



Alaska's Evolving Role in the Global Cruise Landscape

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Cruise Industry Update

- **Industry returns improving**
 - Incidents are getting behind us
 - Caribbean environment is gradually improving
 - New market growth is optimistic
 - Lower fuel costs help
- **Headwinds are still out there**
 - Weaker European demand
 - Currency challenges persist
- **We've still got a lot of work to do**
 - Yields not yet back to 2008
 - Shareholder returns are not where they need to be

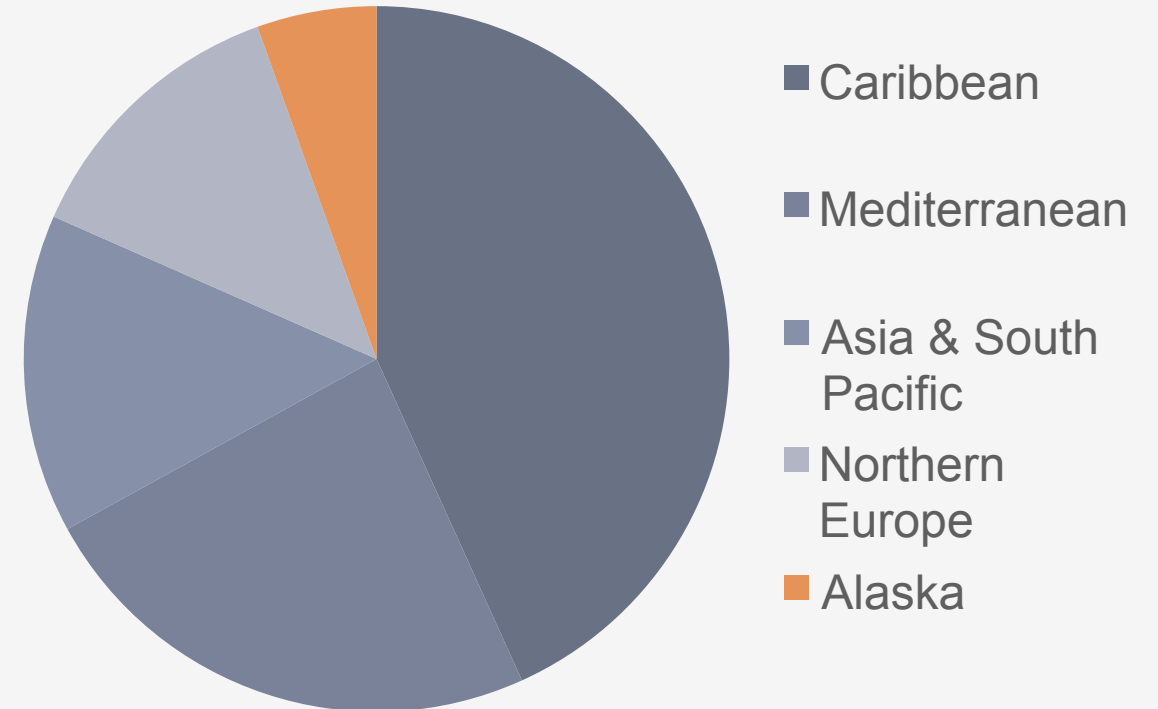


Source: 2014 CLIA State of the Industry Report

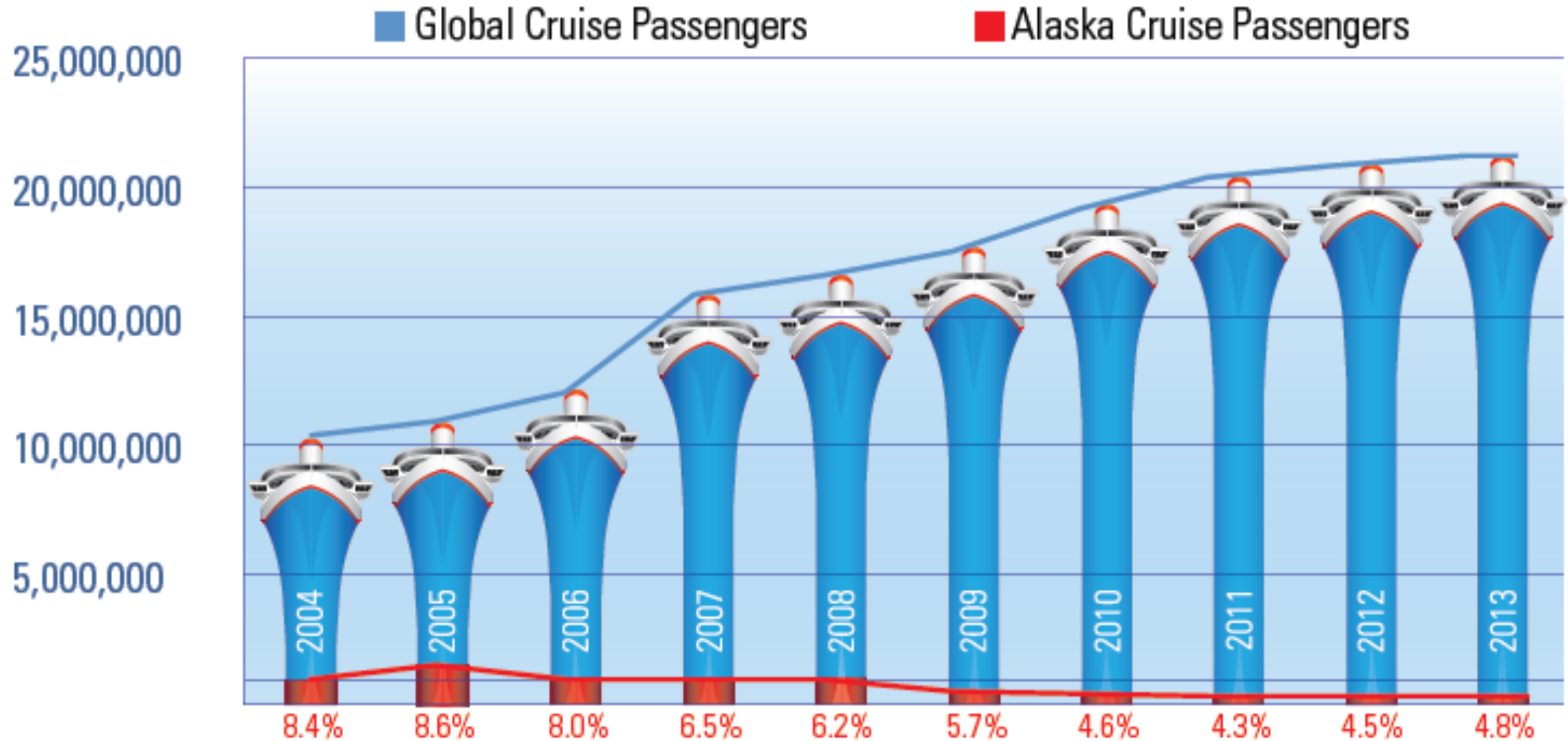
Cruise Industry Update

- **421** Ships Deployed Worldwide
- **23** million passengers
- Order book has **55** ships in the next 5 years

