



**Cruise Industry Update**  
**May 18, 2017**  
**Resource Development Council**

# Member Lines



# Alaska Welcomed 1 Million Cruise Visitors in 2016



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# 2016 Cruise Season Review

## 2016 Capacity

- 12 CLIA Alaska Member Cruise Lines
- 31 Ships
- 477 voyages
- 1,025,00 passengers

## Alaska continued to see bigger ships

- Nieuw Amsterdam (2,100) replaced Oosterdam (1,848)
- Explorer of the Seas (3,100) replaced Jewel of the Seas (2,100)

# Summer 2016

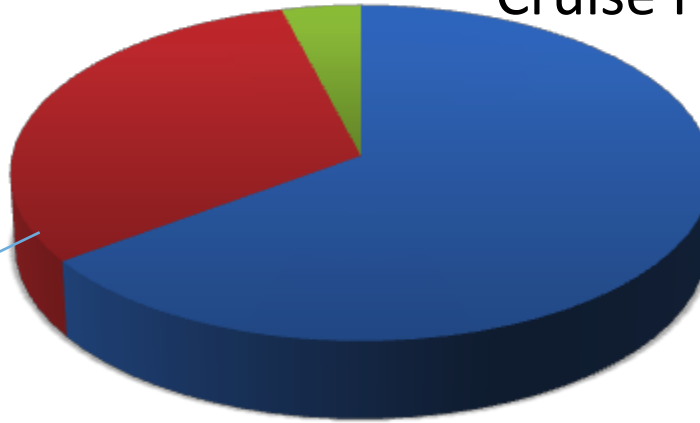
2016 Summer Visitors = 1,857,500



Ferry/Highway 84,500 = 5%



Cruise Passengers 1,025,900 = 55%



Air 747,100 = 40%

\*Source, AVSP VII, McDowell Group, 2016

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# Cruise Demographics 2016

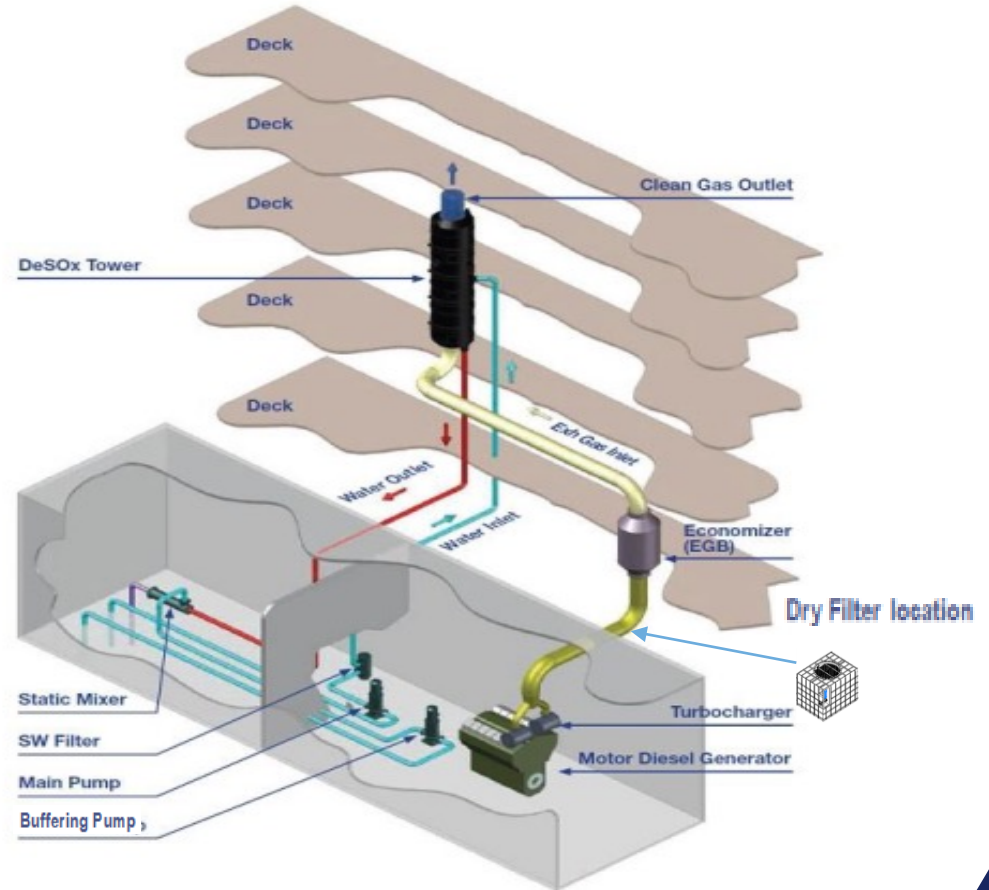
- 70% of 1<sup>st</sup> time visitors to Alaska visit via cruise ship
- 41% of repeat visitors previously visited by cruise ship
- Returning cruise visitors:
  - Most likely to travel via air
  - Stay on average 10 days
  - Spend twice as much

