

*Alaska Visitor Statistics Program VI
Interim Visitor Volume Report
Summer 2015*

Prepared for:

State of Alaska

*Department of Commerce, Community,
and Economic Development
Division of Economic Development*

February 2016



***Alaska Visitor Statistics Program VI
Interim Visitor Volume Report
Summer 2015***

Prepared for:

State of Alaska

*Department of Commerce, Community,
and Economic Development
Division of Economic Development*

Prepared by:



Juneau • Anchorage

McDowell Group Anchorage Office
1400 W. Benson Blvd., Suite 510
Anchorage, Alaska 99503

McDowell Group Juneau Office
9360 Glacier Highway, Suite 201
Juneau, Alaska 99801

Website: www.mcdowellgroup.net

February 2016

Table of Contents

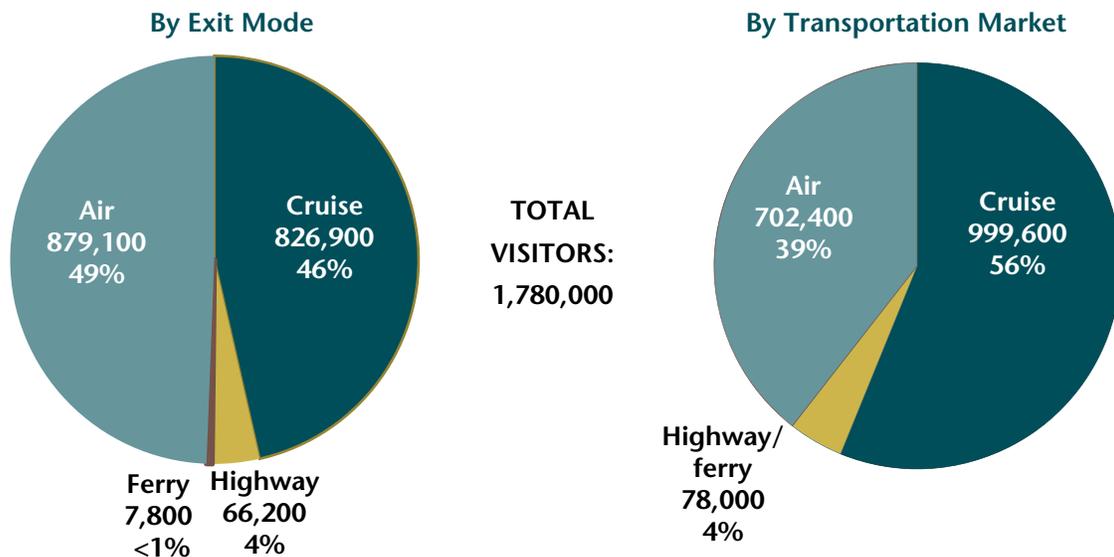
- Key Findings..... 1**
 - Visitor Volume, Summer 2015 1
 - Visitor Volume Trends..... 2
 - Additional Visitor Industry Indicators..... 3
 - U.S. Travel and Economic Indicators 6
- Methodology 7**
- Additional Traffic Data 9**
 - Visitor/Resident Ratios..... 9
 - Total Traffic 9

Visitor Volume, Summer 2015

Alaska received 1.78 million out-of-state visitors between May and September, 2015. In terms of exit mode, nearly half of visitors (46 percent) exited the state via cruise ship, 49 percent exited via air, 4 percent exited via highway, and less than 1 percent exited via ferry (see chart, below left).

Because many cruise ship passengers exit Alaska via airplane, it is also helpful to consider visitors in terms of transportation market (see chart, below right). The majority of visitors (56 percent) were cruise ship passengers; 39 percent were air visitors (entered and exited the state via air); and 4 percent were highway/ferry visitors (entered or exited the state via highway or ferry).

