

## FINANCIAL ANALYSIS OF:

### Cruise Terminal 4 (CT-4) Redevelopment

The financial analysis of CT-4 considers a \$13.0 million investment in CT-4 to accommodate 6,000 additional revenue passengers on an existing weekly sailing for 26 weeks plus 7,200 revenue passengers on an additional weekly sailing for 26 weeks. These numbers are based on 100% occupancy, and include that the number of revenue passengers is double the number of passengers (embarking and disembarking passengers). While 90% load factor is an average for the cruise industry, as has been noted, occupancy can exceed 100% in the cruise industry, due to calculation of capacity based on twin berths.

The analysis assumes a 2-year design and construction period, with the additional traffic starting the first year after construction. It is assumed that no existing business would be displaced by the project, that is the port would continue to serve the same other business as if the CT-4 upgrade was not built. It should be noted that this does not imply any assumption about whether the other business increases, decreases or remains about the same, only that it is not affected by the CT-4 upgrade.

The revenues are assumed to include a \$10 per passenger permanent charge and an additional capital recovery charge for the first five years. The total incremental revenue passengers are approximately 343,200 revenue passengers. The capital recovery charge is assumed to be sufficient to recover the investment with 8.5% interest over the first 5 years of operation. The number of passengers to which the capital recovery charge would apply was not determined. Thus, the capital recovery charge per passenger was not calculated. The resulting revenues would be approximately \$6.9 million per year for the first 5 years, declining in year 6 to about \$3.4 million, after conclusion of the capital recovery charge.

Operating costs are assumed to be 50% of the regular \$10 per passenger charge. Based on this assumption, the resulting incremental operating costs would average \$1.7 million per year.

The resulting net revenues would be about \$5.2 million per year for the first 5 years, declining to \$1.7 million per year in year 6 when the capital recovery charge was ended.

Based on these assumptions, the CT-4 project would provide a Net Present Value (NPV) of \$14.9 million, the amount by which the future net revenues discounted at 8.50% per year would exceed the initial investment of \$13.0 million. The project would provide a Return on Investment (ROI) (or Internal Rate of Return) of 27.9% per year.



## **Cruise Terminal 19 (CT-19) Expansion**

The financial analysis of CT-19 considers a \$6.7 million investment in CT-19 to accommodate 1,600 additional revenue passengers on each of 2 existing weekly sailings for 26 weeks. These numbers are based on 100% occupancy, and include that the number of revenue passengers is double the number of passengers (embarking and disembarking passengers).

The analysis assumes a 2-year design and construction period, with the additional traffic starting the first year after construction. It is assumed that no existing business would be displaced by the project, that is the port would continue to serve the same other business as if the CT-19 upgrade was not built.

The revenues are assumed to include a \$10 per passenger permanent charge and an additional capital recovery charge for the first five years. The total incremental revenue passengers are approximately 83,200 revenue passengers. The capital recovery charge is assumed to be sufficient to recover the investment with 8.5% interest over the first 5 years of operation. The resulting revenues would be approximately \$2.6 million per year for the first 5 years, declining in year 6 to about \$832,000, after conclusion of the capital recovery charge.

Operating costs are assumed to be 50% of the regular \$10 per passenger charge. Based on this assumption, the resulting incremental operating costs would average \$416,000 per year.

The resulting net revenues would be about \$2.2 million per year for the first 5 years, declining to \$416,000 per year in year 6 when the capital recovery charge was ended.

Based on these assumptions, the CT-19 project would provide a Net Present Value (NPV) of \$3.6 million, the amount by which the future net revenues discounted at 8.50% per year would exceed the initial investment of \$6.7 million. The project would provide a Return on Investment (ROI) (or Internal Rate of Return) of 19.8% per year.

