

Cruise Industry Update

May 19, 2016

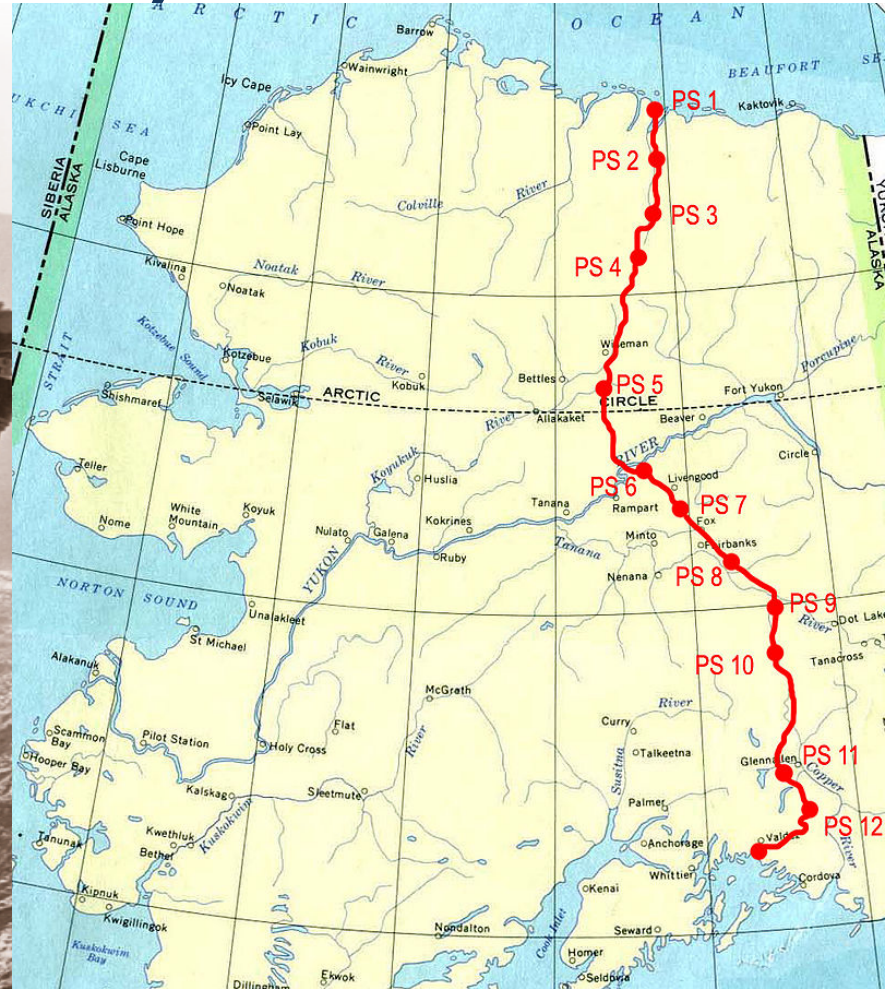
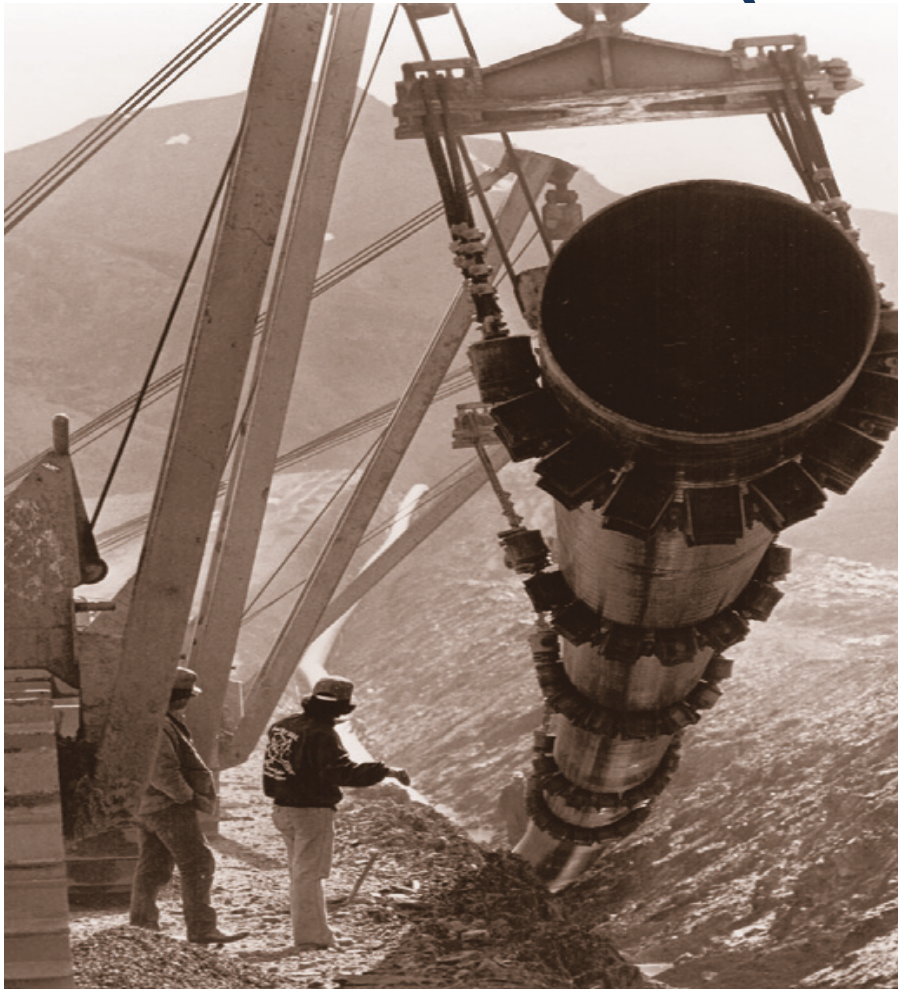
Resource Development Council



