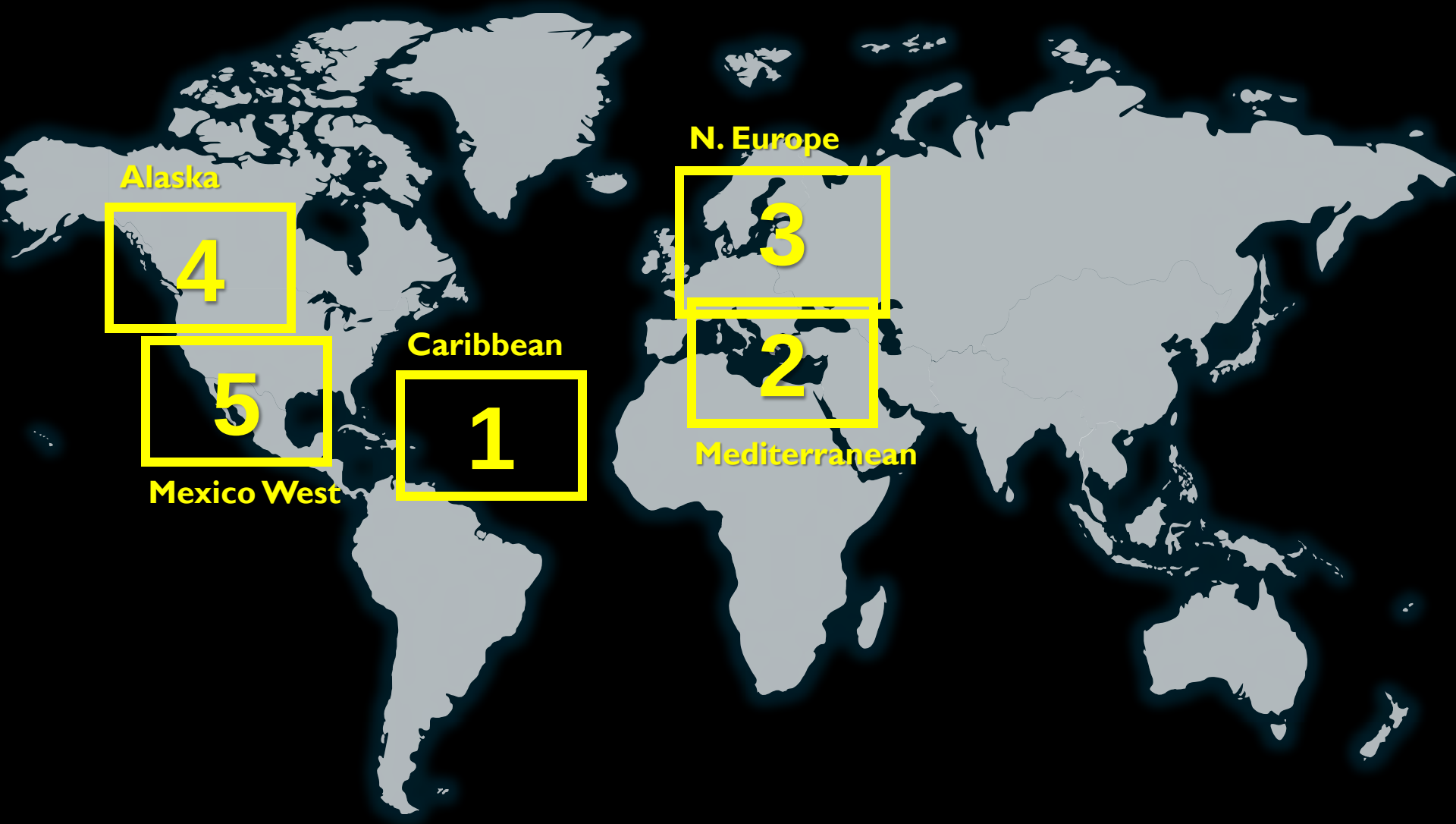
Ogden Point
Cruise Market Assessment

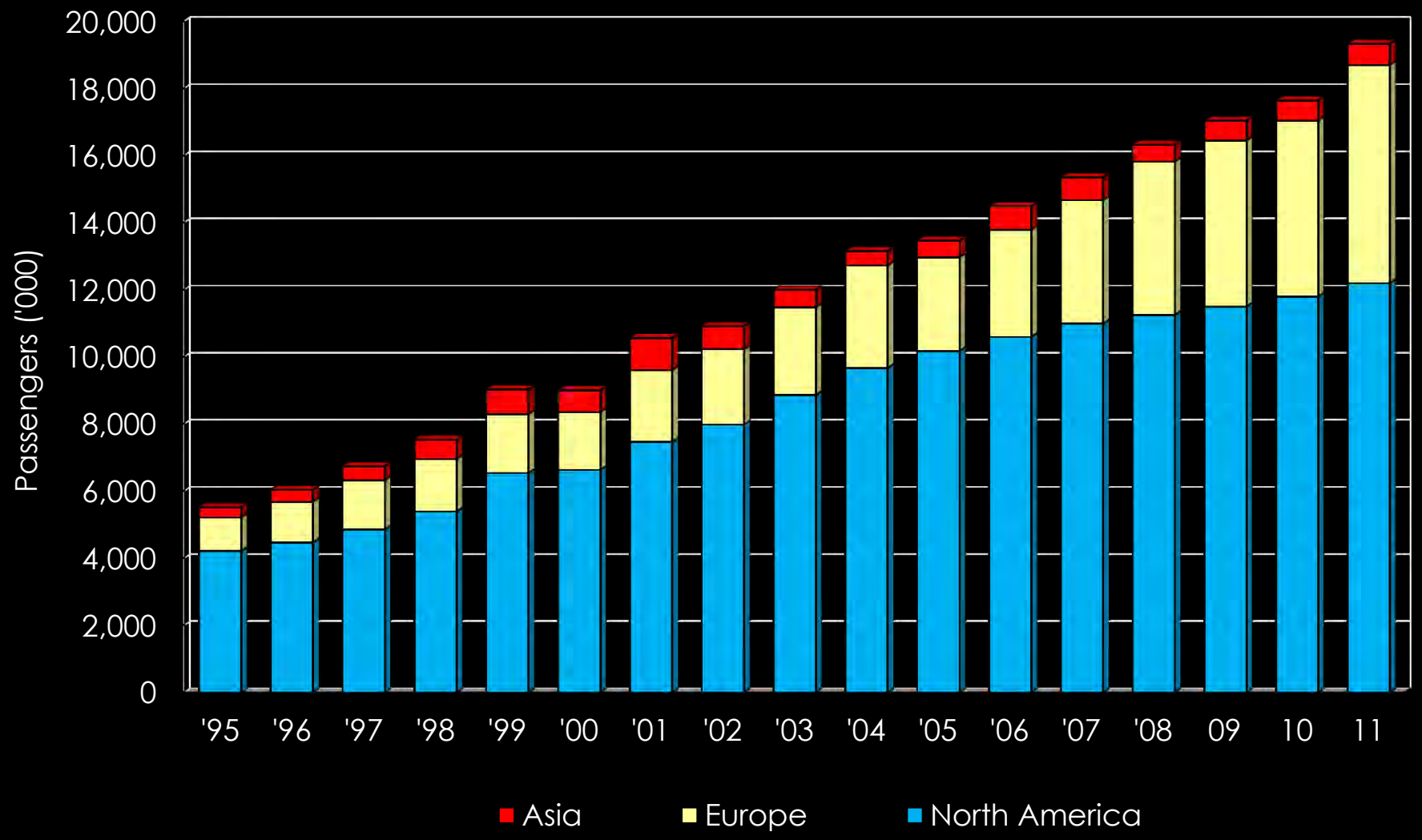
August 16, 2012

Bermello, Ajamil & Partners

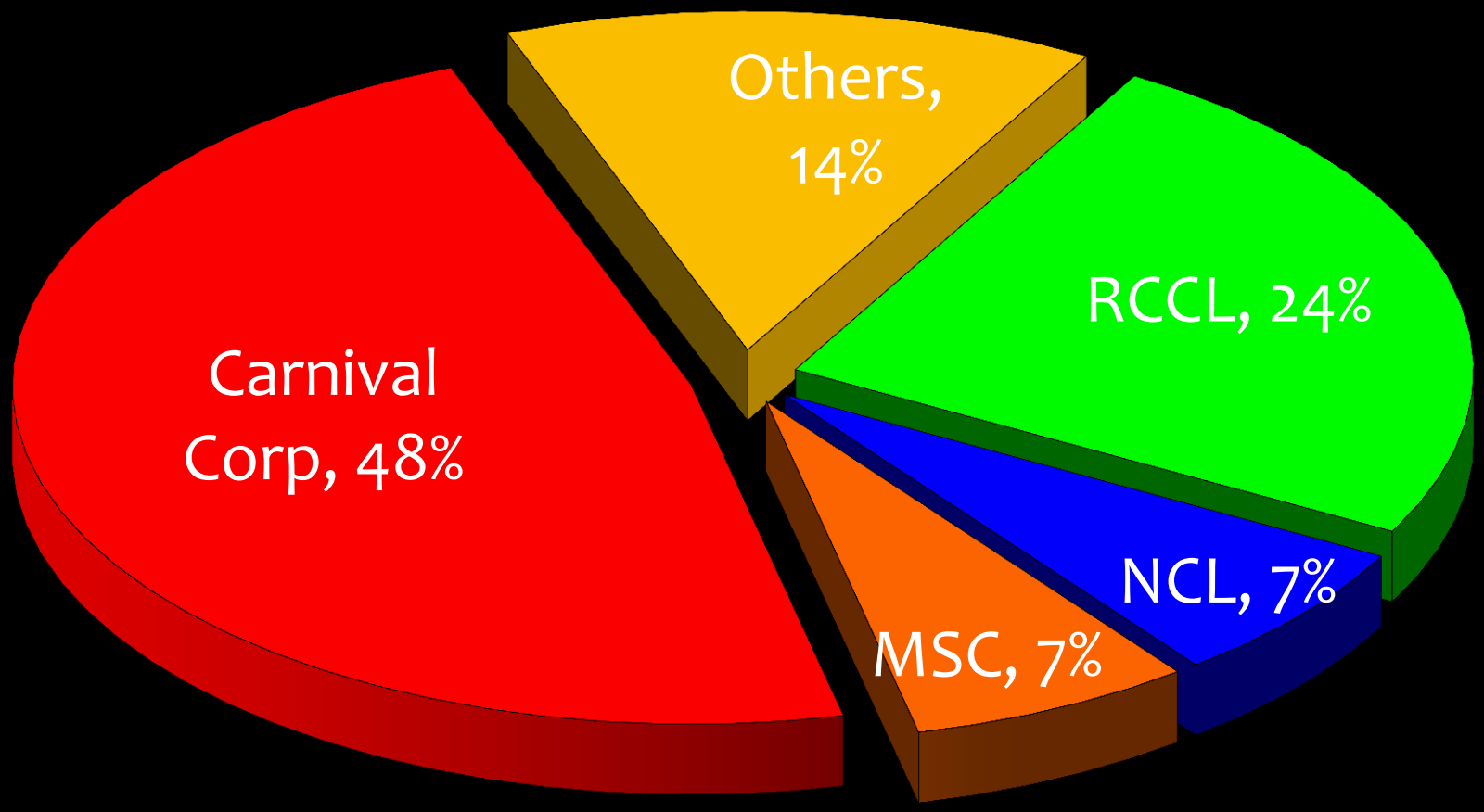
Deployment


Alaska
4
5
Mexico West
Caribbean
1
N. Europe
3
2
Mediterranean

Growth


Passengers ('000)
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
'95
'96
'97
'98
'99
'00
'01
'02
'03
'04
'05
'06
'07
'08
09
10
11
Asia
Europe
North America

Lines



Source: Cruise Industry News , B&A, 2012

