

February 2015

Economic Impact of

# Alaska's Visitor Industry

2013-14 update



Prepared by:



Prepared for:

**STATE OF ALASKA**

Alaska Department of Commerce,  
Community, and Economic Development  
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The logo for McDowell Group features a stylized bar chart with five vertical bars of increasing height from left to right, colored in shades of blue and green. Below the chart, the text "McDowell" is written in a bold, sans-serif font, and "GROUP" is written in a smaller, all-caps, sans-serif font directly underneath.

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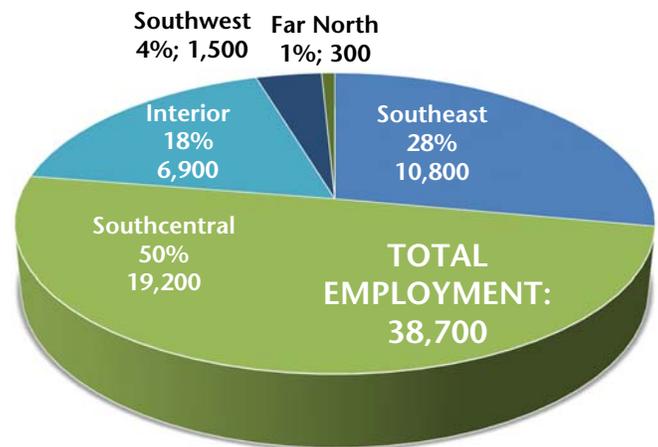
# Key Findings

Alaska’s visitor industry is a significant economic engine for the state. Spending by visitors creates jobs and income in a wide variety of sectors such as transportation, retail, and lodging. This study measures the economic impact of the state’s visitor industry for the 12-month period of October 2013 through September 2014. The report represents the second annual update to a more comprehensive study of impacts for the period of May 2011 through April 2012; the first update covered October 2012 through September 2013. Data for all three time periods is included in this report. Readers are referred to the Methodology chapter as well as the previous report for additional background information. Following are key findings of the updated economic impact analysis.

## Employment

Total employment related to Alaska’s visitor industry during the 2013-14 study period is estimated at 38,700 full- and part-time jobs, including all direct, indirect, and induced impacts. Peak employment is estimated at 46,000. Distribution of impacts by region is a function of both visitor volume and average spending. For example, while Southcentral and Southeast draw a similar number of visitors, Southcentral visitors tend to spend more in the region, leading to a higher degree of economic impact.

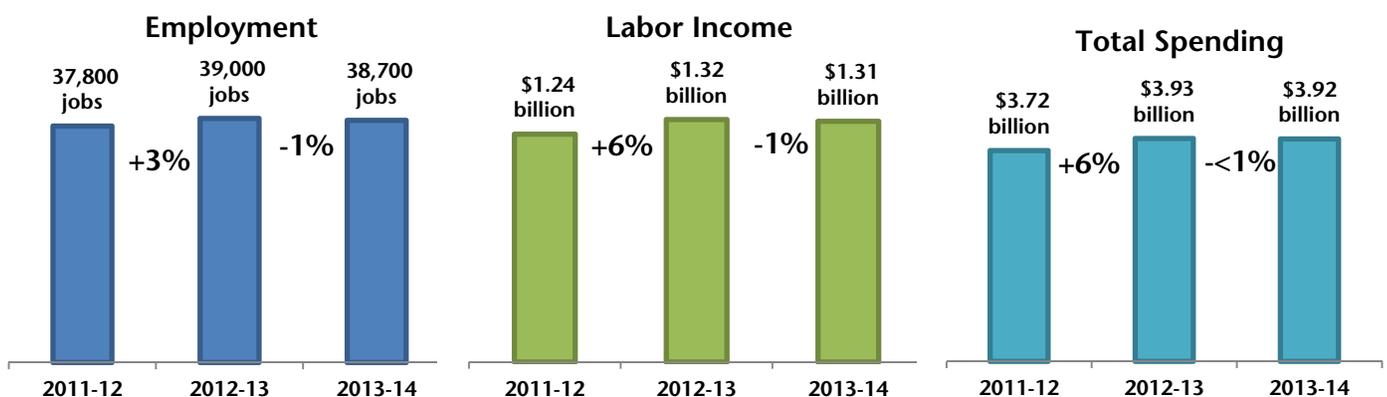
**Chart 1. Total Visitor Industry-Related Employment in Alaska, 2013-14**



