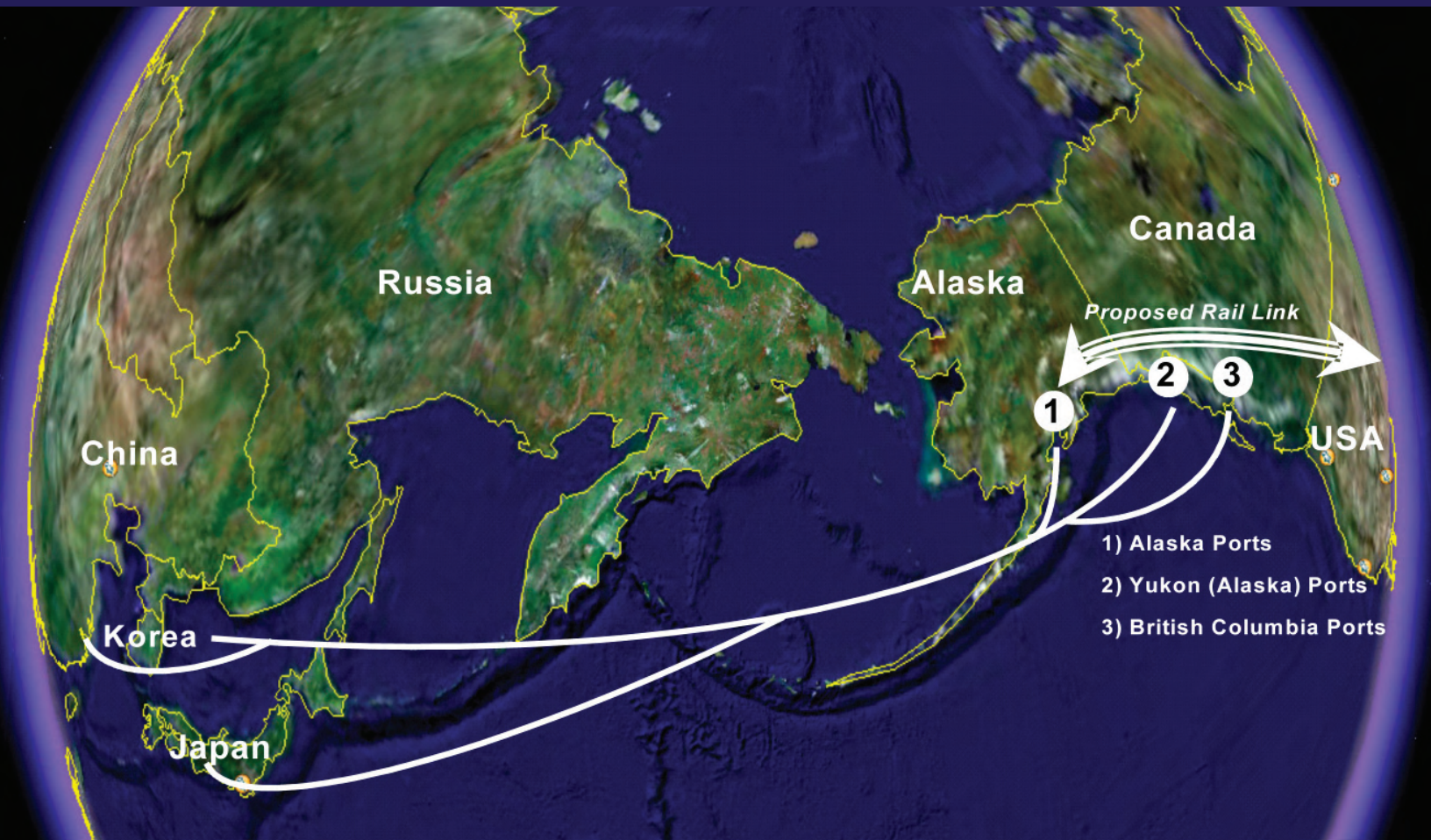




alaska
canada
rail link

Tourism and Trains

A Prospectus and Appraisal



Annex

SEAMLESS RAIL CRUISE TOURIST TRAVEL Linking Cruise Ships, Bus Tours, River Trips and Forest Trails



Cruise Line and Rail Links at Whittier and Skagway, Alaska



US Forest Service Rail Access

Australian Bus Link to the Ghan

Princess Cruise Line Tour Bus and Train



White Pass & Yukon Route Rail to Bus Link at Fraser, B.C.