\*Source, AVSP VII, McDowell Group, 2016

# 2017 Cruise Visitor Outlook

- 1,060,000 passengers expected this year, a new record
- Nearly \$1 Billion in total taxable spending (May 1 to Sept 30)
- **\$6.5 million of spending in Alaska every single day for 150 days**
- Previous cooperative marketing budgets have created consumer demand
- Tax and regulatory stability makes Alaska attractive to industry

# New Technology for 2017



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

## Exhaust Gas Cleaning Systems

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# Cruise Visitor Outlook 2018 & 2019

- Demand for Alaska remains high
  - Princess adding a ship in 2018 (Cross Gulf)
  - Windstar Cruises coming in 2018
  - Viking Cruises coming in 2019 (Cross Gulf)
  - Azamara Cruises coming in 2019 (Cross Gulf)
  - Cunard Cruise Line coming in 2019 (Cross Gulf)

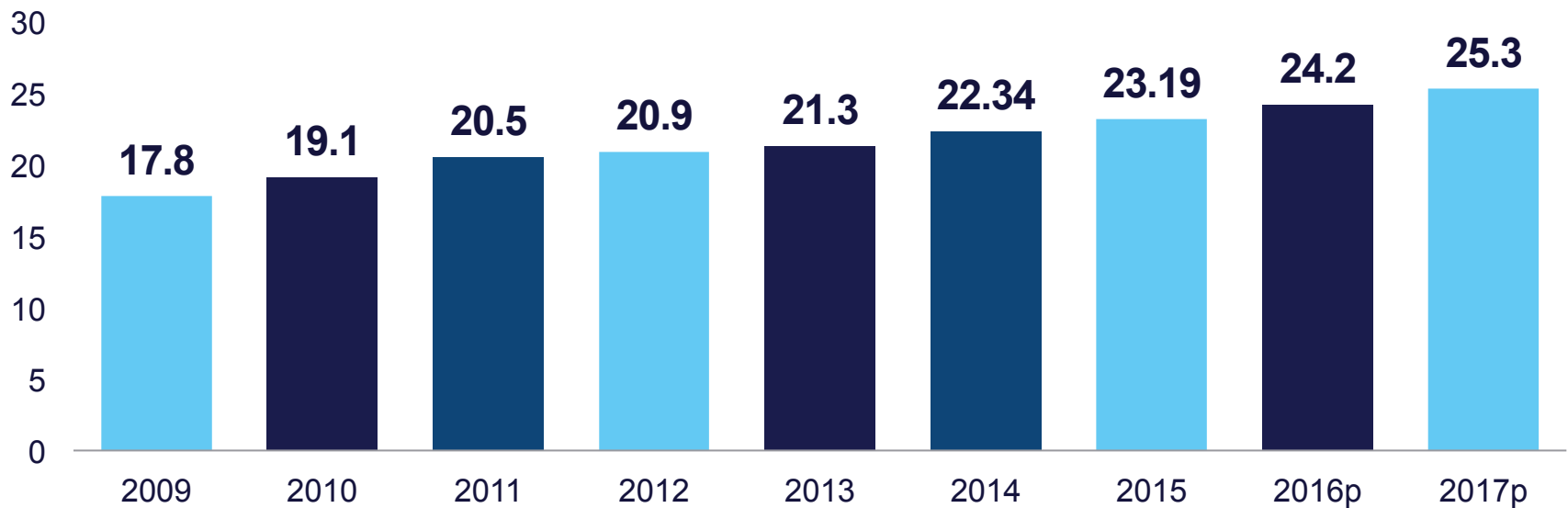
## Larger ships continue to visit

- 2015 to 2018, average tonnage has increased 16%
- 2015 to 2018, lower berth has increased over 15%

