

Economic Impact of

Alaska's Visitor Industry

March 2010



Prepared by
 **McDowell**
GROUP

Prepared for
State of Alaska
Department of Commerce, Community,
& Economic Development
Office of Economic Development
Ex. 108, p. 1

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Executive Summary

Introduction

The purpose of this study is to measure the economic impacts of Alaska's out-of-state visitors. The visitor industry is a challenging one to measure, reaching into a wide variety of economic sectors, including transportation, lodging, and retail, among others. The nationwide economic crisis of 2008-09 and accompanying drop in visitor traffic and spending added urgency to the need for up-to-date information on this critical component of Alaska's economy. The Alaska Department of Commerce, Community, and Economic Development contracted with McDowell Group to gauge the impacts of Alaska's visitor industry, including direct, indirect, and induced effects.

Visitor Volume and Spending

- An estimated 1.58 million out-of-state visitors traveled to Alaska between May and September 2009. Two-thirds of this total (1,026,600, or 65 percent) were cruise passengers. An additional 242,500 out-of-state visitors traveled to Alaska between October 2008 and April 2009.
- Visitor traffic to Alaska dropped an estimated 7.3 percent between summer 2008 and summer 2009, the largest decline since McDowell Group started tracking visitor traffic in 1985. The decrease occurred primarily in air passenger exits, which dropped an estimated 15 percent. Ferry exits fell 16 percent, and highway exits were down 8 percent.
- Declines in the air, ferry, and highway markets were moderated by flat cruise passenger volume between 2008 and 2009. However, cruise passengers traveled less within the state, more often choosing cruise-only packages (rather than cruise-plus-land tour packages).

Visitor Volume, by Exit Mode, Summers 2008 and 2009

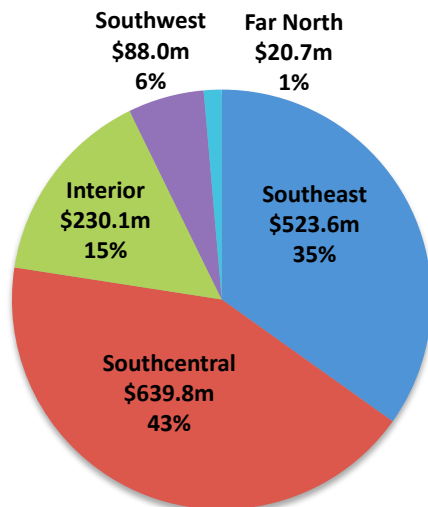
Exit Mode	2008	2009	% change
Air	800,600	684,400	-14.5%
Cruise ship ¹	836,500	835,000	-0.2%
Highway	59,900	55,200	-7.8%
Ferry	10,400	8,700	-16.3%
Total	1,707,400	1,583,300	-7.3%

¹ The total number of cruise ship visitors to Alaska in summer 2009 was 1,026,600, including passengers exiting Alaska by air after completing their cruise.

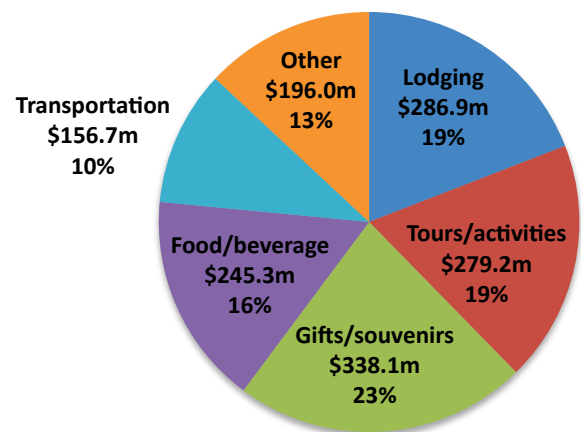
- Another impact felt by businesses throughout the state was lower spending levels. Many businesses were forced to lower their prices to compete for fewer visitors, and visitors themselves tended to spend less on everything from lodging to gifts and tours. A survey of 172 visitor industry businesses found that two-thirds of businesses experienced a decrease in gross sales to out-of-state visitors (11 percent reported an increase, 7 percent reported no change, and 14 percent didn't know). The average estimated change in gross sales among all surveyed businesses was a decline of 16 percent.

- A number of additional indicators reinforce the lower volume and spending estimates in summer 2009:
 - 13 percent decline in cruise passenger land tour volume
 - 16 percent decline in out-of-state visitors on the Alaska Marine Highway
 - Bed tax revenue declines (second and third quarter only) ranging from 10 percent in the Mat-Su, to 22 percent in Anchorage, to 30 percent in Sitka
 - 23 percent decline in Anchorage car rental tax revenues (second and third quarter only)
 - 16 percent decline in non-resident sportfishing license sales (calendar year 2008 to 2009).
- In contrast, fall/winter visitor volume was down only 2 percent from the previous fall/winter period (2007-08). However, surveyed businesses reported slightly larger declines in gross sales, an average of 8 percent. Some decreases were reported in bed tax revenues over this period, including a 6 percent decrease in Anchorage (first and fourth quarter only).
- Out-of-state visitors spent an estimated \$1.5 billion in Alaska during the study period of October 2008 through September 2009. This figure does not include spending on travel to enter and exit Alaska (such as cruise packages, ferry passage, or air tickets). Spending figures are based on visitor survey data from the 2006-07 *Alaska Visitor Statistics Program*, conducted by McDowell Group, adjusted to account for changes in overall visitor volume, volume by region, spending behavior, and inflationary factors. Spending was further adjusted to extract commissions that do not affect the Alaska economy.

**Visitor Spending, Oct. 2008-Sept. 2009
By Region**



**Visitor Spending, Oct. 2008-Sept. 2009
By Sector**



Total Visitor Spending: \$1.5 Billion

- Additional visitor industry spending that must be taken into account for the purposes of economic impact analysis includes spending by cruise lines, estimated at over \$300 million during the 2008-09 study period. The largest components of cruise line spending include employee payroll, payments to local and state government on taxes and fees, payments for transportation services, and payments to accommodations (on behalf of cruise/tour passengers traveling before or after their cruise, whose package price includes lodging).

- Crew members sailing on board cruise ships spent an estimated \$16 million while visiting Alaska ports.
- Further, the visitor spending above excludes spending to enter and exit the state. An estimated \$282 million in visitor spending on air and ferry tickets to enter and exit the state affects the Alaska economy.
- This additional \$610 million in spending by cruise lines, crew members, and visitors purchasing air and ferry tickets brings total *visitor industry* spending in 2008-09 to \$2.1 billion.

Visitor Industry Spending, October 2008-September 2009

	Expenditures
Visitor spending	\$1,502.2 million
Cruise line spending, cruise line labor income, and crew spending	\$328.4 million
Air and ferry tickets	\$282.2 million
Total spending	\$2.1 billion

Economic Impacts

- Direct visitor industry spending in Alaska of approximately \$2.1 billion in the 2008-09 study period directly generated 27,100 jobs in Alaska, and \$800 million in labor income.
- Indirect or secondary visitor-related spending totaled approximately \$1.3 billion. The statewide employment and income effects of \$1.3 billion in secondary spending are estimated at 9,100 jobs and \$346 million in labor income.
- In summary, Alaska's visitor industry accounted for a total of 36,200 full and part-time jobs in 2008-09, over \$1.1 billion in labor income, and \$3.4 billion in total spending, including all direct, indirect and induced effects.
- The visitor industry is strongly seasonal, with the vast majority of visitation occurring between May and September. Therefore, peak employment directly or indirectly connected to the industry is estimated at over 40,000 in 2009.
- Approximately half (49 percent) of visitor industry employment occurred in the Southcentral region, and slightly less than one-third (29 percent) in Southeast. About one in six (17 percent) visitor industry-related jobs were in the Interior region.

Total Visitor Industry Employment, Labor Income and Spending in Alaska, October 2008-September 2009 (including direct, indirect and induced effects)

	Employment	Labor Income	Spending
Southcentral	17,600	\$514 million	\$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	36,200	\$1.1 billion	\$3.4 billion

- Compared to other Alaska regions, visitor industry employment is most important in the Southeast economy. The region's 10,600 visitor-related jobs represented 21 percent of the total 50,000 full and part-time jobs in Southeast. Total visitor industry-related labor income of \$373 million was 17 percent of total regional labor income of approximately \$2.2 billion.
- In Alaska's Interior region, 6,200 visitor industry-related jobs accounted for about 9 percent of employment (regional total of 65,500 jobs) and 6 percent of all labor income (regional total of \$3.4 billion).
- Visitor industry-related employment of 17,600 in Southcentral Alaska represented approximately 7 percent of total employment in the region (263,000 full and part-time jobs) and 4 percent of total labor income (approximately \$13.7 billion).
- Statewide visitor industry-related employment of 36,200 accounted for 8 percent of all employment in Alaska. Total statewide visitor industry-related labor income of \$1.1 billion represented 5 percent of all labor income in Alaska.

