January 2014

Economic Impact of

Alaska's Visitor Industry

2012-13 update

Prepared by:

McDowell GROUP

Prepared for:

STATE OF ALASKA

Alaska Department of Commerce, Community, and Economic Development

Division of Economic Development

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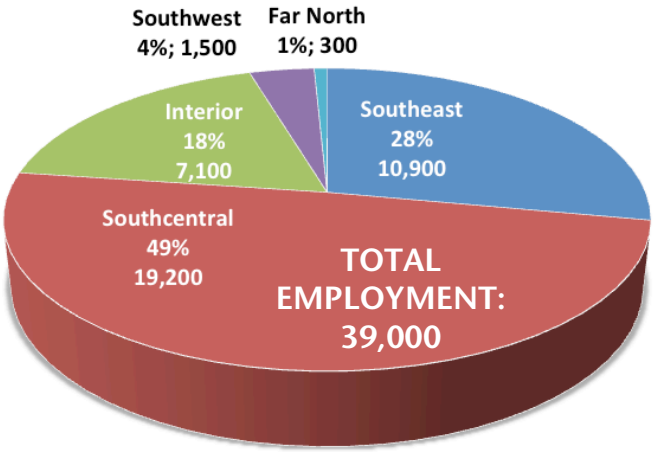
Key Findings

Over the last several decades, the Alaska visitor industry has become one of the state's most important economic engines, bringing in new dollars from outside the state and creating a significant amount of jobs and spending. This study measures the economic impact of the state's visitor industry for the 12 month-period of October 2012 through September 2013. The report represents an update to a more comprehensive study of impacts for the 12-month period of May 2011 through April 2012; data for both time periods is included in this report. Readers are referred to the Methodology chapter as well as the previous report for additional background. Following are key findings of the updated economic impact analysis.

Employment

Total employment related to Alaska's visitor industry during the 2012-13 study period is estimated at 39,000 full- and part-time jobs, including all direct, indirect, and induced impacts. Peak employment is estimated at 46,500. Distribution of impacts by region is a function of both visitor volume and average spending. For example, while Southcentral and Southeast draw a similar number of visitors, Southcentral visitors tend to spend more in the region, leading to a higher degree of economic impact.

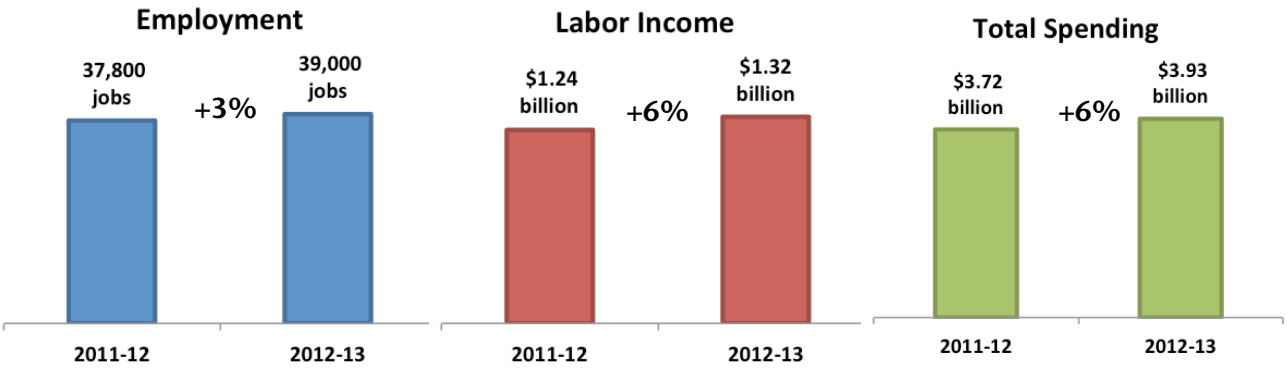
Chart 1. Total Visitor Industry-Related Employment in Alaska, 2012-13



Trends in Economic Impacts

Between the two study periods of May 2011-April 2012 and October 2012-September 2013, employment related to Alaska's visitor industry increased by 3 percent, from 37,800 jobs to 39,000 jobs. During that same time period, both labor income ($1.32 billion) and total spending ($3.93 billion) grew by 6 percent. These increases are largely attributable to visitor volume growth (up by 7 percent, see next page). Employment did not increase at the same rate as visitor volume because the visitor sector had capacity to absorb the increased volume without adding an equivalent number of jobs.