# Global Passenger Capacity

2017 = 25.3 Million Passengers Expected to Cruise

## CLIA Global Ocean Cruise Passengers (In Millions)



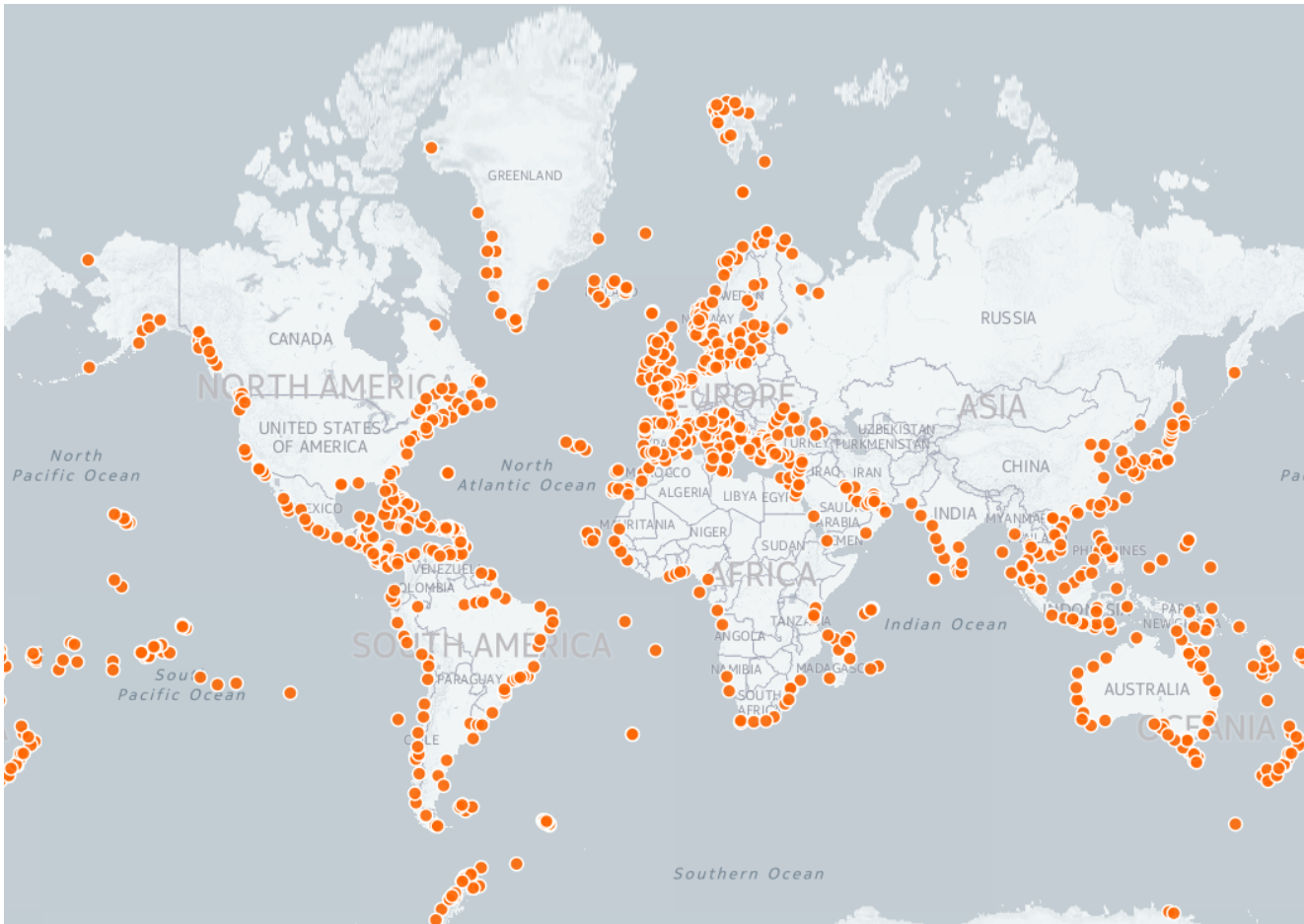
# New Ships, 2017 – 2026

97 New Ships Equal a Total Investment of **\$53 Billion**

Year	Ocean	River	Ships Ordered	New Capacity
2017	13	13	26	30,006
2018	15	2	17	29,448
2019	20	2	22	51,824
2020 – 2026	32	0	32	119,510
<b>Total</b>	<b>80</b>	<b>17</b>	<b>97</b>	<b>230,788</b>

# Port Options Continue to Expand

## Ports Are Preparing for Larger Ships



More  
than  
**1,000**  
Ports  
Globally

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Are Alaska ports prepared to meet demand?

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# Industry Challenges in Alaska

