

Message

From: Lana Johnson [lana@msialaska.com]
Sent: 12/6/2009 8:31:42 PM
To: cruise [lana@msialaska.com]
Subject: From sunday's empire

Port rankings show real costs of cruise legislation

Sunday, December 06, 2009

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Port rankings show real costs of cruise legislation

Letter to the editor

An important public policy discussion point seemingly omitted in our continuing debate over the 2006 cruise ship ballot measure is Alaska's new position within the marketplace. Concentrating Alaska's debate to just one aspect of the measure's result, the \$50 head tax, misses a central outcome in this public policy discussion: our new cost ranking among competing North American cruise ports.

Prior to the passage of the ballot measure, Alaska ports generally fell in the middle. Ports like Ketchikan, Juneau and Skagway were not the least expensive and they were not the most expensive. This middle-of-the-pack position, however, was significantly altered with the 2006 vote.

Evidence of our new marketplace position can be deduced using a 2009 Legislative Research document titled "Cruise Ship Passenger and Port Fees in Alaska and Other Selected U.S. and Foreign Ports." Using report figures we look at two destinations - Alaska and Bermuda. Bermuda is used since it's reported to be the most expensive.

Bermuda, like Alaska, can be purchased as a seven-night cruise vacation. For these itineraries, the visitor generally spends approximately three days within jurisdictional waters. Using the report's data, the port costs for a ship visiting Bermuda is about \$130,000. The total port cost to visit Ketchikan, Juneau and Skagway is reported to be about \$75,000. So far, Alaska sounds very competitive in its pricing.

Unfortunately, this Legislative Research document contains a major omission. It fails to include approximately 75 percent of the new costs as implemented by the 2006 cruise ship ballot measure. If Alaska's port costs are adjusted to include all of these new taxes and fees, an entirely different picture emerges. Instead of \$75,000 for a visit to Alaska ports, it becomes about \$166,000. We outpace the most expensive North American port by 28 percent. To turn this into an Alaska analogy, instead of paying \$5 per gallon of gasoline in bush Alaska, the new cost would be \$6.40 per gallon.

Basic economics tells us that price and demand have an inverse relationship: the higher the price, the lower the demand. This is precisely the message we have been receiving from cruise companies, particularly those that have decades of experience in Alaska. Granted, we are a premier destination and its grandeur and beauty has an offsetting influence, but nonetheless we have legislated our cruise port pricing to our peril. It is little wonder Alaska's market share is in decline.

Don Habeger

Juneau

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