## Trends in Economic Impacts

Employment and labor income were both down by 1 percent in 2013-14 compared to 2012-13; total spending was down by less than 1 percent. The slight decline between the two periods generally reflects the decrease in visitor volume, discussed on the following page. The latest decline followed strong increases in 2012-13: up 3 percent in employment, and 6 percent in both income and spending.

**Chart 2. Total Visitor Industry-Related Employment, Labor Income, and Spending in Alaska, 2011-12, 2012-13, 2013-14**



## Visitor Volume and Spending

A total of 1,932,600 out-of-state visitors traveled to Alaska between October 2013 and September 2014. Cruise ship passengers accounted for one-half (50 percent) of the annual total, while 46 percent traveled to and from Alaska by air. The remainder (4 percent) traveled to and/or from Alaska by highway and/or ferry. Summer visitors represented 86 percent of the 12-month total.

Visitor volume in 2013-14 decreased by 1 percent from the previous study period (2012-13), from 1.96 million to 1.93 million. (This followed a strong increase of 7 percent from the previous period.) A 3 percent decrease in cruise volume was partially counterbalanced by a 2 percent increase in air visitor volume. There were seasonal changes as well: a 2 percent decrease in summer visitors was slightly offset by a 4 percent increase in fall/winter volume. While the highway/ferry market decreased by 8 percent, its small volume had little impact on total numbers.

Visitors to Alaska spent an estimated \$1.83 billion in the state during the study period. This figure excludes the cost of transportation to and from the state, such as air tickets, cruise or cruise/tour packages, and ferry tickets. (Such spending that accrues to Alaska is accounted for elsewhere in the impact analysis.)

Southcentral accounted for the largest percentage of spending at 44 percent, followed by Southeast at 32 percent, Interior at 17 percent, Southwest at 5 percent, and Far North at 1 percent.