Key Destinations



Alaska's Market Share





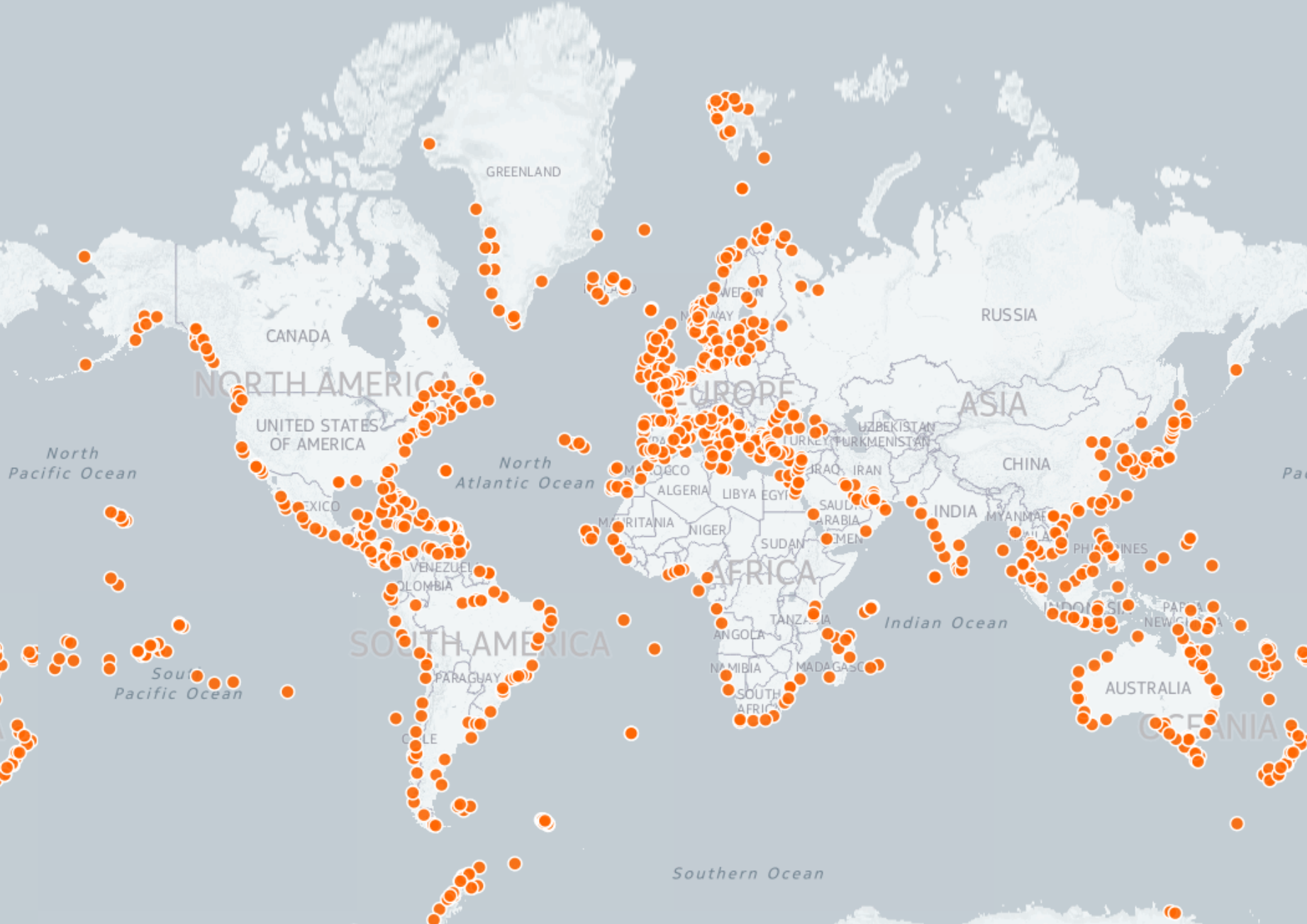
Asia Now Third Biggest Cruise Market

- **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.**

- **2015**

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



More than
1,000
Ports
Globally

Alaska Overview



Deployment Drivers

Commercial



Operational

Financial

Planning Process

OVER-ARCHING DEPLOYMENT

Establishing the over-arching deployment of capacity in each particular region given customer demand and profitability

ITINERARY PLANNING

Determining the day-by-day itineraries to achieve the plan considering Guest Satisfaction, Operational Details and Port Infrastructure

