

**ALASKA
TRAVEL
INDUSTRY
PRESENT.,**

3/12/03

SFIN

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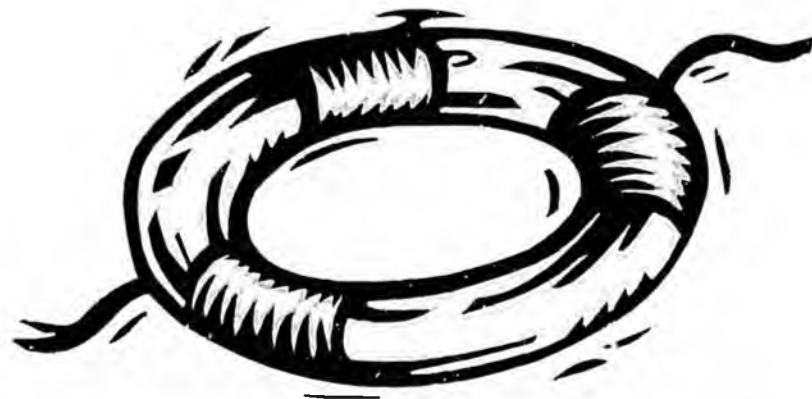
Alaska Tourism: An Industry in Decline

**A Report to the 23rd Alaska
State Legislature**

March 12, 2003



What Happened in 2002?



- “Survival was how we measured success this year.”

Kirk Hoessle, Alaska Wildland Adventures, Oct. 2002

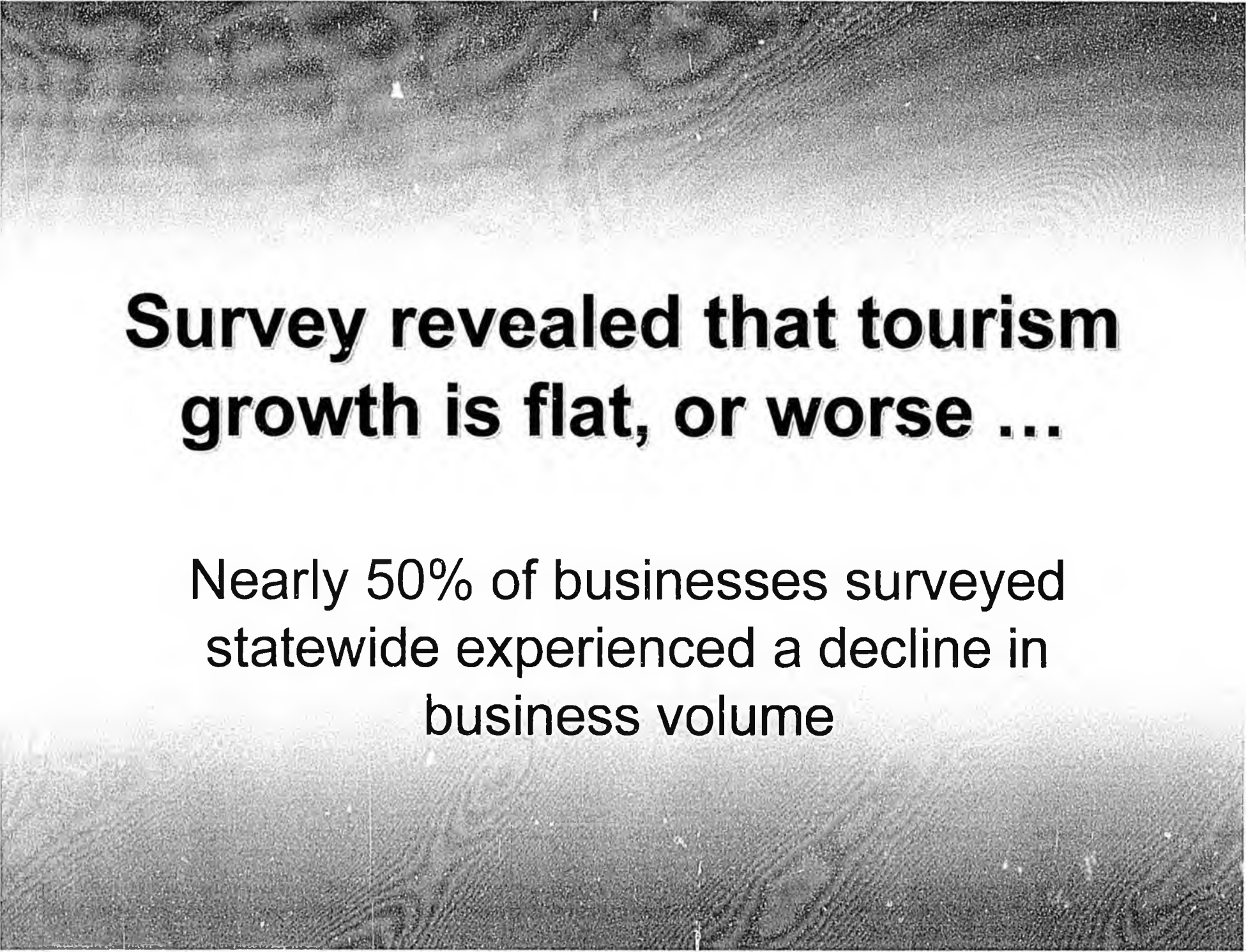
- “The preliminary data for 2002 shows an end to any growth”

Eric McDowell, Oct. 2002

ATIA 2002 Tourism Survey

The McDowell Group

- Surveyed:
 - 315 businesses
 - All five regions of the state
 - ATIA and non-ATIA tourism businesses for statistically reliable sampling



Survey revealed that tourism growth is flat, or worse ...