Impacts of Visitor Volume Changes

- The decline in visitor traffic between 2007-08 and 2008-09 was accompanied by an estimated \$270 million decline in visitor spending, a 15 percent drop.
- As a result of the decline in visitor spending in 2009, summer season visitor industry-related employment in Alaska was about 2,000 to 2,500 jobs below the 2008 level. Businesses likely addressed the decline in visitor sales with a combination of reductions in personnel and non-personnel costs. As such, the decline in employment in 2009 was less than proportional to the decline in sales.
- Alaska is facing a loss of more than 140,000 passengers in the 2010 cruise season, accompanied by a potential loss of up to \$150 million in direct and indirect spending in Alaska.

Revenues to Municipal and State Governments

- Visitor-related tax revenues to municipalities in 2008-09 totaled nearly \$70 million in sales and bed tax revenues and cruise line payments. Sales tax revenues are estimated at \$28.9 million, and bed tax revenues are estimated at \$23.5 million. In addition, cruise lines paid over \$17 million in dockage, moorage, and municipal passenger fees in 2009. Property taxes provide an additional revenue stream to municipalities.
- Visitor-related revenues to state government during the 2008-09 study period included \$139 million in cruise line fees, fishing/hunting licenses, vehicle rental taxes, revenues to Alaska Marine Highway and Alaska Railroad, and corporate income taxes. Cruise lines alone paid \$58 million in commercial passenger vessel fees, gambling taxes, Ocean Ranger Program fees, and Environmental Compliance Program fees.

**Selected Revenues to Municipal and State Governments
October 2008-September 2009**

Revenues	
Municipal Revenues	\$69.8 million
Sales tax revenues	\$28.9 million
Bed tax revenues	\$23.5 million
Dockage/moorage revenues	\$17.4 million
State of Alaska Revenues	\$138.8 million
Commercial Passenger Vessel Tax	\$46.4 million
Passenger Gambling Tax	\$6.3 million
Ocean Ranger Program	\$4.0 million
Commercial Passenger Vessel Environmental Compliance Program	\$1.0 million
Non-resident fishing/hunting/trapping licenses and tags	\$17.1 million
Alaska Marine Highway revenues	\$17.6 million
Alaska Railroad revenues	\$19.4 million
Vehicle rental tax	\$5.6 million
Corporate income tax	\$21.4 million
Total Selected Revenues	\$208.6 million

Introduction and Methodology

Introduction

The most recent comprehensive assessment of the economic impact of Alaska's non-resident visitor industry was conducted in 1999 (by McDowell Group).¹ Since then, visitor volume has increased substantially, as has visitor spending and the number of visitor industry businesses, warranting re-assessment of the economic impact of one of Alaska's most important basic industries. Recent changes in Alaska's visitor industry added urgency to the need for an up-to-date economic impact measurement. The global economic recession in late 2008 and 2009 fundamentally affected Alaska visitor traffic and spending.

The Alaska Department of Commerce, Community, and Economic Development contracted with McDowell Group to measure the regional and statewide economic impact of Alaska's visitor industry in fall 2008 through summer 2009, including direct, indirect and induced effects. In addition to measuring visitor-related spending, employment, payroll and tax payments over a one-year period, the study provides objective, quantitative information on how recent events have affected Alaska's visitor industry.

Methodology

Visitor Volume

The last primary data collection on visitor volume was conducted (by McDowell Group) in 2006-07 as part of the *Alaska Visitor Statistics Program V (AVSP)*. Visitor/resident ratios were collected at airports, onboard ferries, and at border stations as visitors exited Alaska. Since 2006-07, McDowell Group has estimated visitor volume by applying 2006-07 visitor/resident ratios, by month and location, to traffic statistics (ferry embarkations, highway exits, and airplane enplanements). Prior to this study being undertaken, this exercise was completed for the study periods (fall/winter 2008-09 and summer 2009). Sources for traffic data included: Cruise Line Agencies of Alaska, Alaska Marine Highway System, Yukon Department of Tourism and Culture, Alaska Airlines, and the Anchorage and Fairbanks airports.

Since the 2009 season was so different from previous years in terms of visitor volume, and because it has been three years since the original ratios were determined, the original summer 2009 visitor volume estimates were adjusted to more accurately reflect the latest visitor season.

In order to gather information on the 2009 season, and how it differed in terms of visitor volume and spending from previous seasons, a survey of visitor industry businesses was conducted in early 2010. A total of 172 businesses were interviewed by the study team. Specific businesses were targeted in order to obtain a representative cross-section of visitor businesses across business type and location, as well as businesses representing the largest amount of visitors (cruise lines, Alaska Railroad, Alaska Airlines, etc.). Most businesses

¹ The Office of Economic Development commissioned a Tourism Satellite Account in 2004 that measured the economic impact of all travel and tourism activity in the state; however, the data from that study is not comparable with this study or previous studies.

were selected from the mailing list of the Alaska Travel Industry Association. Other sources included the websites of Convention and Visitors Bureaus and *The Milepost* guidebook.

Businesses were asked about their visitor markets (cruise, air, highway/ferry), seasonality, and percentage increase or decrease from 2008 to 2009 in both visitor volume and gross sales, among other questions. Nearly all businesses contacted were willing to participate, and often offered additional perspectives on the 2009 season, and/or described factors affecting their particular business.

Additional sources considered in the volume adjustments included:

- Information provided by Alaska Airlines and Alaska Marine Highway on resident travel.
- Land tour passenger volume data provided by cruise lines.
- Bed tax revenues collected from the following municipalities and boroughs: Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, and Valdez. (Other communities either did not have a bed tax or were unable to provide 2009 data.)
- Vehicle rental tax revenues collected from the Municipality of Anchorage.
- Fishing and hunting license sales data from the Alaska Department of Fish and Game.
- Previous studies conducted by McDowell Group, including economic impact studies for the Juneau Convention and Visitors Bureau, Ketchikan Visitors Bureau, and the Alaska Cruise Association.
- Employment data from the Alaska Department of Labor and Workforce Development.

Fall/winter visitor volume was not adjusted, reflecting the flat traffic trends and little change reported in the business survey.

Visitor Spending

As with visitor volume, the last primary data collection on visitor spending was conducted for AVSP V in 2006-07. The survey of visitor businesses conducted for this study provided valuable data on how visitor spending changed in 2009 compared to previous seasons. Another important source of information was shore excursion sales data provided by cruise lines, showing changes in cruise passenger spending patterns over the last several years.

All of the sources cited above (bed tax revenues, vehicle rental tax revenues, and previous economic impact studies) were taken into consideration in determining the spending adjustments. Inflation was also accounted for, by economic sector, based on the Anchorage Consumer Price Index.

Additional Visitor Industry Spending

Additional visitor industry spending includes cruise line spending, crew member spending, and spending on air and ferry tickets to enter and exit Alaska.

- Cruise line spending was derived from expenditure and payroll data provided by cruise lines for a study of the 2007 season, prepared for Alaska Cruise Association (ACA granted permission to use this data for the current study). Spending was adjusted to account for inflation as well as the drop in land tour volume between 2007 and 2009. (Overall passenger volume was flat between the two years.)
- Crew member spending was based on previous surveys of crew members conducted by McDowell Group, modified to account for changes in crew member volume by port.
- Spending on air tickets was based on average Seattle-Alaska airfares, estimated volume by location, and an assumption that roughly half of spending on air tickets to enter and exit Alaska actually stays in Alaska.
- Spending on ferry tickets was based on reported spending in AVSP V, adjusted for inflation, and estimated visitor volume entering and exiting Alaska via ferry. All spending on ferry tickets was assumed to stay in Alaska.

Economic Impact Analysis

McDowell Group maintains an Excel-based visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska. Estimates of direct visitor industry employment and payroll are derived from visitor industry spending estimates, and verified using employment and payroll data from the Alaska Department of Labor and Workforce Development and U.S. Bureau of Economic Analysis. The model incorporates IMPLAN multipliers to estimate indirect and induced impacts. IMPLAN is a predictive input-output model of local and state economies, and is widely used to measure the economic impact of industries and industrial/commercial development. Indirect effects include those jobs and income created as a result of visitor industry businesses purchasing goods and services in support of their business operations. Induced effects include jobs and income created as a result of employees of the visitor industry spending their payroll dollars in support of their households. Together, indirect and induced impacts are often termed “multiplier effects.”

Visitor Industry Tax Revenues

The report includes estimates of tax revenues to municipalities and state government from out-of-state visitors, to the extent possible.

Regional sales tax revenue estimates were calculated based on visitor industry spending and visitor volume at the community and regional level. Bed tax revenues were based on data from the business survey (where accommodations reported the percentage of their business from out-of-state visitors) as well as previous visitor volume and survey research. For both bed and sales tax estimates, tax rates and total taxes collected by community (from the *Alaska Taxable* report, 2009) were taken into account in the analysis. Total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009. Cruise ship dockage/moorage revenues were collected from municipalities.

Cruise line payments to the State of Alaska were reported by the Departments of Revenue and Environmental Conservation. Fishing and hunting licenses and tag revenues were reported by the Department of Fish and

Game. Vehicle rental taxes were reported by the Department of Revenue, adjusted to account for out-of-state visitors (using business survey results). The Department of Revenue also reported corporate income taxes associated with the visitor industry. An Alaska Railroad official reported passenger-related revenues and the percentage attributable to out-of-state visitors.

