

Resource Development Council

April 30, 2009



**Is Alaska losing
some of its appeal ?**

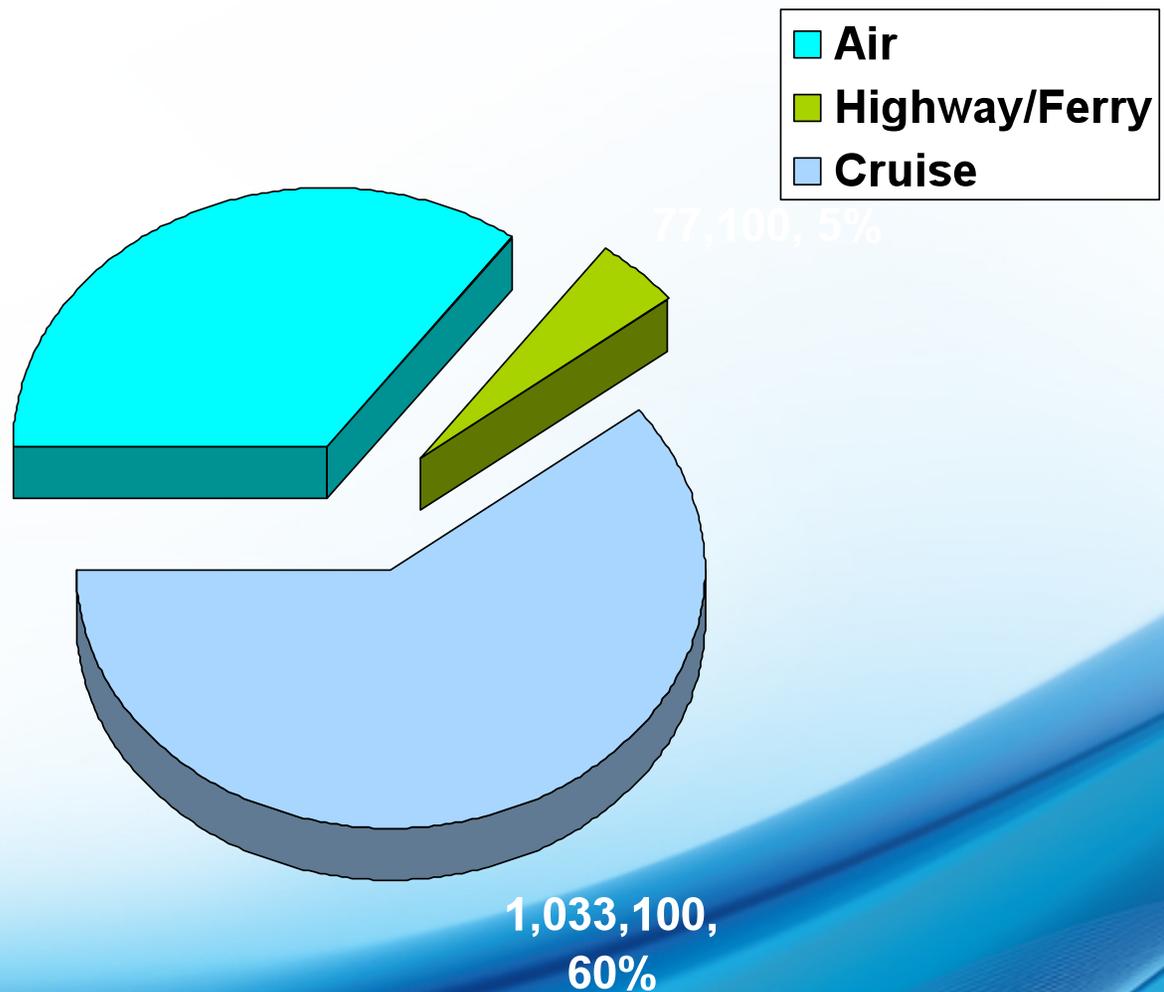


And many return for another visit

- In 2006: 19% or 182,000 cruise Passengers were repeat visitors
- In 2008: 27% of Independent travelers or 189,000 were originally cruisers