Chart 3. Alaska Visitor Volume by Transportation Market, 2013-14

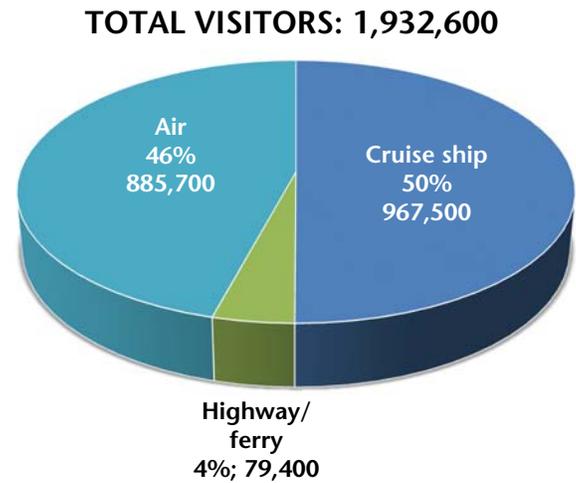


Chart 4. Alaska Visitor Volume, 2011-12, 2012-13, 2013-14

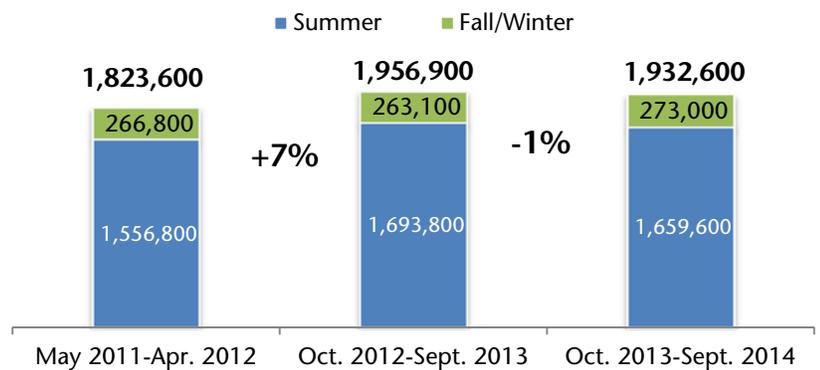
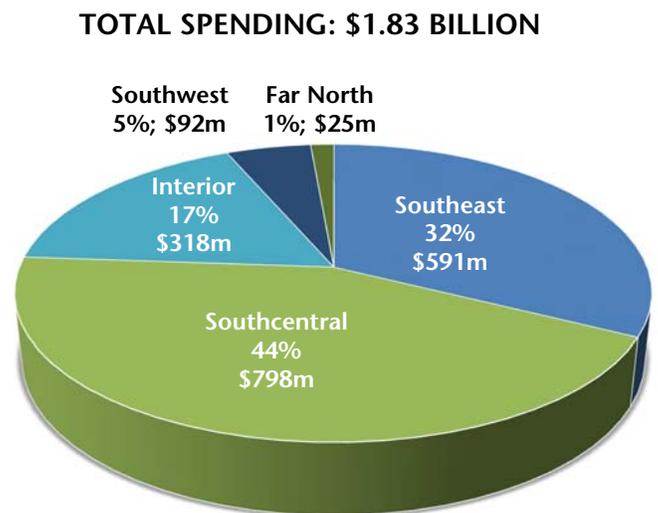


Chart 5. Alaska Visitor Spending by Region, 2013-14



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

## Visitor Spending by Sector

Spending by Alaska visitors in 2013-14 was distributed widely throughout the state's economy. Lodging, tours/activities, gifts/souvenirs, and food/beverage each accounted for about one-fifth of spending (18 to 20 percent). The "other" category (primarily overnight packages that include various components) accounted for 13 percent of spending. Transportation, which includes rental cars and fuel, was the smallest category at 11 percent.

Chart 6. Alaska Visitor Spending by Sector, 2013-14



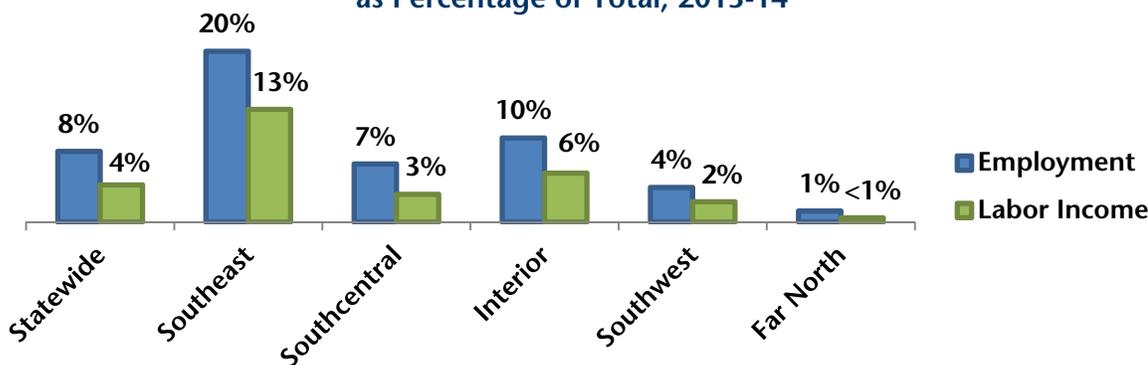
Note: Excludes spending on transportation to enter/exit Alaska, such as cruise and cruise/tour packages, air tickets, and ferry tickets.

## The Role of the Visitor Industry in the Economy

Visitor industry-related employment (38,700 jobs) represented 8 percent of statewide employment in 2013-14, and 4 percent of statewide labor income. Employment's proportion is greater than that of labor income due to the seasonal nature of many visitor industry jobs.