Nearly 50% of businesses surveyed
statewide experienced a decline in
business volume

Key Regional Observations

- 87% of Alaska Interior businesses experienced declining volume
- Despite 4% increase in cruise passengers, 61% of Alaska businesses that depend primarily on cruise traffic experienced decreased volume

Source: McDowell 2002 Visitor Survey

Tourism Sectors in Decline

Percentage of businesses reliant on the following sectors that reported a decline last summer:

- 96% for overseas travelers
- 81% for adventure travel
- 65% for sportfishing

Source: McDowell 2002 Business Survey

Highway in 2002

Highway traffic to Alaska

-14.3%



Airport Enplanements Statewide

-3 %



Tourism Means Economic Hope to Alaskan Communities – Large & Small

- “Tourism in Haines is declining. Businesses are closing, people are losing jobs. Despite this, we remain optimistic that tourism offers hope for our economy.”

Michelle Glass, Haines CVB Feb. 2003





Tourism Budget Trends 1992-2002

Is the growth gone?

State Tourism Budgets

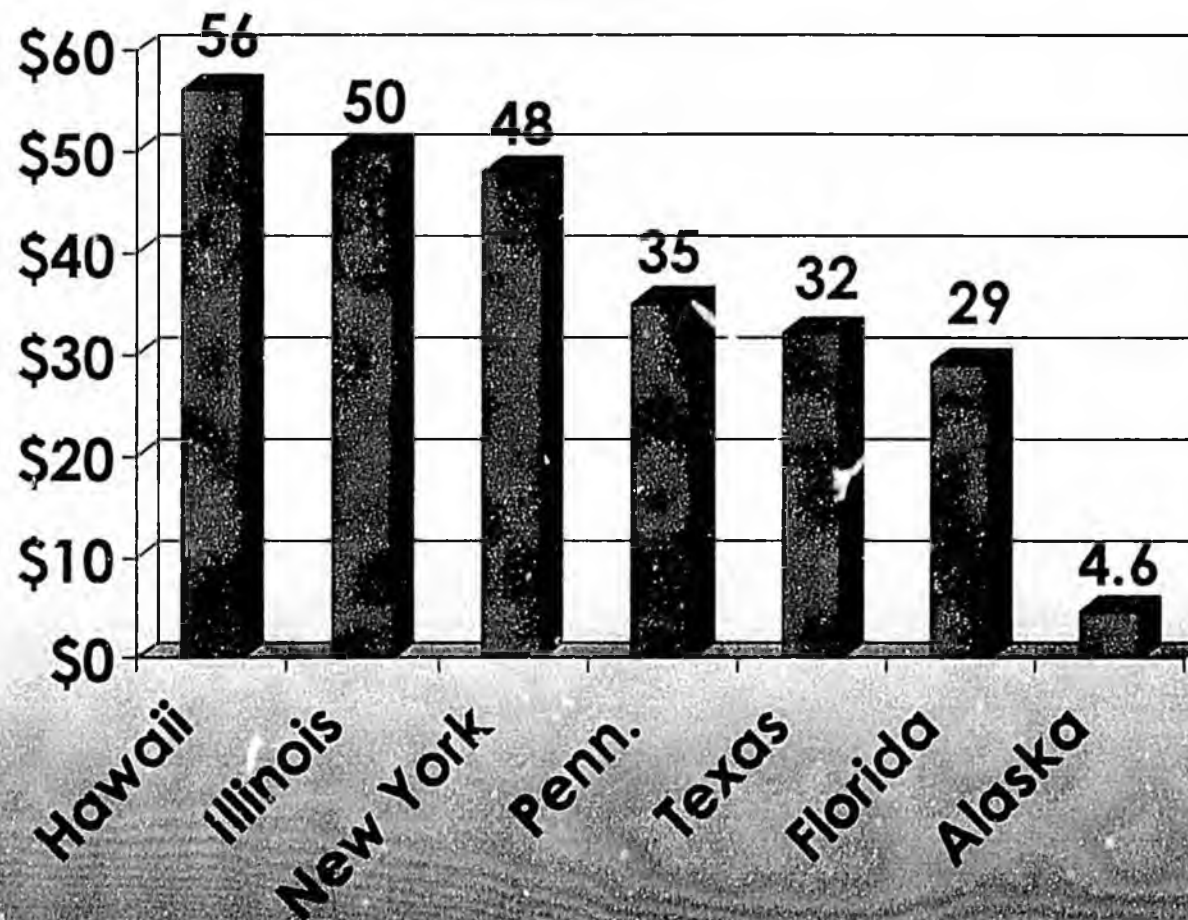
- Average 2001/2002 U.S. state tourism budget was \$13.1 million
- Public sector dollars are sole source of tourism funding in 35 of 48 states (73% of ALL states)
- Of 13 states that receive some private-sector funding, 80.5% of their funding comes from public-sector dollars
- Alaska private sector contributions account for 60% of the ATIA statewide tourism marketing budget.