ATIA AVSP 2008 Study Shows Summer Tourist Count



\$1.35 billion Statewide in Direct & Indirect Cruise Industry Spending

- **\$565 million Labor Income in State**
 - **Employment 14,500**
- **\$15 million Direct Crew Member**
- **\$120 million in revenues statewide**
 - **Includes \$ 48.6 million in municipal revenues**
 - **Purchased \$ 4.3 million worth of Alaska seafood**



\$ 102 million Direct Cruise Industry Spending in Anchorage 2007

Cruise passenger volume 370,000

Cruise lines purchases of
local goods, services \$76 million

Passenger spending \$26 million

Local Vendors = 849

- Local Government Revenues
- Bed tax revenues \$ 5.4 million



\$ 150 million Direct Cruise Industry Annual Spending in Ketchikan, 2007

Cruise passenger volume 897,000

- Total passenger & cruise line spending \$147 million
- Crew spending \$ 3 million

TOTAL \$150 million

Local Vendors = 115

Local Government Revenues

- Sales tax revenues \$ 4 million
- Dockage/moorage \$ 7.6 million



\$ 53 million Direct Cruise Industry Spending in Fairbanks, 2007

Passenger volume 223,000

Spending:

- **Total passenger \$ 15 million**
- **Cruise line \$ 26 million**
- **Affiliate payroll \$ 12 million**

Local Vendors 442

Local Government Revenues

- **Bed tax revenues \$ 2.2 million**



Alaska - Ports of Call



Outlook for 2009

REVENUES:

Alaska pricing is down 30-40% from 2008 levels.



Costs

- **Head Tax**

“It should now be very evident to everyone that the initiative that passed a couple of years ago is having a significant impact to tourism in Alaska. The growth stopped immediately after the initiative passed. Today, the 50 dollar tax is a significant price to pay in a very price sensitive consumer environment”

Micky Arison- Chairman & CEO- Carnival Corporation & PCL.

- **Unrealistic regulatory standards**
- **Longer motoring distances**

Alaska's 2009 summer visitor season is in jeopardy

Reports From Alaska Travel Industry Association (ATIA) businesses

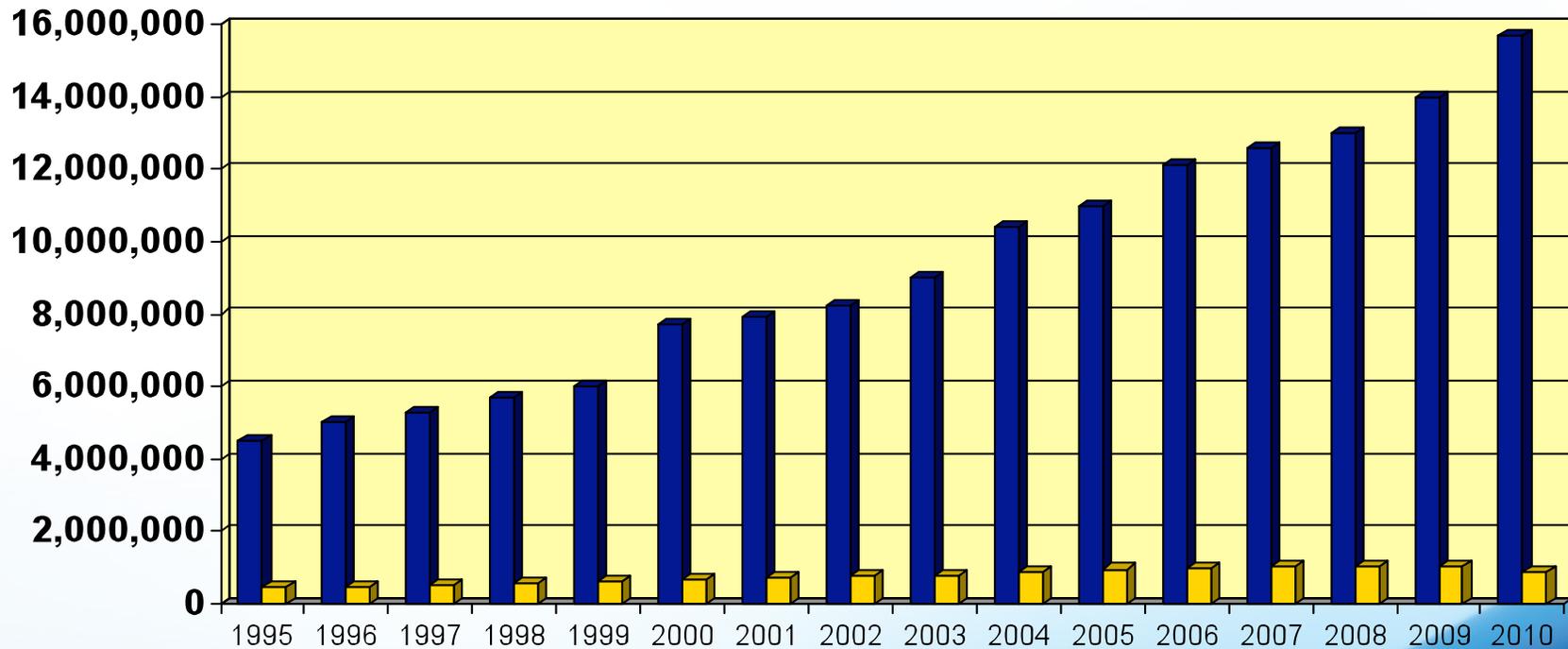
Many businesses have reported to ATIA that reservations are well-below last year's level, which is a clear indication the number of visitors to Alaska this summer will be lower than last year.