The visitor industry plays the most important role in the Southeast region, where it accounts for 20 percent of employment and 13 percent of labor income. In the Interior, the visitor industry accounts for 10 percent of employment and 6 percent of labor income. In Southcentral's much larger economy, the visitor industry accounts for 7 percent of employment and 3 percent of income. It has less importance in Southwest (4 percent of employment and 2 percent of income) and Far North (1 percent of employment and less than 1 percent of income).

Chart 7. Visitor Industry-Related Employment and Payroll as Percentage of Total, 2013-14



## Revenues to Municipal and State Governments

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

Visitor-related tax revenues to municipalities in 2013-14 totaled \$78.0 million, equivalent to the estimated total for 2012-13. Sales tax revenues totaled \$31.4 million, lodging tax revenues totaled \$30.5 million, and cruise ship dockage/moorage revenues (including passenger fees, lightering, and water fees) totaled \$16.1 million. Decreases in dockage/moorage and sales tax revenues were offset by a bump in bed tax revenues. Most municipalities reported increases in bed tax revenues in 2013-14. (Bed tax revenues do not necessarily reflect visitor volume and can be affected by room rate changes, length of stay, and other factors.)

Visitor-related revenues to state government during the 2013-14 study period totaled \$95.6 million, up from \$93.5 million in 2012-13. The largest components of these revenues were Alaska Railroad Corporation revenues at \$24.8 million, Alaska Marine Highway System revenues at \$19.0 million, and Fish and Game licenses and tags at \$18.1 million. Most categories show increases from 2012-13, including Alaska Railroad Corporation, Fish and Game licenses/tags, Passenger Gambling Tax, and Environmental Compliance. Revenues from the Alaska Marine Highway and Commercial Passenger Vessel Tax were down slightly from the previous year. Ocean Ranger Program and Vehicle rental tax revenues were consistent with the previous year.

Note that in previous editions of this report, corporate income taxes to the State of Alaska were included in the below table; this figure totaled \$7.0 million for the 2012-13 period, bringing the total revenues to the State of Alaska to over \$100 million. Since the data was not available for the 2013-14 time period, those figures have been removed from the table to ensure comparability.

**Table 1. Selected Revenues to Municipal and State Governments, 2011-12, 2012-13, 2013-14**

	2011-12	2012-13	2013-14
<b>Municipal Revenues</b>	<b>\$71.1 million</b>	<b>\$78.0 million</b>	<b>\$78.0 million</b>
Sales tax revenues	\$29.2 million	\$31.5 million	\$31.4 million
Lodging tax revenues	\$26.7 million	\$29.4 million	\$30.5 million
Dockage/moorage revenues	\$15.2 million	\$17.1 million	\$16.1 million
<b>State of Alaska Revenues</b>	<b>\$88.3 million</b>	<b>\$93.5 million</b>	<b>\$95.6 million</b>
Alaska Railroad Corporation revenues	\$20.2 million	\$23.0 million	\$24.8 million
Alaska Marine Highway System revenues	\$18.4 million	\$19.1 million	\$19.0 million
Fish and Game licenses/tags	\$17.8 million	\$17.6 million	\$18.1 million
Commercial Passenger Vessel Tax <sup>1</sup>	\$16.4 million	\$17.2 million	\$16.3 million
Passenger Gambling Tax	\$5.2 million	\$6.0 million	\$6.7 million
Vehicle rental tax	\$5.7 million	\$5.8 million	\$5.8 million
Ocean Ranger Program	\$3.7 million	\$3.9 million	\$3.9 million
Commercial Passenger Vessel Environmental Compliance Program	\$0.9 million	\$0.9 million	\$1.0 million
<b>TOTAL SELECTED REVENUES</b>	<b>\$159.4 million</b>	<b>\$171.5 million</b>	<b>\$173.6 million</b>

<sup>1</sup> These figures reflect fiscal years.

Note: Depending on the availability of data, figures above may reflect calendar year, fiscal year, or the study time period. They all reflect 12-month periods as close as possible to the study periods.

Sources: Sales and lodging tax revenues are McDowell Group estimates. Dockage/moorage revenues were collected from municipalities. State of Alaska revenues were collected from Alaska Railroad Corporation, Alaska Marine Highway System, and Departments of Fish and Game and Revenue.