Chart 2. Total Visitor Industry-Related Employment, Labor Income, and Spending in Alaska, 2011-12 and 2012-13



Visitor Volume and Spending

An estimated 1,956,900 out-of-state visitors traveled to Alaska between October 2012 and September 2013. Cruise ship passengers accounted for just over half (51 percent) of the annual total, while 45 percent traveled to and from Alaska by air. The remainder (4 percent) traveled to and/or from Alaska by highway and/or ferry. Summer visitors represented 87 percent of the 12-month total.

Visitor volume increased by 7 percent between the two 12-month study periods, from 1.82 million to 1.96 million. Note that the previous study period covered May 2011 through April 2012, while the most recent period refers to October 2012 through September 2013. Because the summer season acounts for nearly nine out of ten visitors, the differences in impacts noted in this report largely refer to summer 2011 versus summer 2013.

The increase in visitation between the two study periods occurred primarily in the cruise ship market, which experienced a 13 percent increase between summers 2011 and 2013 (up 6 percent in 2012, then 7 percent in 2013). The air market increased by 1 percent between the two study periods (a decrease in summer 2012 was followed by recovery in summer 2013).

Visitors to Alaska spent an estimated $1.82 billion in the state during the study period. This figure excludes the cost of transportation to and from the state, such as air tickets, cruise or cruise/tour packages, and ferry tickets. (Such spending that accrues to Alaska is accounted for elsewhere in the impact analysis.)

Nearly half (44 percent) of visitor spending occurred in Southcentral Alaska; one-third in Southeast; 17 percent in the Interior; 5 percent in Southwest; and 1 percent in Far North.