Visitor Volume, Summer 2009

An estimated 1.58 million out-of-state visitors came to Alaska between May and September, 2009. Over half of these visitors (53 percent) exited the state via cruise ship; 43 percent exited via air; 3 percent exited via highway; and 1 percent exited via ferry.

Because some cruise ship visitors exit the state by air after completing their cruise, it is also useful to consider volume in terms of cruise and non-cruise visitors. As the chart below shows, 65 percent of all summer visitors spent at least one night on a cruise ship while in Alaska.

Chart 1
Alaska Visitor Volume, Summer 2009
By Exit Mode

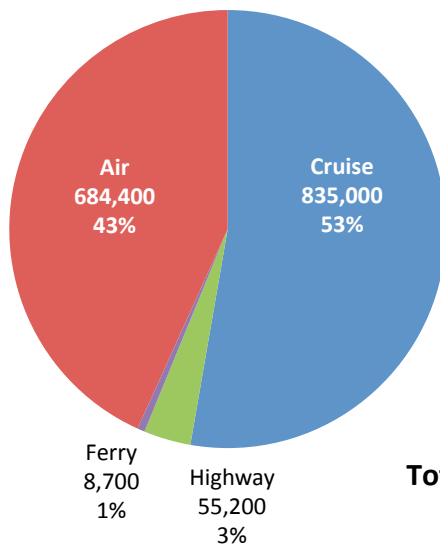
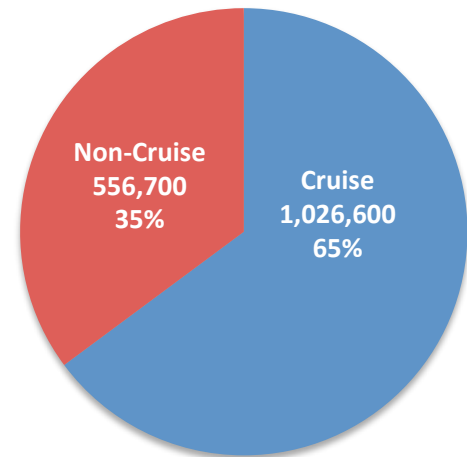


Chart 2
Cruise Market Share, Summer 2009



Total Visitors: 1.58 million

Visitor Volume Decline, 2008 to 2009

Visitation to Alaska dropped an estimated 7.3 percent between summer 2008 and 2009. While cruise passenger volume remained essentially the same, air visitor traffic decreased by 15 percent (from 800,600 to 684,400). Highway exits were down by 8 percent, while ferry exits decreased by 16 percent. (See table, next page.)

The visitor volume figures for air, ferry, and highway are based on visitor/resident ratios collected in summer 2006.² Additional information was taken into account to adjust the 2006 ratios, including: a survey of 172 visitor businesses on their 2009 season; reports from air carriers and the Alaska Marine Highway on resident travel; reports from cruise lines on in-state travel; and changes in bed tax revenues reported by municipalities.

² Because cruise passengers are assumed to be 100 percent visitors, and cruise passenger data is more measurable, there is less uncertainty in the cruise volume figures.

The overall decline of 7.3 percent may appear low in light of the larger decreases felt by many businesses in the state. It is important to keep several factors in mind when considering the overall decrease:

- Total cruise passenger traffic was flat; because cruise visitors represent two-thirds of overall visitation, this moderated the significant declines in the other modes.
- While total cruise passenger volume to Alaska did not change, there was a significant decrease in the number of passengers who purchased land tours, translating to less in-state travel, particularly to Fairbanks and Denali. These decreases are not reflected in total traffic volume.
- Because visitors were reportedly spending less money while in Alaska, their impact in terms of dollars spent was more dramatic than their decrease in volume.

Please see the chapter in this report on “Recent Changes” for a more detailed discussion on the summer 2009 visitor season, along with survey data and other indicators.

Table 1
Visitor Volume, by Exit Mode, Summers 2008 and 2009

Exit Mode	2008	2009	% change
Air	800,600	684,400	-14.5%
Cruise ship ¹	836,500	835,000	-0.2%
Highway	59,900	55,200	-7.8%
Ferry	10,400	8,700	-16.3%
Total	1,707,400	1,583,300	-7.3%

¹ The total number of cruise ship visitors to Alaska in Summer 2009 was 1,026,600, including passengers exiting Alaska by air after completing their cruise.

Visitor Volume, Fall/Winter 2008-09

An estimated 242,500 out-of-state visitors came to Alaska between October 2008 and April 2009. Nearly all of these visitors (95 percent) exited the state via airplane, while 5 percent exited via highway or ferry. Fall/winter 2008-09 saw a slight (2.0 percent) decrease in visitor volume from fall/winter 2007-08. Air visitor exits were down by 1.9 percent, and highway visitor exits were down by 4.0 percent. While ferry volume increased, it had little impact on overall volume, as ferry exits represent less than 1 percent of all fall/winter visitors.

(These estimates are unchanged from the previously published report on fall/winter visitor volume 2008-09. The survey of visitor businesses revealed no significant changes in visitation between 2007-08 and 2008-09. Please see the chapter on “Recent Changes” for more detailed survey results.)

Table 2
Visitor Volume, by Exit Mode, Fall/Winter 2008-09

Exit Mode	Number of Visitors
Air	231,300
Highway	9,700
Ferry	1,500
Total	242,500

Visitor Industry Spending

The spending figures presented below are based on survey data from the 2006-07 *Alaska Visitor Statistics Program V*, conducted by McDowell Group for the Alaska Department of Commerce, Community, and Economic Development. To update these spending figures to 2008-09, the study team took into account changes in the visitor market since 2006-07 in terms of visitor volume, visitor type, and spending behavior. Information sources for estimating the effects of these changes included:

- Survey of 172 visitor businesses on changes in their business in terms of both volume and sales from previous seasons. (For detailed survey results, please see the chapter on “Recent Changes.”)
- Traffic data including air passenger data from airports and Alaska Airlines; ferry passenger data from the Alaska Marine Highway; cruise passenger data from Cruise Line Agencies of Alaska; and highway border traffic from the Yukon Department of Tourism and Culture and U.S. Customs.
- Data on cruise passenger spending on shore excursions provided by cruise lines.
- Land tour passenger volume data provided by cruise lines.
- Bed tax revenues collected from the following municipalities and boroughs: Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, and Valdez. (Other communities either did not have a bed tax or were unable to provide 2009 data.)
- Vehicle rental tax revenues collected from the Municipality of Anchorage.
- Inflation factors, by economic sector, based on the Anchorage Consumer Price Index.
- Employment data from the Alaska Department of Labor and Workforce Development.

Visitor Spending, Summer 2009

Out-of-state visitors to Alaska spent an estimated \$1.31 billion in Alaska between May and September 2009. This figure includes instate spending only, excluding the cost of transportation to and from the state, such as air tickets, cruise or cruise/tour packages, and ferry tickets.

While cruise visitor spending on cruises and cruise/tour packages is excluded in this figure, cruise line spending in Alaska is accounted for in the economic impact analysis, and is addressed further, below. This spending includes payments to hotels, motorcoach companies, the Alaska Railroad, and other components of land tours that are included in the cruise package price.

For the purposes of this study, tour commissions were extracted from passenger spending data because they accrue directly to travel agents, tour operators, and cruise lines at the time of the sale.

Spending by Region

In the 2006 AVSP survey, respondents were asked to estimate how much they spent in each community they visited. This spending was updated to reflect 2009 visitation by region and changes in spending behavior, among other factors. The chart below shows how summer visitor spending is distributed throughout the state. Southeast and Southcentral account for the bulk of visitor spending at 39 percent each, followed by the Interior at 15 percent, Southwest at 6 percent, and Far North at 1 percent.

Spending by Sector

In the 2006 AVSP survey, respondents were asked to estimate how much they spent by spending category (lodging, tours/activities/entertainment, gifts/souvenirs/clothing, food/beverage, cars/fuel/ transportation, and other). Spending estimates were updated to reflect changes in visitor volume and spending behavior in 2009. Total spending by sector is presented in the chart below.

Visitor spending is widely distributed, with no one category accounting for more than one-quarter of spending. The largest sectors were gifts/souvenirs/clothing at 23 percent, tours/activities/entertainment at 21 percent, and lodging at 17 percent. Readers are reminded that all tour commissions have been excluded from the tours/activities category. The "other" category is primarily spending on lodge packages within one community.

