



GREAT LAKES  
ST. LAWRENCE  
GOVERNORS  
& PREMIERS

---

UNITED FOR GROWTH

# Great Lakes-St. Lawrence Maritime Day

WASHINGTON, DC

December 14, 2017

# Great Lakes St. Lawrence Governors & Premiers

- Formed in June 2015, building on 30 years of work by the Council of Great Lakes Governors

- Chief executives of:

**Illinois**

**Indiana**

**Michigan**

**Minnesota**

**New York**

**Ohio**

**Ontario**

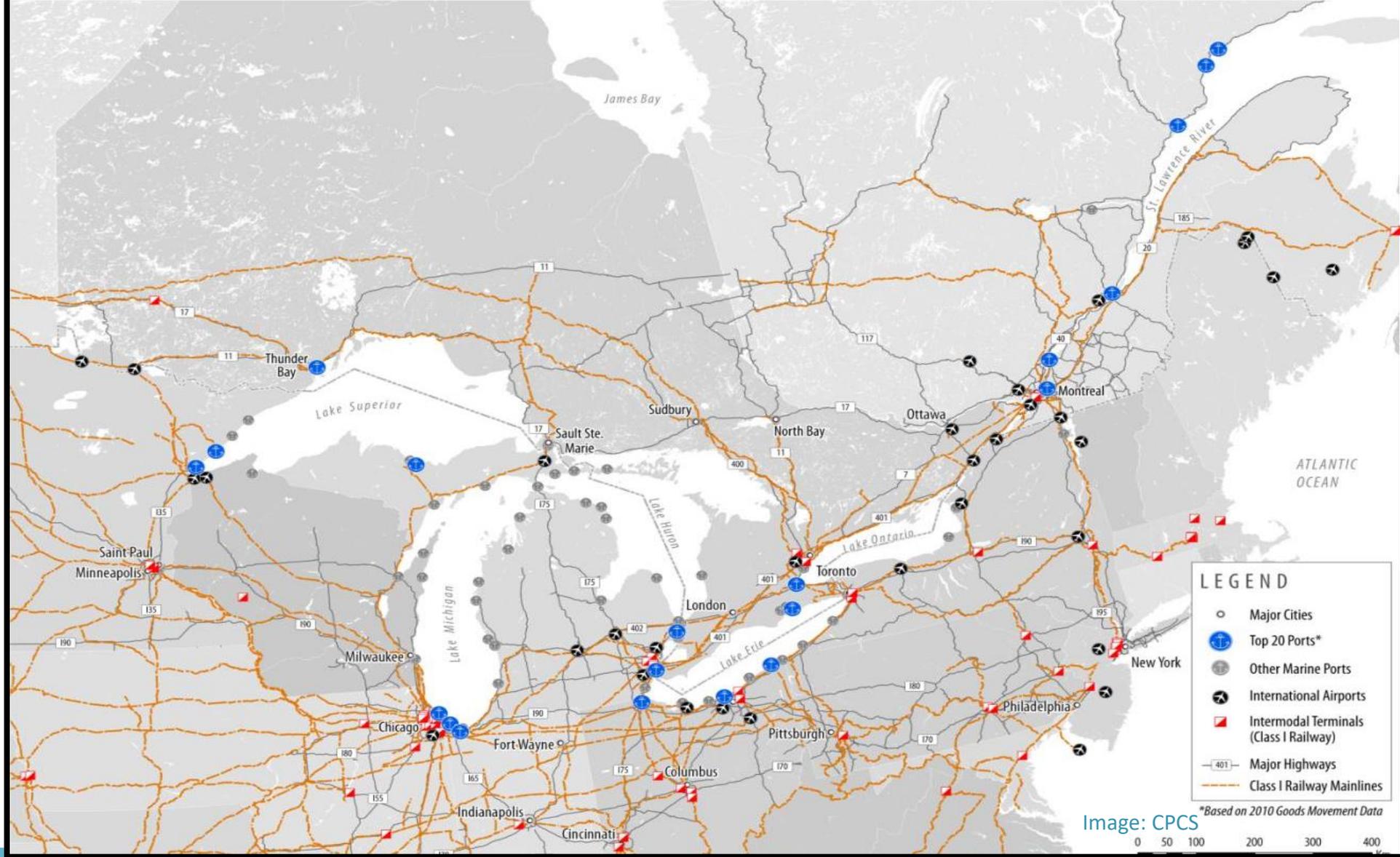
**Pennsylvania**

**Québec**

**Wisconsin**

- Growing the region's \$6 trillion economy and protecting the world's greatest freshwater system
- Chair: Michigan Governor Rick Snyder





The maritime system is a backbone of the region's \$6 trillion economy.