- Some ports have aging infrastructure or are not able to accommodate larger vessels
- Upgrades will be necessary to meet demand
- For industry to grow in Alaska, all ports need to have adequate dock infrastructure
- Currently there is a disparity between ports' access to funding and their needs

# Comparison of Communities

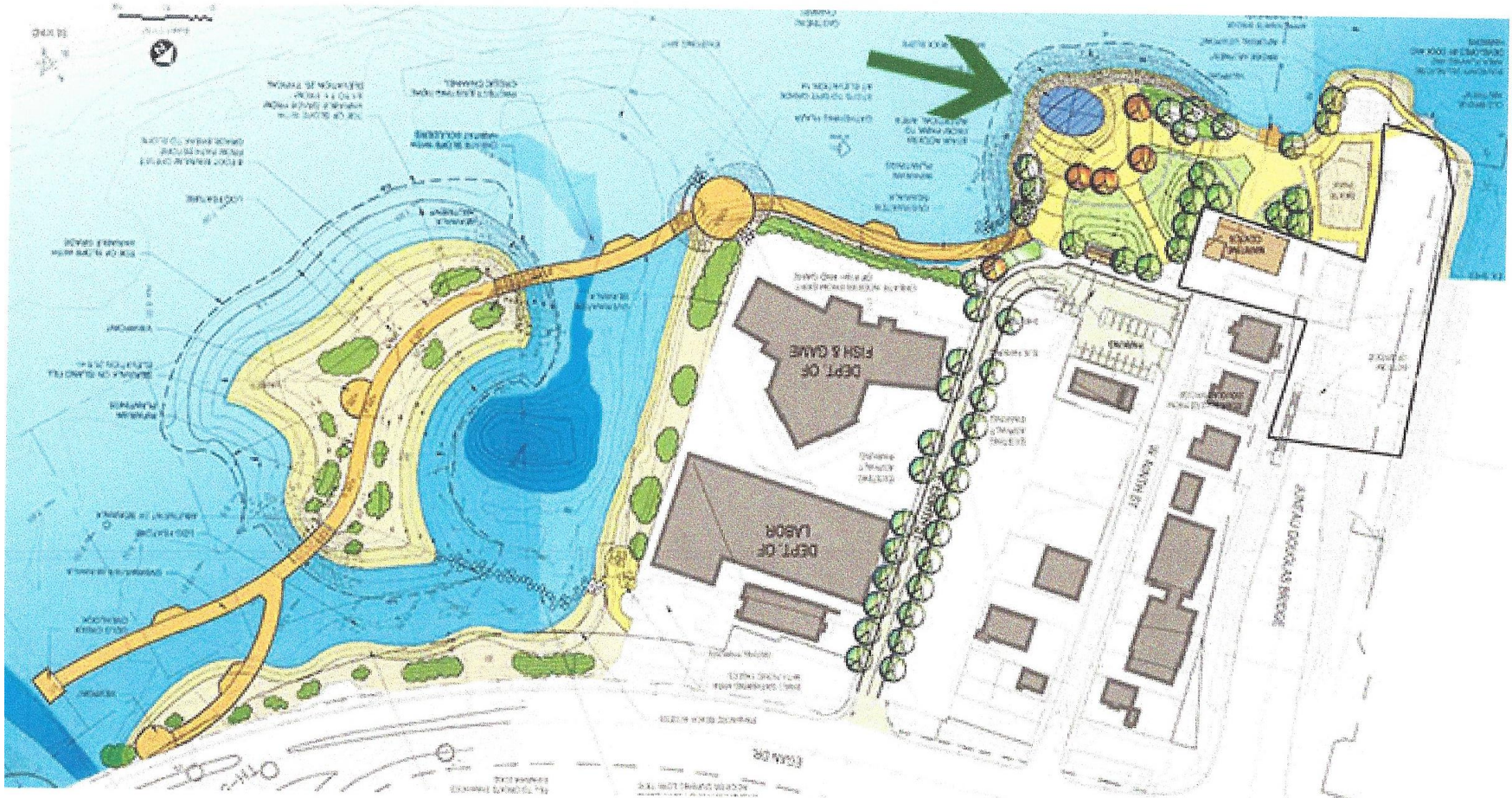
- Juneau - \$13 m in passenger fees
  - Maintains 2 docks, other 2 docks are private
- Ketchikan - \$9.5 m in passenger fees
  - Operates and maintains 4 docks
- Hoonah - \$800,000 in passenger fees
  - Needs second dock
- Seward - \$450,000 in passenger fees
  - Aging dock needs to be replaced
  - Dock and terminal needed to turn ships
- Haines - \$208,000 in passenger fees for 1 dock