Chart 3
Visitor Spending, Summer 2009, by Region

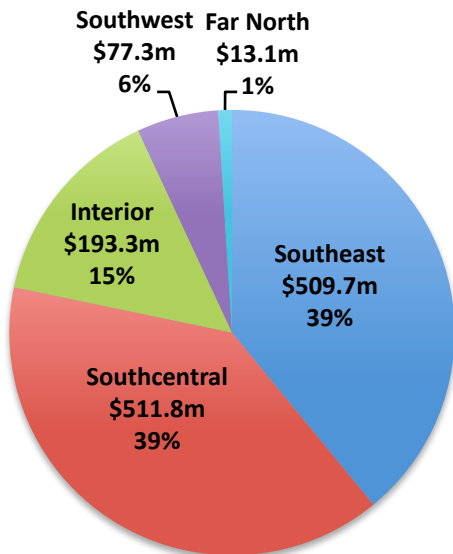
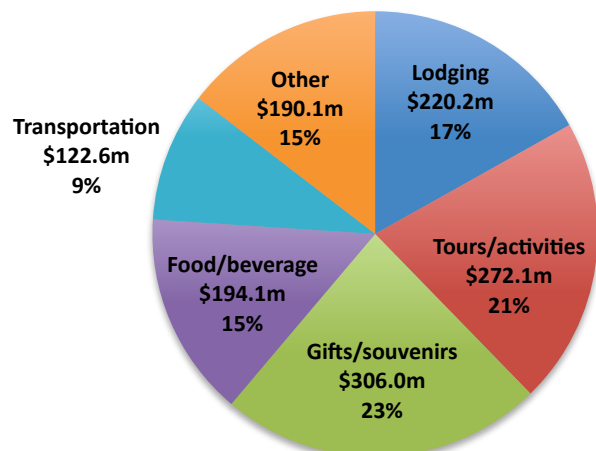


Chart 4
Visitor Spending, Summer 2009, by Sector



Total Summer Visitor Spending: \$1.3 Billion

Visitor Spending, Fall/Winter 2008-09

Out-of-state visitors spent an estimated \$197 million in Alaska between October 2008 and April 2009. This figure excludes spending on air and ferry travel to enter and exit the state. Like the summer spending figures, the basis for the fall/winter spending estimates is survey results from 2006-07. However, fewer adjustments were necessary to update these figures: volume only dropped by 2 percent between 2007-08 and 2008-09 (3 percent since 2006-07), in contrast to summer traffic. The data was updated to reflect a small decrease reported in the business survey and corroborated in other data such as bed and vehicle tax revenues. It was also adjusted to reflect the effects of inflation, by sector.

Spending by Region

In contrast to summer season spending, fall/winter visitor spending is much more focused in the Southcentral region, which accounts for two-thirds of all fall/winter spending. This reflects the much higher visitor traffic to the Southcentral region, nearly all of it to Anchorage. One-fifth of spending occurs in the Interior region, while Southeast, Southwest, and Far North each account for less than 10 percent of fall/winter spending.

Spending by Sector

Fall/winter visitor spending is more focused in the lodging and food/beverage categories when compared to the summer season, when gifts/souvenirs and tours/activities are the top two spending categories. This different spending pattern reflects the very different make-up of the fall/winter market: few visitors are shopping for vacation/pleasure purposes, and instead are much more likely to be traveling for business or to visit friends or relatives. They are therefore much less likely to participate in tours or purchase souvenirs.

Chart 5
Visitor Spending, Fall/Winter 2008-09
By Region

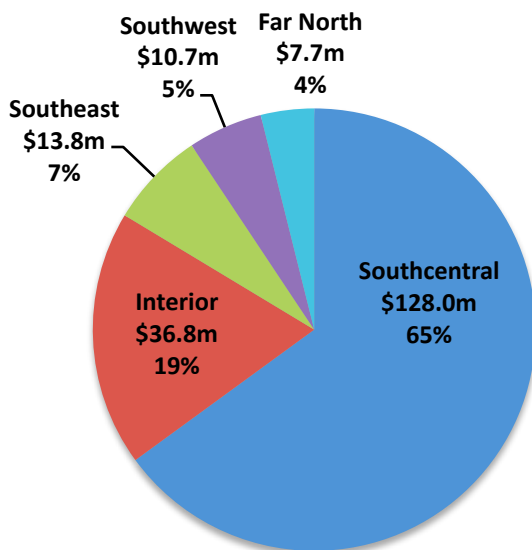
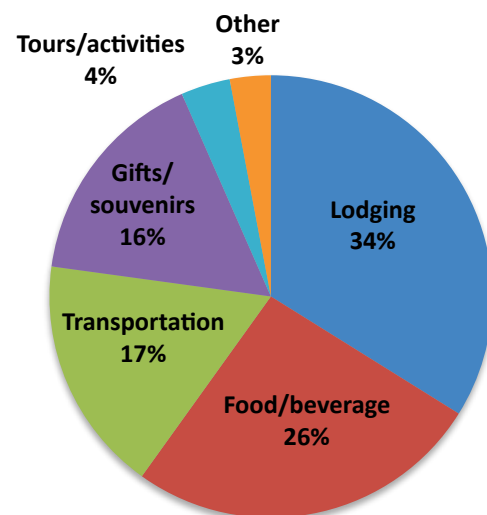


Chart 6
Visitor Spending, Fall/Winter 2008-09
By Sector



Total Fall/Winter Visitor Spending: \$197 Million

Additional Visitor Industry Spending

Cruise Line Spending and Payroll

Cruise lines and their subsidiaries spent approximately \$250 million on goods and services from Alaska businesses during the 2008-09 study period. This estimate is derived from detailed 2007 purchasing information provided by six major cruise lines for a report conducted by McDowell Group on cruise industry impacts for the Alaska Cruise Association. (Permission was granted by ACA to use the cruise line data for the purposes of this study.) The data was sorted to eliminate spending outside of Alaska, as well as payments to tour vendors accounted for under passenger spending.

To develop an estimate of 2009 cruise line spending, the 2007 spending data was adjusted to account for differences in the cruise market between 2007 and 2009, including a drop in land tour participation. (Total passenger volume was essentially the same between the two years.) The 2007 data was also adjusted to account for the effects of inflation.

One-third of all cruise line spending accrues to government in the form of taxes and fees. Transportation spending accounts for over one-fifth of all cruise line spending, while the accommodations sector receives 17 percent of all spending.

In addition to spending in Alaska on goods and services, cruise lines also paid their Alaska employees a total of approximately \$62 million in payroll and benefits. Cruise lines directly employed approximately 1,800 workers in Alaska in 2009, including motorcoach drivers, hotel employees, and other shoreside personnel. This does not include any shipboard personnel.

Crew Spending

Approximately 25,000 crew members visited Alaska in 2009, each crew member generally sailing on 10 to 20 individual voyages, visiting multiple communities on each voyage. Crew members make a wide variety of purchases while in port: they visit restaurants and bars; they purchase communication-related items such as phone cards, Internet, and postage; and they visit retail outlets such as Fred Meyers, Costco, and Wal-Mart. Spending data for crew is primarily based on surveys of crew members previously conducted by McDowell Group, updated to reflect 2009 crew member visitation.

Table 3
Crew Member Spending, By Region, Summer 2009

	Total Spending
Southeast	\$16.1 million
Southcentral	\$0.3 million
Total	\$16.4 million

Visitor Spending on Air and Ferry Travel

AIR TRAVEL

Although visitors did not report their spending on airplane tickets to enter and exit the state in the 2006-07 AVSP, a rough estimate is necessary to complete the picture of visitor spending in 2008-09. Visitor spending

on air travel impacts the state’s economy in the form of landing fees, fuel purchases, airline employee wages, and other purchases in support of airline operations.

To estimate visitor spending on air travel, the estimated number of air visitors was multiplied by average Seattle-Alaska round-trip fares, for both summer (\$600) and fall/winter (\$500). One-half of the total ticket spending was assumed to stay in-state. Spending was distributed by region based on exiting air traffic. This methodology is inexact: passengers fly to and from various destinations with various pricing, and many passengers fly to or from points other than Seattle. In the absence of more specific data, this provides a reasonable and conservative estimate of impacts from visitor spending on airfare in and out of the state. (See table, below.)

FERRY TRAVEL

Similar to airplane tickets, spending on ferry tickets to enter and exit Alaska are not included in the initial visitor spending estimates because the expenditures are not “out-of-pocket.” To estimate this spending, the total number of visitors estimated to have entered or entered Alaska by ferry from fall 2008 through summer 2009 was multiplied by the average spending on ferry tickets reported in AVSP, with adjustments for inflation. This results in a total spending estimate of \$11.4 million. This does not include spending on in-state ferry travel by visitors, which is captured elsewhere in the expenditure data. For the purposes of economic impact analysis, all ferry spending is attributed to Southeast because all ferries entering and exiting Alaska sail between Southeast ports and Bellingham or Prince Rupert (though visitors sailing to Southcentral and Southwest ports clearly have economic benefit to those regions).

Table 4
Visitor Spending on Air and Ferry Travel to Enter/Exit Alaska
October 2008-September 2009

	Air Travel	Ferry Travel
Southcentral	\$209.0 million	n/a
Southeast	\$25.5 million	\$11.4 million
Interior	\$36.3 million	n/a
Total	\$270.8 million	\$11.4 million

Full Year Visitor Industry Spending

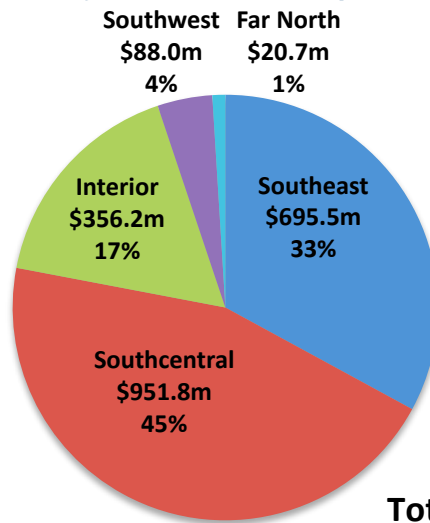
The table below shows full year (October 2008 through September 2009) visitor industry spending, combining the spending by visitors, cruise lines, and crew members, along with spending on air and ferry tickets to enter/exit Alaska. The total figure of \$2.1 billion is primarily focused on visitor spending, which accounts for 71 percent of total spending.