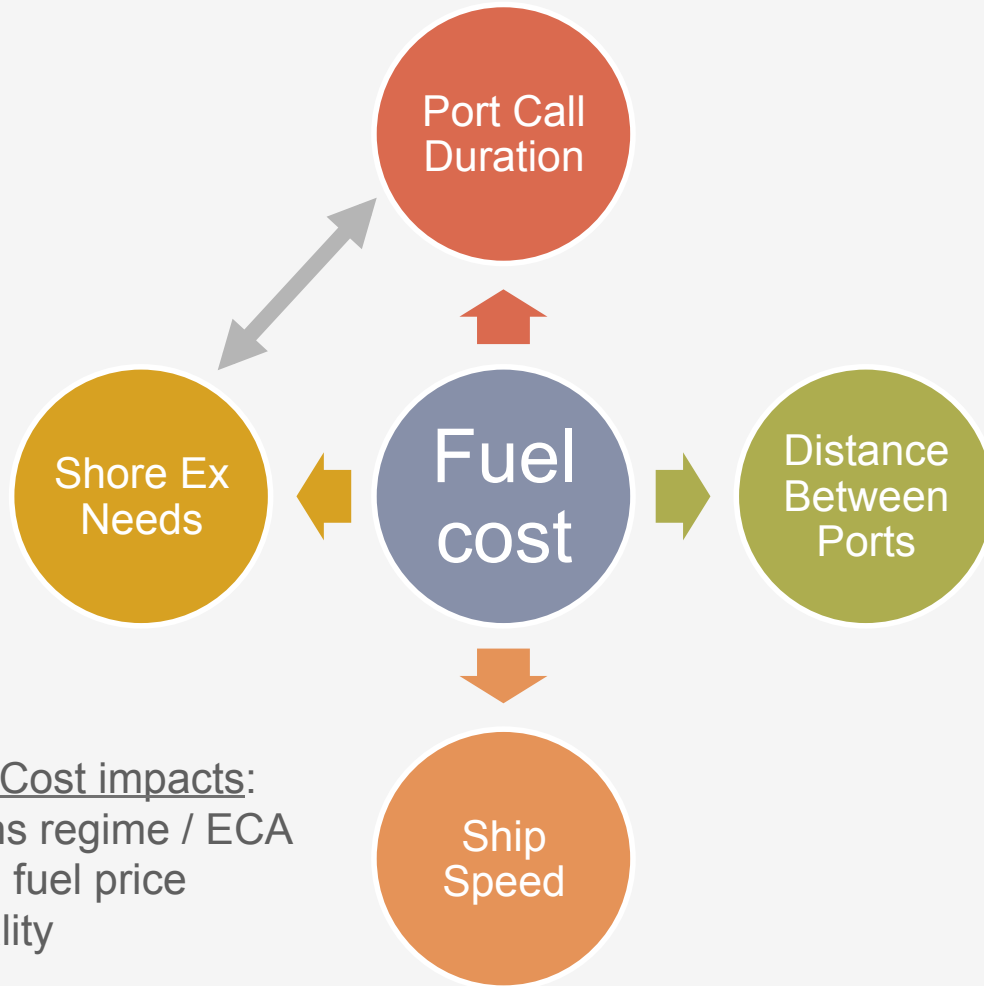
TIMING

Generally we publish 18-24 mos out from earliest departure

Deployment Considerations

- Consumer Demand
- Competitive Capacity
- GeoPolitical Issues
- Dry-docking/Maintenance needs
- Ship Class Variations
- Historical Yields / Improvement Opportunities
- Ticket Revenue – Fuel Cost – Port Cost = Itinerary\$

Itinerary Planning Considerations



Actual Fuel Cost impacts:

- Emissions regime / ECA
- Regional fuel price
- Seasonality

- Port cost
- Guest satisfaction
- Port awareness / Interest
- Shore excursion availability – breadth / quantity
- Port infrastructure – dock v. tender
- Onboard experience – evening program
- Port balance – Marquis v. Boutique v. Sea Days
- Optimum cruise length
- Supplying ship / Crew movement
- Regulatory – work / rest hours, Jones Act, etc.
- Port availability – conflicts create inefficiency

