turnaround Impact On Port Agency Fees Lisbon

Port Agency Fees per Passenger		2017	2018	2019	
Normal # Passengers in Turnaround		55024	56125	57247	
Expected Increase on # of Passengers in Turn.		59340	68241	81889	
Taxes per Passenger In Turnaround	10,51€ and 3,08€	13,59 €			**Average/Year**
Total - Normal # Passengers in Turnaround		747 787 €	762 742 €	777 997 €	762 842 €
Total - Increase on # of Passengers in Turn.		806 436 €	927 402 €	1 112 882 €	948 907 €

Exhibit 18.8: The analysis of the concession agreement between APL and LCT

Previously responsible for the management of maritime transportation of watercraft carrying passengers or goods (cargo), APL has decided to deliver the management of both activities to other entities. The decision was based in order to reach financing to invest on a public facility, i.e. cruise terminal, for technology acknowledgment and also for an efficient and high-level management approach in order to overcome normal constraints present on public entities. Through a concession agreement, APL first handed the cargo's concession to a secondary entity and, in 2014, officialised the concession agreement of the cruise activity with LCT (was the entity delivering the best proposal). In this way, the public entity conceded to the private entity the right of invest, build and explore the facility, for 35 years. The items granted will remain on LCT until the end of concession agreement.

The agreement established includes a group of costs in the contraction. As already explained before, the elements are:

- an annual concession fee of 300 000€;
- an annual cost rate of 0.22 € per passenger;
- an annual compensation from services provided of 2.5 million euros;
- 22 million euros in order to build the Lisbon's new cruise terminal.

In this way, LCT has to pay the concession fees, which are one part fixed and other is variable. In this way, the following tables aims to presents the annual total cost supported by LCT justified by the concession agreement.

The Concession Agreement of Cruise Tourism Activity In Lisbon - LCT's Annual Total Cost							
Passengers - Lisbon	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Transit	507206	517350	527697	538251	549016	559996	571196
Turnaround	50834	51851	52888	53945	55024	56125	57247
Total	**558040**	**569201**	**580585**	**592197**	**604040**	**616121**	**628444**
LCT							
Services	-	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €
Cost per Passenger (0,22 €)	-	125 224 €	127 729 €	130 283 €	132 889 €	135 547 €	138 258 €
Concession Fee	-	300 000 €	300 000 €	300 000 €	300 000 €	300 000 €	300 000 €
Subtotal	**-**	**2 925 224 €**	**2 927 729 €**	**2 930 283 €**	**2 932 889 €**	**2 935 547 €**	**2 938 258 €**
Lisbon's New Cruise Terminal	-	7 333 333 €	7 333 333 €	7 333 333 €	0	0	0
LCT - Annual Total Cost	-	10 258 558 €	10 261 062 €	10 263 617 €	2 932 889 €	2 935 547 €	2 938 258 €
Average - First Three Years		10 261 079 €					

The annual estimation was developed based considering a group of assumptions, more particularly regarding the variable rate of passengers and the required investment to build the Lisbon's new cruise terminal. Concerning the first element, the annual paid by LCT was estimated considered the number of passengers expected to visit Lisbon from 2014 to 2019, and assuming that Lisbon will face an increase on cruise passengers in turnaround (which is identified in Lisbon). Regarding the new cruise terminal, in order to overcome the lack of information to this topic, it was considered that the investment will be paid during the period in which it expects the terminal to be built, that is until 2016. Considerations have also be taken considering that this entity would opt for loan the value to the bank, but recalling the fact that LCT is composed by a group of four companies (with different participation), it was concluded that the analysis should be concluded opting for the direct investment from those companies. Despite the cost of opportunity is not deeply considered, that is the opportunity forgone in the companies' choice of invest directly the money over others choices.