Table 5
Visitor Industry Spending, October 2008-September 2009

	Expenditures
Visitor spending	\$1,502.2 million
Cruise line spending	\$250.0 million
Cruise line payroll spending	\$62.0 million
Crew member spending	\$16.4 million
Air tickets	\$270.8 million
Ferry tickets	\$11.4 million
Total spending	\$2.1 billion

The chart below shows how visitor industry spending is distributed by region. Regionally, Southcentral captures the largest share at 45 percent, followed by Southeast at 33 percent, Interior at 17 percent, Southwest at 4 percent, and Far North at 1 percent.

Chart 7
Visitor Industry Spending, October 2008-September 2009, By Region



Total Spending: \$2.1 Billion

Economic Impact Analysis

Spending in Alaska by visitors and visitor industry businesses creates jobs, income, and business activity throughout the Alaska economy. Visitor spending creates jobs and payroll with tour companies, hotels and lodges, retail establishments, transportation providers, and a range of other business. Visitor industry businesses and their employees in turn re-spend a portion of that money with other Alaska businesses (some is spent outside Alaska).

For most industries in Alaska, it is possible to rely on government agencies to routinely report employment and payroll. However, because visitor activity directly affects a blend of numerous other industries (retail, transportation, services, and others) there are no regularly published data on visitor industry employment and payroll, either in Alaska or elsewhere in the U.S. Tourism “satellite accounts” have been developed for the purpose of isolating and measuring tourism economic activity; however, these efforts still fail to provide a true measure on tourism activity in Alaska because resident travel is included in the analysis. Therefore, for a pure analysis of the economic impact of non-resident visitor travel to Alaska, custom research and modeling is required. McDowell Group maintains an Excel-based visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska.

All impact analysis refers to the October 2008 through September 2009 study period, abbreviated to “2009.”

Direct Employment and Labor Income Effects

The visitor industry’s direct economic impacts include the jobs and income created by:

- Non-resident visitor spending on all goods and services purchased while in Alaska.
- Half of visitor spending on air travel to Alaska (based on fares for travel from Seattle to Alaska destinations) and all visitor spending on Alaska Marine Highway tickets. None of the expenditures made by cruise passengers on their cruise package is included, though some of that money flows through the state in the form of cruise line purchases of goods and services.
- Spending in Alaska by cruise lines in support of their operations, including payroll for their shoreside employees in Alaska and all taxes and fees paid to state and local governments.
- Spending by cruise ship crew while in Alaska.

As described in the previous chapter, all these components of direct visitor industry spending totaled approximately \$2.1 billion in the 12-month study period. This spending directly generated 27,100 full- and part-time jobs in Alaska, and \$800 million in labor income, based on McDowell Group’s economic impact modeling. Approximately half (46 percent) of direct visitor industry employment is in the Southcentral region, and approximately one-third (31 percent) is in Southeast.

Table 6
Visitor Industry Employment and Labor Income in Alaska, 2009
(direct effects only)

	Employment	Labor Income
Southcentral	12,600	\$349 million
Interior	4,900	154 million
Southeast	8,300	256 million
Southwest	1,100	30 million
Far North	200	8 million
Total	27,100	\$797 million

These employment and labor income estimates do not include multiplier effects, i.e., those jobs and income created in Alaska as the visitor dollar is re-spent by visitor industry businesses and their employees. In fact, modeling indicates that this secondary spending totaled approximately \$1.3 billion. That amount, added to the initial direct spending of \$2.1 billion, indicates total direct, indirect and induced spending of approximately \$3.4 billion in 2009. The statewide employment and income effects of \$1.3 billion in secondary spending are estimated at 9,100 jobs and \$346 million in labor income. Regional direct and indirect employment and labor income totals are presented in the following tables.

Table 7
Direct, Indirect, and Total Visitor Industry Employment in Alaska, 2009

	Direct	Indirect	Total
Southcentral	12,600	5,000	17,600
Interior	4,900	1,300	6,200
Southeast	8,300	2,300	10,600
Southwest	1,100	400	1,500
Far North	200	100	300
Total	27,100	9,100	36,200

Table 8
Direct, Indirect, and Total Visitor Industry Labor Income in Alaska, 2009

	Direct	Indirect	Total
Southcentral	\$349 million	\$165 million	\$514 million
Interior	154 million	51 million	205 million
Southeast	256 million	117 million	373 million
Southwest	30 million	11 million	41 million
Far North	8 million	2 million	10 million
Total	\$797 million	\$346 million	\$1,143 million

In summary, Alaska's visitor industry accounted for a total of 36,200 jobs in 2009, and over \$1.1 billion in labor income, including all direct, indirect and induced effects. It should be noted that this estimate of visitor industry-related employment is a tally of the total number of full and part-time jobs linked to non-resident visitor travel to Alaska in 2009. This tally includes annual average wage and salary employment, and total proprietors' employment (the total number of sole proprietorships or partnerships active at any time during the year). Though non-resident travel to Alaska occurs year-round, the visitor industry is strongly seasonal, with the vast majority of visitation occurring between May and September. Because of the seasonal nature of

the industry, estimates of annual average employment understate the total number of people directly employed in the industry during the peak of the travel season. In the accommodations sector, for example, wage and salary employment averaged about 7,700 jobs in 2009. Peak employment that year, in July, totaled 11,000 jobs. Alaska’s “scenic & sightseeing transportation” sector is even more seasonal, with annual average employment of about 1,800 and peak employment of about 3,800, according to Alaska Department of Labor and Workforce Development data. Therefore, while this study measured 36,200 full and part-time jobs related to Alaska’s visitor industry, the total number of workers whose jobs are directly or indirectly connected to the industry was over 40,000 in 2009.

Table 9
Total Visitor Industry Employment, Labor Income, and Spending in Alaska, 2009
(including direct, indirect, and induced effects)

	Employment	Labor Income	Spending
Southcentral	17,600	\$514 million	\$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	36,200	\$1.1 billion	\$3.4 billion

Importance in Regional and Statewide Economies

Proportionately, visitor industry employment is most important in Southeast Alaska. Visitor industry-related employment of approximately 10,600 represented 21 percent of the region’s 50,000 full and part-time jobs. Total visitor industry-related labor income of \$373 million was 17 percent of total Southeast region labor income of approximately \$2.2 billion.³ In the Interior region the visitor industry accounted for about 9 percent of employment (out of a regional total of 65,500 jobs) and 6 percent of labor income (out of a regional total of \$3.4 billion).

Total Southcentral employment of 17,600, represented approximately 7 percent of total employment in the region (about 263,000 full and part-time jobs) and 4 percent of total labor income (approximately \$13.7 billion).

Statewide, visitor industry-related employment of 36,200 accounted for 8 percent of all employment. Total statewide visitor industry-related labor income of \$1.1 billion represented 5 percent of all labor income in Alaska.⁴

Employment and Labor Income by Sector

Jobs created as a direct result of visitor spending are concentrated in five sectors of Alaska’s economy. Visitor spending directly accounted for 4,200 accommodations jobs in 2009, 3,500 jobs with firms providing tours and other visitor activities, and 4,500 retail jobs. Visitor spending also directly generated 4,400 jobs with

³ Based on Bureau of Economic Analysis employment and labor income data for the Southeast region in 2007.

⁴ Based on BEA employment and labor income data for the Alaska in 2008.

restaurants/bars and 2,700 jobs with transportation providers. Another 2,600 jobs were scattered among a number of other sectors of the Alaska economy, as a direct result of visitor spending.

Spending by cruise lines was also broadly distributed throughout the Alaska economy, creating jobs in the same sectors as those affected by visitor spending, plus jobs in professional and business services, wholesale businesses, and construction, among others, and in the government sector as a result of tax payments to state and local governments.

Indirect and induced jobs linked with the visitor industry are the most broadly distributed throughout the Alaska economy and includes all of the sectors that provide goods and services to Alaska businesses and households – virtually the entire service and support sector.

Table 10
Visitor Industry Employment and Labor Income, with Sector Detail, 2009

	Employment	Labor Income
Direct jobs from visitor spending		
Accommodations	4,200	\$101 million
Tours & Activities	3,500	140 million
Retail	4,500	102 million
Food/Drink Services	4,400	91 million
Transportation	2,700	116 million
Other	2,600	70 million
Total	21,900	\$620 million
All other direct jobs	5,200	\$177 million
All indirect and induced jobs	9,100	\$346 million
Total visitor industry-related employment and labor income	36,200	\$1.1 billion

Alaska's Visitor Industry: Recent Changes and Future Outlook

Decline in Visitor Industry, 2008 to 2009

As described in the Visitor Volume chapter of this report, Alaska's out-of-state visitor market declined considerably (by an estimated 7 percent) in summer 2009 when compared to summer 2008. In fact, the visitor market has not seen this significant a decline since McDowell Group began tracking visitor volume in 1985. While the cruise market was basically flat, the air market dropped an estimated 15 percent; the ferry market 16 percent; and the highway market 8 percent. In addition, the cruise passengers that did visit Alaska were less likely to travel within the state, making the declines in the Southcentral and Interior regions more dramatic. Following is a more detailed description of the 2008-09 visitor season, and how it differed from previous years.