Source: 2001-2002 Survey of U.S. State & Territory Tourism Office Budgets

Alaska Ranks 38th in State Tourism Funding

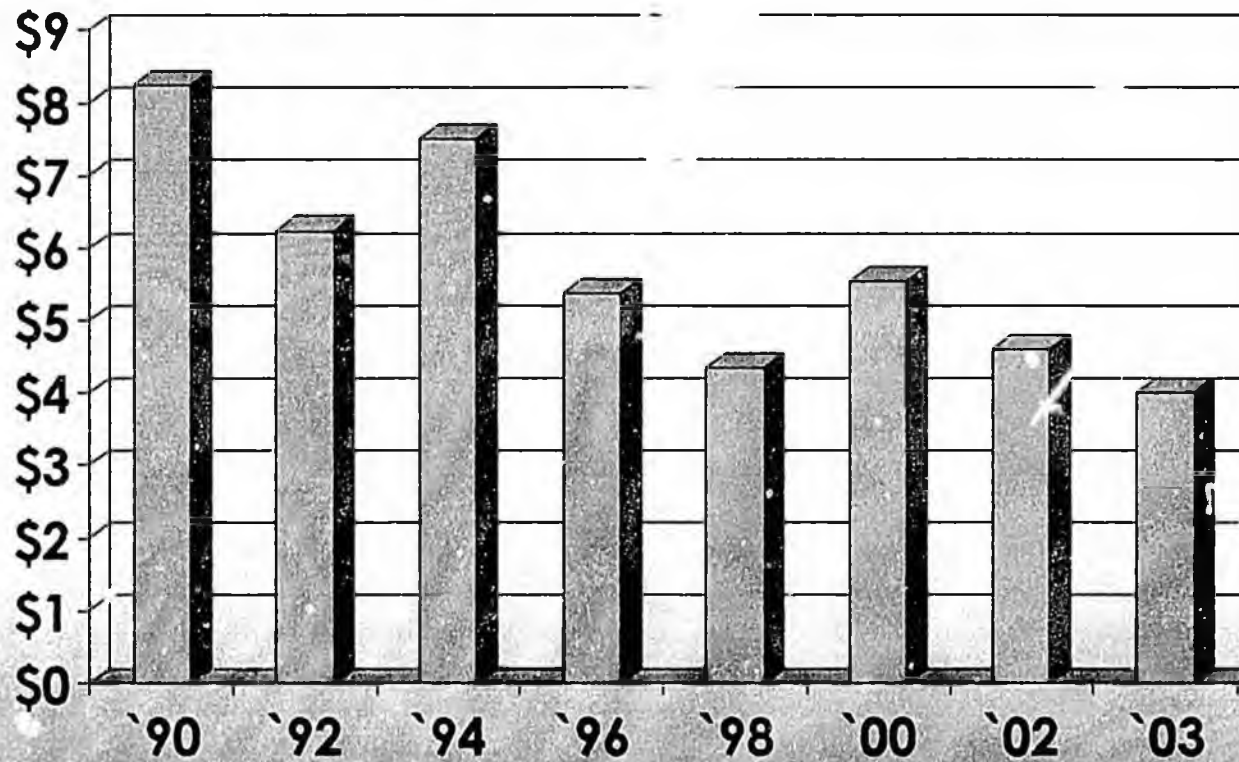
Source: NCSTD Poll Re. FY2002-03 Projected Total Tourism Office Budget

■ Millions



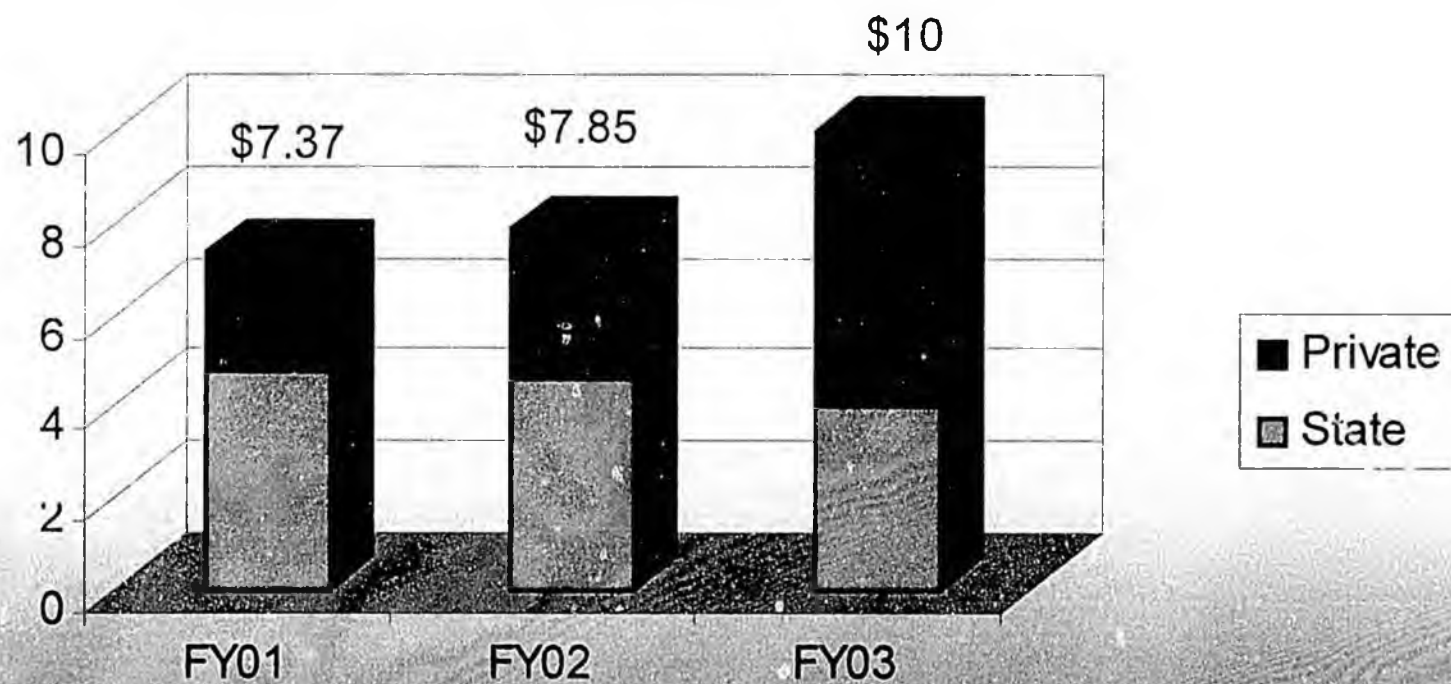
State of Alaska General Fund Dollars to Tourism Marketing

