

THE ALASKA TOURISM SATELLITE ACCOUNT

A Comprehensive Analysis of the Economic Contribution of Travel & Tourism

PREPARED FOR:

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

Prepared by:



CONTACT:

Adam Sacks
Managing Director | Global Insight
Travel & Tourism
610.490.2784
adam.sacks@globalinsight.com

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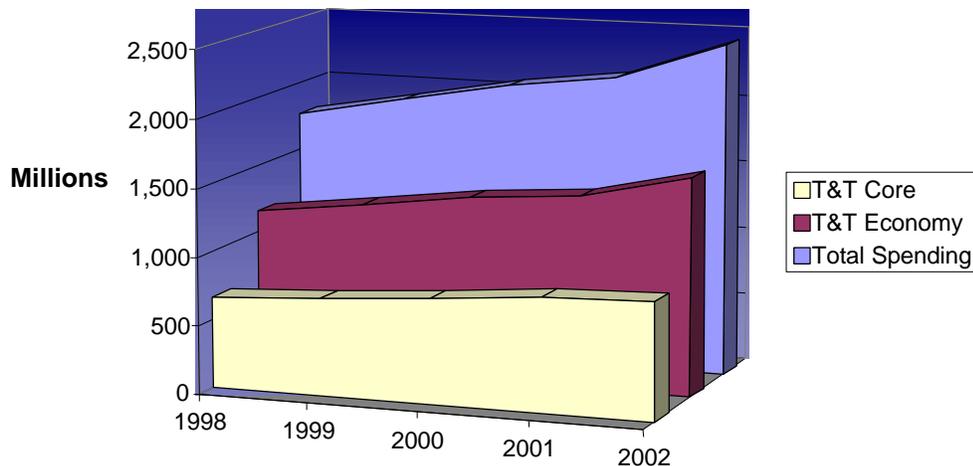
I. EXECUTIVE SUMMARY

Travel and tourism has historically posed challenges to accurate measurement. The primary reason for this is that tourism is not designated as an “industry” in standard economic accounts. In fact, many industries make up travel and tourism. The Tourism Satellite Account (TSA) standard was developed by the World Tourism Organization and ratified by the United Nations as the benchmark for measuring travel and tourism in a way that is consistent with the rest of the economic accounts. This project will help provide an accurate understanding of the travel and tourism industry in Alaska, defining and measuring travel and tourism in a framework that will allow comparisons with other industries.

Using the TSA approach, the Alaska travel and tourism industry is examined on a number of different levels: total sales, total economic contribution, core industry, and total impact, including the induced effect. *Sales* represent all expenditures; *Economic Contribution* factors out those goods and services coming from outside the state (import leakages); and *Core Industry* considers only the direct impact of those sectors touching the visitor. The latter measure is important because this narrow definition allows for inter-industry comparisons. The key findings of the analysis are:

- ◆ Travel and tourism has been an *engine of growth* in the Alaska economy, with its economic contribution expanding 38% from 1998 through 2002.
- ◆ Travel and tourism *Sales* – total spending by and on behalf of travelers – tallied over \$2.4 billion in Alaska in 2002.
- ◆ Travel and tourism’s *Economic Contribution* in Alaska reached \$1.6 billion last year. This amount—representing sales net of related imports into the state—contributed 5.6% to Alaska Gross State Product (GSP). This includes the direct and indirect effects of all travel and tourism expenditures, but not induced (multiplier) effects.
- ◆ Travel and tourism’s *Core Industry*—that is, only the direct impact of end-providers of good and services to travelers—generated \$856 million in local value added in 2002: 3.0% of Alaska’s GSP.

Breaking Down Travel & Tourism’s Impact



- ◆ The *induced* effect—also called the multiplier or income effect—increases travel and tourism’s economic contribution to \$2.0 billion.
- ◆ Using the most narrow, *Core Industry* definition, travel and tourism is the third-largest private sector employer; fourth overall in the state with 26,158 direct full-time equivalency jobs in 2002.

Rank	NAICS Code	Industry	Employment
1		Local Government	36,804
2	44-45	Retail trade	33,904
3	62	Health care and social assistance	27,327
4	72	Accommodation and foodservices	24,940
5		State Government	21,764
6	48-49	Transportation and warehousing	19,086
7		Federal Government	16,761
8	23	Construction	15,924
9	31-33	Manufacturing	11,152
10	54	Professional, scientific, and technical services	10,732

**Tourism Industry
26,158
Jobs**



Comparative Data: Bureau of Labor Statistics, 2-digit NAICS detail

- ◆ The travel and tourism *Core Industry* generated 9.1% of Alaska's total employment in 2002.
- ◆ Travel and tourism-generated jobs provided \$579 million in *core labor income* (benefits and salaries) to Alaska.
- ◆ Travel and tourism’s *Economic Contribution* to employment reached 39,420 full-time equivalent jobs. Those jobs provided Alaska workers with \$1.15 billion in income.
- ◆ Including the *induced effects*, travel and tourism-related employment totals 46,935 with labor income of \$1.36 billion accruing to the workers of Alaska

II. WHAT IS A TOURISM SATELLITE ACCOUNT?

An Overview

The Tourism Satellite Account (TSA) is a unique approach to quantifying the effects of travel and tourism on an economy. It is more detailed, more accurate, and more comprehensive than traditional economic impact approaches. The TSA was developed by the World Tourism Organization under the auspices of the United Nations to overcome challenges to measuring a service sector that is historically underrepresented.

The challenge of measuring travel and tourism is two-fold. First, tourism is part of many different industries but comprises 100% of no one industry. Secondly, tourism is traditionally measured and understood from the demand side (i.e. what are visitors spending?), while industries are properly measured from the supply side (i.e. what is being produced?).

The TSA overcomes these challenges by connecting all aspects of travel and tourism demand (spending) with the goods and services being produced to meet that demand. Therefore, the TSA gives us an approach that is consistent with the way all other industries are measured in state economic accounts. In addition, the TSA illustrates in detail the effects of travel and tourism on other industries in the state. It is called a “Satellite Account” because while the TSA is consistent with the state economic accounts, it resides as a separate set of industry information.