## Study Period and Scope

This report measures the economic impact of Alaska's visitor industry for the period of October 2013 through September 2014. For purposes of this report, "visitors" refer to non-residents of Alaska, and excludes both seasonal and year-round Alaska residents.

This study represents the second update to a previous, more comprehensive study conducted by McDowell Group in February 2013 (*The Economic Impact of Alaska's Visitor Industry, 2011-12*). The 2013 report covered the period of May 2011 through April 2012. For the two updates, the time period was shifted from May-through-April to October-through-September to allow for more timely economic impact estimates (since most visitation occurs in the summer months).

Data sources for this update, and to a large degree the methodology, are consistent with the previous report. Following are descriptions of how data was updated from the 2012-13 study to apply to 2013-14. For more detailed background into study methods and sources, readers are referred to the previous report, accessible at this link: <http://commerce.alaska.gov/dnn/ded/DEV/TourismDevelopment/TourismResearch.aspx>.

## Visitor Volume and Spending

Visitor volume figures in this report are based on Alaska Visitor Statistics Program (AVSP) *Interim Visitor Volume Reports* for Summer 2014 and Fall/Winter 2013-14, conducted by McDowell Group for DCCED. Both of these reports are available at the above link.

Visitor spending data is based on spending from the previous (January 2014) impacts report. Average visitor spending by category (lodging, retail, etc.), region (Southcentral, Southeast, etc.), and season (summer, fall/winter) was applied to new visitor volume estimates to arrive at total visitor spending. Spending was also adjusted for inflation between 2012-13 and 2013-14.

Crew member spending was adjusted based on the change in crew member visits between 2013 and 2014.

## Additional Visitor Industry Spending

Cruise line spending figures are based on purchasing data used in the previous report, updated to reflect the 2014 market. Adjustments were made on a regional basis, allowing for the fact that while overall passenger volume decreased by 3 percent between 2013 and 2014, the decrease in cross-gulf volume (and related land tour volume) was greater at an estimated 7 percent. Spending was also adjusted for inflation.

Spending by visitors on air tickets to enter and exit Alaska (excluded from AVSP survey data) was adjusted based on visitor volume for the 2013-14 period, as well as changes in average plane ticket fares between 2012-13 and 2013-14, and inflation between the two periods.

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

## **Economic Impact Analysis**

Visitor industry direct economic impacts include the jobs and income created by:

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

Indirect effects include those jobs and income created as a result of visitor industry businesses purchasing goods and services in support of their business operations. Induced effects include jobs and income created as a result of employees of the visitor industry spending their payroll dollars in support of their households. Together, indirect and induced impacts are often termed “multiplier effects.”

McDowell Group maintains a visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska. Estimates of direct visitor industry employment and payroll are derived from visitor industry spending estimates, and verified using employment and payroll data from the Alaska Department of Labor and Workforce Development and U.S. Bureau of Economic Analysis. The model incorporates modified IMPLAN multipliers to estimate indirect and induced impacts. IMPLAN is a predictive input-output model of local and state economies, and is widely used to measure the economic impact of industries and industrial/commercial development.

## **Visitor Industry Tax Revenues**

The report includes estimates of tax revenues to municipalities and state government from out-of-state visitors, to the extent possible. Sales tax revenue estimates from 2012-13 were updated based on changes in visitor industry spending, by region. Bed tax revenue estimates from 2012-13 were updated based on changes in accommodations spending, as well as bed tax revenue data collected from municipalities. Cruise ship dockage/moorage revenues were collected from municipalities.

Cruise line payments to the State of Alaska were reported by the Department of Revenue. Fishing and hunting licenses and tag revenues were reported by the Department of Fish and Game. Vehicle rental taxes were reported by the Department of Revenue, adjusted to account for out-of-state visitors. The Department of Revenue also reported corporate income taxes associated with the visitor industry. The Alaska Marine Highway System provided revenues associated with out-of-state visitors. The Alaska Railroad Corporation reported passenger-related revenues, and McDowell Group estimated the percentage attributable to out-of-state visitors.