■ Millions

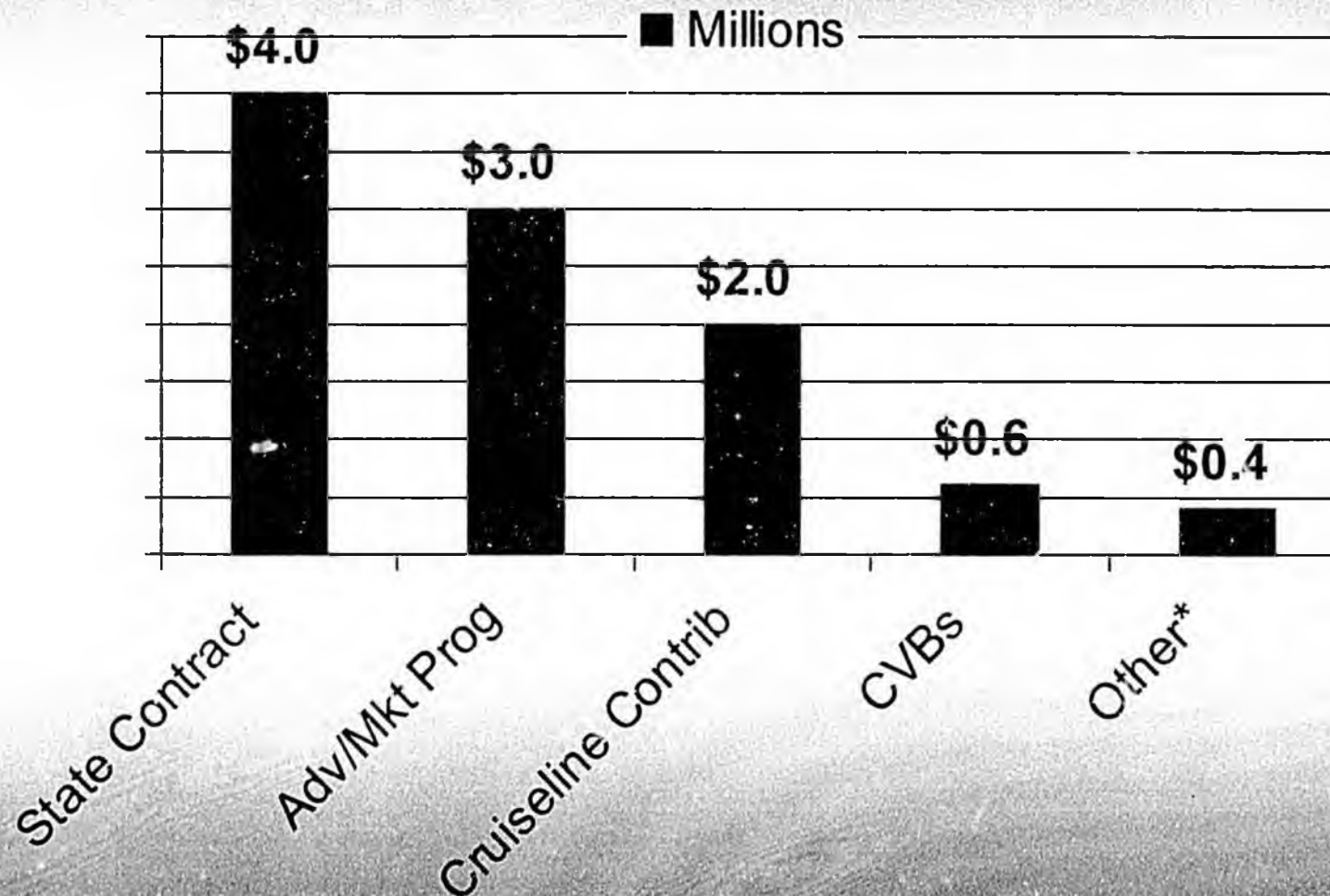


Combined Marketing Funding: State & Industry Contributions

Millions

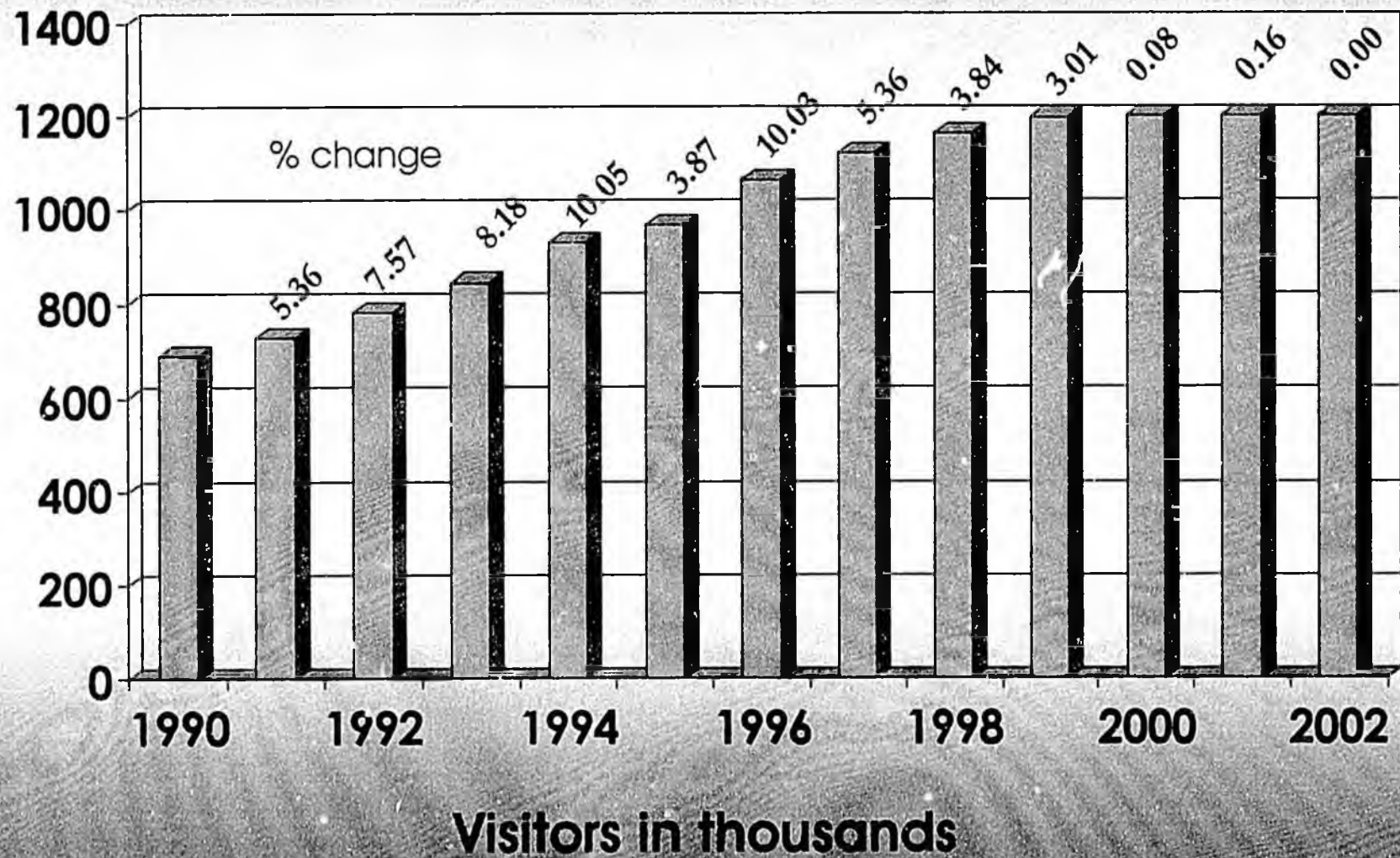


