



The Economic Impacts of the Alaska Marine Highway System



Alaska House of Representatives
February 5, 2019

McDowell Group

- Multidisciplinary research and consulting since 1972
- 19 professional staff in Anchorage, Juneau, and WA State
- Services include:
 - Economic and socioeconomic analysis
 - Market research
 - Program evaluations
 - Feasibility studies
 - Business development and planning

Presentation Outline

- Methodology
- AMHS Overview and Traffic
- AMHS Employment, Payroll, and Spending
- Total Economic Impacts
- AMHS Role in Industry
- AMHS Role in Communities
- AMHS Reform Update

Methodology

- AMHS data (2014)
 - Traffic: passengers, vehicles, port traffic, freight, residency, etc.
 - Employment/payroll by community
 - Capital/operating expenditures by community
- IMPLAN for impact analysis
- Alaska Visitor Statistics Program (AVSP) for visitor statistics
- Executive interviews in case study communities

Overview and Traffic



AMHS History

- 1951: Territory operates ferry in Lynn Canal
- 1963: AMHS begins with four vessels
- 1970s/80s: vessels and services expand
- 1980: 9 ships; 30 ports
- 1992: peak traffic (420K pax)
- Late 90s-late 00s: traffic decline
- 2014: 33 ports; 319K pax



AMHS Overview

- 33 AK ports; two systems (SE & SW)
- 28 ports not connected to road system
- 11 vessels (built '63 to '05)
 - 2 new dayboats under construction

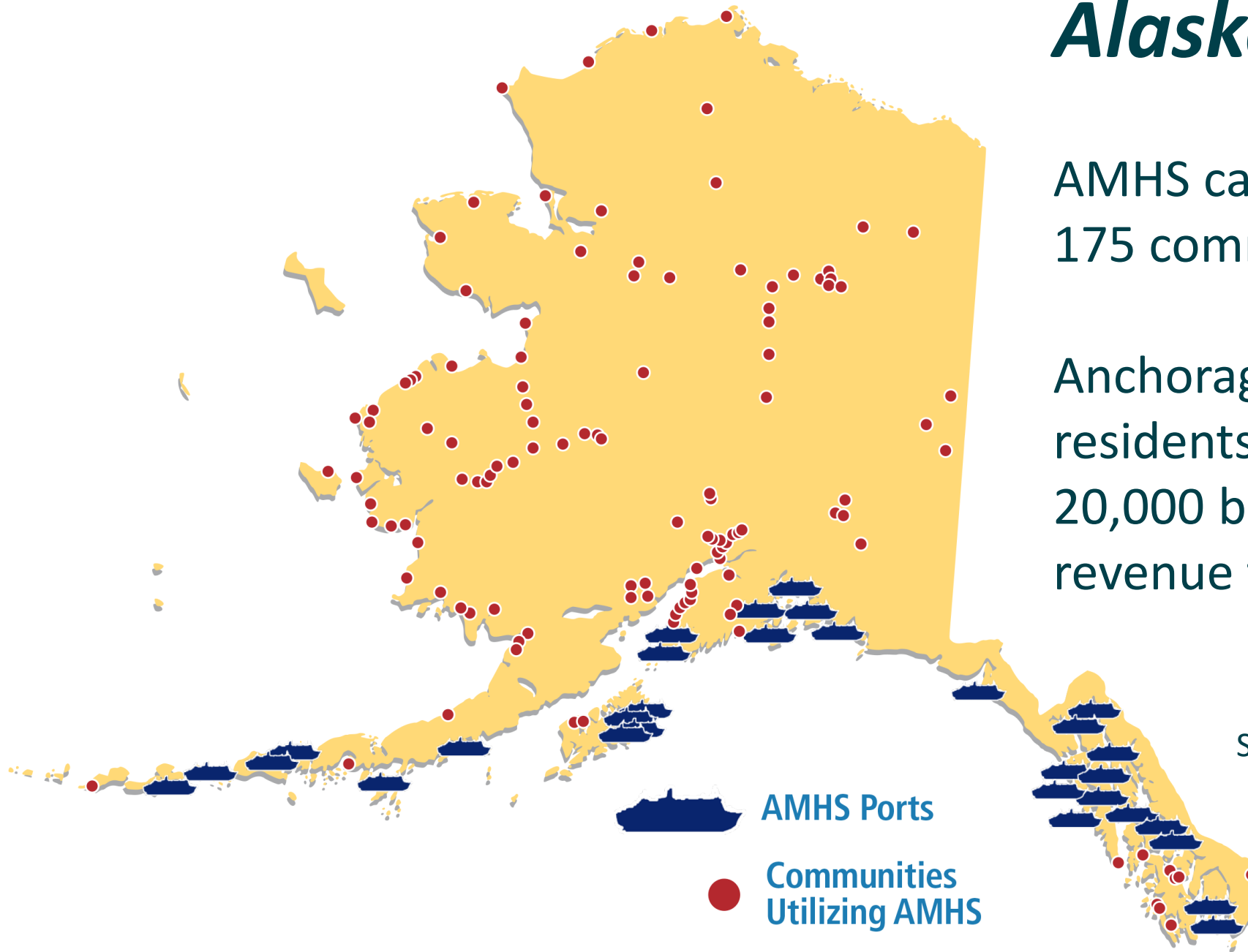


Alaskan Ridership

AMHS carried residents from 175 communities

Anchorage and Mat-Su residents accounted for 20,000 bookings and 15% of revenue from Alaskans