Alaska Railroad Access for River Rafters

Alaska Canada Rail Link Tourism and Trains A Prospectus and Appraisal

The Alaska Canada Rail Link Phase 1 Feasibility Study considers a railway connection from Alaska through Yukon and Northern British Columbia linking Alaska and B.C. ports to interior resource development regions – and to the North American rail network. The Feasibility Study was co-sponsored by the State of Alaska and the Government of Yukon.

The Alaska Canada Rail Link, while primarily a freight railway proposition, may also provide track access for a new generation of tour train operations that is profitably replacing conventional passenger train service. These tour trains typically count on the higher-end tourism market to maintain that profitability – although in some cases other market segments are served simultaneously.

The Alaska Canada Rail Link will serve relatively long-haul routes ranging from one to two days travel time. Route development is anticipated in phases that will connect Alaska Inside Passage cruise ship ports first, to interior Yukon, then, to Fairbanks or Prince Rupert - and ultimately to both.

The following selection of currently successful tour train operations - is comparable with potential train service characteristics under consideration on the Alaska Canada Rail Link:

- a) For initial development of single-day rail excursions primarily as an inland extension of the Alaska sea cruise market:
 - The *McKinley Explorer* (Holland America Cruises);
 - The *Midnight Sun Express* (Princess Cruises);
 - The *Alaska Explorer* (Royal Celebrity Cruises);
 - The *Denali Gold Star* (The Alaska Railroad).

- b) For full development of longer distance, overnight tour trains serving multiple markets:
 - The *Royal Canadian Pacific* Hotel Train stopping each night;
 - The *Ghan/Indian Pacific* Australian Transcontinental Sleeper Trains;
 - The *Rocky Mountaineer* and *VIA Rail Skeena* Daylight Trains with Hotel Stopovers.

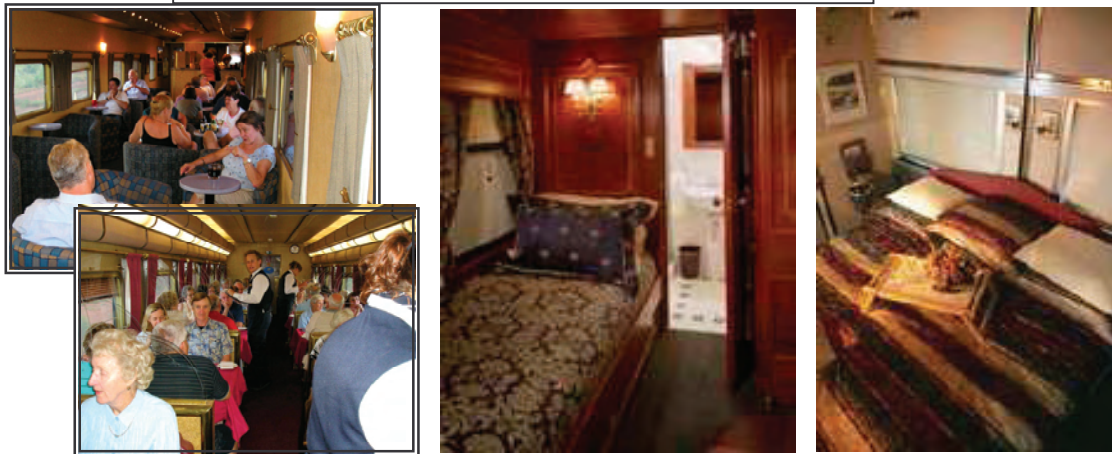
- c) For development of recreational markets unique to specific routes:
 - The *White Pass & Yukon Route* Trail Access Service;
 - The *Alaska Railroad* U.S. Forest Service Trail and River Access Trains.

The Alaska Canada Rail Link Project offers the opportunity to extend this new generation of profitable tourist trains into Northern British Columbia and Yukon. These trains in turn can stimulate northern tourism growth and off-train economic activity to a new level that is not otherwise feasible.