FY03 Funding: State & Private Sector Contributions

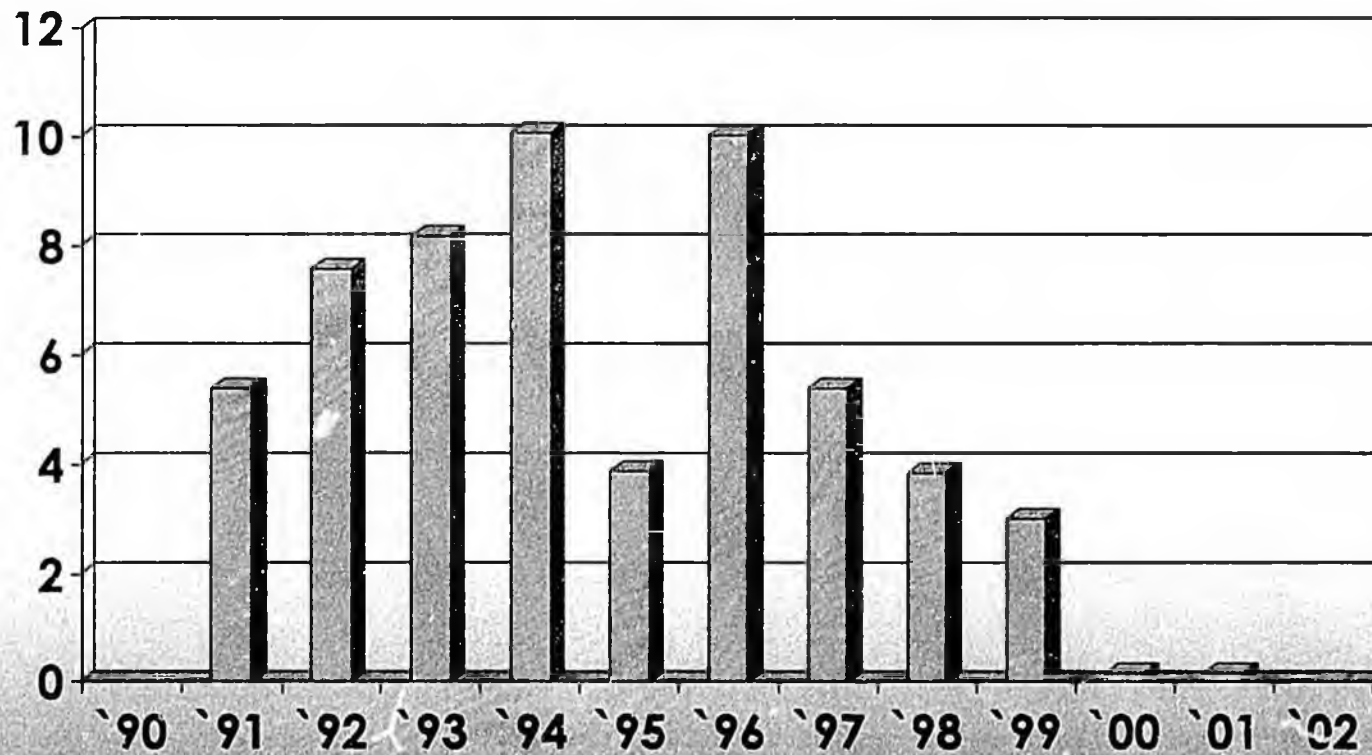


* Other category is comprised of member dues, convention, travel auction and interest

