

HB

422

<target><bill>HB 422</bill><subject>HB
422</subject><comm>HFIN26</comm></target>

State of Alaska
Department of Revenue
Administrative Services Division



SEAN PARNELL, GOVERNOR
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March 31, 2010

Sponsor Statement
HB 422 / SB 311
Tourism Enhancement

After decades of steady growth, Alaska is facing a decline of more than 140,000 cruise passengers in 2010 – the most significant drop in visitation the state has ever experienced. A loss of over \$150 million in direct and indirect spending, and thousands of Alaska jobs, could result from this decline. Alaska already sustained a loss of approximately 125,000 air, highway, and ferry visitors last year. Visitor industry peak employment is approximately 40,000 when accounting for jobs directly or indirectly connected to non-resident visitation and spending. Including job losses already suffered and potential losses this year, visitor industry related employment is projected to decline by up to 5,000 jobs, or more than 10 percent.

In recognition of the visitor industry's significance, this legislation seeks to reverse these declines by making Alaska more visible through increased tourism marketing and by making Alaska more affordable through a reduction in the excise tax imposed upon cruise passengers. This legislation also proposes development of a report every three years to provide information about the needs of Alaska communities that host cruise ship passengers as well as usage of the excise tax.

Corporate Income Tax Credit: This bill creates a corporate income tax credit for contributions to the qualified trade association that plans and executes a destination tourism marketing campaign. Alaska will benefit from expanded marketing efforts by increasing visitation and spending. In turn, this activity will create jobs and strengthen the economy.

Commercial Passenger Vessel Excise Tax: Amendments to the commercial passenger vessel excise tax program will reduce the tax rate per passenger and create a periodic report to ensure the rate remains commensurate with the cost of hosting passengers in Alaska. The tax provides funding for projects in areas that are directly impacted by cruise passengers including port expansion and improvements, pedestrian pathways and sidewalks, and other visitor industry facilities.

We can position our economy for growth by attracting more visitors, lengthening visitors' stay, and encouraging visitors to explore new Alaska destinations. In short, we should make Alaska an appealing and affordable destination, while sending a clear message that we welcome visitors.

I urge your prompt and favorable action on the bill.

State of Alaska
Department of Revenue
Administrative Services Division



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Sectional Analysis
HB 422 / SB 311
Tourism Enhancement

Section 1 of the bill adds a new tax credit to Alaska Net Income Tax Act for cash contributions made by corporations to a qualified trade association for use in planning and executing an Alaska tourism marketing campaign. This credit is limited to taxpayers that derive income from tourism related business in Alaska. The total amount of cash contributions by all taxpayers eligible for this credit is \$20 million in 2010 and in subsequent years the cap is adjusted up or down based upon the percentage change in the amount of tax collected under the vehicle rental tax program during the two prior fiscal years. Once the total annual credit amount has been reached, taxpayers will be notified by the qualified trade association that further contributions will not be eligible for a credit. This tax credit is not refundable so taxpayers cannot reduce their tax liability below zero. Tax credits not used in the year the contribution was made cannot be applied in future years. Finally, taxpayers may not claim both a tax credit and a business expense deduction.

Section 2 amends AS 43.52.200 to codify a regulation and clarify that the commercial passenger vessel excise tax is imposed upon passengers traveling on a vessel that hosts them overnight in Alaska and stops in port(s) in Alaska where they are allowed to embark or disembark. In other words, this tax does not apply to passengers on vessels merely transiting the state's marine waters.

Section 3 amends AS 43.52.210 to reduce the tax rate from \$46 a passenger per voyage to \$34.50 a passenger per voyage.

Section 4 amends AS 43.52.230(a) to clarify the guidelines on how commercial passenger vessel excise tax proceeds should be appropriated to comply with federal law.

Section 5 amends AS 43.52.230(b) to clarify the guidelines on how commercial passenger vessel excise tax proceeds should be spent by municipalities to comply with federal law.

Section 6 amends AS 43.52.250 to reduce the commercial passenger vessel excise tax by the total amount of municipally-imposed passenger taxes a passenger pays when purchasing a voyage that includes a stop in municipalities imposing such taxes. This reduction, however, is limited to municipally imposed taxes that were in effect on December 17, 2006 and such municipality did not elect to receive revenue sharing of \$5 per passenger under AS 43.52.230(b).

Section 7 of the bill provides for a report to the Legislature, the Governor, and the public every three years by the Department of Commerce, Community, and Economic Development that addresses the projected needs of the communities that host passengers and the extent to which, during the preceding three years, commercial vessel passenger excise tax proceeds have been utilized to defray the cost of hosting passengers in Alaska. This report may be used by the Legislature to determine if the tax rate remains commensurate with the cost of safely and efficiently hosting passengers in Alaska.

Section 8 amends AS 43.52.200 to clarify that “voyage” means spending 72 hours in the state’s marine waters.

Section 9 repeals the regional cruise ship impact sub-account in the general fund. Thus, all proceeds from the commercial passenger excise tax will go into the commercial vessel passenger tax account subject to appropriation by the Legislature.

Section 10 provides an immediate effective date for the bill.

*Adopted
4/5/10*

26-GH2210AR
Bullock
4/2/10

CS FOR HOUSE BILL NO. 422()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the excise tax on passengers traveling on commercial passenger**
2 **vessels providing overnight accommodations in the state's marine waters; and providing**
3 **for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 43.52.200 is amended to read:

6 **Sec. 43.52.200. Levy of excise tax on overnight accommodations on**
7 **commercial passenger vessels.** There is imposed an excise tax on passengers
8 traveling [TRAVEL] on commercial passenger vessels providing overnight
9 accommodations that anchor or moor in the state's marine water with the intent to
10 allow passengers to embark or disembark.

11 *** Sec. 2.** AS 43.52.210 is amended to read:

12 **Sec. 43.52.210. Rate of tax.** The tax imposed by AS 43.52.200 - 43.52.295 is
13 levied at a rate of \$34.50 [\$46] a passenger per voyage.

14 *** Sec. 3.** AS 43.52.230(a) is amended to read:

1 (a) The proceeds from the tax imposed under AS 43.52.200 - 43.52.295 [ON
2 TRAVEL ON COMMERCIAL PASSENGER VESSELS PROVIDING
3 OVERNIGHT ACCOMMODATIONS IN THE STATE'S MARINE WATER] shall
4 be deposited in a special "commercial vessel passenger tax account" in the general
5 fund. The legislature may appropriate money from this account for the purposes
6 described in (b) [AND (c)] of this section, for state-owned port and harbor facilities,
7 other services, and infrastructure to properly provide for commercial passenger
8 vessel or passenger [WATERCRAFT] visits, to enhance the safety and efficiency of
9 interstate and foreign commerce, and such other lawful purposes as determined by the
10 legislature.

11 * **Sec. 4.** AS 43.52.230(b) is amended to read:

12 (b) For each voyage of a commercial passenger vessel providing overnight
13 accommodations, the commissioner shall identify the first five ports of call in the state
14 and the number of passengers on board the vessel at each port of call. Subject to
15 appropriation by the legislature, the commissioner shall distribute to each port of call
16 \$5 per passenger of the tax revenue collected from the tax imposed [LEVIED] under
17 AS 43.52.200 - 43.52.295. If the port of call is a city located within a borough not
18 otherwise unified with the borough, the commissioner shall, subject to appropriation
19 by the legislature, distribute \$2.50 per passenger to the city and \$2.50 to the borough.
20 Each port of call receiving funds under this section shall use the funds in a manner
21 calculated to improve port and harbor facilities and other services and infrastructure
22 to properly provide for commercial passenger vessel or passenger [WATERCRAFT]
23 visits and to enhance the safety and efficiency of interstate and foreign commerce.

24 * **Sec. 5.** AS 43.52.250 is amended by adding new subsections to read:

25 (b) The tax imposed by AS 43.52.200 - 43.52.295 shall be reduced by the total
26 amount of a tax on a passenger traveling on commercial passenger vessels imposed on
27 the passenger by a municipality.

28 (c) The tax reduction under (b) of this subsection applies only to taxes
29 imposed by a municipality that did not elect to receive funds under AS 43.52.200 -
30 43.52.295 by December 17, 2007.

31 (d) The tax reduction under (b) of this section may not exceed 50 percent of

1 the tax rate levied under AS 43.52.210.

2 * **Sec. 6.** AS 43.52 is amended to add a new section to read:

3 **Sec. 43.52.260. Periodic report.** The Department of Commerce, Community,
4 and Economic Development shall prepare and submit to the governor, the legislature,
5 and the public a report every three years that

6 (1) addresses the projected needs of communities to safely and
7 efficiently host passengers that pay taxes under AS 43.52.200 - 43.52.295; and

8 (2) summarizes the extent to which appropriations of the proceeds of
9 the tax have been used to defray the needs described in (1) of this subsection.

10 * **Sec. 7.** AS 43.52.295(4) is amended to read:

11 (4) "voyage" means any trip or itinerary lasting more than 72 hours **in**
12 **the state's marine waters.**

13 * **Sec. 8.** AS 43.52.230(c) is repealed.

14 * **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).

March 29, 2010

Gov. Sean Parnell
P.O. Box 110001
Juneau, AK 99811-0001

Dear Gov. Parnell,

I am a resident of Girdwood and a founding member of Girdwood 2020, a group of concerned citizens who advocate for responsible development. One of our priorities is the economic health of Alyeska Resort, which relies on cruise visitors during the summer to carry it through the shoulder seasons.

The hotel suffered last summer and is so nervous about this season it significantly reduced personnel costs by downsizing its work force and dropping insurance for its employees.

Girdwood 2020 has long been concerned with the negative impacts of the cruise ship initiative and has passed two resolutions supporting repeal or major changes in both its environmental and economic requirements. Here is the text of the one we passed last year:

**Girdwood 2020 Board of Directors
Resolution In Support of Modifying
2006 Alaska Cruise Ship Initiative**

WHEREAS, Girdwood 2020 comprises a group of citizens who want Girdwood to grow and prosper as a unique, internationally recognized mountain resort community through environmentally responsible economic development,

WHEREAS, Girdwood is one of the top destinations for cruise ship passengers in Southcentral Alaska,

WHEREAS, cruise ship passengers are important to the economic viability of Alyeska Resort, along with dozens of other area businesses, including Alaska Heritage Tours and the Alaska Wildlife Conservation Center,

WHEREAS, a 2006 Alaska Cruise Ship Initiative dramatically increased the cost of cruising to Alaska by imposing three new taxes, including a \$50 passenger entry fee, and environmental standards not required by other dischargers, and

WHEREAS, cruise lines have redeployed ships and shifted itineraries in an effort to reduce costs and increase margins, and

WHEREAS, the redeployments will reduce the number of cruise passengers to Girdwood and Southcentral Alaska by one-third in 2010 and cost the region more than \$150 million in lost taxes, local purchases and passenger spending, along with three to five flights per week, and

WHEREAS, no other destination imposes such a costly tax and environmental fee structure and most destinations are offering the cruise industry incentives.

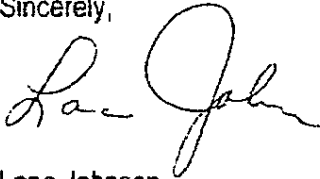
NOW THEREFORE BE IT RESOLVED, the Girdwood 2020 Board of Directors urges Governor Sean Parnell and the Alaska State Legislature to create a panel to evaluate the effects of the 2006 Cruise Initiative and to review, eliminate or lower the \$50 entry fee.

Approved the 12th day of September, 2009

I commend you for your brave move to significantly reduce this onerous tax and return our state's competitive advantage.

Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lana Johnson".

Lana Johnson
P.O. Box 708
Girdwood, AK 99587
907-782-1110



March 29, 2010

Dear Legislator;

On behalf of the Board of Directors of Southeast Conference we strongly support Governor Parnell's efforts to reduce the amount of the Alaska cruise ship head tax from \$46 to \$34.50 and encourage tourism marketing tax credit legislation. We have to compete in a global market that is steadily taking away the state's cruise travel market. Bermuda just lowered its cruise ship taxes and fees, which now makes Juneau the most expensive port in North America. These efforts by the Governor will bring our taxes more in line with our competitors.

Southeast Conference is a regional, nonprofit corporation that advances the collective interest of the people, communities and businesses in Southeast Alaska. Members include municipalities, native corporations and village councils, regional and local businesses, civic organizations and individuals throughout the region. Our mission is to undertake and support activities that promote strong economies, healthy communities, and a quality environment for Southeast Alaska. We are the State-designated Alaska Regional Development Organization (ARDOR), the federally-designated Economic Development District (EDD), and the federally designated Resource Conservation and Development Council for Southeast Alaska. Each of these designations requires Southeast Conference to take an active role in regional resource management and economic development planning.

After decades of steady growth in the tourism sector, Alaska is facing a 17 percent decline in cruise visitation this summer. That will translate to 140,000 fewer passengers coming here during the four-month cruise season. Alaska businesses have come to rely on the tourism business for the stability they need to run a year round business. These projected reductions will be devastating to our small businesses in Southeast Alaska. This tax reduction is good faith toward the value we put on our most renewable economy, tourism. Support for this legislation will let the cruise companies know that we value their business.

Southeast Conference urges the legislature to support the head tax reduction.

On behalf of the Board of Directors,

Shelly Wright
Executive Director



3/29/10

Governor Sean Parnell
PO Box 110001
Juneau Alaska, 99811

Governor Parnell,

First, thank you for putting forward your hybrid tourism bill (SB422/HB311), to reform the cruise tax structure as well as help our industry market itself. It is not always popular to do the right thing, and you have shown outstanding leadership by acknowledging and battling a dangerous threat to Alaska's economy. The Tourism Industry touches every region of the state, and helps prop up every sector of our economy. As you know, the last two years have been brutal for our industry, and your proposal is the first ray of sunshine we've seen in quite a while. I'm confident that if it passes, it will help pull the Tourism Industry out of the quicksand it's been stuck in, as well as bolster the Alaskan economy in general.

Ballot Measure 2, when it passed, was one of the toughest initiatives to understand that I've ever seen. It was sold to the public as a minor fee that cruise ships needed to pay, in order to offset some of the costs that the State incurs on their behalf. This is a hard message to argue with, everyone should pay their own way and the Cruise Industry is no exception. Hindsight being what it is, we can now see the real, tangible, measurable effects of this legislation. Not only was the \$50.00 tax enough to radically change the economics of the Cruise Industry in Alaska, the initiative as it turns out, was also packed with a whole host of regulations, stipulations and environmental requirements that made Alaska one of the toughest places for these companies to do business. At the time, its authors said to the Alaskan public "don't worry, cruise ships aren't going anywhere" and three years later, the proof is in the pudding. Ships have left, despite the assurances of the Ballot Measure's authors.

The second half of your proposal, the Tourism Marketing Tax Credit is equally important to our industry. When a ship leaves our state, it takes a proportional amount of marketing dollars with it. Add to that the overall decline in marketing dollars this state has spent in the last 15 years, and you can see why Alaska just doesn't compete on a world stage. Cruising has proven very popular, and every region of the world is figuring out how much they have to gain by attracting visitors. Gone are the days where the Caribbean was our only competition. Now Alaska is just one of dozens of exotic cruise destinations, and getting our message out is twice as important as it was even 10 years ago. Luckily we have an easy pitch to make: Alaska is blessed with unmatched natural wonders, accessible wildlife and the most exciting native cultures in the world. We just need to get that message in front of the travelers, and that's going to take more funding.



My grandparents started this business 60 years ago and like any struggling family business, we have had ups and downs; but in all that time the last two years stand out. Last year we had an almost 30% drop in passengers, and bookings for this summer are down another 20% on top of that. In the last two years we have cut over 70, out of what was almost 200 seasonal workers we hired in 2007. We have also cut 4 of our 18 full time positions. These are real people; families who have mortgages and students who pay tuition. Besides the emotional aspect of these cutbacks, they also represent a dramatic decrease in dollars spent in the community. These Alaskans used their wages to pay bills, buy groceries and put gas in their car. This is how tourism touches the entire Alaskan Economy, and why this legislation is so vital, not just for us, but for the whole state.

Thank you for your leadership on this issue, I proudly support these two bills and hope that the Legislature passes them quickly.

Sincerely,

Ryan Binkley
President, Riverboat Discovery
Fairbanks Alaska



March 30, 2010

Governor Sean Parnell
PO BOX 110001
Juneau, AK 99811

Dear Governor Parnell:

Hello Governor, first let me say thank you for your recent introduction of House Bill 422 and Senate Bill 311. I would like to take a moment of your time to tell you about the importance of this tourism bill to myself and to countless other members of the Fairbanks community. Over the years I have been lucky enough to have the experience of growing up in a family business; it taught me invaluable skills and life lessons, and it always meant that I had a summer job that I had to show up to everyday. It also gave me the opportunity to work side by side many of my best friends and was a place where I formed lasting friendships with peers from all over Alaska.

As I have taken on a more permanent role here at the Riverboat Discovery, I have had the pleasure of hiring and managing a large portion of our full-time and summer crew. It has given me a chance to mentor outstanding young Alaskans and teach them the values and work ethic that I was taught as a young deckhand growing up on the boat. It also provides them with a steady summer income that allows them continue paying for their education, rent, living expenses, etc. This money trickles through various Fairbanks businesses and helps support all sectors of the local economy. I have seen the positive effect that this "simple summer job" has had on young Alaskans a hundred times over, and it has become one of the most rewarding aspects of my job.

Over the last two winters it has been disappointing to see how the severe drop off in Alaska tourism has had such a devastating effect on our crew size. We have been forced to cut 4 year-round positions and have seen our summer crew drop, from nearly 200 two years ago, to 120 for 2010. It is difficult having to turn away so many exceptional young people because we can no longer support such a staff.

While many of us in the industry have been battling to reverse this disturbing trend for the last two years, it has been a lonely fight. That is why I am so grateful for your recent support and leadership on this issue. HB422/SB311 is the first step in getting Alaska tourism back on track and with your continued support, coupled with the help of the legislature, Alaska can once again become a premier visitor destination.

Thank you for stepping up to the plate for all Alaskans on this issue; you have my full support in your efforts.

Sincerely,

Captain Wade Binkley
Vice President of Operations



KETCHIKAN

Our lifestyle, your reward

March 25, 2010

The Honorable Sean Parnell, Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

Thank you for your participation in the Cruise Shipping Miami conference and Sea Trade industry trade show last week. It was a great affirmation of your commitment to our industry to have you join us.

Perhaps more importantly, I wish to convey my thanks for your willingness to demonstrate your support for the tourism industry by offering a solution to two of the issues that most affect my community's viability as a visitor destination- changes to the state head tax and support for increased marketing of Alaska.

The ballot measure that was narrowly passed by voters during the primary elections in 2006 has created unwieldy and punitive measures against the cruise line industry. I appreciate that you understand by lowering the head tax, and eliminating the collection of fees that in the past have been used for somewhat questionable projects, we can move forward. Your proposal ensures that funds will continue to be available for needed infrastructure improvements and strongly signals that Alaska values its relationships with our business partners, who in turn bring visitors to our shores to see our sights, buy our tours, shop in our stores, dine in our restaurants and go home with a positive message about our amazing state.