# Maritime Initiative

World's largest inland waterway system

- More than 100 commercial ports
- A continuous waterway extending more than 2,300 miles (3,800 km)

Approximately 400 million tons of goods move through the region's ports annually

Directly responsible for more than 220,000 jobs and US\$14 billion in annual wages

Generates US\$30 billion in annual business revenue



# Regional Maritime Strategy

- Goals - Double maritime trade, shrink the environmental impact of transportation, and support the region's industrial core
- Collaborative process including government, industry, NGOs and other partners; public comments; released June 2016
- Policies, programs, and projects to grow the economy and create jobs



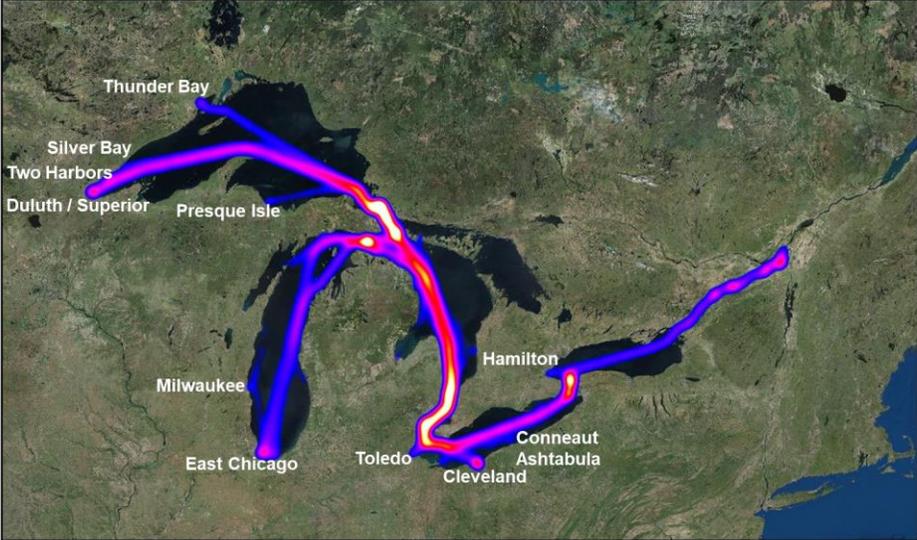
# Regional Maritime Strategy

## Ongoing Federal Priorities

- Bottleneck analysis
- Pilotage
- Dredging
- Icebreaking
- Data and metrics
- US-Canada treaty



# Vital National Infrastructure



6



# Vital National Infrastructure

## Soo Locks

- MacArthur Lock constructed in 1948, Poe Lock constructed in 1968
- Second Poe-sized lock authorized in 1986
- WRDA 2007 directs the USACE to build a second Poe-sized lock
- Cost-benefit analysis
- 2016 DHS report



# Vital National Infrastructure

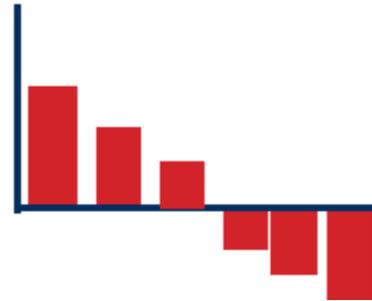
**100%**  
OF THE IRON ORE  
MINED IN THE U.S.  
COMES THROUGH  
**THE SOO LOCKS**