Figure 1. Alaska Visitor Volume, Summer 2015



Visitor volume was up by 7 percent between summers 2014 and 2015, increasing from 1,659,600 to 1,780,000. Most of the increase was attributable to a 13 percent growth in air volume; cruise volume also increased (by 3 percent). While the highway/ferry market represents a much smaller portion of visitors, this mode showed the strongest growth at 14 percent. This finding reflects strong increases in personal vehicle traffic on all four highways connecting Alaska with Canada, more than compensating for a 12 percent decrease in visitors exiting by ferry.

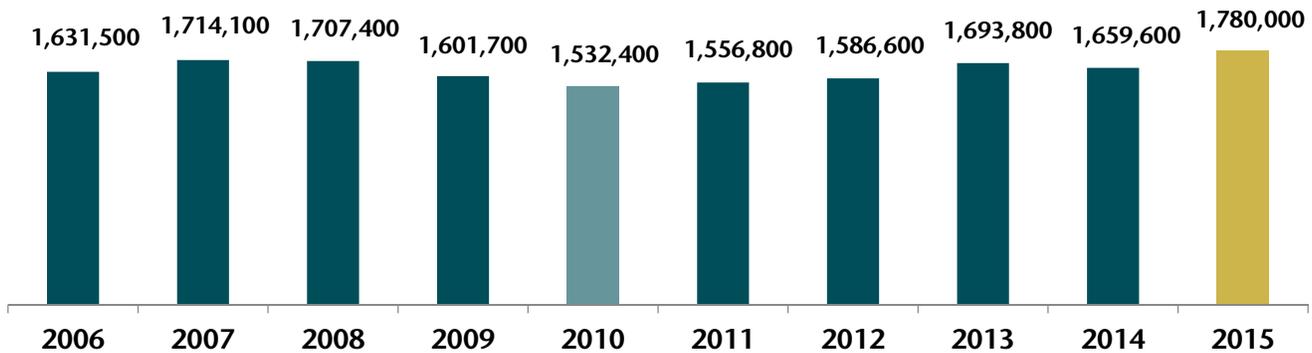
Table 1. Visitor Volume, by Transportation Market, Summers 2014-2015

	2014	2015	% change
Air	623,600	702,600	+13%
Cruise ship	967,500	999,600	+3%
Highway/ferry	68,500	78,000	+14%
Total	1,659,600	1,780,000	+7%

Visitor Volume Trends

Alaska’s summer 2015 visitor volume of 1.78 million was the highest ever recorded since the AVSP program began tracking visitors in 1985, and presumably in history. It was 4 percent above the previous record of 1.71 million set in 2007, and 16 percent above the recession-era low of 1.53 million, set in 2010.

Figure 2. Summer Visitor Volume to Alaska, 2006-2015

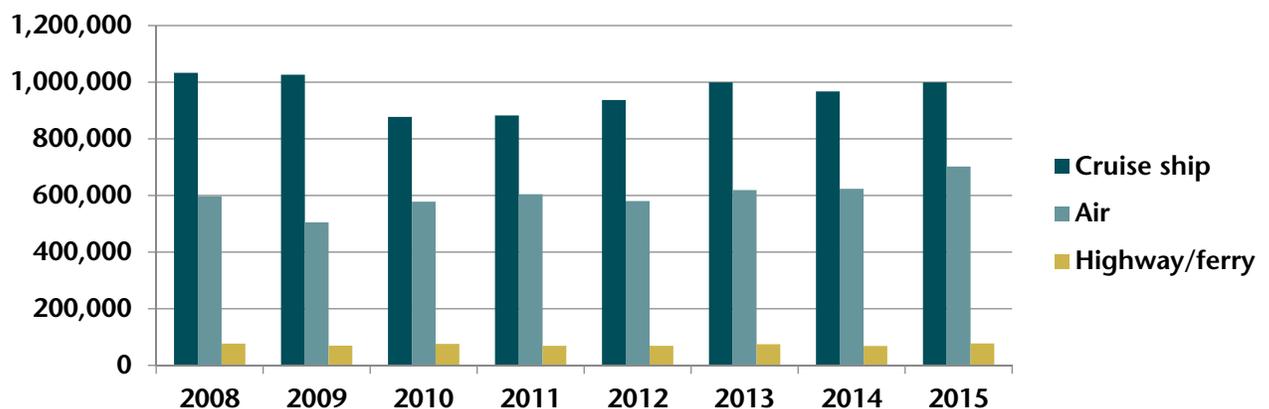


Source: AVSP V and AVSP VI.