# Additional Economic Impact Data

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

## Direct Visitor Industry Spending

Visitor industry spending totaled \$2.42 billion between October 2013 and September 2014, equaling spending during the previous study period.

- Visitor industry spending is primarily comprised of visitor spending, which totaled \$1.82 billion in 2013-14, the same amount as in 2012-13. Several factors affected spending. A decrease in cruise passengers was offset by an increase in air visitors. While the decline in cruise passengers was greater than the increase in air visitors, spending balanced because air visitors spend more on a per-person basis. In addition, 2013-14 spending was adjusted upwards slightly to account for inflation.
- Cruise line spending and payroll totaled \$277 million in summer 2014, down from \$286 million in summer 2013. Cruise lines were assumed to have decreased spending in accordance with passenger volume, which was down by 3 percent between 2013 and 2014. Cruise line spending in the Interior and Southcentral regions was assumed to have decreased more than in Southeast, reflecting a greater decline in land tour volume.
- Spending on air tickets to enter/exit Alaska was estimated at \$302 million for 2013-14, slightly up from the amount for 2012-13.
- The Alaska Marine Highway System reports that out-of-state residents spent \$13 million on tickets to enter/exit Alaska during the study period, down from \$14 million in 2012-13.

**Table 2. Direct Visitor Industry Spending by Category, 2011-12, 2012-13, and 2013-14**

	2011-12 Spending	2012-13 Spending	2013-14 Spending
Visitor spending	\$1.71 billion	\$1.82 billion	\$1.82 billion
Cruise line spending/payroll	\$267 million	\$286 million	\$277 million
Air tickets	\$299 million	\$301 million	\$302 million
Ferry tickets	\$13 million	\$14 million	\$13 million
<b>Total Direct Visitor Industry Spending</b>	<b>\$2.29 billion</b>	<b>\$2.42 billion</b>	<b>\$2.42 billion</b>

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

## Economic Impacts by Region

Table 3 (below) shows how visitor industry economic impacts were distributed by region, for each of the three study periods. In general, impacts changed little by region between 2012-13 and 2013-14. Southeast experienced a slight decline in impacts due to fewer cruise passengers. Likewise, a drop in land tour cruise passengers in the Interior resulted in minor declines. Most 2013-14 impacts were still well ahead of 2011-12 due to the strong increase in visitor volume in the intervening year (2012-13).

**Table 3. Visitor Industry Economic Impacts by Region, 2011-12, 2012-13, and 2013-14**

	2011-12 Impacts	2012-13 Impacts	2013-14 Impacts
<b>Total Visitor Industry Spending</b>	<b>\$3.72 billion</b>	<b>\$3.93 billion</b>	<b>\$3.92 billion</b>
Southcentral	\$1.97 billion	\$2.05 billion	\$2.06 billion
Southeast	\$1.00 billion	\$1.10 billion	\$1.09 billion
Interior	\$605 million	\$631 million	\$626 million
Southwest	\$116 million	\$120 million	\$121 million
Far North	\$29 million	\$30 million	\$30 million
<b>Total Employment Impacts</b>	<b>37,800 jobs</b>	<b>39,000 jobs</b>	<b>38,700 jobs</b>
Southcentral	18,900 jobs	19,200 jobs	19,200 jobs
Southeast	10,200 jobs	10,900 jobs	10,800 jobs
Interior	7,000 jobs	7,100 jobs	6,900 jobs
Southwest	1,400 jobs	1,500 jobs	1,500 jobs
Far North	300 jobs	300 jobs	300 jobs
<b>Total Labor Income Impacts</b>	<b>\$1.24 billion</b>	<b>\$1.32 billion</b>	<b>\$1.31 billion</b>
Southcentral	\$580 million	\$601 million	\$604 million
Southeast	\$370 million	\$407 million	\$405 million
Interior	\$240 million	\$251 million	\$246 million
Southwest	\$42 million	\$44 million	\$44 million
Far North	\$11 million	\$12 million	\$12 million