**\$500.4 BILLION**  
OF IRON ORE  
PASSES THROUGH THE LOCKS  
ANNUALLY



THE GROSS DOMESTIC  
PRODUCT  
WOULD DECREASE BY  
**\$1.3 TRILLION**  
AS A RESULT OF  
**THE LOCKS**  
CLOSING



**100%**  
OF NORTH AMERICAN  
AUTO PRODUCTION  
WOULD HALT WITHIN  
**WEEKS**



**A SIX-MONTH**  
SHUTDOWN OF THE  
**SOO LOCKS**  
WOULD RESULT IN  
**11 MILLION**  
**JOBS LOST**  
NATIONWIDE





# Vital National Infrastructure

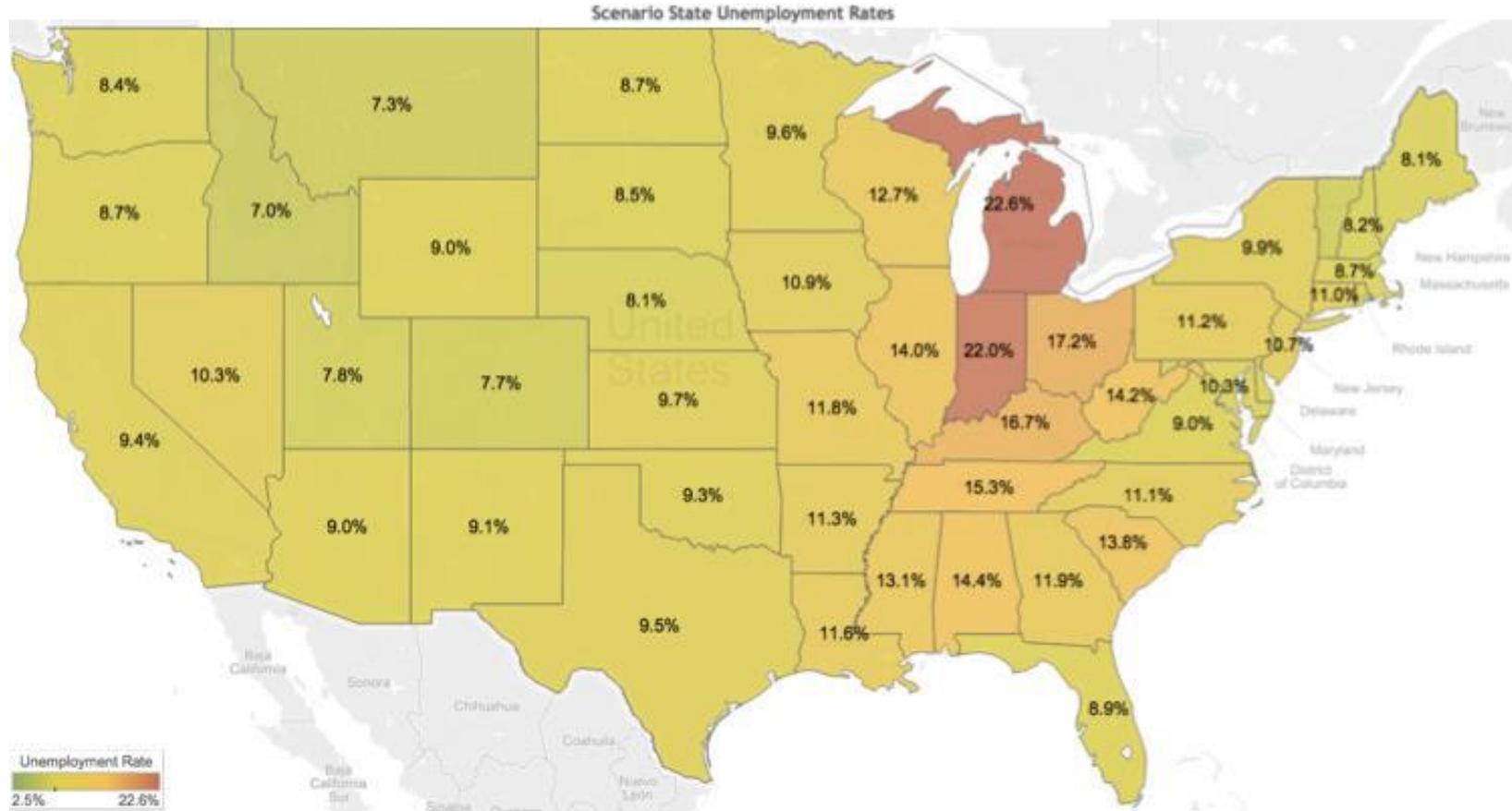


Image: DHS