Chart 3. Alaska Visitor Volume by Transportation Market, 2012-13

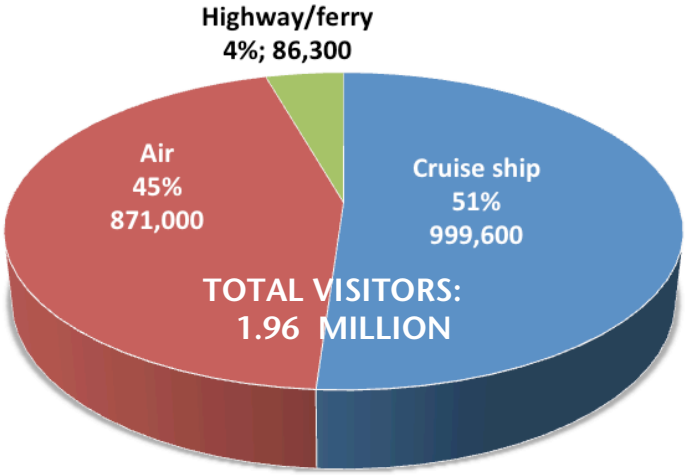


Chart 4. Alaska Visitor Volume, 2011-12 and 2012-13

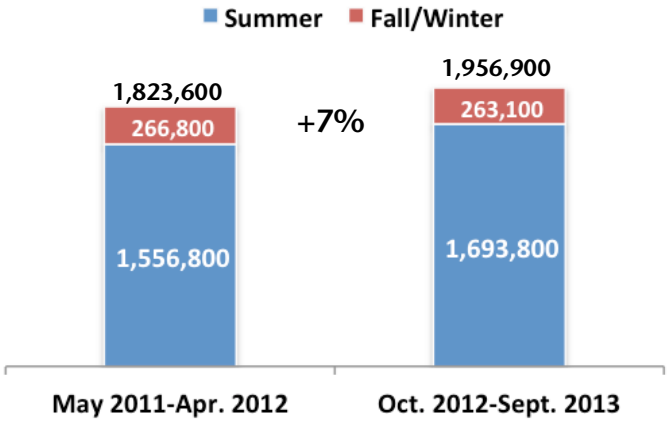
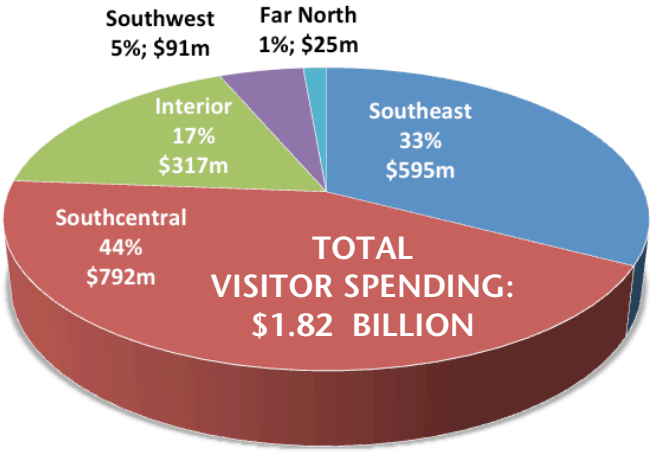


Chart 5. Alaska Visitor Spending by Region, 2012-13

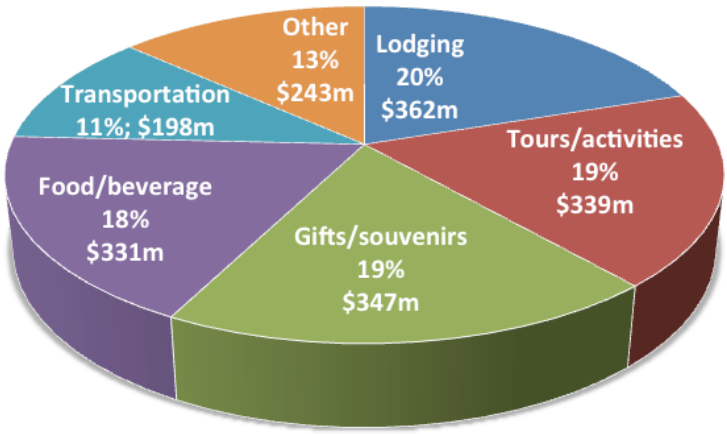


Note: Excludes spending on transportation to enter/exit Alaska, such as cruise and cruise/tour packages, air tickets, and ferry tickets.

Visitor Spending by Sector

Spending by Alaska visitors in 2012-13 was distributed widely throughout the state's economy. About one-fifth was attributable to each of the following categories: lodging (20 percent), tours/activities (19 percent), gifts/souvenirs (19 percent), and food/beverage (18 percent). The "other" category (primarily overnight packages that include various components) accounted for 13 percent of spending. Transportation, which includes rental cars and fuel, was the smallest category at 11 percent.