Marketing Alaska as a visitor destination is equally important. Alaska's appeal is still there, but our message is often lost in the clutter of all of the travel advertising and promotion that exists in the media. While other destinations are ramping up their efforts to bring visitors in, Alaska's budget is flat, and dollars are stretched. The state has a role to play, and it is more important than ever that Alaska commit additional dollars to grow this industry.

While oil is indisputably a large factor in our state's economy, tourism is an important, long term resource that will continue to produce jobs, local and state government revenues and create small business opportunities, not only in Ketchikan but throughout Alaska. It often has taken a back seat as a priority for our elected officials. I can only say again, thank you for your interest in and elevation of solutions that will benefit us all for the long term.

Sincerely,

Patti Mackey
Executive Director

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E-mail: pmackey@visit-ketchikan.com • www.visit-ketchikan.com



Greater Ketchikan Chamber of Commerce

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2010 Officers

Leigh Gerber
President

Trident Seafoods

Kim Glisson
Secretary

1st Vice President
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Insurance Agency, Inc.

Miguel Torres
2nd Vice President
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Nancy Christian
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Alaska Pacific Bank

Andrew Spokely
Past President
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Exploration Gallery

Jim Fowler
Anderes Oil Inc

Doug Ward
Alaska Ship
& Drydock, Inc.

Jacob Hasty
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John Malouf
Alaska Amphibious Tours

Eric Nichols
Alcan Forest Products

Jason Harris
Guardian Flight

Chamber Staff

Blaine Ashcraft
Executive Director

Governor Sean Parnell
Third Floor, State Capitol
PO Box 110001
Juneau, Alaska 99811-0001

Dear Governor Parnell,

On behalf of the Greater Ketchikan Chamber of Commerce and its 324 member businesses, I would like to thank you for your introductions of proposals that we feel would greatly benefit our members and our community. As you may realize our community has undergone a huge transition from a resource extraction based economy to a community that presently predominantly tourism based economy.

We are extremely fortunate that during the waning years of the timber industry, that we were at the same time seeing the offsetting growth in the tourism industry; that growth was arguably the savior of our community. As such, over the last 15 years, Ketchikan has made significant investment into our infrastructure and into reinventing and itself to be a part of this competitive market.

Although we are continually looking at ways to diversify our economy, the fact of the matter is: our community could not survive without tourism or the tourism industry.

We are in full support of your proposed solutions, specifically;

- *Reducing state head tax from \$46.00 per person to \$34.50 per person*
- *Providing credit for local head taxes*
- *Requiring the state to review tax rates every three years to help insure that funds are aligned with infrastructure needs.*
- *Allowing tourism revenue to be reinvested in marketing Alaska, through a corporate tax credit.*

Sincerely,

Blaine Ashcraft
Executive Director
Greater Ketchikan Chamber of Commerce

Governor Sean Parnell
PO Box 11001
Juneau, AK 99811-0001

Governor

Bill # HB 422 and SB311

I'm glad you are supporting this effort to reduce the head tax and with the Alaska Tourism Marketing Tax credit. I have been involved with the Eldorado Gold Mine for 16 years and have been in a position to hire local Alaskans for our operation in the last 12 years. Last year we had a decline in passengers and with the cruise ship cancellations for 2010 we are hiring less crew members again this year.

What this results in is less college students working to help pay for their college expenses. I have seen reductions across the board in our company, full time and seasonal positions cut and not filled. This has an effect on families like my own with a son in college and my daughter going to college in the fall of 2011. With reductions in crew we have lots of college and high school students still looking for work. If they don't find work it will cost more to go to college and in fact may be the deciding factor whether they can afford to go to college at all.

We need to make Alaska more competitive in the market and this will be a huge step in achieving this. When I go to the grocery store and see parents in town here, I have had some ask about seasonal work for their kids, I hope in the future we can hire these students in the Fairbanks area with the return of the cruise passengers to the interior.

I like what you have done so far in supporting this measure it really will have an effect on jobs and the local economy in parts all across Alaska.

Sincerely

Jayson Kowalchuk
VP Eldorado Gold Mine
Fairbanks, Alaska
907-590-0849



March 29, 2010

Governor Sean Parnell
PO Box 11001
Juneau, AK 99811-001

Dear Governor Parnell:

The decline in the visitor industry is hurting our business, our community, and our residents. The loss of revenue due to the decrease in tourism (i.e. bed taxes, sales taxes, etc.) is hurting us. The loss of three additional ships in 2010 will be felt throughout the entire State. Alaska will see a loss in revenue of \$165 million in 2010 and we will lose the marketing funds that go with each ship. Fairbanks will have 33 percent fewer passengers visit our community this summer. This is a trend that we cannot afford to see continue.

In order to reverse this downward spiral, we must take action. We must reduce the cost of operating in Alaska for the cruise industry and increase the State's marketing efforts. Our great State is no longer competitive in the global market in either of these areas. As other destinations are lowering fees and increasing markets, we increased fees with ballot Measure 2 and have no money to increase our marketing efforts.

I fully support the plan you have proposed and truly believe that it is our best chance to save our tourism industry. The reduction of the head tax and the Alaska Tourism Marketing Tax Credit bills (SB 311/HB 422) are the best hope for the survival of the Alaskan-owned small businesses. The passing of these bills will create a sustainable mechanism that will support marketing Alaska and hopefully bring more visitors to Alaska. Your leadership has given strength and momentum to these bills and I greatly appreciate it.

Sincerely,

Susan Fischer
Vice President of Administration
Gold Dredge No. 08

1975 Discovery Drive Fairbanks, AK 99709 Phone (907) 479-2905 Fax (907) 479-4613
Website: <http://www.golddredgeno8.com>

Bell, Susan K (GOV)

From: Laura Cloward [director@seward.net]
Sent: Tuesday, March 30, 2010 2:18 PM
To: Parnell, Sean R (GOV)
Subject: Seward Chamber Support for Gov Parnell Tourism Marketing/Cruise Industry Efforts

March 30, 2010

The Honorable Governor Sean Parnell
Governor of Alaska
Juneau, AK 99801

Dear Governor Parnell:

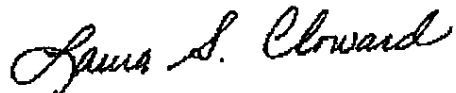
The Seward Chamber of Commerce, Conference and Visitors Bureau would like to thank you for your efforts to strengthen Alaska's economy through tourism marketing and partnership with the cruise line industry. We applaud your travel to Miami and your willingness to engage with the cruise industry, and important facet of Seward's economy.

On March 15th, the Seward Chamber Board of Directors approved Resolution 2010-03 urging the Alaska State Legislature to support the passage of the Alaska Tourism Marketing Tax Credit bill (SB 138/HB 167). Since our passage of Resolution 2010-03, we were pleased to see your proposed legislation introduced into both the State Senate and House, legislation which both encourages investment into tourism marketing and sustains jobs by reducing the cost of doing business in Alaska.

It is critical in today's economy that the State take action to help our businesses remain viable and retain those jobs tied directly and indirectly to tourism. Seward is fortunate to have a diversified economy; tourism plays an important role in that balance. Beyond seasonal employment, this impact is year-round: government positions tied to Kenai Fjords National Park; a rail line that supports not only seasonal passenger travel, but year-round coal export and barge activities; cruise ship-capable berths and terminal facilities that support cargo dockings, AMHS maintenance, and visits by military vessels; and purchase of locally-processed commercial fish.

We fully support your respective bills, SB311 and HB422, which, in addition to implementing a tourism tax credit, goes a step further by reducing the fees associated with cruise visitors traveling to our great state. Thank you for your leadership on this important issue.

Sincerely,



Laura Cloward, Executive Director
Seward Chamber of Commerce

cc: Alaska State Legislature

3/31/2010



American Society of Travel Agents
1101 King Street, Suite 200
Alexandria, VA 22314

Tel 703.739.2787
Fax 703.684.8319
800.ASKASA

askasta@asta.org
www.ASTA.org

The Honorable Sean T. Parnell
Alaska State Capitol Building, Third Floor
P.O. Box 110001
Juneau, AK 99811-0001

23 March 2010

Dear Governor Parnell:

On behalf of the American Society of Travel Agents (ASTA) and its approximately 3,500 domestic travel agency firms, I applaud and strongly support your recent proposal to reduce the state "head tax" on cruise ship passengers from \$46 to \$34.50.

Travel agents are responsible for over \$14 billion in annual cruise sales--approximately 80% of all cruise travel sold. As part of its advocacy mission on behalf of the travel agency community and the travelling public, ASTA supports the reduction of regulatory and tax barriers that make travel more expensive.

The predictable effect of a tax reduction such as the one you have proposed will be an increase in the number of cruise passengers visiting your state—a welcome result for passengers, travel agents, and Alaska-based businesses alike. We look forward to working with you to help this measure to become law.

Thank you for your leadership on this and other issues affecting the travel industry.

Very Truly Yours,

Chris Russo
President and Chair

CC: Sen. Lyman Hoffman, *Co-Chairman*, Senate Finance Committee
Sen. Bert Stedman, *Co-Chairman*, Senate Finance Committee
Rep. Mike Hawker, *Co-Chairman*, House Finance Committee
Rep. Bill Stoltze, *Co-Chairman*, House Finance Committee
Rep. Jay Ramas, *Chairman*, Special Committee on Economic Development,
Trade, & Tourism

Gakona Junction Village, Inc.

Memorandum

To: Members of Alaska State Senate and House of Representatives

From: Alan LeMaster, President

Re: HB 422 – Tourism Tax/Tax Credit

Date: April 2, 2010

First let me thank each of you for opening your doors to the members of Alaska's travel industry earlier in the week as we campaigned for our livelihoods that are so tied to this bill, introduced by Governor Parnell.

We know there are many issues on your plate and you were extremely cordial in allowing us so much time to state our case.

As you consider your final answer to our request, please consider the following.

Two Proposed Plans:

There are at least two plans on the table for your consideration. One is the Governor's plan as expressed in HB 422 combining certain changes in the cruise ship tax system and the request of the visitor industry to allow for a corporate tax credit. The other is the plan expressed in the Senate Bills SB 311 & SB 312, whereby the issue of the Cruise Tax is separated from the Corporate Tax Credit proposed in HB 422 and giving a one year supplemental payment to the marketing program of \$5,000,000.

Legislative direction:

Last year when we were in Juneau discussing the Alaska marketing program and looking for a funding mechanism, we were told to go back to the drawing boards and look for a perpetual solution that would be long term, alleviating the need to return year after year seeking funding. So we did exactly that.

We considered many options and after a lengthy effort of our industry membership developed and agreed on a system whereby Alaska corporations involved in the tourist industry would have the option to dedicate their corporate tax dollars to the Alaska state's marketing program to a maximum of \$20,000,000 a year. Those dollars would then be the base for marketing Alaska to the world through their public partnership with the Alaska Travel Industry Association.

Administration Support:

After several sessions with the Administration they recognized that an additional problem was brewing with the cruise ship companies over what is commonly referred to as the "cruise ship tax". In an effort to come to resolution, the first move by the Governor was to attend the Cruise convention in Miami where he was able to sit down with the presidents of the major cruise ship companies cruising Alaska. In those meetings which were, at times a bit contentious, he was able to come to agreement that if he would reduce (not eliminate) the tax, add marketing dollars to our efforts and use the tax monies collected to enhance the port facilities where they traveled, they would drop the law suit in process, add

Gakona Junction Village, Inc. dba:

Copper River Salmon Charters ~ Gakona Stop 'n Shop ~ Gakona ECO Gas ~ Gakona Cabins

P. O. Box 222 – Gakona, AK 99586

Phone: (907) 822-5058

Fax: (907) 822-3696

Email: gakona@gakonaank.net

additional ships to their schedules in 2012 restoring much of the over 140,000 passenger loss we have experienced over the last couple of years.

Governor Parnell saw the benefit of both the cruise ship tax issue and the corporate tax contribution issue. He thus combined them into a single bill providing for that long term solution we all are seeking. He proposed a comprehensive program and submitted it in the form of HB 422.

Legislative resistance:

For reasons that I am unable to discern, the Senate Finance Committee has not been able to bring this bill forward for hearing. In its place, we learned during our Fly-In that two new bills were introduced splitting the Governor's bill into SB 311 and SB 312 and allowing for a one time contribution of \$5,000,000 to the Marketing Program. We view this as a short range, stop gap effort and not a real solution to the problem we are seeking in HB 422.

Our recommendation:

Your choice?

- A. You can choose to pass a comprehensive bill (HB 422) using corporate tax credits that allows for a long term solution with adequate funding enabling us to build a sustainable growth program of up to \$20,000,000 in exchange for:
 - i. The cruise industry dropping the litigation now in process
 - ii. Additional ships in the 2012 schedule adding thousands more visitors to Alaska
 - iii. Restoring up to 5000 jobs lost in the last two years from reducing visitation by over 140,000 guests.

- B. You can choose to support a short range, stop gap solution adding \$5,000,000 to our existing budget for one year. But, this proposal does not provide for sustainable marketing program, making it necessary for us to return to Juneau in 2011 to continue the fight for what you said you were seeking ~ "a perpetual, long term solution to marketing Alaska".

- C. Finally, you can do nothing. That option can only exacerbate the problem of the continuing reduction of employment in our industry, fewer businesses willing or able to profitably participate in serving the visitors and a major impact on the families depending on tourism, the second largest industry in Alaska, as their primary and/or secondary income.

Of course, the loss to the city, borough and state revenues will be significant. This is already being felt through fewer dollars in taxes, fees, permits, and premiums at every level.

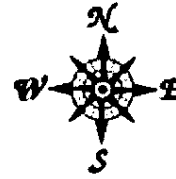
Summary:

So here we are at the crossroads and the journey nearing an end with only a couple of weeks left in the session. We in the industry fully support HB 422 and ask that you consider it carefully; then join us in passing this important legislation. Our very lives depend on it.

Please consider the options carefully. Ask questions. Think hard. Do the right thing. Call us if you have concerns. And finally, help us solve this urgent problem once and for all by passing HB 422 and sending it on to the Senate for their approval.

Sincerely,

L. Alan LeMaster, President



Responsible Cruising in Alaska

Governor Sean Parnell
Juneau, Alaska

March 12, 2010

Dear Governor Parnell:

RE: Cruise Ship Tourism

Responsible Cruising in Alaska supports both your travel to the Seatrade Conference in Miami and sustainable tourism, including large cruise ships, when these activities provide positive economic and revenue benefits to the state. Also, the large-ship cruise industry must meet Alaska's existing water quality standards at the point of discharge, as set out in Alaska law, in order to protect marine waters used for sport, commercial and subsistence fisheries.

Regarding pollution, the Alaska cruise industry has made enormous strides in preventing pollution since a decade ago when the industry was routinely being charged and convicted for felony dumping offenses. Installing working Advanced Wastewater Treatment systems on these vessels has put the industry on the cusp of meeting all Alaska's water quality standards (WQS's) at the point of discharge. The January issue of *The Maritime Executive* magazine supports this view that compliance with Alaska WQS's is now attainable. Remaining concerns are removing harmful discharge amounts of ammonia and copper, which directly affect marine growth and returning salmon. In fact, it is evident from DEC review and industry comments that the high levels of copper on some ships stem from water softeners interacting with the ship's copper plumbing; a problem easy to solve. The copper problem is the ships themselves, not local water sources.

Because tourism is a vital part of Alaska's economy, the great news is that recent financial upheavals and world-wide recession are ending. According to recent travel publications and journals like *The Economist*, advance cruise bookings including trips to Alaska are robust. In fact, one good measure of cruise booking strength is the rising cost of Alaska tickets. The average cost of berths for the state Ocean Ranger program is up 21% in 2010 compared to last year. That is a clear and positive sign of industry rebound and recovery.

When you meet with cruise executives in Miami to encourage increased cruise tourism to Alaska, please stress the following points:

- ✓ Industry is very close to achieving Alaska WQS's for pollutants, especially heavy metals and ammonia. Keep working to reach these goals, using the rapidly improving removal technologies.

Box 21884 Juneau, Alaska 99802 (907) 586-2117 chipt@alaska.net

- ✓ The cruise lines spend \$70 M a year to market cruises here. Alaska can either add to that figure or market primarily to independent air travelers.
- ✓ When cruise ticket prices are up in 2010 by hundreds of dollars, a \$46 tax that pays solely for primary cruise infrastructure in Alaska is stable.
- ✓ Alaska is not 'hoarding' tax revenues collected from the passengers. Every available dollar has been appropriated for docks, sidewalks, restrooms and road projects, all used by the passengers on their visits.
- ✓ Capital projects proposed for FY 2011 from the passenger tax are for primary cruise infrastructure in many Alaska ports. These projects also mitigate the economic impact on local and state residents.
- ✓ As one of the most beautiful and desirable travel destinations, the industry and state should work together to expand other opportunities for cruise passengers when traveling in Alaska, e.g., development of a world-class lodge on the south side of Denali.

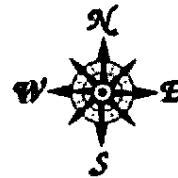
Alaska is a great place for cruising. Passengers come to Alaska from around the world to experience the vast beauty of Glacier Bay and the scenic splendor of Prince William Sound. Passengers love the sights and sounds in historic communities like Ketchikan, Skagway, Sitka and Talkeetna.

RCA urges you to continue working with the cruise industry so that Alaska remains a premier visitor destination. But Alaska cannot afford to alter the water quality standards that protect the marine waters and resources directly related to those experiences that cruise visitors seek. And at least for the next decade, the current, stable tax structure is needed to build primary infrastructure for the safe and efficient movement of passengers. These capital improvements are critical to the long-term viability of the industry.

Cruise tourism in Alaska will continue to grow in the coming decades, as it has each year for the past 25 years. Working together with port communities, the industry, and with fair and stable passenger taxes, Alaska can be the best cruise destination on Earth, sustaining a vital economic sector for many years to come. Thank you for your continuing interest and assistance,

Theodore Thoma, President
Responsible Cruising in Alaska

Copy: Mike Nizich, Chief of Staff
Larry Hartig, Commissioner, DEC
Pat Galvin, Commissioner, Revenue
Emil Notti, Commissioner, Commerce, C & ED



Responsible Cruising in Alaska

House Finance Committee
Juneau, Alaska

April 5, 2010

Dear Representatives,

RE: HB 422

Thank you for the opportunity to comment on HB 422. This Governor-submitted bill would severely degrade the Commercial Vessel Passenger Fund. The following bullet points regarding HB 422 are meant to critique this Governor's bill, to improve it, and make it less punitive to Alaska port communities that host cruise ships in Alaska each summer. I trust these points are considered and viewed favorably by the Finance Committee.