CLIA Alaska Member Lines



Trans Alaska Pipeline System (TAPS)



Cruise Alaska Pipeline System (CAPS)



Alaska Cruise Market

- 2015 Capacity
12 CLIA Alaska Member Cruise Lines, 32 Ships
999,600 passengers
- Larger ships replacing smaller vessels
Celebrity Solstice (2,850) replaced Celebrity Infinity (2,038) in 2013
Crown Princess (3,082) replaced Sapphire Princess (2,600) in 2014
Ruby Princess (3,082) replaced Island Princess (1,992) in 2015
- New cruise line joined CLIA Alaska
Compagnie du Ponant, Ponant Yacht Cruises. 264 pax.

Alaska Cruise Market, Outlook

- 2016 Outlook
 - Over 1 million passengers expected this year**
- Alaska will continue to see bigger ships
 - Nieuw Amsterdam (2,100) will replace Oosterdam (1,848)
 - Explorer of the Seas (3,100) will replace Jewel of the Seas (2,100)
- 477 voyages in 2016
 - May 18 first call in Whittier
 - May 19 first call in Seward
 - May 30 first call in Anchorage
 - Maasdam will call 9 times

Visitor Industry Impacts All Regions

Total Visitor Industry Employment, Labor Income & Spending In Alaska,
February 2015 Study
(Including direct, indirect and induced effects)

<u>Region</u>	<u>Employment</u>	<u>Labor Income</u>	<u>Spending</u>
Southcentral	19,200	\$604 million	\$2,006 million
Interior	6,900	246 million	626 million
Southeast	10,800	405 million	1,009 million
Southwest	1,500	44 million	121 million
Far North	300	12 million	30 million
Total	<hr/> 38,700	<hr/> \$1.3 billion	<hr/> \$ 3.92 billion

2016 Cruise Industry Outlook

CLIA Global Fleet

471 Ships

301 Ocean
170 River

27 New Ships on Order

9 Ocean
18 River

28,566
New Beds

*A total investment in 2016
of more than \$6.5 billion
in new ocean vessels alone.*