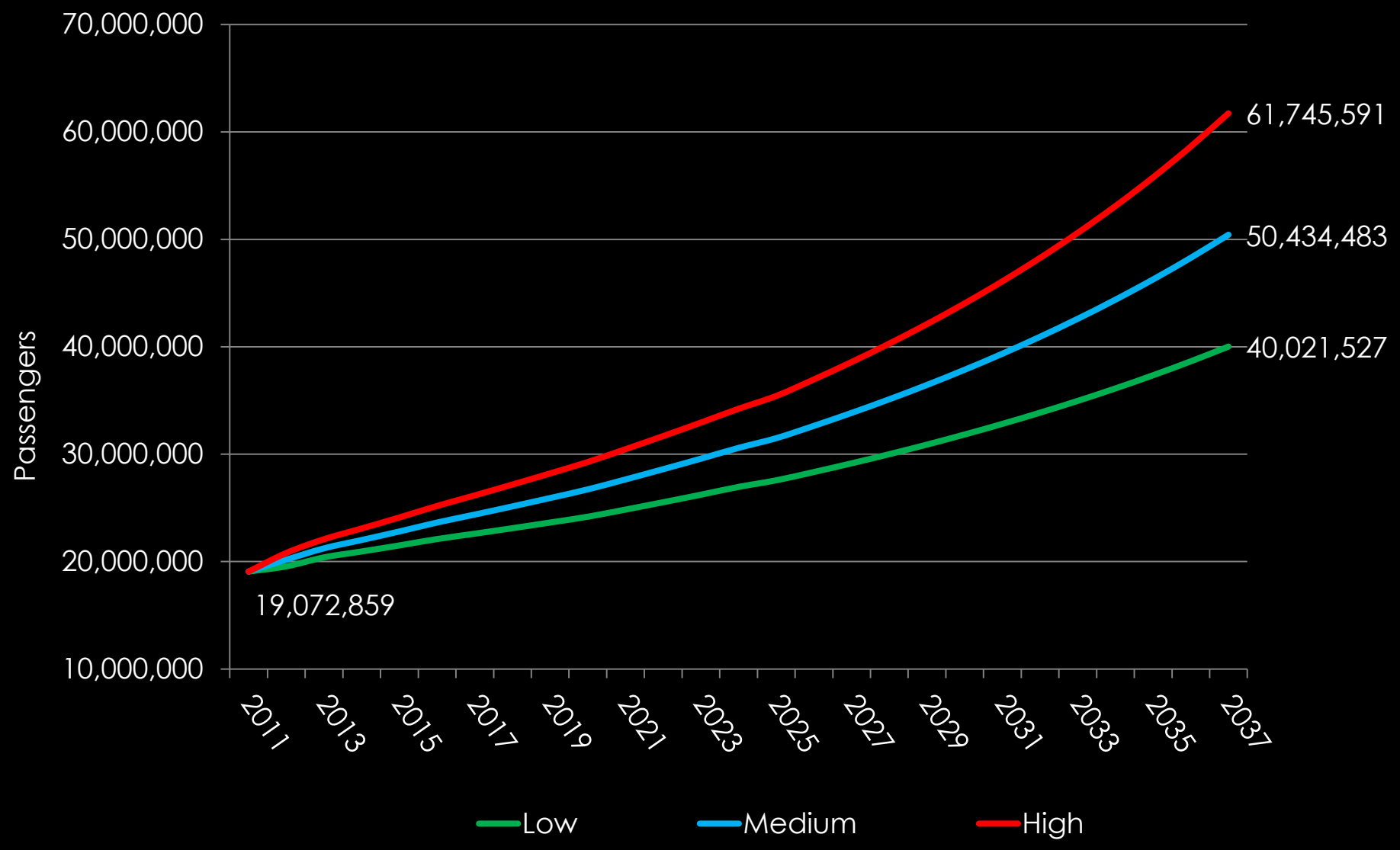
Success factors

- New products that generate sustained interest;
  - New, exciting vessels, diverse on-board products and services
  - New regions, itineraries and on-shore product offerings
- Converting land-based guests into cruise passengers;
- High level of passenger satisfaction;
  - leading to repeat clientele and lower conversion costs
- Adapt quickly to changing market conditions; and,
- Limited competition, reduced operational costs, and diversified revenues.