- HB 422 was industry-written as a punitive reaction to the voter-passed cruise initiative of 2006; it punishes cruise port towns.
- This bill is designed to lower the state fund by 59%, from \$46 million per year to less than \$19 million in cruise capital funding;
- The major result of passing this bill would be short-changing smaller cruise ports in Alaska; Sitka, Hoonah, and especially the westward ports of Seward, Whittier and Kodiak.
- The bill limits state ability to capitalize large cruise projects like Panamax docks which cost \$20 million to build.
- As a direct critique, HB 422 is a "Cap and Skim" math trick that has no justification except to decimate the tax revenue fund.
- Funds will be limited, and municipalities will return on bended knee to Vancouver and Miami for partial dock funding.
- HB 422 takes Alaska 'back in time,' restoring bickering and competition between cruise ports for industry visits & funding.

Box 21884 Juneau, Alaska 99802 (907) 586-2117 chipt@alaska.net

ON A POSITIVE NOTE:

- All Alaska cruise ports have received some funding from the state head-tax fund. These primary port projects are good investments for both industry and local communities;
- Cruise tax funding has not been hoarded as many wrongly claim, but is appropriated each year for new capital projects and paying down the bonded debt for new cruise docks;
- FY 11 proposals for cruise funding thus far are exactly what the voters intended – thanks to AG and OMB leadership.
- In years ahead, as the economy keeps improving, more ships will cruise to Alaska and require new and improved port projects; the sole purpose of the passenger head-tax.

SUGGESTIONS FOR CRUISE TAX REFORM:

- ✓ A modest cut in the \$46 state tax equal to the decline of 2010 passengers: 15%. A \$39 tax is a positive message to industry and preserves state ability to appropriate funds.
- ✓ 2010 Alaska taxes have already been collected by industry in the cruise ticket price. An effective date of 2012 on HB 422 gives industry time to re-deploy more ships to Alaska and achieve the 1 million passenger high-mark of 2009;
- ✓ Eliminate the words Regional Fund in state cruise law, but not the funding. The Legislature has always appropriated tax revenue as a whole, not by the words Regional Fund.

In conclusion, Alaska voters want reform of cruise ship practices in our state; **Protection of Clean Water** and **Fair Taxation** of this multi-billion dollar industry. While modest changes in state cruise law will be tolerated, wholesale changes that cripple funding for cruise capital projects should be addressed by Alaska voters, not by Miami-based threats. Please conduct an objective, state review of this important issue, which may lead to modest reforms in HB 422. Thank You,

Theodore Thoma, President
Responsible Cruising in Alaska

Attachment: 3/12/10 letter to Governor Parnell

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532



550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax 907-269-7463
www.gov.alaska.gov
Governor@alaska.gov

Governor Sean Parnell
STATE OF ALASKA

March 25, 2010

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Art. III, Sec. 18, of the Alaska Constitution, I am transmitting a bill that provides for (1) a corporate income tax credit for contributions to the qualified trade association that plans and executes a destination tourism marketing campaign, and (2) amendments to the commercial passenger vessel excise tax program to reduce the tax rate and provide for a periodic review of the tax rate to ensure that it remains commensurate with costs of hosting passengers in Alaska.

After decades of steady growth in cruise ship passenger visits to Alaska, Alaska is facing a 17 percent decline in cruise visitation this summer. Currently, that would translate into 140,000 fewer passengers coming here during the four-month cruise season, fewer Alaska jobs, and less revenue for Alaska's small businesses. In recognition of the significant impact this decline in cruise ship travel has on Alaska, I propose legislation to increase tourism marketing through a corporate income tax credit mechanism, and a reduction of the excise tax imposed upon passengers visiting Alaska by cruise ship. I am also proposing a periodic review to assess the projected community needs and use of appropriations to safely and efficiently host visitors in Alaska.

We can grow our economy by bringing more visitors to fuel our own Alaska businesses. In short, we should make Alaska a more affordable destination and send a message that we welcome travelers.

I urge your prompt and favorable action on the bill.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell".

Sean Parnell
Governor

Enclosure

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 422
 (H) Publish Date: 3/26/10

Identifier (file name): 1210-CED-OED-3-25-10 Dept. Affected: DCCED
 Title: CPV Excise Tax Review and Report RDU: Comm Assist and Ec Dev
 Component: Office of Economic Development
 Sponsor: Rules by Request of the Governor
 Requester: _____ Component Number: 2743

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel	10.0					10.0		
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	10.0		0.0		0.0	10.0	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	10.0					10.0		
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	10.0		0.0		0.0	10.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This bill establishes a tourism marketing tax credit, lowers the commercial passenger vessel excise tax on passengers, and requires the Department of Commerce, Community and Economic Development to conduct a periodic review of projected community needs and usage of past appropriations.

The travel component of this fiscal note represents staff outreach to communities and industry to better understand existing conditions and anticipated needs in port communities as a component of periodic review requirement in section 7 of this legislation.

The report and recommendation will be completed with existing staff resources.

Prepared by: Tyson Fick, Legislative Liaison
 Division: Commissioner's Office
 Approved by: Emil Notti, Commissioner
Commerce, Community and Economic Development

Phone 465-2503
 Date/Time 3/25/10 12:00 AM
 Date 3/25/2010

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 422
(H) Publish Date: 3/26/10

Identifier (file name): 1210-REV-TAX-03-24-10 Dept. Affected: Revenue
Title: Tax Credit for Tourism Marketing RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Rules
Requester: Governor Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES								
CHANGE IN REVENUES ()		0.0	(20,000.0)	(20,000.0)	(20,000.0)	(20,000.0)	(20,000.0)	(20,000.0)

FUND SOURCE (Thousands of Dollars)

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Johanna Bales, Deputy Director
Division: Tax Division
Approved by: Ginger Blaisdell, Director
Administrative Services Division

Phone (907) 269-6628
Date/Time 3-24-10; 3:20 pm
Date 3-24-10; 7:00pm

FISCAL NOTE #2

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. HB 422

ANALYSIS CONTINUATION

Bill Language:

This bill would allow corporations engaged in any type of tourism activity in the state to take a credit against the Alaska corporate income tax (CIT) for contributions made to a qualified trade association. The contribution would have to be used by the the trade association for a destination tourism marketing campaign and could not be used to directly benefit the entity that made the contribution. The credit would be allowed on 100% of corporate income tax of a corporation, but would be limited to the first \$20 million in contributions made to the trade association. The \$20 million limit would be adjusted each year for the change in vehicle rental tax collections under AS 43.52.010 - 43.52.099. If vehicle rental tax collections drop, the overall contribution limit would drop by the same percentage. If vehicle rental tax collections increase, the overall contribution limit would increase accordingly.

Revenues:

Corporate income tax revenues would decline by approximately \$20 million due to the new tourism tax credit.

Expenditures:

The provisions of this bill can be implemented using existing resources.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: HB 422
 (H) Publish Date: 3/26/10

Identifier (file name): 1210-REV-TAX-03-25-10 Dept. Affected: Revenue
 Title: Reduce CPV Tax RDU: Taxation and Treasury
 Component: Tax Division
 Sponsor: Rules
 Requester: Governor Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
CHANGE IN REVENUES ()	0.0	(22,000.0)	(22,000.0)	(22,000.0)	(22,000.0)	(22,000.0)	(22,000.0)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Johanna Bales, Deputy Director Phone (907) 269-6628
 Division: Tax Division Date/Time 3-24-10; 3:00 pm
 Approved by: Ginger Blaisdell, Director Date 3-25-10; 1:28pm
 Administrative Services Division

FISCAL NOTE #3

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. HB 422

ANALYSIS CONTINUATION

Bill Language:

This bill will reduce the commercial passenger vessel (CPV) excise tax from \$46 per passenger to \$34.50 per passenger traveling on a commercial passenger vessel in state marine waters. The bill would allow a reduction in the amount of the tax for taxes paid to a municipality that levies its own passenger fee. The reduction could not exceed 50% of \$34.50 regardless of the amount of passenger fees charged by other communities. All revenues collected from the CPV tax would be deposited in the commercial vessel passenger tax account in the general fund. The language which created the regional cruise ship impact fund would be repealed. Department of Revenue would continue to share \$5 with the first five ports of call. This bill would not affect community revenue sharing.

Revenues:

Commercial passenger vessel tax revenues would decline by approximately \$22 million in fiscal years 2011 and forward due to the reduction in the CPV tax from \$46 to \$34.50 per passenger and the further reduction allowed for passenger fees paid to municipalities with passenger fees in place in 2006. Again, this bill does not change the rate at which the state shares CPV tax with communities that do not levy a passenger fee. We expect passenger fee sharing to remain at approximately \$10 million each year. Since the bill has an immediate effective date, we expect a reduction in fiscal year 2010 CPV tax revenues of approximately \$3.2 million.

Expenditures:

The provisions of this bill can be implemented using existing resources.

Helen Phillips

From: Blaisdell, Ginger (DOR) [ginger.blaisdell@alaska.gov]
Sent: Friday, April 02, 2010 3:22 PM
To: House Finance Legislation
Subject: RE: HB 422 Tourism Enhancement bill packet

Testifying on HB422 will be:

Curtis Thayer, Deputy Commissioner, Department of Community, Commerce and Economic Development
Presenting the bill and responding to questions regarding statewide tourism issues
Johanna Bales, Deputy Director, Tax Division, Department of Revenue
Tax questions and fiscal notes

I'm also going to forward a few more letters of support to Ben Mulligan this afternoon

Ginger Blaisdell

Director, Admin Services
Department of Revenue
465-2312

46
34
12

1500
30
4,500,000

From: House Finance Legislation [mailto:House_Finance_Legislation@legis.state.ak.us]
Sent: Thursday, April 01, 2010 6:30 PM
To: Blaisdell, Ginger (DOR)
Subject: RE: HB 422 Tourism Enhancement bill packet

Ginger,

Who's going to be the presenters for the bill, and who will be there for questions?

Ben

~~NF~~
NF
~~NF~~

From: Blaisdell, Ginger (DOR) [mailto:ginger.blaisdell@alaska.gov]
Sent: Wednesday, March 31, 2010 2:29 PM
To: Ben Mulligan
Subject: HB 422 Tourism Enhancement bill packet

I delivered the hearing request letter and the Gov Leg Office should have already forwarded the two fiscal notes for HB 422.

In this packet are:

- Sponsor Statement
- Sectional Analysis
- Letters of support
- Economic Impact Study that has been delivered to each legislative office

Please let me know if you need anything further.

Thanks for considering HB 422

NFIB

The Voice of Small Business®

ALASKA

April 7, 2010

The Honorable Bill Stoltze
Co-Chair, House Finance Committee
State Capitol Building
Juneau, Alaska 99801-1182

RE: House Bill 422

Dear Representative Stoltze:

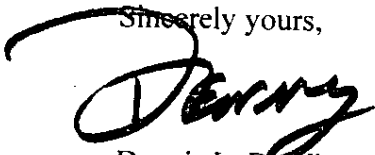
On behalf of the National Federation of Independent Business/Alaska, I wish to respectfully share our support for House Bill 422. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

House Bill 422 will reduce the Alaska cruise ship tax from \$46 to \$34.50 and provides tax credits for marketing Alaska as a tourist destination. With Juneau being the most expensive port in North America, it has reduced the appeal of Alaska to cruise ships.

Many of the NFIB/AK members benefit from the tourists and their activities in Alaska, whether they are specific tour operators or suppliers to those operators or the grocery store where employees of tourism operators buy their food. The expected decline of 140,000 will dramatically affect Alaska's many small businesses and their ability to hire summertime employees.

We encourage you to pass legislation to reduce the excise tax on cruise ship passengers so that we can begin to draw passengers back to Alaska.

Sincerely yours,



Dennis L. DeWitt
Alaska State Director

Cc: NFIB/AK Leadership Council
Governor Parnell



Alaska State Legislature

Please enter into the record my testimony to the House Finance Committee
committee name

Committee on HB 422 / NB 167 dated 4-5-10
bill # / subject public hearing date

①

I am Ronna Martin of Diamond M Ranch Resort. We have a B+B, Cabins + RV Park here on the Kenai. Diamond M Ranch has been on the board of both the Kenai Peninsula B+B Association + the Alaska Campground Owners Association, I feel confident that I represent these associations and their members as well. Due to the economic downturn of our country, we have seen our guest #'s down considerably last year and in our bookings for the upcoming season. As a small business, we are faced with very difficult decisions. →

Signed: R. Martin
Testifier

Representing (optional)

48500 Diamond M Ranch Rd Kenai AK 99611
Address

907-283-9424
Phone number

2

We do not have the revenue to pay for our past advertising venues, but if you don't advertise you can't increase your revenues. I would like to thank the Governor for his efforts to help Alaska Tourism by

- 1) Proposing a reduction of the cruise industry load tax
- 2) Advocating for a long-term funding solution for tourism marketing through passage of the tourism marketing income tax credit.

The government funding allows us to have a group effort in ~~our~~ ~~the~~ advertising Alaska Tourism. I pay for advertising my business which also promotes my local community. With the state funding ATIA can promote AK Tourism as a whole. It is critical that we work together. As far as the cruise industry - many of my guests first got their foot wet in AK by a cruise and are back to see more of this great state. If cruise ships

Q:

We do not have the revenue to pay for our past advertising venues, but if you don't advertise you can't increase your revenues. I would like to thank the Governor for his efforts to help Alaska Tourism by

- 1) Proposing a reduction of the cruise industry head tax
- 2) Advocating for a long-term funding solution for tourism marketing through passage of the tourism marketing income tax credit.

The government funding allows us to have a group effort in ~~our~~ ~~the~~ advertising Alaska Tourism. I pay for advertising my business which also promotes my local community. With the state funding ATIA can promote AK Tourism as a whole. It is critical that we work together. As far as the cruise industry - many of my guests first got their foot wet in AK by a cruise and are back to see more of this great state. If cruise ships

(3) Leave Alaska, the whole state is effected in a big way. I feel we all benefit from the cruise industry and my husband and I even enjoyed a cruise up the inside passage last ~~year~~ ^{May}. What an opportunity!

Thank you for reading my testimony and a special thank you to House Finance Committee and all their hard work. You all deserve the applause of the day.

Sincerely,

Ronna Martin
Diamond M Ranch Resort
Kenai, AK



Alaska State Legislature

Please enter into the record my testimony to the _____
committee name

Committee on _____, dated _____
bill # / subject public hearing date

Signed: _____

Testifier

Representing (optional)

Address

Phone number

Alaska Airlines

Bradley D. Tilton
President

March 25, 2010

The Honorable Sean Parnell
Office of the Governor
550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501

Dear Governor Parnell:

I am writing this short note to express our encouragement for the many things you are doing to ensure a strong economy for the state of Alaska, and specifically your effort to reduce the state head tax on cruise ship passengers and, in turn, increase cruise traffic in Alaska.

Our business is heavily reliant on a strong economy in the state of Alaska and, as we all know, the cruise ship industry is an important driver for the state economy. Unfortunately, we anticipate a significant decline in the number of cruise passengers we will carry this year.

We believe the tax as it is currently structured is counterproductive to our collective effort to maintain and grow jobs in the state of Alaska.

Thank you for everything you are doing for Alaska, and if we can help you in any way, please let us know.

Sincerely,





PremierGarage

907 E. Dowling Rd #11
Anchorage, AK. 99518

907-561-2200 T.
907-561-3300 F.
alaska@premiergarage.com
www.premiergarage.com

Gov. Sean Parnell
P.O. Box 110001
Juneau, AK. 99811-0001

Communities across Alaska are losing thousands of jobs. The decline in visitors is hurting our businesses and our local communities. The loss of visitor spending is causing dramatic layoffs in our businesses – some may not survive. Decreased visitor spending is also causing a significant reduction in local revenue through bed taxes, sales taxes, dock fees, etc.

We must take action now to turn around this decline, get our jobs back and rebuild our economy. To bring in more visitors, it is imperative the State address **two** issues. We must reduce the cost of operations in Alaska for the cruise industry and we must increase the State's marketing effort.

Governor Parnell, I support your plan to;

- Reduce \$46 head tax to \$34.50
- Provide credit for local head taxes
- Require state to review tax rate every three years to help ensure funds are aligned with infrastructure needs
- Allow tourism revenue to be reinvested to marketing Alaska, through a corporate tax credit
- Adequately fund the State's travel marketing program
- Provide for a stable marketing funding model
- Make Alaska more competitive and increase the number of visitors

Alaska is no longer open for business. The high cost of taxes on the cruise industry has made Alaska no longer competitive in the global market. Ballot Measure 2 imposed \$72 million a year in new taxes on the industry on top of the millions in existing local taxes. Due to the high costs to operate in Alaska and

heavily discounted fares we have seen in recent years, Alaska has become less profitable resulting in ships being deployed to other destinations.

In addition to addressing tax policies, Alaska **must** increase its marketing. Other destinations are becoming more aggressive to attract visitors. We do not have the funds to compete with these destinations causing a loss of market share. Increased marketing will drive demand for more ships and bring in more air, marine highway, and road visitors.

More visitors means more dollars into our economy, providing revenues for our businesses, jobs for Alaskans and local revenue through sales, bed and other taxes to support local services.



Bryan Trombley
Owner

Trombley Construction Services, LLC
PremierGarage of Alaska
907 E. Dowling Rd. #11
Anchorage, AK. 99518
(907) 561-2200
alaska@premiergarage.com



Anchorage Convention & Visitors Bureau

524 West Fourth Avenue, Anchorage, Alaska 99501-2212 | Phone: 907.276.4118 | Fax: 907.278.5559 | ExploreAnchorage.net

April 2, 2010

The Honorable Sean Parnell
Governor for the State of Alaska
PO Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell:

On behalf of the Anchorage Convention & Visitors Bureau (ACVB) and our 1,150 business members, please accept our sincere appreciation for your participation and attendance at the 2010 SeaTrade, recognizing the value of Alaska's tourism industry to businesses, families and local governments across the state. It was also a pleasure to see you again as part of the Alaska Travel Industry Association delegation in Juneau earlier this week. Your words and commitment towards doing what is right to grow this economic engine is appreciated and your leadership has truly earned the respect of our industry.

Small businesses and many Alaskan communities rely on the economic benefits brought by cruise passengers each summer and we see the revenues generated by those same passengers throughout the entire state as they enjoy pre & post cruise options. Likewise, the cruise industry values the credibility, additional messaging, and lead-generation programs that the state's marketing program provides.

Passage of your "united tourism bills" - HB422 and SB311 - will assist all fronts of our industry, from those catering to truly independent visitors to those businesses that have found valuable partnerships with Alaska's cruise industry.

A healthy tourism industry is a key component to the long history of growth that we've enjoyed in Alaska. We know that to have continued growth and sustained well being of community and business investments, we need to work together to create a stable and viable business environment. Your proposal will provide a much needed long-term and sustainable funding mechanism for the state's destination marketing program as well as a needed adjustment to the cruise head tax to return Alaska to a competitive position.

I'm proud of our industry and proud of the fact that year after year tourism contributes significantly to the state's general fund and to the funding of local governments throughout Alaska. Perhaps even more satisfying are the contributions our industry makes in creating robust and lively communities that our residents and families enjoy year-round.