The final result is a set of “accounts” for travel and tourism that represent a complete and accurate assessment of the contribution of the “tourism industry” in a way that is comparable to other industries at a fine level of detail. This core industry can be thought of as the tip of the iceberg, or what is visible to the visitor. However, the TSA also enables us to look at how other “non-tourism” industries benefit from visitor activities. This approach encompasses the entire iceberg.

The Benefits

Countries and states around the world have adopted the TSA or are in the process of implementing the standard as a means to better understand the size and the make-up of travel and tourism in their jurisdiction.

The fundamental reason behind this increased interest is that the TSA enables policy makers, as well as strategic planners, to quantify and track the effects of travel and tourism on various sectors of the economy. The TSA is a powerful tool as it shows the economic effects of travel and tourism in a way that is comparable to other sectors. It also reveals strengths and weaknesses of the travel and tourism economy by answering questions such as:

- 1) How much of each travel and tourism dollar is retained in the state?
- 2) What state government revenues are generated by travel and tourism?
- 3) Has travel and tourism been a source of economic growth?
- 4) What are the effects of travel and tourism on other industry sectors?
- 5) How does travel and tourism rank compared with other industries?

Beyond these strategic benefits, the TSA provides a credible basis for communicating the significance of the travel and tourism sector to the media, legislators, and the public. The detail and the credibility of the accounts help to position travel and tourism within economic development priorities.

The Tourism Satellite Account is rapidly becoming the standard for measuring the economic value of travel and tourism in the United States. The U.S. Department of Commerce Bureau of Economic Analysis is now completing a second round of TSA research for the United States and a growing number of states have already developed or are in the process of developing TSAs. This will allow for accurate comparisons of states to the nation across a consistent set of concepts and a homogenous methodology.

III. TOTAL TRAVEL AND TOURISM SALES

The starting point of the TSA is expenditures or the demand side. Spending by visitors and on behalf of visitors is treated at as high a level of detail as possible. The categories included are:

- ◆ Resident In-State—In-state personal (vacation and pleasure) travel expenditures of Alaska residents.
- ◆ In-State Business Travel—Business travel expenditures within Alaska, by Alaska residents. This includes Alaska businesses’ spending *within the state economy* on travel.
- ◆ Government Spending—Monies the state spends on marketing of travel and tourism, transportation functions related to travel and tourism, publicly funded attractions and funding for security in travel and tourism-intensive areas are included.
- ◆ Investment—Construction in Alaska of hotels, attractions, travel and tourism infrastructure, operating and transportation equipment are included.
- ◆ Domestic Out-of-State—This key category includes the spending of all visitors to Alaska coming from other parts of the country.
- ◆ International—Spending of international visitors to Alaska.

The key data source for the visitor spending categories is the Alaska Visitors Statistics Program (AVSP) prepared for the State of Alaska, Department of Community and Economic Development. In-state travel data has been built up using data from the Anchorage Convention and Visitors Bureau. This has been supplemented by Global Insight sales data by industry. Alaska state accounts for sales, employment, and taxation form the foundation of data with which to conduct comparative analysis and to extract other travel and tourism-specific data. Capital investment data come from S&P FW Dodge construction accounts. Government spending data are taken from state budget accounts.

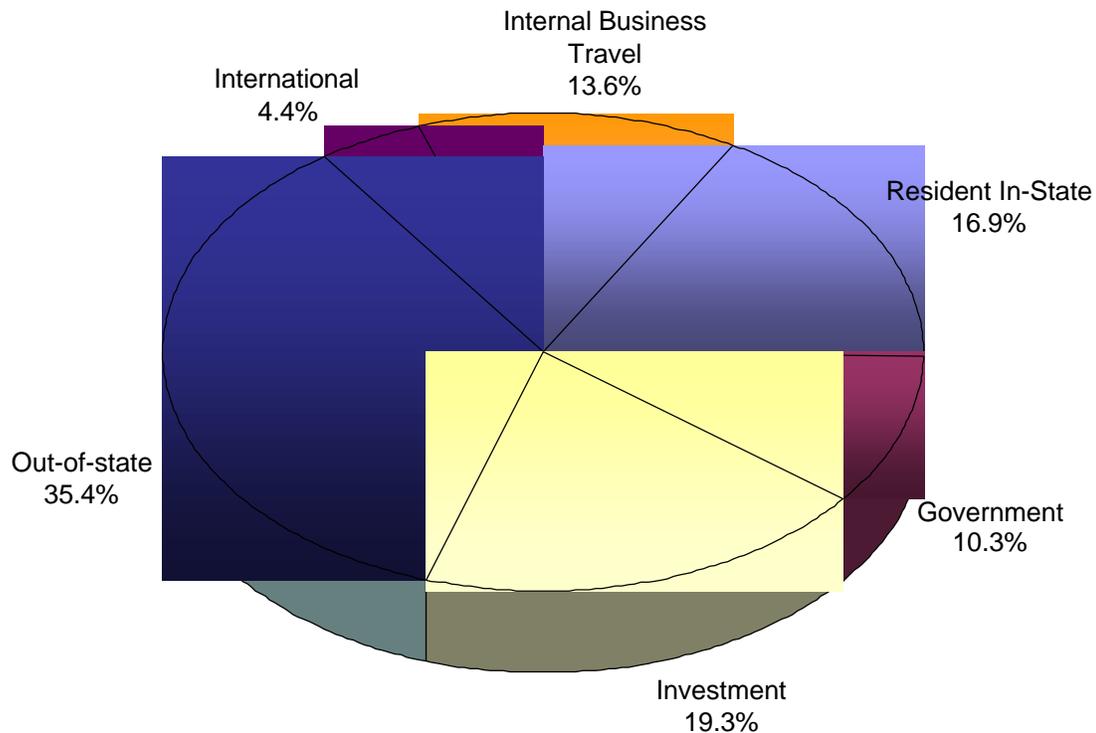
This approach gives us all spending in the Alaska economy related to travel and tourism. It is important to understand that not everything purchased in Alaska by visitors is produced in the state. Therefore, the *economic contribution* to Alaska is somewhat less than total spending.

