



Cruising to a million passengers - Can it work for oil too?

March 1, 2012

Public is hearing a lot about pipelines lately



Trans Alaska Pipeline System (TAPS)



Cruise Alaska Pipeline System (CAPS)



Visitor Industry impacts all regions

Total Visitor Industry Employment, Labor Income & Spending In Alaska,
October 2008 – September 2009
(Including direct, indirect and induced effects)

<u>Region</u>	<u>Employment</u>	<u>Labor Income</u>	<u>Spending</u>
Southcentral	17,600	\$514 million	\$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	36,200	\$1.1 billion	\$ 3.4 billion

Cruise Ship Pipeline



Cruise Passengers = 65% of Alaska Visitors

2009 Summer Visitors = 1,583,300



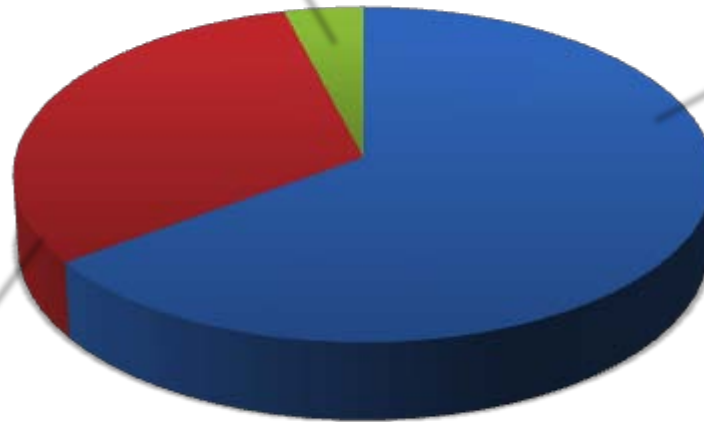
Ferry/Highway 63,900 = 4%



Cruise Passengers 1,026,600 = 65%

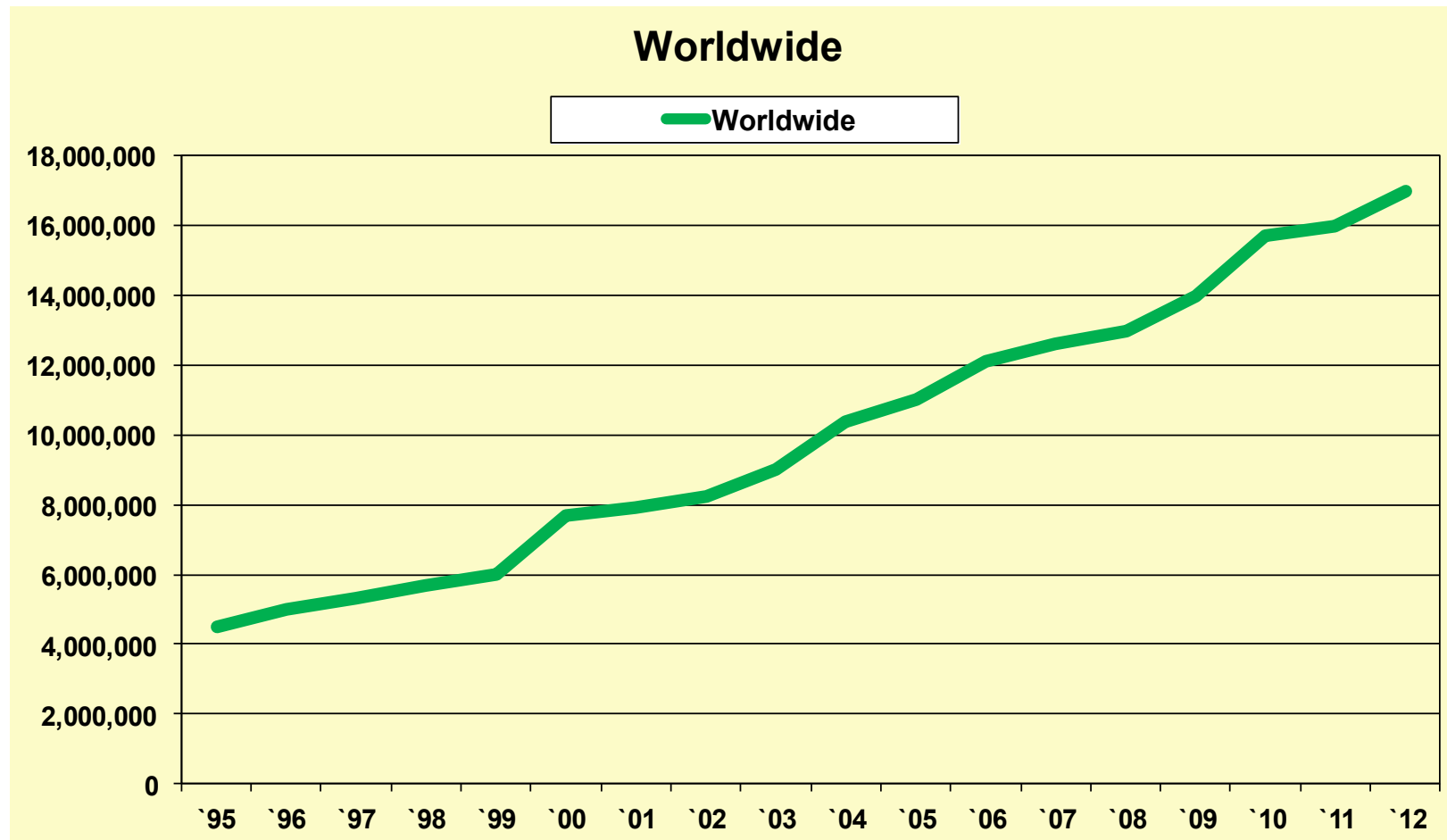


Air 492,800 = 31%



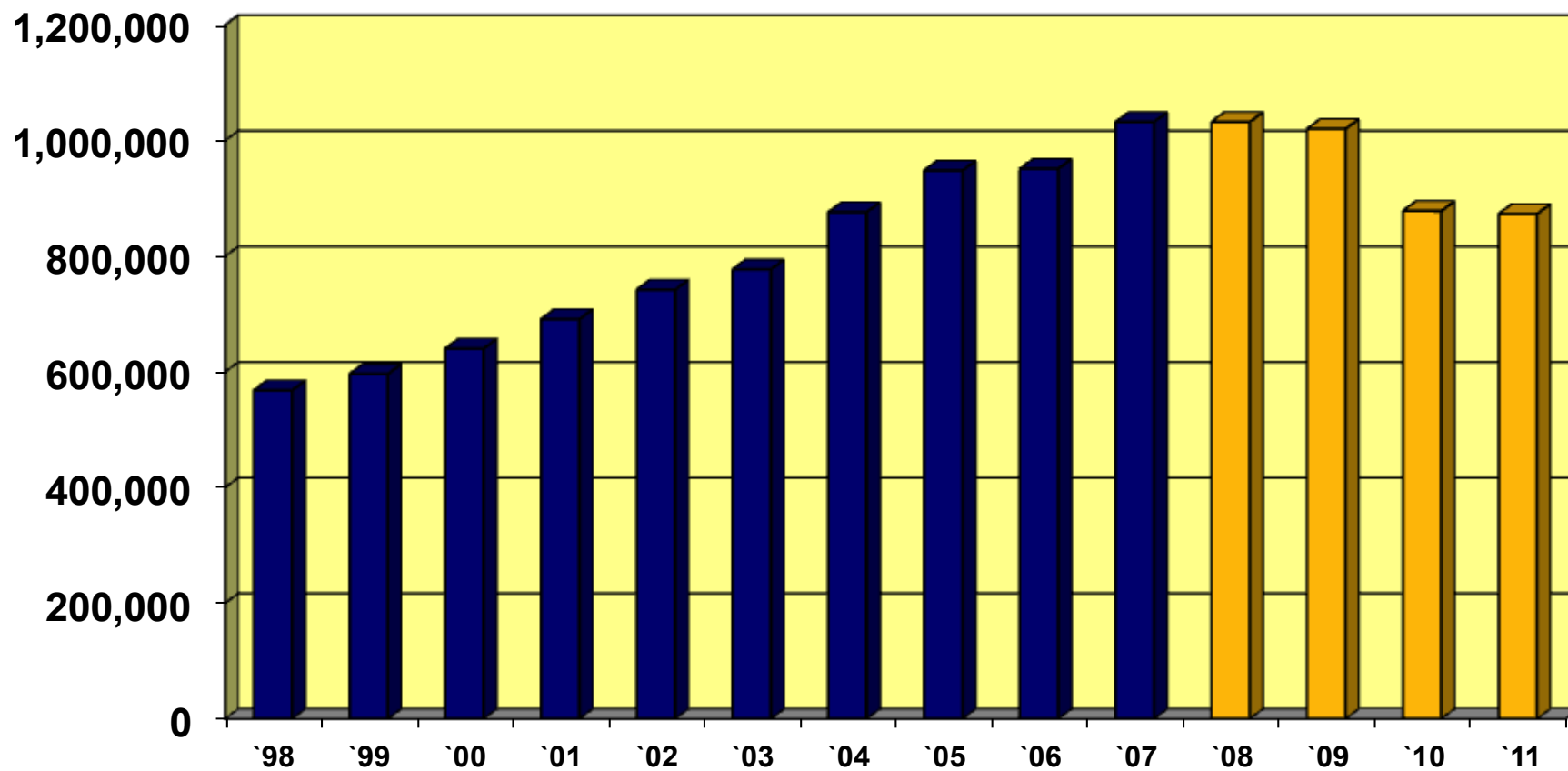
Source: AVSP 2009 Study

Worldwide Cruise Market Continues to Grow



World cruise market increases approx 7.6% per year

Passenger volume 1998-2011



What changed in Alaska?

Alaska Cruise Ship Ballot Measure

- **5 new taxes**

– \$34.50 per passenger entry fee	\$138 m
– \$11.50 Regional Impact fee (non-port cities)	\$ 42 m
– \$4 per passenger Ocean Ranger fee	\$ 16 m
– 33% Gaming fee	\$ 24 m
– State corporate income Tax	<u>\$ 60 m</u>
Total Collected (2007 – 2010)	\$280 m