**TABLE 2: NET PRESENT VALUE AND RETURN ON INVESTMENT EXAMPLE CALCULATION: CRUISE TRAVEL**

PRELIMINARY DRAFT

|  | Year      |       |              |              |              |              |              |            |            |            |            |            |            |            |         |         |
|--|-----------|-------|--------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|------------|------------|------------|---------|---------|
| Ref to start up = 1  | -1        | 0     | 1            | 2            | 3            | 4            | 5            | 6          | 7          | 8          | 9          | 10         | 11         | 12         |         |         |
| Ref to zero at start of constr                                   | 0         | 1     | 2            | 3            | 4            | 5            | 6            | 7          | 8          | 9          | 10         | 11         | 12         | 13         |         |         |
| <b>Existing sailing - 800 additional passengers for 26 weeks</b> |           |       |              |              |              |              |              |            |            |            |            |            |            |            |         |         |
| Sailings per week  |           |       | 2            | 2            | 2            | 2            | 2            | 2          | 2          | 2          | 2          | 2          | 2          | 2          |         |         |
| Weeks  |           |       | 26           | 26           | 26           | 26           | 26           | 26         | 26         | 26         | 26         | 26         | 26         | 26         |         |         |
| Revenue passengers per sailing                                   |           |       | 1,600        | 1,600        | 1,600        | 1,600        | 1,600        | 1,600      | 1,600      | 1,600      | 1,600      | 1,600      | 1,600      | 1,600      |         |         |
| Revenue passengers   |           |       | 83,200       | 83,200       | 83,200       | 83,200       | 83,200       | 83,200     | 83,200     | 83,200     | 83,200     | 83,200     | 83,200     | 83,200     |         |         |
| Regular revenue rate   |           |       | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00   | \$ 10.00   | \$ 10.00   | \$ 10.00   | \$ 10.00   | \$ 10.00   | \$ 10.00   |         |         |
| Regular revenue amount   |           |       | \$ 832,000   | \$ 832,000   | \$ 832,000   | \$ 832,000   | \$ 832,000   | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 |         |         |
| <b>Additional sailing - No</b>                                   |           |       |              |              |              |              |              |            |            |            |            |            |            |            |         |         |
| Sailings per week  |           |       | 0            | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 0          | 0          | 0          |         |         |
| Weeks  |           |       | 0            | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 0          | 0          | 0          |         |         |
| Revenue passengers per sailing                                   |           |       | 0            | 0            | 0            | 0            | 0            | 0          | 0          | 0          | 0          | 0          | 0          | 0          |         |         |
| Revenue passengers   |           |       | -            | -            | -            | -            | -            | -          | -          | -          | -          | -          | -          | -          |         |         |
| Regular revenue rate   |           |       | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00    | \$ 0.00    | \$ 0.00    | \$ 0.00    | \$ 0.00    | \$ 0.00    | \$ 0.00    |         |         |
| Regular revenue amount   |           |       | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |         |         |
| Operating cost factor as percent of regular rate                 |           |       | 50%          | 50%          | 50%          | 50%          | 50%          | 50%        | 50%        | 50%        | 50%        | 50%        | 50%        | 50%        |         |         |
| Total CRF amount   |           |       | \$ 1,772,490 | \$ 1,772,490 | \$ 1,772,490 | \$ 1,772,490 | \$ 1,772,490 | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |         |         |
| Regular revenue amount for CT-19                                 |           |       | \$ 832,000   | \$ 832,000   | \$ 832,000   | \$ 832,000   | \$ 832,000   | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 |         |         |
| Total revenue  |           |       | \$ 2,604,490 | \$ 2,604,490 | \$ 2,604,490 | \$ 2,604,490 | \$ 2,604,490 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 | \$ 832,000 |         |         |
| Operating cost   |           |       | \$ 416,000   | \$ 416,000   | \$ 416,000   | \$ 416,000   | \$ 416,000   | \$ 416,000 | \$ 416,000 | \$ 416,000 | \$ 416,000 | \$ 416,000 | \$ 416,000 | \$ 416,000 |         |         |
| <b>Investment Cost</b>   |           |       |              |              |              |              |              |            |            |            |            |            |            |            |         |         |
|  |           |       | (3,350,000)  | (3,350,000)  |              |              |              |            |            |            |            |            |            |            |         |         |
| <b>Revenues</b>  |           |       |              |              |              |              |              |            |            |            |            |            |            |            |         |         |
| Total CRF amount   |           |       | 1,772,490    | 1,772,490    | 1,772,490    | 1,772,490    | 1,772,490    | 0          | 0          | 0          | 0          | 0          | 0          | 0          |         |         |
| Regular revenue amount for CT-19                                 |           |       | 832,000      | 832,000      | 832,000      | 832,000      | 832,000      | 832,000    | 832,000    | 832,000    | 832,000    | 832,000    | 832,000    | 832,000    |         |         |
| Total revenue  |           |       | 2,604,490    | 2,604,490    | 2,604,490    | 2,604,490    | 2,604,490    | 832,000    | 832,000    | 832,000    | 832,000    | 832,000    | 832,000    | 832,000    |         |         |
| <b>Operating cost</b>  |           |       | 416,000      | 416,000      | 416,000      | 416,000      | 416,000      | 416,000    | 416,000    | 416,000    | 416,000    | 416,000    | 416,000    | 416,000    |         |         |
| <b>Net Operating Revenues</b>                                    |           |       | 2,188,490    | 2,188,490    | 2,188,490    | 2,188,490    | 2,188,490    | 416,000    | 416,000    | 416,000    | 416,000    | 416,000    | 416,000    | 416,000    |         |         |
| <b>Total</b>   |           |       | (3,350,000)  | (3,350,000)  | 2,188,490    | 2,188,490    | 2,188,490    | 2,188,490  | 416,000    | 416,000    | 416,000    | 416,000    | 416,000    | 416,000    |         |         |
| Discount factor  | 8.50%     | 1     | 0.9217       | 0.8495       | 0.7829       | 0.7216       | 0.6650       | 0.6129     | 0.5649     | 0.5207     | 0.4799     | 0.4423     | 0.4076     | 0.3757     | 0.3463  |         |
| PVs  | Disc rate | 8.50% | (3,350,000)  | (3,087,558)  | 1,859,025    | 1,713,387    | 1,579,158    | 1,455,445  | 1,341,424  | 235,009    | 216,598    | 199,630    | 183,991    | 169,577    | 156,292 | 144,048 |
| <b>NPV</b>   |           |       | \$ 3,628,339 |              |              |              |              |            |            |            |            |            |            |            |         |         |
| <b>ROI</b>   |           |       | 19.82%       |              |              |              |              |            |            |            |            |            |            |            |         |         |
| PVs of Investment and CRF Only                                   |           |       | (3,350,000)  | (3,087,558)  | 1,505,651    | 1,387,697    | 1,278,983    | 1,178,787  | 1,086,439  |            |            |            |            |            |         |         |
| NPV of Inv and CRF   |           |       | 0            |              |              |              |              |            |            |            |            |            |            |            |         |         |