# Cruise Passenger Fees Statewide

- \$35 million collected in passenger fees statewide to fund dock infrastructure
- Plenty of funds to accommodate needs
  - Could build new dock every year
- Funds are not distributed based upon needs
  - Alaska should address infrastructure needs on a statewide basis

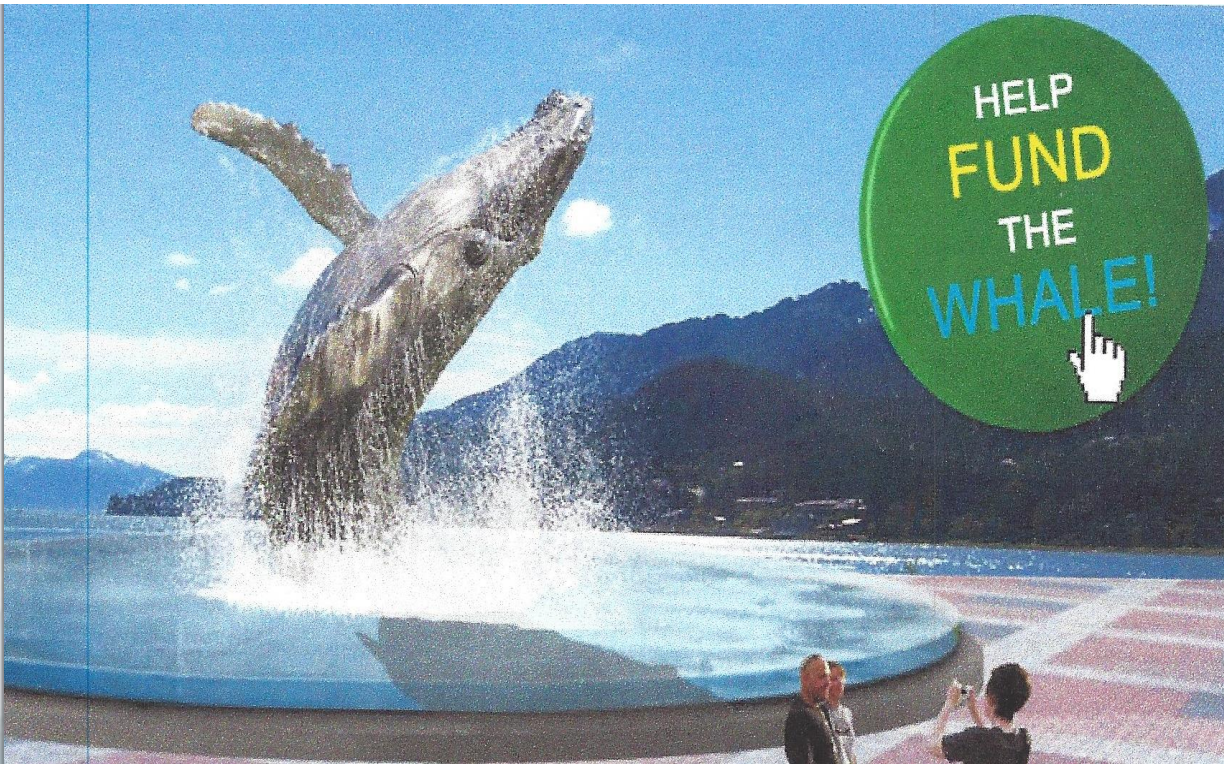


# Juneau's \$10 million island



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FOODLAND  
Centre

CRUISE SHIP

# Juneau Litigation

- April 2016 Filed Litigation in Federal Court
- Industry is hoping to resolve legal disagreements over use of passenger fees with CBJ
- Goal is better use of existing passenger fees, not reduction
  - \$13 million in passenger fees
  - \$11 million in other taxes and fees from visitors available for services
- Resolution will allow redirection of funds to critical projects needed to meet demand and allow growth

# Wrap Up

- **More and larger ships are coming to Alaska**
- **Record year anticipated in 2017**
- **Average \$6.5 million in direct spending every single day**
- **2018 and 2019 will continue to break records**