Itinerary Efficiency



Itinerary efficiency metrics are used to help determine highest value itinerary without compromising ratings and marketability



We Are Bullish on Alaska

- Highly desirable domestic destination
- Popular with first time cruisers
- Excellent outcomes from service perspective
- Land tours, more streams of profit
- Replaced 2-day motorcoach trip with 1-hour flight between Dawson City and Fairbanks
- Revised rail to operate Anchorage/Denali only
- Fairbanks/Denali became a 2.5-hour motorcoach transfer for more time in Denali and/or Fairbanks

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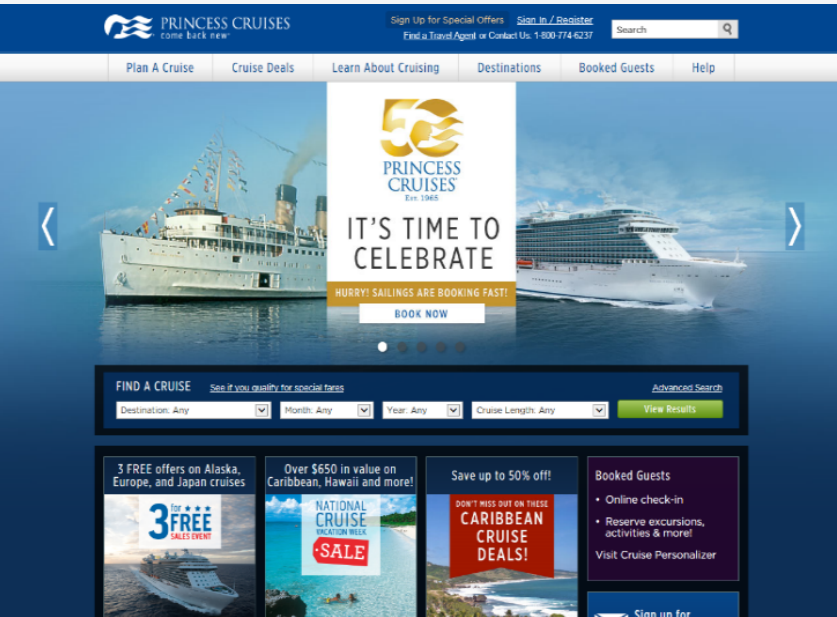


- Major investment in McKinley Chalets

A Commitment of Resources

- Total Employees in AK: 3618
- Total Year Round: 509
- Total Seasonal: 3109
- Total Seasonal Alaskans: 1036