# Vital National Infrastructure

- Federal funding is essential
- The Achilles' heel of North America
- National economic/supply chain impacts

State	October 2009 Unemployment Rate	Closure Scenario Unemployment Rate
Alabama	7.4%	14.4%
Indiana	9.8%	22.0%
Kentucky	11.2%	16.7%
Michigan	15.1%	22.6%
Ohio	10.5%	17.2%
Tennessee	5.0%	15.3%

Image: DHS



# Smart Ships Initiative

The fourth shipping revolution is on

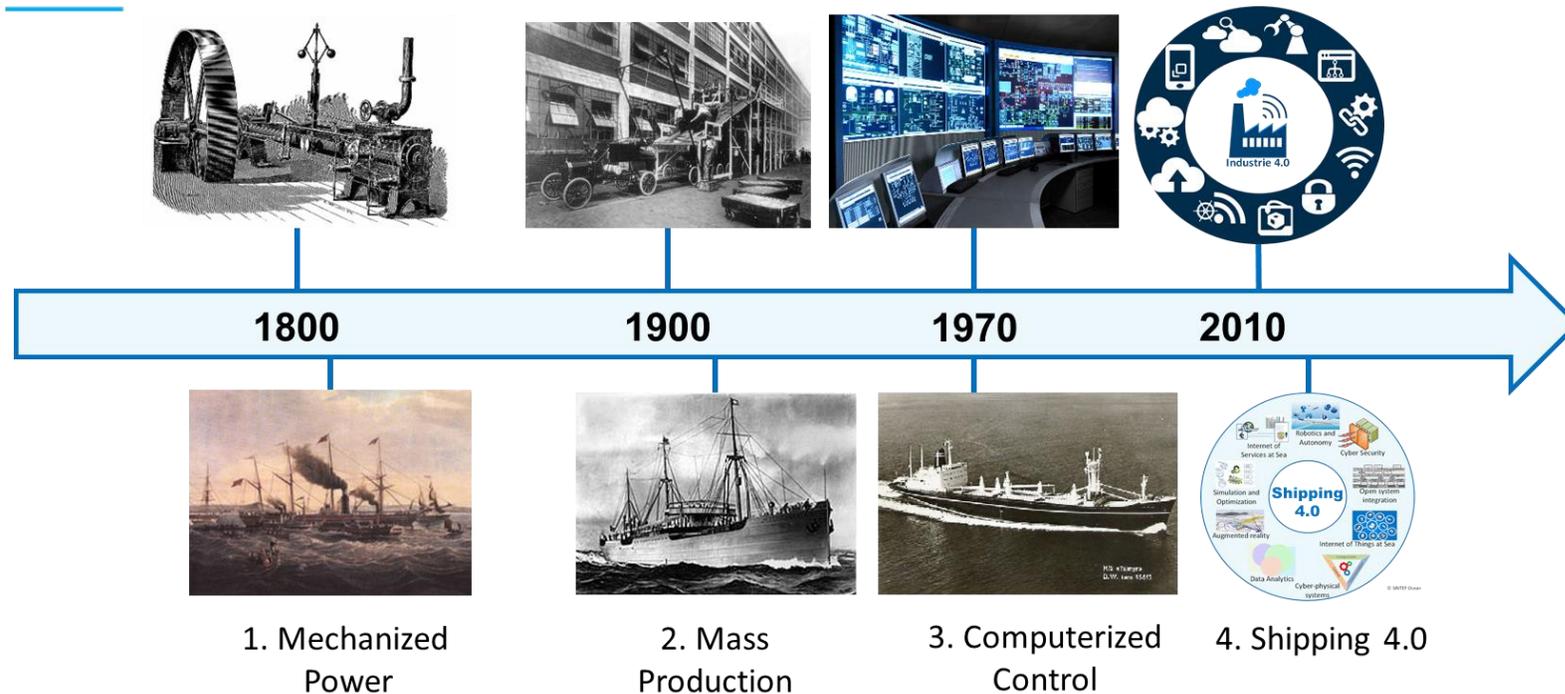
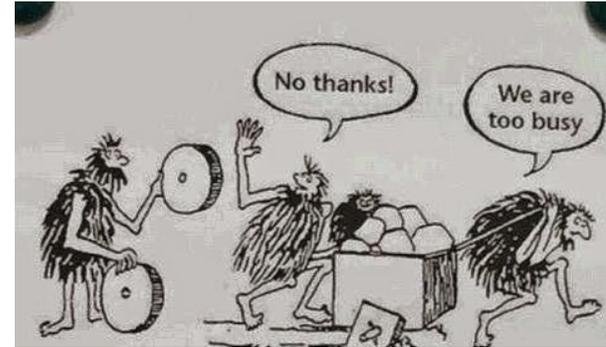