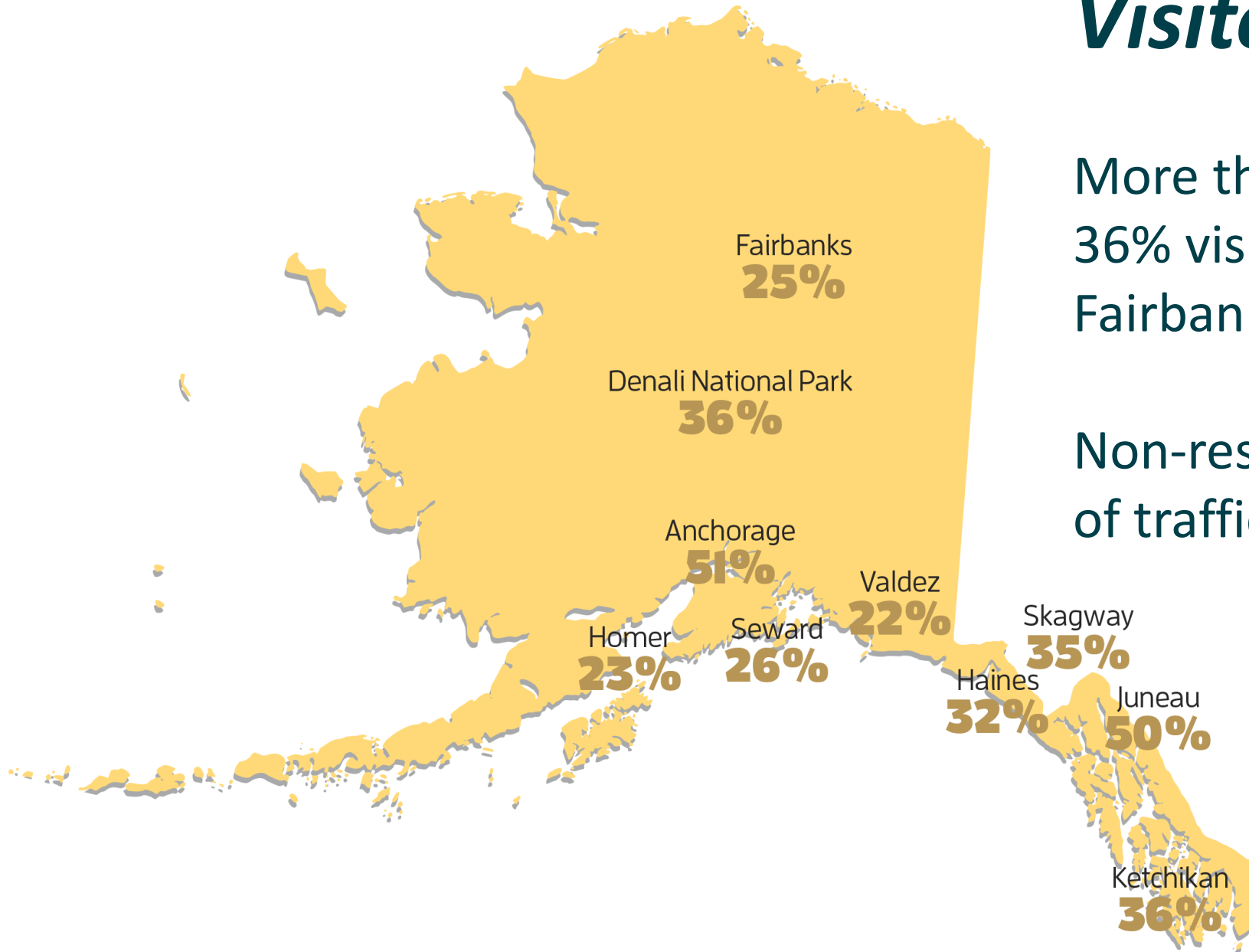
Source: AMHS data



Visitors and AMHS

More than half visit Anchorage, 36% visit Denali, and 25% visit Fairbanks

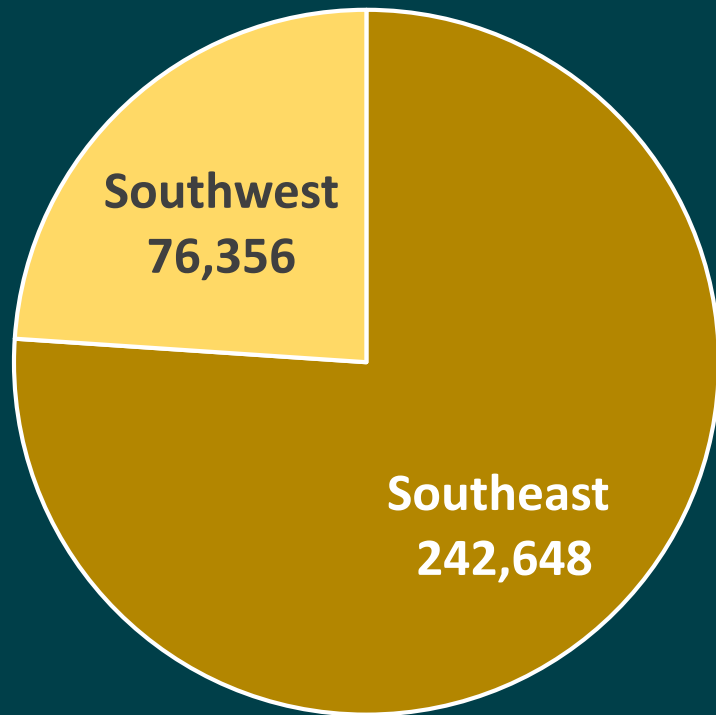
Non-residents account for 30% of traffic and 40% of revenues