Governor Parnell
Page 2 – April 2, 2010

Your forceful support of this legislation can expand this win-win cycle for everyone's benefit. ACVB is actively encouraging legislators to pass the proposed united tourism bills. I welcome your suggestions for any additional advocacy or support we can provide. Thank you for keeping the tourism industry a priority and thank you for your service to Alaska.

Sincerely,

A handwritten signature in black ink, appearing to read 'Julie Saupe'.

Julie Saupe
President & CEO

cc: ACVB Board of Directors
Alaska Cruise Association
Alaska Travel Industry Association



March 31, 2010

Voting Members

- Anand Vadapalli ACE
- Bill O'Leary Alaska House of Representatives
- Bob Locher CH2M HILL
- Brian Wenzel Udonis Phillips
- Bruce Bustamante ProQuest Tour
- Bruce Lamouroux Providence Alaska Medical Center
- Chris Brown AT&T Alaska
- Chris Stephens Band Stephens & Johnson Inc
- Claire Fitzpatrick BP Exploration Alaska Inc
- Connie Carter FedEx Express
- Dale Pittman Laramie's Corporation
- David Hamilton Highline USA Federal Credit Union
- Dennis Mitchell Lambda International
- Ed Herndon Chicago/Melkor Corporation
- Greg Kessler Interim Alaska Travel Express
- Greg Pearce LLC
- Jeffrey Davis Premier Blue Cross Blue Shield of Alaska
- Joseph Everhart Wells Fargo Bank, N.A.
- Lon Wilson The Wilson Agency LLC
- Mark Laland Maritime Air Cargo
- Maria Wellington Carpenters of Alaska
- Michael Prazerak S&B Architects
- Mike Devlin Ferguson's Florist Inc
- Pat Walsh Walsh/Sheppard
- Peter Grunwaldt Premier Alaska Tours
- Scott Hansen Corporate Local 1287
- Sophie Minich CRP
- Stephanie Holhaus Alaska Express
- Stewart Orsmond DCWE, P&M
- Suzanne Cherot Truist Financial Services, LLC
- Tim Vig HARRIS Inc

The Honorable Governor Sean Parnell
 State of Alaska
 State Capital
 P.O. Box 110001
 Juneau, AK 99811-0001

Re: HB422 & SB311 Passenger Tax; Tourism Tax Credit Legislation

Dear Governor Parnell:

On behalf of the Anchorage Economic Development Corporation (AEDC), we write to offer our support for your efforts to promote increased tourism in Alaska through your proposal to adjust taxation related to the cruise ship industry. Your efforts to create a comprehensive approach to address the visitor decline while rebuilding and strengthening relationships with the cruise industry are important to the future health of the visitor industry in Anchorage and the Southcentral region.

Your proposed legislation, HB422 & SB 311, will strengthen Alaska's competitive position in global tourism and will help to stem the loss of visitors that now totals over 140,000 cruise ship passengers who will not visit the Southcentral region this year. Additionally, your commitment to increased support for marketing of Alaska in the global marketplace will help to put Alaska back on track towards renewed growth in visitor numbers and the resulting growth in economic benefit to our region.

AEDC supports legislation reducing the head tax to \$34.50. AEDC also supports legislation that will allow tourism revenue to be reinvested to marketing Alaska, through a corporate tax credit. HB422 and SB311 accomplish these important needs for the future health of tourism in Alaska and the Southcentral region.

Ex-Officio Members – Legislators

- Rep. Craig Johnson Alaska State Legislature
- Rep. Lindsey Holmes Alaska State Legislature
- Sen. Johnny Ellis Alaska State Legislature
- Sen. Lesli McGuire Alaska State Legislature

Ex-Officio Members – Municipality

- Mayor Dan Sullivan Municipality of Anchorage
- Assemb. Bill Starr Municipality of Anchorage
- Assemb. Dan Coffey Municipality of Anchorage

Ex-Officio Members – Appointed by the Board

- Brian Nerland KeyBank Alaska
- Carol Comeau Anchorage School District
- Chris Anderson HEDBA
- Elsha Baker University of Alaska Anchorage
- George Vakalis WWSU
- Jim Posey Municipal Light & Power
- John Parrott Ted Stevens Anchorage International Airport
- Julie Soupe Anchorage Convention & Visitors Bureau
- Larry Cash S&B Architects
- Mary K. Hughes Past Chairwoman of the AEDC Board
- Tennis Owens Arpaque LLC
- Tony Izzo Anchorage Chamber of Commerce

Sincerely,

Lon G. Wilson
 Chair, Board of Directors

Bill Popp
 President & CEO

Date: April 2, 2010
Action: Passed
Vote: Unanimous

**SEWARD CHAMBER OF COMMERCE, CVB
BOARD OF DIRECTORS
RESOLUTION 2010-04**

**A RESOLUTION IN SUPPORT OF CREATING INCENTIVES FOR INVESTMENT AND
INCREASING COMPETITIVENESS OF ALASKA.**

WHEREAS, the mission of the Seward Chamber of Commerce, Conference and Visitors Bureau is to maintain a diversified economy and positive business environment; and

WHEREAS, one aspect of that mission is to support a strong and growing job base; and

WHEREAS, Alaska's seasonally adjusted unemployment rate was 8.5% in February 2010, a 37% increase from February 2008's rate of 6.2% and the highest rate for the month of February since 1992; and

WHEREAS, Alaska Department of Labor data clearly shows that Alaska employment in most every industry has dramatically fallen since the last 4 months of 2008*, including 1,500 lost oil and gas industry jobs; and

WHEREAS, Alaska's economy is built mainly on the sale of natural resources and inflows of cash from the federal government; and

WHEREAS oil & gas investment, development and production is by itself one of the three major supports of Alaska's economy; and

WHEREAS, more than one third of all working Alaskans owe their livelihood to resource exploration, development and extraction in Alaska, including not only jobs within the petroleum and mining sectors but also jobs in the State and local government, finance, infrastructure, trade, construction, small business, and service sectors; and

WHEREAS, oil production in Alaska has declined from 2.1 million barrels per day in 1988 to approximately 700,000 barrels per day today, and is expected to decline by more than five percent per year+, and more investment is needed to stem that decline; and

WHEREAS, other areas in the world encourage oil and gas investment with fiscal terms and incentives not offered by Alaska's existing policies; and

WHEREAS:

- North Slope oil development activity has declined,
- Total Alaska drilling activity has decreased 14% while Lower 48 oil drilling activity has increased,
- Exploration drilling activity is down nearly 64%, e.g. one major producer will not be drilling an exploration well for the first time in 45 years,
- Over \$2.5 billion in North Slope oil and gas projects have been deferred, and
- Outer continental shelf ("OCS") permitting delays are limiting offshore oil development in Alaska; and

WHEREAS, Alaskans are in a position to positively affect our state's economic future and to reverse the current momentum of decline by creating a more competitive environment for continued investment and reinvestment by the resource extraction industries that sustain the economy and state revenues of Alaska;

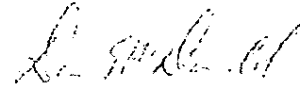
*Except government, health, manufacturing (fish processing), and categories that were excluded because their growth is not closely related to the underlying strength or health of the Alaska economy.

+Alyeska Pipeline Service Company to the Alaska Department of Revenue.

NOW THEREFORE, BE IT RESOLVED

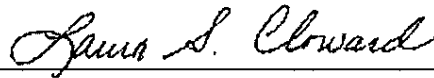
1. The Seward Chamber of Commerce urges the Alaska State Legislature to act in the 2010 regular legislative session to halt the loss of jobs for Alaskans and to reduce Alaska's unemployment rate by establishing policy and/or amending law to further incentivize investment and increase the competitiveness of Alaska relative to other oil and minerals producing areas, so that creation of jobs for Alaskans and opportunities for Alaska businesses may sustain our state's economy for generations of Alaskans to come.
2. That copies of this resolution be sent to Governor Sean Parnell, the Alaska Legislature, Seward Chamber members, and statewide media.

PASSED AND APPROVED BY THE SEWARD CHAMBER OF COMMERCE, CVB BOARD OF DIRECTORS THIS 2nd Day of April, 2010.



President

ATTEST:



Governor Sean Parnell
State of Alaska
Governor's Office
550 West 7th Avenue, Suite 1700
Anchorage, AK 99501



317 West 4th Avenue, Suite 317
Anchorage, AK 99507
Tel. 907-279-5650
Fax 907-279-5651

April 2, 2010

Re: Support for SB 311 "PASSENGER TAX; TOURISM TAX CREDIT"

Dear Governor Parnell,

We are writing to you today on behalf of the 700+ business and property owners in downtown Anchorage whom we represent.

The downtown Anchorage community relies upon annual visitations from travelers across the globe. Whether it's a gift shop, an art gallery or a restaurant, everyone relies upon the economic impact of our summer visitors and the visitor industry.

The recession and the decrease in visitors to Alaska has been – and will continue to be – a one-two punch to our downtown community. We are witnessing first hand the negative impact of declining numbers of both visitors and visitor spending. That is why we are supporting your efforts to reduce the head tax for cruise ship passengers in Alaska for the cruise industry and increase marketing dollars for the state.

Tourism is a huge economic engine for our community and for the state at large. Your support for the tourism industry, and, in turn, those of us who rely upon the tourism industry for our businesses, is truly appreciated

With regards,

Garret Wong
PRESIDENT, BOARD OF DIRECTORS
ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.

Christopher M. Schutte
EXECUTIVE DIRECTOR
ANCHORAGE DOWNTOWN PARTNERSHIP, LTD.

From: Ravnit LaChapelle [mailto:aklachapelle@yahoo.com]
Sent: Tuesday, April 06, 2010 10:27 AM
To: Governor Sean Parnell (GOV sponsored)
Subject: Other

Title: Mrs.
FIRSTNAME & LASTNAME: Ravnit LaChapelle
MAILING ADDRESS: 7201 Tree Top Cir
CITY: Anchorage
STATE: Ak
ZIP: 99507
TELEPHONE: 907-522-1455
EMAIL: aklachapelle@yahoo.com

Topic: Other

YOUR COMMENTS: Governor Parnell, I wanted to send out a kudos to you for looking at cruise taxes instead of easing ship effluent regulations. The industry doesn't seem to understand that a pollution-free Alaska is what visitors from all over the world come to see and it is in their best interest as well as ours.

IP: 24.237.34.214



1016 W. Sixth Avenue, Suite 303
Anchorage, AK 99501

March 29, 2009

Gov. Sean Parnell
State of Alaska
Governor's Office
550 W 7th Ave., Ste. 1700
Anchorage, AK 99501

Dear Gov. Parnell:

On behalf of the Anchorage Chamber of Commerce, we would like to thank you for your efforts to create a comprehensive approach to address the visitor decline while strengthening relationships with the cruise industry. Your plan not only makes Alaska more competitive, but attracts more visitors through increased marketing – it provides our best chance of turning things around for the visitor industry, Alaska business owners, and the economic climate of the state as a whole.

Specifically, we are pleased to support:

- A reduction in head tax to \$34.50
- Allow tourism revenue to be reinvested to marketing Alaska, through a corporate tax credit

Tourism is a very important economic engine not only for Anchorage, but for all of our members within Southcentral Alaska. Your support is appreciated and needed.

Please feel free to call on us if we can be of further assistance in finding support for your proposal.

Sincerely,

Tony Izzo, 2009-10 chair
Anchorage Chamber of Commerce

Sami Glascott, MPA, president
Anchorage Chamber of Commerce



msicomunications
marketing • strategy • interactive

March 29, 2010

Gov. Sean Parnell
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Gov. Parnell,

I am the owner of MSI Communications, a full service advertising agency serving clients in the oil and gas, mining, transportation and tourism industries. I am very concerned about the livelihood of the cruise industry as tourism represents one third of my annual revenues and helps me sustain fulltime employment for my 22 employees.

2009 was a very difficult year for our firm and I am not much more optimistic about 2010. I laid off three full time professional staff due to slow economic conditions and complete uncertainty as a small business owner that we would be able to weather the storm. Every one of our tourism clients made dramatic cuts to their advertising budgets and our annual media purchasing was cut in half. Additional cuts were made as natural attrition occurred and we were forced to absorb the workload.

Critics of the cruise industry say that tourism jobs are seasonal and low paying. These jobs are important to our economy. In fact, more than twenty five years ago, I had one of those low paying jobs as the concierge at the local Holiday Inn. Today, I proudly serve many tourism clients and I own one of the busiest ad agencies in town.

For me, it's clear. When the cruise industry loses passengers, we all lose revenue, jobs, and livelihood. It's time to let the cruise industry know we are OPEN FOR BUSINESS and create an environment that encourages growth and sustainable development for all Alaska businesses.

I thank you for taking a stand on the needless \$50 head tax and encourage you to continue efforts to revive the economic health of the tourism industry.

Regards,

Laurie Fagnani
President / Owner
MSI Communications

907-569-7070, MSI Communications, 3501 Denali, Anchorage, AK 99503, www.msialaska.com



ORSO

Brews Brothers, LLC
737 West 5th Ave.
Anchorage, AK 99501
Phone (907) 792-3761 Fax (907) 792-3740

March 29, 2010

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811-0001

Sean,

Thank you for your leadership in the recent meetings with the cruise industry in Miami.

As one of the owners of the Glacier BrewHouse and ORSO in Anchorage we clearly see how the cruise industry is essential in the growth of the visitor industry in Alaska. At the Glacier BrewHouse and ORSO we currently employ approximately 230 full and part time employees. With the loss of the cruise ships in 2010 we will experience a substantial decline in our revenues which will also potentially impact our employees. Your administration's efforts to reverse this trend are extremely helpful in promoting a strong business community in Anchorage as well as Alaska.

Thank you for your efforts and please let me know if there is anything I can personally do to help your endeavors in supporting a clean, safe and environmentally sound growing cruise industry.

Sincerely,



James C. Anderson
Operating Partner

GASTINEAU PEAK
Elevation 3600

GOLD RIDGE
Elevation 2750

Gastineau  Guiding
Juneau's Premier Guiding Company

Email: tour@gguiding.com
Website: StepIntoAlaska.com

Phone : 907.586.2666
FAX: 907.586.3990

1330 Eastaugh Way, #2
Juneau, Alaska 99801

March 30, 2010

Dear Governor Parnell,

Thank you for your support of Tourism Bill HB 422 & SB 311

The decline in visitors is hurting our businesses and our local communities. Decreased visitor spending is also causing a significant reduction in local revenue.

To bring in more visitors, it is imperative the State address two issues. We must reduce the cost of operations in Alaska for the cruise industry and we must increase the State's marketing effort. We must take action now to turn around this decline, get our jobs back and rebuild our economy.

Other destinations are becoming more aggressive to attract visitors. We do not have the funds to compete with these destinations causing a loss of market share. Increased marketing will drive demand for more ships and bring in more air, marine highway, and road visitors.

You have proposed a comprehensive approach to address the visitor decline and strengthen our communities, which will give our businesses a chance to survive. Your plan includes making Alaska more competitive and attracting more visitors through increased marketing.

Your plan is our best chance of turning things around.

I appreciate your support for Tourism Bill HB 422 & SB 311.

Sincerely,
Theresa Walden
Gastineau Guiding Company
Manager, Mt. Roberts Nature Center
1330 Eastaugh Way, #2
Juneau, AK 99801

(907) 586-2666

Juneau, Alaska
99801



Juneau, Alaska
99801

Email: tour@gguiding.com
Website: StepIntoAlaska.com

Phone : 907.586.2666
FAX: 907.586.3990

1330 Eastaugh Way, #2
Juneau, Alaska 99801

Date: March 30th, 2010

Attention: The Governor of the State of Alaska,

I wanted to write to thank you Governor Parnell for being the kind of leader that listens and seeks to solve our State's problems through the 'art of compromise'. The need for the state to show its support for the travel industry has been a long time coming and I can't tell you how good it felt to learn that you were traveling to Miami on our behalf, and introducing legislation to mitigate the effect of an arbitrary \$46 head tax. Thank you again.

I hope you will continue to support this process as it heads into the legislature. Some may be tempted or otherwise believe that we should try to do away with the head tax in its entirety. But history has recently shown us that the stalled negotiation during the Knowles administration and the industry's failure to recognize their responsibility in Alaska, has subsequently led to the ballot initiative and this pickle we are currently in. Others are steadfast in their support of the tax because they believe the industry should be penalized and deterred. But in doing so these people are hurting the people in Alaska who depend on this industry to provide for their family and well being.

The way forward lay in the middle. I just received an inquiry today from a woman interested in booking our Photo Safari tour. She asked some questions about the tour then stated how excited she was about coming (with her family) to see our beautiful state. Her comment that stuck with me was this, "We are not as thrilled about taking the cruise, but are really looking forward to seeing the state. The cruise just gets us there." This illustrates the symbiotic relationship we have with the cruise industry: A balance between the destination and the transportation. "Making the State open for business", is important, but should also include the creation of responsible environmental policy and the workings of sound fiscal policy.

Thank you again for your leadership and for your support of a sustainable tourism industry in Alaska.

Warm regards,


Jeremy Gieser

Director of Tours and Marketing
Gastineau Guiding Company
1330 Eastaugh Way, Suite 2
Juneau, AK 99801
Jeremy@gguiding.com
www.StepIntoAlaska.com



THE GREATER SITKA
chamber
OF COMMERCE

329 Harbor Drive, Suite 212
Mail: P.O. Box 638 • Sitka, Alaska 99835
(907) 747-8604 • Fax (907) 747-7413

Governor Sean Parnell
Alaska State Capitol Building
P.O. Box 110001
Juneau, AK 99811-0001
Fax: 907-465-3532

April 1, 2010

Re: HB 422 and SB 311

Dear Governor Parnell,

On behalf of the Greater Sitka Chamber of Commerce board of directors, I am writing in support of your proposal to help increase tourism in Alaska through the Tourism Marketing Tax Credit.

As you are aware, Sitka is losing 40% of the cruise ship passenger numbers that we had last year. Together with the decline we experienced in 2009, the number of cruise ship passengers that we will see this year will barely be enough to sustain our existing businesses.

At least two of our better retail business owners have each been forced to shut down one of their stores in Sitka, and are establishing shops in other Southeast communities that still have adequate cruise traffic. This is not only difficult for these families - it represents a significant loss of jobs and revenue to our community.

Sitka is an attractive destination for independent travelers, and we are working hard to increase the number of visitors who come by plane or ferry to spend quality time in our town. At the same time, we recognize that two thirds of the people who return to Alaska came here first on a large cruise ship. With the low numbers of visitors in that category, we lose the ability to 'sell' them, while they're here, on the idea of returning for longer stays.

Sitka cannot solve these problems alone. We need the help and cooperation of the State of Alaska. Those of us in Sitka very much appreciated your trip to the Sea Trade convention in Florida and your willingness to talk with the cruise lines about an adjustment in the Cruise Ship Passenger Head Tax. A reduction in those fees would go a long way towards helping to attract the larger cruise lines back to Alaska and to Sitka.