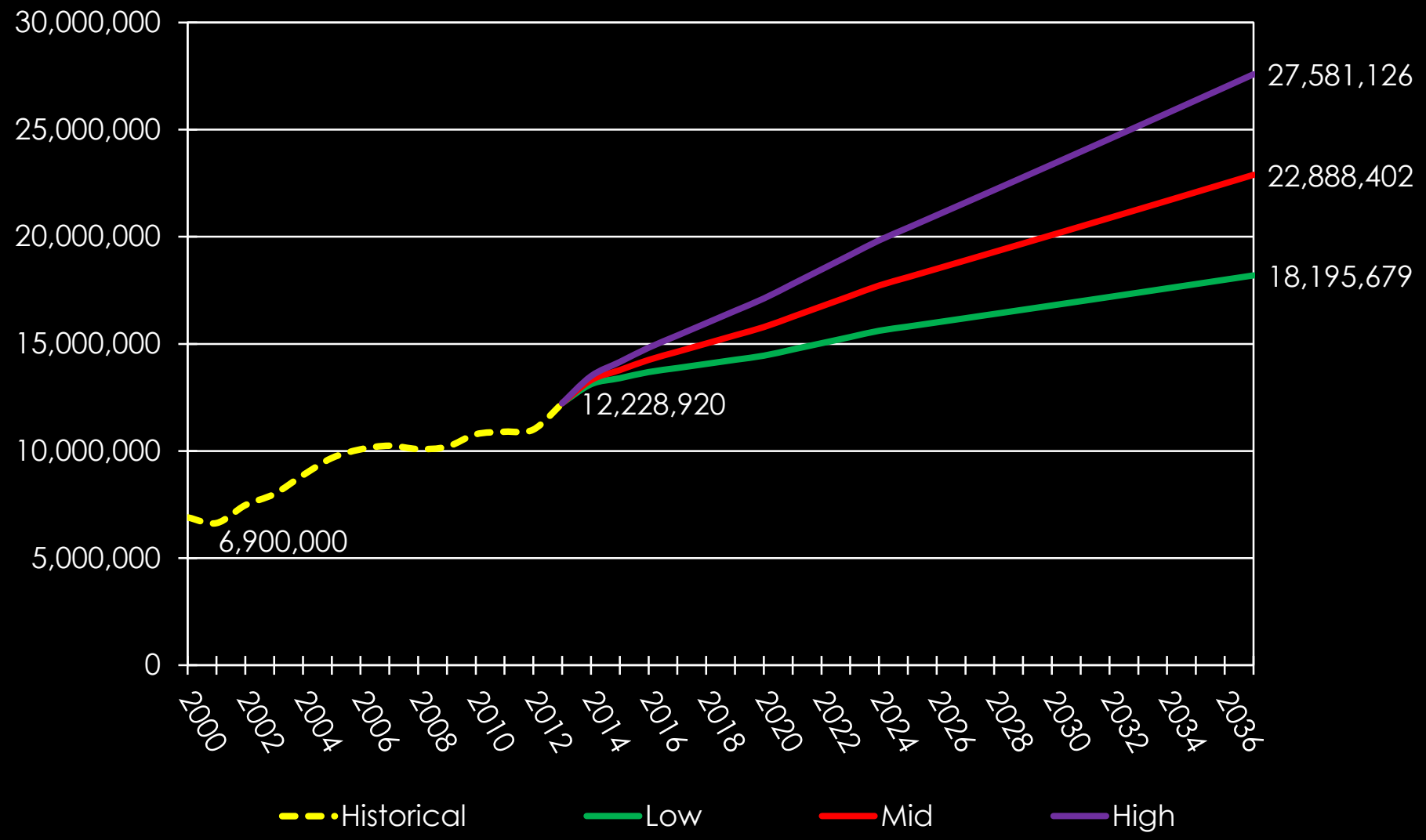
Regulatory

- Emission Control Areas
  - Impacts on fuel consumption
  - Modified speed & distance
- Passenger Services Act
  - Seattle sailings require a far foreign port
  - Victoria thrives on this regulation
  - Is there potential for this to disappear long-term?
- Environmental Policy and Monitoring
  - Alaska monitoring & costs – tied into fee and fares
  - Victoria cruise emissions, noise and traffic issues
    - Address these issues pro-actively and positively to meet the needs of the community and insure growth of the industry

World cruise growth, *2011- 2037*



North American growth, 2000 - 2037



NA market growth – Low - 2%, mid – 3.5%, High – 5%

Regional growth

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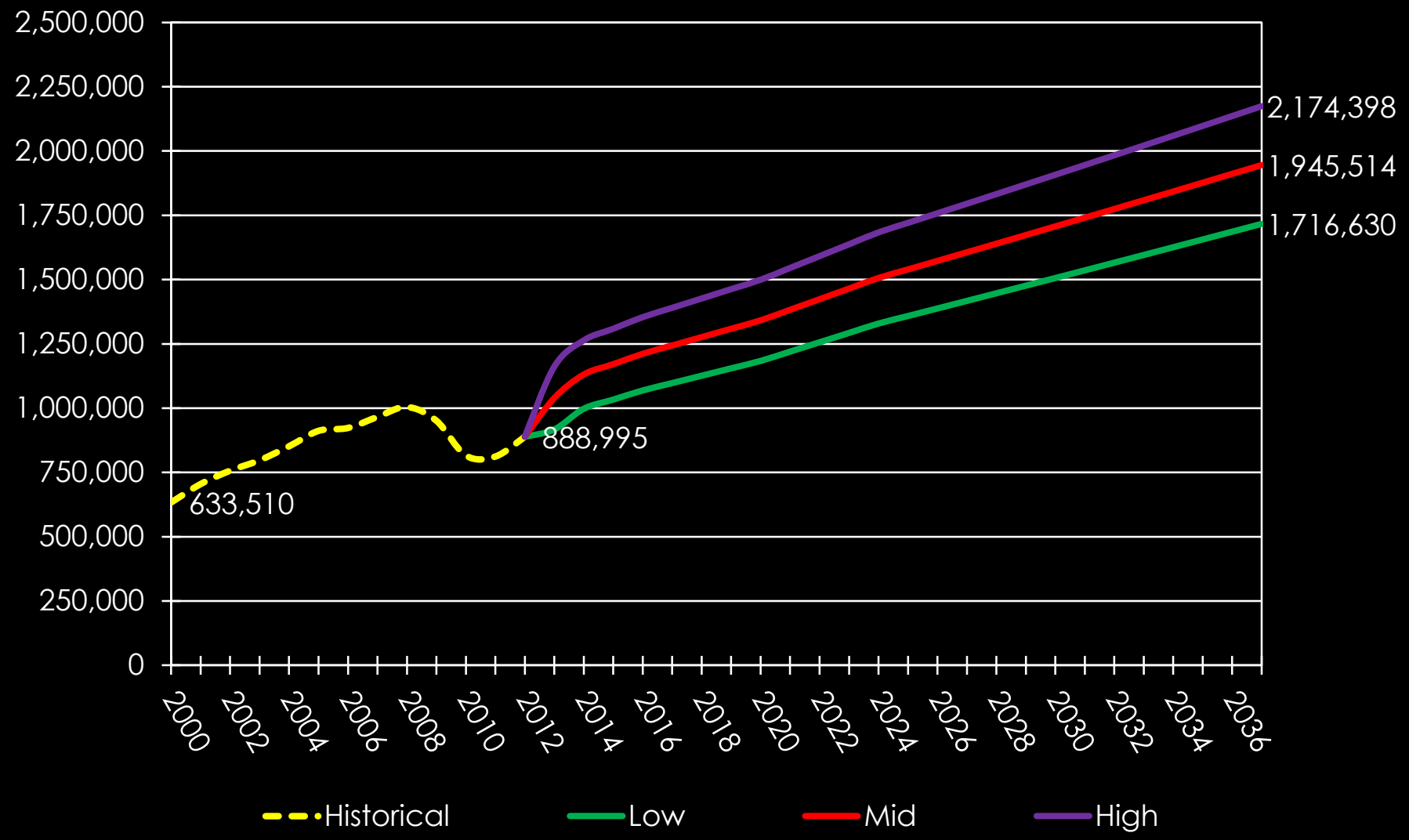
Alaskan cruise region

- Pacific Northwest, Western Canada (BC) and the Alaskan Coast
- Influenced by Hawaii, Pacific Coastal, Trans-Pacific, World, etc.
- Mainstay of North American summer market offerings
  - Competes with Med., Baltic & CNE
  - Big 3 – Ketchikan, Juneau and Skagway
- Seattle and Vancouver primary feeders
- Victoria – significant for PSA requirement (Seattle market)
- Secondary ports – retain small ship, adventure, repositioning and conflict call status

Alaska growth factors

- World economy (short-term)
- Regulatory and environmental issues (mid to long-term)
- Alaska fees (short-term)
- Seattle and Vancouver berth expansion (mid- to long-term)
- POC berthing (mid to long-term)
- Fuel Costs (mid- to long-term)
- Airlift & hotel infrastructure (long-term)
- Panama Canal widening (long-term)
- New competitive markets (mid- to long-term)
- European entry into Alaska (mid- to long-term)

