

The Booming Business of Cruising: Can Alaska Compete?

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Seagoing assets



14 Holland America
ships
+ new ship in fall,
2018



17 Princess ships
+ new ship in 2017



3 Seabourn ships
+ new ship in Dec. 2016



5 P&O ships
+ new ship in 2017



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Land based assets



11 Hotels



Over 300
Motorcoaches



20 Railcars



Half Moon
Cay



Princess
Cays

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.*

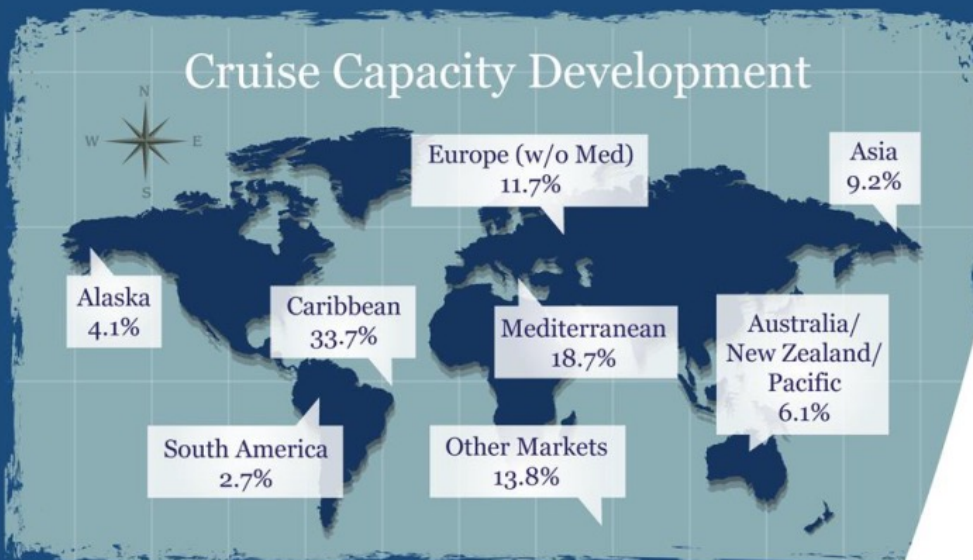
24 
Million

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

Cruising.org



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www.whatsinport.com/



Alaska history and issues

- In 2006, Alaska voters passed an initiative that:
 - Implemented a series of new taxes
 - Sold to the public as \$50 head tax
 - Passed by a public vote of 51%-49%
- Cruise visitors dropped by more than 15%
- In 2009 vendors organized to educate the public on cruise business fundamentals
- In 2010 – due to these efforts – legislation was passed that lowered the tax



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Good tax policies encourage growth

- In 2016 Alaska cruise industry exceeded one million guests for the first time since 2009
- Alaska continues to benefit from tax and regulatory stability
- Holland America Line moving ms Oosterdam to Alaska in 2017 (est. 34,000 pax)