Total travel and tourism spending in Alaska tallied over \$2.4 billion in 2002. Of this, just over a third, 35.4%, was generated by out-of-state domestic visitors. This includes purchases made by cruise lines at Alaskan ports. In-state spending by traveling Alaska residents added an important 30.5% of the total. Investment is almost 20% of total expenditures for travel and tourism. Total expenditure figures for 2002, by category are in the chart:

2002 Travel and tourism Sales, \$ Million	
Resident In-State	412.8
Internal Business Travel	332.4
Government Spending	251.5
Investment	470.5
Domestic Out-of-State	862.4
International	108.4
Total	2,438.0

In the preceding chart, government capital spending is contained in the Investment category. Government travel expenditures are reflected in the Internal Business Travel sector. Government Spending relates to spending on museums, marketing programs, security for tourist sites and any other monies spent that direct benefit travel and tourism, but aren't capital related.

Distribution of Travel & Tourism Sales by Travel Purpose



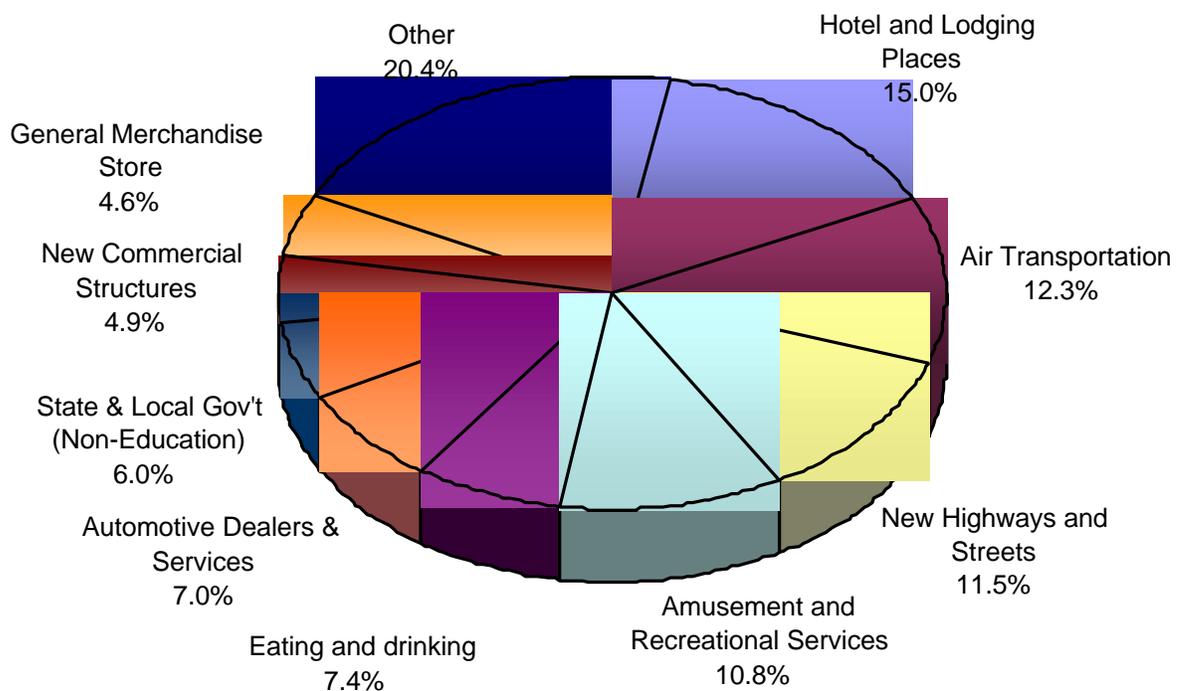
While some may be surprised at the relatively high percentage of spending from Alaskans in Alaska, remember that some of the in-state spending by residents includes spending on travel out-of-state. The TSA model includes all travel expenditures made in the state economy—whether or not the destination was ultimately within the state. So for example, the activities of travel agencies based in the state, or Alaska-based aviation-related spending are included. This is proper as these industries are supported by and are a part of the “tourism industry” as defined by the TSA.

The size of the investment sector is very important to the travel and tourism industry in Alaska. First, investment usually does not show up in most surveys of tourism spending, it is an area usually ignored when enumerating travel and tourism spending but an important piece of the pie. Second, investment is very volatile – 2002 was over \$150 million over the amount spent in 2001 and those spending numbers may not be sustainable. Third, investment, in the form of construction, will have a positive impact on the number of jobs created and state gross state product, these numbers will show up in the total economic impact but not the core travel and tourism impact.

The pie chart below details the top spending categories. These are categories on which monies are spent directly from tourists or in direct benefit of travel and tourism. Not surprisingly, the largest categories of travel expenditures are for Hotels and Lodging, Air Transportation, Amusement and Recreational Services, and Eating and Drinking. Total sales for the Hotel and Lodging category were \$367 million, 15% of the \$2.4 billion total. Air transportation sales were \$300 million.

Adding in the \$280 million investment spent directly in benefit of travel and tourism on Highways and Streets (including Airports) to the categories above accounts for over 57% of the travel-related expenditures pie.

Distribution of Travel & Tourism Sales By Spending Category¹



¹ Other Sales categories include General Merchandise Stores, Federal Government, Water Transportation, New Government Facilities, Transportation Services, Furniture & Home Furnishing Stores, Apparel & Accessory Stores Miscellaneous Retail, Food Stores among others.

IV. TOTAL ECONOMIC CONTRIBUTION

The total *Economic Contribution* of travel and tourism takes into account imports into the state. In measuring economic contribution, it is important to count only the value of goods and services generated in the state and accrue to state residents. For example, the retail margin on shopping by visitors is included, but not the wholesale value of the t-shirt made outside of the state. Or in another example, a restaurant meal will likely be a combination of local and non-local value added, assuming some of the food was produced outside of the state.