Chart 6. Alaska Visitor Spending by Sector, 2012-13



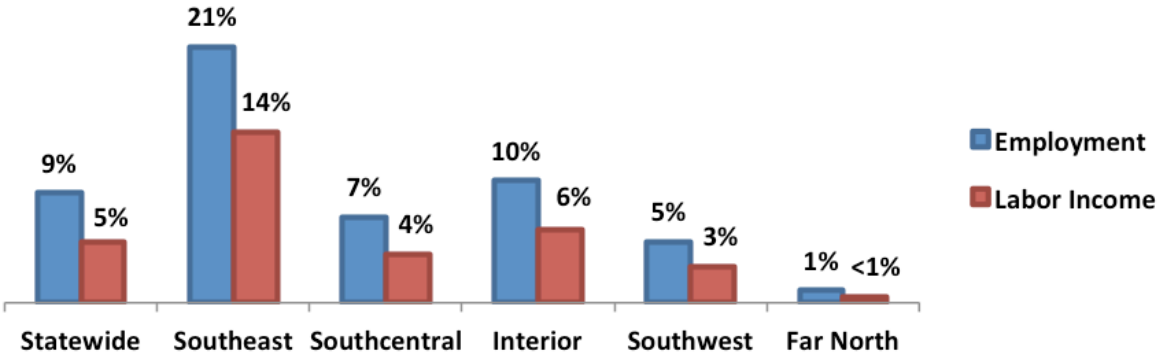
Note: Excludes spending on transportation to enter/exit Alaska, such as cruise and cruise/tour packages, air tickets, and ferry tickets.

The Role of the Visitor Industry in the Economy

Visitor industry-related employment (39,000 jobs) represented 9 percent of statewide employment in 2012-13, and 5 percent of statewide labor income. Employment is higher than labor income due to the seasonal nature of many visitor industry jobs.

Although visitor industry-related employment and labor income are highest in Southcentral, the industry plays the greatest role in Southeast, accounting for 21 percent of employment and 14 percent of labor income. In Southcentral's much larger economy, the visitor industry accounts for 7 percent of employment and 4 percent of labor income. The visitor industry accounts for 10 percent of employment and 6 percent of labor income in the Interior, for 5 and 3 percent in Southwest, and for 1 and less than 1 percent in the Far North, respectively.

Chart 7. Visitor Industry-Related Employment and Payroll as Percentage of Total, 2012-13



Revenues to Municipal and State Governments

The table below shows, to the extent possible, revenues to municipal and state governments from the visitor industry during the two study periods. Additional revenues to municipalities and the State of Alaska from the visitor industry not included in these figures are property taxes, airport fees, State Parks user fees, and State Museum revenues, among others.

Visitor-related tax revenues to municipalities in 2012-13 totaled $78.0 million in sales and lodging tax revenues and cruise line payments, up from $71.1 million in 2011-12. Sales tax revenues are estimated at $31.5 million, and lodging tax revenues are estimated at $29.4 million. Cruise lines paid $17.1 million in dockage, moorage, and municipal passenger fees in 2013.

Visitor-related revenues to state government during the 2012-13 study period totaled $101.0 million, up from $92.3 million in 2011-12. The largest components of these revenues were Alaska Railroad Corporation revenues at $23.0 million, Alaska Marine Highway System revenues at $19.1 million, and the Commercial Passenger Vessel Tax at $18.0 million.

In general, increases in municipal and state revenues from the visitor industry are directly attributable to growth in visitor volume between the two study periods.

Table 1. Selected Revenues to Municipal and State Governments 2011-12 and 2012-13

	2011-12	2012-13
Municipal Revenues	**$71.1 million**	**$78.0 million**
Sales tax revenues	$29.2 million	$31.5 million
Lodging tax revenues	$26.7 million	$29.4 million
Dockage/moorage revenues	$15.2 million	$17.1 million
State of Alaska Revenues	**$92.3 million**	**$101.0 million**
Alaska Railroad Corporation revenues	$20.2 million	$23.0 million
Alaska Marine Highway System revenues	$18.4 million	$19.1 million
Commercial Passenger Vessel Tax[1]	$16.5 million	$18.0 million
Fish and Game licenses/tags	$17.8 million	$17.6 million
Corporate income tax	$3.5 million	$7.0 million
Vehicle rental tax	$5.7 million	$5.8 million
Passenger Gambling Tax	$5.8 million	$5.8 million
Ocean Ranger Program	$3.6 million	$3.8 million
Commercial Passenger Vessel Environmental Compliance Program	$0.8 million	$0.9 million
Total Selected Revenues	**$163.4 million**	**$179.0 million**

[1] These figures reflect CY 2011 and CY 2013. Figures from the previous report were adjusted to account for a shift from fiscal to calendar year and changes in the tax structure.
Note: Depending on the availability of data, figures above may reflect calendar year, fiscal year, or the study time period. They all reflect 12-month periods as close as possible to the study periods.
Sources: Sales and lodging tax revenues are McDowell Group estimates. Dockage/moorage revenues were collected from municipalities. State of Alaska revenues were collected from Alaska Railroad Corporation, Alaska Marine Highway System, and Departments of Fish and Game and Revenue.