The Tourism Marketing Tax Credit can have a significant impact on Alaska's ability to reach potential visitors all over the world. We need to show travelers that we are indeed open for business. Thank you for your efforts on behalf of Alaska's business owners and residents.

Sincerely,

Sheila Finkenbinder, Executive Director



March 30, 2010

The Honorable Sean Parnell
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

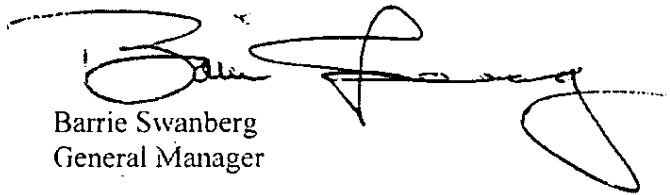
I would like to personally thank you for your strong support of the tourism industry in our state. Last year was really tough on the small business community and with the loss of over 140,000 cruise ship passengers this season; it looks like more dark days are ahead.

The decline in visitor spending is causing drastic layoffs all across Alaska not to mention the loss of community revenue in the form of bed taxes, sale taxes and other fees. Your plan in HB-422 and SB-311 will go a long way to stabilizing the business climate in Alaska and finally provide the needed funding for the State's marketing effort.

Some businesses will not survive this economic downturn and I pray that our company is not on that list. I truly feel there is reason for hope when the Governor of the State personally takes the fight to the cruise ship executives and then backs up his words with legislation. I want you to know that I'm totally behind your actions and deeply appreciate your commitment in helping solve this problem. Thank you again for all you have done and for your continued support.

Sincerely,

PHILLIPS CRUISES & TOURS, LLC



Barrie Swanberg
General Manager



March 31, 2010

The Honorable Sean Parnell
Governor, State of Alaska
Alaska State Capitol
P.O. Box 110001
Juneau, AK 99811-0001

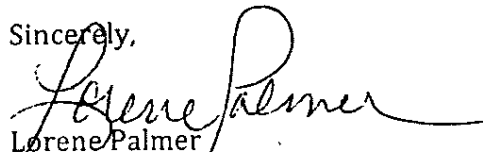
Dear Governor Parnell:

The board of directors of the Juneau Convention & Visitors Bureau and I would like to thank you for taking a pro-active stance on behalf of Alaska's tourism industry. We appreciate that you attended the Seatrade Cruise Shipping Miami event on behalf of Alaska and met with cruise industry leaders. We also appreciate your efforts to address the impacts of the head tax with a reduction in the passenger fee and supporting the corporate tax credit. Regardless if the head tax or the recession or a combination of both are the reason for declining cruise traffic, the end result is the same - the ships are leaving our state.

It will become increasingly clear this summer how vital the tourism industry is to our communities and that the economic benefits of the industry go far beyond the port cities. The loss of jobs and tax revenues in 2010 is going to be significant, but we are hopeful that changes to the 2006 tax initiative and an improving economy will turn things around in 2011.

The Juneau Convention & Visitors Bureau is encouraged by and grateful for your interest, support and leadership to find solutions to the issues facing the visitor industry and taking steps to improve Alaska's economy.

Sincerely,


Lorene Palmer
President/CEO

JCVB Board of Directors:

Jeffra Clough, Eaglecrest Ski Area
Bob Janes, Gastineau Guiding Company
Nancy Woizeschke, Alaskan Brewing Company
Jill Ramiel, Silverbow Inn
Christa Hagan, Holland America/Princess Tours - Alaska
Holly Johnson, Wings Airways
Rick Kasnick, The Island Pub
Richard Burns, Alaska Broadcast Communications, Inc.
Steve Hamilton, Westmark Baranof
Craig Jennison, NorthStar Trekking
Lynda Foreman, Juneau Travelodge

VISITOR INFORMATION

101 Egan Drive
Juneau, Alaska 99801
888-581-2201
(907) 586-2201
Fax (907)-586-6304

ADMINISTRATIVE OFFICES

One Sealaska Plaza, Suite 305
Juneau, Alaska 99801
(907) 586-1737
Fax (907) 586-1449
e-mail: info@traveljuneau.com
www.traveljuneau.com

cc: Ms. Susan Bell, Special Staff Assistant



RESOLUTION # 01-10

A RESOLUTION BY KODIAK ISLAND CONVENTION VISITORS BUREAU URGING THE ALASKA STATE LEGISLATURE TO SUPPORT THE PASSAGE OF THE "ALASKA TOURISM MARKETING TAX CREDIT" BILL (SB138 / HB 167) THAT PROVIDES ADDITIONAL TOURISM MARKETING FUNDING.

WHEREAS, the travel industry is one of the three largest private sector contributors to Alaska's economy, by generating over 1.7 billion in direct expenditures annually, and have an economical impact of over 3.4 billion dollars annually; and

WHEREAS, many local jobs and local economies are dependent upon the visitor industry; and

WHEREAS, the visitor industry contributes 200 million dollars annually to local and states taxes; and

WHEREAS, the state will see a decline for the second year in a row of summer visitors, and thereby a loss of jobs and revenue to local businesses, many of which are small, Alaskan-owned; and

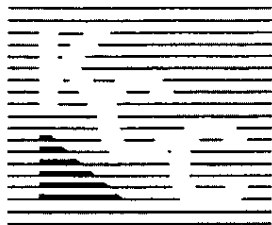
WHEREAS, the national and international tourism budget for promoting Alaska has been less than twelve (12) million for the last two years; and

WHEREAS, the travel industry has stated for several years that a meaningful marketing promotion budget should exceed 20 million dollars.

NOW THEREFORE BE IT RESOLVED: that the Kodiak Island Convention and Visitors Bureau urges the State of Alaska Legislature to pass Senate Bill 138 / House Bill 167 which would allow defined travel-related business activities to receive a credit against their tax due for a cash contribution to the State of Alaska Travel Industry Marketing Program.

PASSED and APPROVED by the KODIAK ISLAND CONVENTION VISITORS BUREAU this 11 day of March, 2010.

Katie Oliver, Chairperson, KICVB Board of Directors



**KODIAK
CHAMBER
OF COMMERCE**

100 E. Marine Way, Suite 300, Kodiak Alaska 99615 • (907) 486-5557 • FAX: (907) 486-7605
www.kodiak.org • Email: chamber@kodiak.org

Kodiak Chamber of Commerce

RESOLUTION NUMBER 03-10-01

**A RESOLUTION OF THE KODIAK CHAMBER OF COMMERCE SUPPORTING
SENATE BILL 138 AND HOUSE BILL 167 "ALASKA TOURISM MARKETING TAX
CREDIT" THAT PROVIDES ADDITIONAL TOURISM MARKETING FUNDING.**

WHEREAS, the Kodiak Chamber of Commerce is dedicated to Kodiak's future; and.

WHEREAS, the Kodiak Chamber of Commerce recognizes the importance and contributions of the visitor industry to the local economy; and

WHEREAS, the travel industry is one of the three largest private sector contributors to Alaska's economy; and

WHEREAS, many local jobs and local economies are dependent upon the visitor industry; and

WHEREAS, the state will realize a decline for the second year in a row of visitors, and thereby a loss of jobs and revenue to local businesses, many of which are small, Alaskan-owned.

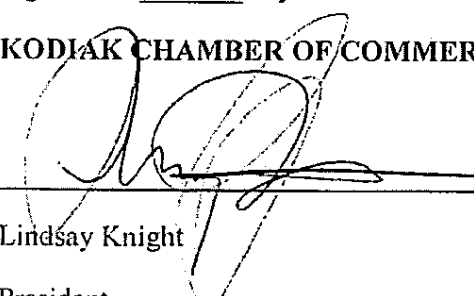
NOW, THEREFORE, BE IT RESOLVED the Kodiak Chamber of Commerce encourages the Alaska Legislature to pass SB 138/ HB 167 which would allow defined travel-related business activities to receive a credit against their tax due for a cash contribution to the State of Alaska Travel Industry Marketing Program.

Passed and approved by the Board of Directors of the Kodiak Chamber of Commerce this 23 day of March 2010.

Signed this 23 day of March 2010.

KODIAK CHAMBER OF COMMERCE

ATTEST:


Lindsay Knight


Nora McRae

President

Secretary to the Board

Dedicated to Kodiak's Economic Future



HOTEL
Halsingland
"NATIONAL REGISTER OF HISTORICAL SITES"

April 2, 2010

Governor Sean Parnell
State of Alaska

Dear Mr. Parnell,

I wish to take this opportunity to voice my support for Tourism Bills HB 422 and SB 311.

I have been in the hospitality industry in Alaska since 1994 and during that time have witnessed both good times and bad. I was very disappointed to see the state eliminate the marketing effort and fall to the back of the pack with respect to tourism marketing funding. Many states, as you well know, spend MUCH more than Alaska to attract visitors. Some say that the state markets itself since it is so beautiful, abundant and unique. This is simply not true as evidenced by the decline in tourism visitation growth after the state reduced its funding for marketing. This was during a time of economic growth. Now that times are tough, it is even more important to renew the marketing effort of the State of Alaska.

Tourism is an important industry for the state. The contributions in terms of tax revenues and employment justify investment in tourism marketing. I strongly support increased tourism marketing expenditures by the State of Alaska.

The other issue, which is just as important, is the proposal to realign the head tax. This tax has had a direct impact in Haines, reducing cruise ship visitation. This segment of the tourism industry in Haines is crucial to its survival and prosperity and this effort (to reduce the tax) will have a positive effect on the community.

In summary, let me applaud your efforts to breathe a bit of life in to this long-neglected segment of the Alaska economy. I am happy to see that you are interested in helping the tourism industry survive.

Sincerely,

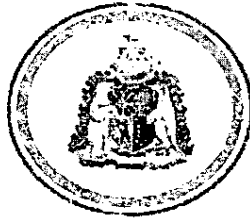
Jeff Butcher
Owner
Hotel Halsingland

POST OFFICE BOX 1649
HAINES, ALASKA 99827

CALL TOLL FREE 800-542-6363

TELEPHONE (907) 766-2000
FAX (907) 766-2060

Reservations@HotelHalsingland.com
www.HotelHalsingland.com



The hotel
Captain Cook

939 W. 5TH AVENUE, ANCHORAGE, ALASKA 99501
PHONE (907) 276-6000
SALES/CATERING PHONE (907) 343-2207
FAX (907) 343-2211
RESERVATIONS FAX (907) 343-2298
ACCOUNTING OFFICE FAX (907) 343-2262

April 2, 2010

Governor Sean Parnell
Sean.parnell@alaska.gov

Dear Governor Parnell,

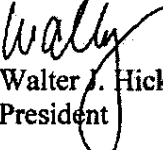
I applaud your effort to address the serious decline in visitor traffic this summer by introducing the Tourism Bills HB 422 and SB 311.

Alaska is facing an economic crisis! With the redeployment of three cruise ships this season, our port communities including South-central Alaska and Fairbanks will experience a decline in passenger visitation that will hurt Alaskan businesses. There will be a reduction in tax receipts; decreased visitor spending and jobs will be lost! We must reduce the cost of operations in Alaska for the cruise industry and we must increase our marketing efforts.

Thanks for your support.

If I can be of any assistance in helping the passage of your bill this session please call me.

Sincerely,


Walter J. Hickel Jr.
President



ALASKA RAPTOR CENTER

Our mission is to rehabilitate injured bald eagles and other birds of prey, to educate the public and to conduct bald eagle research.

March 30, 2010

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and Yukon
Holland America &
Gray Line of Alaska
Seattle, WA

Rebecca Branson
Business Manager
Anchorage, AK

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

I am writing to voice my support of HB 422 and SB 311.

Sitka has already lost many jobs to the reduction in visitor numbers and 2010 will prove to be disastrous to many small businesses. Although many of those jobs may be seasonal in nature, they are important to our economy.

To bring in more visitors, it is imperative the State address **two** issues. We must reduce the cost of operations in Alaska for the cruise industry and we must increase the State's marketing effort.

Alaska needs to have our "open for business" sign back on. The high cost of taxes and other mandates on the cruise industry has made Alaska no longer competitive in the global market. While we have been busy coming up with more expenses, other areas have been courting the cruise lines with lower costs and a welcoming atmosphere.

In addition to addressing tax policies, Alaska **must** increase its marketing. Other destinations are becoming more aggressive to attract visitors. We do not have the funds to compete with these destinations causing a loss of market share. Increased marketing will drive demand for more ships and bring in more air, marine highway, and road visitors.

I wholeheartedly support this legislation. We need to stop bickering over small details and get something started before we lose another visitor season.

Thank you for the support you have shown us.

Regards,

Debbie Reeder
Executive Director

March 30, 2010

The Honorable Governor Sean Parnell
Governor of Alaska
Juneau, AK 99801

Dear Governor Parnell:

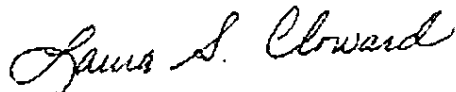
The Seward Chamber of Commerce, Conference and Visitors Bureau would like to thank you for your efforts to strengthen Alaska's economy through tourism marketing and partnership with the cruise line industry. We applaud your travel to Miami and your willingness to engage with the cruise industry, an important facet of Seward's economy.

On March 15th, the Seward Chamber Board of Directors approved Resolution 2010-03 urging the Alaska State Legislature to support the passage of the Alaska Tourism Marketing Tax Credit bill (SB 138/HB 167). Since our passage of Resolution 2010-03, we were pleased to see your proposed legislation introduced into both the State Senate and House, legislation which both encourages investment into tourism marketing and sustains jobs by reducing the cost of doing business in Alaska.

It is critical in today's economy that the State take action to help our businesses remain viable and retain those jobs tied directly and indirectly to tourism. Seward is fortunate to have a diversified economy; tourism plays an important role in that balance. Beyond seasonal employment, this impact is year-round: government positions tied to Kenai Fjords National Park; a rail line that supports not only seasonal passenger travel, but year-round coal export and barge activities; cruise ship-capable berths and terminal facilities that support cargo dockings, AMHS maintenance, and visits by military vessels; and purchase of locally-processed commercial fish.

We fully support your respective bills, SB311 and HB422, which, in addition to implementing a tourism tax credit, goes a step further by reducing the fees associated with cruise visitors traveling to our great state. Thank you for your leadership on this important issue.

Sincerely,



Laura Cloward, Executive Director
Seward Chamber of Commerce

cc: Alaska State Legislature

From: Frank Flavin [flavin@alaska.net]
Sent: Tuesday, March 30, 2010 12:05 PM
To: sean.parnell@alaska.gov
Subject: Tourism Bill HB 422 & SB 311-Frank Flavin Photographer

Dear Governor Parnell,

Our sincere thanks to you for visiting with the cruise industry in Florida.
One on one communication is no doubt the best way to understand everyones point of view.

Additionally we thank for your proposal to change legislation to:

- Reduce the \$46.00 head tax to \$34.50
- Provide credit for local head taxes.
- Require the state to review tax rates every three years to help ensure funds are aligned with infrastructure needs.
- Allow tourism revenue be reinvested to marketing Alaska, through a corporate tax credit.
- Adequately fund the State's travel marketing program.
- Provide for a stable marketing funding model.
- Making Alaska more competitive.
- Resolve legal challenges.

Competition and add on taxes is a large factor.
Here are some current competition budgets:

Hawaii	2010 Budget	71.4 Million	
Alberta,Canada	2010 Budget	71 Million	
British Columbia	2010 Budget	50 Million	
Mexico	2006 Budget	150 Million	Unable to find 2010 Budget-Tight Lipped.

Alaska's budget of 11.7 Million is not much of a comparison or a competitor.

My family has been involved with tourism in Alaska for over 25 years and since the Cruise Tax of 2006 our business, our bread & butter, has declined due to increased marketing from other tour destinations and withdrawal of marketing dollars by existing companies who must move there operations to less restrictive and more profitable locations.

We sincerely hope that the legislators will listen to your proposals to HB 422 & SB 311.

Thank you for trying to make Alaska the best it can be for all Alaskans.

Sincerely,

Frank P. Flavin
Alaskan resident since 1968

Frank Flavin, Photographer
Flavin Photography
907.561.1606
flavin@alaska.net
flavinphotography.com

CITY OF VALDEZ, ALASKA
RESOLUTION NO. 10-10

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA URGING THE ALASKA STATE LEGISLATURE TO SUPPORT THE PASSAGE OF THE "ALASKA TOURISM MARKETING TAX CREDIT" BILL (SB138 / HB 167) THAT PROVIDES ADDITIONAL TOURISM MARKETING FUNDING

WHEREAS, the travel industry is one of the three largest private sector contributors to Alaska's economy, by generating over 1.7 billion in direct expenditures annually; and

WHEREAS, many local jobs and local economies are dependent upon the visitor industry; and

WHEREAS, the visitor industry contributes over 200 million dollars annually to local and state taxes and fees; and

WHEREAS, the state will see a decline for the second year in a row of summer visitors, and thereby a loss of jobs and revenue to local businesses, many of which are small, Alaskan-owned; and

WHEREAS, the national and international tourism budget for promoting Alaska has been less than twelve (12) million for the last two years; and

WHEREAS, the travel industry has stated for several years that a meaningful marketing promotion budget should exceed 20 million dollars; and

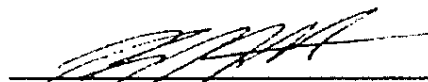
WHEREAS: A competing state such as Hawaii will expend 80 million dollars for tourism promotion and marketing activities.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA THAT:

The City Council of the City of Valdez urges the State of Alaska Legislature to pass Senate Bill 138 / House Bill 167 which would allow defined travel-related business activities to receive a credit against their corporate income tax due for a contribution to the State of Alaska Travel Industry Marketing Program

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA THIS 1ST DAY OF MARCH, 2010.

CITY OF VALDEZ, ALASKA



Bert L. Cottle, Mayor

ATTEST:



Sheri L. Pierce, MMC, City Clerk



From: Ann Reddig [mailto:annreddig@hotmail.com]
Sent: Tuesday, March 30, 2010 1:43 PM
To: Governor Sean Parnell (GOV sponsored)
Subject: Other

Title: Ms.
FIRSTNAME & LASTNAME: Ann Reddig
MAILING ADDRESS: po BOX 100421
CITY: anchoraeg
STATE: alaska
ZIP: 99510
TELEPHONE: (907) 222-7658
EMAIL: annreddig@hotmail.com
Topic: Other
YOUR COMMENTS:

March 30, 2010

State of Alaska

Juneau, AK

I wish to offer my support for your proposal addressing the issue of the decline of visitor tourism. I was opposed to Measure 2 when it was on our ballot. We have witnessed the cruise line reduction of business in Alaska. Your plan would make us more competitive and help turn things back to the right direction.

Tourism is extremely important to Alaska. Marketing is a key to tourism. Making our location attractive to the cruise lines is very important.

Push this agenda through!