# Final Thought

**If we deploy our resources wisely, and on a statewide basis,**

**If we continue with stable tax and regulatory policies,**

**The cruise industry's future in Alaska is so bright...**

**I gotta wear shades.**





# Thank You!



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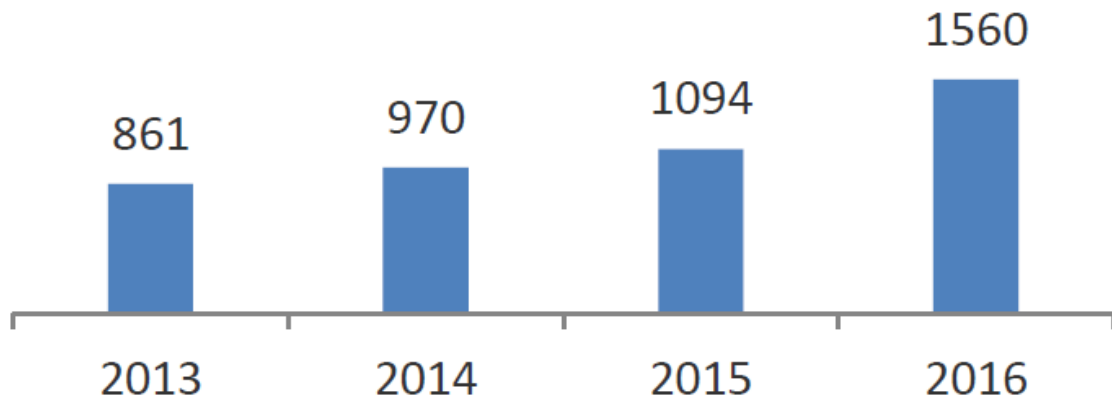
Between 2013 and 2016, cruise industry capacity had double-digit growth across all capacity metrics. The volume of ships deployed grew nearly 40% from the baseline of 43 ships in 2013 to 60 in 2016, expanding across all ship size categories.

Sailings in and through Asia had strong growth, increasing 81% from 861 cruises and voyages in 2013 to 1,560 in 2016.

## Cruise Ships Deployed by Type, Asian Region

	<u>Expedition</u>	<u>Small</u>	<u>Midsize</u>	<u>Large</u>	<u>Mega</u>	<u>Total</u>
2013	2	14	19	8	0	<b>43</b>
2014	5	15	21	9	0	<b>50</b>
2015	4	14	22	11	1	<b>52</b>
2016	6	16	21	15	2	<b>60</b>

## Cruise Activity in Asia, Total Cruises & Voyages



# 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.

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