Alaska growth , *2000 - 2037*

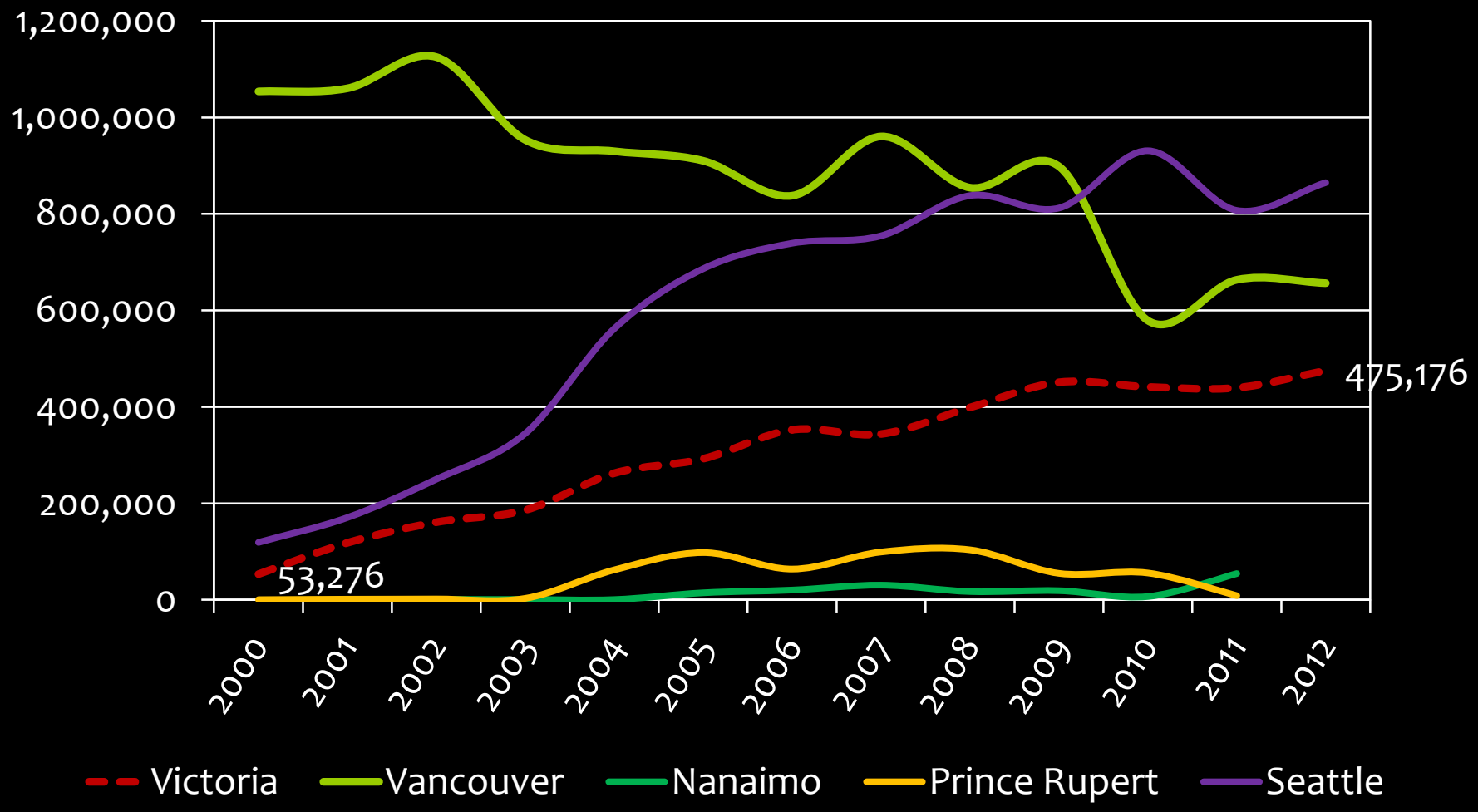


NA market capture – Low - 7.5%, mid – 8.5%, High – 9.5%

Traffic generation

Passenger throughput, *2000 - 2012*

Victoria growth – 10 yrs. - 27.2% per annum / 5 yrs. – 4.9% per annum



Seattle growth – 10 yrs. – 37.4% per annum / 5 yrs. – 1.8% per annum

Traffic to and From Victoria, *2008 - 2012*

PORT	2008	2009	2010	2011	2012	AVG.
From Ketchikan	118	103	122	111	125	116
From Skagway	28	26	56	51	71	46
From Juneau	3	49	21	10	0	17
From Ketchikan	55.7%	45.2%	53.3%	52.9%	54.6%	52.3%
From Skagway	13.2%	11.4%	24.5%	24.3%	31.0%	20.9%
From Juneau	1.4%	21.5%	9.2%	4.8%	0.0%	7.4%
To Seattle	143	176	187	160	193	172
To Vancouver	25	22	22	23	14	21
To San Francisco	18	19	7	15	14	15
To Seattle	67.5%	77.2%	81.7%	76.2%	84.3%	77.4%
To Vancouver	11.8%	9.6%	9.6%	11.0%	6.1%	9.6%
To San Francisco	8.5%	8.3%	3.1%	7.1%	6.1%	6.6%

Cruise line feedback and SWOT

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Key cruise line feedback

- Provides marquee value (may not be same through NA)
- Most lines prefer more hours in port (itinerary/market issues)
  - Need a strong complement of Alaska ports
  - Distance / speed requirements are constraints
- Victoria consistently delivers as a port of call
  - Offers a great deal of high end touring options
  - Lines prefer full day calls as they are better from a guest perspective