Methodology

Study Period and Scope

This report measures the economic impact of Alaska's visitor industry for the period of October 2012 through September 2013. For the purposes of this report, "visitors" refer to non-residents of Alaska, and excludes both seasonal and year-round Alaska residents.

This study represents an update to a previous, more comprehensive study conducted by McDowell Group in February 2013 (*The Economic Impact of Alaska's Visitor Industry, 2011-12*). The previous report covered the period of May 2011 through April 2012. The shift from May-through-April to October-through-September was purposeful: the May-through-April time period reflected the *Alaska Visitor Statistics Program VI* study period. For the current (and subsequent) updates, it is more useful to use the October-through-September period, to allow for more timely economic impact estimates (since most visitation occurs in the summer months).

The sources for this update, and to a large degree the methodology, are consistent with the previous report. Following are descriptions of how data was updated from the 2011-12 study to apply to 2012-13. For more detailed background into study methods and sources, readers are referred to the previous report, accessible at this link:

http://commerce.alaska.gov/dnn/ded/DEV/TourismDevelopment/TourismResearch.aspx

Visitor Volume and Spending

Visitor volume figures in this report are based on Alaska Visitor Statistics Program (AVSP) *Interim Visitor Volume Reports* for Summer 2013 and Fall/Winter 2012-13, conducted by McDowell Group for DCCED. Both of these reports are available at the above link.

Visitor spending data is based on spending from the previous (February 2013) impacts report. Average visitor spending by category (lodging, retail, etc.), region (Southcentral, Southeast, etc.), and season (summer, fall/winter) was applied to new visitor volume estimates to arrive at total visitor spending.

Crew member spending was adjusted based on the increase in crew member visits between 2011 and 2013.

Additional Visitor Industry Spending

Cruise line spending figures are based on 2011 purchasing data used in the previous report, updated to reflect the 2013 market. Adjustments were made on a regional basis, allowing for the fact that while overall passengers increased between 2011 and 2013, land tour passenger volume increased at a much lower rate.

Spending by visitors on air tickets to enter and exit Alaska (excluded from AVSP survey data) was adjusted based on visitor volume for the 2012-13 period, as well as changes in average plane ticket fares between 2011-12 and 2012-13.

Alaska Marine Highway System provided non-resident spending on ferry tickets to enter and exit Alaska (like air tickets, this information was excluded from AVSP survey data) during the study period.

Economic Impact Analysis

Visitor industry 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 System 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.

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."

McDowell Group maintains a 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 modified 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.

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. Sales tax revenue estimates from 2011-12 were updated based on changes in visitor industry spending, by region. Bed tax revenue estimates from 2011-12 were updated based on changes in accommodations spending, as well as bed tax revenues collected from municipalities. Cruise ship dockage/moorage revenues were collected from municipalities.

Cruise line payments to the State of Alaska were reported by the Department of Revenue. 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. The Department of Revenue also reported corporate income taxes associated with the visitor industry. The Alaska Marine Highway System provided revenues associated with out-of-state visitors. The Alaska Railroad Corporation reported passenger-related revenues, and McDowell Group estimated the percentage attributable to out-of-state visitors.

Additional Economic Impact Data

This section provides additional, background data for figures presented in the Key Findings chapter.

Direct Visitor Industry Spending

Visitor industry spending totaled $2.42 billion between October 2012 and September 2013, up from $2.29 billion for May 2011 through April 2012.

