

# *Alaska Visitor Industry Economic Impact Study*

*1999 Update*

Prepared for:  
**Division of Tourism**  
Alaska Department of Commerce  
and Economic Development  
State of Alaska  
P.O. Box 110801  
Juneau, Alaska 99811-0801

May 1999

# *Alaska Visitor Industry Economic Impact Study*

*1999 Update*

Prepared for:  
**Division of Tourism**  
**Alaska Department of Commerce  
and Economic Development**  
State of Alaska  
P.O. Box 110801  
Juneau, Alaska 99811-0801

Prepared by:



*Juneau, Alaska*

May 1999

# *Table of Contents*

---

|   |    |
|---|----|
| Executive Summary .....   | 1  |
| Introduction .....  | 4  |
| Purpose and Scope .....   | 7  |
| Methodology.....  | 9  |
| Chapter 1. Visitor Traffic and Spending.....                      | 15 |
| Visitor Arrivals .....  | 15 |
| Visitor Spending in Alaska .....                                  | 16 |
| Chapter 2. Visitor Industry Employment and Earnings .....         | 24 |
| Introduction .....  | 24 |
| Statewide Wage and Salary Employment.....                         | 24 |
| Total Visitor Industry Employment.....                            | 27 |
| Visitor Industry Wage and Salary Payroll .....                    | 29 |
| Total Visitor Industry Earnings .....                             | 30 |
| Chapter 3. Secondary Economic Impacts.....                        | 35 |
| Secondary Spending Impacts .....                                  | 35 |
| Secondary Employment and Earnings Impacts.....                    | 37 |
| Chapter 4. Role of the Visitor Industry in Alaska's Economy ..... | 39 |
| Introduction .....  | 39 |
| Profile of Alaska's Economy.....                                  | 39 |
| Visitor Industry's Role in Alaska's Economy.....                  | 41 |
| Non-Resident Labor in Alaska's Visitor Industry.....              | 43 |

During the 12-month period from October 1997 through September 1998, Alaska hosted 1.35 million non-resident visitors. This total includes vacationers and business travelers, as well as those combining business and pleasure. The results of this study indicate that visitor traffic yields substantial economic benefits for Alaska. These benefits include:

### Visitor Spending in Alaska

- Non-resident visitors spent nearly one billion dollars (approximately \$949 million) in Alaska during the 12-month period from October 1997 through September 1998.
- Visitors spent approximately \$845 million in Alaska during the Summer 1998 season. Visitors spent approximately \$104 million during the previous Fall/Winter season (October 1997 to April 1998).

|                                    |               |
|------------------------------------|---------------|
| Total Visitor Spending (Full Year) | \$949 million |
| Summer 1998 Spending               | \$845 million |
| Fall/Winter 1997-98 Spending       | \$104 million |

- Based on 1998 visitor arrivals, Summer visitor spending increased by approximately \$11 million over the Summer 1997 total, a 1.3 percent increase. Spending declined from \$118 million to \$104 million between Fall/Winter 96-97 and Fall/Winter 97-98.

### Visitor Industry Employment and Earnings

- Based on 1998 data, Alaska's visitor industry generates the annual average of 15,900 wage and salary jobs and \$310 million in payroll (this does not include the self-employed and owner's income). These and following employment estimates do not include employment on large cruise ships.
- Including the self-employed and owner's profit (but not including corporate profits), Alaska's visitor industry accounts for an annual average of approximately 20,300 jobs in 1998 and \$390 million in total earnings.
- Visitor industry employment occurs throughout Alaska. Regionally, Southcentral Alaska leads the state with just over 10,800 jobs, followed by Southeast and the Interior/Northern region (including Denali) with 4,400 and 4,250 jobs, respectively. The visitor industry generates an average of 850 jobs in the Southwest region.

- Spending by vacation/pleasure visitors (tourists rather than business travelers) generates an average 16,400 jobs and \$315 million in earnings in 1998.

- Vacation/pleasure travel generates an annual average of 7,800 jobs in Southcentral Alaska, 4,150 jobs in Southeast, 3,900 jobs in the Interior/Northern region, and 560 jobs in Southwest Alaska.

|  |               |
|--|---------------|
| Annual Average Visitor Industry Employment | 20,300 jobs   |
| Vacation/Pleasure Visitor-Related Employ.  | 16,400 jobs   |
| Total Visitor Industry Earnings            | \$390 million |
| Vacation/Pleasure Visitor-Related Payroll  | \$315 million |

- Over the last two years, visitor industry employment and payroll have increased by 7%, increasing from 18,900 jobs and \$360 million in earnings since 1996-97.

### Indirect Economic Impacts

- As the visitor dollar circulates through the Alaska economy, it creates additional spending and economic impacts. In fact, the \$949 million in direct visitor spending generates a total “output” valued at just under \$2.6 billion, based on Bureau of Economic Analysis multipliers for visitor affected industries in Alaska.
- BEA data indicate that the visitor dollar circulates through the Alaska economy about two and one-half times before finally “leaking” from the state’s economy.
- As the visitor dollar moves through the economy it creates additional employment and personal income. In fact, the total employment impact of visitor spending in Alaska is estimated at approximately 30,700 jobs, including direct (20,300 jobs) and indirect (10,400 jobs) employment.
- The visitor industry’s total earnings (payroll and owner’s income) impact is estimated at \$640 million, including \$390 million in direct earnings and \$250 million in indirect earnings.
- The total impact (direct, 16,400 jobs and indirect, 8,400 jobs) of vacation/pleasure travel to Alaska includes 24,800 jobs and \$520 million in earnings.

|  |               |
|--|---------------|
| Total Direct & Indirect Visitor-Related Spending   | \$2.6 billion |
| Total Direct & Indirect Visitor-Related Employment | 30,700 jobs   |
| Total Direct & Indirect Visitor-Related Earnings   | \$640 million |

### Role of the Visitor Industry in Alaska’s Economy

- The relative importance of an industry in an economy is often measured as some share of total employment and earnings. Alaska’s visitor industry accounts for 8% of all employment in Alaska. In other words,

Alaska's visitor industry directly and indirectly accounts for one in twelve jobs in Alaska.

- The visitor industry directly and indirectly accounts for 5% of all earnings in the Alaska economy (including payroll and owner's income).
- The vacation/pleasure visitor component of the industry accounts for 6% and 4% of total Alaska employment and earnings, respectively.
- The visitor industry in Alaska accounts for 12% of all private sector *wage and salary jobs* (about one in eight jobs) and 8% of all private sector *payroll* in the state.
- Vacation/pleasure visitor travel to Alaska generates 9% of all private sector *wage and salary jobs* and 7% of all private sector *payroll*.
- Non-resident employment in visitor-affected business is lower than the statewide all-industry average, 22% versus 25%. In fact, non-resident employment in visitor-affected businesses is well below that of all key Alaska industries.

|   |    |
|---|----|
| Visitor Industry's Share of Total Alaska Employment | 8% |
| Vacation/Pleasure Visitor-Related Share             | 6% |
| Visitor Industry's Share of Total Alaska Earnings   | 5% |
| Vacation/Pleasure Visitor-Related Share             | 4% |

### **Summary Table**

## **Economic Impacts of Alaska's Visitor Industry, 1998**

|                                       | <i>All Visitors</i> | <i>Vacation/Pleasure<br/>Visitors</i> |
|---------------------------------------|---------------------|---------------------------------------|
| Direct Full-Year Spending             | \$949 million       | \$811 million                         |
| Direct Summer Season Spending         | \$845 million       | \$774 million                         |
| Total Direct & Indirect Spending      | \$2.6 billion       | \$2.2 billion                         |
| Total Direct Employment (annual ave.) | 20,300 jobs         | 16,400 jobs                           |
| Total Direct Earnings*                | \$390 million       | \$315 million                         |
| Total Direct & Indirect Employment    | 30,700 jobs         | 24,800 jobs                           |
| Total Direct & Indirect Earnings      | \$640 million       | \$520 million                         |

\*(payroll & owner's income)  
Source: McDowell Group.

## Purpose and Scope

The purpose of this study is to measure the economic impacts of the visitor industry in Alaska. The term “visitor” includes all non-Alaskans traveling to Alaska for any reason, including vacation/pleasure visitors, business travelers, visitors seeing friends or relatives and other non-Alaskans. Alaska’s visitor industry includes all of the businesses that provide goods and services to these visitors.

Special studies, such as this one, of the visitor industry’s economic impact are necessary because jobs and payroll in the industry are not recognized in the usual government data bases. The U.S. Bureau of Economic Analysis and Alaska’s Department of Labor both report employment by Standard Industrial Classification (SIC) category. The visitor industry does not have its own SIC code, rather, it is spread across a large number of SICs in the transportation, retail and service sectors. As a result, while employment and payroll for the oil industry, mining, forest products and other basic industries are routinely published, no data is available for the visitor industry, unless special research is conducted.

Past research has measured the economic impact of the visitor industry in Alaska, though that research is now largely out-dated. In 1991, the McDowell Group prepared the study entitled “*Alaska’s Visitor Industry: An Economic Profile*”, for the Alaska Division of Tourism. That study measured regional and statewide employment and payroll in Alaska’s visitor industry. The study was based on 1990 visitor volume. However, since 1990, visitor traffic to Alaska has increased by approximately 60%, no doubt resulting in some increase in the industry’s economic impact.