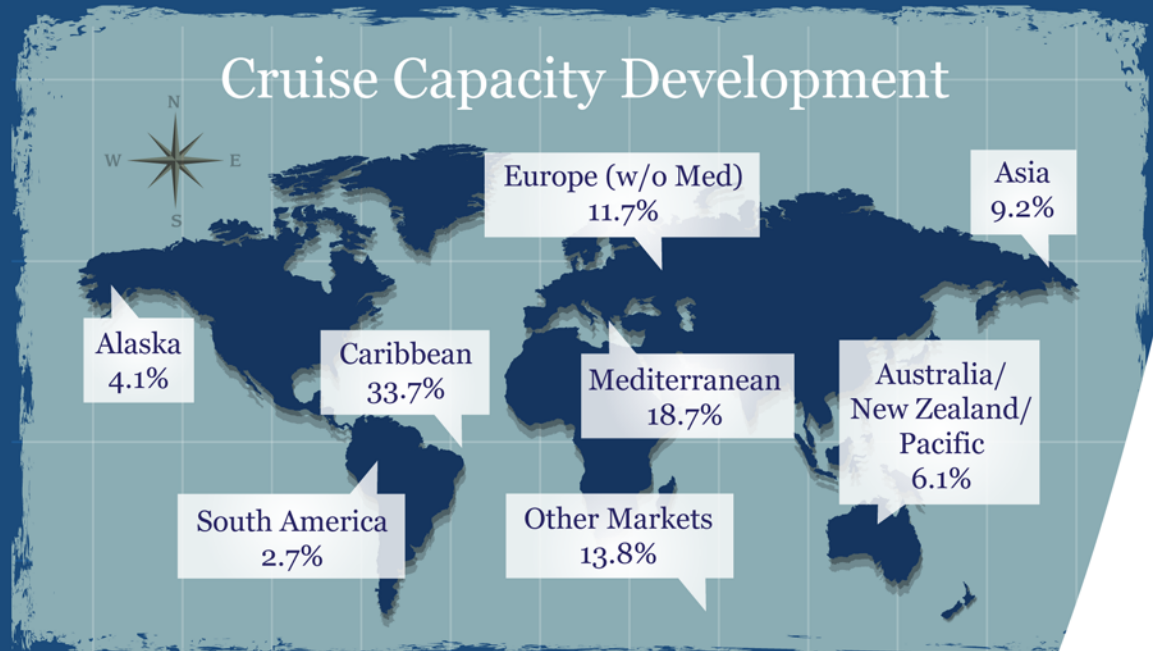
24 
Million

CLIA Ocean
Passenger Volume

Eight out of ten
CLIA member travel agents
stated they are expecting an
increase in sales in 2016