The following chart and table show how visitor traffic has fluctuated by transportation market since 2008.

- Cruise passenger traffic bounced back in 2015 after a slight (3 percent) dip in 2014. Cruise volume was up by 14 percent from the low point of 878,000 (2010), but still down 3 percent from the peak of 1,033,100 (2008).
- The air market (non-cruise visitors that fly in *and* out of Alaska) increased by 13 percent in 2015, its strongest growth since 2010, and the largest volume since the “transportation market” method of counting visitors started in 2006.
- The 2015 highway/ferry market (non-cruise visitors that enter *or* exit by highway *or* ferry) is estimated to have increased by 14 percent in 2015, returning to traffic levels of 2008-09. (Because Yukon border data was not available for summer 2015, the methodology for counting highway visitors in 2015 was modified. See Methodology for more details.)

Figure 3. Visitor Volume, by Transportation Market, Summers 2008-2015



Source: AVSP V and AVSP VI.

Table 2. Trends in Summer Visitor Volume, By Transportation Market, 2008-2015

	2008	2009	2010	2011	2012	2013	2014	2015
Cruise ship	1,033,100	1,026,600	878,000	883,000	937,000	999,600	967,500	999,600
Air	597,200	505,200	578,400	604,500	580,500	619,400	623,600	702,400
Highway/ferry	77,100	69,900	76,000	69,300	69,100	74,800	68,500	78,000
Total	1,707,400	1,601,700	1,532,400	1,556,800	1,586,600	1,693,800	1,659,600	1,780,000
% change	-0.4%	-6.2%	-4.3%	+1.6%	+1.9%	+6.8%	-2.0%	+7.3%

Source: AVSP V and AVSP VI.

Additional Visitor Industry Indicators

Table 3 (see page 5) presents changes in traffic data and other indicators comparing the 2015 summer visitor season with the previous year (2014). Unless otherwise indicated, data refers to the May through September time period.

DOMESTIC AIR

Domestic air traffic exiting Alaska (including both residents and visitors) showed strong growth across the state in 2015, with the percent change by airport varying from +6 percent in Fairbanks to +18 percent in Ketchikan. Statewide, outbound volume was up by 10 percent.

- Anchorage traffic was up by 10 percent, with most airlines posting increases. Airline changes included Frontier pulling out of the market and US Airways merging with American Airlines.
- Fairbanks traffic was up by 6 percent. The seasonal return of Air North (which flies Holland America cruisetour passengers between Fairbanks and Dawson City) has contributed to the growth in Fairbanks traffic in the last two summer seasons. (Flights between Alaska and Canada are considered domestic for the purposes of AVSP.)
- Juneau traffic was up by 11 percent. The addition of Delta Airlines to the Juneau market has played a large role in recent traffic growth.
- Both Sitka and Ketchikan showed particularly strong increases in 2015, at 16 and 18 percent, respectively. It was Delta's first season flying passengers out of these airports.
- "Other" airports include Petersburg, Wrangell, Cordova, and Yakutat. Combined, enplaning passenger traffic on outbound flights from these airports was up by 11 percent.

INTERNATIONAL AIR

Passengers exiting Alaska via international air declined by 3 percent for the second year in a row, from 21,600 to 20,900 passengers. This is not necessarily an indicator of the overall international market; most international visitors exit Alaska via domestic air and cruise ship.

- Condor Airlines, which represented 66 percent of all international enplanements in 2015, was up by 5 percent from 2014.
- Icelandair, which represented 27 percent of international enplanements, was up by 8 percent from 2014.