Other research providing data on the economic impact of the visitor industry includes the *Alaska Visitor Statistics Program (AVSP)*, a comprehensive visitor survey research program conducted by the McDowell Group for the Alaska Division of Tourism. The AVSP was first conducted in 1985-86, then again in 1989-90, and most recently in 1993-94. AVSP generates a broad range of data on Alaska visitors, including demographic data, trip planning sources used, trip purpose and travel type data, in-state travel patterns, and trip satisfaction ratings. AVSP also generates detailed visitor spending data. Again, since the 1993-94 period, visitor traffic to Alaska has increased substantially (by about one-third) and therefore total visitor spending as measured in AVSP is out-dated.

In summary, Alaska does not have any adequate measures of the economic impact of one of its largest and fastest growing industries. This study, by measuring visitor spending, employment and payroll, along with indirect economic impacts, fills this important information gap. Further, the economic

impact models developed for this study will make it possible to relatively easily re-evaluate the economic impact of the visitor industry as it grows.

## Methodology

This study utilizes the McDowell Group's Alaska Visitor Impact Model (AVIM). AVIM is a model that produces estimates of visitor industry employment for Alaska's regions and the state overall. AVIM relies on a combination of primary and secondary research. For this study, interviews were conducted with 200 visitor-affected "bellwether" business all across Alaska. The primary purpose of these interviews was to determine the proportion of each business's total 1997 sales that were to non-Alaskans. These proportions are then applied to each business's (and similar businesses) total employment to estimate visitor related employment (these proportions are assumed to hold true for 1998).

Secondary data is collected from several sources. Most important is employment data from the Alaska Department of Labor (ADOL). ADOL compiles and publishes employment and earnings data for non-agricultural wage and salary employment in Alaska (NAWS). For this study ADOL performed a special computer run to compile employment data for all visitor-affected business in Alaska. Monthly employment data was collected for all businesses in the following visitor-affected SIC categories:

### **Transportation**

4100 Local & Interurban Transportation  
     al & Suburban Transportation  
     4120 Taxicabs  
     4130 Inter-city & Rural Bus Transportation

4480 Water Transportation of Passengers  
 4490 Water Transportation Services

4510 Air Transportation, Scheduled  
     d

4720 Passenger Transport Arrangement

### **Retail**

5300 General Merchandise Stores  
     5330 Variety Stores

5400 Food Stores  
     5440 Candy Stores

5600 Apparel

### **Services**

Other Lodging Places

7500 Auto Repair Services  
     7510 Auto Rentals

790  
     svcs

5800 Eating & Drinking Places

5900 Misc. Retail

5910 Drug Stores

5920 Liquor Stores

5930 Used Merchandise Stores

5940 Misc. Shopping Goods Stores

5980 Fuel Dealers

5990 Misc. Retail Stores

Employment in these business categories was compiled for the fourth quarter of 1997 and for the first three quarters of 1998. This represented the most recent available employment data. The AVIM is design to be updated as more recent ADOL employment data becomes available.

ADOL employment data does not include proprietors (self-employed workers), which are an important component of the visitor industry in Alaska. Proprietors not counted in the ADOL data include guides, bed & breakfast operators, charter-boat operators and any other person operating a business that does not report itself on its business's employment security forms, submitted to the ADOL by all Alaska employers each quarter. To measure self-employment in visitor-affected business, Bureau of Economic Analysis (BEA) data was analyzed. Using income tax returns for proprietorships and partnerships (excluding limited partnerships), along with ADOL data, BEA measures employment of all types, including wage and salary employment and proprietor's employment.

The indirect economic impacts of the visitor industry are also addressed in this study. Indirect economic effects include the impact of in-state spending by businesses in the visitor industry (spending on inventory, fuel, supplies, marketing, etc.). Indirect economic effects also include economic activity generated by the visitor industry labor force and their dependents. These impacts, termed "induced", result from in-state spending by visitor industry employees (and from government services required by this segment of the population). These indirect and induced effects are calculated with "multipliers". Multipliers quantify the relationship between direct economic impacts and indirect impacts. Calculating these multipliers requires very detailed econometric understanding of the economy (based on research beyond the scope of this study). For purposes of this study, previously calculated multipliers are used, including multipliers developed by BEA.

This study measures the visitor industry's economic impacts at the statewide and regional levels. Regions are defined as Southeast (from Yakutat south), Southcentral (Anchorage, Kenai Peninsula Borough, Matanuska-Susitna, and Valdez/Cordova), Southwest (Kodiak, Aleutians, Bristol Bay, Bethel, Dillingham and the Wade Hampton census area), and the Interior/Northern region (Fairbanks Northstar Borough, Southeast Fairbanks census area, Denali, Yukon-Kuyukuk census area, Northwest Arctic Borough, Nome and the North Slope).

In summary, by blending data from a variety of sources, including ongoing Arrival Counts, 1993-94 AVSP data, ADOL employment and payroll data, BEA employment and earnings data, data from the bellwether business survey, and other data, the Alaska Visitor Impact Model produces the following information:

#### **Total Visitor Industry Employment and Earnings**

- Visitor industry wage and salary employment, by industry sector and by region
- Total visitor industry employment (including the self-employed), by sector and by region
- Visitor industry wage and salary payroll, by industry sector and by region

- Total visitor industry earnings (including the owner's profits), by sector and by region

### **Vacation/Pleasure Visitor-Related Employment and Earnings**

- Vacation/pleasure visitor-related wage and salary employment, by industry sector and by region
- Total vacation/pleasure visitor-related employment (including the self-employed), by sector and by region
- Vacation/pleasure visitor-related wage and salary payroll, by industry sector and by region
- Total vacation/pleasure visitor-related earnings (including the owner's profits), by sector and by region

### **Visitor Spending in Alaska**

- Total visitor spending in Alaska, by entry mode
- Visitor spending in Alaska by trip purpose

### **Total Direct and Indirect Visitor Industry Impacts**

- Total direct and indirect visitor industry-related spending (primary, secondary and tertiary) in Alaska
- Total direct and indirect employment in Alaska's visitor industry
- Total direct and indirect earnings in Alaska's visitor industry

### **Total Direct and Indirect Vacation/Pleasure Visitor-Related Impacts**

- Total direct and indirect employment in Alaska resulting from vacation/pleasure visitor spending
- Total direct and indirect earnings in Alaska resulting from vacation/pleasure visitor spending.

Detailed measurement of the vacation/pleasure visitor segment of the visitor industry is warranted because it reflects the economic importance of an industry that the State of Alaska and industry organizations can "grow" through cooperative marketing and advertising programs. This study and future updates will help measure the bottom-line, in-state economic benefits of such cooperative efforts and, essentially, help Alaskans understand the return on their investment in tourism promotion. In this study, "vacation/pleasure" spending and related impacts, includes true vacation/pleasure visitors (as define in AVSP) and travelers visiting friends and relatives (VFRs). The economic impact of this component on the visitor industry also includes one-half of the spending by travelers combining business and pleasure (BPs) while in Alaska.

This report includes an executive summary and four chapters. Chapter 1 provides Alaska's statewide visitor volumes, AVSP spending data, and updated visitor spending estimates. Chapter 2 presents statewide and regional visitor industry employment and earnings estimates, produced by the AVIM. Chapter 3 addresses the indirect or secondary impacts of the visitor industry and

Chapter 4 identifies the role of the visitor industry in Alaska's statewide and regional economies.

# Chapter 1. Visitor Traffic and Spending

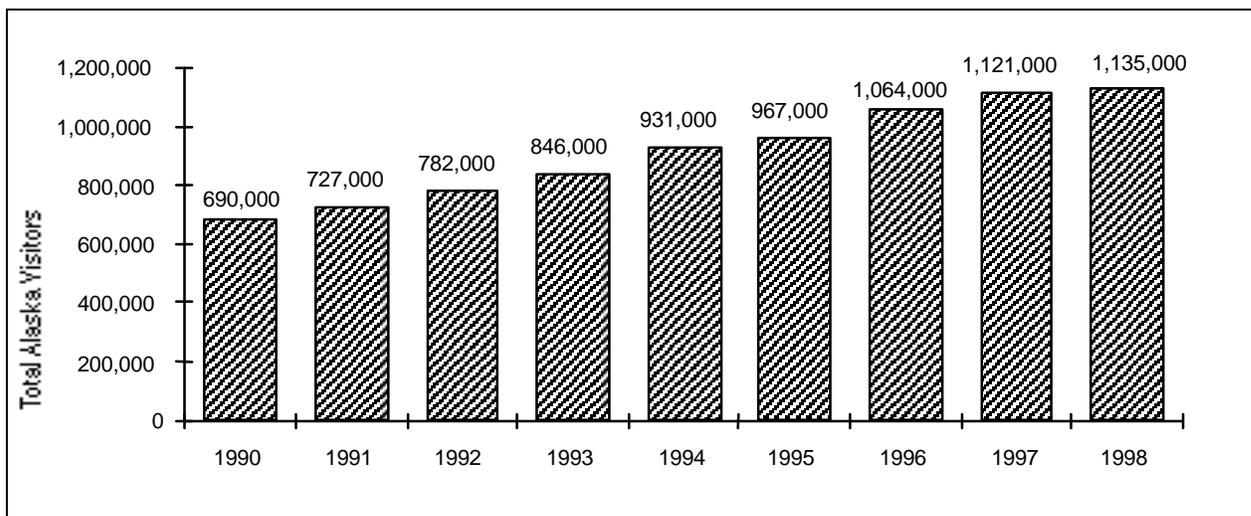
## Visitor Arrivals

For the 12-month period from October 1997 through September 1998, a record 1.35 million non-resident visitors traveled to Alaska, including non-Alaskan pleasure visitors, business travelers, and visitors combining both business and pleasure. Over the last eight years the number of visitors traveling to Alaska has increased at an average annual rate of about 5%, rising from about 900,000 visitors in 1990, including 690,000 Summer visitors.