INLAND RAIL CRUISE DEVELOPMENT Unique Tour Train Options for Sleeping, Dining and Sightseeing



Sightseeing Venues on Alaska Railroad Tour Trains



Lounge and Dining Cars on The Ghan Train

Royal Canadian Pacific Private Suite

VIA Rail Canada Sleeping Car



Alaska Inland Cruise Tour Train Dining Facilities

Tourism and Trains

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For Initial Development Of Single Day, Rail Excursions - From Alaska Inside Passage cruise ship ports to interior Yukon, potential tour train operations could replicate Alaska cruise line inland rail tours over a similar route length.

Each of the Alaska cruise line trains is hauled by the Alaska Railroad between Anchorage and Fairbanks in daylight service. Bi-level cars feature glass-roofed seating on the second level with open viewing platforms and full service dining facilities on the lower level.

Continuity of cruise ship branding and service quality is extended into the tour train operations. The inland rail cruise cars for each operator maintain a separate identity and are completely isolated from the rest of the train. The Alaska Railroad continues to provide a separate economy class service for other rail passengers on the same train. Two en route stops (Talkeetna and McKinley) provide the option of off-train tours and stopovers at cruise line lodges.

For Full Development Of Longer Distance Overnight Tour Trains – Connections to current tourist travel gateways at Prince Rupert/Terrace, Whitehorse and Fairbanks could be linked by several distinctly different tour train types.

The *Royal Canadian Pacific* is essentially a luxurious boutique hotel on wheels that accepts only 24 guests per trip. It stops each night at a remote location offering some unique off-train experiences for the very high-end guests on this train (e.g., fly fishing, guided hiking, indigenous interpretation).

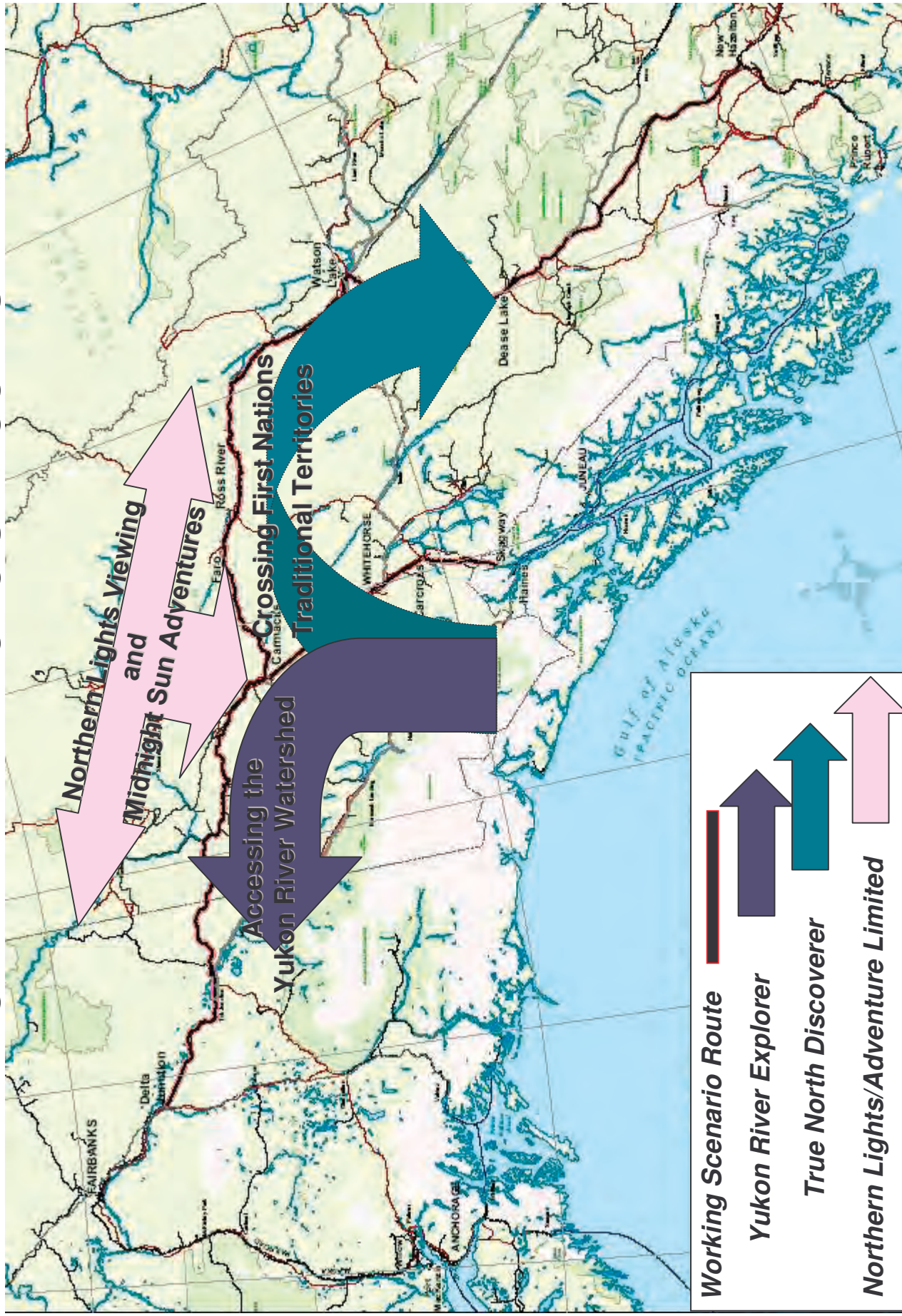
The *Australian Ghan/Indian Pacific* is a privatized transcontinental train service through the largely uninhabited centre of the country. Three classes of overnight service are all oriented towards the tourism market with the high-end service emulating a cruise ship level of dining/lounges, sleeping accommodations and personal attention. Trains run through the night but make extended stops - up to four hours long - to conduct off-train tours at local points of interest which otherwise might not be able to accommodate large groups of tourists.