Substantial Marketing Investment Drives Demand

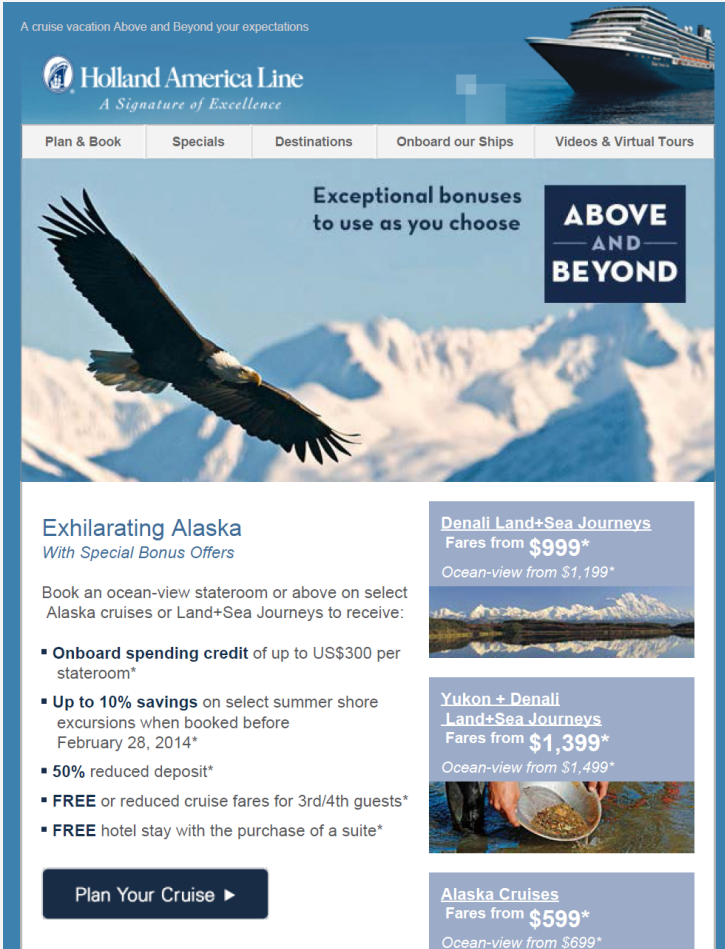


Dynamic, experiential websites

300+ shows per season, plus
110+ shows online

ATIA Member – buy leads,
planner ads, web banners,
convention sponsor, support
scholarships and education

Substantial Marketing Investment Drives Demand



TV, magazine and newspaper ads reached millions of potential guests



Princess mailed **+9 million** pieces of Alaska-related direct mail in 2014

HAL sent **+9.5 million** emails over 26 Alaska-focused campaigns in 2014

Challenges Impacting Alaska's Competitiveness

- Long distances traveled, high cost of fuel
- Regulatory Impacts
 - ECA
 - Wastewater Permit
 - Emissions
 - NOAA/Harbor Seals
 - Pilotage

Challenges Impacting Alaska's Competitiveness

- Passenger Taxes
 - \$34.50 passenger tax
 - Not being used to meet passenger and vessel needs
- State Budget Implications
 - Potential Targeted Taxes
 - Local Taxes



We Need Your Help

- Keep Alaska a good place to do business
 - Smart tax policies
 - Reasonable regulation
 - Support tourism-friendly candidates to office
- Keep the product fresh
- Effective co-op marketing opportunities
- Talk to us

Conclusion

- With nearly 1 million passengers, Alaska been able to build back capacity to near record levels
- Outlook is positive with a projected 2% growth for next year
- However, there is extreme competition for ships globally
- Other destinations seeing much higher growth
- Costs remain high with many regulatory burdens in AK

What Can We Do?

- Alaska should be aggressive in seeking new business through expanded capacity and outreach to new lines
 - 1 new ship can bring in 50,000 new visitors
- Alaska needs to ensure it remains competitive
 - Regulations need to be reasonable and based upon science
 - Tax level should be in line with other destinations and federal tax restriction for marine/interstate commerce should be followed
- Everyone can make a difference



Alaska Cruise Outlook 2015

CLIA Global Fleet

421 SHIPS
482,000 BEDS

Alaska's Fleet

31 SHIPS
21,000 BEDS

Alaska's Visitor Industry

\$3.9 BILLION
economic impact
46,000 Tourism Jobs
78% Resident Hire

Alaska Cruise Ship Passengers
2015 • 994,000
2016 • 1,013,000 (est)

Cruise Capacity Deployment



Challenges to Alaska's Competitiveness

- \$34.50 passenger tax among highest in the world
- Regulatory impacts: ECA, Wastewater Permit, Emissions, Pilotage
- High cost of fuel
- Worldwide competition

What Can You Do?

- Join today at AlaskaACT.com
- Contact your legislator and educate them on the value of tourism
- Participate: Seatrade Cruise Global, Seatrade Med, ATIA Sales Missions

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AlaskaACT is a nonprofit organization formed by Alaskans that recognize the need for a healthy and robust cruise industry.