Over 80% of Alaska's visitor arrive during the summer season of May through September. During Summer 1998, 1.14 million non-residents visited Alaska, 65 percent above the 1990 level. Figure 1.1 presents growth in Summer season visitor traffic since 1990.

Figure 1.1

Alaska Visitors, Summer 1990 to 1998



Source: McDowell Group.

Recent data is not available on the number of visitors to specific regions of Alaska. However, 1993-94 AVSP data indicates regional visitor volumes at that time. In 1993-94, Southeast and Southcentral captured the lion's share of visitor travel to Alaska as a result of the major presence of the cruise industry in those regions, particularly in Southeast. In Table 1.1, the reader will note that the sum of regional totals exceeds Alaska visitation overall because many visitors travel to more than one region. Regional visitation patterns data has not been updated since 1993-94.

Table 1.1

## Regional Visitor Totals, 1993-94

| Region            | Summer<br>1993 | Fall/Winter<br>1993-94 | Total   |
|-------------------|----------------|------------------------|---------|
| Southeast         | 502,800        | 29,900                 | 532,700 |
| Southcentral      | 569,300        | 146,300                | 715,600 |
| Interior/Northern | 295,100        | 45,400                 | 340,500 |
| Southwest         | 47,100         | 14,100                 | 61,200  |
| Denali            | 301,200        | 11,400                 | 312,600 |

Source: McDowell Group, *Alaska Visitor Statistics Program*.

## Visitor Spending in Alaska

The most recent visitor expenditure data was generated by 1993-94 *AVSP*. Table 1.2 provides 1993-94 total spending by expenditure category, for the Fall/Winter and Summer seasons.<sup>1</sup> During the 12-month period from May 1993 through April 1994, Alaska visitors spent \$685 million in Alaska. This includes only in-state spending. It does not include, for example, spending on cruise ship travel or on-board expenditures. Total expenditures includes spending by visitors of all types (as defined in the *AVSP*), including vacation/pleasure visitors, travelers visiting friends and relatives, business travelers and visitors traveling for both business and pleasure reasons.

Table 1.2

Total Alaska Visitor Spending  
Summer 1993 and Fall/Winter 1993-94  
(In Millions of Dollars)

| Expenditure<br>Category | Summer<br>1993 | Fall/Winter<br>1993-94 | 12 Month<br>Total |
|-------------------------|----------------|------------------------|-------------------|
| Lodging                 | \$116.1        | \$ 31                  | \$147.1           |
| Transportation          | 108.5          | 15.8                   | 124.3             |
| Tours/Recreation        | 174.9          | 1.9                    | 176.8             |
| Food/Beverage           | 78.5           | 20.5                   | 99                |
| Gifts/Souvenirs         | 77.5           | 6.6                    | 84.1              |
| Personal Expenses       | 13.6           | 3.8                    | 17.4              |
| Clothing                | 8.4            | 2.1                    | 10.5              |
| Business Expenses       | 0.3            | 1.4                    | 1.7               |
| Undistributed Expenses  | 20.1           | 4.2                    | 24.3              |
| <b>Total</b>            | <b>\$597.9</b> | <b>\$87.3</b>          | <b>\$685.2</b>    |

<sup>1</sup> These spending estimates are based on data compiled from 2,000 expenditures diaries distributed to a random sample of Alaska visitors between Summer 1993 and Fall/Winter 1993-94.

Source: McDowell Group, *Alaska Visitor Statistics Program*.

Table 1.3 provides 1993-94 expenditure data by travel mode, including domestic airline, international airline, cruise ship, ferry and highway. These travel mode definitions understate total spending by any one transportation mode. For example, total cruise ship passenger spending includes passengers that enter Alaska via domestic airline and depart via cruise ship, but the cruise ship passenger spending data in Table 1.3 includes only spending by visitors who entered Alaska on a cruise ship.

**Table 1.3**

**Total Visitor Expenditures by Entry Mode**  
**Summer 1993 and Fall/Winter 1993-94**  
(In Millions of Dollars)

| Entry Mode        | Summer Spending | Fall/Winter Spending | Total Spending  |
|-------------------|-----------------|----------------------|-----------------|
| Domestic Air      | \$ 363.7        | \$ 79.1              | \$442.8         |
| International Air | 18.4            | 3.7                  | 22.1            |
| Cruise Ship       | 119.5           | -                    | 119.5           |
| Highway           | 61.9            | 1.5                  | 63.4            |
| Ferry             | 34.4            | 3.1                  | 37.5            |
| <b>Total</b>      | <b>\$ 597.9</b> | <b>\$ 87.4</b>       | <b>\$ 685.3</b> |

Source: McDowell Group, *Alaska Visitor Statistics Program*.

Table 1.4 presents visitor spending data by region of expenditure for the 1993-94 period. Approximately \$58 million of this spending is “undistributed”, that is, not attributable to any specific region of Alaska. Again, this spending includes in-state expenditures by all types of non-resident visitors, including pleasure visitors and business travelers.

**Table 1.4**

**Total Visitor Expenditures by Region**  
**Summer 1993 and Fall/Winter 1993-94**  
(In Millions of Dollars)

| Region            | Summer Spending | Fall/Winter Spending | Total Spending  |
|-------------------|-----------------|----------------------|-----------------|
| Southeast         | \$ 152.4        | \$ 7.9               | \$160.3         |
| Southcentral      | 250.5           | 61.9                 | 312.4           |
| Interior/Northern | 79.1            | 9.2                  | 88.3            |
| Southwest         | 23.5            | 2.3                  | 25.8            |
| Denali            | 40.4            | 0.1                  | 40.5            |
| Undistributed     | 52.0            | 6.0                  | 58.0            |
| <b>Total</b>      | <b>\$ 597.9</b> | <b>\$ 87.4</b>       | <b>\$ 685.3</b> |

---

Source: McDowell Group, *Alaska Visitor Statistics Program*.

One objective of this study is to update visitor spending estimates. It is not possible within the scope of this study to replicate the very complex visitor survey research conducted in the *AVSP* to measure visitor spending. However, it is possible to blend recent visitor arrival data with the 1993-93 *AVSP* spending data to develop current estimates of visitor spending in Alaska. More specifically, applying per person, per trip spending rates, as measured in *AVSP*, to 1997-98 visitor traffic data, provides a measure of total visitor spending for the 12-month period of October 1997 through September 1998. Tables 1.5 and 1.6 provide the data and resulting spending estimates for the Fall/Winter 1997-98 and Summer 1998 periods.

The results of this analysis suggest that visitor spending in Alaska is approaching the one billion dollar mark. Fall/Winter 1997-98 spending is estimated at approximately \$104 million and Summer 1998 spending is estimated at approximately \$845 million. The 12-month spending total is about \$949 million, down fractionally from the 1996-97 period total of \$952 million

A variety of changing traveler and trip characteristics could be affecting visitor spending patterns in Alaska, resulting in total spending that is either higher or lower than the estimates made here. Unfortunately, these characteristics (such as average length of stay, average visitor household income, and other data), are also not current since the most recent available data is from the 1993-94 *AVSP*.

Anecdotal information also provides little guidance in identifying changes in visitor spending habits in Alaska. While it may be true that travel to Alaska is more affordable today than it was four years ago (notably in the cruise market where increasing passenger capacity has forced fare discounting), opportunities for visitors to spend their money have expanded significantly in recent years. In other words, while it is true that Alaska is hosting more "budget-minded" visitors than ever before, the bulk of the visitor market is likely responding to expanded tour and retail opportunities with higher per capita spending. The net effect is that the per-visitor spending rates measured in the 1993-94 *AVSP* were still considered valid in 1997 and certainly remain the best available measure of per-visitor spending rates in Alaska.

**Table 1.5**

**Non-Resident Visitor Spending in Alaska By Entry Mode**  
Fall/Winter 1997-1998 Estimates

| <b>Entry Mode</b>        | <b>Number of Visitors</b> | <b>Spending Per Visitor (1)<br/>(in 1993 \$)</b> | <b>Total Spending<br/>(in 1993 \$)<br/>(millions)</b> | <b>Total Spending<br/>(in current \$)<br/>(millions)</b> |
|--------------------------|---------------------------|--|---|--|
| <b>Domestic Air</b>      | 181,500                   | \$ 473   | \$ 85.8   | \$ 94.4  |
| <b>International Air</b> | 4,400                     | 1,009  | 4.4   | 4.9  |
| <b>Cruise Ship (2)</b>   | 100                       | 484  | <0.1  | <0.1   |
| <b>Highway</b>           | 12,400                    | 175  | 2.2   | 2.4  |
| <b>Ferry</b>             | 2,500                     | 753  | 1.9   | 2.1  |
| <b>Total</b>             | <b>200,900</b>            |  | <b>\$94.9</b>   | <b>\$ 103.8</b>  |

- (1) *Per person per trip, based on 1993-94 AVSP spending data.*
  - (2) *Cruise ship passenger spending rate based on Summer 93 data.*
  - (3) *Adjusted to current dollars with the Anchorage Consumer Price Index (CPI).*
- Source: McDowell Group.*

**Table 1.6**

**Non-Resident Visitor Spending in Alaska By Entry Mode  
Summer 1998 Estimates**

| Entry Mode               | Number of Visitors | Spending Per Visitor (1)<br>(in 1993 \$) | Total Spending<br>(in 1993 \$)<br>(millions) | Total Spending (2)<br>(in current \$)<br>(millions) |
|--------------------------|--------------------|--|--|---|
| <b>Domestic Air</b>      | 551,600            | \$ 820                                   | \$ 452.3                                     | \$ 497.5  |
| <b>International Air</b> | 20,000             | 1,384                                    | 27.7   | 30.4  |
| <b>Cruise Ship</b>       | 403,200            | 484                                      | 195.1  | 214.7   |
| <b>Highway</b>           | 113,100            | 596                                      | 67.4   | 74.1  |
| <b>Ferry</b>             | 21,600             | 1,183                                    | 25.6   | 28.1  |
| <b>Total</b>             | <b>1,109,500</b>   |  | <b>\$768.1</b>                               | <b>\$ 844.9</b>                                     |

(1) Per person per trip, based on 1993 AVSP spending data.