Source: AVSP 7, AMHS data

AMHS Traffic: System/Residency

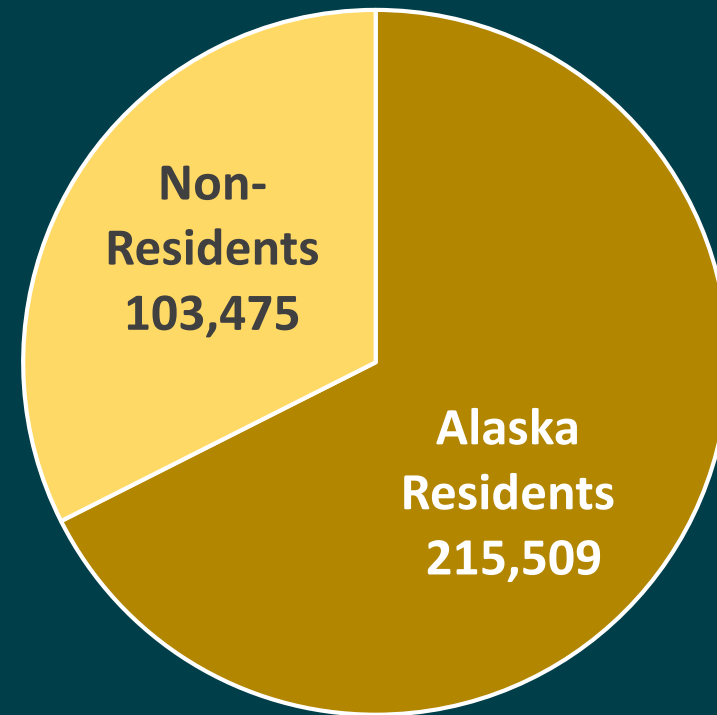
2014 Passengers by System



**Total
Passengers:
319,000**

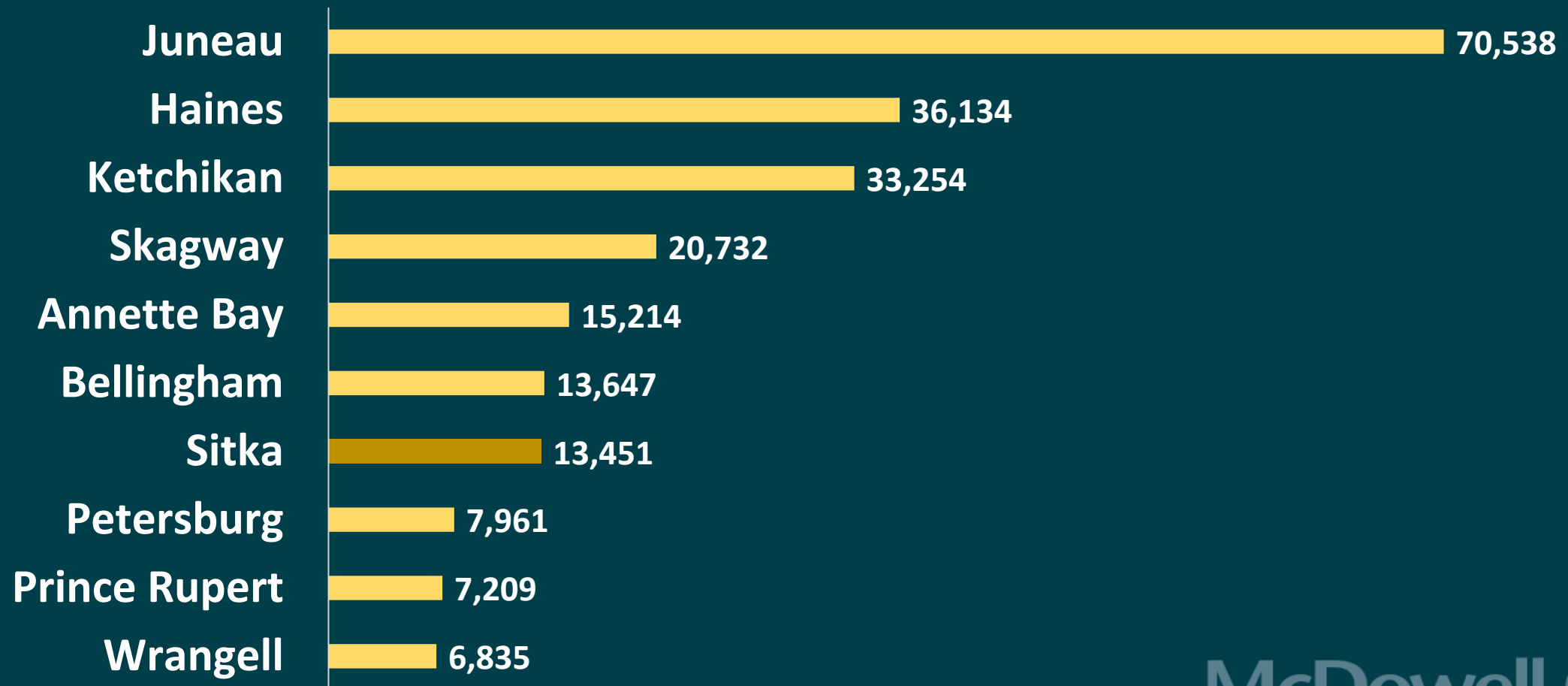
**Total
Vehicles:
108,500**

2014 Passengers by Residence



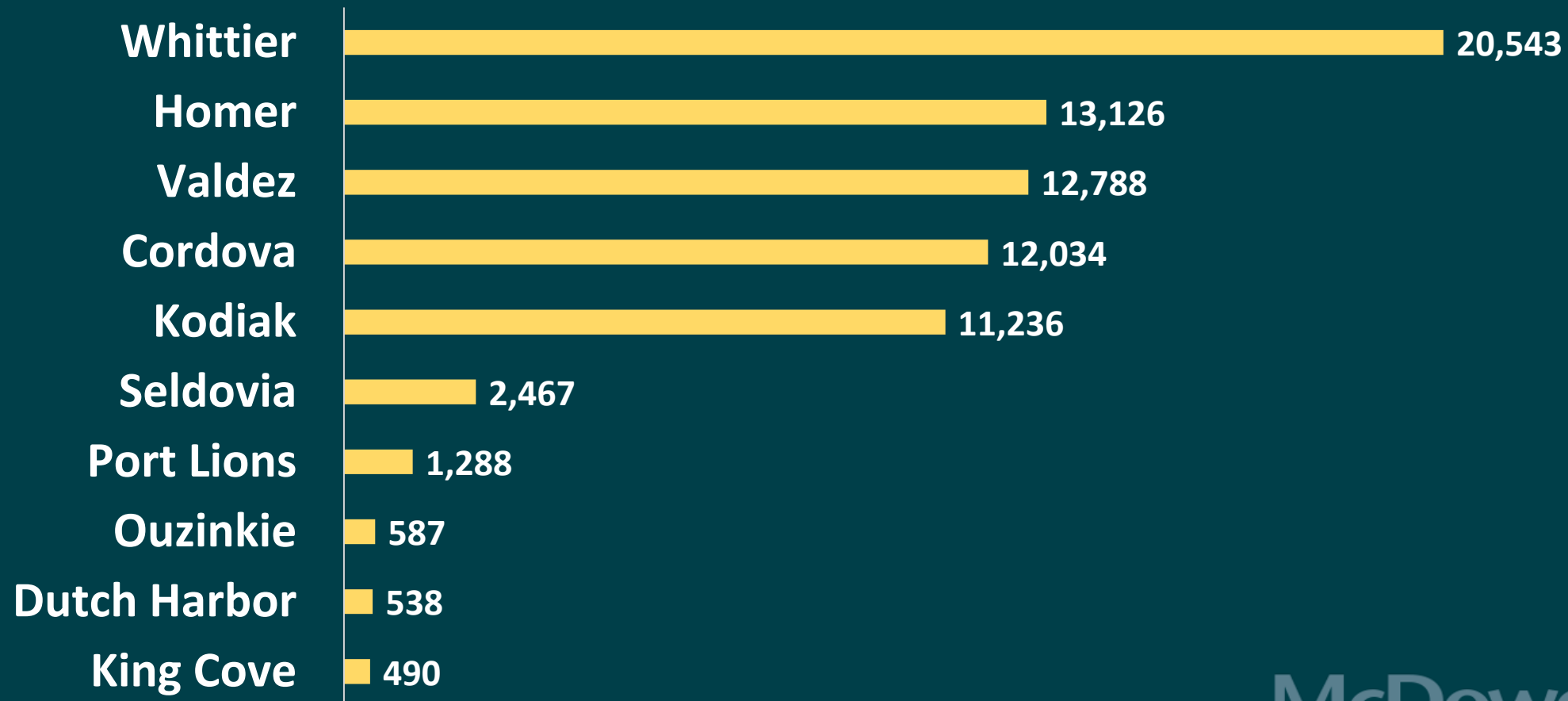
AMHS Traffic: Southeast System

Embarking Passenger Traffic, Top 10 Southeast Ports, 2014