Sincerely,

Ann Reddig

Secretary/Treasurer

IATSE Local 918

From: Karen Hess [mailto:riveradventures@aptalaska.net]
Sent: Tuesday, March 30, 2010 4:13 PM
To: Governor Sean Parnell (GOV sponsored)
Subject: Other

Title: Mrs.
FIRSTNAME & LASTNAME: Karen Hess
MAILING ADDRESS: P.O. Box 556
CITY: Haines
STATE: Ak
ZIP: 99827
TELEPHONE: 907-766-2050
EMAIL: riveradventures@aptalaska.net
Topic: Other
YOUR COMMENTS: Dear Governor Parnell,

I would like to thank you for introducing a bill to help the tourism industry by reducing the head tax. Although the economy of Alaska reaches far and wide, from Oil to Tourism, we are but one heart beat. Without every aspect of the economy, when it rings in the cash register, it is one more heart beat for Alaska. I appreciate your efforts of traveling to Florida and meeting with the cruise lines and SeaTrade. I urge you to stay strong and keep the faith, even though you may get opposition from special interest groups. Remember, those groups are people whose agenda is simply to get rid of the cruise industry altogether. My husband and I were with the group from Alaska ACT that met with you in January. As my husband said to you at that time, "Our little town of Haines is depending on you". So, thank you for your time that you have taken to meet with the cruise lines and we do appreciate your interest. If you can get the bill through, we will do what we do best, show them the real Alaska.

The last thing we want to hear is "Alaska is no longer open for business".

In addition to addressing tax policies, Alaska must increase its marketing. Other destinations are becoming more aggressive to attract visitors. We do not have the funds to compete with these destinations causing a loss of market share. Increased marketing will drive demand for more ships and bring in more air, marine highway, and road visitors.

Sincerely,

Karen M. Hess

From: Gary Sommerfeld [mailto:gsommerfeld@26glaciers.com]
Sent: Friday, March 26, 2010 12:30 PM
To: Governor Sean Parnell (GOV sponsored)
Subject: International Relations & Trade

Title: Mr.

FIRSTNAME & LASTNAME: Gary Sommerfeld

MAILING ADDRESS: Box 110588

CITY: Anchorage

STATE: Alaska

ZIP: 99511

TELEPHONE: 529-9072

EMAIL: gsommerfeld@26glaciers.com

Topic: International Relations & Trade

YOUR COMMENTS: Good job on the bill to reduce Cruise ship taxes. I hope you can get it passed before we lose them completely.

IP: 209.124.141.103

From: Louis Juergens [mailto:info@akwhalewatching.com]

Sent: Friday, March 26, 2010 9:54 AM

To: Governor Sean Parnell (GOV sponsored)

Subject: Economic Development

Title: Mr.

FIRSTNAME & LASTNAME: Louis Juergens

MAILING ADDRESS: P.O. Box 33311

CITY: Juneau

STATE: Alaska

ZIP: 99803

TELEPHONE: 907-209-3233

EMAIL: info@akwhalewatching.com

Topic: Economic Development

YOUR COMMENTS: Govenor Parnell,

I just wanted to applaud the job that you have done in listening to the tourism industry and proposing a middle ground alternative to the head-tax initiative. I run a small family tour business in Juneau. The capacity reduction this year is going to be tough to deal with, but with you at the helm, our future looks much better.

The original initiative was written by people who want to push tourism out of Alaska. Thank you for understanding the big picture and for supporting our industry! If you ever want to go out on a fishing trip or whale watching we'd love to take you out on a complimentary trip.

May God bless you and your family,

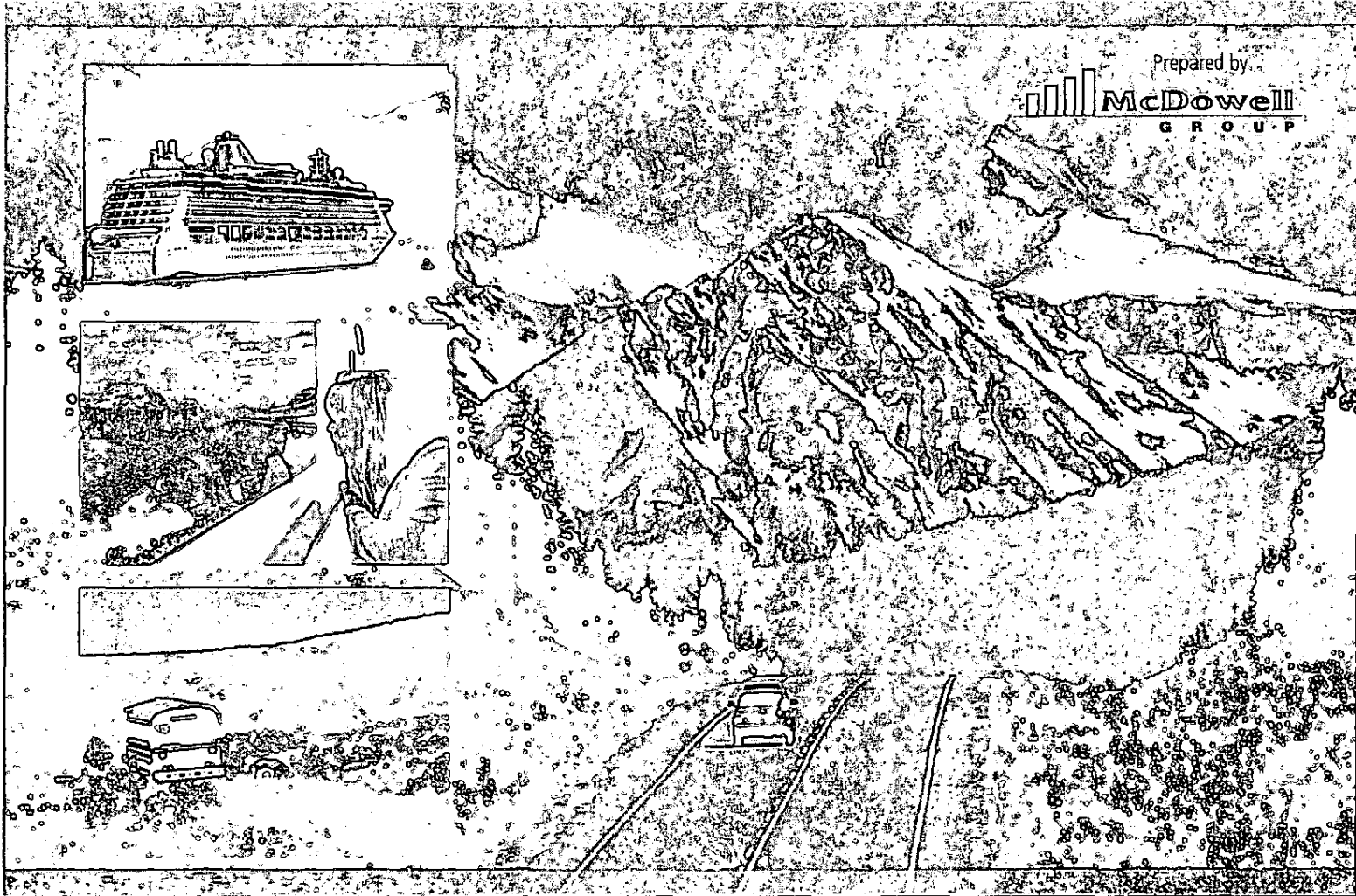
Louis Juergens

IP: 24.237.7.163

Economic Impact of

Alaska's Visitor Industry

March 2010



Prepared by

McDowell
GROUP

Prepared for

State of Alaska
Department of Commerce, Community,
& Economic Development
Office of Economic Development

Economic Impact of
Alaska's Visitor Industry

March 2010



Prepared for

State of Alaska
**Department of Commerce, Community,
& Economic Development**
Office of Economic Development

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Executive Summary

Introduction

The purpose of this study is to measure the economic impacts of Alaska's out-of-state visitors. The visitor industry is a challenging one to measure, reaching into a wide variety of economic sectors, including transportation, lodging, and retail, among others. The nationwide economic crisis of 2008-09 and accompanying drop in visitor traffic and spending added urgency to the need for up-to-date information on this critical component of Alaska's economy. The Alaska Department of Commerce, Community, and Economic Development contracted with McDowell Group to gauge the impacts of Alaska's visitor industry, including direct, indirect, and induced effects.

Visitor Volume and Spending

- An estimated 1.58 million out-of-state visitors traveled to Alaska between May and September 2009. Two-thirds of this total (1,026,600, or 65 percent) were cruise passengers. An additional 242,500 out-of-state visitors traveled to Alaska between October 2008 and April 2009.
- Visitor traffic to Alaska dropped an estimated 7.3 percent between summer 2008 and summer 2009, the largest decline since McDowell Group started tracking visitor traffic in 1985. The decrease occurred primarily in air passenger exits, which dropped an estimated 15 percent. Ferry exits fell 16 percent, and highway exits were down 8 percent.
- Declines in the air, ferry, and highway markets were moderated by flat cruise passenger volume between 2008 and 2009. However, cruise passengers traveled less within the state, more often choosing cruise-only packages (rather than cruise-plus-land tour packages).

Visitor Volume, by Exit Mode, Summers 2008 and 2009

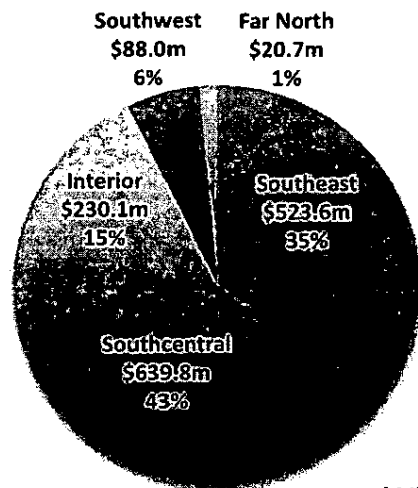
Exit Mode	2008	2009	% change
Air	800,600	684,400	-14.5%
Cruise ship ¹	836,500	835,000	-0.2%
Highway	59,900	55,200	-7.8%
Ferry	10,400	8,700	-16.3%
Total	1,707,400	1,583,300	-7.3%

¹ The total number of cruise ship visitors to Alaska in summer 2009 was 1,026,600, including passengers exiting Alaska by air after completing their cruise.

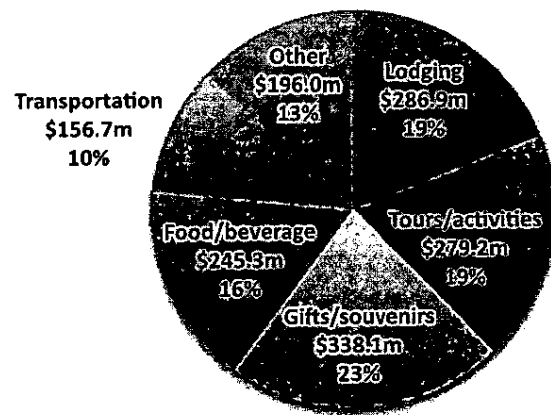
- Another impact felt by businesses throughout the state was lower spending levels. Many businesses were forced to lower their prices to compete for fewer visitors, and visitors themselves tended to spend less on everything from lodging to gifts and tours. A survey of 172 visitor industry businesses found that two-thirds of businesses experienced a decrease in gross sales to out-of-state visitors (11 percent reported an increase, 7 percent reported no change, and 14 percent didn't know). The average estimated change in gross sales among all surveyed businesses was a decline of 16 percent.

- A number of additional indicators reinforce the lower volume and spending estimates in summer 2009:
 - 13 percent decline in cruise passenger land tour volume
 - 16 percent decline in out-of-state visitors on the Alaska Marine Highway
 - Bed tax revenue declines (second and third quarter only) ranging from 10 percent in the Mat-Su, to 22 percent in Anchorage, to 30 percent in Sitka
 - 23 percent decline in Anchorage car rental tax revenues (second and third quarter only)
 - 16 percent decline in non-resident sportfishing license sales (calendar year 2008 to 2009).
- In contrast, fall/winter visitor volume was down only 2 percent from the previous fall/winter period (2007-08). However, surveyed businesses reported slightly larger declines in gross sales, an average of 8 percent. Some decreases were reported in bed tax revenues over this period, including a 6 percent decrease in Anchorage (first and fourth quarter only).
- Out-of-state visitors spent an estimated \$1.5 billion in Alaska during the study period of October 2008 through September 2009. This figure does not include spending on travel to enter and exit Alaska (such as cruise packages, ferry passage, or air tickets). Spending figures are based on visitor survey data from the 2006-07 *Alaska Visitor Statistics Program*, conducted by McDowell Group, adjusted to account for changes in overall visitor volume, volume by region, spending behavior, and inflationary factors. Spending was further adjusted to extract commissions that do not affect the Alaska economy.

**Visitor Spending, Oct. 2008-Sept. 2009
By Region**



**Visitor Spending, Oct. 2008-Sept. 2009
By Sector**



Total Visitor Spending: \$1.5 Billion

- Additional visitor industry spending that must be taken into account for the purposes of economic impact analysis includes spending by cruise lines, estimated at over \$300 million during the 2008-09 study period. The largest components of cruise line spending include employee payroll, payments to local and state government on taxes and fees, payments for transportation services, and payments to accommodations (on behalf of cruise/tour passengers traveling before or after their cruise, whose package price includes lodging).

- Crew members sailing on board cruise ships spent an estimated \$16 million while visiting Alaska ports.
- Further, the visitor spending above excludes spending to enter and exit the state. An estimated \$282 million in visitor spending on air and ferry tickets to enter and exit the state affects the Alaska economy.
- This additional \$610 million in spending by cruise lines, crew members, and visitors purchasing air and ferry tickets brings total *visitor industry* spending in 2008-09 to \$2.1 billion.

Visitor Industry Spending, October 2008-September 2009

	Expenditures
Visitor spending	\$1,502.2 million
Cruise line spending, cruise line labor income, and crew spending	\$328.4 million
Air and ferry tickets	\$282.2 million
Total spending	\$2.1 billion

Economic Impacts

- Direct visitor industry spending in Alaska of approximately \$2.1 billion in the 2008-09 study period directly generated 27,100 jobs in Alaska, and \$800 million in labor income.
- Indirect or secondary visitor-related spending totaled approximately \$1.3 billion. The statewide employment and income effects of \$1.3 billion in secondary spending are estimated at 9,100 jobs and \$346 million in labor income.
- In summary, Alaska's visitor industry accounted for a total of 36,200 full and part-time jobs in 2008-09, over \$1.1 billion in labor income, and \$3.4 billion in total spending, including all direct, indirect and induced effects.
- The visitor industry is strongly seasonal, with the vast majority of visitation occurring between May and September. Therefore, peak employment directly or indirectly connected to the industry is estimated at over 40,000 in 2009.
- Approximately half (49 percent) of visitor industry employment occurred in the Southcentral region, and slightly less than one-third (29 percent) in Southeast. About one in six (17 percent) visitor industry-related jobs were in the Interior region.

Total Visitor Industry Employment, Labor Income and Spending in Alaska, October 2008-September 2009 (including direct, indirect and induced effects)

	Employment	Labor Income	Spending
Southcentral	17,600	\$514 million	\$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	36,200	\$1.1 billion	\$3.4 billion

- Compared to other Alaska regions, visitor industry employment is most important in the Southeast economy. The region's 10,600 visitor-related jobs represented 21 percent of the total 50,000 full and part-time jobs in Southeast. Total visitor industry-related labor income of \$373 million was 17 percent of total regional labor income of approximately \$2.2 billion.
- In Alaska's Interior region, 6,200 visitor industry-related jobs accounted for about 9 percent of employment (regional total of 65,500 jobs) and 6 percent of all labor income (regional total of \$3.4 billion).
- Visitor industry-related employment of 17,600 in Southcentral Alaska represented approximately 7 percent of total employment in the region (263,000 full and part-time jobs) and 4 percent of total labor income (approximately \$13.7 billion).
- Statewide visitor industry-related employment of 36,200 accounted for 8 percent of all employment in Alaska. Total statewide visitor industry-related labor income of \$1.1 billion represented 5 percent of all labor income in Alaska.

Impacts of Visitor Volume Changes

- The decline in visitor traffic between 2007-08 and 2008-09 was accompanied by an estimated \$270 million decline in visitor spending, a 15 percent drop.
- As a result of the decline in visitor spending in 2009, summer season visitor industry-related employment in Alaska was about 2,000 to 2,500 jobs below the 2008 level. Businesses likely addressed the decline in visitor sales with a combination of reductions in personnel and non-personnel costs. As such, the decline in employment in 2009 was less than proportional to the decline in sales.
- Alaska is facing a loss of more than 140,000 passengers in the 2010 cruise season, accompanied by a potential loss of up to \$150 million in direct and indirect spending in Alaska.

Revenues to Municipal and State Governments

- Visitor-related tax revenues to municipalities in 2008-09 totaled nearly \$70 million in sales and bed tax revenues and cruise line payments. Sales tax revenues are estimated at \$28.9 million, and bed tax revenues are estimated at \$23.5 million. In addition, cruise lines paid over \$17 million in dockage, moorage, and municipal passenger fees in 2009. Property taxes provide an additional revenue stream to municipalities.
- Visitor-related revenues to state government during the 2008-09 study period included \$139 million in cruise line fees, fishing/hunting licenses, vehicle rental taxes, revenues to Alaska Marine Highway and Alaska Railroad, and corporate income taxes. Cruise lines alone paid \$58 million in commercial passenger vessel fees, gambling taxes, Ocean Ranger Program fees, and Environmental Compliance Program fees.

**Selected Revenues to Municipal and State Governments
October 2008-September 2009**

	Revenues
Municipal Revenues	\$69.8 million
Sales tax revenues	\$28.9 million
Bed tax revenues	\$23.5 million
Dockage/moorage revenues	\$17.4 million
State of Alaska Revenues	\$138.8 million
Commercial Passenger Vessel Tax	\$46.4 million
Passenger Gambling Tax	\$6.3 million
Ocean Ranger Program	\$4.0 million
Commercial Passenger Vessel Environmental Compliance Program	\$1.0 million
Non-resident fishing/hunting/trapping licenses and tags	\$17.1 million
Alaska Marine Highway revenues	\$17.6 million
Alaska Railroad revenues	\$19.4 million
Vehicle rental tax	\$5.6 million
Corporate income tax	\$21.4 million
Total Selected Revenues	\$208.6 million

Introduction and Methodology

Introduction

The most recent comprehensive assessment of the economic impact of Alaska's non-resident visitor industry was conducted in 1999 (by McDowell Group).¹ Since then, visitor volume has increased substantially, as has visitor spending and the number of visitor industry businesses, warranting re-assessment of the economic impact of one of Alaska's most important basic industries. Recent changes in Alaska's visitor industry added urgency to the need for an up-to-date economic impact measurement. The global economic recession in late 2008 and 2009 fundamentally affected Alaska visitor traffic and spending.