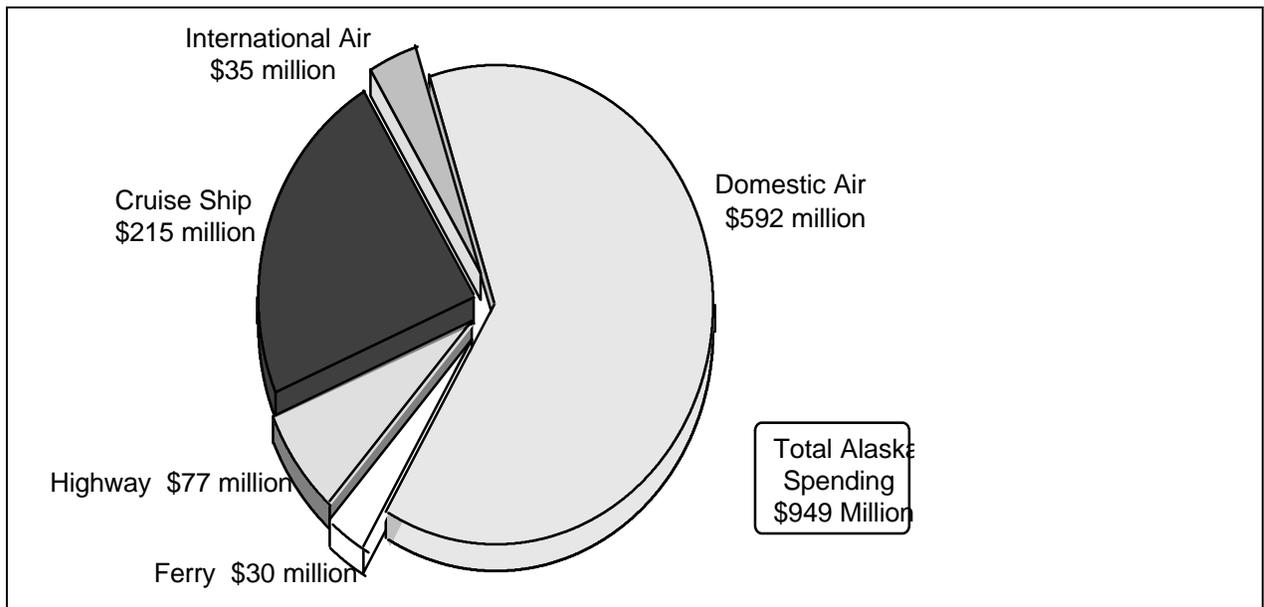
(2) Adjusted to current dollars with the Anchorage Consumer Price Index (CPI).

Source: McDowell Group

Figure 1.2 presents total, 12-month (October 1997 through September 1998) Alaska visitor spending, by entry mode. The Domestic Air market generates about two-thirds of all visitor spending, or approximately \$592 million. The reader should keep in mind the fact that these spending totals are by entry mode only. The cruise spending total, for example, does not reflect all spending by cruise visitors because many cruise visitors enter Alaska by airline and depart by cruise ship.

**Figure 1.2**

**Total Visitor Spending in Alaska, By Entry Mode  
1997-98 Estimates**

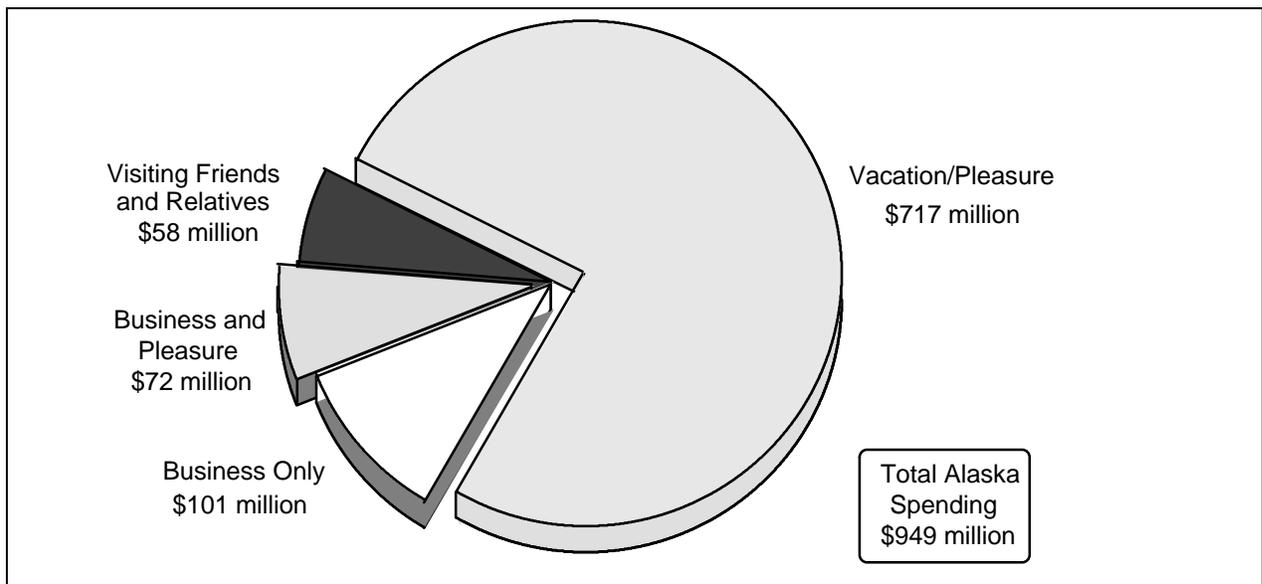


Source: McDowell Group

Figure 1.3 provides updated visitor spending data by trip purpose. Again, these estimates are based on 1993-94 spending rates, applied to 1997-98 visitor volumes and adjusted for inflation. In chapters 2, 3 and 4, reference is made to the economic impacts of the “vacation/pleasure” visitor component of Alaska’s visitor industry. In this study, this includes spending by true vacation/pleasure visitors (V/Ps), travelers visiting friends and relatives (VFRs), and one-half of the spending by travelers combining business and pleasure (BPs) while in Alaska.

Figure 1.3

### Total Visitor Spending in Alaska, By Trip Purpose 1997-98 Estimates



Source: McDowell Group

Missing from this analysis are updated regional visitor spending estimates (though regional visitor industry employment and earnings estimates are provided in Chapter 2). Making regional spending estimates would be highly subjective, as the most recent regional visitor traffic data is from 1993-94. The *Arrival Count* publication series, which provides up-to-date statewide visitor arrivals estimates, does not provide regional arrivals data. Updated regional spending data could only be calculated based on the assumption that growth in visitor traffic in each region has occurred at the same rate as for the state overall – an unlikely scenario. In any case, measurement of regional spending totals is beyond the scope of this study.

## *Chapter 2.*

# *Visitor Industry Employment and Earnings*

---

### **Introduction**

This chapter presents 1998 Alaska visitor industry employment estimates. Visitor industry employment is presented by industrial sector and by Alaska region. Estimates of total pleasure visitor-related employment are presented by region and statewide total. Total visitor-related employment includes business travelers, who may be in Alaska on business unrelated to the tourism industry.

This chapter presents two estimates of employment. The first includes only wage and salary employment and payroll. This employment data is comparable to employment statistics published by the Alaska Department of Labor (ADOL). The second measure of visitor industry employment includes wage and salary employment plus proprietors employment (self-employment), and more importantly, proprietor's income. Proprietors include a variety of business owners in the transportation, retail and service sectors. For, example, it includes owners of air taxi or charter operators, gift shop owners, taxi cab drivers, charter fishing operators, bed and breakfast owners, and many others. Including these owners provides a more complete measurement of the total number of jobs and earnings generated by visitor spending in Alaska.

All employment estimates are presented as annual averages. Peak season employment is, of course, higher than the annual average. However, annual averages are more meaningful when estimating the importance of the visitor industry relative to other industries.

### **Statewide Wage and Salary Employment**

Alaska's visitor industry generated an annual average of slightly less than 16,000 wage and salary jobs in 1998. Among industrial sectors, the largest single source of visitor industry employment are hotels and lodging places, with an annual average of 4,500 jobs. Visitor spending in eating and drinking places generated 3,800 jobs in 1997. Spending on air transportation generated another 2,400 jobs in Alaska. Table 2.1 presents visitor industry employment by industrial sector.

Since the 1996-97 period, wage and salary employment in Alaska's visitor industry has increased by approximately 7%, and increase of 1,100 jobs. The air transportation sector enjoyed the most growth, adding 300 new jobs (a 14% jump). Employment in the lodging sector increased by just over 200 jobs (a 5% increase), while employment in eating & drinking establishments was up by about 50 jobs (1.5%).