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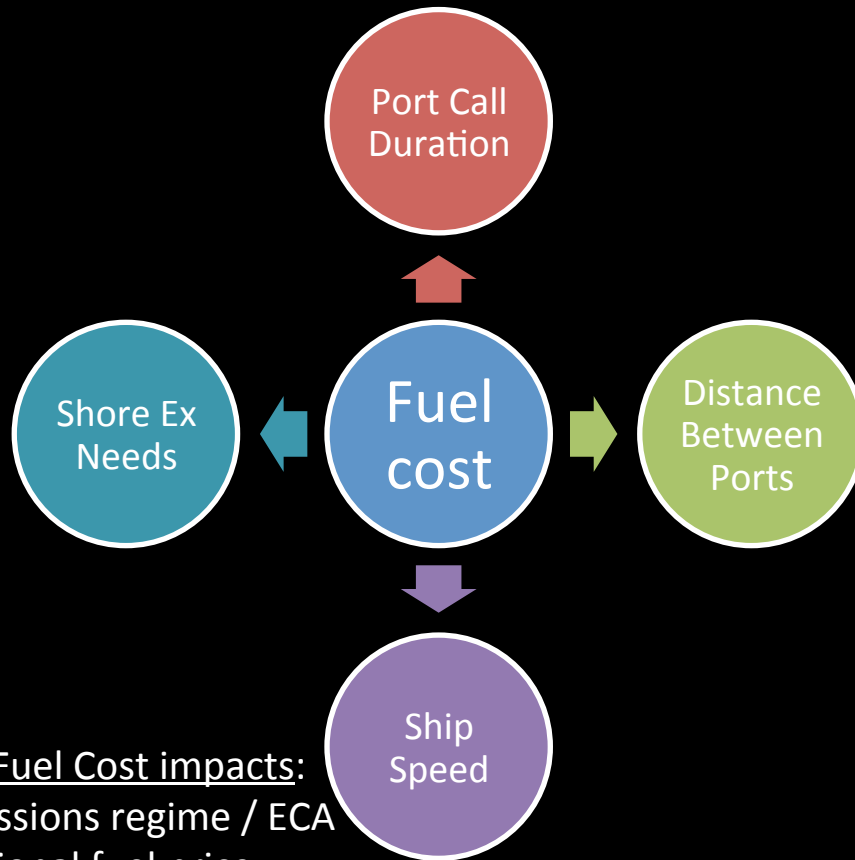
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Itinerary planning considerations



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



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Industry outlook – will it last?

- Demand for Alaska cruises remains high
 - Strong demand for domestic travel
- Industry working to meet demand; outlook for 2017 and beyond is good
 - Ships returning to Alaska
 - Luxury cruise line Seabourn returning to Alaska
 - Holland America Line celebrating 70 years operating in Alaska
 - ms Amsterdam 9 ports of call in Anchorage, May - September
 - Denali Square grand opening represents substantial land investment
 - Princess refurbishment of 10 dome rail cars (multi year, \$250K/car)
- State budget challenges
 - Will cost structure and demand remain stable?
 - Regulatory environment?



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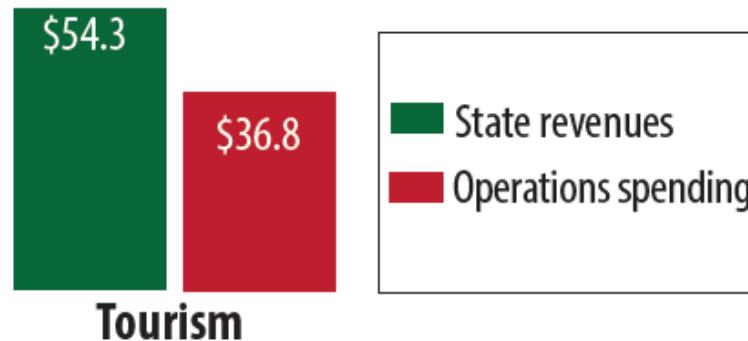
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Loeffler study - www.iser.uaa.alaska.edu

- Tourism generates state revenues of \$54.3 million a year
- Tourism pays more in combined state taxes than the state spends to manage it
- Additionally, 60% of tourism revenue goes to local governments (sales taxes, bed taxes, etc.)

Figure 1. Average Annual State and Local Revenues and State Management Spending*

(In Millions of 2014 Dollars)



*Revenues: average FY 2010-2014; state operations spending: FY 2014



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Challenges

- Maintain global competitiveness
 - Tax and Regulatory Stability from 2010 is still paying off
 - Past investment in marketing helped build demand
 - Important to maintain Alaska's competitiveness
- Government needs to be an industry partner
 - Policies should encourage and support growth
 - Passenger Fees need to be used legally and support infrastructure needs to manage industry growth
 - Collaboration will help ensure guest experience remains high; a critical component to our success



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What can we do to grow the pie?

- Keep Alaska a good place to do business
 - Smart tax policies
 - Reasonable regulation
 - Educate policy makers on the complexities/nuances of our industry
- Keep the product fresh
- Keep demand up
- Keep costs down
- Talk to us



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Thank you



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