The *Rocky Mountaineer* and *VIA Rail Skeena* operations are distinguished by a strictly daylight service between overnight hotel stops at major en route centres. Both offer varying levels of service focused on the tourism market. Equipment includes bi-level glass domed viewing cars and full service dining cars for high-end passengers; at-seat dining and single level dome cars for mid-priced passengers; and economy seating for others.

For Extended Development of Remote Recreational Markets - Successful exploitation of rail routes to reach remote river, trail and ski sites in Alaska and British Columbia demonstrate another dimension of the tour train market (e.g. for potential access to the Yukon River, Kluane National Park, Spatsizi Plateau Wilderness).

The *White Pass & Yukon Route* provides rail access for U.S. Forest Service trails to Denver and Laughton Glaciers and to the Chilkoot Trailhead at Bennett, B.C. in the Klondike Gold Rush International Historical Park. An Alaska Railroad cooperative program with the U.S. Forest Service provides trailhead and river access in the Chugach National Forest. In winter, the Alaska Railroad also offers Alyeska ski area access.

POTENTIAL RAIL CRUISE ROUTES



Working Scenario Route

Yukon River Explorer

True North Discoverer

Northern Lights/Adventure Limited

Tourism and Trains

Alaska Canada Rail Link Phase 1 Feasibility Study - Annex

Tour Train Scenarios - From the selection of current tour train operations most relevant to Alaska Canada Rail Link routes, the following scenarios could find a market in Yukon and Northern B.C.

Yukon River Voyageur – For first phase initial rail service development, this train can take cruise ship passengers to parts of the Yukon River and its tributaries that are otherwise inaccessible by land.

A highlight of the trip will be a tour of the Fort Selkirk trading post. Approximately 40 buildings remain there, essentially unchanged since the removal of riverboat service in the early 1950s. The train itself can provide overnight accommodation at an appropriate transfer point along the Yukon River near Carmacks or further downstream with subsequent rail extension toward Fairbanks. Tour operators may extend the inland rail cruise with a river cruise to Dawson City and on to Eagle, Alaska, consistent with current bus based tour operations.

Route: Skagway/Haines-Whitehorse-Carmacks/Fort Selkirk (Fairbanks extension)
Highlights: Coastal Mountains, Yukon River, White River, Ladue River, Tanana River
Destinations: Yukon River transfer at Carmacks, Fort Selkirk or Stewart River
Rail Operations: Initial daylight running Hotel Train stop at Yukon River transfer point
Key Selling Proposition: Inaccessible historic trading post buildings at Fort Selkirk
Tour Travel Gateways: Inside Passage Cruise Ports, Whitehorse Airport, Alaska Hwy

True North Explorer – For longer distance rail service development beyond the Yukon interior, this train will take cruise ship passengers and independent tourists through the traditional territories of many Northern B.C. and Yukon First Nations. This will provide an extraordinary opportunity for international and domestic tourists to learn about Canadian First Nations culture from both onboard guides and off-train tours to First Nations interpretive centres. Sleeping car and dining services on the train will avoid the need for large-scale accommodations at communities along the route and offer quicker trips than current bus travel between hotels.