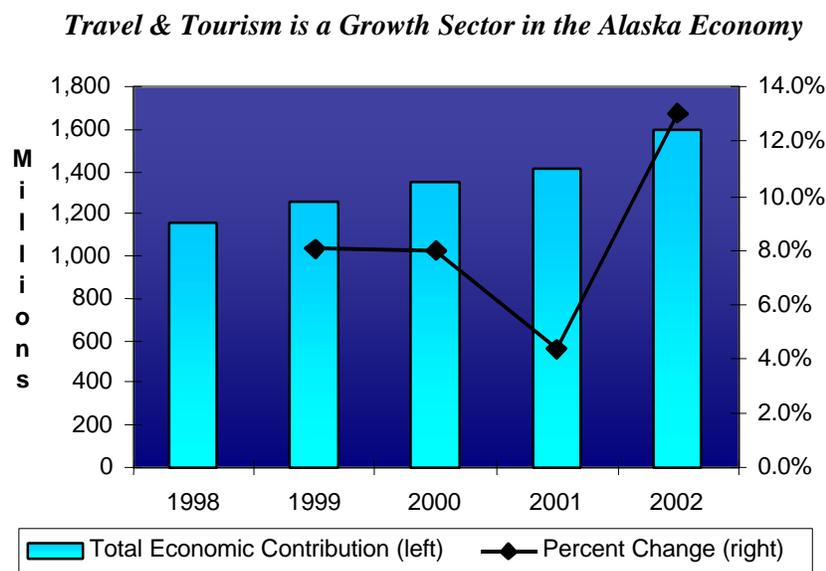
The total economic contribution includes both the *direct* and *indirect* economic impact of all travel and tourism spending. No “multiplier effect” or income effect is included in the analysis. When considering what portion of Gross State Product is generated by travel and tourism, this is the best measure to use.

Global Insight used the Alaska IMPLAN² input-output table to connect all travel and tourism sales with the associated industries in Alaska that produce travel-related goods and services. Using this approach, we are able to see how on an industry-by-industry level of detail, travel and tourism contributes to the Alaska economy.

In 2002, travel and tourism sales produced **\$1.6 billion in economic contribution**. This accounts for **5.6% of Gross State Product**. *Travel and tourism’s economic contribution has increased 38% since 1998 from \$1.16 billion to its current contribution of \$1.6 billion.*

The ratio of the total economic contribution to total sales reveals that **66% of each travel and tourism dollar** spent in Alaska is retained in the state. Imports of goods for sale or services from outside the state comprise the other 34%. The high value-added portion of services versus the retail sectors pushes the economic contribution percentage up significantly higher.

Over **39,420 jobs**—direct and indirect—were created by travel and tourism economic activity in Alaska. This accounts for **13.7% of total employment** in the state. These numbers show travel and tourism in Alaska to be a valuable industry in creating employment opportunities for Alaskans. Approximately **\$1.15 billion in labor income (benefits and salaries)** was generated by travel and tourism in Alaska in 2002.



² For more on IMPLAN model, see Appendix

V. THE CORE TRAVEL AND TOURISM INDUSTRY

One of the key questions asked in attempting to understand the value of travel and tourism is “How does it compare with other industries?” The Core Travel & Tourism Industry measure of travel and tourism allows us to make such comparisons with the assurance of a fair comparison. The Core Travel & Tourism Industry measure includes only the direct value added of the sectors touching the visitor.

Therefore, all indirect effects are excluded (these are part of other industries) and the effects of investment and most government spending are also excluded. This keeps us from double counting and ensures that we measure travel and tourism in the same way that any other industry in the Alaska economy is measured.

Travel & Tourism’s Core Industry generated **\$856 million in value added production in Alaska** in 2002, a 28% increase over core value added in 1998. This ranks travel and tourism as the seventh-largest private sector industry in the state in terms of value added.³ Travel and tourism has helped the Alaskan economy diversify, helping lower Alaska’s dependence on the oil and gas industry.

In terms of employment, the significance of travel and tourism in Alaska is much greater. The Core Travel & Tourism Industry represented almost **26,160 Alaskan jobs** in 2002. The TSA measurement system ranks travel and tourism as the **fourth-largest employer** in the state – accounting for 9.1% of the workforce. This approach measures travel and tourism on the same basis that all other industries are measured.

Industry Ranking of Employment, Top 15 in 2002

Rank	NAICS Code	Industry	Employment	Percent
1		Local government	36,804	12.8%
2	44-45	Retail trade	33,904	11.8%
3	62	Health care and social assistance	27,327	9.5%
4		Travel & Tourism	26,158	9.1%
5	72	Accommodation and foodservices	24,940	8.7%
6		State government	21,764	7.6%
7	48-49	Transportation and warehousing	19,086	6.6%
8		Federal government	16,761	5.8%
9	23	Construction	15,924	5.5%
10	31-33	Manufacturing	11,152	3.9%
11	54	Professional, scientific, and technical services	10,732	3.7%
12	56	Admin. and support, waste management & remediation	10,615	3.7%
13	81	Other services, except public administration	10,400	3.6%
14	21	Mining	10,264	3.6%
15	52	Finance and insurance	7,760	2.7%
		Total	287,231	100.0%

Comparative Data: Bureau of Labor Statistics, 2-digit NAICS detail

Note: “Travel & tourism” is the TSA-defined measurement and has been inserted as a new item into the BLS employment data. All other industries remain unchanged.