- Many lines would not call in Victoria if PSA was rescinded
- Most lines foresee no change in respect to **ECA** for the region
- It is a good idea to supplement the current shuttle buses to reduce the strain on the community
  - Water taxi concept linking Ogden Point with the downtown area
- As ships have become larger, port can now only accommodate 3 large ships at one time

Opportunities and Challenges

Strengths	Weaknesses
• Historic Alaska cruise offerings • Fit with a variety of cruise brand philosophies • Excellent infrastructure space (berths and uplands) • Marquee port (western US?) • POC requirement due to PSA • High quality services	• Limited local consumer market • Speed & distance issues for Alaska calls • Geographic location • Tied to Seattle success via PSA
• Success of NA cruise brands • Continuing growth of European cruise brands • Alaska issues with taxes and regulations • Development of Ogden Point as a destination • Redevelopment of transportation system	• Port congestion on peak days (berth demand) • ECA regulations highlighting fuel costs • World cruise market competition • PSA rescinded • Local community concerns (social / environmental)
Opportunities	**Threats**

Victoria

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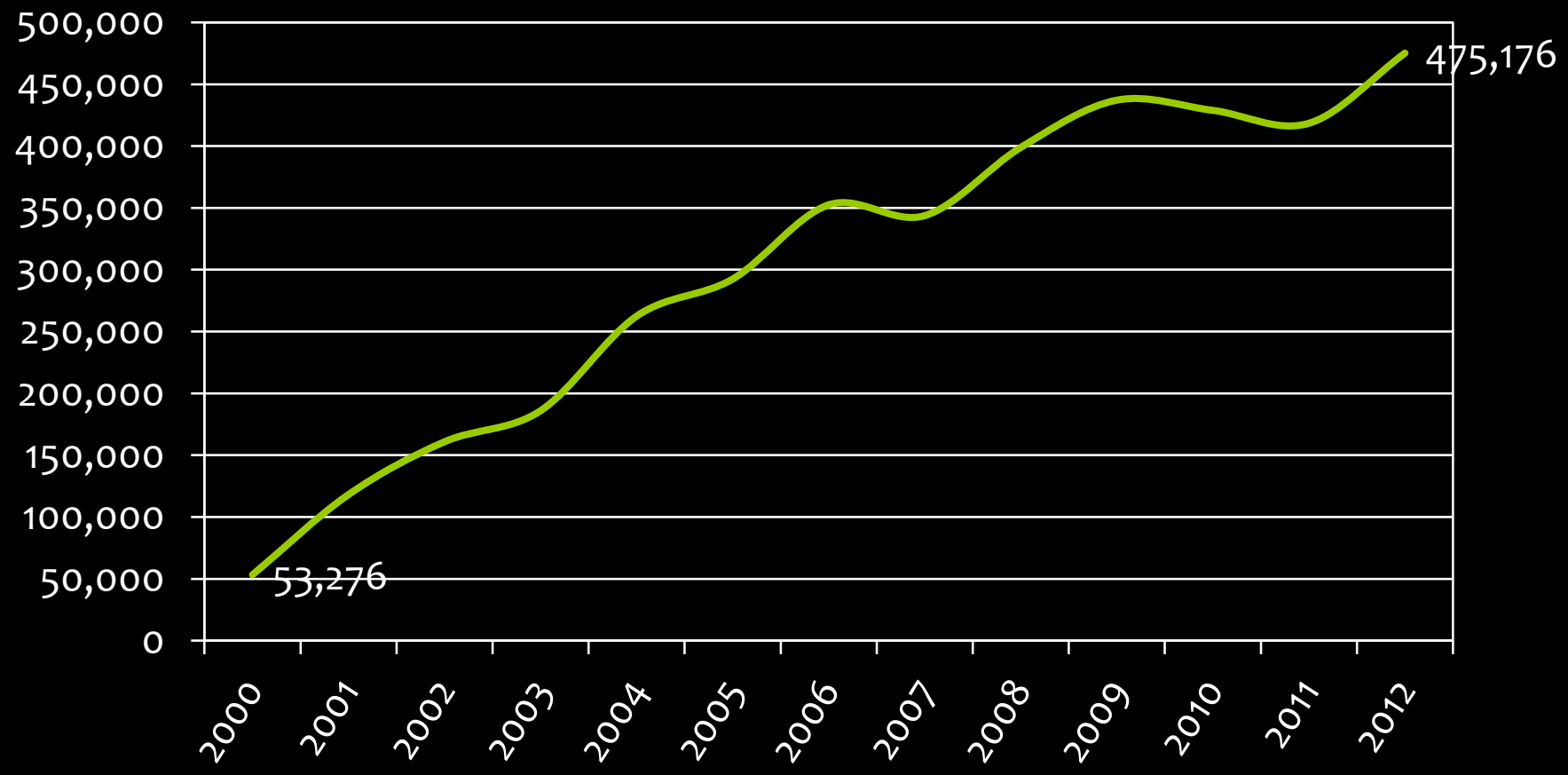
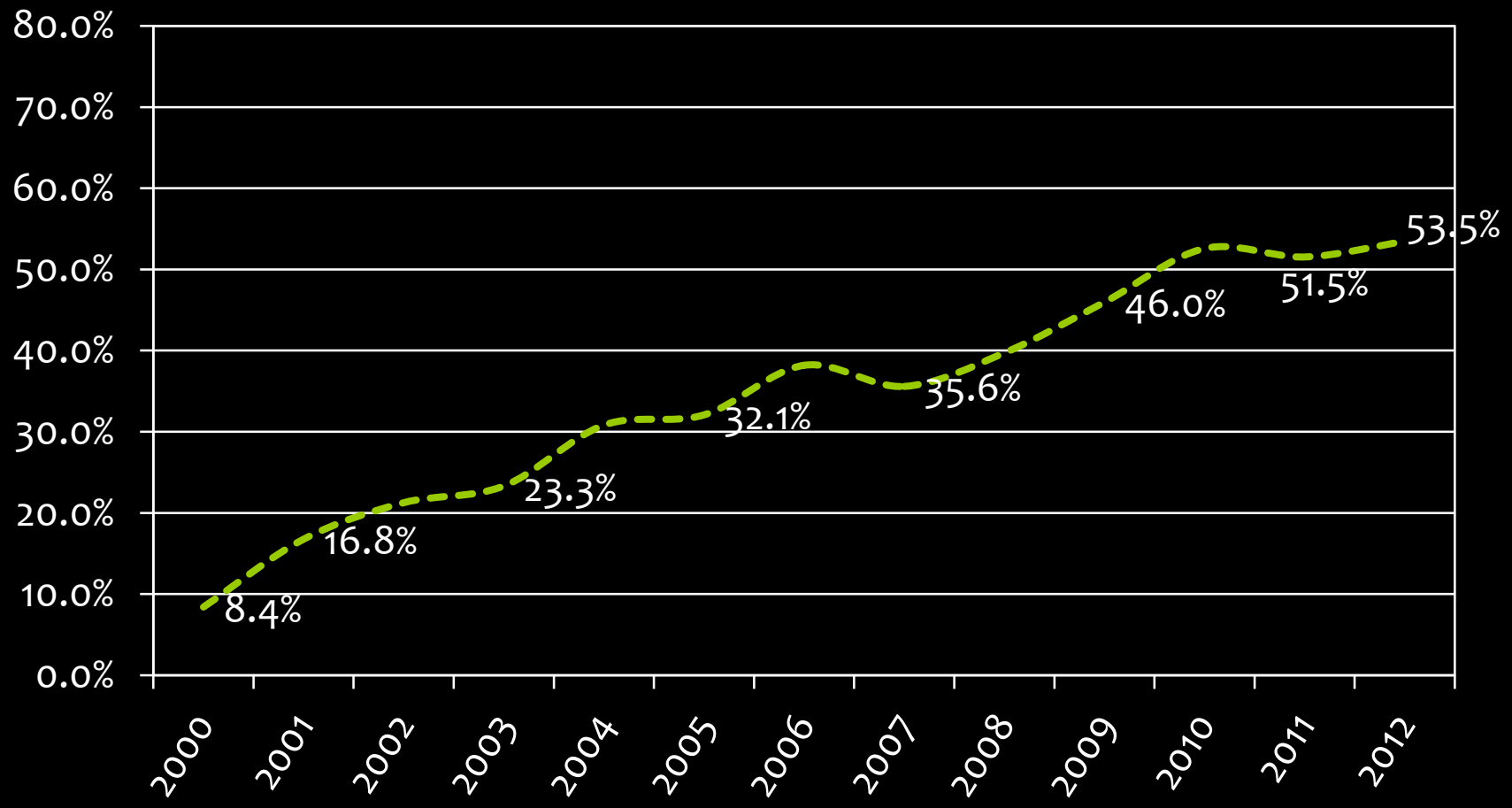
GVHA passenger throughput, *2000 - 2012*