Visitor Industry Growth

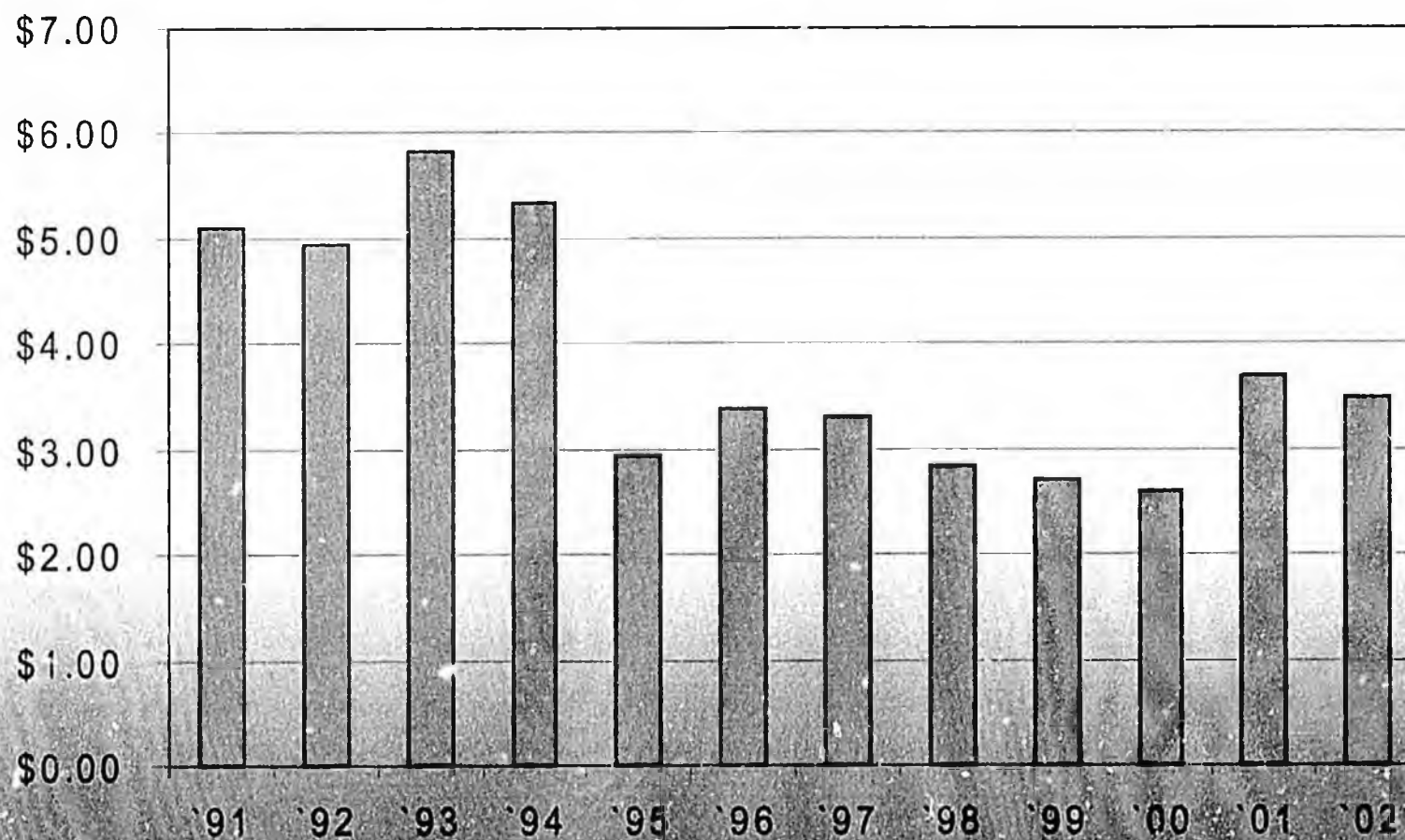


Visitor Industry Growth by %



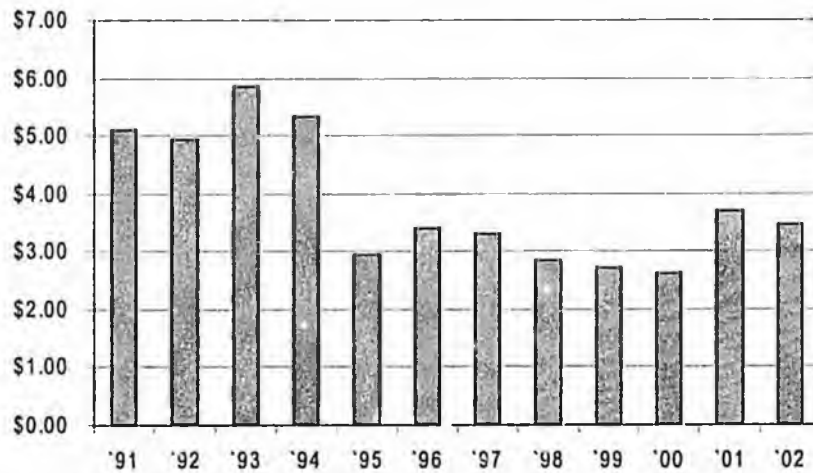
State Tourism Marketing Allocation

Marketing Expenditures Indexed on '91 Buying Power

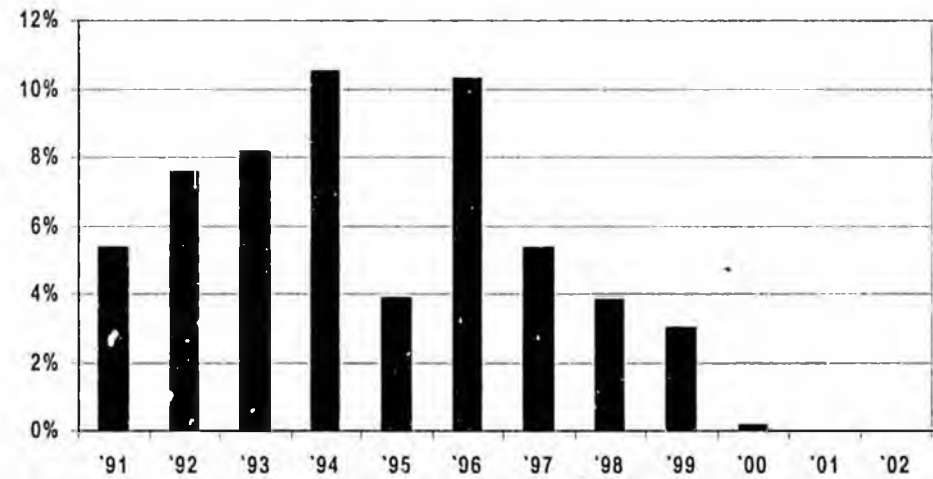


Comparing Visitor Growth and Total Tourism Spending

Marketing Expenditures Indexed on '91 Buying Power



Percentage of Visitor Growth