Cruise Capacity Development

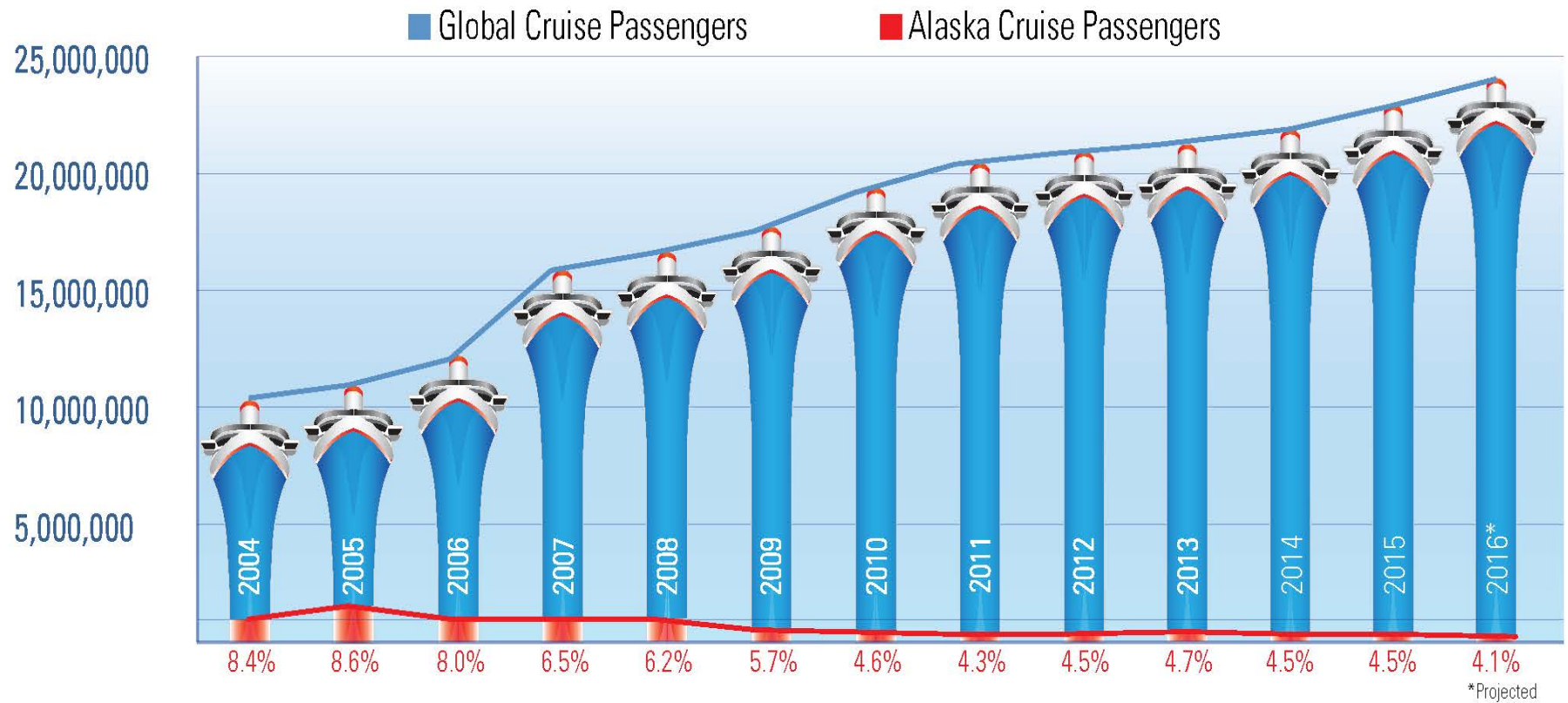


2016 Forecast based upon historical relationship between yearly capacity increase and yearly passenger increase
CLIA 2015 - Capacity, Deployment & Orderbook Report - September 2015
Cruise Outlook Survey - Travel Agent Research Panel - November 2015

Crusing.org



Alaska's Market Share



**More
than
1,000
Ports
Globally**





Asia Now Third Biggest Cruise Market

March 10 2015

Asia has overtaken Northern Europe as the third biggest region in terms of passenger capacity, according to independent data from the **2015-2016 Cruise Industry News Annual Report**.

2016