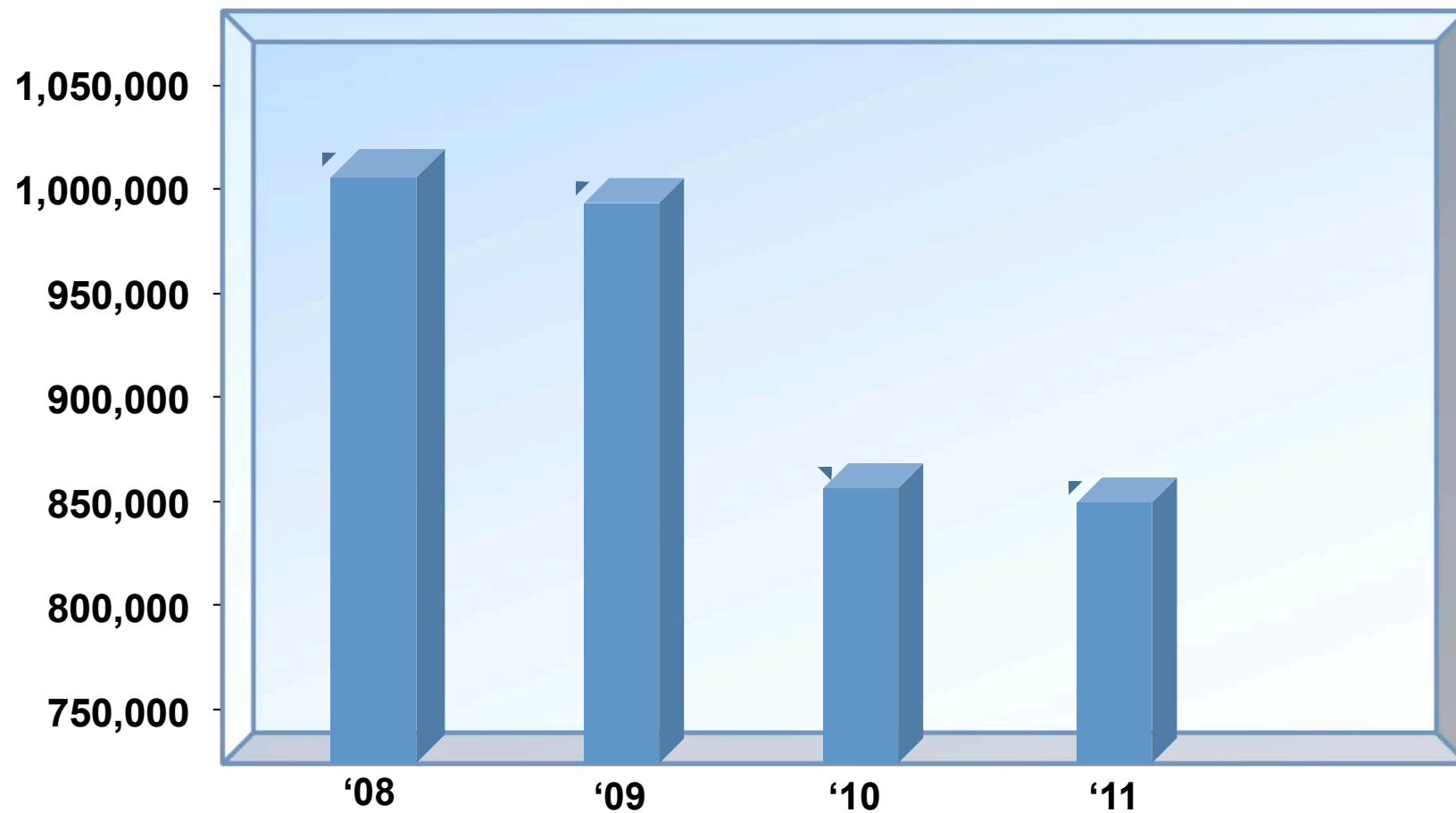
- **New regulatory requirements**

- Standards higher than best available technology can achieve

- **Full-time State Ocean Rangers on ships**

- **Contracts with Businesses required to be public**

Passenger volume 2008-2011



**Alaska Employment Trends
McDowell**

**Change
2008 to 2010**

Trade & Transportation

Anchorage	-1,225
Interior	-575
Southeast	-1,250
Total	-3,050

Leisure & Hospitality

Anchorage	-725
Interior	-875
Southeast	-750
Total	-2,350

All Visitor – Affected Sectors

Anchorage	-1,950
Interior	-1,450
Southeast	-2,000
Total	-5,400