Route: Prince Rupert–Hazelton-Watson Lake-Carmacks-Whitehorse-Skagway/Haines
Highlights: Spatsizi Wilderness, Cassiar Mining District, Tintina Trench, Whitehorse
Destinations: First Nations Traditional Territories in Northern B.C. and Yukon
Rail Operations: Overnight running with sleeping cars and off -train tour stops
Key Selling Proposition: First Nations Onboard Programs & Interpretive Centre visits
Cruise Ship Gateways: Cruise ship ports of Prince Rupert, Skagway and/or Haines
Air Travel Gateways: Jet airports at Terrace, Watson Lake and Whitehorse
Rail Travel Gateways: Prince George, Terrace, Prince Rupert (VIA Rail)

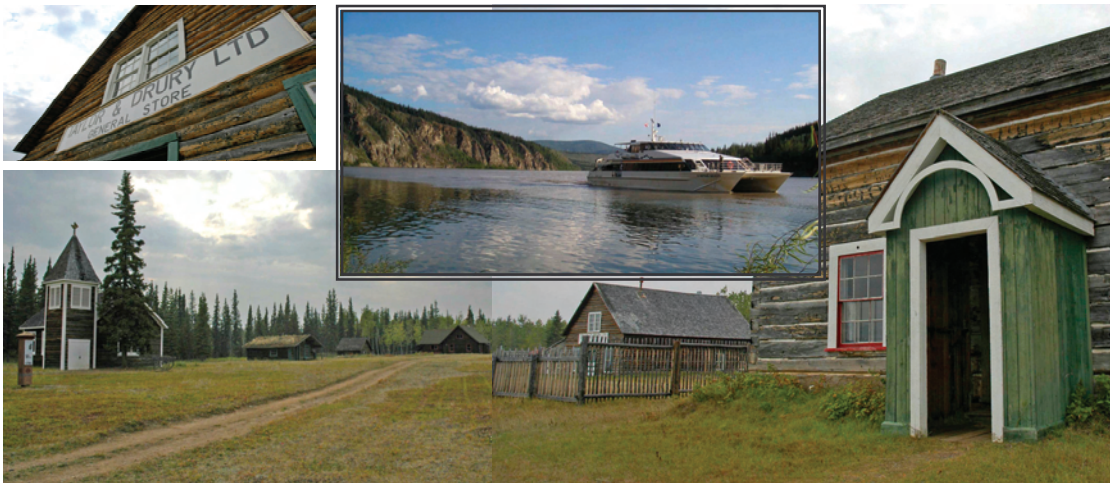
Northern Lights/Adventure Limited – For extended winter season tourism development focused on the northern lights phenomenon, this train connects with major airports for international tourist travel as well as offering rail connections between current VIA Rail and Alaska Railroad services. A special feature of the trip is a visit to the Watson Lake Northern Lights Centre. In summer, this full route connection offers remote recreational access for both armchair and active outdoor adventurers.

Route: Hazelton-Watson Lake-Carmacks-(Whitehorse)-Tok-Delta-Fairbanks
Highlights: Winter Landscape, Snow and Ice, Aurora Borealis, Dog Mushing, Wilderness Access
Destinations: Watson Lake Northern Lights Centre, Whitehorse Beringia Centre
Rail Operations: Overnight sleeper service with extra off season dome cars in winter
Key Selling Proposition: Interior route with optimal northern lights viewing
Air Travel Gateways: Jet airports at Terrace, Watson Lake, Whitehorse and Fairbanks
Rail Travel Gateways: New Hazelton (VIA Rail) and Fairbanks (Alaska Railroad)

RAIL CRUISE EN ROUTE EXCURSIONS Off-Train Counterparts to Cruise Ship Port Tours



Aboriginal Owned Icy Strait Cruise Ship Port Venue Including Native Performance, Arts and Craft Sales Centre



Restored Fort Selkirk Trading Post on Isolated Section of Yukon River and Holland America Yukon River Cruise Boat (inset)



Yukon Beringia Interpretive Centre, Yukon Quest International Sled Dog Race, Northern Lights Centre

Tourism and Trains

Alaska Canada Rail Link Phase 1 Feasibility Study - Annex

Building On Potential Tour Train Scenarios - As a platform for broader tourism development, a range of unique Yukon and Northern B.C. off-train tour opportunities may be stimulated or enhanced by rail access to transfer points or with en route train stops of four to six hours.