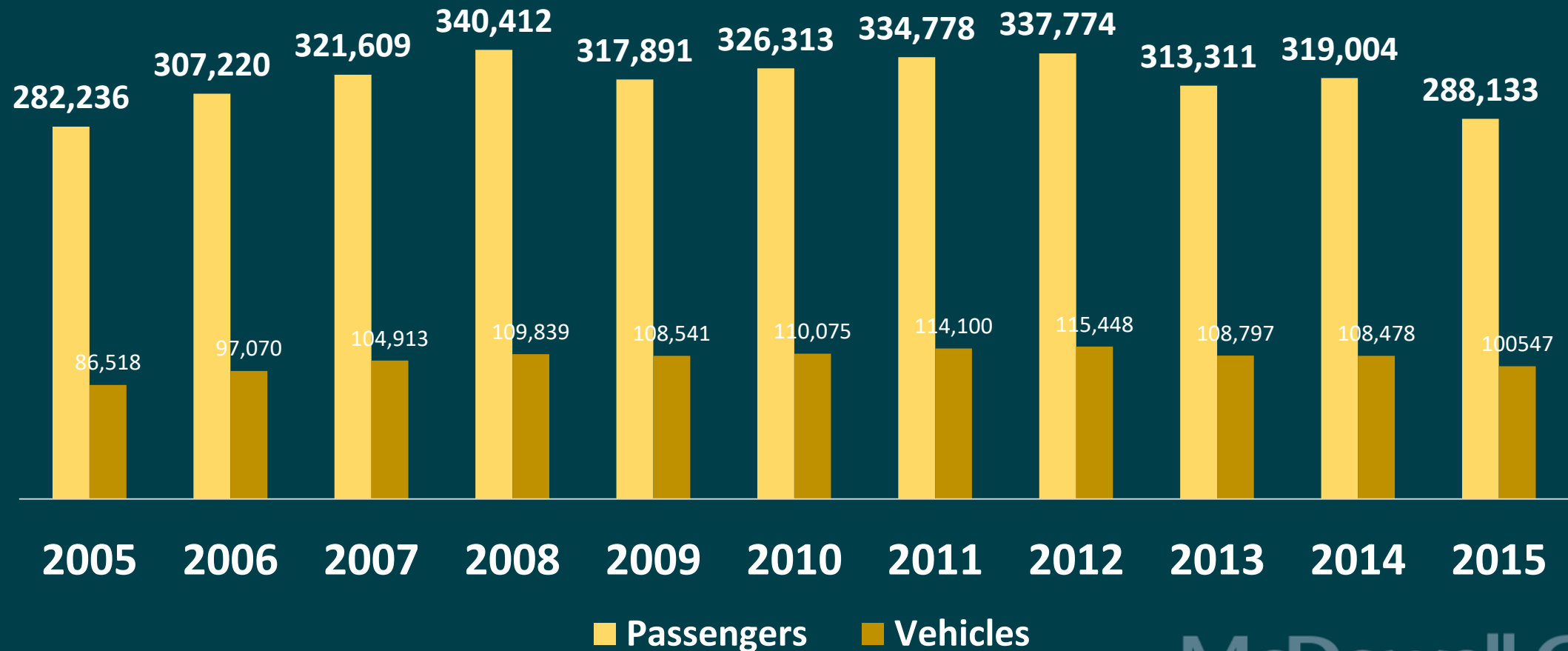
AMHS Traffic: Southwest System

Embarking Passenger Traffic, Top 10 Southwest Ports, 2014



AMHS Traffic Trends

Embarking Passenger and Vehicle Volume, 2005-2015



AMHS Freight

- In 2014 AMHS transported...
 - 13,110 vehicles w/o drivers
 - 4,320 RVs
 - 3,862 container vans
 - 2,269 non-motorized vehicles
 - 115 ATVs
 - 18,016 pets/livestock