Image: NFAS



# Smart Ships Initiative

## Shipping 4.0



### Possible **game changers** in Shipping 4.0:

- Digitalization of commercial shipping processes
- Autonomous and unmanned ships



# Smart Ships Initiative

## Why smart ships ?



Wikimedia Commons

Less dangerous exposure for crew



MAIB, UK

Less damage related costs



Exxon Valdez Oil Spill Trustee Council

Fewer large oil spills



Lower emissions



New ship types

Image: NFAS



# Smart Ships Initiative

## Operational levels

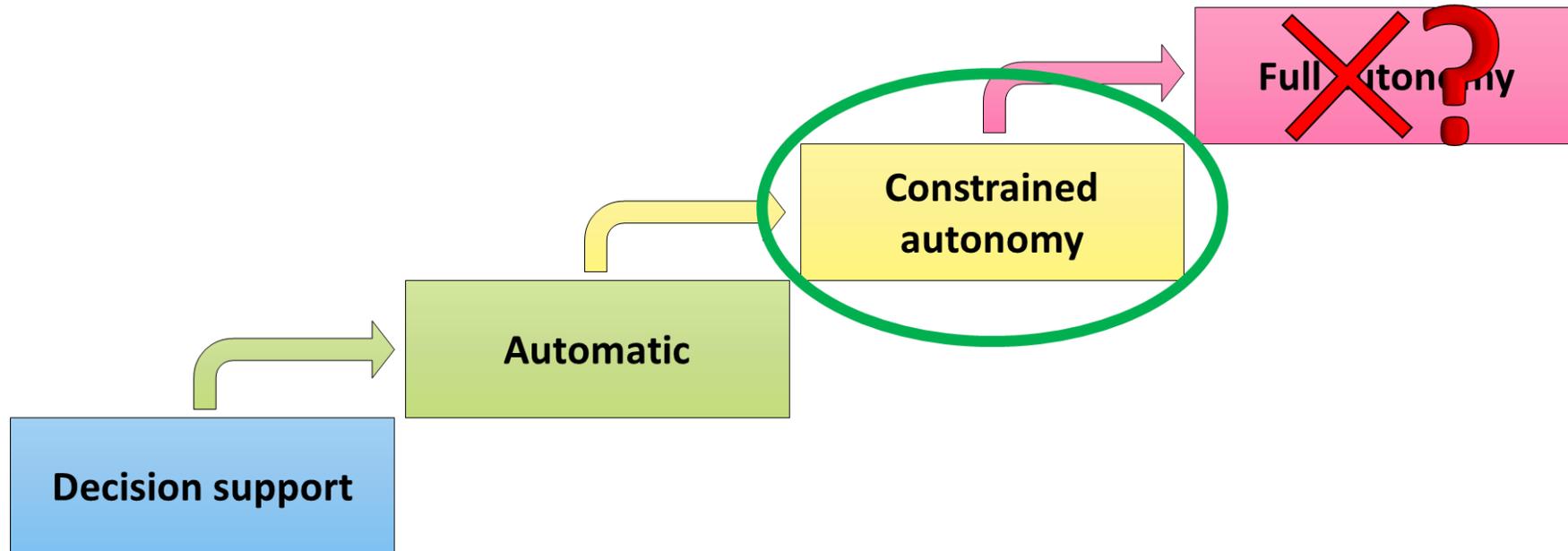


Image: NFAS



# Smart Ships Initiative

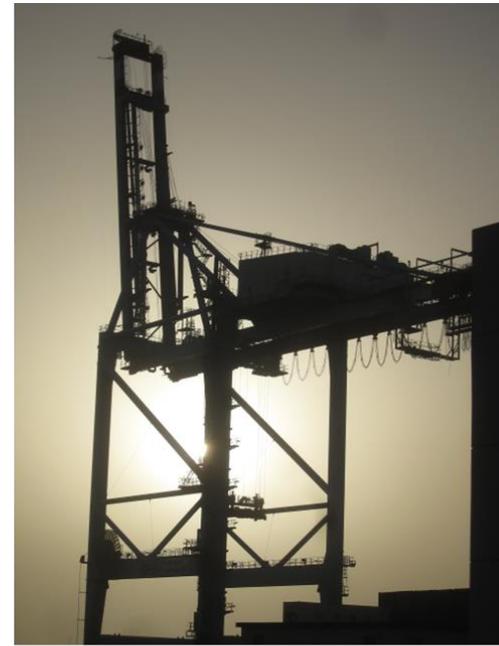
## Onshore infrastructure



Shore control



Tugs, docking, mooring



Loading and discharge of cargo

Images: NFAS

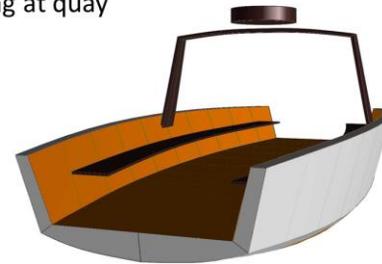


# Smart Ships Initiative

## Milli-Ampere



- On-demand passenger ferry
- Max 12 persons + bicycles
- Electrical propulsion, battery
- Inductive charging at quay



Linking center of Trondheim to seaside and rail station

Images: NFAS



- Yara fertilizer
- Kongsberg partner
- Replaces 40,000 truck trips a year



# Smart Ships Initiative

## A tremendous opportunity

- Exponential growth
- Create new high-paying, high-skill jobs
- Establish a global center of excellence for researching, developing, testing, and producing this technology
- Along with connected and autonomous vehicle industry, establish the region as a technology exporter
- Enhance safety, security, and efficiency of maritime transportation



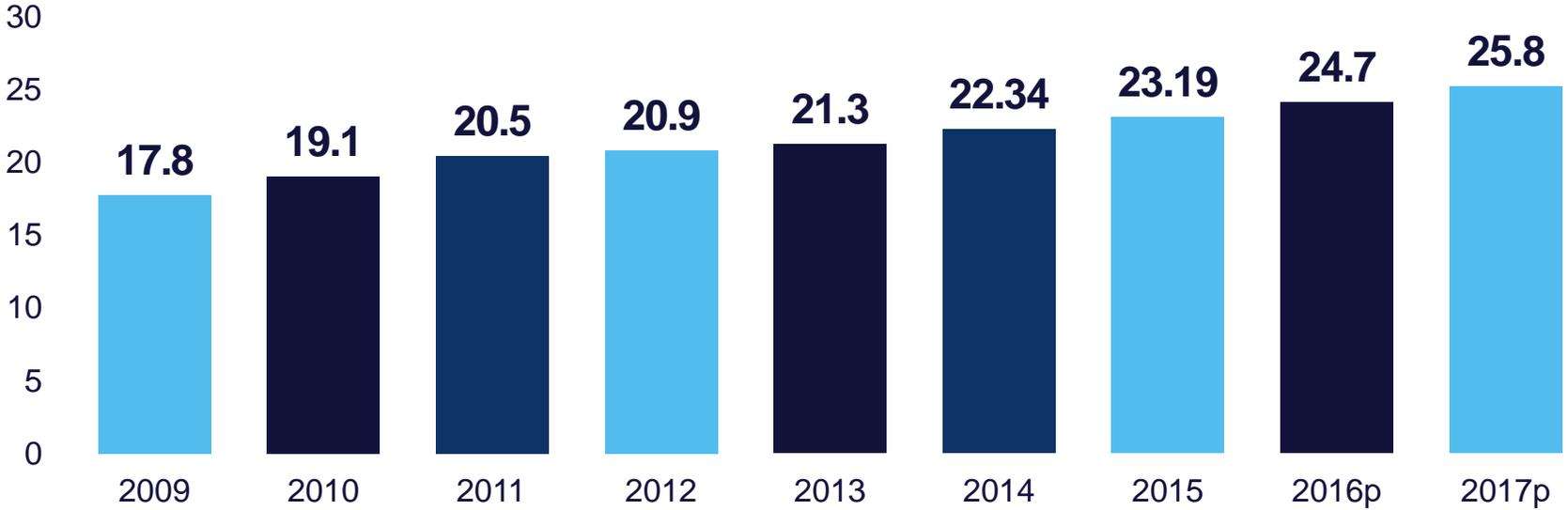
# Smart Ships Initiative

- Builds on regional strengths including maritime, automobile manufacturing, and IT
- MOU creates collaboration with Norwegian Forum for Autonomous Ships (NFAS), and launches regional Smart Ships Coalition
- Policy recommendations due within one year to improve technology, safety and public awareness