Cruise ship calls at the Aboriginal-owned Icy Strait port visit venue near Hoonah, Alaska show how tourism benefits can extend to remote northern communities without overwhelming limited visitor infrastructure. As with cruise ships, inland rail cruise trains will provide moving facilities for tourism accommodation, dining and information.

First, on-board introduction to off-train attractions will immerse the rail cruise passengers in the history, culture and nature of Northern British Columbia and Yukon with:

- First Nations, Parks Canada and Local Guides/Interpreters;
- Aboriginal/Regional live music on-train “troubadours”;
- Aboriginal/Regional original art displayed throughout trains;
- Indigenous costuming, menus and ingredients in dining cars.

Then, off-train excursions along rail cruise routes will be offered during extended “port calls” that avoid accommodation concerns while providing comfortable access to such en route attractions as:

First Nations Cultural/Heritage Centres – Offering interactive displays and artifacts that illuminate First Nations history and culture with guided tours, cultural performances, visual arts demonstrations, shopping and indigenous food. Currently four centers are established in Yukon, including Big Jonathan House at Fort Selkirk and Tase Cho Hudan Interpretive Centre in Carmacks on the proposed Alaska Canada Rail Link route. Available funding will allow other First Nations centres to be established along future rail cruise routes.

Fort Selkirk Historic Ghost Town - When roads replaced sternwheelers, this once vibrant river trading post was bypassed. Over 40 structures, including churches, stores and homes remain in a mid-century time warp with no commercial development since the 50s and inaccessible to all but air or river borne visitors. Fort Selkirk is co-owned and co-managed by the Government of Yukon and the Selkirk First Nation. Two interpretive centres provide a look at an earlier way of life on the river.

Kluane National Park - “Canada’s Denali” – Host to a multitude of natural, cultural, eco-adventure, historic and educational experiences, Kluane National Park is “Canada’s Denali” - home to Mount Logan, Canada’s highest peak. Both fixed-wing and helicopter tours offer magnificent viewing of Mount Logan, Mount Fairweather, Mount St. Elias and surrounding ice fields not otherwise visible as, like Denali Park, rugged terrain limits surface access. Guided white water rafting on the world-renowned Tatensheni River also offers a rare glimpse into the heart of Kluane. Further experiences within the park perimeter include Hiking, Horseback Riding, Fishing and Cycling/Mountain Biking excursions that offer unparalleled views of the glacially scoured landscape.

Northern Lights and Yukon Beringia Interpretive Centres - The unusual nature of the North is unveiled at both these scientific interpretative centres. The Northern Lights Space and Science Centre at Watson Lake highlights the scientific and mystical phenomena of the “Aurora Borealis” using state-of-the-art multi-media light shows, an “electric sky” planetarium and interactive science programs. The Yukon Beringia Interpretive Centre at Whitehorse provides interactive multi-media presentations and artifacts of a prehistoric region roamed by woolly mammoths and scimitar cats.