Tourism Benefits Alaskans

- **Provides Jobs**
- **Generates NEW Dollars**
 - **NOT a reallocated dollar**
- **Renewable Resource**

Tourism Provides Jobs

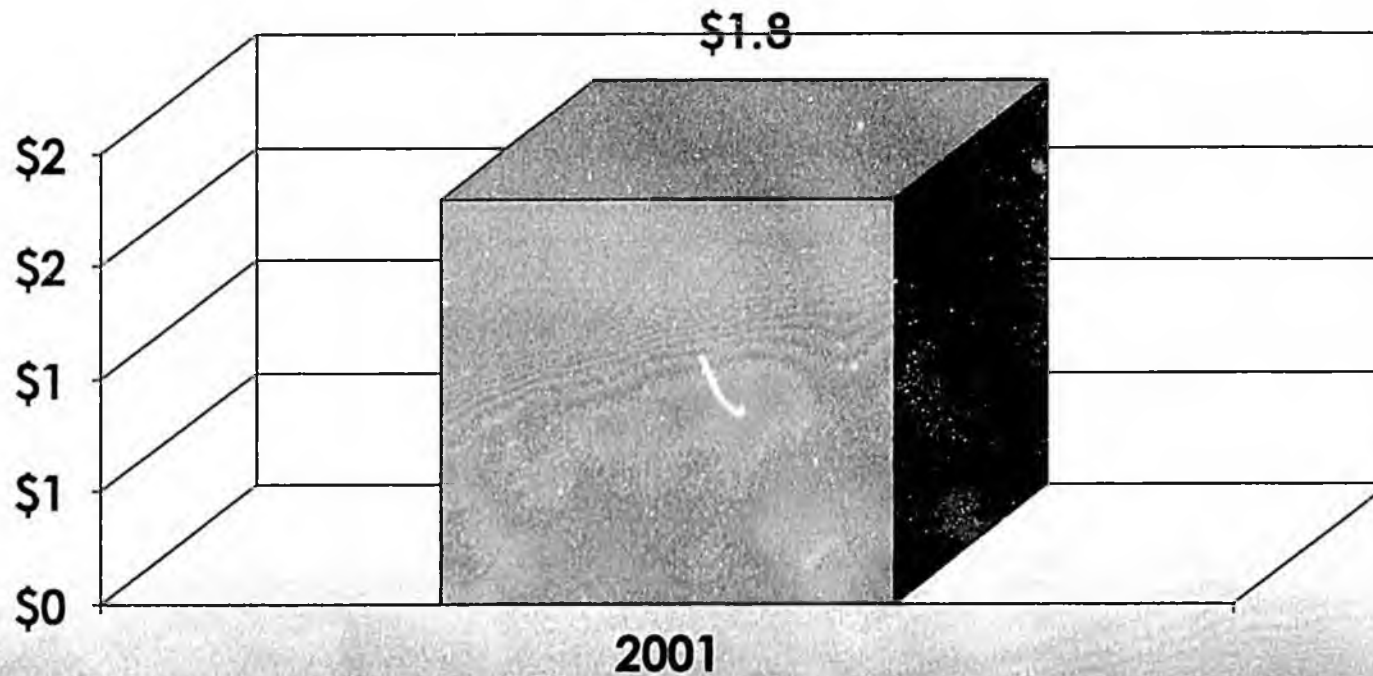
- 78 % local hire rate
(the highest of all key Alaska industries)
- Leading industry in Southcentral, Southeast and Interior
- Provides 1 in 8 private sector jobs
- Directly & indirectly employs 30,700 Alaskans