Among Alaska regions, Southcentral Alaska benefits from the most visitor-related employment. Visitor spending generated the annual average of approximately 8,600 wage and salary jobs in Southcentral in 1998. In the Interior/Northern region, visitor spending accounted for approximately 3,400 jobs while Southeast Alaska visitor spending generated 3,200 jobs in that region. The Southwest region had 700 visitor-related jobs in 1998.

**Table 2.1**

**Visitor Industry Wage and Salary Employment, 1998  
By Region and Sector**

|   | Southeast    | South-<br>central | Southwest  | Interior<br>Northern | Statewide<br>Totals |
|---|--------------|-------------------|------------|----------------------|---------------------|
| <b>Transportation</b>                     |              |                   |            |                      |                     |
| Local & Interurban Passenger Transit      | 186          | 256               | 11         | 586                  | 1,038               |
| Water Transportation                      | 329          | 143               | -          | 42                   | 514                 |
| Air Transportation                        | 496          | 1,600             | 100        | 217                  | 2,413               |
| Transportation Services                   | 93           | 118               | 5          | 96                   | 312                 |
| <b>Retail</b>                             |              |                   |            |                      |                     |
| General Merchandise Stores                | 49           | 384               | 50         | 171                  | 653                 |
| Food Stores                               | 74           | 170               | 66         | 42                   | 351                 |
| Apparel & Accessory Stores                | 32           | 159               | 1          | 6                    | 197                 |
| Eating & Drinking Places                  | 504          | 2,292             | 116        | 910                  | 3,822               |
| Miscellaneous Retail                      | 416          | 354               | 17         | 87                   | 873                 |
| <b>Services</b>                           |              |                   |            |                      |                     |
| Hotels & Other Lodging Places             | 837          | 2,260             | 306        | 1,112                | 4,516               |
| Auto Rentals                              | 17           | 237               | 5          | 68                   | 327                 |
| Amusement & Recreation Services           | 188          | 634               | 23         | 65                   | 910                 |
| <b>Total</b>                              | <b>3,219</b> | <b>8,607</b>      | <b>700</b> | <b>3,402</b>         | <b>15,928</b>       |
| Percent Attributable to Pleasure Visitors | 94%          | 73%               | 65%        | 91%                  |                     |
| Total Pleasure Visitor-Related Employment | 3,035        | 6,253             | 454        | 3,093                | 12,835              |

Spending by vacation/pleasure visitors (including V/Ps, VFRs and one-half of spending by B/Ps) generated an annual average of approximately 12,800 jobs in Alaska in 1998. This represents a 23% increase (2,400 jobs) since 1990.<sup>2</sup> Vacation/pleasure visitors account for the largest share of visitor industry employment in Southeast Alaska. In Southeast, approximately 94% of all visitors are traveling for vacation/pleasure. Southcentral Alaska has the highest proportion of business travelers. In 1998, an estimated 35% of all non-resident visitors to the region were traveling primarily for business reasons.<sup>3</sup> Anchorage,

<sup>2</sup> Some of this increase may be due to changes in the methodology used to determine pleasure visitor employment.

<sup>3</sup> These percentages are annual averages. Summer pleasure visitor proportions are higher than Fall/Winter proportions.

the commercial and business headquarters for much of Alaska, attracts a large share of Alaska's non-resident business travel market.

## Total Visitor Industry Employment

Table 2.2 presents a more complete picture of visitor industry employment in Alaska. It includes both wage and salary employees and self-employed people in the visitor industry (it does not include indirect or induced employment, which are addressed in Chapters 3 and 4 of this report). Based on this broader measure, in 1998, approximately 20,300 people were employed in the visitor industry in Alaska. Approximately 16,400 of these jobs are attributable to spending by vacation/pleasure visitors.

From a regional perspective, Southcentral again leads the state with approximately 10,800 visitor-related jobs, including 7,800 vacation/pleasure visitor-related jobs. Southeast Alaska's economy includes a total of 4,400 visitor-related jobs, including approximately 4,200 jobs attributable to vacation/pleasure visitors. Similarly, the Interior/Northern regional economy includes 4,250 visitor industry jobs, with 3,900 due to vacation/pleasure visitors. The Southwest region accounts for a total of approximately 860 visitor industry jobs, including 560 attributable to vacation/pleasure visitors.

**Table 2.2**

### Total Visitor Industry Employment, 1998 Including Proprietors By Region and Sector

|   | Southeast    | South-central | Southwest  | Interior Northern | Statewide Totals |
|---|--------------|---------------|------------|-------------------|------------------|
| <b>Transportation</b>                     |              |               |            |                   |                  |
| Local & Interurban Passenger Transit      | 248          | 341           | 14         | 781               | 1,384            |
| Water Transportation                      | 393          | 170           | -          | 50                | 613              |
| Air Transportation                        | 525          | 1,696         | 106        | 230               | 2,557            |
| Transportation Services                   | 124          | 158           | 7          | 129               | 417              |
| <b>Retail</b>                             |              |               |            |                   |                  |
| General Merchandise Stores                | 50           | 394           | 51         | 175               | 670              |
| Food Stores                               | 79           | 183           | 71         | 45                | 377              |
| Apparel & Accessory Stores                | 40           | 200           | 1          | 7                 | 248              |
| Eating & Drinking Places                  | 543          | 2,471         | 126        | 981               | 4,120            |
| Miscellaneous Retail                      | 948          | 807           | 39         | 198               | 1,992            |
| <b>Services</b>                           |              |               |            |                   |                  |
| Hotels & Other Lodging Places             | 1,105        | 2,982         | 404        | 1,468             | 5,959            |
| Auto Rentals                              | 18           | 261           | 6          | 75                | 360              |
| Amusement & Recreation Services           | 334          | 1,124         | 41         | 116               | 1,615            |
| <b>Total</b>                              | <b>4,407</b> | <b>10,786</b> | <b>864</b> | <b>4,254</b>      | <b>20,311</b>    |
| Total Pleasure Visitor-Related Employment | 4,154        | 7,837         | 561        | 3,868             | 16,419           |



## Visitor Industry Wage and Salary Payroll

Alaska's visitor industry wage and salary employees earned an estimated \$310 million in payroll in 1998 (this excludes owners profits). This represents an 8% increase over the 1996-97 total of approximately \$286 million. Southcentral's visitor industry employees earned \$170 million in annual payroll while Southeast and Interior/Northern employees earned \$67 and \$59 million, respectively, in 1998. Workers employed in Southwest Alaska visitor industry earned approximately \$14 million in 1998.

Spending by pleasure visitors generated a total of \$250 million in wage and salary payroll in Alaska in 1998, up from \$230 million in 1996-97. Southcentral payroll attributable to vacation/pleasure visitors totaled \$123 million. Southeast vacation/pleasure visitor related payroll totaled \$63 million, Interior/Northern \$54 million, and Southwest \$9 million.

**Table 2.3**

### Visitor Industry Payroll, 1998 Wage and Salary Employment Only By Region and Sector (\$ millions)

|  | Southeast     | South-<br>central | Southwest     | Interior<br>Northern | Statewide<br>Totals |
|--|---------------|-------------------|---------------|----------------------|---------------------|
| <b>Transportation</b>                      |               |                   |               |                      |                     |
| Local & Interurban Passenger Transit       | 2.8           | 3.9               | 0.2           | 8.8                  | 15.7                |
| Water Transportation                       | 9.9           | 4.3               | -             | 1.3                  | 15.4                |
| Air Transportation                         | 17.8          | 57.5              | 3.6           | 7.8                  | 86.6                |
| Transportation Services                    | 2.2           | 2.8               | 0.1           | 2.3                  | 7.4                 |
| <b>Retail</b>                              |               |                   |               |                      |                     |
| General Merchandise Stores                 | 0.9           | 6.8               | 0.9           | 3.0                  | 11.5                |
| Food Stores                                | 1.6           | 3.7               | 1.4           | 0.9                  | 7.6                 |
| Apparel & Accessory Stores                 | 0.4           | 2.2               | 0.0           | 0.1                  | 2.7                 |
| Eating & Drinking Places                   | 6.4           | 29.1              | 1.5           | 11.6                 | 48.6                |
| Miscellaneous Retail                       | 7.8           | 6.7               | 0.3           | 1.6                  | 16.5                |
| <b>Services</b>                            |               |                   |               |                      |                     |
| Hotels & Other Lodging Places              | 14.7          | 39.5              | 5.4           | 19.5                 | 79.0                |
| Auto Rentals                               | 0.3           | 4.7               | 0.1           | 1.3                  | 6.4                 |
| Amusement & Recreation Services            | 2.6           | 8.7               | 0.3           | 0.9                  | 12.5                |
| <b>Total Visitor Industry NAWS Payroll</b> | <b>\$67.4</b> | <b>\$169.7</b>    | <b>\$13.8</b> | <b>\$59.1</b>        | <b>\$309.9</b>      |
| Total Pleasure Visitor-Related Payroll     | 63.5          | 123.3             | 8.9           | 53.7                 | 249.4               |

## Total Visitor Industry Earnings

A full estimate of visitor industry earnings must include proprietor's income (owner's profits). Including wage and salary payroll and proprietor's income, Alaska's visitor industry directly generated \$390 million in personal income (not including indirect and induced income). Southcentral region income totaled approximately \$213 million, while Southeast income totaled \$86 million. Visitor spending in the Interior/Northern region generated \$74 million in personal income. The Southwest region total for 1998 was just under \$17 million.