The Alaska Department of Commerce, Community, and Economic Development contracted with McDowell Group to measure the regional and statewide economic impact of Alaska's visitor industry in fall 2008 through summer 2009, including direct, indirect and induced effects. In addition to measuring visitor-related spending, employment, payroll and tax payments over a one-year period, the study provides objective, quantitative information on how recent events have affected Alaska's visitor industry.

Methodology

Visitor Volume

The last primary data collection on visitor volume was conducted (by McDowell Group) in 2006-07 as part of the *Alaska Visitor Statistics Program V (AVSP)*. Visitor/resident ratios were collected at airports, onboard ferries, and at border stations as visitors exited Alaska. Since 2006-07, McDowell Group has estimated visitor volume by applying 2006-07 visitor/resident ratios, by month and location, to traffic statistics (ferry embarkations, highway exits, and airplane enplanements). Prior to this study being undertaken, this exercise was completed for the study periods (fall/winter 2008-09 and summer 2009). Sources for traffic data included: Cruise Line Agencies of Alaska, Alaska Marine Highway System, Yukon Department of Tourism and Culture, Alaska Airlines, and the Anchorage and Fairbanks airports.

Since the 2009 season was so different from previous years in terms of visitor volume, and because it has been three years since the original ratios were determined, the original summer 2009 visitor volume estimates were adjusted to more accurately reflect the latest visitor season.

In order to gather information on the 2009 season, and how it differed in terms of visitor volume and spending from previous seasons, a survey of visitor industry businesses was conducted in early 2010. A total of 172 businesses were interviewed by the study team. Specific businesses were targeted in order to obtain a representative cross-section of visitor businesses across business type and location, as well as businesses representing the largest amount of visitors (cruise lines, Alaska Railroad, Alaska Airlines, etc.). Most businesses

¹ The Office of Economic Development commissioned a Tourism Satellite Account in 2004 that measured the economic impact of all travel and tourism activity in the state; however, the data from that study is not comparable with this study or previous studies.

were selected from the mailing list of the Alaska Travel Industry Association. Other sources included the websites of Convention and Visitors Bureaus and *The Milepost* guidebook.

Businesses were asked about their visitor markets (cruise, air, highway/ferry), seasonality, and percentage increase or decrease from 2008 to 2009 in both visitor volume and gross sales, among other questions. Nearly all businesses contacted were willing to participate, and often offered additional perspectives on the 2009 season, and/or described factors affecting their particular business.

Additional sources considered in the volume adjustments included:

- Information provided by Alaska Airlines and Alaska Marine Highway on resident travel.
- Land tour passenger volume data provided by cruise lines.
- Bed tax revenues collected from the following municipalities and boroughs: Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, and Valdez. (Other communities either did not have a bed tax or were unable to provide 2009 data.)
- Vehicle rental tax revenues collected from the Municipality of Anchorage.
- Fishing and hunting license sales data from the Alaska Department of Fish and Game.
- Previous studies conducted by McDowell Group, including economic impact studies for the Juneau Convention and Visitors Bureau, Ketchikan Visitors Bureau, and the Alaska Cruise Association.
- Employment data from the Alaska Department of Labor and Workforce Development.

Fall/winter visitor volume was not adjusted, reflecting the flat traffic trends and little change reported in the business survey.

Visitor Spending

As with visitor volume, the last primary data collection on visitor spending was conducted for AVSP V in 2006-07. The survey of visitor businesses conducted for this study provided valuable data on how visitor spending changed in 2009 compared to previous seasons. Another important source of information was shore excursion sales data provided by cruise lines, showing changes in cruise passenger spending patterns over the last several years.

All of the sources cited above (bed tax revenues, vehicle rental tax revenues, and previous economic impact studies) were taken into consideration in determining the spending adjustments. Inflation was also accounted for, by economic sector, based on the Anchorage Consumer Price Index.

Additional Visitor Industry Spending

Additional visitor industry spending includes cruise line spending, crew member spending, and spending on air and ferry tickets to enter and exit Alaska.

- Cruise line spending was derived from expenditure and payroll data provided by cruise lines for a study of the 2007 season, prepared for Alaska Cruise Association (ACA granted permission to use this data for the current study). Spending was adjusted to account for inflation as well as the drop in land tour volume between 2007 and 2009. (Overall passenger volume was flat between the two years.)
- Crew member spending was based on previous surveys of crew members conducted by McDowell Group, modified to account for changes in crew member volume by port.
- Spending on air tickets was based on average Seattle-Alaska airfares, estimated volume by location, and an assumption that roughly half of spending on air tickets to enter and exit Alaska actually stays in Alaska.
- Spending on ferry tickets was based on reported spending in AVSP V, adjusted for inflation, and estimated visitor volume entering and exiting Alaska via ferry. All spending on ferry tickets was assumed to stay in Alaska.

Economic Impact Analysis

McDowell Group maintains an Excel-based 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 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. 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."

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.

Regional sales tax revenue estimates were calculated based on visitor industry spending and visitor volume at the community and regional level. Bed tax revenues were based on data from the business survey (where accommodations reported the percentage of their business from out-of-state visitors) as well as previous visitor volume and survey research. For both bed and sales tax estimates, tax rates and total taxes collected by community (from the *Alaska Taxable* report, 2009) were taken into account in the analysis. Total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009. Cruise ship dockage/moorage revenues were collected from municipalities.

Cruise line payments to the State of Alaska were reported by the Departments of Revenue and Environmental Conservation. 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 (using business survey results). The Department of Revenue also reported corporate income taxes associated with the visitor industry. An Alaska Railroad official reported passenger-related revenues and the percentage attributable to out-of-state visitors.

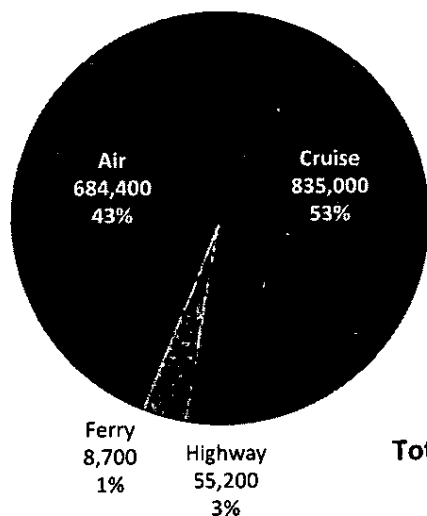
Visitor Volume

Visitor Volume, Summer 2009

An estimated 1.58 million out-of-state visitors came to Alaska between May and September, 2009. Over half of these visitors (53 percent) exited the state via cruise ship; 43 percent exited via air; 3 percent exited via highway; and 1 percent exited via ferry.

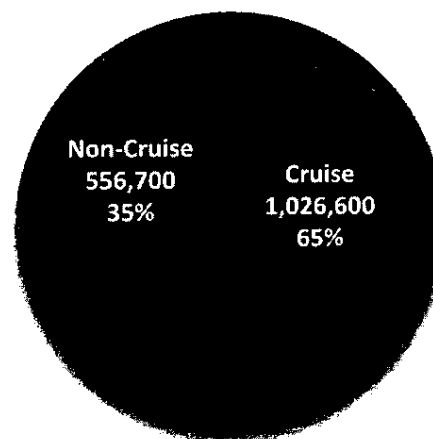
Because some cruise ship visitors exit the state by air after completing their cruise, it is also useful to consider volume in terms of cruise and non-cruise visitors. As the chart below shows, 65 percent of all summer visitors spent at least one night on a cruise ship while in Alaska.

Chart 1
Alaska Visitor Volume, Summer 2009
By Exit Mode



Total Visitors: 1.58 million

Chart 2
Cruise Market Share, Summer 2009



Visitor Volume Decline, 2008 to 2009

Visitation to Alaska dropped an estimated 7.3 percent between summer 2008 and 2009. While cruise passenger volume remained essentially the same, air visitor traffic decreased by 15 percent (from 800,600 to 684,400). Highway exits were down by 8 percent, while ferry exits decreased by 16 percent. (See table, next page.)

The visitor volume figures for air, ferry, and highway are based on visitor/resident ratios collected in summer 2006.² Additional information was taken into account to adjust the 2006 ratios, including: a survey of 172 visitor businesses on their 2009 season; reports from air carriers and the Alaska Marine Highway on resident travel; reports from cruise lines on in-state travel; and changes in bed tax revenues reported by municipalities.

² Because cruise passengers are assumed to be 100 percent visitors, and cruise passenger data is more measurable, there is less uncertainty in the cruise volume figures.

The overall decline of 7.3 percent may appear low in light of the larger decreases felt by many businesses in the state. It is important to keep several factors in mind when considering the overall decrease:

- Total cruise passenger traffic was flat; because cruise visitors represent two-thirds of overall visitation, this moderated the significant declines in the other modes.
- While total cruise passenger volume to Alaska did not change, there was a significant decrease in the number of passengers who purchased land tours, translating to less in-state travel, particularly to Fairbanks and Denali. These decreases are not reflected in total traffic volume.
- Because visitors were reportedly spending less money while in Alaska, their impact in terms of dollars spent was more dramatic than their decrease in volume.

Please see the chapter in this report on "Recent Changes" for a more detailed discussion on the summer 2009 visitor season, along with survey data and other indicators.

Table 1
Visitor Volume, by Exit Mode, Summers 2008 and 2009

Exit Mode	2008	2009	% change
Air	800,600	684,400	-14.5%
Cruise ship ¹	836,500	835,000	-0.2%
Highway	59,900	55,200	-7.8%
Ferry	10,400	8,700	-16.3%
Total	1,707,400	1,583,300	-7.3%

¹ The total number of cruise ship visitors to Alaska in Summer 2009 was 1,026,600, including passengers exiting Alaska by air after completing their cruise.

Visitor Volume, Fall/Winter 2008-09

An estimated 242,500 out-of-state visitors came to Alaska between October 2008 and April 2009. Nearly all of these visitors (95 percent) exited the state via airplane, while 5 percent exited via highway or ferry. Fall/winter 2008-09 saw a slight (2.0 percent) decrease in visitor volume from fall/winter 2007-08. Air visitor exits were down by 1.9 percent, and highway visitor exits were down by 4.0 percent. While ferry volume increased, it had little impact on overall volume, as ferry exits represent less than 1 percent of all fall/winter visitors.

(These estimates are unchanged from the previously published report on fall/winter visitor volume 2008-09. The survey of visitor businesses revealed no significant changes in visitation between 2007-08 and 2008-09. Please see the chapter on "Recent Changes" for more detailed survey results.)

Table 2
Visitor Volume, by Exit Mode, Fall/Winter 2008-09

Exit Mode	Number of Visitors
Air	231,300
Highway	9,700
Ferry	1,500
Total	242,500

Visitor Industry Spending

The spending figures presented below are based on survey data from the 2006-07 *Alaska Visitor Statistics Program V*, conducted by McDowell Group for the Alaska Department of Commerce, Community, and Economic Development. To update these spending figures to 2008-09, the study team took into account changes in the visitor market since 2006-07 in terms of visitor volume, visitor type, and spending behavior. Information sources for estimating the effects of these changes included:

- Survey of 172 visitor businesses on changes in their business in terms of both volume and sales from previous seasons. (For detailed survey results, please see the chapter on "Recent Changes.")
- Traffic data including air passenger data from airports and Alaska Airlines; ferry passenger data from the Alaska Marine Highway; cruise passenger data from Cruise Line Agencies of Alaska; and highway border traffic from the Yukon Department of Tourism and Culture and U.S. Customs.
- Data on cruise passenger spending on shore excursions provided by cruise lines.
- Land tour passenger volume data provided by cruise lines.
- Bed tax revenues collected from the following municipalities and boroughs: Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, and Valdez. (Other communities either did not have a bed tax or were unable to provide 2009 data.)
- Vehicle rental tax revenues collected from the Municipality of Anchorage.
- Inflation factors, by economic sector, based on the Anchorage Consumer Price Index.
- Employment data from the Alaska Department of Labor and Workforce Development.

Visitor Spending, Summer 2009

Out-of-state visitors to Alaska spent an estimated \$1.31 billion in Alaska between May and September 2009. This figure includes instate spending only, excluding the cost of transportation to and from the state, such as air tickets, cruise or cruise/tour packages, and ferry tickets.

While cruise visitor spending on cruises and cruise/tour packages is excluded in this figure, cruise line spending in Alaska is accounted for in the economic impact analysis, and is addressed further, below. This spending includes payments to hotels, motorcoach companies, the Alaska Railroad, and other components of land tours that are included in the cruise package price.

For the purposes of this study, tour commissions were extracted from passenger spending data because they accrue directly to travel agents, tour operators, and cruise lines at the time of the sale.

Spending by Region

In the 2006 AVSP survey, respondents were asked to estimate how much they spent in each community they visited. This spending was updated to reflect 2009 visitation by region and changes in spending behavior, among other factors. The chart below shows how summer visitor spending is distributed throughout the state. Southeast and Southcentral account for the bulk of visitor spending at 39 percent each, followed by the Interior at 15 percent, Southwest at 6 percent, and Far North at 1 percent.

Spending by Sector

In the 2006 AVSP survey, respondents were asked to estimate how much they spent by spending category (lodging, tours/activities/entertainment, gifts/souvenirs/clothing, food/beverage, cars/fuel/ transportation, and other). Spending estimates were updated to reflect changes in visitor volume and spending behavior in 2009. Total spending by sector is presented in the chart below.

Visitor spending is widely distributed, with no one category accounting for more than one-quarter of spending. The largest sectors were gifts/souvenirs/clothing at 23 percent, tours/activities/entertainment at 21 percent, and lodging at 17 percent. Readers are reminded that all tour commissions have been excluded from the tours/activities category. The "other" category is primarily spending on lodge packages within one community.

Chart 3
Visitor Spending, Summer 2009, by Region

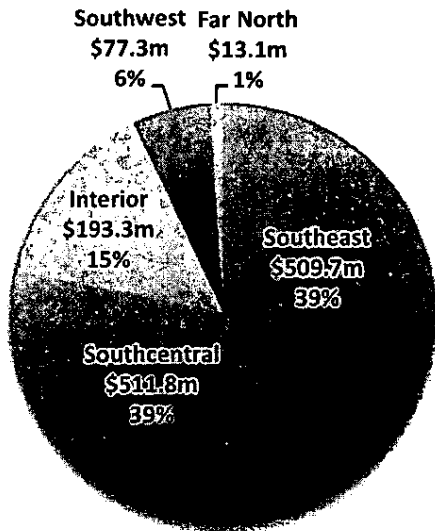
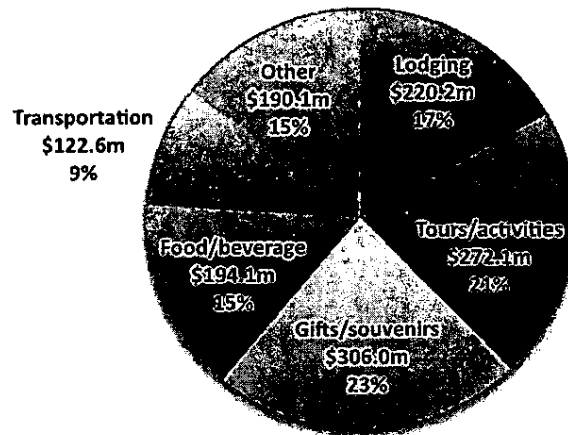


Chart 4
Visitor Spending, Summer 2009, by Sector



Total Summer Visitor Spending: \$1.3 Billion

Visitor Spending, Fall/Winter 2008-09

Out-of-state visitors spent an estimated \$197 million in Alaska between October 2008 and April 2009. This figure excludes spending on air and ferry travel to enter and exit the state. Like the summer spending figures, the basis for the fall/winter spending estimates is survey results from 2006-07. However, fewer adjustments were necessary to update these figures: volume only dropped by 2 percent between 2007-08 and 2008-09 (3 percent since 2006-07), in contrast to summer traffic. The data was updated to reflect a small decrease reported in the business survey and corroborated in other data such as bed and vehicle tax revenues. It was also adjusted to reflect the effects of inflation, by sector.

Spending by Region

In contrast to summer season spending, fall/winter visitor spending is much more focused in the Southcentral region, which accounts for two-thirds of all fall/winter spending. This reflects the much higher visitor traffic to the Southcentral region, nearly all of it to Anchorage. One-fifth of spending occurs in the Interior region, while Southeast, Southwest, and Far North each account for less than 10 percent of fall/winter spending.

Spending by Sector

Fall/winter visitor spending is more focused in the lodging and food/beverage categories when compared to the summer season, when gifts/souvenirs and tours/activities are the top two spending categories. This different spending pattern reflects the very different make-up of the fall/winter market: few visitors are shopping for vacation/pleasure purposes, and instead are much more likely to be traveling for business or to visit friends or relatives. They are therefore much less likely to participate in tours or purchase souvenirs.

Chart 5
Visitor Spending, Fall/Winter 2008-09
By Region

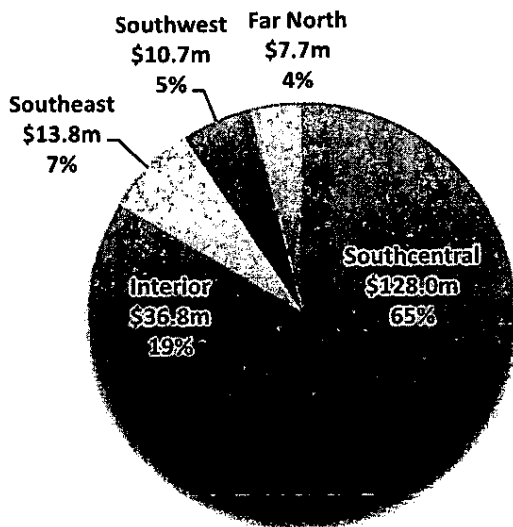
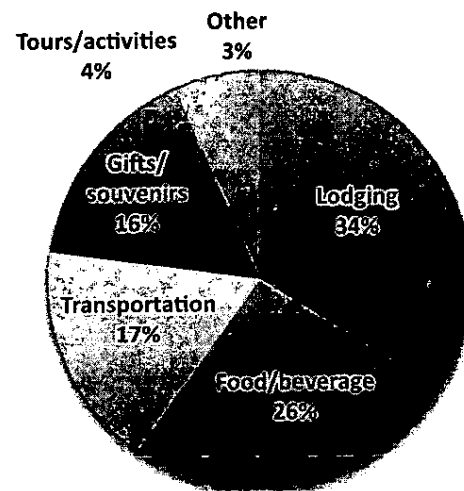


Chart 6
Visitor Spending, Fall/Winter 2008-09
By Sector



Total Fall/Winter Visitor Spending: \$197 Million

Additional Visitor Industry Spending

Cruise Line Spending and Payroll

Cruise lines and their subsidiaries spent approximately \$250 million on goods and services from Alaska businesses during the 2008-09 study period. This estimate is derived from detailed 2007 purchasing information provided by six major cruise lines for a report conducted by McDowell Group on cruise industry impacts for the Alaska Cruise Association. (Permission was granted by ACA to use the cruise line data for the purposes of this study.) The data was sorted to eliminate spending outside of Alaska, as well as payments to tour vendors accounted for under passenger spending.