- All other airlines combined represented 10 percent of international enplanements; these include Japan Airlines, China Airlines (new in 2015), Korean Air, and Yakutia Airlines.
- Anchorage enplanements accounted for 96 percent of international air traffic; only Condor flew out of Fairbanks in 2015. Japan Airlines had served Fairbanks in previous years.

CRUISE SHIP

Total cruise ship volume was up by 3 percent between 2014 and 2015.

- Much of the increase in 2015 is attributable to larger ships replacing smaller ships.
- Based on planned itineraries, cruise traffic is projected to increase by an additional 2 percent in 2016.
- Cross-gulf passengers (those sailing between Whittier/Seward and ports in the lower 48 and British Columbia) were up by 9 percent in 2015, rebounding from a 7 percent decline in 2014.
- While shore excursion sales were generally strong according to cruise line executives, poor weather caused significant cancellation of flightseeing tours, for the second year in a row.
- Alaska's small ship market, which includes ships with capacities of less than 250 passengers, maintained traffic between 2014 and 2015 at about 15,000 passengers.

FERRY

The number of visitors using the Alaska Marine Highway System was down by 17 percent in 2015 (based on the number of non-Alaska residents who purchased at least one ferry ticket anywhere). The number of visitors exiting Alaska via AMHS was down by 12 percent (based on the number of non-Alaska residents who disembarked at Prince Rupert or Bellingham). Ferry officials attribute the decline to ship repair and schedule changes.

FISHING LICENSES

Sportfishing licenses sold to non-residents increased by 7 percent in 2015, from 242,956 to 259,074, according to data from Alaska Department of Fish and Game. This followed a 1 percent increase in 2014.

TAX REVENUES

Bed taxes and vehicle rental taxes reflect usage by both residents and non-residents, and can be affected by changes in rental rates. Changes in tax revenues are presented as supporting indicators; they are not necessarily directly reflective of visitor volume.

- Bed tax revenues increased in every community for which data was available, increasing by 6 to 9 percent in Anchorage, Fairbanks, Mat-Su, Denali, Juneau and Sitka.
- While car rental tax revenues in Anchorage did not change between 2014 and 2015, RV rental tax revenues increased by 15 percent.

Table 3. Summer 2015 Visitor Industry Indicators
Change from Previous Summer, 2014-2015

	Change 2014-2015
Domestic airplane passengers exiting Alaska, May-September	
Anchorage	+10%
Fairbanks	+6%
Juneau	+11%
Ketchikan	+18%
Sitka	+16%
Other	+11%
Total	+10%
International airplane passengers exiting Alaska, May-September	
Total	-3%
Cruise passenger traffic, May-September	
Total passenger volume	+3%
Cross-gulf passenger volume	+9%
Out-of-state ferry passenger volume, May-September	
Total non-resident volume	-17%
Non-residents exiting Alaska	-12%
Non-resident sportfishing licenses, January-September	
Total	+7%
Bed tax revenues, April-September	
Anchorage	+6%
Fairbanks	+7%
Mat-Su	+9%
Denali	+8%
Juneau	+7%
Sitka	+8%
Vehicle rental tax revenues, April-September	
Anchorage car rental	0%
Anchorage RV rental	+15%

Notes: Air passenger traffic includes both residents and non-residents. All bed tax revenue data refers to April through September with the exception of Mat-Su, which refers to May through September. The Fairbanks bed tax figure reflects combined City and Borough taxes.

Sources: Alaska Airlines, Ted Stevens Anchorage International Airport, Fairbanks International Airport, Juneau International Airport, Cruise Line Agencies of Alaska, Alaska Department of Fish and Game, Alaska Marine Highway System, Municipality of Anchorage, Explore Fairbanks, Matanuska-Susitna Borough, Denali Borough, City and Borough of Sitka, and City and Borough of Juneau.

U.S. Travel and Economic Indicators

While U.S. travel indicators show overall growth in the industry between 2014 and 2015, Alaska's travel sector grew at a faster rate (up 7 percent in visitor traffic) than the rest of the country. Overall domestic travel is projected to be up by 2.5 percent while overseas travel is projected to grow by 3.7 percent. Hotel occupancy rates are projected to be up by 1.7 percent in 2015; average daily rates are up 4.8 percent; and revenue per available room is up 6.5 percent. Domestic enplanements were up 4.3 percent from June 2014 to June 2015.