³ All inter-industry comparisons conducted on a 2-digit basis

Industry Ranking of Gross State Product

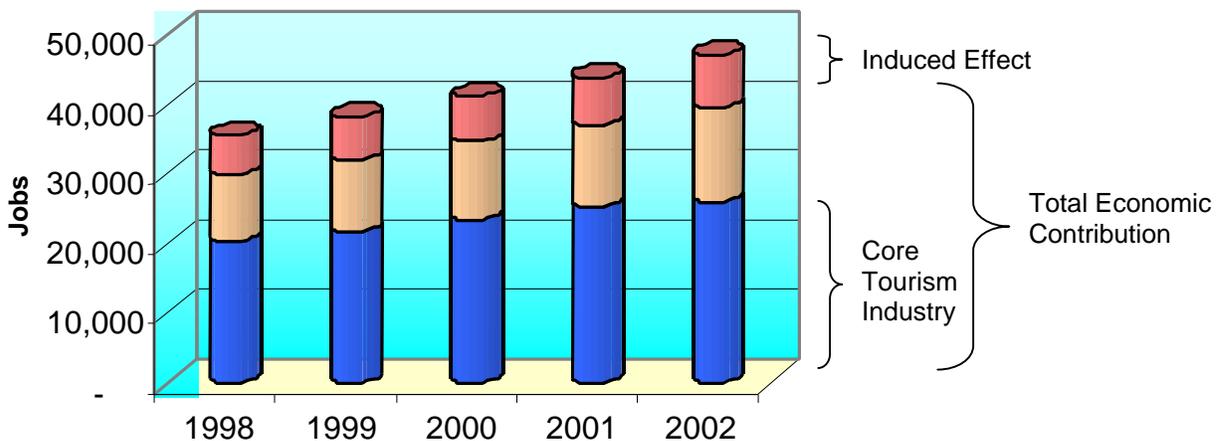
Rank	Industry	\$ Value (Millions, 2001)	% Distribution
1	Oil and gas	4,892	17.1%
2	State and local government	2,851	10.0%
3	Federal government	2,721	9.5%
4	Real estate	2,275	8.0%
5	Pipelines, ex. nat. gas	2,068	7.2%
6	Retail trade	1,920	6.7%
7	Construction	1,384	4.8%
8	Health services	1,180	4.1%
9	Travel & Tourism	856	3.0%
10	Wholesale trade	842	2.9%
11	Transportation by air	834	2.9%
12	Communications	773	2.7%
13	Other services	651	2.3%
14	Metal mining	632	2.2%
15	Business services	534	1.9%
	Total	28,581	100.0%

Comparative Data: Bureau of Economic Analysis, U.S. Department of Commerce 2001 2-digit SIC GSP data

Note: "Travel & tourism" is the TSA-defined measurement and has been inserted as a new item. All other industries remain unchanged.

The employment contribution of the Core Travel & Tourism Industry has grown steadily over time. The chart shows the ongoing expansion of travel and tourism employment in Alaska at both the Core Travel & Tourism Industry and total economic contribution levels. Also highlighted by this chart is the strength of the core industry as a proportion of total economic contribution. Core Travel & Tourism Industry jobs comprise 66% of total travel and tourism-generated employment.

Travel & Tourism is a Growth Sector in the Alaskan Economy



VI. THE CORE TRAVEL & TOURISM INDUSTRY'S COMPOSITION

As mentioned earlier, travel and tourism is not an “industry” in the classical sense. The reason for this is that travel and tourism is part of a variety of sectors, while no sector is exclusively *travel and tourism*. The TSA model enables us to see how spending of visitors touches these diverse sectors to create the aggregate Core Travel & Tourism Industry. Recall, that we are only looking at the direct value added in this definition and that this narrow definition is required for cross-industry comparisons.

The following table breaks down the Gross State Product composition of Alaska's Core Travel & Tourism Industry in 2002. This list shows the ranking of local value added generated by visitor spending in the state. Hotel and Lodging Places head the core travel impact list with 26% of the total core value added. Air Transportation and Amusement and Recreation Services follow with value added of \$185 million and \$168 million, respectively.

Note that while Amusement and Recreation Services contribute almost 20% of the core value added, they are only about 11% of sales. The ranking and contribution of certain industries to gross state product has a lot to do with the economic structure of those sectors. For example, the reason local value added in eating and drinking places and hotels is relatively high is because a relatively large percentage of their total sales translate into value added. Conversely, this is not true of retail, where the margin tends to average approximately 30% of total sales. So although shopping is an important part of the visitor expenditure pattern, the relative economic impact is higher for other types of spending.

Composition of Core Travel & Tourism Gross State Product, 2002

Rank	Industry	\$ Value	% Distribution
1	Hotels and Lodging Places	222,828,640	26.0%
2	Air Transportation	184,973,648	21.6%
3	Amusement and Recreation Services- N.E.C.	168,049,120	19.6%
4	Eating & Drinking	104,494,368	12.2%
5	Transportation Services	41,977,892	4.9%
6	Water Transportation	29,922,204	3.5%
7	Automotive Dealers & Service Stations	27,381,968	3.2%
8	General Merchandise Stores	25,382,020	3.0%
9	Furniture & Home Furnishings Stores	12,286,753	1.4%
10	Apparel & Accessory Stores	11,303,286	1.3%
11	Automobile Repair and Services	6,965,663	0.8%
12	Automobile Rental and Leasing	6,463,567	0.8%
13	Miscellaneous Retail	5,560,504	0.6%
14	Food Stores	4,748,025	0.6%
15	Membership Sports and Recreation Clubs	1,691,511	0.2%
	All Other	1,820,608	0.2%
	Total	855,849,776	100.0%

Composition of Core Travel & Tourism Employment, 2002

Rank	Industry	Employment	% Distribution
1	Amusement and Recreation Services- N.E.C.	8,016	30.6%
2	Hotels and Lodging Places	6,945	26.6%
3	Eating & Drinking	4,156	15.9%
4	Air Transportation	2,583	9.9%
5	Transportation Services	1,117	4.3%
6	General Merchandise Stores	715	2.7%
7	Automotive Dealers & Service Stations	470	1.8%
8	Water Transportation	447	1.7%
9	Apparel & Accessory Stores	401	1.5%
10	Furniture & Home Furnishings Stores	352	1.3%
11	Membership Sports and Recreation Clubs	310	1.2%
12	Miscellaneous Retail	226	0.9%
13	Automobile Repair and Services	133	0.5%
14	Automobile Rental and Leasing	127	0.5%
15	Food Stores	105	0.4%
	All Other	54	0.2%
	Total	26,158	100.0%

The table breaks down Alaska's employment composition of the Core Travel & Tourism Industry in 2002. Unlike in the Gross State Product table, Amusement and Recreation Services, not Hotel and Lodging Places, tops the list. Amusement and Recreation Services employ over 30% of the core employment, just over 8,000 jobs. Hotel and Lodging Places follows with employment of 6,900. Contained in the top-15 list are many different transportation services: Air, General Transportation Services, Automotive Dealers, and Water. Direct travel and tourism spending supports many different transportation services in Alaska.