**Notes:**

- The capital recovery factor (CRF) charge would be on all line passengers, not only the new ships for 5 years. (subject to negotiation.) This is incremental revenue associated with the project, even though it is to be on all passengers, not only new passengers. The CRF charge is approximately sufficient to recover the investment in 5 years with 8.50% interest.
- The \$10 charge would be permanent with 50% operating cost factor, but only the part on the additional traffic indicated is incremental cost associated with CT-19.
- The project revenues include 800 additional passengers on each of 2 existing sailings per week for 26 weeks; revenue passengers are double these numbers..

## **Cruise Terminal 21 / 22 (CT-21 / 22) Expansion**

The financial analysis of CT-21 / 22 considers a \$22.0 million investment in CT-21 / 22 to accommodate 2,600 additional revenue passengers on each of two existing weekly sailings for 26 weeks. These numbers are based on 100% occupancy, and include that the number of revenue passengers is double the number of passengers (embarking and disembarking passengers).

The analysis assumes a 2-year design and construction period, with the additional traffic starting the first year after construction. It is assumed that no existing business would be displaced by the project, that is the port would continue to serve the same other business as if the CT-21 / 22 upgrade was not built.

The revenues are assumed to include a \$10 per passenger permanent charge and an additional capital recovery charge for the first five years. The total incremental revenue passengers are approximately 135,200 revenue passengers. The capital recovery charge is assumed to be sufficient to recover the investment with 8.5% interest over the first 5 years of operation. The resulting revenues would be approximately \$7.2 million per year for the first 5 years, declining in year 6 to about \$1.4 million, after conclusion of the capital recovery charge.

Operating costs are assumed to be 50% of the regular \$10 per passenger charge. Based on this assumption, the resulting incremental operating costs would average \$676,000 per year.

The resulting net revenues would be about \$6.5 million per year for the first 5 years, declining to \$676,000 per year in year 6 when the capital recovery charge was ended.

Based on these assumptions, the CT-21/22 project would provide a Net Present Value (NPV) of \$5.9 million, the amount by which the future net revenues discounted at 8.50% per year would exceed the initial investment of \$22.0 million. The project would provide a Return on Investment (ROI) (or Internal Rate of Return) of 15.1% per year.