Alaska's shrinking market share

Alaska Market Share 10% in 1995, 6.3% 2008 to 5.6% by 2010

■ Worldwide ■ Alaska



•Est. 990,000 in 2010 capacity roll back to 2006

Addressing environmental issues

- Meeting the highest standards of water quality
- \$200 million+ investment
- 2002 Set the highest standards in the world
- 2006 Cruise ship initiative passed which changed standards
 - “to level the playing field”
 - Not true
- 2008 ADEC implemented interim standards



2008 ADEC Report on Discharge Testing

- Number of tests 3671
- Number passed 3624
- Compliance 98.7%
- **In any Grade Book = A+**



And now the bad news.....

- Because of cost/revenue factors ships redeployed out of Alaska in 2010
- They will now be competing with the Alaskan market

Alaska loses three ships in 2010 season:

- **\$ 165 million decrease to Alaska business owners and employees**
 - Ship marketing dollars on Alaska go with ship redeployed to new a destination
- **1,800 Jobs will be lost as a result of this**
- **Over 140,000 visitors lost**

NCL Announces Redeployment of Sun Ship for 2010

MIAMI – April 27, 2009 – Norwegian Cruise Line (NCL) today announced that it has redeployed Norwegian Sun for the summer of 2010, moving the ship from Alaska to Europe.

- “After carefully weighing the rising costs of deploying three ships in Alaska and taking into account the recently enacted legislation, in particular the \$50 head tax, we felt it was necessary to redeploy Norwegian Sun,” said Kevin Sheehan, Norwegian Cruise Line’s chief executive officer. “Alaska is an incredible destination, but we are clearly seeing the impact of these changes in 2009, emphasized even more by this challenging economic environment.”

Loss of jobs and income for 2010 (3) ship redeployment

| | Jobs 2007 | Payroll \$ millions | Job Loss | Payroll \$ millions |
|----------------|---------------|------------------------|-------------|------------------------|
| By Region | | | | |
| Southeast | 7,000 | \$ 275 | 900 | \$ 36.0 |
| Southcentral | 3,000 | 100 | 360 | 14.1 |
| Interior/other | 2,500 | 95 | 309 | 12.0 |
| Unallocated | 2,000 | 85 | 255 | 9.9 |
| Total | 14,500 | \$ 565 | 1800 | \$ 72.0 |

Taxes and fees paid to the state

(in millions)

- \$50 passenger head tax \$50.7
- Environmental compliance fee 1.0
- Corporate income tax 15.0
- Gaming tax 6.0
- TOTAL **\$72.7 mil**

- Additionally

- Municipal taxes & fees **\$48.6 mil**

Strict limits on how to spend money

“The issue is that cruise tax money, to be legally defensible, should be spent on projects that support the cruise industry, such as shore side improvements to marine facilities.”

