Southeast Conference

Ralph Samuels, VP Government & Community Relations
Holland America Group
going Assets

14 Holland America ships
+ new ship in fall, 2018
- 7 ships in AK, 2017 & 2018

17 Princess ships
+ new ship in 2017
- 6 ships in AK
- 7 ships in AK

4 Seabourn ships
- 1 ship in AK, 2017 & 2018

5 P&O ships
+ new ship in 2017
Land Based Assets

- Half Moon Cay
- Princess Cays
- 10 Hotels
- Over 300 Motorcoaches
- 20 Railcars

PRINCESS CRUISES
Holland America Line®
SEABOURN®
More than 1,000 Ports Globally
Alaska’s Market Share

- Global Cruise Passengers
- Alaska Cruise Passengers

2004: 8.4%
2005: 8.6%
2006: 8.0%
2007: 6.5%
2008: 6.2%
2009: 5.7%
2010: 4.6%
2011: 4.3%
2012: 4.5%
2013: 4.7%
2014: 4.5%
2015: 4.5%
2016: 4.1%

*Projected
Summer Visitor Breakdown

- Cruise Passengers: 1,025,900 = 55%
- Ferry/Highway: 84,500 = 5%
- Air: 747,100 = 40%

2016 Summer Visitors = 1,857,500
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$
Tourism Stats at a Glance

- 2/3 of visitors purchased a multi-day package, while the other were independent.
- This is slightly down in the last ten years from 69%.
- Southeast Alaska captures 67% of the market, Southcentral 52%, interior 29%.
- Advance decision time was 7.7 months, while the advance booking time was 5.4 months.
- West US 38%, South 21%, Midwest 15%, East 10%, Canada 7%, other/Intl 9%.
- Average age about 54 years.
- 50/50 men/women.
- Average spend per person is $991. This does not include transportation to/from state.
- Most bookings via airline websites, followed by cruise ship websites, then Expedia, etc.
Cruise Line Economic Impact

• 1,060,000 passengers expected this year, a new record
• 2018 and 2019 will continue to break records
• 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
Tourism generates **state** revenues of $54.3 million a year. It 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.).

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

(In Millions of 2014 Dollars)

<table>
<thead>
<tr>
<th></th>
<th>$54.3</th>
<th>$36.8</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tourism</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operations spending</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Revenues: average FY 2010-2014; state operations spending: FY 2014*
Table 1. Selected Revenues to Municipal and State Governments, 2011-12 through 2014-15

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$71.1 million</td>
<td>$78.0 million</td>
<td>$78.0 million</td>
<td>$82.9 million</td>
</tr>
<tr>
<td>Property tax revenues</td>
<td>$29.2 million</td>
<td>$31.5 million</td>
<td>$31.4 million</td>
<td>$33.4 million</td>
</tr>
<tr>
<td>Magical tax revenues</td>
<td>$26.7 million</td>
<td>$29.4 million</td>
<td>$30.5 million</td>
<td>$32.6 million</td>
</tr>
<tr>
<td>Dockage/moorage revenues</td>
<td>$15.2 million</td>
<td>$17.1 million</td>
<td>$16.1 million</td>
<td>$16.9 million</td>
</tr>
<tr>
<td>Alaska Revenues</td>
<td>$90.7 million</td>
<td>$100.6 million</td>
<td>$100.1 million</td>
<td>$104.8 million</td>
</tr>
<tr>
<td>Railroad Corporation revenues</td>
<td>$20.2 million</td>
<td>$23.0 million</td>
<td>$24.8 million</td>
<td>$27.6 million</td>
</tr>
<tr>
<td>Marine Highway System revenues</td>
<td>$18.4 million</td>
<td>$19.1 million</td>
<td>$19.0 million</td>
<td>$18.6 million</td>
</tr>
<tr>
<td>Fish Game licenses/tags</td>
<td>$17.8 million</td>
<td>$17.6 million</td>
<td>$18.1 million</td>
<td>$18.1 million</td>
</tr>
<tr>
<td>Commercial Passenger Vessel Tax</td>
<td>$16.4 million</td>
<td>$17.2 million</td>
<td>$18.4 million</td>
<td>$17.2 million</td>
</tr>
<tr>
<td>Liquor Gambling Tax</td>
<td>$5.2 million</td>
<td>$6.0 million</td>
<td>$6.7 million</td>
<td>$6.6 million</td>
</tr>
<tr>
<td>Rental Tax</td>
<td>$5.7 million</td>
<td>$5.8 million</td>
<td>$5.8 million</td>
<td>$6.7 million</td>
</tr>
<tr>
<td>Ranger Program</td>
<td>$3.7 million</td>
<td>$3.9 million</td>
<td>$3.7 million</td>
<td>$3.9 million</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>$2.4 million</td>
<td>$7.0 million</td>
<td>$2.6 million</td>
<td>$5.1 million</td>
</tr>
<tr>
<td>Commercial Passenger Vessel Compliance Program</td>
<td>$0.9 million</td>
<td>$1.0 million</td>
<td>$1.0 million</td>
<td>$1.0 million</td>
</tr>
</tbody>
</table>