**TABLE 3: NET PRESENT VALUE AND RETURN ON INVESTMENT EXAMPLE CALCULATION: CRUISE T**

PRELIMINARY DRAFT

|  |           | Year         |              |              |              |              |              |              |              |              |              |              |              |              |              |         |
|--|-----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|
| Ref to start up = 1  |           | -1           | 0            | 1            | 2            | 3            | 4            | 5            | 6            | 7            | 8            | 9            | 10           | 11           | 12           |         |
| Ref to zero at start of constr                                   |           | 0            | 1            | 2            | 3            | 4            | 5            | 6            | 7            | 8            | 9            | 10           | 11           | 12           | 13           |         |
| <b>Existing sailing - 800 additional passengers for 26 weeks</b> |           |              |              |              |              |              |              |              |              |              |              |              |              |              |              |         |
| Sailings per week  |           |              | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            | 2            |         |
| Weeks  |           |              | 26           | 26           | 26           | 26           | 26           | 26           | 26           | 26           | 26           | 26           | 26           | 26           | 26           |         |
| Revenue passengers per sailing                                   |           |              | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        | 2,600        |         |
| Revenue passengers   |           |              | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      | 135,200      |         |
| Regular revenue rate   |           | \$           | 10.00        | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     | \$ 10.00     |         |
| Regular revenue amount   |           | \$           | 1,352,000    | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 |         |
| <b>Additional sailing - No</b>                                   |           |              |              |              |              |              |              |              |              |              |              |              |              |              |              |         |
| Sailings per week  |           |              | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |         |
| Weeks  |           |              | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |         |
| Revenue passengers per sailing                                   |           |              | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |         |
| Revenue passengers   |           |              | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |         |
| Regular revenue rate   |           | \$           | 0.00         | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      | \$ 0.00      |         |
| Regular revenue amount   |           | \$           | -            | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |         |
| Operating cost factor as percent of regular rate                 |           |              | 50%          | 50%          | 50%          | 50%          | 50%          | 50%          | 50%          | 50%          | 50%          | 50%          | 50%          | 50%          | 50%          |         |
| Total CRF amount   |           |              | \$5,820,118  | 5,820,118    | 5,820,118    | 5,820,118    | 5,820,118    | 5,820,118    | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |         |
| Regular revenue amount for CT-21/22                              |           | \$           | 1,352,000    | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 |         |
| Total revenue  |           | \$           | 7,172,118    | \$ 7,172,118 | \$ 7,172,118 | \$ 7,172,118 | \$ 7,172,118 | \$ 7,172,118 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 | \$ 1,352,000 |         |
| Operating cost   |           | \$           | 676,000      | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   | \$ 676,000   |         |
| <b>Investment Cost</b>   |           |              |              |              |              |              |              |              |              |              |              |              |              |              |              |         |
|  |           | (11,000,000) | (11,000,000) |              |              |              |              |              |              |              |              |              |              |              |              |         |
| <b>Revenues</b>  |           |              |              |              |              |              |              |              |              |              |              |              |              |              |              |         |
| Total CRF amount   |           |              | 5,820,118    | 5,820,118    | 5,820,118    | 5,820,118    | 5,820,118    | 5,820,118    | 0            | 0            | 0            | 0            | 0            | 0            | 0            |         |
| Regular revenue amount for CT-21/22                              |           |              | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    |         |
| Total revenue  |           |              | 7,172,118    | 7,172,118    | 7,172,118    | 7,172,118    | 7,172,118    | 7,172,118    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    | 1,352,000    |         |
| <b>Operating cost</b>  |           |              | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      |         |
| <b>Net Operating Revenues</b>                                    |           |              | 6,496,118    | 6,496,118    | 6,496,118    | 6,496,118    | 6,496,118    | 6,496,118    | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      |         |
| <b>Total</b>   |           | (11,000,000) | (11,000,000) | 6,496,118    | 6,496,118    | 6,496,118    | 6,496,118    | 6,496,118    | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      | 676,000      |         |
| <b>Discount factor</b>   |           |              |              |              |              |              |              |              |              |              |              |              |              |              |              |         |
|  |           | 8.50%        | 1            | 0.9217       | 0.8495       | 0.7829       | 0.7216       | 0.6650       | 0.6129       | 0.5649       | 0.5207       | 0.4799       | 0.4423       | 0.4076       | 0.3757       | 0.3463  |
| PVs  | Disc rate | 8.50%        | (11,000,000) | (10,138,249) | 5,518,161    | 5,085,863    | 4,687,431    | 4,320,213    | 3,981,763    | 381,890      | 351,973      | 324,399      | 298,985      | 275,562      | 253,974      | 234,078 |
| <b>NPV</b>   |           | \$           | 5,896,051    |              |              |              |              |              |              |              |              |              |              |              |              |         |
| <b>ROI</b>   |           |              | 15.11%       |              |              |              |              |              |              |              |              |              |              |              |              |         |
| PVs of Investment and CRF Only                                   |           | (11,000,000) | (10,138,249) | 4,943,930    | 4,556,617    | 4,199,647    | 3,870,643    | 3,567,412    |              |              |              |              |              |              |              |         |
| NPV of Inv and CRF   |           |              | 0            |              |              |              |              |              |              |              |              |              |              |              |              |         |
| <b>Notes:</b>  |           |              |              |              |              |              |              |              |              |              |              |              |              |              |              |         |