SeaTrade 2010

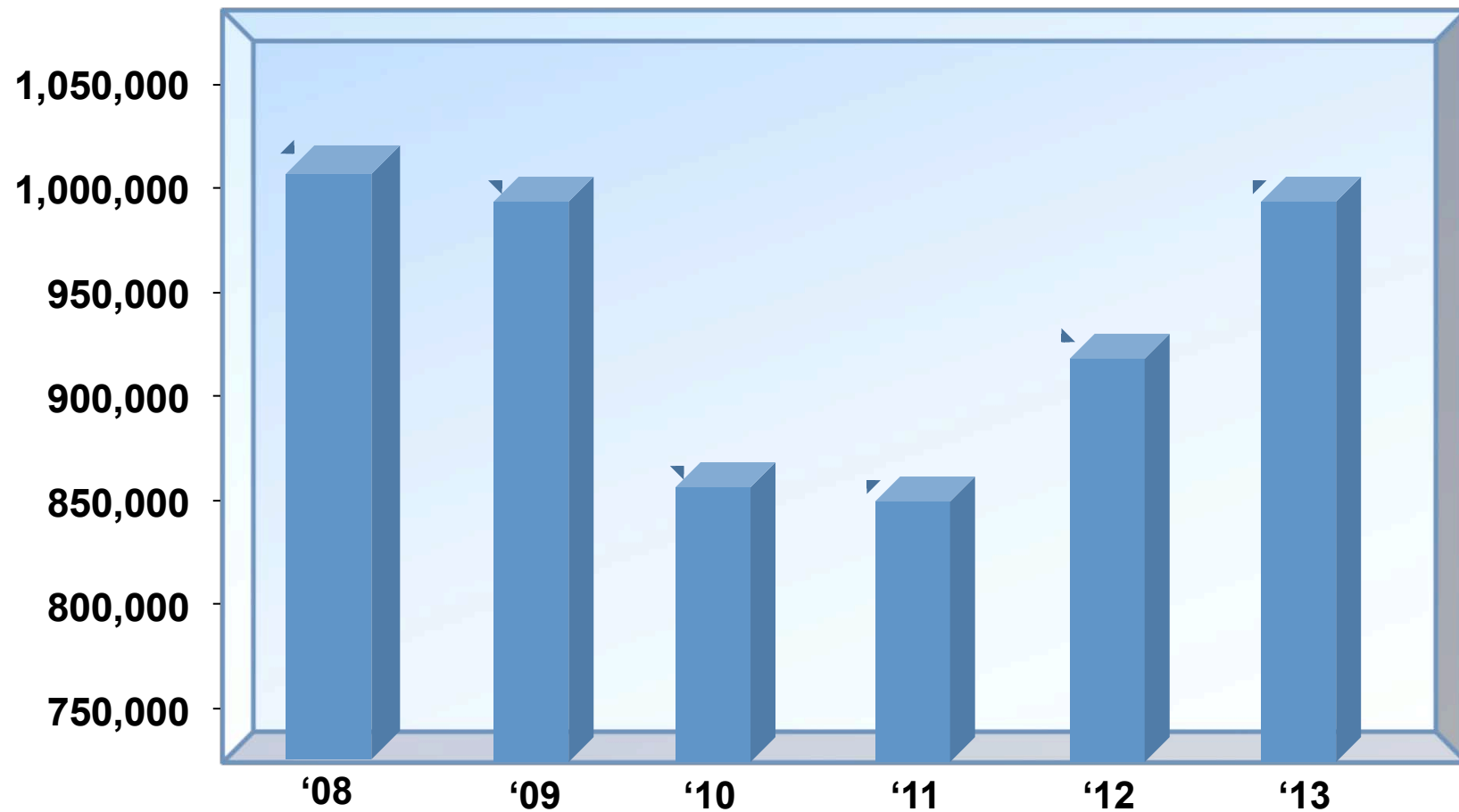
- Governor Parnell met with CEOs
 - Three top issues
 - Lower the cost of doing business
 - Increase Consumer Demand
 - Improve Regulatory Climate



Senate Bill 312 (2010)

- Tax is reduced from \$46 to \$34.50
 - Additional offset for head taxes paid locally
 - Funds are to be used for facilities and services for passengers **and** ships
 - Tax rate will be reviewed every three years
 - All ports of call, within the first seven, now receive \$5 per passenger
- Stabilized the regulatory climate/3-year permit
- Increased marketing