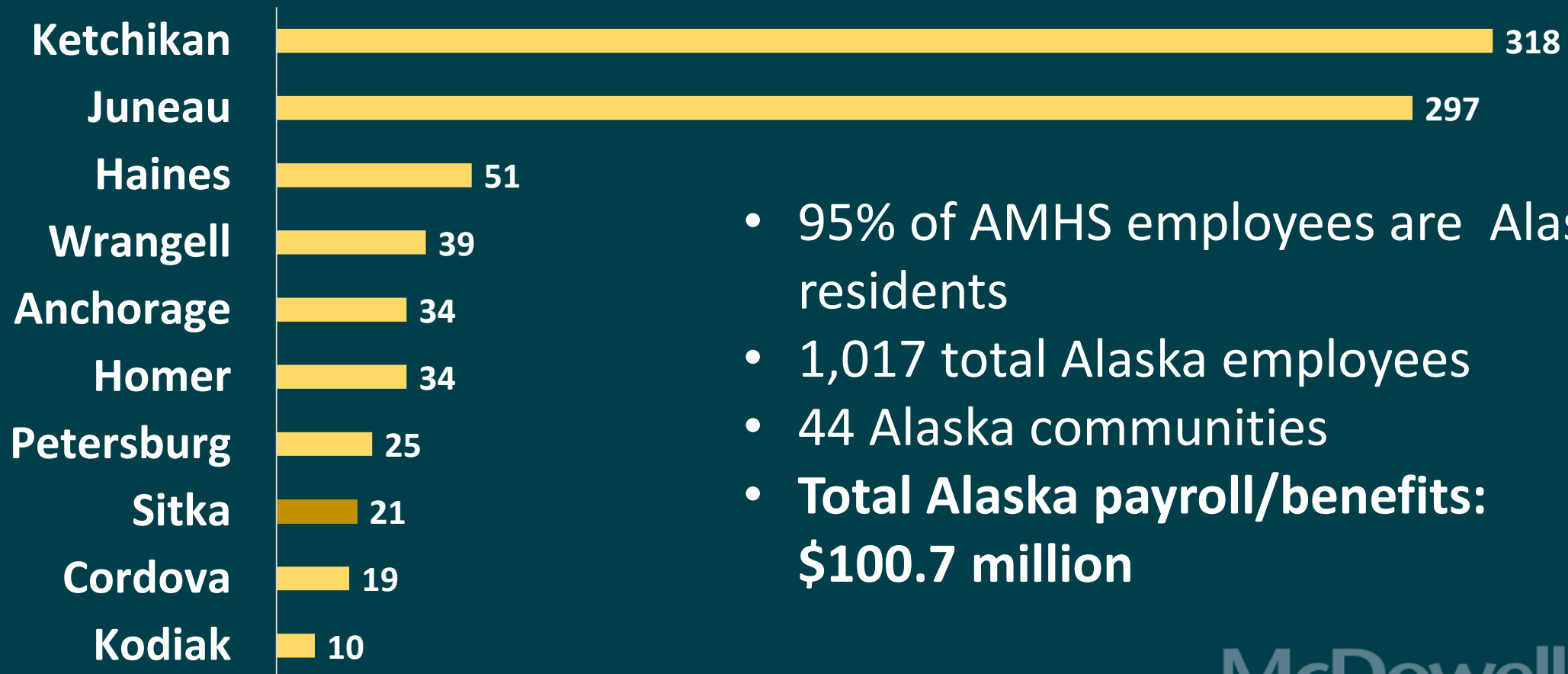


Employment, Payroll, & Spending



Employment and Payroll

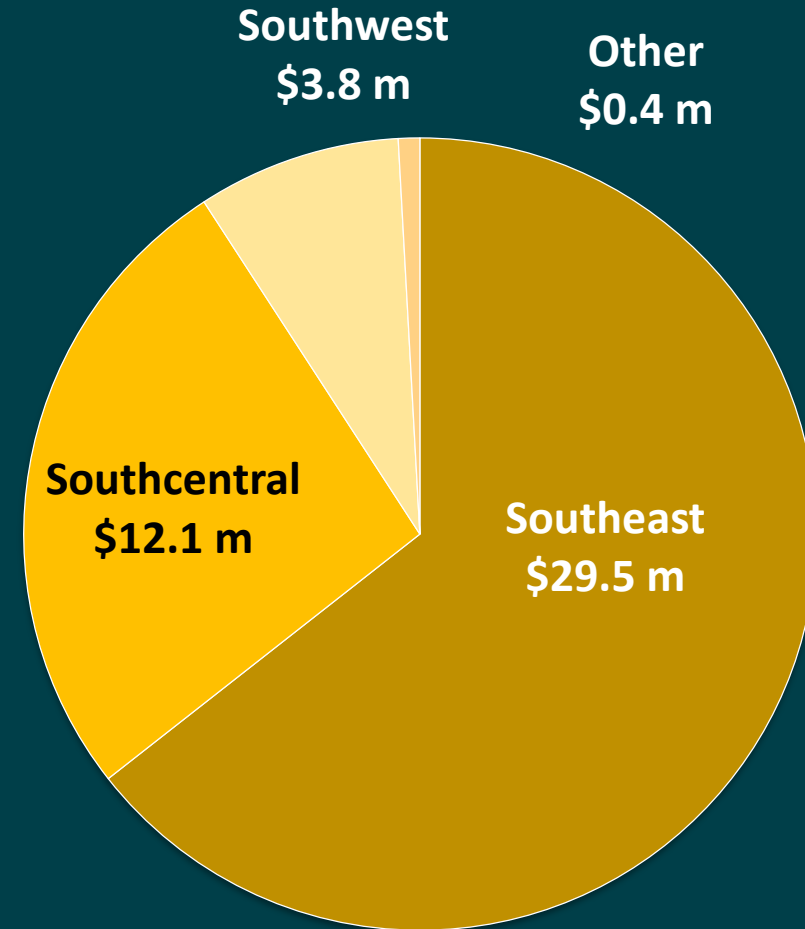
AMHS Employment by Community of Residence, Top 10, 2014