Overall U.S. economic activity increased slightly in 2015. Real GDP was up by 2.5 percent, while unemployment was down by 1.0 percent. The Consumer Price Index (CPI) was up by 0.2 percent, and consumer spending was up 3.0 percent for third-quarter 2015.

Table 4. Nationwide Economic and Travel Industry Indicators 2014-15

	Change 2014-15
U.S. Travel Indicators	
Domestic person-trips (leisure)	+2.5%
Overseas arrivals to the U.S.	+3.7%
Hotel occupancy	+1.7%
Average Daily Rate (ADR)	+4.8%
Revenue Per Available Room (RevPAR)	+6.5%
Domestic enplanements (June 2014-June 2015)	+4.3%
U.S. Economic Performance	
Real GDP	+2.5%
Unemployment rate (% of labor force) ¹	-1.0%
Consumer Price Index (August 2014-15)	+0.2%
Consumer Spending (3 rd Quarter 2014-2015)	+3.0%

Sources: US Travel Association (ustravel.org), Smith Travel Research (str.com), American Hotel and Lodging Association (ahla.com), Bureau of Transportation Statistics (bts.gov), Bureau of Labor Statistics (bls.gov), Bureau of Economic Analysis (bea.gov).

Looking ahead, the U.S. Travel Association makes the following projections for 2016, compared to 2015:

- Real GDP: +2.8 percent
- Unemployment rate: -0.5 percent (from 5.3 to 4.8 percent)
- Consumer Price Index: +1.9 percent
- Overseas arrivals: +4.5 percent
- Domestic leisure person-trips: +2.1 percent.

These indicators point to continued, albeit modest, growth in the U.S. travel industry in 2016. With cruise ship capacity increasing by 2 percent, Alaska's travel industry is likewise poised for modest growth in 2016.

Methodology

This report provides visitor volume estimates for Alaska between May 1 and September 30, 2015, as part of the Alaska Visitor Statistics Program VI (AVSP), conducted by McDowell Group for the Alaska Department of Commerce, Community, and Economic Development (Division of Economic Development).

Visitor volume is estimated by exit mode; the methodology is slightly different for each mode.

Domestic and International Air: Outgoing traffic by month and by port was gathered from Alaska Airlines, Anchorage International Airport, Fairbanks International Airport, and Juneau International Airport. Visitor/resident ratios were applied to monthly traffic, by port, to arrive at visitor volume estimates. Ratios were determined in the summer 2011 AVSP survey fielding period, during which time 43,333 domestic flight passengers and 6,034 international flight passengers were tallied as they embarked on flights exiting Alaska. The airports where tallies took place included Anchorage, Fairbanks, Juneau, Ketchikan, and Sitka.

Highway: Highway methodology was modified for summer 2015 due to Yukon border data being unavailable. Border traffic was estimated by first analyzing U.S. border data to obtain the percentage change between summers 2014 and 2015, by highway and vehicle type (personal vehicle, truck, motorcoach). These percentages were then applied to 2014 Yukon border data, based on the assumption that changes on U.S. side of the border (i.e. those entering Alaska) were generally reflective of changes on the Yukon side of the border (those exiting Alaska). The remaining methodological steps were consistent with previous reports. Visitor/resident ratios were applied to monthly traffic, by port, to arrive at visitor volume estimates. Ratios were determined in the summer 2011 AVSP survey fielding period, during which time 5,238 highway travelers were tallied as they drove the highway, before exiting Alaska. Tallies occurred at four locations: near the US border stations on the Klondike, Haines, and Alcan Highways, and north of Tetlin Junction on the Taylor highway.

Ferry: The Alaska Marine Highway provided non-resident exiting traffic data by month and port (passengers disembarking at Bellingham and Prince Rupert).