**Table 2.4**

### Total Visitor Industry Earnings, 1998 Payroll and Proprietor's Income By Region and Sector (\$ millions)

|  | Southeast     | South-<br>central | Southwest     | Interior<br>Northern | Statewide<br>Totals |
|--|---------------|-------------------|---------------|----------------------|---------------------|
| <b>Transportation</b>  |               |                   |               |                      |                     |
| Local & Interurban Passenger Transit                                       | 3.7           | 5.1               | 0.2           | 11.7                 | 20.8                |
| Water Transportation   | 11.7          | 5.1               | -             | 1.5                  | 18.2                |
| Air Transportation   | 21.5          | 69.4              | 4.4           | 9.4                  | 104.7               |
| Transportation Services  | 2.8           | 3.6               | 0.2           | 2.9                  | 9.4                 |
| <b>Retail</b>  |               |                   |               |                      |                     |
| General Merchandise Stores   | 1.0           | 7.6               | 1.0           | 3.4                  | 12.9                |
| Food Stores  | 1.9           | 4.3               | 1.7           | 1.1                  | 8.9                 |
| Apparel & Accessory Stores   | 0.6           | 2.9               | 0.0           | 0.1                  | 3.6                 |
| Eating & Drinking Places   | 8.3           | 37.8              | 1.9           | 15.0                 | 63.0                |
| Miscellaneous Retail   | 12.5          | 10.6              | 0.5           | 2.6                  | 26.2                |
| <b>Services</b>  |               |                   |               |                      |                     |
| Hotels & Other Lodging Places  | 17.8          | 48.0              | 6.5           | 23.6                 | 95.9                |
| Auto Rentals   | 0.4           | 5.1               | 0.1           | 1.5                  | 7.1                 |
| Amusement & Recreation Services  | 4.1           | 13.8              | 0.5           | 1.4                  | 19.8                |
| <b>Total Visitor Industry Earnings Payroll<br/>and Proprietor's Income</b> |               |                   |               |                      |                     |
|  | <b>\$86.1</b> | <b>\$213.2</b>    | <b>\$16.9</b> | <b>\$74.2</b>        | <b>\$390.4</b>      |
| Total Pleasure Visitor-Related Payroll                                     | 81.1          | 154.9             | 11.0          | 67.4                 | 314.5               |

## Regional Summaries

Tables 2.5 through 2.8 summarize the employment and earnings impacts of the visitor industry on the Southcentral, Southeast, Southwest and Interior/Northern regions of Alaska for 1998. Employment and earnings data for the visitor industry are presented by industrial sector, with regional totals only for the pleasure visitor component of the industry.

**Table 2.5**

### Southeast Region Visitor Industry Employment and Earnings, By Sector, 1998

|                                      | Total Wage<br>& Salary<br>Employment | Total<br>Employment<br>Including<br>Proprietor's | Total Wage &<br>Salary Payroll<br>(millions) | Total Earnings<br>Including<br>Proprietor's Income<br>(millions) |
|--------------------------------------|--------------------------------------|--|--|--|
| <b>Transportation</b>                |                                      |  |  |  |
| Local & Interurban Passenger Transit | 186                                  | 248  | \$2.8  | \$3.7  |
| Water Transportation                 | 329                                  | 393  | 9.9  | 11.7   |
| Air Transportation                   | 496                                  | 525  | 17.8   | 21.5   |
| Transportation Services              | 93                                   | 124  | 2.2  | 2.8  |
| <b>Retail</b>                        |                                      |  |  |  |
| General Merchandise Stores           | 49                                   | 50   | 0.9  | 1.0  |
| Food Stores                          | 74                                   | 79   | 1.6  | 1.9  |
| Apparel & Accessory Stores           | 32                                   | 40   | 0.4  | 0.6  |
| Eating & Drinking Places             | 504                                  | 543  | 6.4  | 8.3  |
| Miscellaneous Retail                 | 416                                  | 948  | 7.8  | 12.5   |
| <b>Services</b>                      |                                      |  |  |  |
| Hotels & Other Lodging Places        | 837                                  | 1,105  | 14.7   | 17.8   |
| Auto Rentals                         | 17                                   | 18   | 0.3  | 0.4  |
| Amusement & Recreation Services      | 188                                  | 334  | 2.6  | 4.1  |
| <b>Visitor Industry Totals</b>       | <b>3,219</b>                         | <b>4,407</b>                                     | <b>\$67.4</b>                                | <b>\$86.1</b>  |
| Pleasure Visitor-Related Total       | 3,035                                | 4,154  | 63.5   | 81.1   |

Table 2.6

**Southcentral Region**  
**Visitor Industry Employment and Earnings, By Sector, 1998**

|                                      | Total Wage<br>& Salary<br>Employment | Total<br>Employment<br>Including<br>Proprietor's | Total Wage &<br>Salary Payroll<br>(millions) | Total Earnings<br>Including<br>Proprietor's Income<br>(millions) |
|--------------------------------------|--------------------------------------|--|--|--|
| <b>Transportation</b>                |                                      |  |  |  |
| Local & Interurban Passenger Transit | 256                                  | 341  | \$3.9  | \$5.1  |
| Water Transportation                 | 143                                  | 170  | 4.3  | 5.1  |
| Air Transportation                   | 1,600                                | 1,696  | 57.5   | 69.4   |
| Transportation Services              | 118                                  | 158  | 2.8  | 3.6  |
| <b>Retail</b>                        |                                      |  |  |  |
| General Merchandise Stores           | 384                                  | 394  | 6.8  | 7.6  |
| Food Stores                          | 170                                  | 183  | 3.7  | 4.3  |
| Apparel & Accessory Stores           | 159                                  | 200  | 2.2  | 2.9  |
| Eating & Drinking Places             | 2,292                                | 2,471  | 29.1   | 37.8   |
| Miscellaneous Retail                 | 354                                  | 807  | 6.7  | 10.6   |
| <b>Services</b>                      |                                      |  |  |  |
| Hotels & Other Lodging Places        | 2,260                                | 2,982  | 39.5   | 48.0   |
| Auto Rentals                         | 237                                  | 261  | 4.7  | 5.1  |
| Amusement & Recreation Services      | 634                                  | 1,124  | 8.7  | 13.8   |
| <b>Visitor Industry Totals</b>       | <b>8,607</b>                         | <b>10,786</b>                                    | <b>\$169.7</b>                               | <b>\$213.2</b>   |
| Pleasure Visitor-Related Total       | 6,253                                | 7,837  | 123.3  | 154.9  |

**Table 2.7**

**Interior/Northern Region  
Visitor Industry Employment and Earnings, By Sector, 1998**

|                                      | <b>Total Wage<br/>&amp; Salary<br/>Employment</b> | <b>Total<br/>Employment<br/>Including<br/>Proprietor's</b> | <b>Total Wage &amp;<br/>Salary Payroll<br/>(millions)</b> | <b>Total Earnings<br/>Including<br/>Proprietor's Income<br/>(millions)</b> |
|--------------------------------------|---|--|---|--|
| <b>Transportation</b>                |   |  |   |  |
| Local & Interurban Passenger Transit | 586   | 781  | \$8.8   | \$11.7   |
| Water Transportation                 | 42  | 50   | 1.3   | 1.5  |
| Air Transportation                   | 217   | 230  | 7.8   | 9.4  |
| Transportation Services              | 96  | 129  | 2.3   | 2.9  |
| <b>Retail</b>                        |   |  |   |  |
| General Merchandise Stores           | 171   | 175  | 3.0   | 3.4  |
| Food Stores                          | 42  | 45   | 0.9   | 1.1  |
| Apparel & Accessory Stores           | 6   | 7  | 0.1   | 0.1  |
| Eating & Drinking Places             | 910   | 981  | 11.6  | 15.0   |
| Miscellaneous Retail                 | 87  | 198  | 1.6   | 2.6  |
| <b>Services</b>                      |   |  |   |  |
| Hotels & Other Lodging Places        | 1,112   | 1,468  | 19.5  | 23.6   |
| Auto Rentals                         | 68  | 75   | 1.3   | 1.5  |
| Amusement & Recreation Services      | 65  | 116  | 0.9   | 1.4  |
| <b>Visitor Industry Totals</b>       |   |  |   |  |
| Pleasure Visitor-Related Totals      | 3,402   | 4,254  | \$59.1  | \$74.2   |
|                                      | 3,093   | 3,868  | 53.7  | 67.4   |

**Table 2.8**

**Southwest Region**  
**Visitor Industry Employment and Earnings, By Sector, 1998**

|                                      | <b>Total Wage<br/>&amp; Salary<br/>Employment</b> | <b>Total<br/>Employment<br/>Including<br/>Proprietor's</b> | <b>Total Wage &amp;<br/>Salary Payroll<br/>(millions)</b> | <b>Total Earnings<br/>Including<br/>Proprietor's Income<br/>(millions)</b> |
|--------------------------------------|---|--|---|--|
| <b>Transportation</b>                |   |  |   |  |
| Local & Interurban Passenger Transit | 11  | 14   | \$0.2   | \$0.2  |
| Water Transportation                 | -   | -  | -   | -  |
| Air Transportation                   | 100   | 106  | 3.6   | 4.4  |
| Transportation Services              | 5   | 7  | 0.1   | 0.2  |
| <b>Retail</b>                        |   |  |   |  |
| General Merchandise Stores           | 50  | 51   | 0.9   | 1.0  |
| Food Stores                          | 66  | 71   | 1.4   | 1.7  |
| Apparel & Accessory Stores           | 1   | 1  | 0.0   | 0.0  |
| Eating & Drinking Places             | 116   | 126  | 1.5   | 1.9  |
| Miscellaneous Retail                 | 17  | 39   | 0.3   | 0.5  |
| <b>Services</b>                      |   |  |   |  |
| Hotels & Other Lodging Places        | 306   | 404  | 5.4   | 6.5  |
| Auto Rentals                         | 5   | 6  | 0.1   | 0.1  |
| Amusement & Recreation Services      | 23  | 41   | 0.3   | 0.5  |
| <b>Visitor Industry Totals</b>       | <b>700</b>  | <b>864</b>   | <b>\$13.8</b>   | <b>\$16.9</b>  |
| Pleasure Visitor-Related Totals      | 454   | 561  | 8.9   | 11.0   |

## Chapter 3. Secondary Economic Impacts

As the visitor's dollar circulates through the Alaska economy, it creates more jobs and income than the direct employment presented in Chapter 3. Jobs and income are also generated in the support sector as a result of spending by businesses serving visitors (often termed "indirect" spending) and as a result of spending by employees of businesses serving visitors (often termed "induced"). This chapter quantifies these secondary or "multiplier" effects of visitor spending in Alaska.