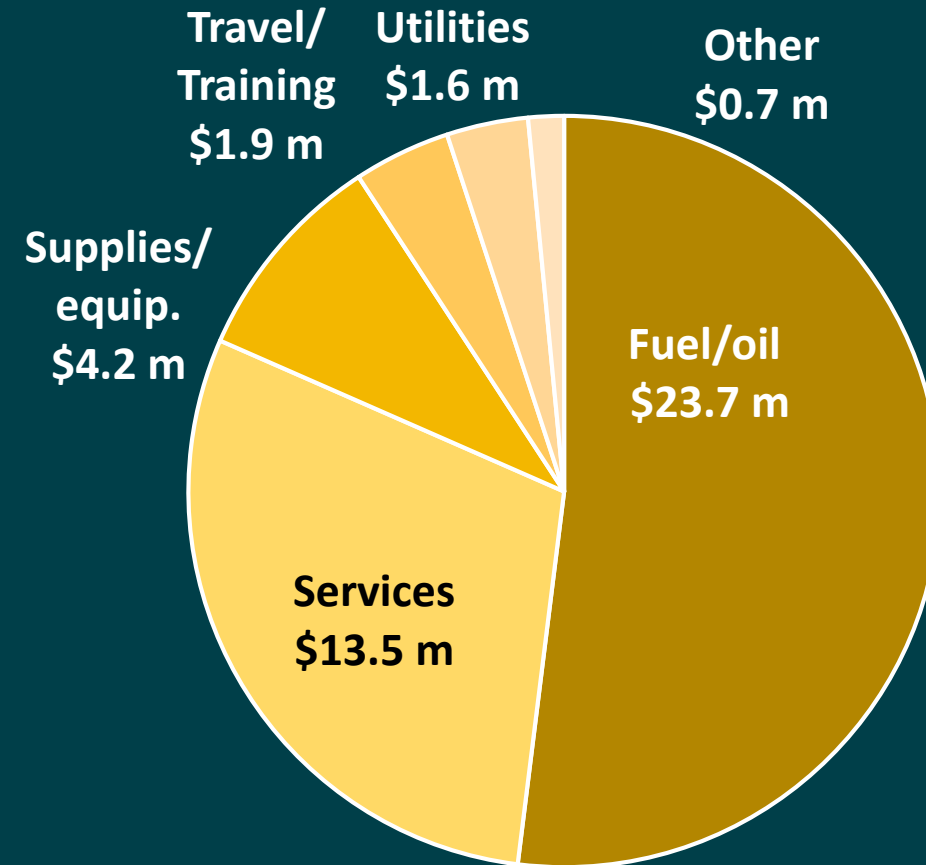
- 95% of AMHS employees are Alaska residents
- 1,017 total Alaska employees
- 44 Alaska communities
- **Total Alaska payroll/benefits: \$100.7 million**

Operations Spending

- Total Alaska operations spending, 2014: \$45.7 million
- Spending occurred with roughly 500 Alaska businesses
- Spending levels not necessarily reflective of traffic levels
 - Anchorage received third-highest spending