Air Transportation stands out with its large Core Gross State Product impact of over 21%, while containing less than 10% of the core jobs. In this industry, each job created has a large impact on value added, or the Gross State Product of Alaska.

Composition of Total Economy Travel & Tourism Gross State Product, 2002

Rank	Industry	\$ Value	% Distribution
1	Hotels and Lodging Places	226,901,131	14.2%
2	Air Transportation	189,295,052	11.8%
3	Amusement and Recreation Services- N.E.C.	168,063,956	10.5%
4	State & Local Government - Non-Education	145,837,664	9.1%
5	New Highways and Streets	128,441,784	8.0%
6	Eating & Drinking	107,180,342	6.7%
7	Federal Government - Non-Military	105,657,496	6.6%
8	New Industrial and Commercial Buildings	51,403,824	3.2%
9	Transportation Services	45,441,846	2.8%
10	Water Transportation	35,100,550	2.2%
11	Automotive Dealers & Service Stations	30,923,279	1.9%
12	General Merchandise Stores	25,778,521	1.6%
13	Real Estate	24,396,350	1.5%
14	New Government Facilities	23,364,262	1.5%
15	Engineering- Architectural Services	16,253,428	1.0%
16	Wholesale Trade	14,942,215	0.9%
17	Arrangement Of Passenger Transportation	14,889,105	0.9%
18	Banking	14,482,812	0.9%
19	Maintenance and Repair Other Facilities	13,729,329	0.9%
20	Furniture & Home Furnishings Stores	12,639,956	0.8%
21	Natural Gas & Crude Petroleum	12,296,754	0.8%
22	Motor Freight Transport and Warehousing	11,978,685	0.7%
23	Apparel & Accessory Stores	11,491,195	0.7%
24	Communications- Except Radio and TV	11,460,673	0.7%
25	Accounting- Auditing and Bookkeeping	11,317,262	0.7%
26	Management and Consulting Services	9,754,071	0.6%
27	Automobile Repair and Services	9,359,259	0.6%
28	Other Business Services	8,812,202	0.6%
29	Personnel Supply Services	8,675,430	0.5%
30	Automobile Rental and Leasing	8,118,467	0.5%
	All Other	99,762,736	6.2%
	Total	1,597,749,633	100.0%

This table includes both the direct and indirect effects of travel and tourism on all industries from all types of travel and tourism demand (visitors, investment, and government). The table reflects the wide-ranging impact of travel and tourism spending in Alaska on industries in the state. The table is led by industries that are expected to benefit from travel and tourism spending—hotels, restaurants, and transportation—but also points out unexpected industries that benefit from travel and tourism spending. Industries like Accounting—Auditing and Bookkeeping in Alaska gained over \$11 million dollars in economic impact from tourists. Alaska’s Personnel Supply Services industry is \$8.7 million richer from travel and tourism spending in Alaska.

Composition of Total Economy Travel & Tourism Employment, 2002

Rank	Industry	Employment	% Distribution
1	Amusement and Recreation Services- N.E.C.	8,017	20.3%
2	Hotels and Lodging Places	7,072	17.9%
3	Eating & Drinking	4,263	10.8%
4	Air Transportation	2,643	6.7%
5	State & Local Government - Non-Education	2,278	5.8%
6	New Highways and Streets	2,190	5.6%
7	Federal Government - Non-Military	1,872	4.7%
8	Transportation Services	1,209	3.1%
9	New Industrial and Commercial Buildings	888	2.3%
10	General Merchandise Stores	727	1.8%
11	Automotive Dealers & Service Stations	531	1.3%
12	Water Transportation	525	1.3%
13	Apparel & Accessory Stores	407	1.0%
14	Arrangement Of Passenger Transportation	377	1.0%
15	Engineering- Architectural Services	376	1.0%
16	Furniture & Home Furnishings Stores	362	0.9%
17	Accounting- Auditing and Bookkeeping	349	0.9%
18	Membership Sports and Recreation Clubs	313	0.8%
19	Personnel Supply Services	308	0.8%
20	Management and Consulting Services	306	0.8%
21	Real Estate	293	0.7%
22	New Government Facilities	288	0.7%
23	Miscellaneous Retail	272	0.7%
24	Credit Agencies	267	0.7%
25	Maintenance and Repair Other Facilities	242	0.6%
26	Motor Freight Transport and Warehousing	232	0.6%
27	Wholesale Trade	230	0.6%
28	Other Business Services	213	0.5%
29	Automobile Repair and Services	179	0.5%
30	Automobile Rental and Leasing	160	0.4%
	All Other	2,030	5.2%
	Total	39,418	100.0%

When the direct and indirect effects of travel and tourism on all industries is factored in, the employment impact in Alaska of Water Transportation increases from the core impact of 447 to 525. However, the percentage of jobs in that industry compared to the total dropped. With the added indirect effect, there is a wider distribution of jobs. Many more industries are indirectly impacted by travel and tourism than just the industries that tourists patronize. The Eating and Drinking industry drops from 16% of direct/core jobs to 10.8%. Travel and tourism spending benefits so many industries that any increase in travel and tourism will be widely felt in the Alaskan economy.

Total economy travel & tourism includes spending not in the core. Investment and government spending is not included in the core travel & tourism spending, another reason for the greater spread of employment across industries.

VII. OTHER SECTORS BENEFITING FROM TRAVEL & TOURISM

One of the powerful results of the TSA analysis is the ability to examine how industries seemingly unrelated to travel and tourism benefit from it. These industries are the suppliers to the travel and tourism sector. Certainly, they are suppliers to many industries, but this analysis shows *the degree* to which travel and tourism activity supports their businesses. Some of this support has been pointed out in the previous section in talking about travel and tourism spending impact. Here, the indirect effect of travel and tourism spending is examined on its own.

In Alaska, Real Estate, Engineering–Architectural Services, and Wholesale Trade hold the top-three spots of travel and tourism’s indirect benefits with a combined \$55.6 million of indirect benefit last year. Many of these industries are familiar but the realization of how much of an impact travel and tourism spending has on their revenues can be astonishing.