Asia is anticipated to grow this year by 20 percent, accounting for just over 2.2 million passengers with 69 ships sailing in the region. Asia capacity now accounts for almost 10 percent of the global cruise industry, trailing only the Caribbean and Mediterranean.

It is projected that Asian passengers will make up 20% of all cruisers by the end of 2020, which is double the 2016 figures.

Asia Market Headlines

Carnival shifts COO to Shanghai as Asia cruise business booms

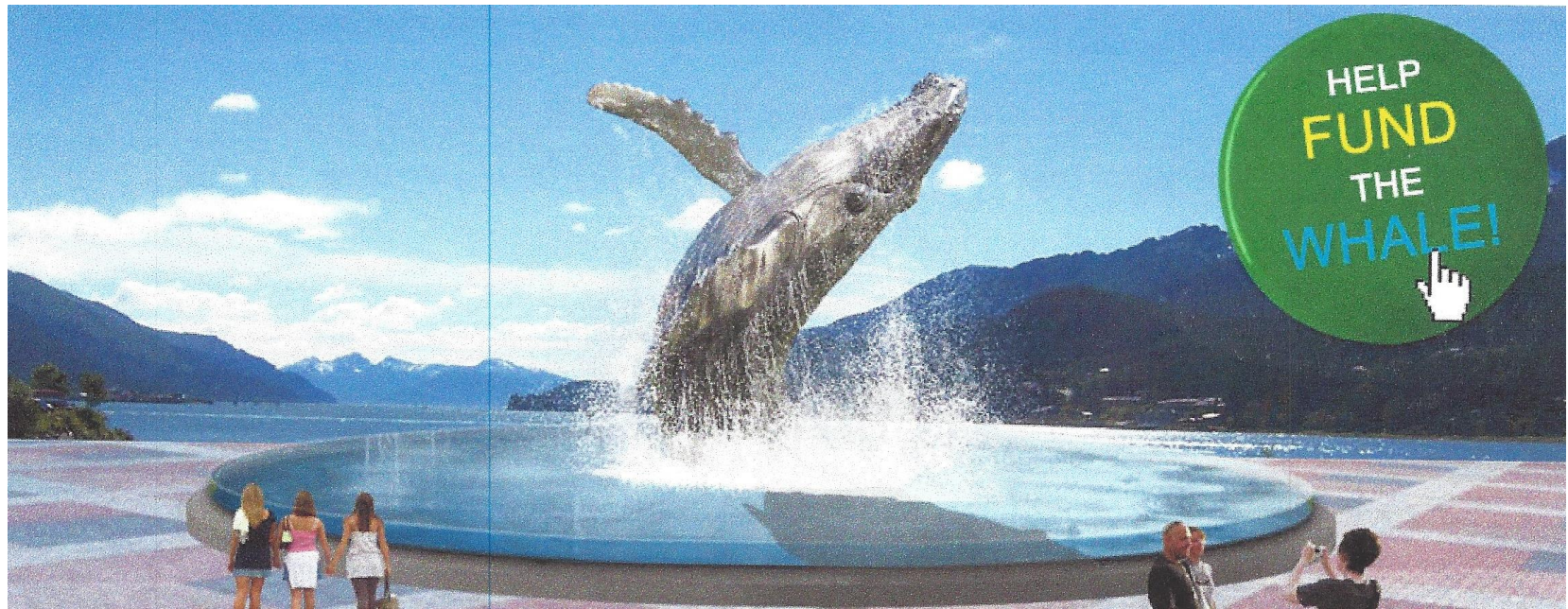
- "...we expect double-digit growth over the next few years."
- *Carnival Chief Executive Arnold Donald*
- COO Alan Buckelew is leading the company's initiatives based out of Shanghai