10 year per annum – 19.5%

5 year per annum – 7.6%

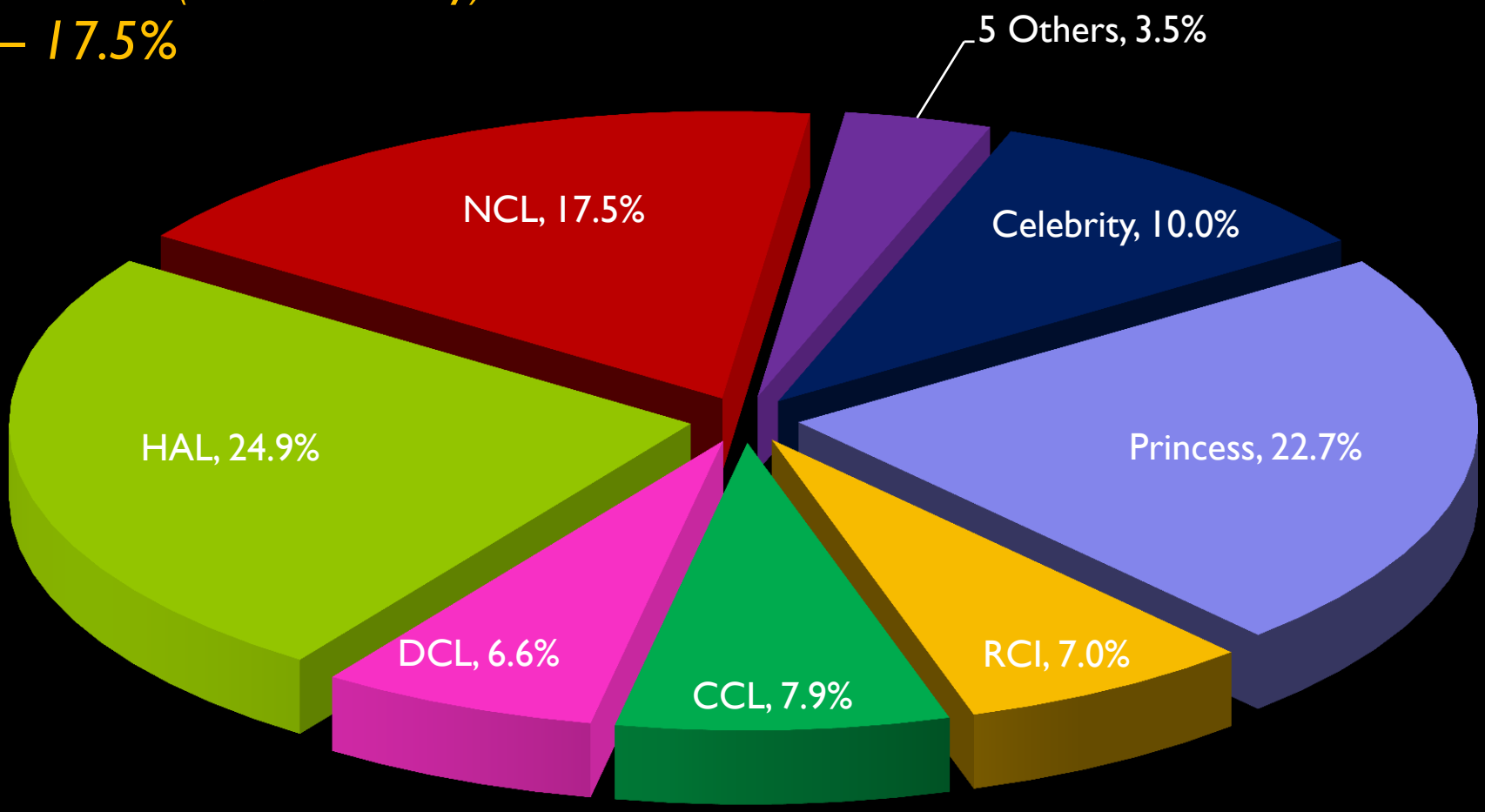
Victoria market capture, *2000 - 2012*



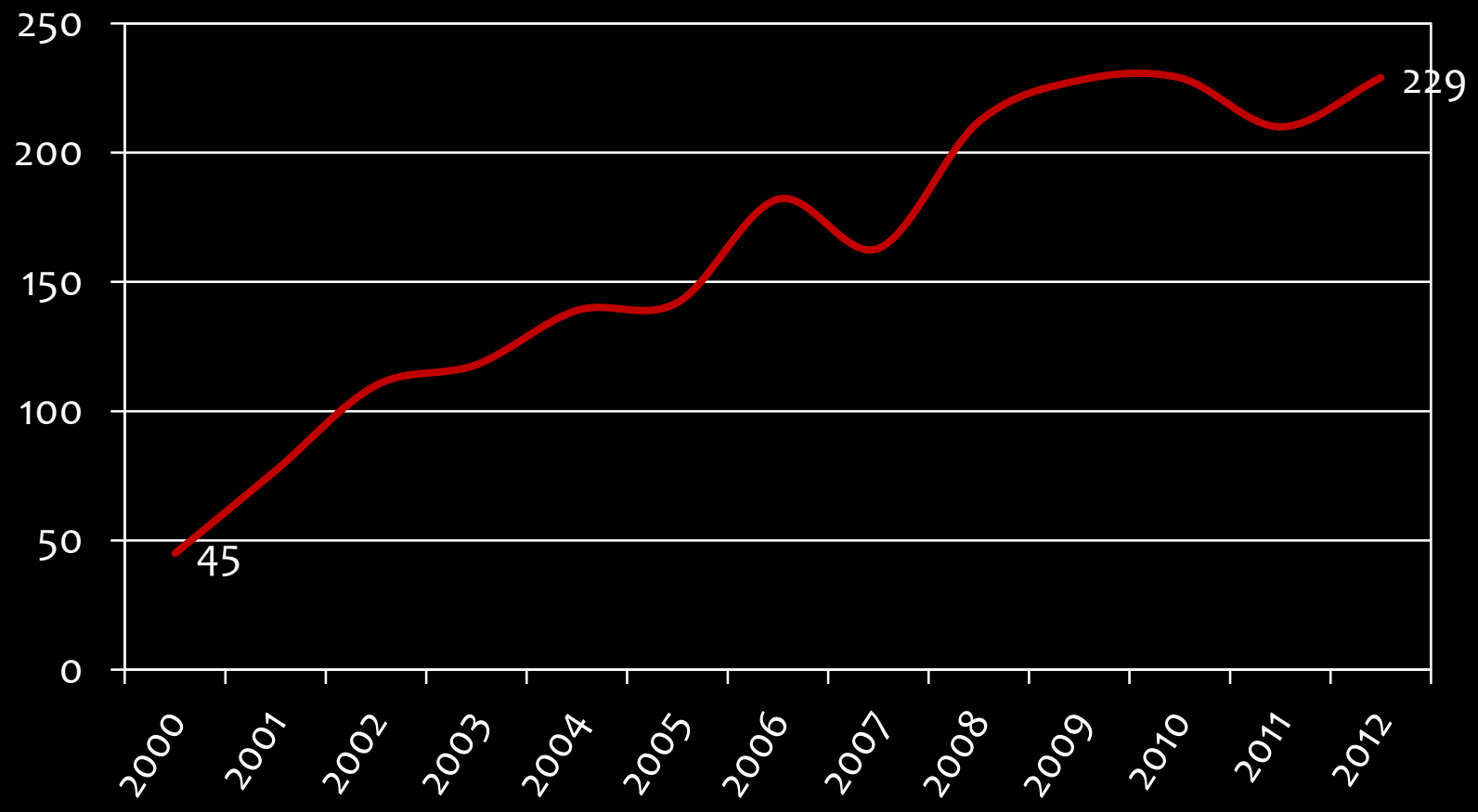
5-year avg. – 48.6%

2012

Carnival Corp – 55.5% (HAL, Princess, CCL)
RCCL – 17% (RCI, Celebrity)
NCL – 17.5%



GVHA cruise calls, *2000 - 2012*



GVHA cruise pax per call, *2000 – 2012*

Forecasting

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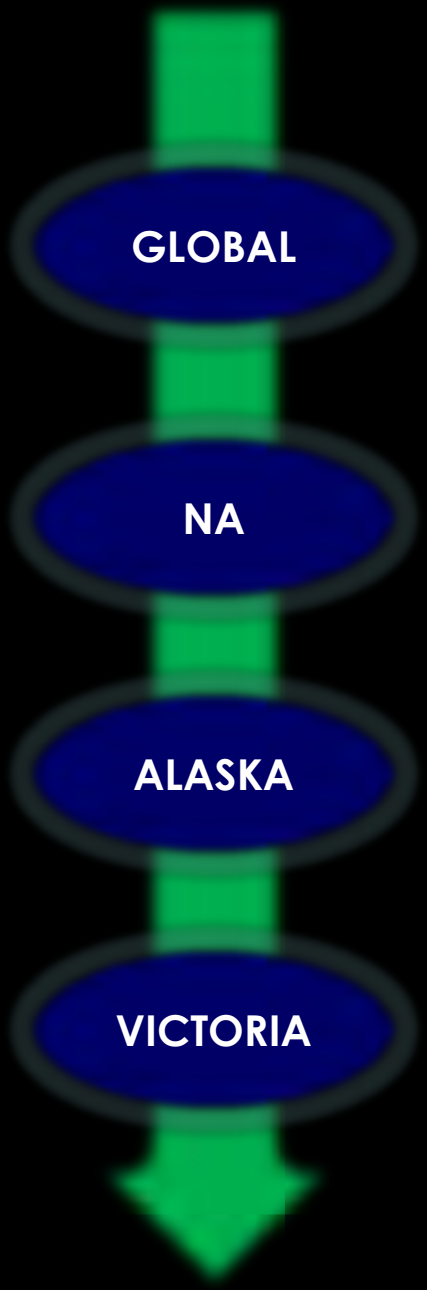
Forecast methodology

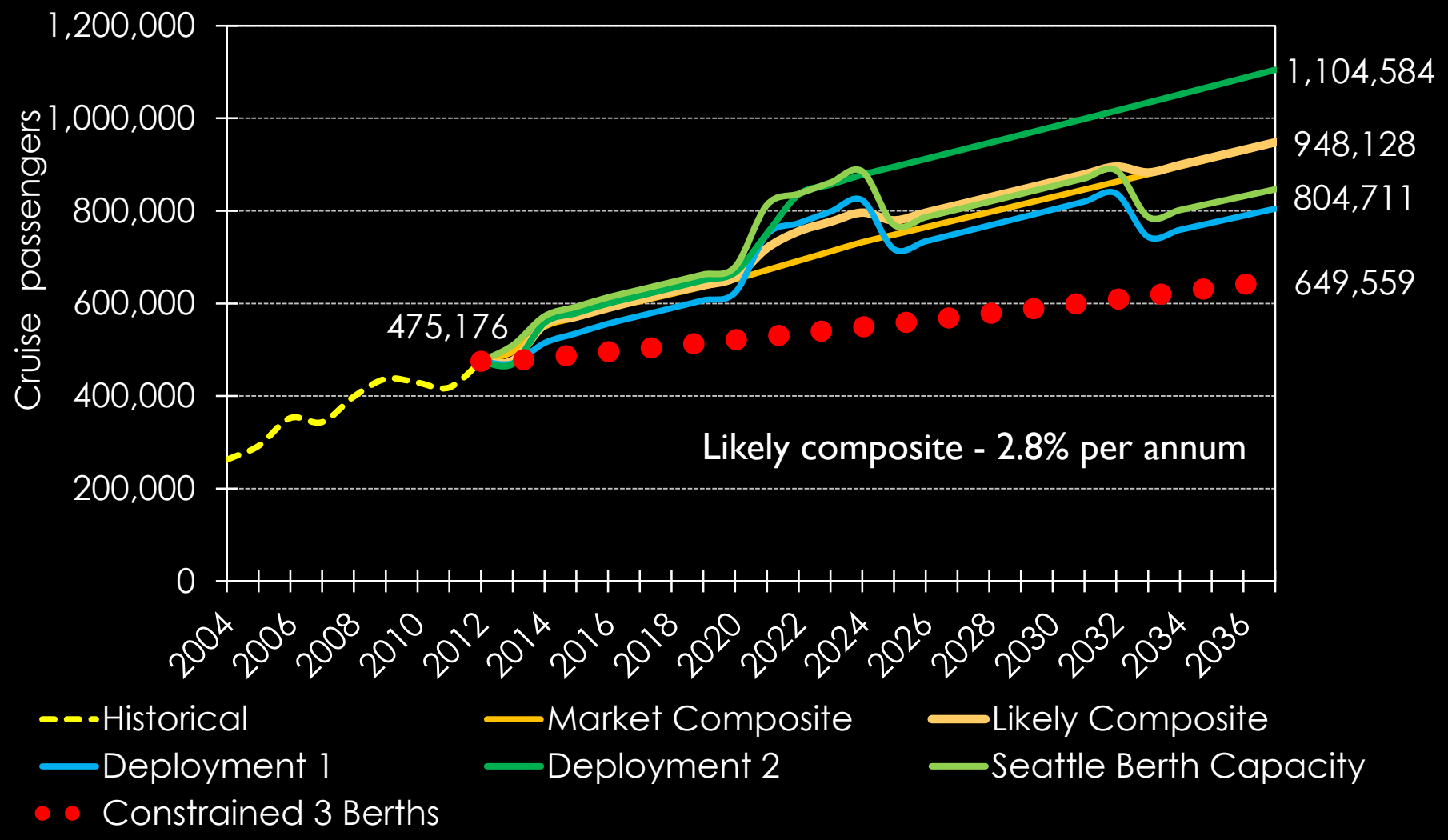
- World forecasts
- Market capture of NA
- Market share to Alaska
- Market share to Victoria