Business Survey Results

A major source for this study was a survey of 172 visitor industry businesses, specifically targeted in order to obtain a representative cross-section of visitor businesses across business type and location, as well as businesses representing the largest amount of visitors (cruise lines, Alaska Railroad, Alaska Airlines, etc.). Businesses were asked about their visitor markets (cruise, air, highway/ferry), seasonality, and percentage increase or decrease in 2008-09 in both visitor volume and gross sales, among other questions.

Results from the survey should be viewed in light of the fact that responses are not weighted by size or type of business. It should also be noted that the survey sample included only a few Southeast tour operators catering exclusively to cruise ship passengers, because the study team had access to shore excursion sales data provided by cruise lines. This data was taken into consideration along with survey data when making adjustments to passenger spending data.

Table 11
Visitor Business Survey Sample Definition

	% of Total
Location	
Southcentral	39%
Southeast	24
Interior	18
Statewide	8
Southwest	6
Far North	5
Business Type	
Accommodations	32%
Activities and attractions	25
Retail	20
Transportation	10
Dining	6
Package tours	6
Average # of years in business	25 years
Average # of employees	35 employees

CHANGE IN GROSS SALES AND VISITOR VOLUME, SUMMER 2008 TO SUMMER 2009

Two-thirds of businesses surveyed said their volume and their sales decreased in summer 2009 compared to 2008. One in ten saw an increase, and about the same said there was no change year-to-year.

Businesses that saw an increase, as well as those that saw a less-than-average decrease, often explained their results. They were a growing business, for example, or they anticipated the decline by offering lower rates or special promotions. Respondents also commented that visitors were buying lower-priced tours and lodging – if a business was in the right price range, they may have had a better year than those in the higher price range.

Retail businesses were asked a follow-up question: whether per-visitor spending changed (as opposed to overall gross sales). In response, 6 percent said that per-visitor spending increased, 58 percent said decreased, 26 percent said it stayed the same, and 10 percent didn't know. These results correspond with comments that visitors were buying lower-price retail items (as well as lower-price tours and lodging).

Table 12
Changes in Sales and Visitor Volume, Summer 2008 to Summer 2009

	% of Total
Change in number of visitors served	
Increase	11%
Decrease	67
No change	7
Don't know	14
Average % change	14% decrease
Change in gross sales	
Increase	9%
Decrease	65
No change	10
Don't know	16
Average % change	16% decrease

CHANGE IN GROSS SALES AND VISITOR VOLUME, FALL/WINTER 2007-08 TO FALL/WINTER 2008-09

Businesses who reported operating in the fall/winter were asked about their last fall/winter season (October 2008-April 2009) compared to the previous season (October 2007-April 2008).

There was much less change reported in the fall/winter season compared to the summer season – not surprising, considering that fall/winter visitors tend to be traveling to visit friends and relatives or for business, and these markets were not as affected by the economic crisis. In addition, traffic data reflected only a 2 percent decrease in visitation between the two periods.

A little less than one-quarter reported an increase in visitors, a little more than one-quarter reported a decrease, but the most popular answer was “no change.” There were a few more reports of decreases in terms of sales, probably reflecting lower prices. The reports of lower sales were reinforced by bed tax and vehicle rental tax declines.

Table 13
Changes in Sales and Visitor Volume, Fall/Winter 2007-08 to Fall/Winter 2008-09

	% of Total
Change in number of visitors served	
Increase	23%
Decrease	28
No change	41
Don't know	8
Average % change	1% decrease
Change in gross sales	
Increase	20%
Decrease	31
No change	42
Don't know	7
Average % change	8% decrease

SUMMARY OF BUSINESS SURVEY COMMENTS

Additional comments were offered by respondents on their 2009 season, summarized below.

- Although cruise lines filled their ships, it required heavily discounting prices. According to some contacts, this led to passengers with lower incomes and higher price sensitivity.
- Although a couple of contacts reported a decrease in international visitors, most of those who commented on this market said they held steady or increased. Several noted increases in the European and Japanese markets.
- The group tour and incentive markets were reported to be down.
- The excellent weather experienced statewide in 2009 not only tempted more visitors to purchase outdoor tours, it allowed for fewer flightseeing cancellations.
- Businesses selling all-inclusive package tours that included a cruise component were especially hard hit because they were competing heavily with cruise lines, which were offering unprecedented prices.
- Businesses selling add-on packages to cruise passengers (such as two-day tours to Nome) were also affected. One contact pointed out that with cruise packages priced so low, it became hard for visitors to justify paying as much or more for add-on packages as they had paid for their cruise.
- The sportfishing market reported heavy losses in both the charter and lodge sectors. Owners cited new sportfishing regulations as a factor in the downturn, in addition to the economic recession.
- A few contacts reported more travel by Canadians.
- There were several comments on the in-state market, that Alaskans were traveling in-state as much or more than before. (This report measures impacts from out-of-state visitors only.)

- Retail vendors commented on how sales have fluctuated over the last several years. For many, the trend towards lower-priced items began in 2008 and continued in 2009.

Additional Visitor Industry Indicators

The table below presents additional indicators that help describe the 2009 season. They tend to reinforce what was reported in the survey, and were taken into account in the adjustments made to spending and volume for the 2009 season.

- Domestic air passenger traffic exiting Alaska was down in every market, ranging from 7 percent in Fairbanks to 20 percent in Sitka, for a total decline of 10 percent. While resident travel is included in these figures, resident air travel was reported to have held fairly steady in summer 2009. International air traffic was likewise down, by 8 percent.
- Cruise passenger traffic was down only 1 percent between 2008 and 2009; however, as reported previously, cruise passengers were traveling less within the state. Based on information provided by cruise lines on 2008-to-2009 shifts in the land tour market (passengers that purchase overnight tours, generally to Denali and Fairbanks, in addition to their cruise), it is estimated that land tour volume dropped 13 percent between 2008 and 2009.
- Some of the more striking declines can be seen in bed tax revenues, with declines ranging from 14 percent in Denali to 30 percent in Sitka. The increase in Valdez' bed tax revenues likely reflects their relative dependence on the in-state market. (In viewing these figures, it is important to keep in mind that these declines reflect decreases in prices as well as room nights.)
- Anchorage showed a 23 percent decrease in vehicle rental tax revenues, and a 26 percent in RV rental tax revenues. As with bed tax revenues, these figures likely reflect decreases in prices as well as rentals.
- Department of Fish and Game license sales show a 16 percent decline in non-resident fishing license sales between 2008 and 2009, reinforcing reports from lodge and charter operators. While hunting licenses were down only 2 percent, big game tags were down 18 percent.
- While sales tax revenues are not direct indicators of visitor spending as they reflect both resident and non-resident spending, it is interesting to note that sales tax revenues were down 16 percent in Sitka, 12 percent in Juneau, and 9 percent in Skagway. The Skagway figure is particularly indicative of the visitor market, as visitor spending represents the vast majority of spending on goods and services in Skagway during the 2nd and 3rd quarters.

Table 14
Summer 2009 Visitor Industry Indicators

Change 2008 to 2009	
Domestic airplane passengers exiting Alaska, May-September	
Anchorage	-10%
Fairbanks	-7%
Juneau	-15%
Ketchikan	-12%
Sitka	-20%
Other	-6%
Total	-10%
International airplane passengers exiting Alaska, May-September	
Anchorage	-9%
Fairbanks	-8%
Total	-8%
Cruise passenger traffic	
Total passenger volume	-1%
Land tour volume	-13%
Out-of-state ferry passenger volume	
Total	-16%
Bed Tax Revenues, April-September	
Anchorage	-22%
Fairbanks	-18%
Denali	-14%
Juneau	-28%
Mat-Su	-10%
Sitka	-30%
Valdez	+7%
Vehicle Rental Tax Revenues, April-September	
Anchorage car rental	-23%
Anchorage RV rental	-26%
Department of Fish and Game License Sales (calendar years 2008 and 2009)	
Nonresident sport fishing licenses	-16%
Nonresident King Salmon tags	-18%
Nonresident hunting licenses	-2%
Nonresident big game tags	-18%
Sales Tax Revenues, April-September	
Juneau	-12%
Skagway	-9%
Sitka	-16%

Sources: Alaska Airlines, Ted Stevens Anchorage International Airport, Fairbanks International Airport, Cruise Line Agencies of Alaska, cruise lines, Alaska Marine Highway, Alaska Department of Fish and Game, and the municipalities/boroughs of Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, Valdez, Skagway, and Sitka.

Economic Impact of 2009 Decline

While within the scope of this project it is not possible to measure precisely the economic impact of the decline in visitor spending in 2009, available data provides an indication of the significance of the decline. Alaska Department of Labor and Workforce Development employment data indicates that statewide annual average employment in the accommodations sector (hotels, lodges and B&Bs) was down by 600 jobs in 2009. Accommodations employment in July 2009, at the peak of the visitor season, was 1,100 jobs below the July 2008 level. Other visitor-affected sectors of the Alaska economy also experienced employment declines in 2009, as illustrated in the following table. Not all of the job loss in these sectors can be attributed to a decline in visitor spending; Alaska residents account for a significant portion of spending in these sectors. Nevertheless, it is clear from the long list of declining visitor industry indicators (reported above) that lower visitor spending was a key contributing factor.