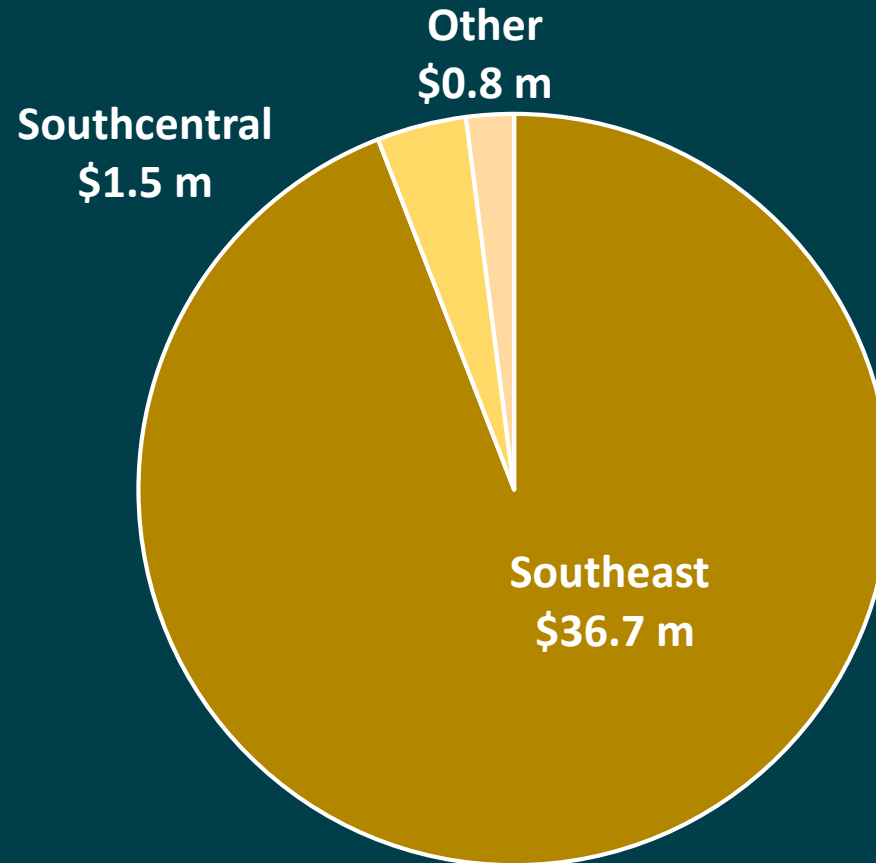


Operations: By Category



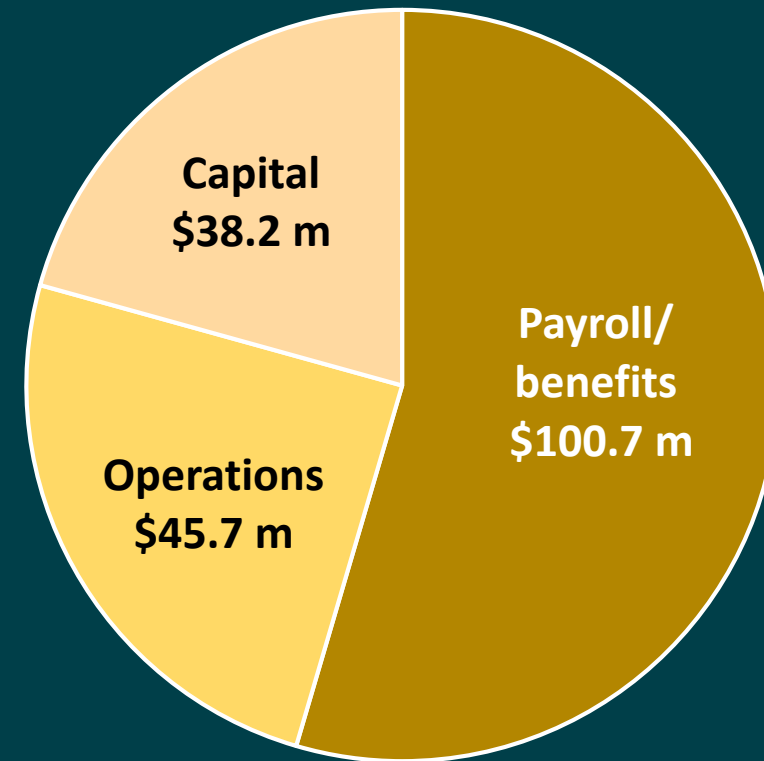
Capital Spending

- Total Alaska capital spending, 2014: \$38.2 million
- 37 capital projects
- 81% to Ketchikan (shipyard)
- Biggest projects:
 - Columbia new engine, \$15.8m
 - Alaska Class Ferry construction, \$6.2m
 - Kennicott refurbishment/upgrades, \$6.2m



Total Direct Spending

- Total direct spending in Alaska, 2014: \$184.7 million



Total Economic Impacts

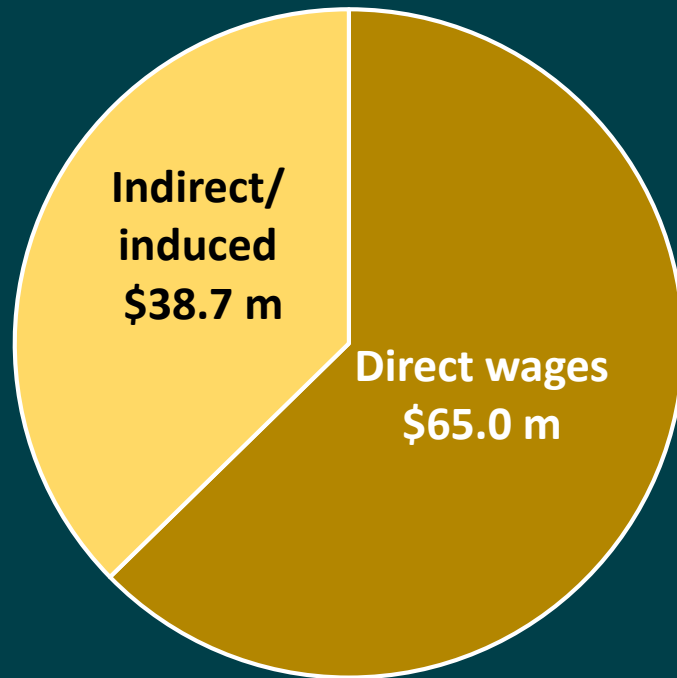


Economic Impacts?

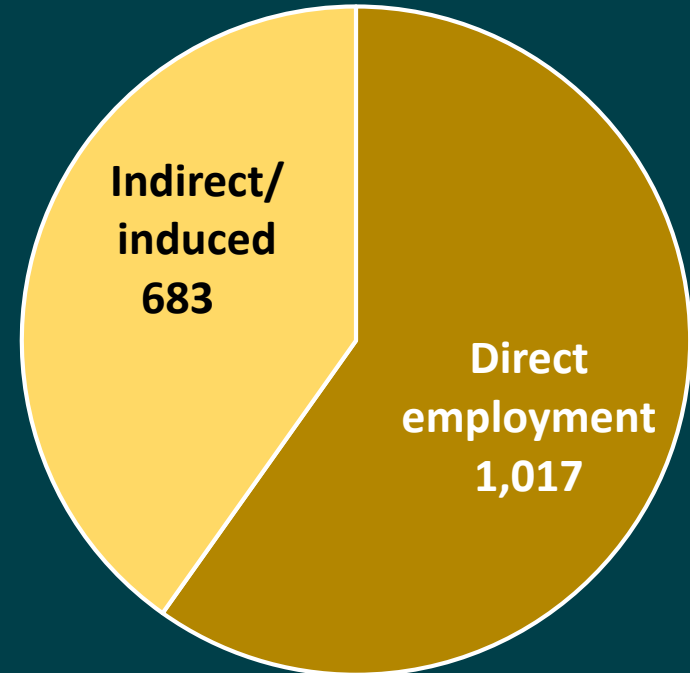
- Jobs and labor income for AMHS employees
- AMHS spending with Alaska businesses
- Indirect impacts: spending by Alaska businesses that serve AMHS
- Induced impacts: spending by these businesses' employees
- Spending by visitors who rely on AMHS



Total Employment/Wage Impacts



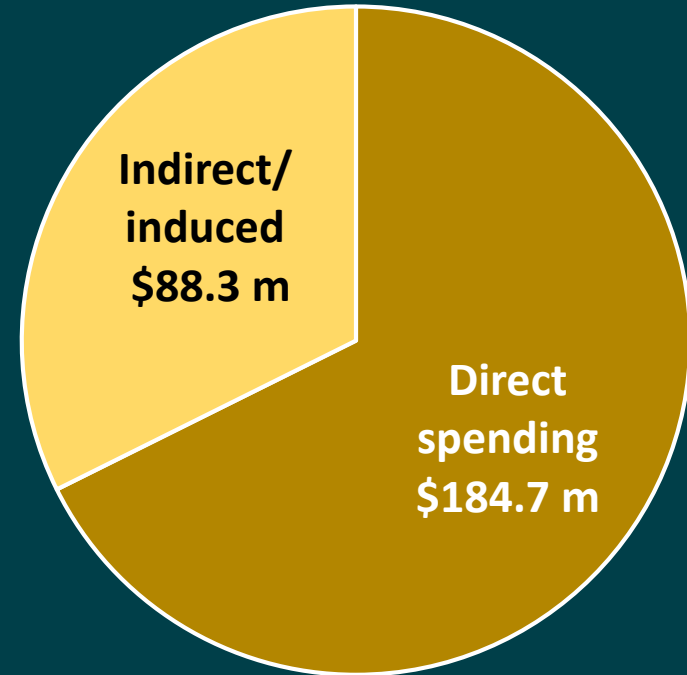
Total Wages: \$103.7 million



Total Jobs: 1,700

Total Spending Impacts

- Total spending impact: \$273 million
- More than double the State of Alaska's General Fund investment of \$117 million