Cruise: Cruise Line Agencies of Alaska provided passenger data for every port and every cruise ship for the summer 2015 season. Two numbers are generated from this data: the total number of cruise passengers, and the number of passengers who exit Alaska via cruise ship. The total number of cruise passengers is determined by adding together the maximum number of passengers recorded for each ship (without double-counting passengers who call at the same port twice). The number of passengers exiting Alaska is determined by counting the passengers aboard each ship as it exited the state (sailed southbound from an Alaska port to a Canadian port, or sailed eastbound towards Asian ports). All cruise ship passengers are assumed to be visitors.

This report also includes additional indicators of the 2015 visitor season. Sources included:

- Bed tax revenue data from Municipality of Anchorage, City of Fairbanks, Fairbanks North Star Borough, Denali Borough, City and Borough of Juneau, and Matanuska-Susitna Borough.
- Vehicle rental tax revenue data from Municipality of Anchorage.
- Fishing license sales data from the Alaska Department of Fish and Game.

- U.S. travel industry and economic indicators from the U.S. Travel Association, Bureau of Labor Statistics, Bureau of Transportation Statistics, and Smith Travel Research.

The AVSP VI study team would like to acknowledge the following entities for their assistance with the project.

Alaska Airlines

Alaska Department of Transportation and Public Facilities

Alaska Department of Fish and Game

Alaska Marine Highway System

Cruise Line Agencies of Alaska

Delta Airlines

Juneau International Airport

Ketchikan International Airport

U.S. Customs and Border Protection

Yukon Department of Tourism and Culture

Additional Traffic Data

Visitor/Resident Ratios

The following table shows the percentage of all travelers exiting the state by various transportation modes who are out-of-state visitors (rather than Alaska residents) in summer 2015. For example, an estimated 68.0 percent of travelers who exited Alaska via Domestic Air in summer 2015 were visitors. These ratios are a composite of ratios by location, by month. Because they apply to traffic data on a monthly and by-location basis, applying them to overall traffic will not yield the same results.

It is important to note that the highway ratio refers to highway travelers who are exiting the state for the final time on their trip. This eliminates the possibility of double-counting visitors who exit the state twice – for example, ferry passengers who exit the state at Beaver Creek, then re-enter at Haines to board a ferry.

Table 5. Visitor Percentages, by Mode

Exit Mode	Percentage Visitors
Domestic Air	68.0%
International Air	74.8%
Highway ¹	33.5%
Ferry	65.1%
Cruise ship	100.0%
Total	76.5%

¹ The highway ratio refers to “last-exit” visitors: not planning to re-enter Alaska on the same trip.

Total Traffic

The following table provides total traffic volume of residents and out-of-state visitors exiting the state (2008 to 2015) by various transportation modes. This table differs from Table 2 in that it shows both resident and visitor traffic, as opposed to only visitor traffic.

Note that two different cruise volume numbers are provided: the first is the number of people exiting by cruise ship; the second is the number of total cruise passengers.

Table 6. Trends in Traffic, By Entry/Exit Mode, 2007-2015

	2008	2009	2010	2011	2012	2013	2014	2015
Air	1,130,500	1,032,300	1,054,500	1,082,900	1,091,700	1,169,600	1,167,300	1,290,700
Cruise ship	836,500	835,000	742,700	752,800	775,900	823,300	798,600	826,900
Highway	175,400	171,500	170,500	169,200	172,700	186,600	162,600	198,000
Ferry	15,300	15,700	15,200	15,400	14,400	14,500	13,900	12,000
Total	2,157,700	2,054,500	1,982,900	2,020,300	2,054,600	2,194,000	2,142,400	2,327,600
% change	-1.1%	-4.8%	-3.5%	+1.9%	+1.7%	+6.8%	-2.4%	+8.6%
Total cruise	1,033,100	1,026,600	878,000	883,000	937,000	999,600	967,500	999,600
% change	+0.3%	-0.6%	-14.5%	+0.6%	+6.1%	+6.7%	-3.2%	+3.3%

Sources: AVSP V and VI.