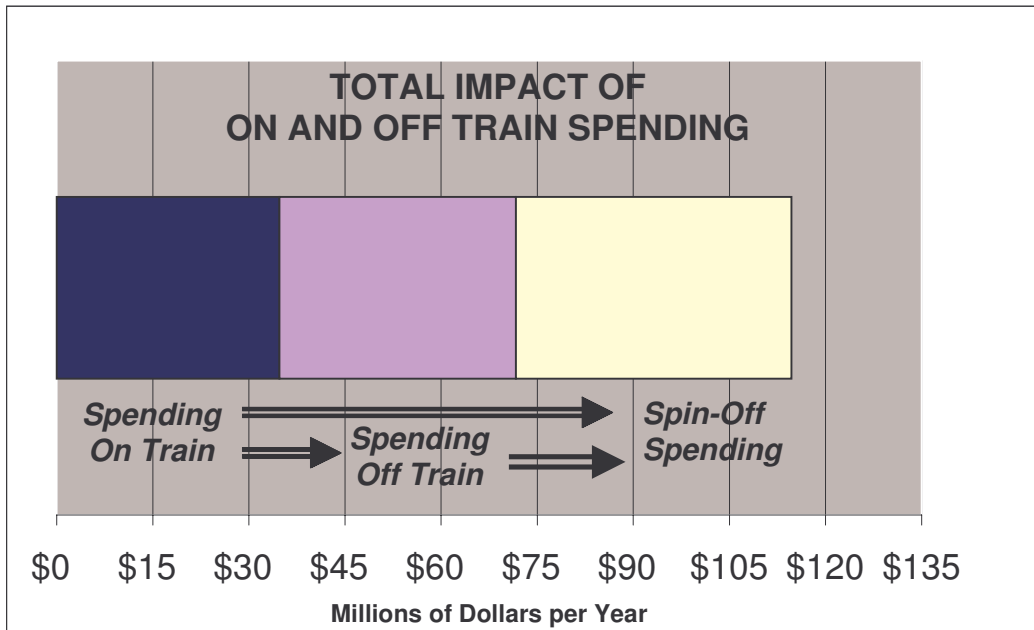
Tourism and Trains - Annual Tourist Spending Impacts

Tour Train Passengers *	28,395
Spending On Train Fares * at avg of \$1,224	\$34,760,867
Off-Train Tourist Spending ** at avg of \$1,300	<u>\$36,913,500</u>
On & Off Train Tourist Spending	\$71,674,367
Direct/Indirect/Induced Multiplier ***at avg of 0.60	<u>\$43,004,620</u>
Total Tourist Spending Impact	\$114,678,987

* Traffic Data Development for Tourism/Passenger Travel, prepared for Alaska Canada Rail Link Project by Klugherz & Associates; Seattle, Wash. (June 2006)

** Based on Yukon Tourism and Culture 2004 Visitor Exit Survey average expenditures per person per trip

*** Subsequent impacts of spending based on Yukon Economic Development income multipliers for food & accommodation and retail sectors considered most relevant to tourism and tour train expenditures and assuming no leakage to external jurisdictions.



Tourism and Trains

Alaska Canada Rail Link Phase 1 Feasibility Study - Annex

Rail Tourism Spending Impact - Research into potential tourism passenger traffic and revenues on the Alaska Canada Rail Link was conducted for the project by Klughertz & Associates of Seattle, Washington, under contract to the University of Alaska Fairbanks. Based on that research, typical spending profiles for Yukon tourists and income multipliers for tourist industry suppliers are represented on the facing page.

A Total Spending Impact Of Approximately \$115 million Each Year Is Anticipated From A Mid-Range Case For Rail Based Tourism Development.

Research results indicate gross revenue potential in a mid-range case for inland rail cruise development of \$35 million per year in tourist spending on the train. In addition to covering train operating costs, approximately \$2 million of these revenues would be paid to the railway owner as track access fees for private rail car operations.

It is likely that an even greater amount of *off-train* spending would be stimulated by the introduction of inland rail cruises. Based on the mid-range case for tourism and train development, an additional \$37 million per year of tourist spending is anticipated.

The subsequent income effect that results from the combination of on and off train tourist spending that spins through to local suppliers is estimated at over \$43 million. With a total spending impact potentially exceeding \$100 million per year, the significance of inland rail cruise infrastructure to stimulate and develop northern tourism is compelling.

Inland Rail Cruise Conclusion – The prospect of an Alaska Canada Rail Link offers the opportunity to develop remote tourism to a level previously considered unreasonable for northern communities:

- Rail Cruise Tracks can control larger-scale tourist access to remote regions;
- Rail Cruise Trains can accommodate more tourists with sleeping and dining cars;
- Rail Cruise Tourists can benefit northern communities without overwhelming them.

The benefits from, and investment in, rail based tourism development should attract a combination of cruise line, tour operator and First Nations participation. The infrastructure platform for northern tourism growth with inland cruise trains will be increasingly available at each stage of the Alaska Canada Rail Link Project.



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