Indirect Benefits Realized by “Non-Travel & Tourism” Industries – Value Added by Industry, 2002

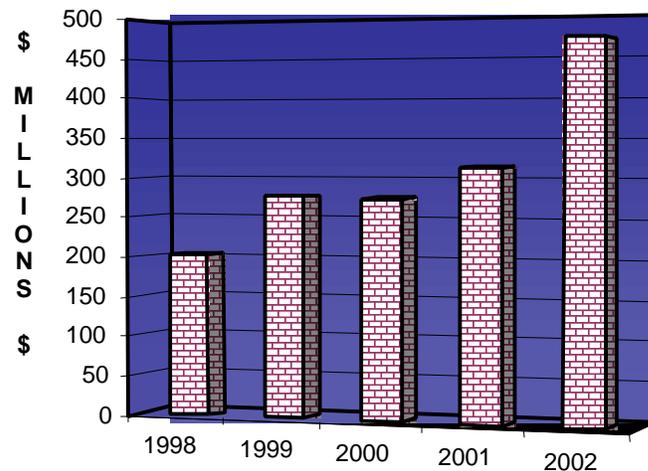
Rank	Industry	\$ Value	% Distribution
1	Real Estate	24,396,350	8.6%
2	Engineering- Architectural Services	16,253,428	5.7%
3	Wholesale Trade	14,942,215	5.3%
4	Arrangement Of Passenger Transportation	14,889,105	5.2%
5	Banking	14,482,812	5.1%
6	Maintenance and Repair Other Facilities	13,729,329	4.8%
7	Natural Gas & Crude Petroleum	12,296,754	4.3%
8	Motor Freight Transport and Warehousing	11,978,685	4.2%
9	Communications- Except Radio and TV	11,460,673	4.0%
10	Accounting- Auditing and Bookkeeping	11,317,262	4.0%
11	Management and Consulting Services	9,754,071	3.4%
12	Other Business Services	8,812,202	3.1%
13	Personnel Supply Services	8,675,430	3.1%
14	Computer and Data Processing Services	7,370,404	2.6%
15	Electric Services	7,248,575	2.6%
	All Other Industries	96,512,742	34.0%
	Total	284,120,036	100.0%

Note, that the table measures only the indirect effects of *ongoing* travel and tourism operations—not *capital* investment. Real Estate gains almost \$24.4 million in indirect benefits from travel and tourism expenditures. Banking services related to travel & tourism spending—currency exchange, services to hotel/restaurant/airline workers—adds \$14.5 million to Alaska’s Gross State Product.

Travel and tourism-related capital investment also plays a key role in the economic contribution of the sector. This capital investment includes construction of hotels, beach preservation, transportation equipment and other travel and tourism infrastructure.

New travel and tourism-related construction (on hotels, travel and tourism infrastructure, race tracks, museums, etc.) in Alaska tallied expenditures of an additional \$470 million in 2002 and \$315 million in 2001. The chart shows construction expenditures related to travel and tourism over the five years—showing the value of the Alaskan travel and tourism industry to the construction sector.

TRAVEL & TOURISM CONSTRUCTION



An analysis of travel and tourism-related construction can provide a picture of the future of travel and tourism in the state of Alaska. For example, a consistent decline in capital investment can lead to under-capacity and/or a deteriorating state travel and tourism product. On the other hand, large capital investments over time can outpace demand and lead to over-capacity, putting downward pressure on prices.

Neither of these issues seems to be the case for Alaska. The increase in travel and tourism investment in 2001 and 2002 bucks the national trend of a travel and tourism investment slowdown that has followed soft travel demand over the past 18 months. While this cycle peaked in 2000 for the nation, in 2002, Alaska has increased its investment in its travel infrastructure, specifically its airport infrastructure. With over 60% of the out-of-state visitors arriving and leaving the state by air, and many more using air to get to cruises, this may prove to be a smart investment as hopes for the airline industry increase. Therefore, it seems that Alaska's private travel and tourism industry is trying to be ahead of the game in its investment decisions.

VIII. TAXES AND GOVERNMENT REVENUE GENERATED BY TRAVEL AND TOURISM

As a significant economic contributor, travel and tourism is a valuable source of revenues for the state and local governments of Alaska. In 2002, \$152.4 million in state and local tax revenue was generated by the travel and tourism sector in Alaska. With no personal income tax, business taxes comprise the largest categories. The largest personal taxes are fees for licensing—including hunting and fishing licenses—and fines.

2002 Tax Revenue Generated by Travel & Tourism – By Revenue Category, \$

State Government Taxes & Revenue	
Tax/Revenue Category	\$ Value
Corporate Profits Tax	3,617,553
Dividends	214,528
Indirect Bus Tax: Motor Vehicle Licenses	307,190
Indirect Bus Tax: Other Taxes - Business License Tax, School Tax, Alcoholic Beverage License	1,597,921
Indirect Bus Tax: Property Tax	1,424,701
Indirect Bus Tax: NonTaxes - Airport Landing Fees, Alaska Marine Highway Revenues	74,486,469
Indirect Bus Tax: Sales Tax	2,054,553
Indirect Bus Tax: Severance Tax	0
Personal Tax: Estate and Gift Tax	0
Personal Tax: Income Tax	0
Personal Tax: Motor Vehicle License	1,475,612
Personal Tax: NonTaxes - Fines & Fees	2,808,887
Personal Tax: Other Tax - Fishing/Hunting Licenses, Boat Registration Fees	1,779,905
Personal Tax: Property Taxes	55,925
Social Ins Tax- Employee Contribution	918,311
Social Ins Tax- Employer Contribution	3,528,248
State Government Total	94,269,804

Non-tax revenue sources provide the state of Alaska 80% of the \$94.3 million in tax revenue generated from the travel and tourism industry. Airplane-landing fees and revenue from the Marine Highway System contribute to the bulk of the revenue in the Indirect Business Tax: Non-Taxes category. Corporate profits taxation and business property and sales taxes provide another \$7.1 million in revenue. While Alaska has no sales tax, the state Motor Fuel tax is considered a sales tax and the revenue generated from that tax falls under the sales tax category.

