

NEWS RELEASE

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PORT OF GALVESTON ANNOUNCES GROWTH IN CRUISE OPERATIONS

New Operating Agreement and Financing Documents Are Signed

Galveston, Texas...September 19, 2002...The Board of Trustees of the Galveston Wharves today concluded a set of landmark agreements that signal a new growth phase in the ongoing development of the Port of Galveston's cruise business.

Port officials today signed a new Operating Agreement and Financing Documents with Royal Caribbean Cruises Ltd. (RCCL), parent company of Royal Caribbean International (RCI), one of the world's largest cruise lines. RCI currently operates the cruise ship *Rhapsody of the Seas* from The Texas Cruise Ship Terminal on Galveston Island®.

Officers of the Galveston Port Facilities Corporation (GPFC) also today signed a Design-Build Agreement with CH2M Hill for the design and construction of a second cruise ship complex to be located at the Port of Galveston's Pier 27.

Construction is commencing on the first phase of the Pier 27 Cruise Terminal, which will accommodate the 1,800-passenger Royal Caribbean vessel, *Splendour of the Seas*, due to arrive at the Port of Galveston in November 2002.

Donald L. "Don" Schattel, Chairman of the Board of Trustees of the Galveston Wharves and Chairman of the Galveston Port Facilities Corporation, stated, "The Board of Trustees and the Corporation wish to congratulate Port Director Steven M. Cernak, Port Attorney Wm. Hulse Wagner, Bond Counsel Robert Randolph and Port staff on the accomplishment of the agreements reached with Royal Caribbean Cruises Ltd. and CH2M Hill. In particular, the Board wishes to recognize the many, many long hours invested in these negotiations by the Port Director over the last several months and to commend Mr. Cernak for successfully concluding what has been a long and complex negotiation."

"This is the first step in the series of negotiations that have been ongoing with the cruise lines to make the Port of Galveston, in partnership with the cruise lines, the Premier Cruise Port in the State of Texas, " stated Steven M. Cernak, Port Director.

"Our cruise business has been nothing short of fantastic," added Cernak. "Calculations reveal that by the end of this year, over 270,000 new visitors will visit Galveston Island. We feel confident that by the end of 2004, cruising from Galveston Island could entice over a half million new vacationers to our island."

The Texas cruise market is comprised of a seven-state area with a population in excess of 30 million people. Within Texas lie two of the largest metropolitan areas in the U.S. - Houston and Dallas. Marketing studies and bookings confirm the strength of the marketplace for cruise passengers and for passengers driving to the point of embarkation. Original estimates included 50 percent "drive-to" passengers. Updated records indicate approximately 85% of the passengers presently sailing from the Port of Galveston are arriving via personally-owned vehicles, confirming the strength of the cruise passenger market in the seven-state area.

The Port of Galveston is located on the upper Texas coast at the mouth of Galveston Bay, just 30 minute steaming time from the open sea. This ideal location boasts facilities to handle all types of cargo including containers, dry and liquid bulk, breakbulk, roll-on/roll-off, refrigerated and project cargoes, and cruise passengers. The Port is a significant contributor to the strong economy of the Galveston-Houston, Texas region. Annual business through the Port totals approximately \$12 million with an estimated economic contribution to the region of over \$125 million.

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