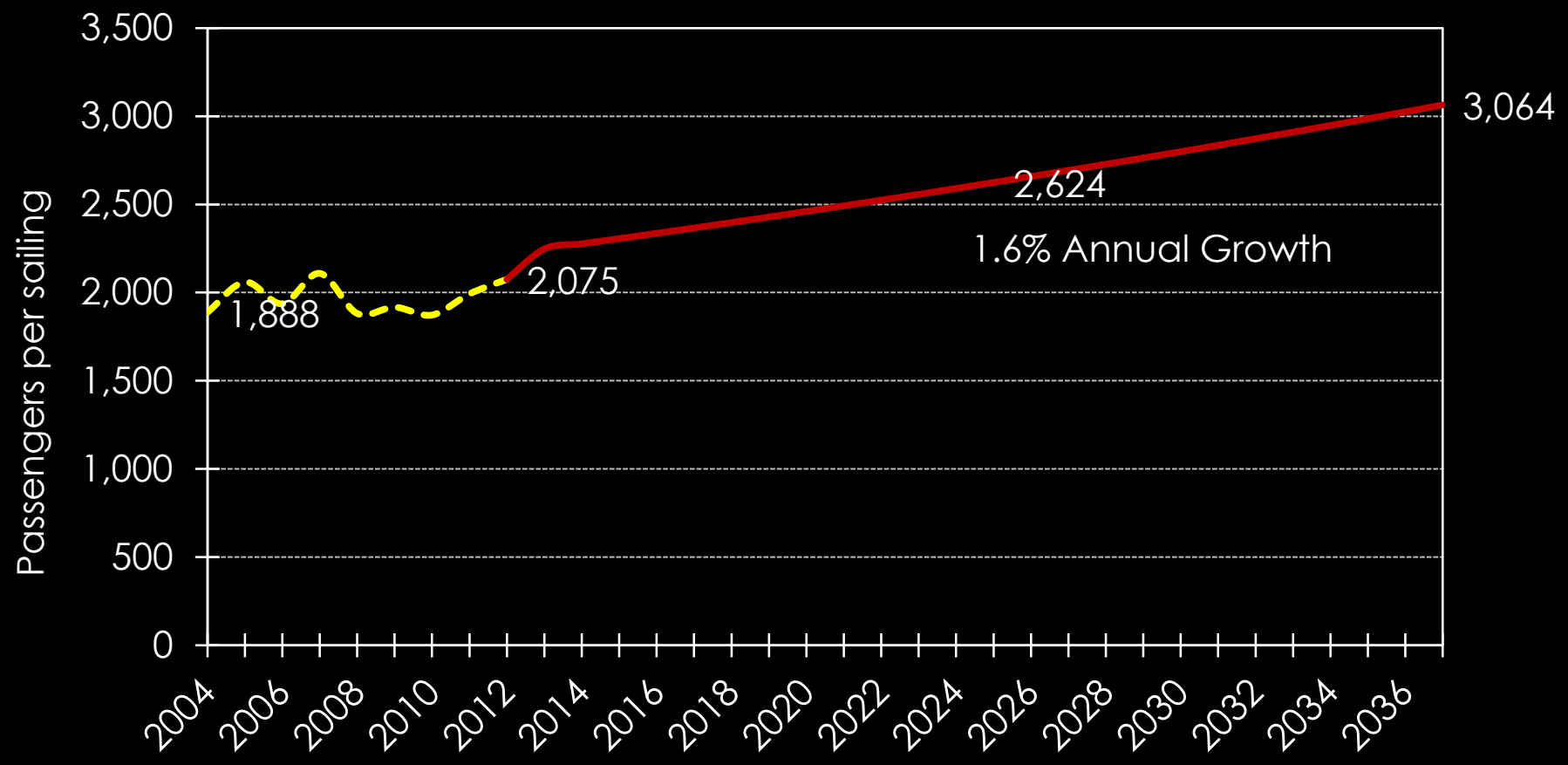
Preliminary projection overview

- Projections anticipate that the cruise industry will continue to follow fundamental positive trends
  - Forecast methods and various assumptions inherent in each incorporate our best interpretation of demand and supply
- Projections are un-constrained in nature and do not take into account the potential berth capacity, utilization or other limiting factors of Victoria or downstream ports *(scenario 3 exception)*
- Conducted separate projection models
  - Trend regression, regional market capture, Seattle berth capacity
  - 3 Scenarios based on cruise line trends and opportunities
    - Scenario 1 - considers SEA/VAN berth capacity and additional new berths
    - Scenario 2 considers capacity based upon revision of PSA
    - Scenario 3 - provides constrained outlook: no new berths in Victoria

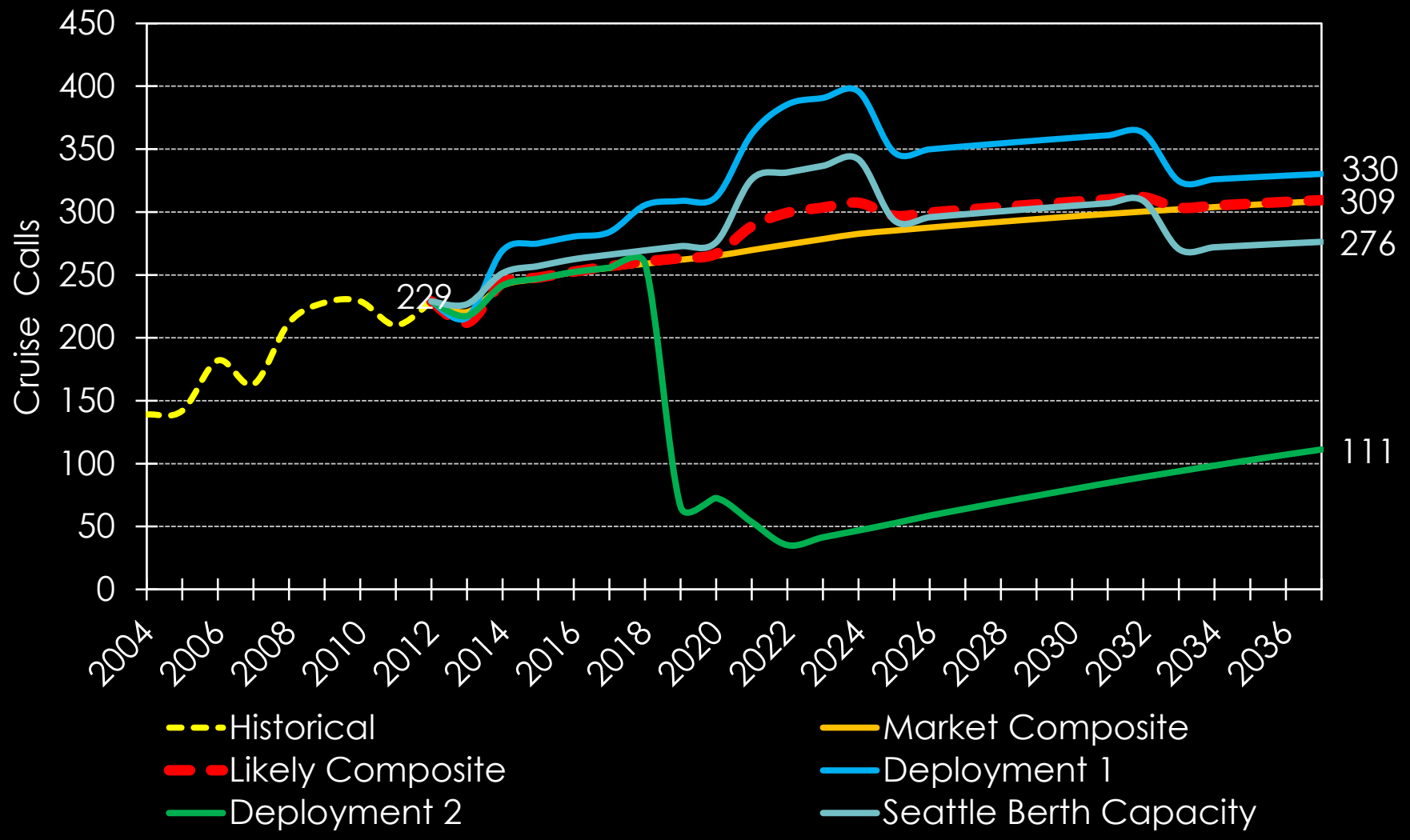
Cruise passenger projection range, *2004 - 2037*