Passenger Volume 2008-2013

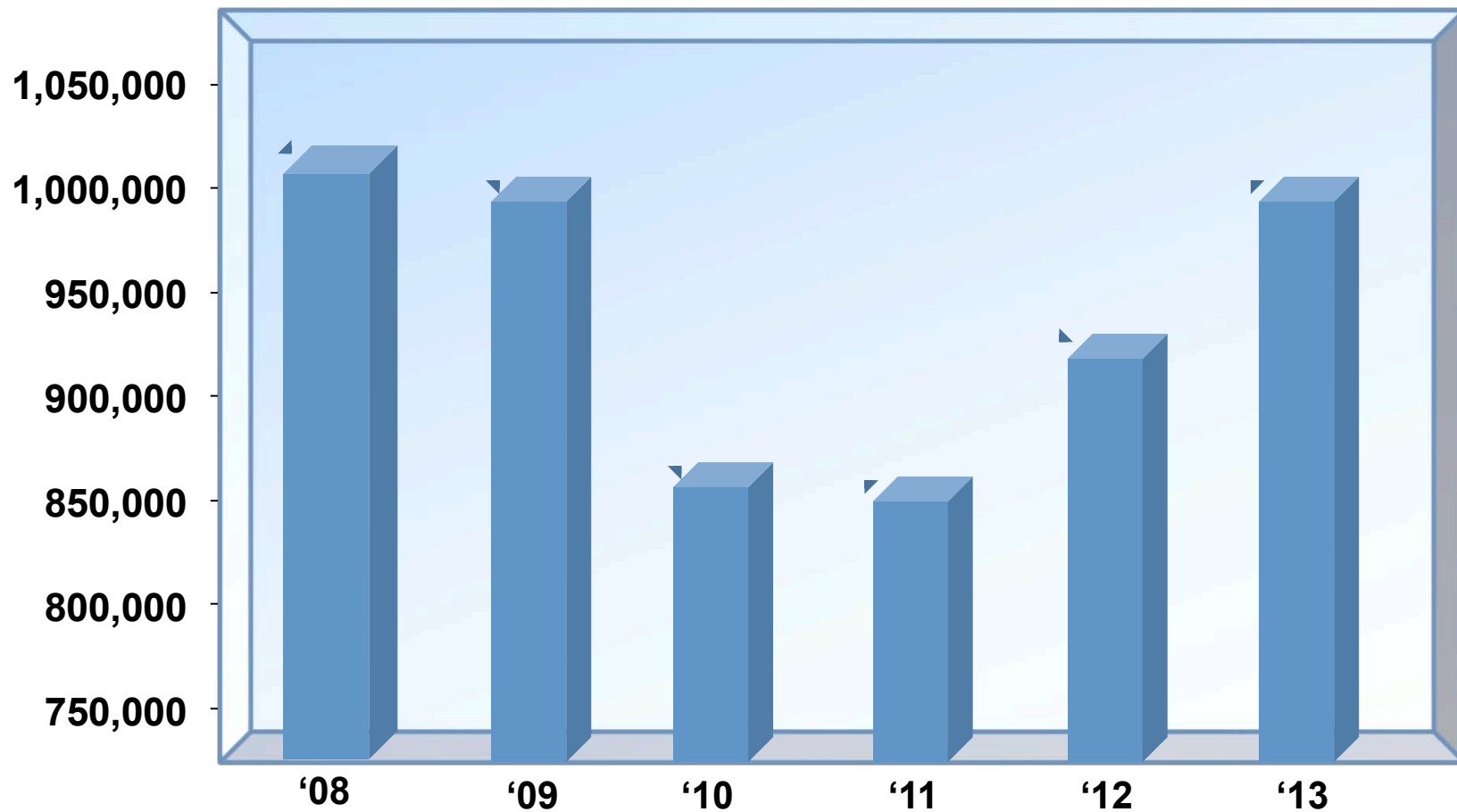


*2012 & 2013 Projected

Bottom Line for the Cruise Alaska Pipeline System

- Taxes went up...cruise volume went down
- Taxes went down...cruise volume is going up

Cruisin' Back to a Million Passengers



*2012 & 2013 Projected

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