- Visitor industry spending is primarily comprised of visitor spending, which totaled $1.82 billion in 2012-13, up from $1.71 billion in 2011-12. The increase is directly attributable to the 7 percent growth in visitor volume between the two periods.
- Cruise line spending and payroll totaled $286 million in summer 2013, up from $267 million in summer 2011. Cruise lines were assumed to have increased spending in accordance with passenger volume, which was up by 13 percent between 2011 and 2013. Cruise line spending in the Interior and Southcentral regions was assumed to have increased at a lower rate than in Southeast, reflecting more modest growth in land tour volume.
- Spending on air tickets to enter/exit Alaska was estimated at $301 million for 2012-13, up only slightly from $299 million in 2011-12. An increase in the number of passengers was counteracted by lower Seattle-Anchorage airfares in summer 2013 (likely related to new carriers entering the market) compared to summer 2011.
- The Alaska Marine Highway System reports that out-of-state residents spent $14 million on tickets to enter/exit Alaska during the study period, up from $13 million in 2011-12.

Table 2. Direct Visitor Industry Spending by Category, 2011-12 and 2012-13

	2011-12 Spending	2012-13 Spending
Visitor spending	$1.71 billion	$1.82 billion
Cruise line spending/payroll	$267 million	$286 million
Air tickets	$299 million	$301 million
Ferry tickets	$13 million	$14 million
Total Direct Visitor Industry Spending	**$2.29 billion**	**$2.42 billion**

Note: Columns may not add to totals due to rounding.

Economic Impacts by Region

Table 3 (below) shows how visitor industry economic impacts were distributed by region, for both the 2011-12 and 2012-13 study periods.

The Southcentral region accounted for the bulk of impacts in 2012-13, including 52 percent of total visitor industry spending, 49 percent of total employment, and 46 percent of total labor income in 2012-13. The Southeast region accounted for 28 percent of total visitor industry spending, 28 percent of total employment, and 31 percent of total labor income in 2012-13. The Interior accounted for 16 percent of total visitor industry spending, 18 percent of total employment, and 19 percent of total labor income in 2012-13.

All regions experienced growth in economic impacts between the two study periods. The Southeast region experienced a higher degree of growth because of the 13 percent increase in cruise traffic between summers 2011 and 2013. For example, Southeast employment grew by 7 percent, labor income by 10 percent, and total spending by 10 percent. This compares with increases of 2 percent, 4 percent, and 4 percent (respectively) in Southcentral. The Interior grew by 1 percent in employment, 5 percent in labor income, and 4 percent in total spending.

Table 3. Visitor Industry Economic Impacts by Region
2011-12 and 2012-13

	2011-12 Impacts	2012-13 Impacts
Total Visitor Industry Spending	**$3.72 billion**	**$3.93 billion**
Southcentral	$1.97 billion	$2.05 billion
Southeast	$1.00 billion	$1.10 billion
Interior	$605 million	$631 million
Southwest	$116 million	$120 million
Far North	$29 million	$30 million
Total Employment Impacts	**37,800 jobs**	**39,000 jobs**
Southcentral	18,900 jobs	19,200 jobs
Southeast	10,200 jobs	10,900 jobs
Interior	7,000 jobs	7,100 jobs
Southwest	1,400 jobs	1,500 jobs
Far North	300 jobs	300 jobs
Total Labor Income Impacts	**$1.24 billion**	**$1.32 billion**
Southcentral	$580 million	$601 million
Southeast	$370 million	$407 million
Interior	$240 million	$251 million
Southwest	$42 million	$44 million
Far North	$11 million	$12 million

Note: Columns may not add to totals due to rounding.

Longer-Term Trends in Economic Impacts

The charts at right show how economic impacts have shifted over the last three study periods, defined as follows:

- **2008-09:** October 2008 through September 2009
- **2011-12:** May 2011 through April 2012
- **2012-13:** October 2012 through September 2013

Each study period is 12 months in length and can be considered comparable. Note that the summers included in the above time periods are two years apart (2009, 2011, and 2013).