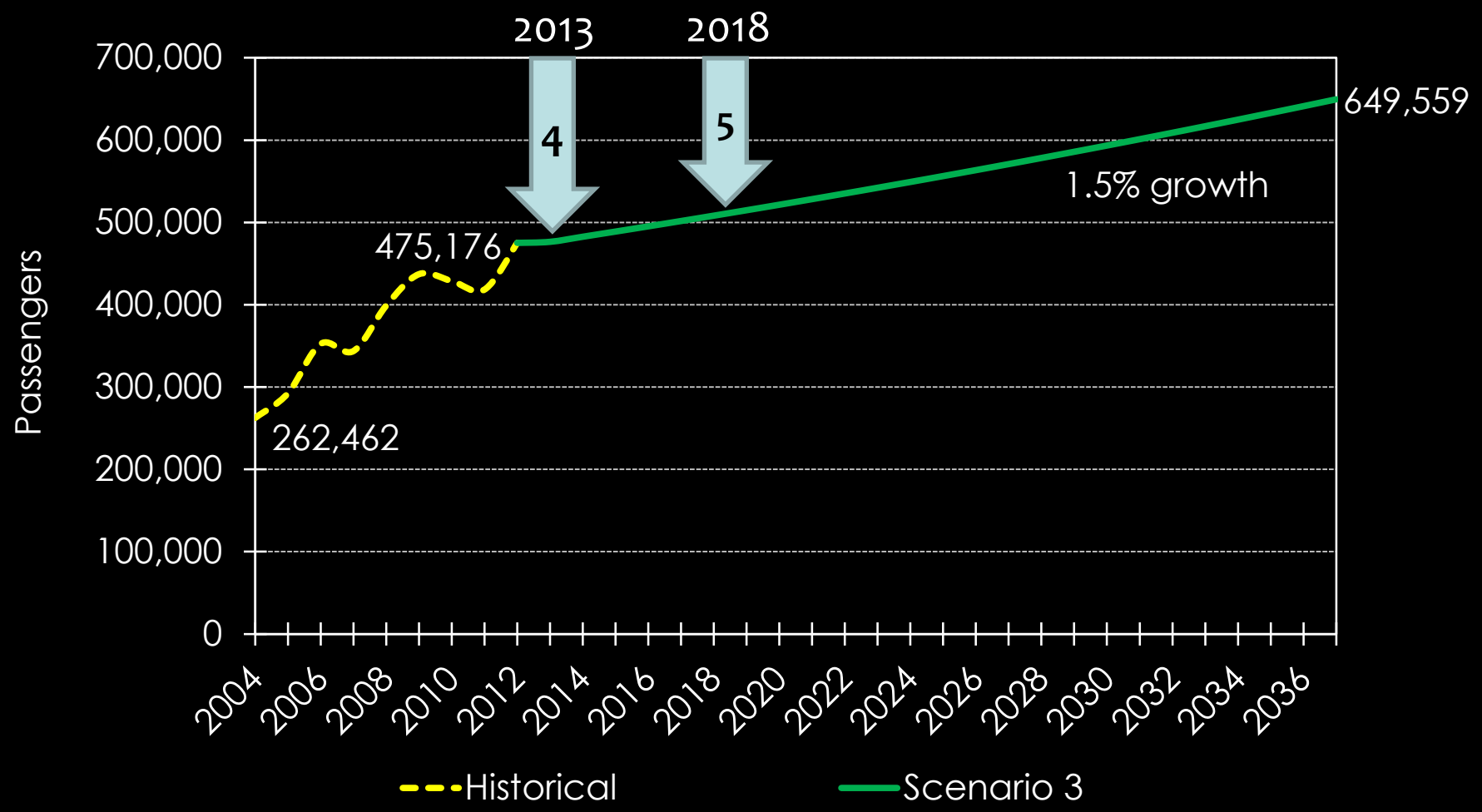
Passengers per sailing, *2004 - 2037*



Cruise call projection range, *2004 - 2037*



Constrained Victoria berth scenario, *2004 - 2037*



Scenario adds no new berths (demand outstrips capacity)
Growth primarily through vessel capacity increases

Future berth demand

- Peaking causes berth demand issues
  - Thu – Sat berth demand issue in all scenarios (manage calls in peak months)
  - Develop 4th berth in conjunction with Seattle (or soonest) with a 5th berth demand in 2018 (based upon likely scenario)

- Berth demand is likely for 4 berths into the future <u>with management of berths</u>
  - Larger vessel deployments likely in region (Solstice in 2013)
  - Need for facility to accommodate vessels with berth length of 330 meters

- Berth and passenger demand drives development phasing and requirements for master planning

Moving forward

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Recommendations

- Berths
  - There is a likely need for a 4th berth soonest
    - Management of berth assignments is required into the future
  - Future infrastructure should accommodate 330-m., 150,000 GT, 3,000 plus passenger vessels

- Terminal and uplands
  - Incorporate combined CBSA into Ogden Point
  - Master Plan should further develop upland layouts for GTA, passenger and vehicle movements

Recommendations

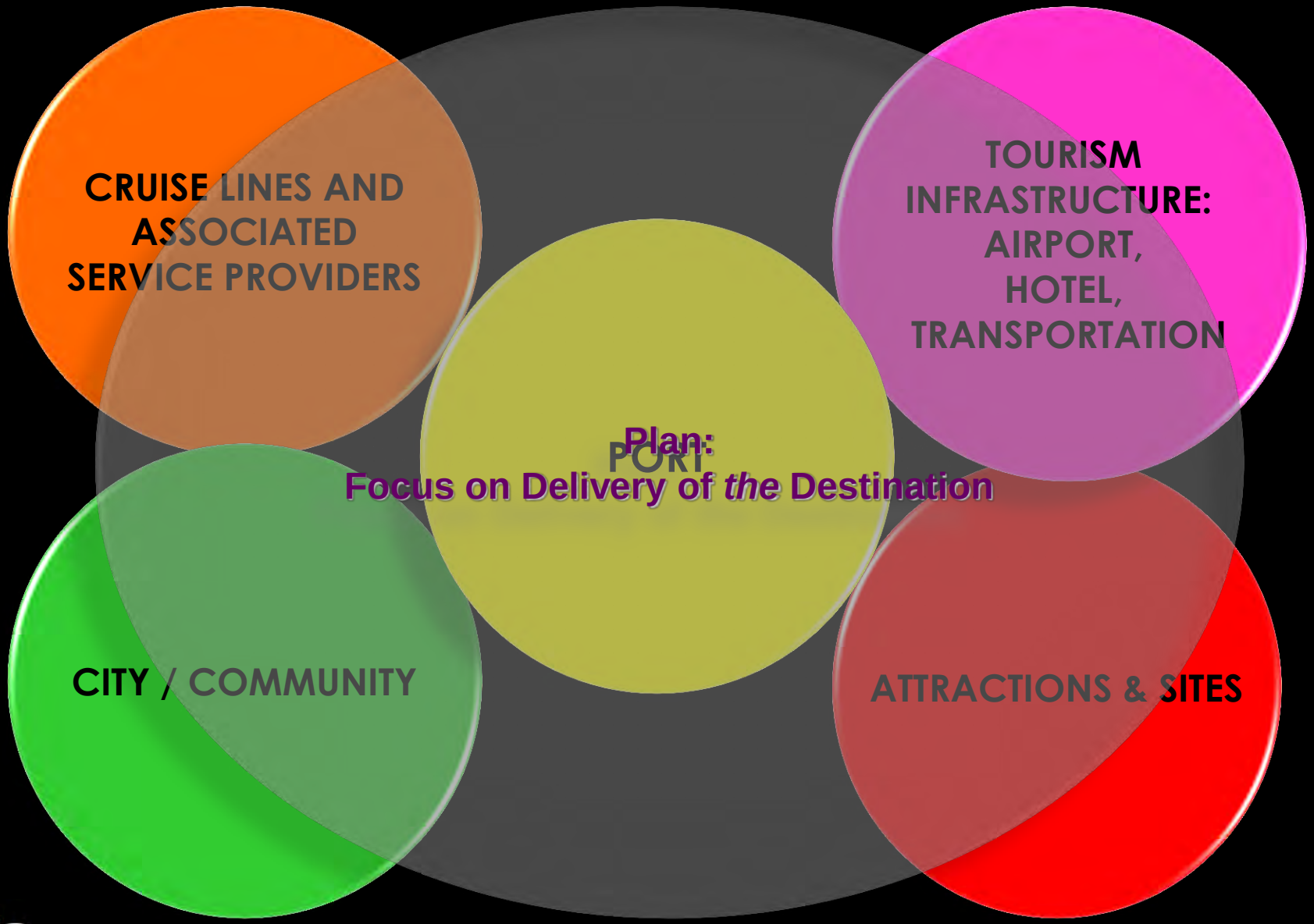
- Address community issues through planning process
  - Traffic movement and noise considerations
  - Use alternative modes of movement – via water, etc.
  - Use master planning process to separate cruise operations from community via technological mitigation
  - Education, management and cooperation of owner and stakeholders

- Victoria Marketing efforts
  - Develop NA consumer market – build the knowledge base of Victoria
  - Join forces with Victoria and BC tourism
  - Continue cruise line efforts and strengthen relationships
  - Focus on new opportunities - European brands / Asian (long-term)

Recommendations

- Planning
  - Where does cruise fit in the overall waterfront plan?
    - Should be the primary driver of future development for Ogden Point
  - Master Planning next steps
    - Layout alternatives
    - Cost / Benefit analysis
    - Financial assessment of alternatives (ROI)
    - Financial and phasing plan
    - Funding
    - Management and operations planning

Comprehensive approach



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