In this way, it is concluded that for the period between 2014 and 2019, LCT will have an initial annual average cost of 10 261 079€ until 2016 and the following years with a annual cost around 2.9 million of euros. It was not considered required to develop a sensitivity analysis, since, besides the physical investment, the annual cost will only be dependent on the annual number of passengers in Lisbon.

Considering that the estimated economic impact regarding vessel related expenditures is of around 15 million of euros, this concession agreement was an interesting investment developed by the entities and its companies.

EXHIBIT 19: Cruise tourism activity in Lisbon - Conclusions and suggestions

From the study developed, a group of conclusions and suggestions can be identified:

- The intensification of cruise activity in Lisbon is not only dependent on the Lisbon's new cruise terminal but also on additional factors and proposals to cruise companies. Nonetheless, these new facilities is essential since it will create conditions to intensify local operations, specially related to turnaround operations. As analyzed for the period between 2017 and 2019, the local economic impact will be most more beneficial.
- Diversification of local activities is essential in order to offer a wide range of experiences targeted at different segments. Consequently, it encourage passengers to leave the ship and spend money. Looking to address cruise companies' restrictions, it is important to suggest innovative activities focused on attracting cruise companies and passengers. Some examples are: golf courses or gastronomy/Fado experiences (for repeat or active tourists); surf classes or watersports (for young passengers and families); thematic experiences such as exploring Lisbon by night (during longer stopover) or walking to discover nature and wild beaches (for active and curious passengers).
- Encouraging longer stays of cruise passengers in turnaround in Lisbon. Incentives could be discounts in accommodation or shopping, or even opportunities that, otherwise, would not be easily accessible.
- The internet must be used as a way to attract cruise passengers when they search for information about Lisbon. For this reason, it is important that a specific website be developed, providing relevant information such as a city-map and suggesting locations and activities to do in Lisbon. It can be also strategically used to encourage longer stays from turnaround tourists in Lisbon.
- Key markets must be addressed, whether to support transit or turnaround operations. Focus should be placed on European countries such as UK, Germany and the Benelux region but specially on non-European countries such as Brazil, USA and Canada. American passengers have a purchasing power, a tradition in cruise trips, and usually choose to stay for two days before and after the cruise trip whereas German tourists look for all-inclusive offers and do not purchase shore tours or products locally (primary source). Additionally, the large number of direct airline connections to

Lisbon makes Brazil an interesting market.

- Lisbon predicts a growth in turnaround operations based on the new cruise terminal's facilities. The geographical location of Lisbon will tend to affect these operations, which are expected to increase by up to 30%. Attention should be given to the Western Mediterranean region where Lisbon might be considered a turnaround location, since the large distance to other areas such as the Eastern Mediterranean and North Sea are not strategically feasible.
- The welcoming reception is the first and, normally, the most memorable moment for cruise tourists. LCT and ground handler agents must work together to provide the best welcoming experience for cruise passengers and improve conditions to address passengers' needs. It is suggested delivering a short guide, presenting a brief presentation of Lisbon from a point of view of a Lisbon inhabitant as well as suggestions to experience local attractions and traditions.

In conclusion, Lisbon needs to grow in size and quality. By doing this, Lisbon will increase the number of visitors (first-time and repeat visitors) from the traditional and emerging markets. At the same time, this will make this sector more profitable, through normal passengers expenses and longer overnight stays. At the same time, it is important to attract segments with greater purchasing power and increase cross selling between regional tourist products and the country.

The future of Lisbon as a cruise tourism destination will depend on its ability to attract the main cruise passenger segments as well as the cruise companies attention. In light of the fact that safety and opportunity to visit international destinations in a controlled and organized way are the two main factors that have supported the growing demand for cruises, Lisbon must use them to find its competitive advantage over other destinations.

It is concluded that despite the important positions acquired from Lisbon Port and the increasing level of activity registered, many constraints must be manage to place the Lisbon Port as an important and desirable destination, delivering the required services. Doing so, the activity and the local destination will be positively rewarded for the efforts.

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