# Global Boom in Cruising

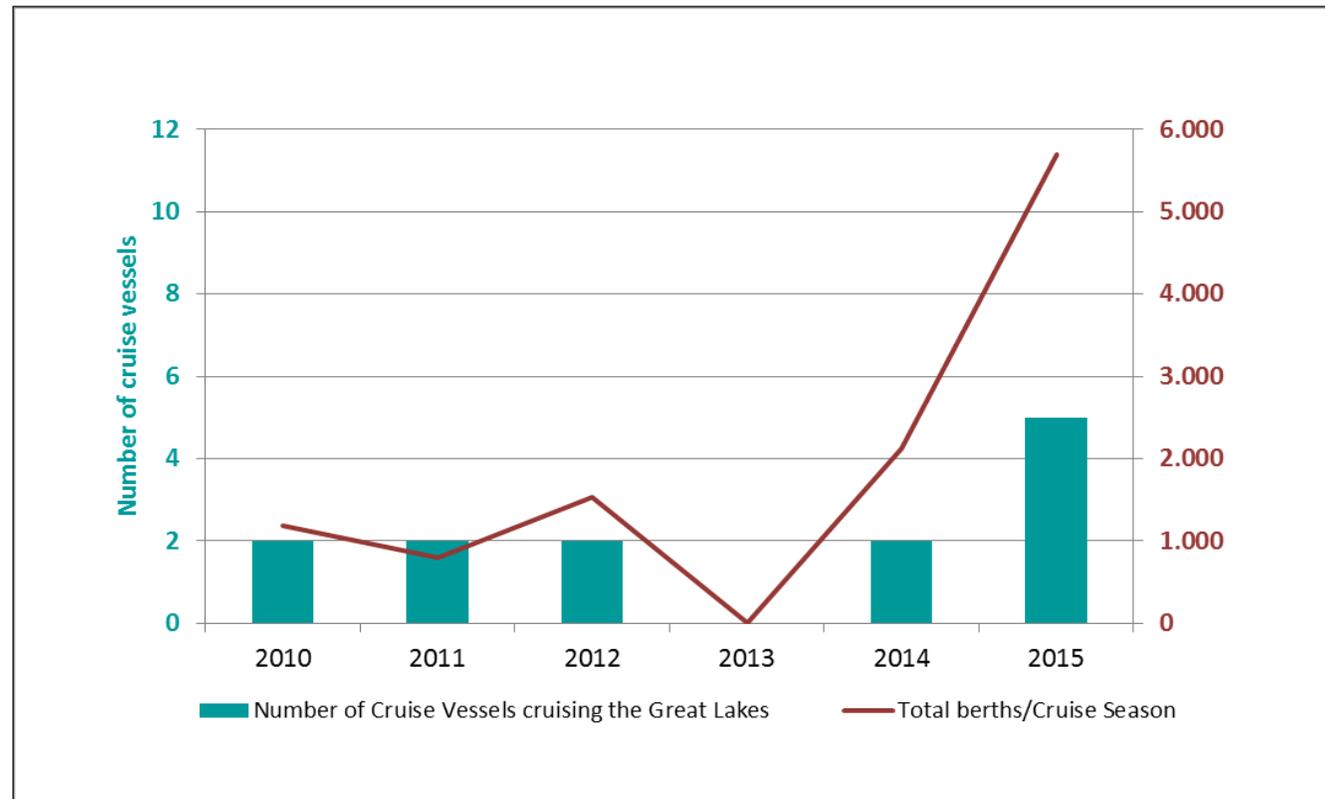
In 2015, supported about 1 million full time jobs and \$40 billion in wages and salaries



Passengers (in millions)  
Source: CLIA



# Cruising in the Great Lakes St. Lawrence region



Source: Ontario Ministry of Tourism, Culture and Sport (2010-14) and cruise line homepages (2015)



# Cruising—A Unique Regional Opportunity

- Recent and potential future growth
- Very high per customer spending rate
- Regional reach to both big and small destinations
- Likelihood of return visits by cruise passengers
- Each customer necessarily visits multiple States/Provinces, thus creating a unique opportunity for regional marketing



# Challenges to Growth

- Regulatory and policy issues including
  - Customs/border procedures
  - Pilotage
  - Others
- Shoreside facilities, experiences in need of improvement
- Marketing



# Customs

- Regional network of permanent Customs clearance facilities:
  - Cleveland
  - Detroit
  - Duluth
  - Sault Ste. Marie





**P** 312.407.0177

**E** mpiskur@gsgp.org

**gsgp.org**



VICTORY  
CRUISE LINES

**The Time Has Come for  
“Great Lakes Cruising”**

**Washington D.C. December 14, 2017**



# VICTORY

CRUISE LINES





- Home office in Miami Florida
- Victory Owners / Senior Exec team average over 30 years in cruising
- 5 star all inclusive product. Received top ratings from Travel Agents
- Only All-inclusive cruise on the Great Lakes
- 5-Star food and service
- Most immersive tour and excursion product - all inclusive
- Becoming the 1st choice for cruising the Great Lakes and St. Lawrence



- First voyage July 2016.
- In 2018, in only its 3<sup>rd</sup> summer in service, VCL will become the largest cruise operator serving the 5 Great Lakes, The St. Lawrence, and New England
- Two ships. Victory I and Victory II
- 38 voyages - 11,000 passengers and crew
- Ports of call in all 5 Great Lakes, New England and the St. Lawrence.