Royal Caribbean deploys newest, hottest ship to China

- Royal Caribbean permanently deployed Quantum of the Seas in Shanghai, China; instead of Europe or the Caribbean

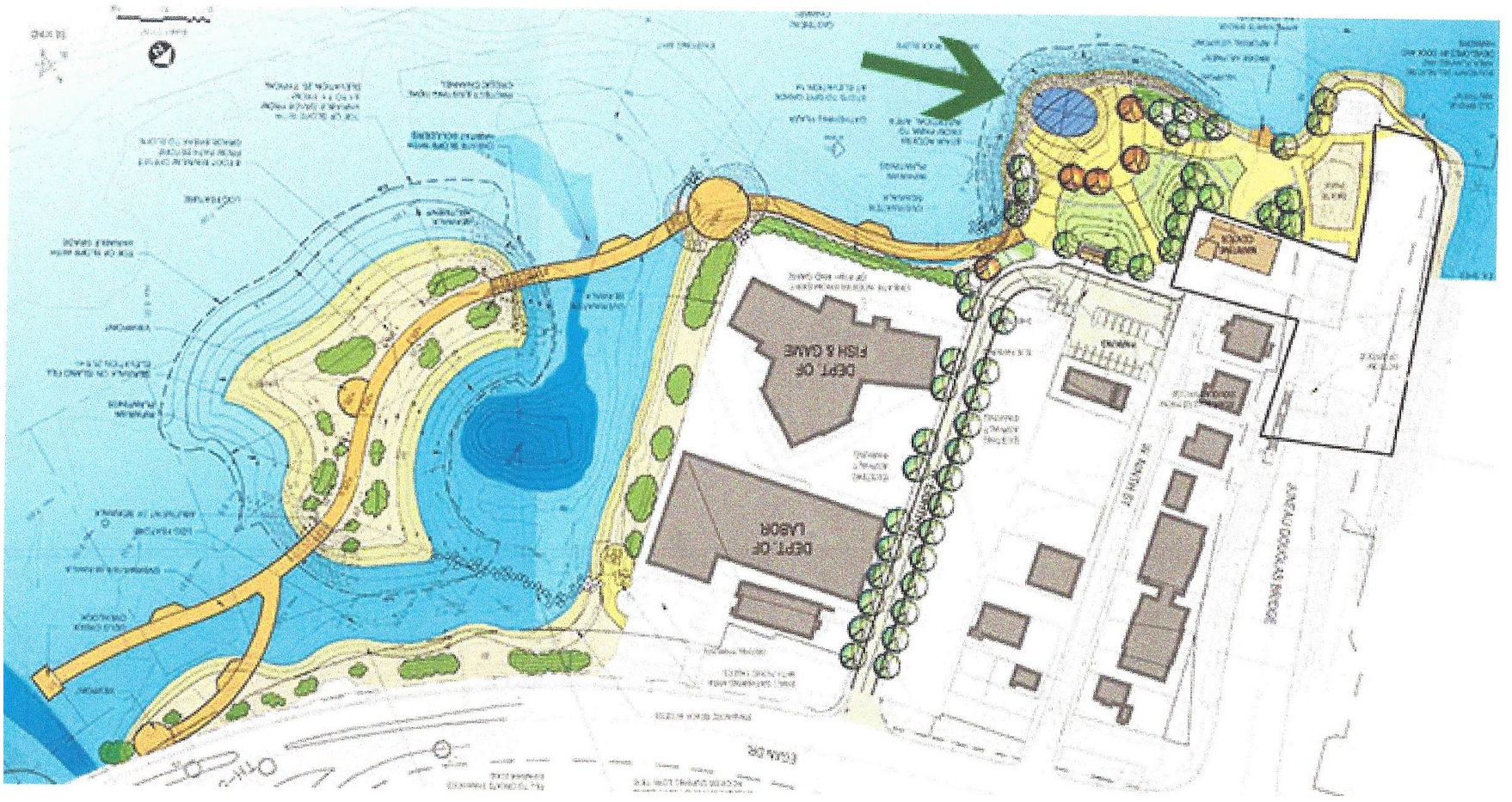
China cruise ship industry expanding

- "Asia is a prime example of the cruise industry's growth opportunity," said Cindy D'Aoust, CLIA acting CEO. "The cruise industry is bringing more cruise visits to Asia and the volume of cruise travelers sourced from Asia for cruise tourism worldwide nearly doubled since 2012."
- Carnival Corporation predicts that Asian passengers will make up one out of every five cruisers, or 20% by the end of 2020, which is double the 2016 figures.



HELP
FUND
THE
WHALE!



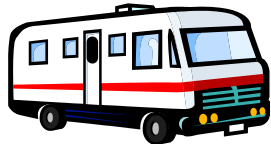


Industry Not Objecting to Paying Taxes

- The industry recognizes that 1 million visitors have an impact on local services.
- Visitors are currently contributing \$7 – \$8 million in sales taxes on an annual basis.
 - Funds are used to pay for impacts (police, EMS, transportation, etc.)
 - Funds are also available for schools and other services not used by visitors
 - Estimates do not include property taxes, etc. supported by visitors
- Juneau currently collects an additional \$8 million in passenger entry fees. However, the use of these funds are restricted.

Why the Industry Took Action

- We feel a responsibility to our passengers to ensure the fees they pay are being used in a legal manner.
- We have not been able to resolve a long standing difference of opinion regarding the interpretation of the U.S. Constitution and federal restrictions on passenger entry fees.
- The Juneau island and whale foundation/bridge park project is an example of where we feel the CBJ is reaching further and further from the ship (and further and further from legal use of fees).
- We need clear guidance on legal use of the entry fee.



The Framers of the U.S. Constitution guaranteed the right of its citizens to travel and do business among the states.

1. Commerce Clause of the U.S. Constitution

Prohibits states from taking action that the purpose or effect of discriminating against interstate commerce. Taxes must have a substantial nexus, be fairly apportioned, not discriminate against interstate commerce, and be fairly related to services provided.

2. Tonnage Clause of the U.S. Constitution

“No State shall, without the Consent of Congress, lay any duty of Tonnage.”
Exception for fees that provide a direct service to the vessel.

3. 33 U.S.C. § 5

“No taxes, tolls, ... shall be levied upon or collected from any vessel” except for “reasonable fees charged in a fair and equitable bases that (A) are used solely to pay the costs of a service to the vessel, (B) enhance the safety and efficiency of interstate and foreign commerce; **AND** (C) do not impose more than a small burden on interstate or foreign commerce.

Moving Forward

- Unfortunately, we are at impasse.
- Disagreement between the cruise lines and the community is not helpful for the local economy and businesses.
- Juneau is a popular port.
- The best path forward? Address the issue now, seek court guidance so both the industry and the community can move forward.

2017 & Beyond? Positive

- Significant wealth and time in the North American cruise demographic
- Source markets are growing
- Those markets have a strong desire to cruise in Alaska
- Cruising continues to be a great value proposition

Thank You!