**SELECTED REVENUES**

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>$161.8 million</td>
<td>$178.6 million</td>
<td>$178.1 million</td>
<td>$187.8 million</td>
</tr>
</tbody>
</table>

Depending on the availability of data, figures above may reflect calendar year, fiscal year, or the study time period. They were compiled as closely as possible to the study periods. Columns may not add to totals due to rounding.

Property and lodging tax revenues are McDowell Group estimates. Dockage/moorage revenues were collected from municipal authorities. Alaska revenues were collected from Alaska Railroad Corporation, Alaska Marine Highway System, and Departments of Revenue.
Southeast Alaska Cruise Ship Calls

<table>
<thead>
<tr>
<th>Location</th>
<th>2014</th>
<th>2018 (Projected)</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ketchikan</td>
<td>20</td>
<td>53</td>
<td>165%</td>
</tr>
<tr>
<td>Petersburg</td>
<td>513</td>
<td>519</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>450</td>
<td>488</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>38</td>
<td>38</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>73</td>
<td>104</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>112</td>
<td>155</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td>396</td>
<td>392</td>
<td>-1%</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>27</td>
<td>170%</td>
</tr>
</tbody>
</table>
Figure 2. Total Visitor Industry-Related Employment, Labor Income, and Spending in Alaska, 2011-12 through 2014-15

<table>
<thead>
<tr>
<th>Employment</th>
<th>Labor Income</th>
<th>Total Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>$1.24 billion</td>
<td>$3.72 billion</td>
</tr>
<tr>
<td>2012-13</td>
<td>$1.32 billion</td>
<td>$3.93 billion</td>
</tr>
<tr>
<td>2013-14</td>
<td>$1.31 billion</td>
<td>$3.93 billion</td>
</tr>
<tr>
<td>2014-15</td>
<td>$1.39 billion</td>
<td>$3.93 billion</td>
</tr>
</tbody>
</table>

-1%  +3%  +6%  -1%  +6%  +6%  -<1%
Industry Outlook

Demand for Alaska cruises remains high

Strong demand for domestic travel

Fuel prices

Currency challenges

Budget challenges

Cost structure and demand remain stable?

Regulatory environment?

Industry working to meet demand

Outlook for 2017 and beyond is very good

Holland America Line celebrating 70 years operating in Alaska

Yah!
Industry Outlook Beyond 2017

- Princess adding a ship in 2018 (Cross Gulf)
- Star Cruises coming in 2018
- Viking Cruises coming in 2019
- Azamara Cruises coming in 2019
- Cunard Cruise Line coming in 2019
• 5th grade and senior class tours
• Teacher ship tours
• Community Advisory Boards
• Agricultural tours
• Luncheons and receptions – local Rotary clubs, volunteers, etc.
Commitment to Safety & Sustainability

Carnival Corp. rated among America’s 100 best corporate citizens
- highest rank in corporate responsibility among firms in the travel and tourism sector
- only cruise-specific company to make the list

Holland America Line Named as a 2016 World’s Most Ethical Company

Ship recycling program/waste reduction
- cardboard recycling program
- 8 tons at mid-season

Exhaust gas cleaning system

Wastewater discharge
What can we do to Grow the Pie?

- Keep Alaska a good place to do business
- Smart tax policies
- Reasonable regulation
- Making decisions as a region
- Keep the product fresh
- Keep demand up
- Talk to us