# VICTORY CRUISE LINES

- We serve the “Mature Market” 65 +
- Affluent, well traveled.
- Well educated and looking for immersive cultural experiences
- Well read. Enjoy interacting with the people and places they visit.
- Security conscious. Sensitive to International terrorism issues / events
- Like to travel in small groups and with friends
- Enjoy the “Home Like” environment on small deluxe cruise products







VICTORY II

NASSAU



- Our ships are unique.
- Modern in operating technology but built to look and feel like a “Coastal Steamer” from 1900.
- These ships were built to do exactly what the Great Lakes is best at.
- Natural beauty, coastal communities and cities, great weather all wrapped in a “Mid-Western Sense of Hospitality and Welcome.”
- “Warm and Fuzzy” was invented here.











- We are here in Washington to show our appreciation for the opportunity to provide a new way to enjoy one of the top travel regions in North America.
- We are also here to declare our support for the **growth of Cruise tourism** in the region and do our part and provide leadership to help make that happen.
- We at Victory, truly believe that this region is ripe for significant but controlled and “balanced” growth.
- “Balanced” = economic growth for whole region while not losing product identity and consistent content delivery.



- Every destination has its issues problems and opportunities.
- Whether its security, Immigration and Customs processing, pilotage costs and availability, destination and attraction development, facility improvements and modifications or anything else that evolves unique to this region, the operators of Victory Cruise Lines have experienced these and similar types of issues all over the world.
- We will do our part to improve transport and tourism in the region an any way possible and practical.



- Cruising's short and long term impact on tourism / economic growth:
- This region is positioned better than most to take advantage of current demographics, International events, and the need for a vacation that "makes you feel safe and secure."
- We have marketed vacation products all over the world and we have never seen a better situation than this region for controlled, practical growth that can be stimulated by proper cruise industry involvement.
- It's like Alaska was in mid-1980's but with protection from mass market risks.



- Currently and for the next 20 years the mature market "Baby Boomer" will dominate world travel
- They are retiring earlier with more disposable time, they are affluent and love to travel
- They are very security conscious. They will avoid travel to regions of risk. Looking for new "Domestic" destinations. Want to feel safe.
- Yet they seek new places, with historical and cultural content and with a flair for quality and delivery of that quality



- The Great Lakes and the St. Lawrence provide the perfect solution to serve this need for new, exotic and friendly safe travel close to home.
- Plus, it is not an “over run destination region”.
- It feels familiar and friendly and certainly secure. North Americans will feel no safer anywhere than in Canada or the US.
- They are coming now and in increasing numbers. The May thru October seasons for small ship cruising in these regions is basically sold out each summer. More ships are coming. All small and intimate.
- That’s the best part!!



- The navigational logistics of the 5 Great lakes and the St. Lawrence provide a natural protection for the region not to become a parking lot for mega cruise vessels carrying 2000-5000 passengers each.
- Places like Alaska are receiving more tourists, especially by cruise vessel, than anytime in history for many of the same reasons people are coming to the Great Lakes.
- But there is little control in Alaska as to how many ships are coming in to such places and if you drop 10,000+ cruise passengers in any port in one day, you would drastically change the atmosphere and the experience.
- That cannot happen here in this region, which is a big advantage.



- We should continue to work together to grow the market steadily with small cruise vessels around 100 cabins per ship and explore and develop the ports all over the region. Small towns. Big Cities. Ethnic communities that have flourished since the early 1900's.
- You have it all here and are right in the middle of the largest and most powerful vacation purchasing group in the history of civilization.
- That's now and for the next 5-10 years.
- But what's next?



- New ships are being built. Similar capacities. Capable of doing something the current vessels in the region cannot. We are building several.
- The next great opportunity market for this region is the “Family Cruise and Vacation Market”
- New small ships can bring families to the region and create a whole new wave of controlled demand. Current ships cannot.
- We look forward to working together with the Tourism Boards and promotional arms of the region to support the continued growth in “mature travel” and the next generation of “family travel” which will come soon cruising on the next generation of small ships being built over the next 5 years.



# VICTORY

CRUISE LINES





- We need to invest in new product development together to spread the traffic thru the entire region.
- More traffic on Lake Superior and new towns less visited with great product content.
- New ports of call and innovative experiences on current routes where we go continuously.
- Victory is already doing some of this and welcomes joint action plans with communities and regions to increase the development of new alternatives ashore.