(The McDowell Group: Economic Impacts of Alaska's Visitor Industry, May 1999)



Visitors Contribute to the Economy (2001)

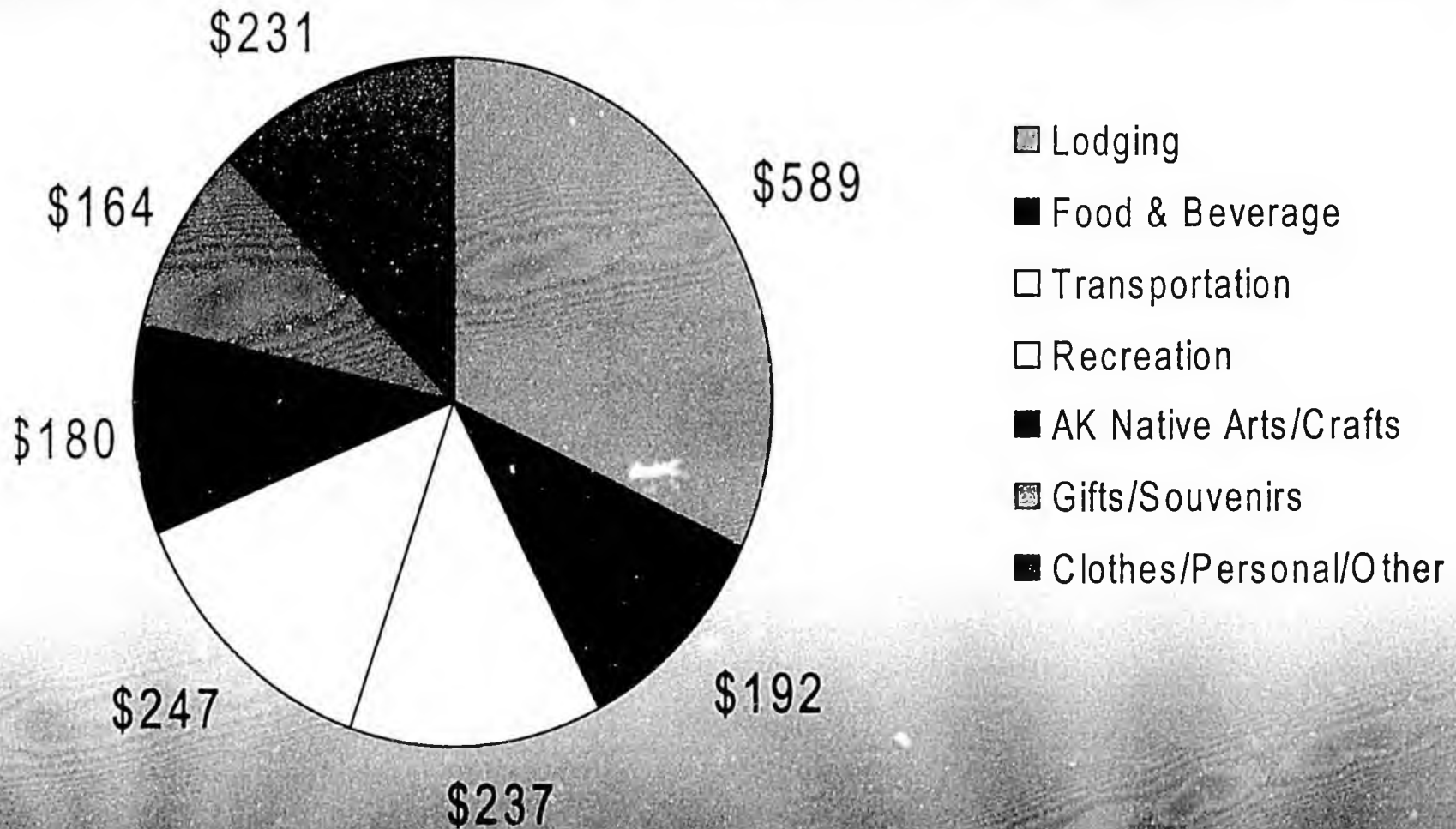
Millions



Visitor spending, in millions

Instate Expenditures Fall 2000 to Summer 2001 (Millions)

Alaska Visitor Expenditures & Opinions, Fall/Winter 2000-01 & Summer 2001





**Growing Alaska's Economy
through
Increased Tourism Marketing
Dollars**

Missions & Measures

ATIA's Marketing Strategy

- Use goals & objectives to maximize marketing program effectiveness
- Constantly re-evaluate programs to ensure continued success
- Good marketing = great visitor turnout

What A Difference a Dollar Makes: An Additional \$10 Million will:



- Generate over 290,000 visitors
- Produce \$366 million in visitor spending
- Create new business opportunities
- Put more Alaskans to work!

Where Do We Go From Here?

- We MUST Regain Market Share
- We MUST Support and Further Develop Alaska's Independent Tourism Businesses
- We MUST Fund Alaska's Tourism Marketing Program... Now and Into the Future....

The Alaska Travel Industry Association:

- Supports Broad Based Tourism Taxes to Fund Alaska's Tourism Marketing Program
 - We MUST Act Now to Prevent Further Decline of Alaska's Second Largest Industry
- Opposes: Targeted Tourism Taxes on Any One Tourism Segment