### Secondary Spending Impacts

Visitors to Alaska spent an estimated \$949 million in Alaska in 1998. Using multiplier data available from the U.S. Department of Commerce, Bureau of Economic Analysis, published in *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)*, it is possible to measure the total value, or output, of that spending as it circulates through the economy. BEA provides output multipliers for a number of visitor-affected industrial sectors. These multipliers can be applied to AVSP categorical spending data to determine total visitor industry-related output (spending) in Alaska.

Table 3.1 provides multipliers, indirect output and total output estimates for components of Alaska's visitor industry and for the industry overall. Application of BEA multipliers to visitor spending estimates developed in this study indicates that the visitor dollar circulates through the state's economy about two and one-half times before finally leaking from Alaska. In other words, the full economic impact of the \$949 million in direct visitor spending totals approximately \$2.6 billion. Again, this is a measure of total direct, indirect and induced spending in Alaska.

Table 3.1

#### Total Visitor Industry-Related Economic Output(Spending) in Alaska, 1998

|                     | Direct Spending<br>(millions) | Output<br>Multiplier | Indirect Output<br>(millions) |
|---------------------|-------------------------------|----------------------|-------------------------------|
| Transportation      | \$172.1                       | 1.8973               | \$326.5                       |
| Retail              | 191.1                         | 1.7945               | 342.9                         |
| Service Sector      |                               |                      |                               |
| Lodging             | 203.7                         | 1.6589               | 337.9                         |
| Food/Drink          | 137.1                         | 1.5499               | 212.5                         |
| All Other Service   | 244.8                         | 1.6554               | 405.2                         |
| Total               | \$948.8                       |                      | \$1,625                       |
| Plus Direct Impacts |                               |                      | 949                           |
| <b>Grand Total</b>  |                               |                      | <b>\$2,574</b>                |

Source: Direct visitor spending data are McDowell Group estimates. Output multipliers are taken from the BEA publication *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)*, May 1992.

The analysis also indicates that the \$811 million in vacation/pleasure-related has a full impact of approximately \$2.2 billion, including direct, indirect and induced spending.

Direct and indirect spending occurs in nearly every sector of the Alaska economy. As indicated in this study and the *AVSP*, visitor spending occurs in the transportation, retail and service sectors. Spending by businesses serving visitors (airlines, hotels, restaurants, gift shops, etc.) occurs in the construction industry, segments of the manufacturing sector, with wholesalers, with financial institutions, professional and business services, as well as the sectors that are affected by direct visitor spending. Local and state tax revenues generated by visitor and visitor-related business spending also creates employment and spending opportunities in the government sector.

## Secondary Employment and Earnings Impacts

To calculate employment and earnings multipliers, BEA provides “direct-effect multipliers” for visitor-affected sectors of the Alaska economy. Table 3.2 provides these multipliers and presents total direct and indirect employment and earnings in Alaska’s visitor industry, based on these multipliers. The analysis indicates that, in addition to the 20,300 direct jobs in Alaska’s visitor industry, another 10,400 jobs are generated in the state’s support sector. Further, in addition to the \$390 million in wage and salary payroll and proprietor’s income (earnings), the visitor industry generates another \$250 million in payroll in the support sector. As with indirect spending, this additional employment and earnings are created in nearly every sector of the state’s economy.

**Table 3.2**

### Total Visitor Industry Employment in Alaska Including Secondary Employment, 1997

|                      | Direct<br>Employment | Direct<br>Earnings<br>(millions) | Direct-Effect Multipliers |          | Total Direct and Indirect<br>Employment | Earnings<br>(millions) |
|----------------------|----------------------|----------------------------------|---------------------------|----------|---|------------------------|
|                      |                      |                                  | Employment                | Earnings |   |                        |
| Total Transportation | 4,971                | \$153.1                          | 2.0317                    | 1.8459   | 10,100                                  | 282.6                  |
| Total Retail         | 3,286                | 51.5                             | 1.3591                    | 1.4287   | 4,467                                   | 73.6                   |
| Service Sector       |                      |                                  |                           |          |   |                        |
| Lodging              | 5,959                | 95.9                             | 1.3284                    | 1.5705   | 7,916                                   | 150.6                  |
| Food/Drink           | 4,120                | 63.0                             | 1.311                     | 1.4976   | 5,402                                   | 94.3                   |
| All Other Service    | 1,974                | 26.9                             | 1.4072                    | 1.5006   | 2,778                                   | 40.3                   |
| <b>Total</b>         | <b>20,311</b>        | <b>\$390.4</b>                   |                           |          | <b>30,662</b>                           | <b>\$641.5</b>         |

Source: Direct visitor industry employment and earnings are McDowell Group estimates. Direct-effect multipliers are taken from the BEA publication *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)*, May 1992.

In summary, Alaska's visitor industry directly and indirectly accounts for \$2.6 billion in spending activity, approximately 30,700 jobs and \$640 million in personal income. The relative importance of the visitor industry in the Alaska economy is discussed in the Chapter 4.

## Chapter 4.

# Role of the Visitor Industry in Alaska's Economy

---

## Introduction

Alaska's economy consists of a relatively diversified mix of industries including the visitor industry, commercial fishing and seafood processing, oil production, government (including the military), mining, and other smaller industries. The role of an industry in the state's economy can be measured in several ways, including employment, payroll, contribution to gross state product, contributions to total personal income and others.

Analysis of the role of the visitor industry is complicated by the fact that the most up-to-date and accurate employment and payroll statistics available for Alaska exclude key components of the state's economy, notably commercial fishing, other self-employment and the military. The Alaska Department of Labor (ADOL) compiles non-agricultural wage and salary (NAWS) employment data for Alaska, typically on a six to nine month lag. (Calendar year data is published annually in the *Employment & Earnings Report*, but quarterly data is available upon request.) NAWS does not include commercial fishermen, the self employed, or uniformed military personnel. ADOL also publishes wage and salary employment estimates in its *Alaska Economic Trends* reports. Calendar year 1998 estimates are available from this source, but again the data excludes key sources of employment.

## Profile of Alaska's Economy

BEA data provides the broadest measure of Alaska's economy. Including proprietors' employment and their income, as well as wage and salary employment and payroll, the Alaska economy generates 383,600 jobs and \$12 billion in earnings. The ADOL provides a somewhat narrower picture of Alaska's economy. According to 1998 ADOL data, Alaska's economy generated an annual average of 275,400 wage and salary jobs, exclude commercial fishermen, uniformed military personnel and proprietors.

In addition to tourism, Alaska's key private sector basic industries include oil and gas extraction (8,900 jobs), metal mining (1,000 jobs), seafood processing (9,200 jobs), and lumber and wood production (1,600 jobs). Commercial fishing employment, which is not reported by ADOL, has been estimated at the annual equivalent of approximately 13,000 jobs.<sup>4</sup> In comparison, Alaska's visitor

---

<sup>4</sup> McDowell Group estimate.

industry generated 15,900 wage and salary jobs (including 12,800 vacation/pleasure visitor-related jobs).

## Visitor Industry's Role in Alaska's Economy

Based on the results of this study and ADOL data, the visitor industry accounts for approximately one in ten wage and salary jobs in Alaska. As is indicated in Table 4.1, Alaska's visitor industry directly and indirectly accounts for 9% of all wage and salary employment in Alaska and 6% of all payroll. The vacation/pleasure component of the visitor industry accounts for 7% of wage and salary employment and 5% of total payroll.