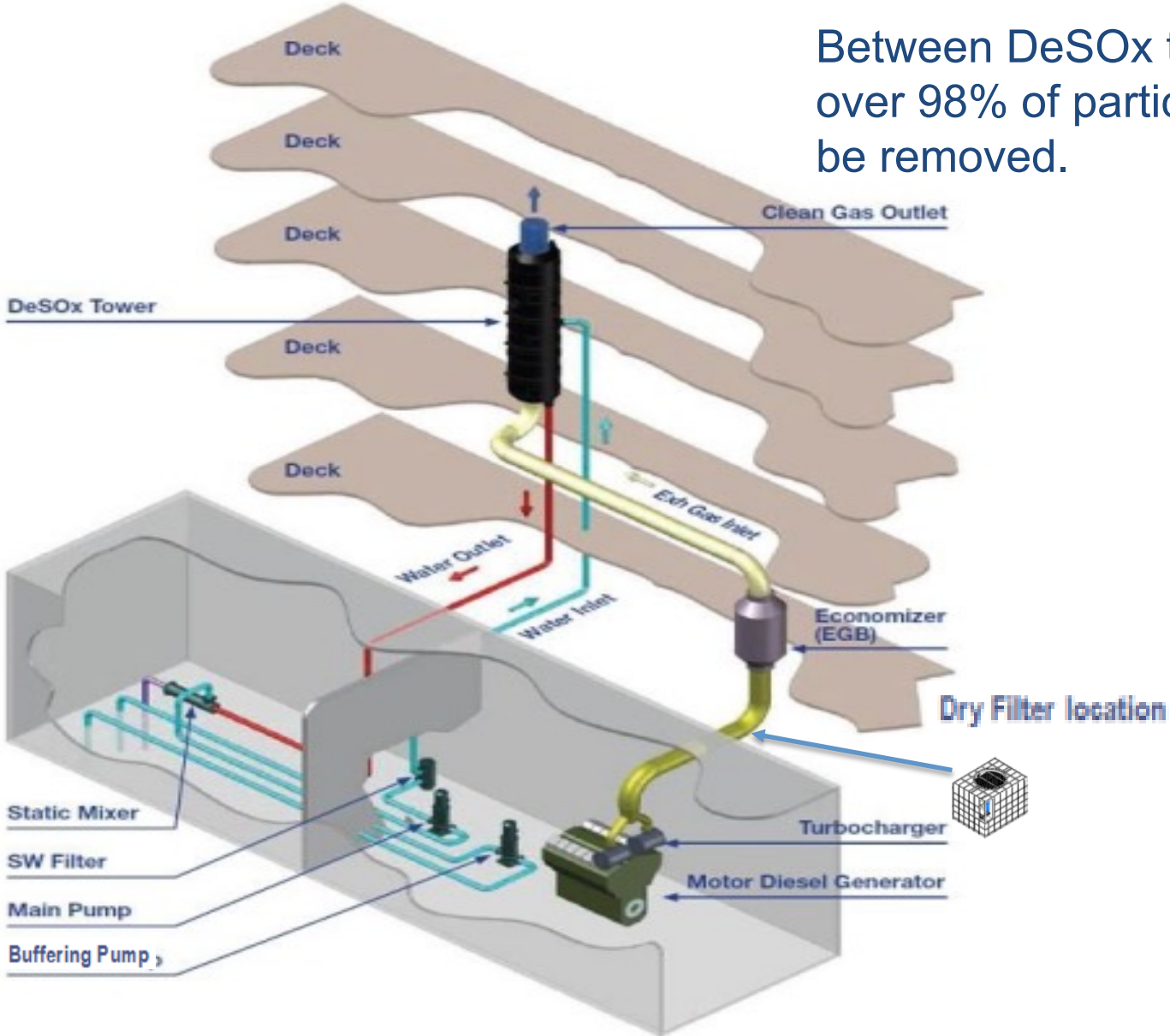


Industry Making Significant Investments in Environmental Programs



Industry has invested hundreds of millions of dollars to develop and install Exhaust Gas Cleaning Systems. **EGCS will be operational in Alaska this season.**

Between DeSOx tower and filters, over 98% of particulate matter can be removed.



Installation of EGCS
Large components carefully engineered
to fit into limited space.