Table 15
Annual Average and Peak Month Employment Declines in Visitor-Affected Sectors, 2009 versus 2008

	Annual Average Change, 2008 to 2009	Change, July 2008 to July 2009
Retail	-600	-500
Air transportation	-300	-500
Accommodations	-600	-1,100
Food and drink	-400	-1,200

Source: Alaska Department of Labor and Workforce Development.

Detailed sector employment data for the third quarter of 2009 further illustrates job losses during the peak of the visitor season. In these selected visitor-affected categories, statewide employment during the third quarter of 2009 was about 2,300 jobs below the third quarter of 2008, a decline of about 7 percent. Payroll was down \$14 million for the quarter, a decline of 6 percent. Two sectors that are most heavily affected by non-resident visitor travel, scenic/sightseeing transportation and tour companies, saw employment declines of 9 percent and 25 percent, respectively.

Table 16
Changes in 3rd Quarter Employment in Selected Visitor-Affected Sectors, 2008 to 2009

	3rd Qtr 09 Employment	Change from 3rd Qtr 08	Percent Change	Total Change in Payroll	Percent Change
Jewelry stores	598	-17	-3%	-\$507,708	-10%
Gift, novelty, and souvenir stores	1,276	-65	-5%	-566,046	-9%
Nonscheduled air transportation	1,718	-140	-8%	-224,008	-1%
Scenic and sightseeing transportation	3,106	-310	-9%	-3,161,303	-11%
Support activities for transportation	2,848	-243	-8%	-1,386,541	-4%
Passenger car rental	425	-27	-6%	-84,549	-3%
Tour operators	674	-224	-25%	-974,955	-15%
Amusements and recreation	4,333	-112	-3%	-1,084,540	-6%
Traveler accommodation	8,885	-665	-7%	-4,672,572	-8%
Full-service restaurants	8,455	-465	-5%	-1,541,174	-4%
Total All Categories	32,318	-2,268	-7%	-\$14,203,396	-6%

Source: Alaska Department of Labor and Workforce Development.

Based on the modeling conducted for this study, total visitor spending in Alaska declined by approximately \$270 million between 2007-08 and 2008-09, a 15 percent drop. A 15 percent drop in visitor spending could translate in to loss of 5,000 direct and indirect jobs if it were to persist for several years. In the near term, however, the direct employment loss during the summer of 2009 was significantly less than that amount.

In 2009, on average, \$82,000 in visitor spending created one direct job. At that rate, a spending decline of \$270 million would suggest a loss of approximately 3,300 jobs. However, employers are often more inclined (at least initially) to reduce non-personnel costs and/or earn reduced profits before resorting to job cuts. As such it is likely that statewide the decline in visitor spending resulted in the loss of perhaps 2,000 to 2,500 mostly seasonal jobs.

Industry Outlook

One aspect of the 2010 visitor market that is currently measurable is a forecasted decline in cruise passenger capacity. Overall, capacity is expected to be down 14 percent from 2009, based on several changes. The following ships will be re-deployed to other markets: 1,270-passenger Ryndam (Holland America Line), 2,600-passenger Star Princess (Princess Cruises), 2,002-passenger Norwegian Sun (Norwegian Cruise Line), 2,100-passenger Serenade of the Seas (Royal Caribbean International), and 114-passenger Spirit of Oceanus (Cruise West). Holland America's Amsterdam will make 11 Alaska voyages (of 14 nights each) instead of 20 seven-night voyages. There have also been changes from cross-gulf to round trip itineraries for two ships (the 1,950-passenger Coral Princess and the 2,124-passenger Carnival Spirit), which eliminates the option for passengers to travel additionally in-state (either independently or on land tour packages).

Different ports will feel the drop to different degrees, as seen in the following table.

Table 17
Anticipated Changes in Cruise Passenger Volume, 2009 to 2010

	% Change
Juneau	-14%
Ketchikan	-12
Skagway	-12
Sitka	-36
Whittier	-40
Seward	-16
Icy Strait Point	-11
Haines	-26
Statewide	-14%

Source: Cruise Line Agencies of Alaska.

A decline in cruise passenger travel to Alaska of approximately 14 percent (140,000 passengers overall) in 2010 could reasonably be expected to result in a 14 percent decline in cruise passenger spending, compared to 2009. If a decline of 140,000 passengers is accompanied by a proportional decline in spending, \$90 million in direct spending would be lost, and as much as \$150 million in total direct and indirect spending. This spending decline, plus the decline experienced in 2009, could bring the total employment loss from the 2008 peak to near 5,000 jobs, including all the direct and indirect effects.

However, 2009 was an unusual year in the Alaska cruise market. The result of a severe national recession, deep discounting was required to fill berths on cruise ships. The discounting fulfilled its objective; cruise traffic was down only about 1 percent. However, cruise passengers that did travel to Alaska in 2009 proved to be reluctant spenders, purchasing fewer excursions and spending less on gifts and souvenirs. Early indications for the 2010 season suggest that Alaska can expect a return of the more traditional (less frugal) cruise passenger. Anecdotal information indicates discounting is not being required to fill berths, meaning the typical cruiser in 2010 will spend at a higher rate than the typical 2009 cruiser. To the extent that 2010 cruisers do spend more, the spending and employment losses potentially stemming from the decline in cruise traffic will be mitigated.

Looking ahead to 2011, Cruise Line Agencies of Alaska predicts that overall passenger volume will be about the same as in 2010, with additional losses being balanced out by new arrivals.

Further decline in the independent (non-cruise) travel market is not expected in 2010, and the outlook is for a modest rebound from 2009. Several factors point to this outcome.

- The reduction in cruise capacity – and stronger early cruise bookings despite lack of significant discounting – indicate better overall demand for Alaska and increased consumer economic capability. Cruise capacity limitations likely mean some visitors will choose a non-cruise Alaska trip.
- National retail spending and consumer confidence show some modest promise in early 2010. Since Alaska visitors tend to be well above average in income and education, they are less affected by an economic downturn.
- Past research in the Alaska market indicates that potential visitors may postpone their Alaska trip during uncertain times but not cancel their Alaska ambitions altogether. Some pent-up demand from the recent independent visitor downturn is expected.
- Most independent visitors enter and exit by air, and Alaska's dominant carrier – Alaska Airlines – is doing much better financially in 2010 than the aviation industry overall, so is likely to maintain sufficient summer frequency to service independent Alaska demand.
- Independents will be looking for value, as opposed to low price, and travel offerings throughout the state are more modestly priced as a result of the recession. The perceived (and true) value of an independent Alaska experience has improved since 2008.
- While the U.S. dollar may be strengthening somewhat in 2010, Alaska travel is still a good value for overseas visitors, and some additional independent traffic might be expected.

While all of these factors point to modest improvement in Alaska independent visitor volume and spending for 2010, the nation's recent economic troubles are indicators of much more comprehensive and long-term systemic issues with the U.S. economy that will continue to be of concern for all travel markets.

Revenues to Municipal and State Governments

The visitor industry generates significant revenues for state and local governments in Alaska. User fees, sales taxes, bed taxes, property taxes, income taxes and other payments all flow to state and local governments in Alaska directly or indirectly from the visitor industry. This chapter details, to the extent possible, state and local government revenues that can be attributed to out-of-state visitors.

Summary

Visitor-related tax revenues to municipalities in 2008-09 totaled nearly \$70 million in sales and bed tax revenues and cruise line payments. Sales tax revenues are estimated at \$28.9 million, and bed tax revenues are estimated at \$23.5 million. In addition, cruise lines paid over \$17 million in dockage, moorage, and municipal passenger fees in 2009. Property taxes provide an additional revenue stream to municipalities.

Visitor-related revenues to state government during the 2008-09 study period included \$139 million in cruise line fees, fishing/hunting licenses, vehicle rental taxes, corporate income taxes, and revenues to the Alaska Marine Highway System and the Alaska Railroad. Cruise lines alone paid \$58 million in commercial passenger vessel fees, gambling taxes, Ocean Ranger Program fees, and Environmental Compliance Program fees. Additional revenues to the State of Alaska from the visitor industry not included in this total are airport fees, State Parks user fees, and State Museum revenues, among others.

Please see the following pages for more details on these revenues.

Table 18
Selected Revenues to Municipal and State Governments
October 2008-September 2009

	Revenues
Municipal Revenues	\$69.8 million
Sales tax revenues	\$28.9 million
Bed tax revenues	\$23.5 million
Dockage/moorage revenues	\$17.4 million
State of Alaska Revenues	\$138.8 million
Commercial Passenger Vessel Tax	\$46.4 million
Passenger Gambling Tax	\$6.3 million
Ocean Ranger Program	\$4.0 million
Commercial Passenger Vessel Environmental Compliance Program	\$1.0 million
Non-resident fishing/hunting/trapping licenses and tags	\$17.1 million
Alaska Marine Highway revenues	\$17.6 million
Alaska Railroad revenues	\$19.4 million
Vehicle rental tax	\$5.6 million
Corporate income tax	\$21.4 million
Total Selected Revenues	\$208.6 million

Municipal Tax Revenues

Sales Tax Revenues

Total sales tax revenues associated with visitor industry spending are estimated at \$28.9 million for the October 2008 to September 2009 study period. Visitor-related sales tax revenues are particularly important in communities such as Juneau, Ketchikan, and Skagway, where spending by visitors provides a significant portion of total spending in each community.