– Bradner’s Legislative Report



Industry Taxes & Legislative Appropriations 2007 & 2008

- Total collected and available for appropriation \$115 million
- Total appropriated after vetoes \$70 million
- Total not appropriated
\$45 million

What others are saying:



April 24, 2009

- “With nearly 2/3 of Alaska visitors spending at least one night on a cruise ship, the State’s 1.45 Billion cruise industry is critically important to tourism.”



What others are saying:

- Cruise News Dailey April 9, 2009
- “What's wrong with Alaska's Thinking”
- “...it also shows the wrong thinking in Alaska that's threatening to destroy their entire tourism industry as they now know it”



Return on investment

“Prices are down and the state has already added tremendously to the cost side of the equation in the Alaska market. As a result, there are other markets where it’s more profitable to operate cruises than in Alaska, and there are more opening all the time.”

- **Cruiseblogger**

During a bad economy, Alaska cruise tax has repercussions

By Johanna Jainchill

Travel News

Recent decisions by cruise lines to redeploy ships from Alaska because of high costs imposed by a 2006 citizens referendum ... reflect the confluence of the recession, which has cut into Alaska cruise prices, and the provisions of the measure, which add to the cruise companies' costs of operating in Alaskan waters.



Legality of cruise ship tax is getting outed.

“The public deserves, at least a hint, that there may be problems with the cruise head tax.” - *Bradner’s Legislative Digest*



Your future support is critical

- **Join the ACA Associate Membership**
 - Opportunity to be engaged with the Alaska cruise industry
 - Utilized us as a resource
- **Talk with elected officials**
- **Meet with opinion leaders in your community**
 - Welcome cruise visitors to your community

We invite you onboard our Ship Tour



Join us this summer on a Whittier Ship Tour

We invite you to join us

ALASKA CRUISE ASSOCIATION
ASSOCIATE MEMBERSHIP PROGRAM

A SPECIAL INVITATION FOR YOU

The Alaska Cruise Association (ACA) and its nine member lines invite you to join our new Associate Membership Program.

Through the ACA Associate Program, cruise lines, the Association and associate members work together to address industry issues.

As an associate member, you will become part of a network of providers and supporters.

• A window decal to denote your membership.
• Subscription to the ACA newsletter.
• A listing in, and access to, the membership directory.

ABOUT THE ACA

ACA was created in 2007 to build partnerships with local businesses and work with civic leaders to expand economic benefits to communities. It is a non-profit organization whose founders include the major cruise companies that operate in Alaska.

In 2007, ACA members operated 27 cruise ships from May to October with departures from Alaska, San Francisco, Seattle and Vancouver, BC. Cruise passengers in Alaska travel throughout the state on land-based tours or on their own pre- and post-cruise. Cruise companies invest millions of dollars each year in land-based construction, equipment and infrastructure improvements.

The McDowell Group estimates the total dollars moving through the Alaska economy each year as a result of the cruise industry is \$1.07 billion. The cruise industry includes hundreds of Alaska businesses that provide tours and activities for cruise ship passengers, and hundreds more that provide support services, such as banking, shopping, real estate, bookkeeping and much more.

GROWING ALASKA BUSINESSES

MEMBERSHIP APPLICATION

The Alaska Cruise Association (ACA) invites you to become an associate member. The annual membership fee is \$100, which you can pay by check or by credit card on-line at www.alaskacruise.org.

PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR COMPANY:

COMPANY NAME _____
NAME OF CONTACT PERSON _____
ADDRESS _____
CITY _____ STATE _____ ZIP _____
PHONE _____ FAX _____
EMAIL _____ WEBSITE _____

- For up to date information related to the cruise industry

Thank you



www.akcruise.org