

█ believes that it is in the interest of the Municipality to have an experienced **independent** cruise port operator managing the concession in partnership with the community. Allowing cruise lines (either directly or indirectly) to manage the port, either through a concession or through berthing agreements is not optimal as the goals of the municipality and the cruise lines are not compatible. An 'open access' port with an experienced, independent operator making sound decisions based on **what is in the municipality's best interest** should be the priority. █

█ The cruise industry has successfully managed to keep port costs very low in Alaska, despite the record levels of profitability. This demonstrates the fact that there is a serious disparity between what is good for Ketchikan versus the profitability of the lines. To consider partnering with the cruise lines, directly or indirectly therefore makes no sense. Can they ever truly be partners? Given the high levels of demand, port costs should be increased to maximize the benefit to the community. This is exactly how airports manage their revenues with high demand slots commanding higher prices. In fact, the cruise lines also operate in a similar fashion with cabins priced differently based on demand. Ketchikan berths are in high demand and should command a premium.

We would also caution the municipality to avoid making the RFP process any more complicated than necessary. In our opinion, outside consultants and advisors sometimes make the process too unwieldy and very expensive for the municipality. We could, if requested, provide copies of the RFP's issued by other destinations.

The tone of the RFP, in our opinion, should be to find a partner who will work hand in hand with the destination to maximize their opportunity. █ specializes in supporting our destinations and helping them construct a fairer, win – win relationship with their customers, the cruise lines.

In addition, improving or adding piers will not make the port more attractive to cruisers. █ is willing, if acceptable to the community, to make additional investments in tourism infrastructure to help improve the product. This is intended to support the local stakeholders, not compete with them. In addition, careful thought must be given to the distribution of cruise passengers throughout the area and the impact on residents and visitors alike. █ has considerable experience in managing these challenges and understands the importance of sound traffic design both for passengers and vehicles to minimize disruption and maximize the economic benefit to the destination.

**It is expected that the RFP will go through final iterations prior to being released to the Public for bidding, thus any input and ideas that can be shared now will be considered as part of the RFP amendment process.**

We would STRONGLY recommend that the Municipality issues an RFP for all of the cruise facilities in Ketchikan currently under their control. It would be a significant mistake in our experience, to allow cruise lines to have berthing preferences for individual berths. These agreements are a 'stealthy' way for cruise lines to control who gets to use each facility and would limit growth. The goal of cruise lines is to get berthing preference for themselves and keep out other new brands.

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The number of destinations in Alaska is severely limited. Ketchikan, Juneau and Skagway are the primary "marquee" Alaska ports-of-call. Ketchikan maintained its capture rate of more than 95% from the Alaska cruise market due to its proximity to homeports and Ketchikan's high passenger satisfaction rates. The size of the vessels that are berthing in Ketchikan grew by 18% for the last 10

years, [REDACTED] expects this trend to continue. Also, the homeports investments such as Terminal 48 in Seattle, will increase the traffic so necessary infrastructure investments need to be conducted not to decrease the market share.

Alaska is recognized by the cruise lines as being a premium, high yielding destination, generally considered to be the most profitable market in the world. This situation places Ketchikan in the enviable situation of having more demand than it can currently accommodate. Expansion of the facilities therefore will bring immediate benefits as lines compete for space. We would expect growth rates in Alaska to exceed industry growth by at least 1% -2% annually unless the legacy lines are able to continue limiting new entrants to the market. [REDACTED] is confident that we can position Ketchikan to generate 600 calls and 1.4 Million passengers in 10 years and 740 calls and 1.9 Million passengers in 20 years. Larger vessels, berthing capacity expansion of homeports and other Alaskan ports combined with an 'open access' philosophy, together with high growth rate in the Alaska market will be the main catalysts.

In light of the above we would suggest that the best solution for Ketchikan would be the selection of an independent port operator, who will be an excellent partner and will operate the port on an open access basis for the benefit of the community.