Regional sales tax totals were calculated based on visitor industry spending and visitor volume at the community and regional level. Tax rates and total taxes collected by community were taken into account in the analysis (total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009). Taxable spending rates were also considered in the analysis. Not all visitor-related spending is taxable; for example, spending on flights is exempt, and some communities have sales tax caps.

Table 19
Sales Tax Revenues from Out-of-State Visitors
By Region, October 2008-September 2009

Region	Sales Tax Revenues
Southeast	\$18.3 million
Southcentral	\$9.8 million
Other regions combined	\$0.8 million
Total	\$28.9 million

Sources: McDowell Group estimates based on sales tax rates and revenues from Alaska Taxable 2009 (Alaska Department of Commerce, Community and Economic Development); and AVSP visitor survey and volume data.

Bed Tax Revenues

Out-of-state visitors paid an estimated \$23.5 million in bed tax revenues in the one-year study period. The bulk of the revenues accrue to Southcentral, where Anchorage has the highest bed tax rate in the state (12 percent) *and* attracts the highest number of overnight visitors. The Interior, with Fairbanks at 8 percent and Denali at 7 percent, accounted for about one-fifth of all bed tax revenues. While most Southeast communities charge bed taxes, revenues are not as high as in other regions because they have fewer overnight visitors (cruise ship visitors rarely overnight in Southeast). Both Southwest and Far North regions are estimated to receive less than \$1 million each in bed tax revenues from out-of-state visitors.

Over 30 different communities with bed taxes were considered in this analysis. Total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009. Each community's tax revenues were assigned a different "percentage out-of-state visitors" rate, based on data from the business survey (where accommodations reported the percentage of their business from out-of-state visitors) as well as previous visitor volume and survey research.

Table 20
Bed Tax Revenues from Out-of-State Visitors
By Region, October 2008-September 2009

Region	Bed Tax Revenues
Southcentral	\$15.6 million
Interior	\$5.6 million
Southeast	\$1.7 million
Southwest	\$0.5 million
Far North	\$0.1 million
Total	\$23.5 million

Sources: McDowell Group estimates based on bed tax rates and revenues from Alaska Taxable 2009 (Alaska Department of Commerce, Community and Economic Development); AVSP visitor survey and volume data; and business survey data.

Property Tax Revenues

It is beyond the scope of this study to measure property tax revenues in each Alaska community affected by visitor traffic. The analysis would be very complex; most property tax revenues are indirect, that is, paid by businesses that provide goods and services to visitors. Many visitor-affected businesses also provide goods and services to Alaska residents. Therefore, not all of the property taxes paid by these businesses could be attributed to the visitor industry.

A previous study estimated property tax revenues associated with the cruise industry at \$3.5 million for 2007. This figure was based on data provided by cruise lines on property tax payments, a review of property tax payments on cruise industry-related businesses in Ketchikan and Juneau, and previous estimates. This is only a relatively small portion of property tax revenues accruing to local governments from visitor industry-related sources. It does not include the lodging, tour operators, and other businesses serving the non-cruise market; nor does it include property taxes paid by businesses less dependent on visitor activity (but still deriving income from visitors) or taxes paid by households of employees of visitor-related businesses.

Cruise Ship Revenues

Some municipal governments in Alaska's cruise port communities receive revenues from cruise lines in the form of moorage and docking fees, primarily Juneau, Ketchikan, Sitka, and Haines. (The docks in Skagway, Whittier, and Icy Strait Point are privately owned. Seward's dock is owned by the Alaska Railroad.) Juneau has both private and public docks. Sitka does not have a deep-water dock, but charges lightering fees.

Each community has its own system of charging cruise lines for using port facilities. Dock charges are generally assessed on a per foot/per day basis. Additional charges may include tonnage fees, passenger fees, lightering fees, and water fees, depending on the community.

Total revenues for 2009 were \$17.4 million, most of it collected in Southeast. Juneau and Ketchikan account for the vast majority of this figure, with \$8.6 million and \$8.5 million, respectively.

Table 21
Cruise Ship Dockage/Moorage Revenues to Municipalities, Summer 2009

Port	Revenues
Juneau	\$8,587,000
Ketchikan	\$8,478,000
Sitka	\$115,000
Haines	\$99,000
All other ports	\$75,000
Total	\$17,354,000

Sources: City and Borough of Juneau; City of Ketchikan; City and Borough of Sitka; City and Borough of Haines.
 Note: Docks in Skagway, Whittier, and Icy Strait Point are privately owned. Seward's dock is owned by Alaska Railroad.

State of Alaska Revenues

Direct Payments from Cruise Lines

The State of Alaska receives several forms of direct payments from cruise lines: the head tax (Departments of Revenue and Environmental Conservation), the gambling tax (Department of Revenue), the Commercial Passenger Vessel Environmental Compliance Program (Department of Environmental Conservation) and state corporate income tax (Department of Revenue).

HEAD TAX

At the end of December 2006, a new head tax was established for passengers on large vessels. The tax is \$50 per passenger, with \$46 dedicated to the Department of Revenue for redistribution, and \$4 dedicated to the Alaska Department of Environmental Conservation to operate the Ocean Ranger Program.

According to the Alaska Department of Revenue, the State received \$46.4 million for the \$46 portion of the tax in 2007. These revenues are deposited in a special "commercial vessel passenger tax account" in the General Fund. For each voyage of a commercial passenger vessel providing overnight accommodations, the Commissioner of the Department of Revenue must identify the first five ports of call and the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the commissioner distributes \$5 per passenger of the tax revenue to each port of call. Each port of call must use the funds to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to improve the safety and efficiency of interstate and foreign commerce.

Head tax revenue for Department of Environmental Conservation amounted to \$4.0 million in 2009. This revenue is used to operate the Ocean Ranger program, which requires U.S. Coast Guard licensed marine engineers on board vessels to act as independent observers monitoring State environmental and marine discharge requirements, and to ensure that passengers and crew are protected from improper sanitation, health, and safety practices.

The large passenger vessel gambling tax was also introduced in December 2006. This tax applies to the use of playing cards, dice, roulette wheels, and coin-operated instruments or machines designed for gaming or gambling activities aboard cruise ships operating in Alaska waters. The tax is 33 percent of the adjusted gross income from these gambling activities.⁵ Gambling taxes are payable to the Department of Revenue and deposited in a special "commercial vessel passenger tax account" in the General Fund. The Department of Revenue reports gambling tax revenues of \$6.3 million in 2009.

COMMERCIAL PASSENGER VESSEL ENVIRONMENTAL COMPLIANCE PROGRAM

The Commercial Passenger Vessel Environmental Compliance (CPVEC) Program was established in July of 2001. This program requires all large passenger vessels to register and comply with quality control regulations. The program is operated with fees collected from large and small passenger vessels (\$1 per berth). In 2009, \$1.0 million was collected for the Commercial Passenger Vessel Environmental Compliance Program.

Corporate Income Tax

Alaska's corporate income tax rates are graduated from 1 percent to 9.4 percent in increments of \$10,000 of taxable income. The 9.4 percent maximum rate applies to taxable income of \$90,000 and over. Multistate corporations apportion income on a water's edge basis using the standard apportionment formula of property, payroll, and sales.

Tax payments by individual corporations are confidential; however, the Department of Revenue reports total corporate income taxes in the "tourism" category, including payments by cruise lines and other visitor industry businesses, of \$21.4 million in Fiscal Year 2009.

Vehicle Rental Tax

Alaska levies a 10 percent passenger vehicle tax as well as a 3 percent recreational vehicle tax. In Fiscal Year 2009, the Department of Revenue collected a total of \$8.0 million in vehicle tax revenues. Survey results indicate that approximately 70 percent of rental vehicle revenues are attributable to out-of-state visitors. Visitor-related tax revenues from vehicle rental are therefore estimated at \$5.6 million.

Revenues to Alaska Marine Highway and Alaska Railroad Corporation

While not in the category of fees or taxes, out-of-state visitors account for significant revenues to two transportation providers operated by the State of Alaska: the Alaska Marine Highway and the Alaska Railroad.

The Alaska Marine Highway reports that in calendar year 2009, out-of-state residents accounted for \$17.6 million in revenues to AMHS. For purposes of this report, this figure is assumed to represent the study period of October 2008 through September 2009. (This figure does not resemble the \$11.4 million reported in the Visitor Spending section because it is *total* spending, rather than spending only on passage to and from Alaska.)

The Alaska Railroad Corporation reports total passenger-related revenues of \$21.5 million in 2009, \$19.4 million of which is attributable to out-of-state visitors.

⁵ "Adjusted gross income" refers to gross income, minus prizes awarded and federal and municipal taxes paid or owed on the income.