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

## Longer-Term Trends in Economic Impacts

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

- **2008-09:** October 2008 through September 2009
- **2011-12:** May 2011 through April 2012
- **2012-13:** October 2012 through September 2013
- **2013-14:** October 2013 through September 2014

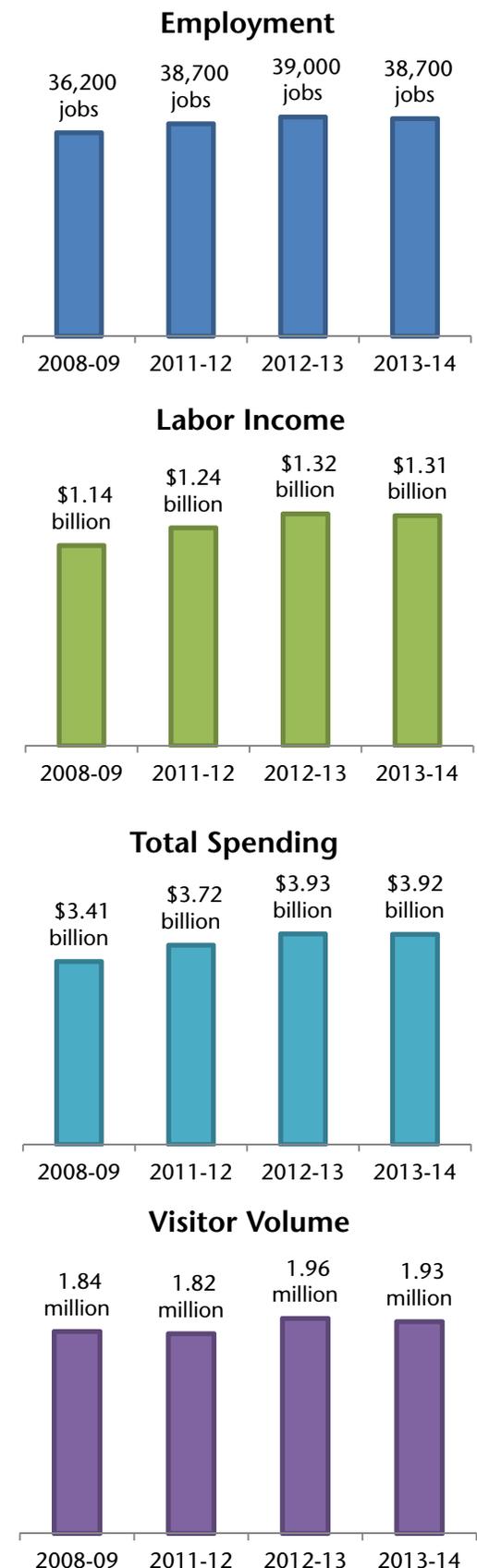
Each study period is 12 months in length and can be considered comparable. Note that the summers included in the above time periods are two years apart, until the most recent year (2009, 2011, 2013, and 2014).

The charts show that although the 2013-14 visitor season experienced a slight dip in terms of economic impacts, it was still well ahead of the 2008-09 study period.

- Employment was up by 7 percent between 2008-09 and 2013-14, growing from 36,200 jobs to 38,700 jobs.
- Labor income was up by 15 percent between 2008-09 and 2013-14, growing from \$1.14 billion to \$1.31 billion.<sup>1</sup>
- Total spending was also up by 15 percent, growing from \$3.41 billion to \$3.92 billion.<sup>1</sup>
- Visitor volume was up by 5 percent in 2013-14 compared to 2008-09.

As evidenced in the charts at right, impacts do not necessarily reflect visitor volume levels, because the composition of visitors changes over time. For instance, an increase in fall/winter visitors, who spend more on an average per-person basis, can offset a loss of lower-spending summer visitors. Likewise, an increase in the number of Southcentral visitors might occur during a decrease in Southeast visitors. To the extent possible (and until new primary research is conducted), economic impact estimates take these factors into account.

**Chart 8. Trends in Economic Impacts  
2008-09, 2011-12, 2012-13, 2013-14**



<sup>1</sup> Labor income and total spending changes do not take into account the effects of inflation.