## Small-scale ocean cruise vessels orderbook (as of 15 November 2017)

SHIP NAME	DELIVERY	BUILDER	GROSS TON	LR BERTH	OWNER/OPERATOR	CONTRACT PRICE
Coral Expeditions order	2019	VARD		120	Coral Expeditions	
Crystal Endeavor	2019	MV Werften	22,500	200	Crystal Cruises	\$200,000,000
Crystal Expedition 2	2020	MV Werften	22,500	200	Crystal Cruises	\$200,000,000
Crystal Expedition 3	2021	MV Werften	22,500	200	Crystal Cruises	\$200,000,000
Dumont D'Urville	2019	VARD	10,000	180	Ponant	\$130,000,000
Flying Clippers	2018	Bodosplit Shipyard	8,770	300	Star Clippers	\$110,000,000
Roald Amunsen	2018	Kleven Norway	10,000	600	Hurtigruten	\$130,000,000
Fridtjof Nansen	2019	Kleven Norway	10,000	600	Hurtigruten	\$130,000,000
Hanseatic Nature	2019	VARD	16,100	240	Hapag-Lloyd Cruises	
Hanseatic Inspiration	2019	VARD	16,100	240	Hapag-Lloyd Cruises	
Hondius	2019	Bodosplit Shipyard	6,300	180	Oceanwide Expeditions	
Hurtigruten option 1		Kleven Norway	10,000	600	Hurtigruten	\$130,000,000
Hurtigruten option 2		Kleven Norway	10,000	600	Hurtigruten	\$130,000,000
Le Laperouse	2018	VARD	10,000	180	Ponant	\$130,000,000
Le Champlain	2018	VARD	10,000	180	Ponant	\$130,000,000
Le Bougainville	2019	VARD	10,000	180	Ponant	\$130,000,000
Lindblad Ulstein order	2020	Ulstein Verft	12,300	130	Lindblad Expeditions	\$134,600,000
Lindblad Ulstein option 1		Ulstein Verft	12,300	130	Lindblad Expeditions	\$134,600,000
Lindblad Ulstein option 2		Ulstein Verft	12,300	130	Lindblad Expeditions	\$134,600,000
Magellan Explorer	2019	ASENAV	4,900	100	Minke Shipping Co.	
National Geographic Venture	2018	Nichols Brothers Boat Builders	2,200	100	Lindblad Expeditions	\$48,000,000
World Explorer	2018	WestSea Viana Shipyard, Portugal	9,300	200	Mystic Cruises	
Mystic Cruises 2	2019	WestSea Viana Shipyard, Portugal	9,300	200	Mystic Cruises	
Mystic Cruises 3	2020	WestSea Viana Shipyard, Portugal	9,300	200	Mystic Cruises	
Mystic Cruises 4	2021	WestSea Viana Shipyard, Portugal	9,300	200	Mystic Cruises	
Ritz-Carlton order 1	2019	J. Barreras	24,000	298	Ritz-Carlton Yacht Collection	\$210,000,000
Ritz-Carlton order 2	2021	J. Barreras	24,000	298	Ritz-Carlton Yacht Collection	\$210,000,000
Ritz- Carlton order 3	2022	J. Barreras	24,000	298	Ritz-Carlton Yacht Collection	\$210,000,000
Scenic Eclipse	2018	Uljanik, Croatia	16,000	200	Scenic Cruises	\$142,000,000
Scenic option	2019	Uljanik, Croatia	16,000	200	Scenic Cruises	\$142,000,000
Seabourn Ovation	2018	Fincantieri	40,350	604	Seabourn	\$270,000,000
Silver Moon	2020	Fincantieri	40,700	596	Silversea	€310,000,000
Silversea option 1	2021	Fincantieri	40,700	596	Silversea	€310,000,000
Silversea option 2	2023	Fincantieri	40,700	596	Silversea	€310,000,000
SunStone order 1	2019	China Merchants Industry Holdings			SunStone Ships	
SunStone order 2	2019	China Merchants Industry Holdings			SunStone Ships	
SunStone order 3		China Merchants Industry Holdings			SunStone Ships	
SunStone order 4		China Merchants Industry Holdings			SunStone Ships	
SunStone option 1		China Merchants Industry Holdings			SunStone Ships	
SunStone option 2		China Merchants Industry Holdings			SunStone Ships	
SunStone option 3		China Merchants Industry Holdings			SunStone Ships	
SunStone option 4		China Merchants Industry Holdings			SunStone Ships	
SunStone option 5		China Merchants Industry Holdings			SunStone Ships	
SunStone option 6		China Merchants Industry Holdings			SunStone Ships	
Ulstein undisclosed order	2019	Ulstein Verft			Undisclosed	
Ulstein undisclosed option	2020	Ulstein Verft			Undisclosed	
			4,508	200	Cruceros Australis	



- What does all this mean?
- We have an incredible opportunity to develop the Great Lakes and St. Lawrence in to a **Major Cruise Destination Brand**
- We can use the regions physical make-up to control the growth while taking full advantage of the economics
- **Caribbean Cruising, Mexico Cruising**
- **Alaska Cruising, Mediterranean Cruising,**
- All major Cruise destination brands.
- **Time for “Great Lakes Cruising” to Join the club as a major brand.**



VICTORY  
CRUISE LINES