Between 2008-09 and 2012-13, visitor industry-related employment grew by 8 percent, from 36,200 to 39,000 jobs. Over that same time period, labor income grew by 15 percent, from $1.14 billion to $1.32 billion. Total spending likewise grew by 15 percent, from $3.41 billion to $3.93 billion.

In general, growth in economic impacts between 2008-09 and 2012-13 reflect a higher number of visitors between the two periods. As pointed out previously, employment grew at a slower pace than income and spending because of inflationary factors, as well as capacity among employers to absorb additional visitors without increasing staff accordingly.

Visitor volume was up by 6 percent in 2012-13 compared to 2008-09. A 1 percent decrease in 2011-12 was followed by a 7 percent increase in 2012-13.

An increase in economic impacts (employment, spending, and labor income) occurred between 2008-09 and 2011-12 despite a 1 percent decrease in visitor volume, due to a change in the composition of visitors. A decline in cruise passenger volume was counteracted by a large increase in air passengers. Since air passengers spend more in Alaska on a per-person basis compared to cruise passengers, economic impacts increased between the two time periods. For additional information on changes between 2008-09 and 2011-12, please refer to the previous report.

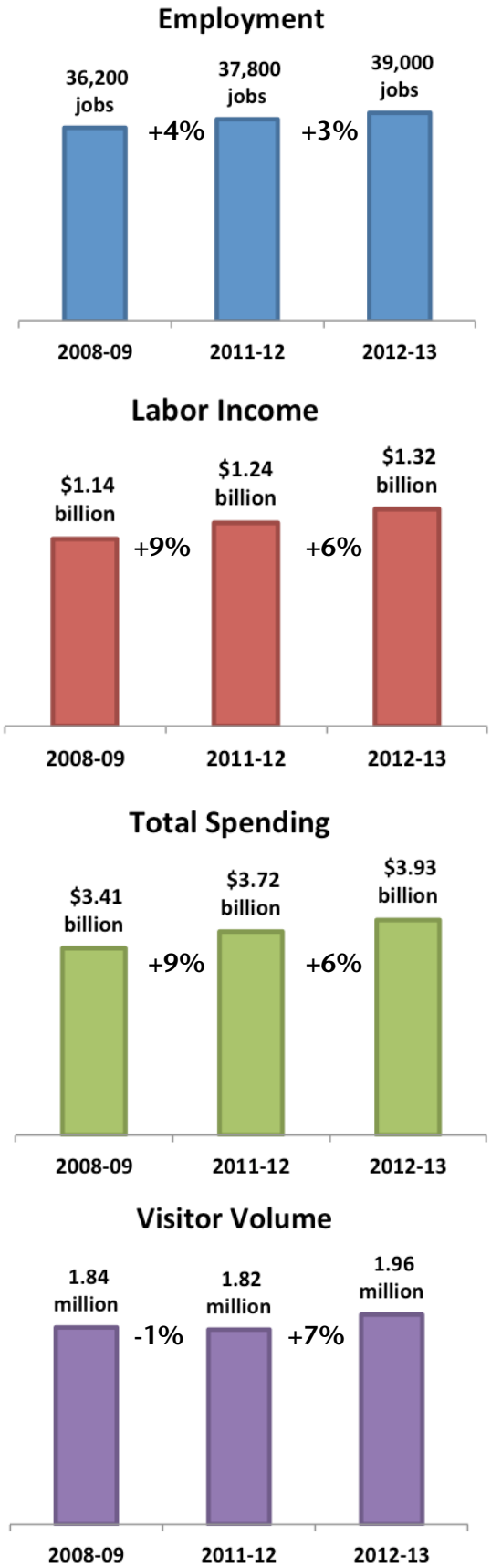



Chart 8. Trends in Economic Impacts 2008-09, 2011-12, 2012-13