This is based on ADOL employment data, which excludes commercial fishermen and uniformed military personnel – both important sources of employment in Alaska. ADOL also excludes proprietors' employment and income. Table 4.1 also provides a measure of the relative importance of the visitor industry in relation to all employment, including commercial fishermen, uniformed military personnel and proprietors. When all employment sources are considered, the visitor industry accounts for 8% of all employment in Alaska and 5% of all earnings. The vacation/pleasure (tourism) component of Alaska's visitor industry accounts for 6% of employment and 4% of total earnings.<sup>5</sup>

**Table 4.1**

### Role of the Visitor Industry in Alaska's Total Economy

|                                 | Wage & Salary<br>Employment | Wage & Salary<br>Payroll (millions) | Total<br>Employment | Total Earnings<br>(millions) |
|---------------------------------|-----------------------------|-------------------------------------|---------------------|------------------------------|
| <b>Alaska Totals</b>            | 275,400                     | \$8,768                             | 383,600             | \$12,107                     |
| <b>Visitor Industry</b>         |                             |                                     |                     |                              |
| Direct                          | 15,928                      | 310                                 | 20,311              | 390                          |
| Indirect                        | 8,117                       | 199                                 | 10,351              | 251                          |
| Total                           | 24,045                      | 509                                 | 30,662              | 641                          |
| <b>Tourism Industry</b>         |                             |                                     |                     |                              |
| Direct                          | 12,835                      | 249                                 | 16,419              | 314                          |
| Indirect                        | 6,541                       | 160                                 | 8,368               | 202                          |
| Total                           | 19,376                      | \$410                               | 24,787              | \$517                        |
| <b>Percent of Alaska Totals</b> |                             |                                     |                     |                              |
| <b>Visitor Industry</b>         |                             |                                     |                     |                              |
| Direct                          | 6%                          | 4%                                  | 5%                  | 3%                           |
| Indirect                        | 3%                          | 2%                                  | 3%                  | 2%                           |
| Total                           | 9%                          | 6%                                  | 8%                  | 5%                           |
| <b>Tourism Industry</b>         |                             |                                     |                     |                              |
| Direct                          | 5%                          | 3%                                  | 4%                  | 3%                           |
| Indirect                        | 2%                          | 2%                                  | 2%                  | 2%                           |
| Total                           | 7%                          | 5%                                  | 6%                  | 4%                           |

Sources: Statewide wage and salary employment is ADOL data for 1998. Wage and salary payroll totals are McDowell Group estimates for 1998. Total statewide employment and earnings totals are 1997 BEA data. Visitor industry and tourism industry estimates are from the McDowell Group for 1998.

<sup>5</sup> These estimates of the role of the visitor and tourism industries in terms of total earnings may be slightly understated. "Total Earnings", as published by BEA includes several adjustments to earnings, including under-reported income, health insurance and pension plan contributions. These additional sources of earnings are not included in the wage and salary component of the visitor industry employment. If they were, the visitor industry's role in the economy would be measured slightly greater.

Comparison of visitor industry employment to total private sector employment in Alaska provides another measure of the relative importance of the industry. As presented in Table 4.2, the visitor industry in Alaska directly and indirectly accounts for 12% of all private sector wage and salary employment and 8% of payroll. Expanding the analysis to include commercial fishermen and proprietors (total employment), the visitor industry accounts for 10% and 7% of employment and earnings, respectively.<sup>6</sup>

Similarly, this analysis indicates that direct and indirect tourism-related employment accounts for 9% of all private sector wage and salary jobs in Alaska and 7% of total private sector payroll. Considering all sources of employment, tourism accounts for 8% and 6% of total employment and earnings, respectively.

**Table 4.2**

**Role of the Visitor Industry in Alaska's *Private Sector* Economy**

|   | <b>Wage &amp; Salary<br/>Employment</b> | <b>Wage &amp; Salary<br/>Payroll (millions)</b> | <b>Total<br/>Employment</b> | <b>Total Earnings<br/>(millions)</b> |
|---|---|---|-----------------------------|--------------------------------------|
| <b>Alaska Private Sector<br/>Totals</b> |   |   |                             |                                      |
|   | 201,900                                 | \$6,137   | 310,100                     | \$8,593                              |
| <b>Visitor Industry</b>                 |   |   |                             |                                      |
| Direct                                  | 15,928                                  | 310   | 20,311                      | 390                                  |
| Indirect                                | 8,117                                   | 199   | 10,351                      | 251                                  |
| Total                                   | 24,045                                  | 509   | 30,662                      | 641                                  |
| <b>Tourism Industry</b>                 |   |   |                             |                                      |
| Direct                                  | 12,835                                  | 249   | 16,419                      | 314                                  |
| Indirect                                | 6,541                                   | 160   | 8,368                       | 202                                  |
| Total                                   | 19,376                                  | \$410   | 24,787                      | \$517                                |
| <b>Percent of Alaska Totals</b>         |   |   |                             |                                      |
| <b>Visitor Industry</b>                 |   |   |                             |                                      |
| Direct                                  | 8%                                      | 5%  | 7%                          | 4%                                   |
| Indirect                                | 4%                                      | 3%  | 3%                          | 3%                                   |
| Total                                   | 12%                                     | 8%  | 10%                         | 7%                                   |
| <b>Tourism Industry</b>                 |   |   |                             |                                      |
| Direct                                  | 6%                                      | 4%  | 6%                          | 4%                                   |
| Indirect                                | 3%                                      | 3%  | 3%                          | 2%                                   |
| Total                                   | 9%                                      | 7%  | 8%                          | 6%                                   |

Sources: Statewide wage and salary employment is ADOL data for 1998. Wage and salary payroll and total earnings are McDowell Group estimates for 1998. Total statewide employment is 1997 BEA data. Visitor industry and tourism industry estimates are from the McDowell Group for 1998.

<sup>6</sup> These figures may slightly overstate the importance of the visitor industry, as some of the industry's indirect employment impact is in the government sector, which is not included in the statewide total.

## Non-Resident Labor in Alaska's Visitor Industry

Invariably, any analysis of the economic impact of any industry in Alaska eventually leads to a discussion of non-resident labor participation. In fact, non-resident labor has always played an important role in Alaska's economy. Because businesses in Alaska's visitor industry serve both residents and non-resident customers and often hire both resident and non-resident workers, it is not possible to definitively identify all non-resident workers in the visitor industry. Nevertheless, from ADOL data it is possible to compare non-resident labor participation rates in visitor-affected business sectors with other sectors of the Alaska economy.

The data presented in Table 4.3 is from an ADOL database including resident and non-resident employment for Alaska's larger employers (businesses with 20 or more employees). For this study, resident and non-resident employment in visitor affected industrial sectors was summed and an average non-resident participation rate calculated. From this data it is evident that non-resident employment in visitor-affected business is slightly lower than the statewide average, 22% versus 25%. Further, non-resident employment in visitor affected businesses is well below that of other Alaska industries, including seafood processing (75%), lumber and wood products (43%), oil and gas (29%), and others.

Because the data includes only larger employers, the non-resident participation rates presented in Table 4.3 may not reflect actual rates for each sector, but they are believed to be reasonable estimates.<sup>7</sup>

Finally, it should be noted that, if it were available, data for Summer only would indicate higher non-resident employment in the visitor industry than the full-year data indicates. Most visitor industry employment occurs during the May through September period, when other seasonal industries are also most active. The demand for local labor within the visitor industry and other industries usually exceeds supply, requiring recruiting from outside the local area and the state.

---

<sup>7</sup> In fact, the rates presented in Table 4.3 may overstate actual non-resident participation. Smaller businesses are more likely to satisfy their labor needs with local labor. Larger companies are more often forced to recruit outside Alaska.

**Table 4.3**

**Non-Resident Employment in Visitor-Affected Businesses By Sector  
and Other Alaska Basic Industries, 1996**

|  | <b>Total<br/>Employees</b> | <b>Resident<br/>Employees</b> | <b>Non-Resident<br/>Employees</b> | <b>Percent<br/>Non-Resident</b> |
|--|----------------------------|-------------------------------|-----------------------------------|---------------------------------|
| <b>Transportation</b>                        |                            |                               |                                   |                                 |
| Local & Interurban Passenger Transit         | 2,097                      | 1,600                         | 497                               | 24%                             |
| Water Transportation                         | 849                        | 678                           | 171                               | 20%                             |
| Air Transportation                           | 8,923                      | 7,350                         | 1,573                             | 18%                             |
| Transportation Services                      | 1,828                      | 1,471                         | 357                               | 20%                             |
| <b>Retail</b>                                |                            |                               |                                   |                                 |
| General Merchandise Stores                   | 16,492                     | 13,799                        | 2,693                             | 16%                             |
| Food Stores                                  | 12,133                     | 10,376                        | 1,757                             | 14%                             |
| Apparel & Accessory Stores                   | 2,551                      | 2,118                         | 433                               | 17%                             |
| Eating & Drinking Places                     | 37,059                     | 27,348                        | 9,711                             | 26%                             |
| Miscellaneous Retail                         | 7,766                      | 6,344                         | 1,422                             | 18%                             |
| <b>Services</b>                              |                            |                               |                                   |                                 |
| Hotels & Other Lodging Places                | 13,075                     | 9,374                         | 3,701                             | 28%                             |
| Auto Rentals                                 | 1,004                      | 816                           | 188                               | 19%                             |
| Amusement & Recreation Services              | 2,651                      | 1,968                         | 683                               | 26%                             |
| <b>Visitor-Affected<br/>Industry Average</b> | 106,428                    | 83,242                        | 23,186                            | 22%                             |
| <b>Non-Visitor<br/>Affected Industries</b>   |                            |                               |                                   |                                 |
| Metal Mining                                 | 1,574                      | 1,090                         | 484                               | 31%                             |
| Oil & Gas                                    | 11,468                     | 8,122                         | 3,346                             | 29%                             |
| Building Construction                        | 7,312                      | 5,604                         | 1,708                             | 23%                             |
| Seafood Processing                           | 25,499                     | 6,337                         | 19,162                            | 75%                             |
| Lumber & Wood Products                       | 2,851                      | 1,625                         | 1,226                             | 43%                             |
| <b>Statewide Private Sector Average</b>      | 281,772                    | 210,865                       | 70,907                            | 25%                             |

*Source: Non-resident participation data for non-visitor affected industry is taken from the Alaska Department of Labor publication Nonresidents Working in Alaska – 1996. Visitor affected industry averages are McDowell Group estimates based on non-resident employment data provided by ADOL for several thousand individual Alaska employers.*