Of the \$152.4 million in tax revenue that stays in Alaska, local governments receive about \$58.1 million. The significant portion of local government tax revenue from the travel and tourism industry comes from property and bed taxes. About \$20 million in revenue accrues to local governments from each revenue category. Personal non-taxes and other taxes like fishing and hunting licenses contribute just over \$5 million to localities in Alaska.

2002 Tax Revenue Generated by Travel & Tourism – By Revenue Category, \$

Local Government Taxes & Revenue	
Tax/Revenue Category	\$ Value
Corporate Profits Tax	0
Dividends	0
Indirect Bus Tax: Motor Vehicle Licenses	91,635
Indirect Bus Tax: Other Taxes - Moorage Fees, Land Leases, Amusement License	32,065
Indirect Bus Tax: Property Tax	22,888,096
Indirect Bus Tax: NonTaxes - Bed/Alcohol/Car Rental Tax, Guide Fees, Aircraft Tax	24,140,279
Indirect Bus Tax: Sales Tax	4,049,335
Indirect Bus Tax: Severance Tax	0
Personal Tax: Estate and Gift Tax	0
Personal Tax: Income Tax	0
Personal Tax: Motor Vehicle License	440,178
Personal Tax: NonTaxes - Fines & Fees	3,416,997
Personal Tax: Other Tax - Fishing/Hunting Licenses, Boat Registration Fees, Airplane Registration Fees	2,165,245
Personal Tax: Property Taxes	898,438
Social Ins Tax- Employee Contribution	0
Social Ins Tax- Employer Contribution	0
Local Government Total	58,122,267

The personal income tax makes up about a third of the Federal governments revenue that is generated from travel and tourism in Alaska. In total, the Federal government receives over \$300 million in revenue generated by travel and tourism in Alaska.

2002 Federal Tax Revenue Generated by Travel & Tourism – By Revenue Category, \$

Tax Category	\$ Value
Corporate Profits Tax	36,398,735
Indirect Bus Tax: Custom Duty	13,700,640
Indirect Bus Tax: Excise Taxes	4,369,920
Indirect Bus Tax: Fed NonTaxes	1,344,091
Personal Tax: Estate and Gift Tax	0
Personal Tax: Income Tax	145,519,148
Personal Tax: NonTaxes (Fines- Fees	1,452,411
Social Ins Tax- Employee Contribution	68,777,216
Social Ins Tax- Employer Contribution	60,430,861
Federal Government NonDefense Total	331,993,022

Source: IMPLAN I-O Model Results of TSA Analysis

IX. APPENDIX

Why median vs. average

In the Alaska Visitors Statistics Program (AVSP), two measure of spending are reported, the average spending and the median spending. Global Insight chose median.

Two reasons for using median vs. average. 1) Reporting issues: It was brought to our attention that the possibility of several high-spending numbers were skewing the average too high. 2) In the process of running the numbers through the Implan model, using average numbers as spending gave employment numbers that are inconsistent with BLS numbers. Using median spending gave us employment levels consistent with employment levels being reported to BLS.

The Data

1) Domestic Out-of-State Visitors to Alaska: Alaska Visitors Statistics Program (AVSP) prepared for the state of Alaska, Department of Community and Economic Development provides domestic out-of-state visitor spending.

2) International Visitors: The AVSP provides estimates of the numbers of trips, by purpose, made by international visitors. From this, the total number of trips made by international visitors can be calculated. Using the spending numbers provided by the AVSP, spending estimates can also be calculated. For the purposes of this study, Canadian visitors are international visitors.

3) Resident In-State Personal Travel: Anchorage Convention and Visitors Bureau studies were used to estimate the number of personal trips and spending by Alaska residents in Alaska. This spending would include spending in Alaska on trips taken outside of Alaska (travel agencies, etc.)

4) Investment:

A) Private Capital Spending: Provided by FW Dodge. FW Dodge tracks and analyzes construction, real estate and building materials activity. Construction dollar value and square footage of selected sectors relevant to the travel and tourism industry are used to estimate travel and tourism-related construction.

B) Government Capital Spending: State and federal budget accounts were used to isolate capital projects whose spending was in direct support of the travel and tourism industry.

5) In-State Business Travel:

A) In-State Private Business Travel: Anchorage Convention and Visitors Bureau studies were used to estimate the number of business trips and spending by Alaska residents in Alaska.

B) Government In-State Business Travel: State and federal budget travel accounts for travel within Alaska allowed the calculation of travel expenditures by state employees.

6) Government Spending: State and federal budget accounts of monies the state spends on marketing of travel and tourism, transportation functions related to travel and tourism, publicly funded attractions and funding for security in travel and tourism-intensive areas are included.

7) Checks and Balances:

- A) Global Insight Industry Data. Global Insight data on Alaska state accounts for sales and employment are used to check and compare results from the analysis to reported data.
- B) Federal Government Data: Data from the BEA and BLS has been used as a check.

The IMPLAN Model

IMPLAN® is an economic impact assessment modeling system. IMPLAN allows the user to easily build economic models to estimate the impacts of economic changes in their states, counties, or communities.

IMPLAN® Data Files combined with the IMPLAN Professional® software system allow the user to develop local level input-output models that can estimate the economic impact of new firms moving into an area, professional sports teams, recreation and travel and tourism, and many other activities. The data and software also generates a complete set of social accounting matrices for advanced CGE and other modeling.

IMPLAN Data Files include information for a set of highly disaggregated industries, generally 3- or 4-digit SIC code breakdown or 4- and 5-digit NAICS in the 2001 and higher data. (528 Industrial Sectors, typically 4-digit SIC in manufacturing, 2-3 digit for other sectors) Information includes employment, income, value added, household and government consumption. Along with the data files are national input-output structural matrices. All data elements can be changed.

IMPLAN data files are compiled from a wide variety of sources including the U.S. Bureau of Economic Analysis, the U.S. Bureau of Labor, and Census.

Figure 1. State Tourism Satellite Account