Total Spending: \$273 million

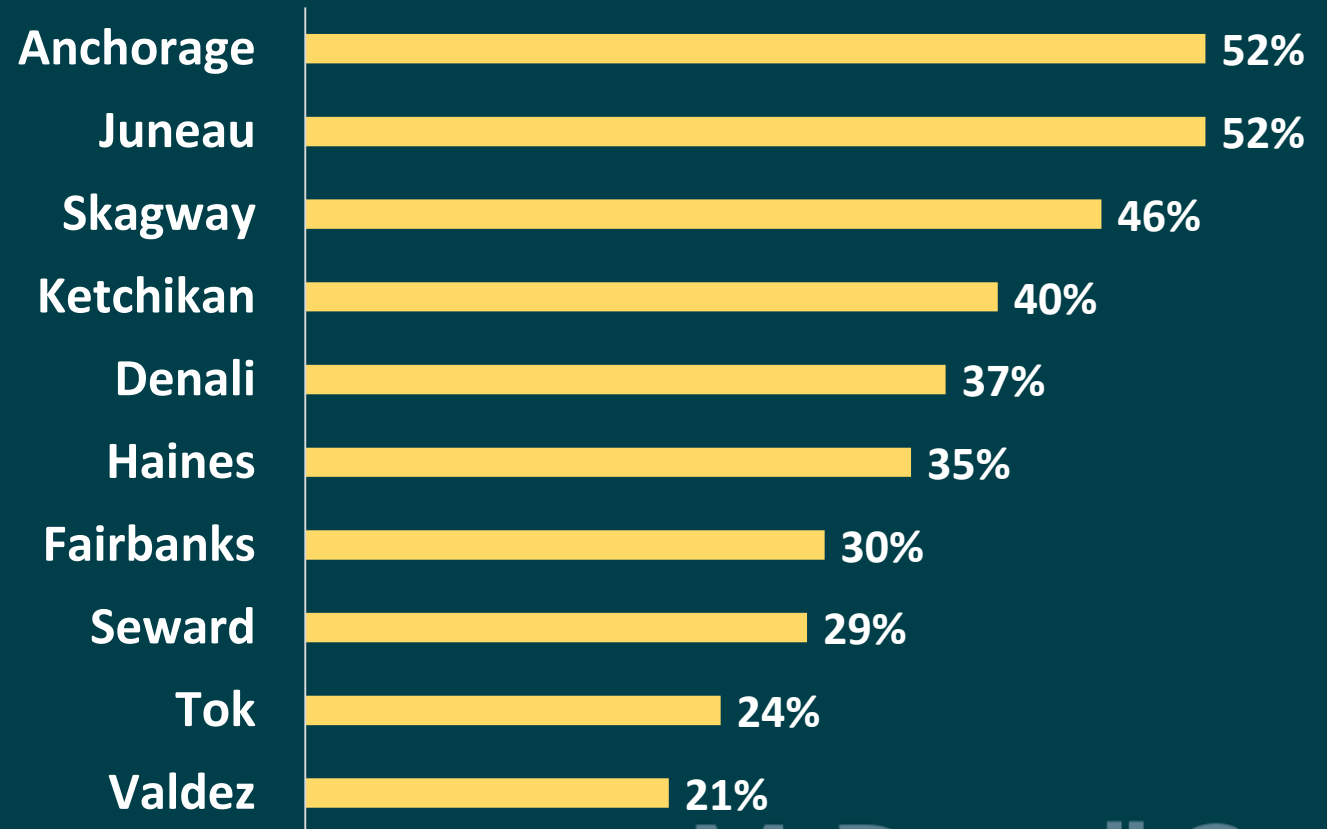
AMHS Role in Industry



Visitor Industry

- 2014: 103,000 non-resident passengers
- Summer 2011: average \$1,300 in Alaska per person *not inc. transportation to enter/exit Alaska*
- Those who entered/exited Alaska via AMHS spent average \$1,700
 - Total spending of \$29 million

Top 10 Alaska Destinations of Alaska Visitors Using AMHS, Summer 2011



Seafood

- AMHS provides critical alternative to air
- Important seafood ports include Kodiak, Cordova, Petersburg, Wrangell, and Juneau
- Affordable transportation allows for higher price paid to fishermen



AMHS Role in Communities



AMHS Plays Critical Role

- AMHS provides local employment and wages
- Makes purchases from wide variety of local businesses
- Brings visitors; enhances visitor experience
- Provides affordable transport of seafood
- Encourages local purchase of goods and services; lowers cost of living
- Ships time-sensitive equipment, materials, and perishable goods

AMHS Plays Critical Role

- Connects residents with jet service
- Provides essential access to health care services
- Plays critical role in special events: Gold Medal, Haines Fair, Celebration, Copper River Wild Salmon Festival, etc.
- Provides affordable school-related travel



Quotes

- *The ferry is threaded into everything we do...You book your whole life around the ferry schedule.*
- *We have been building our economy around the marine highway, especially the fast ferry, for over 10 years.*
- *This community will not survive without the ferry.*
- *If we lost ferry service our business would likely go bankrupt.*
- *If ferry services were limited, this would have a huge impact on our local workforce.*
- *If AMHS stopped service, the population would drop substantially.*
- *AMHS is absolutely critical to recruitment and retention of employees.*
- *The ferry is a critical part of our success or failure...This is our road system. It just happens to be on the water.*

AMHS Reform Update

- Statewide Steering Committee working to create more efficient, sustainable organization.
- Pursuing Public Corporation
 - Incorporate private sector expertise
 - Longer planning horizon and stability in key leadership positions
 - Align management and labor interests
 - Strategically reduce operating costs
 - Grow revenues and public-private partnerships
 - Preserve access to federal capital funds
- amhsreform.com



Questions



The Economic Impacts of the Alaska Marine Highway System



www.mcdowellgroup.net