To develop an estimate of 2009 cruise line spending, the 2007 spending data was adjusted to account for differences in the cruise market between 2007 and 2009, including a drop in land tour participation. (Total passenger volume was essentially the same between the two years.) The 2007 data was also adjusted to account for the effects of inflation.

One-third of all cruise line spending accrues to government in the form of taxes and fees. Transportation spending accounts for over one-fifth of all cruise line spending, while the accommodations sector receives 17 percent of all spending.

In addition to spending in Alaska on goods and services, cruise lines also paid their Alaska employees a total of approximately \$62 million in payroll and benefits. Cruise lines directly employed approximately 1,800 workers in Alaska in 2009, including motorcoach drivers, hotel employees, and other shoreside personnel. This does not include any shipboard personnel.

Crew Spending

Approximately 25,000 crew members visited Alaska in 2009, each crew member generally sailing on 10 to 20 individual voyages, visiting multiple communities on each voyage. Crew members make a wide variety of purchases while in port: they visit restaurants and bars; they purchase communication-related items such as phone cards, Internet, and postage; and they visit retail outlets such as Fred Meyers, Costco, and Wal-Mart. Spending data for crew is primarily based on surveys of crew members previously conducted by McDowell Group, updated to reflect 2009 crew member visitation.

Table 3
Crew Member Spending, By Region, Summer 2009

	Total Spending
Southeast	\$16.1 million
Southcentral	\$0.3 million
Total	\$16.4 million

Visitor Spending on Air and Ferry Travel

AIR TRAVEL

Although visitors did not report their spending on airplane tickets to enter and exit the state in the 2006-07 AVSP, a rough estimate is necessary to complete the picture of visitor spending in 2008-09. Visitor spending

on air travel impacts the state's economy in the form of landing fees, fuel purchases, airline employee wages, and other purchases in support of airline operations.

To estimate visitor spending on air travel, the estimated number of air visitors was multiplied by average Seattle-Alaska round-trip fares, for both summer (\$600) and fall/winter (\$500). One-half of the total ticket spending was assumed to stay in-state. Spending was distributed by region based on exiting air traffic. This methodology is inexact: passengers fly to and from various destinations with various pricing, and many passengers fly to or from points other than Seattle. In the absence of more specific data, this provides a reasonable and conservative estimate of impacts from visitor spending on airfare in and out of the state. (See table, below.)

FERRY TRAVEL

Similar to airplane tickets, spending on ferry tickets to enter and exit Alaska are not included in the initial visitor spending estimates because the expenditures are not "out-of-pocket." To estimate this spending, the total number of visitors estimated to have entered or entered Alaska by ferry from fall 2008 through summer 2009 was multiplied by the average spending on ferry tickets reported in AVSP, with adjustments for inflation. This results in a total spending estimate of \$11.4 million. This does not include spending on in-state ferry travel by visitors, which is captured elsewhere in the expenditure data. For the purposes of economic impact analysis, all ferry spending is attributed to Southeast because all ferries entering and exiting Alaska sail between Southeast ports and Bellingham or Prince Rupert (though visitors sailing to Southcentral and Southwest ports clearly have economic benefit to those regions).

Table 4
Visitor Spending on Air and Ferry Travel to Enter/Exit Alaska
October 2008-September 2009

	Air Travel	Ferry Travel
Southcentral	\$209.0 million	n/a
Southeast	\$25.5 million	\$11.4 million
Interior	\$36.3 million	n/a
Total	\$270.8 million	\$11.4 million

Full Year Visitor Industry Spending

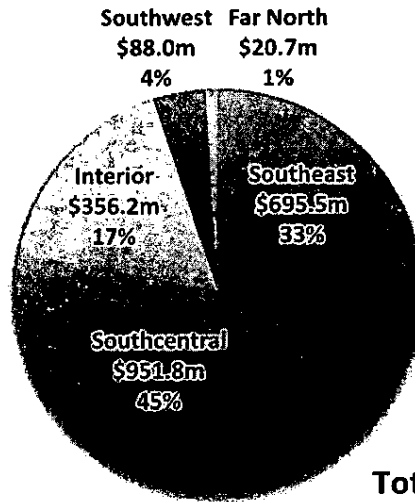
The table below shows full year (October 2008 through September 2009) visitor industry spending, combining the spending by visitors, cruise lines, and crew members, along with spending on air and ferry tickets to enter/exit Alaska. The total figure of \$2.1 billion is primarily focused on visitor spending, which accounts for 71 percent of total spending.

Table 5
Visitor Industry Spending, October 2008-September 2009

	Expenditures
Visitor spending	\$1,502.2 million
Cruise line spending	\$250.0 million
Cruise line payroll spending	\$62.0 million
Crew member spending	\$16.4 million
Air tickets	\$270.8 million
Ferry tickets	\$11.4 million
Total spending	\$2.1 billion

The chart below shows how visitor industry spending is distributed by region. Regionally, Southcentral captures the largest share at 45 percent, followed by Southeast at 33 percent, Interior at 17 percent, Southwest at 4 percent, and Far North at 1 percent.

Chart 7
Visitor Industry Spending, October 2008-September 2009, By Region



Total Spending: \$2.1 Billion

Economic Impact Analysis

Spending in Alaska by visitors and visitor industry businesses creates jobs, income, and business activity throughout the Alaska economy. Visitor spending creates jobs and payroll with tour companies, hotels and lodges, retail establishments, transportation providers, and a range of other business. Visitor industry businesses and their employees in turn re-spend a portion of that money with other Alaska businesses (some is spent outside Alaska).

For most industries in Alaska, it is possible to rely on government agencies to routinely report employment and payroll. However, because visitor activity directly affects a blend of numerous other industries (retail, transportation, services, and others) there are no regularly published data on visitor industry employment and payroll, either in Alaska or elsewhere in the U.S. Tourism "satellite accounts" have been developed for the purpose of isolating and measuring tourism economic activity; however, these efforts still fail to provide a true measure on tourism activity in Alaska because resident travel is included in the analysis. Therefore, for a pure analysis of the economic impact of non-resident visitor travel to Alaska, custom research and modeling is required. McDowell Group maintains an Excel-based visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska.

All impact analysis refers to the October 2008 through September 2009 study period, abbreviated to "2009."

Direct Employment and Labor Income Effects

The visitor industry's 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 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.
- Spending by cruise ship crew while in Alaska.

As described in the previous chapter, all these components of direct visitor industry spending totaled approximately \$2.1 billion in the 12-month study period. This spending directly generated 27,100 full- and part-time jobs in Alaska, and \$800 million in labor income, based on McDowell Group's economic impact modeling. Approximately half (46 percent) of direct visitor industry employment is in the Southcentral region, and approximately one-third (31 percent) is in Southeast.

Table 6
Visitor Industry Employment and Labor Income in Alaska, 2009
(direct effects only)

	Employment	Labor Income
Southcentral	12,600	\$349 million
Interior	4,900	154 million
Southeast	8,300	256 million
Southwest	1,100	30 million
Far North	200	8 million
Total	27,100	\$797 million

These employment and labor income estimates do not include multiplier effects, i.e., those jobs and income created in Alaska as the visitor dollar is re-spent by visitor industry businesses and their employees. In fact, modeling indicates that this secondary spending totaled approximately \$1.3 billion. That amount, added to the initial direct spending of \$2.1 billion, indicates total direct, indirect and induced spending of approximately \$3.4 billion in 2009. The statewide employment and income effects of \$1.3 billion in secondary spending are estimated at 9,100 jobs and \$346 million in labor income. Regional direct and indirect employment and labor income totals are presented in the following tables.

Table 7
Direct, Indirect, and Total Visitor Industry Employment in Alaska, 2009

	Direct	Indirect	Total
Southcentral	12,600	5,000	17,600
Interior	4,900	1,300	6,200
Southeast	8,300	2,300	10,600
Southwest	1,100	400	1,500
Far North	200	100	300
Total	27,100	9,100	36,200

Table 8
Direct, Indirect, and Total Visitor Industry Labor Income in Alaska, 2009

	Direct	Indirect	Total
Southcentral	\$349 million	\$165 million	\$514 million
Interior	154 million	51 million	205 million
Southeast	256 million	117 million	373 million
Southwest	30 million	11 million	41 million
Far North	8 million	2 million	10 million
Total	\$797 million	\$346 million	\$1,143 million

In summary, Alaska's visitor industry accounted for a total of 36,200 jobs in 2009, and over \$1.1 billion in labor income, including all direct, indirect and induced effects. It should be noted that this estimate of visitor industry-related employment is a tally of the total number of full and part-time jobs linked to non-resident visitor travel to Alaska in 2009. This tally includes annual average wage and salary employment, and total proprietors' employment (the total number of sole proprietorships or partnerships active at any time during the year). Though non-resident travel to Alaska occurs year-round, the visitor industry is strongly seasonal, with the vast majority of visitation occurring between May and September. Because of the seasonal nature of

the industry, estimates of annual average employment understate the total number of people directly employed in the industry during the peak of the travel season. In the accommodations sector, for example, wage and salary employment averaged about 7,700 jobs in 2009. Peak employment that year, in July, totaled 11,000 jobs. Alaska's "scenic & sightseeing transportation" sector is even more seasonal, with annual average employment of about 1,800 and peak employment of about 3,800, according to Alaska Department of Labor and Workforce Development data. Therefore, while this study measured 36,200 full and part-time jobs related to Alaska's visitor industry, the total number of workers whose jobs are directly or indirectly connected to the industry was over 40,000 in 2009.

Table 9
Total Visitor Industry Employment, Labor Income, and Spending in Alaska, 2009
(including direct, indirect, and induced effects)

	Employment	Labor Income	Spending
Southcentral	17,600	\$514 million	\$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	36,200	\$1.1 billion	\$3.4 billion

Importance in Regional and Statewide Economies

Proportionately, visitor industry employment is most important in Southeast Alaska. Visitor industry-related employment of approximately 10,600 represented 21 percent of the region's 50,000 full and part-time jobs. Total visitor industry-related labor income of \$373 million was 17 percent of total Southeast region labor income of approximately \$2.2 billion.³ In the Interior region the visitor industry accounted for about 9 percent of employment (out of a regional total of 65,500 jobs) and 6 percent of labor income (out of a regional total of \$3.4 billion).

Total Southcentral employment of 17,600, represented approximately 7 percent of total employment in the region (about 263,000 full and part-time jobs) and 4 percent of total labor income (approximately \$13.7 billion).

Statewide, visitor industry-related employment of 36,200 accounted for 8 percent of all employment. Total statewide visitor industry-related labor income of \$1.1 billion represented 5 percent of all labor income in Alaska.⁴

Employment and Labor Income by Sector

Jobs created as a direct result of visitor spending are concentrated in five sectors of Alaska's economy. Visitor spending directly accounted for 4,200 accommodations jobs in 2009, 3,500 jobs with firms providing tours and other visitor activities, and 4,500 retail jobs. Visitor spending also directly generated 4,400 jobs with

³ Based on Bureau of Economic Analysis employment and labor income data for the Southeast region in 2007.

⁴ Based on BEA employment and labor income data for the Alaska in 2008.

restaurants/bars and 2,700 jobs with transportation providers. Another 2,600 jobs were scattered among a number of other sectors of the Alaska economy, as a direct result of visitor spending.

Spending by cruise lines was also broadly distributed throughout the Alaska economy, creating jobs in the same sectors as those affected by visitor spending, plus jobs in professional and business services, wholesale businesses, and construction, among others, and in the government sector as a result of tax payments to state and local governments.

Indirect and induced jobs linked with the visitor industry are the most broadly distributed throughout the Alaska economy and includes all of the sectors that provide goods and services to Alaska businesses and households – virtually the entire service and support sector.

Table 10
Visitor Industry Employment and Labor Income, with Sector Detail, 2009

	Employment	Labor Income
Direct jobs from visitor spending		
Accommodations	4,200	\$101 million
Tours & Activities	3,500	140 million
Retail	4,500	102 million
Food/Drink Services	4,400	91 million
Transportation	2,700	116 million
Other	2,600	70 million
Total	21,900	\$620 million
All other direct jobs	5,200	\$177 million
All indirect and induced jobs	9,100	\$346 million
Total visitor industry-related employment and labor income	36,200	\$1.1 billion

Alaska's Visitor Industry: Recent Changes and Future Outlook

Decline in Visitor Industry, 2008 to 2009

As described in the Visitor Volume chapter of this report, Alaska's out-of-state visitor market declined considerably (by an estimated 7 percent) in summer 2009 when compared to summer 2008. In fact, the visitor market has not seen this significant a decline since McDowell Group began tracking visitor volume in 1985. While the cruise market was basically flat, the air market dropped an estimated 15 percent; the ferry market 16 percent; and the highway market 8 percent. In addition, the cruise passengers that did visit Alaska were less likely to travel within the state, making the declines in the Southcentral and Interior regions more dramatic. Following is a more detailed description of the 2008-09 visitor season, and how it differed from previous years.

Business Survey Results

A major source for this study was a survey of 172 visitor industry businesses, specifically targeted in order to obtain a representative cross-section of visitor businesses across business type and location, as well as businesses representing the largest amount of visitors (cruise lines, Alaska Railroad, Alaska Airlines, etc.). Businesses were asked about their visitor markets (cruise, air, highway/ferry), seasonality, and percentage increase or decrease in 2008-09 in both visitor volume and gross sales, among other questions.

Results from the survey should be viewed in light of the fact that responses are not weighted by size or type of business. It should also be noted that the survey sample included only a few Southeast tour operators catering exclusively to cruise ship passengers, because the study team had access to shore excursion sales data provided by cruise lines. This data was taken into consideration along with survey data when making adjustments to passenger spending data.

Table 11
Visitor Business Survey Sample Definition

Location	% of Total
Southcentral	39%
Southeast	24
Interior	18
Statewide	8
Southwest	6
Far North	5
Business Type	
Accommodations	32%
Activities and attractions	25
Retail	20
Transportation	10
Dining	6
Package tours	6
Average # of years in business	25 years
Average # of employees	35 employees

CHANGE IN GROSS SALES AND VISITOR VOLUME, SUMMER 2008 TO SUMMER 2009

Two-thirds of businesses surveyed said their volume and their sales decreased in summer 2009 compared to 2008. One in ten saw an increase, and about the same said there was no change year-to-year.

Businesses that saw an increase, as well as those that saw a less-than-average decrease, often explained their results. They were a growing business, for example, or they anticipated the decline by offering lower rates or special promotions. Respondents also commented that visitors were buying lower-priced tours and lodging – if a business was in the right price range, they may have had a better year than those in the higher price range.

Retail businesses were asked a follow-up question: whether per-visitor spending changed (as opposed to overall gross sales). In response, 6 percent said that per-visitor spending increased, 58 percent said decreased, 26 percent said it stayed the same, and 10 percent didn't know. These results correspond with comments that visitors were buying lower-price retail items (as well as lower-price tours and lodging).

Table 12
Changes in Sales and Visitor Volume, Summer 2008 to Summer 2009

	% of Total
Change in number of visitors served	
Increase	11%
Decrease	67
No change	7
Don't know	14
Average % change	14% decrease
Change in gross sales	
Increase	9%
Decrease	65
No change	10
Don't know	16
Average % change	16% decrease

CHANGE IN GROSS SALES AND VISITOR VOLUME, FALL/WINTER 2007-08 TO FALL/WINTER 2008-09

Businesses who reported operating in the fall/winter were asked about their last fall/winter season (October 2008-April 2009) compared to the previous season (October 2007-April 2008).

There was much less change reported in the fall/winter season compared to the summer season – not surprising, considering that fall/winter visitors tend to be traveling to visit friends and relatives or for business, and these markets were not as affected by the economic crisis. In addition, traffic data reflected only a 2 percent decrease in visitation between the two periods.

A little less than one-quarter reported an increase in visitors, a little more than one-quarter reported a decrease, but the most popular answer was "no change." There were a few more reports of decreases in terms of sales, probably reflecting lower prices. The reports of lower sales were reinforced by bed tax and vehicle rental tax declines.

Table 13
Changes in Sales and Visitor Volume, Fall/Winter 2007-08 to Fall/Winter 2008-09

	% of Total
Change in number of visitors served	
Increase	23%
Decrease	28
No change	41
Don't know	8
Average % change	1% decrease
Change in gross sales	
Increase	20%
Decrease	31
No change	42
Don't know	7
Average % change	8% decrease

SUMMARY OF BUSINESS SURVEY COMMENTS

Additional comments were offered by respondents on their 2009 season, summarized below.

- Although cruise lines filled their ships, it required heavily discounting prices. According to some contacts, this led to passengers with lower incomes and higher price sensitivity.
- Although a couple of contacts reported a decrease in international visitors, most of those who commented on this market said they held steady or increased. Several noted increases in the European and Japanese markets.
- The group tour and incentive markets were reported to be down.
- The excellent weather experienced statewide in 2009 not only tempted more visitors to purchase outdoor tours, it allowed for fewer flightseeing cancellations.
- Businesses selling all-inclusive package tours that included a cruise component were especially hard hit because they were competing heavily with cruise lines, which were offering unprecedented prices.
- Businesses selling add-on packages to cruise passengers (such as two-day tours to Nome) were also affected. One contact pointed out that with cruise packages priced so low, it became hard for visitors to justify paying as much or more for add-on packages as they had paid for their cruise.
- The sportfishing market reported heavy losses in both the charter and lodge sectors. Owners cited new sportfishing regulations as a factor in the downturn, in addition to the economic recession.
- A few contacts reported more travel by Canadians.
- There were several comments on the in-state market, that Alaskans were traveling in-state as much or more than before. (This report measures impacts from out-of-state visitors only.)

- Retail vendors commented on how sales have fluctuated over the last several years. For many, the trend towards lower-priced items began in 2008 and continued in 2009.

Additional Visitor Industry Indicators

The table below presents additional indicators that help describe the 2009 season. They tend to reinforce what was reported in the survey, and were taken into account in the adjustments made to spending and volume for the 2009 season.

- Domestic air passenger traffic exiting Alaska was down in every market, ranging from 7 percent in Fairbanks to 20 percent in Sitka, for a total decline of 10 percent. While resident travel is included in these figures, resident air travel was reported to have held fairly steady in summer 2009. International air traffic was likewise down, by 8 percent.
- Cruise passenger traffic was down only 1 percent between 2008 and 2009; however, as reported previously, cruise passengers were traveling less within the state. Based on information provided by cruise lines on 2008-to-2009 shifts in the land tour market (passengers that purchase overnight tours, generally to Denali and Fairbanks, in addition to their cruise), it is estimated that land tour volume dropped 13 percent between 2008 and 2009.
- Some of the more striking declines can be seen in bed tax revenues, with declines ranging from 14 percent in Denali to 30 percent in Sitka. The increase in Valdez' bed tax revenues likely reflects their relative dependence on the in-state market. (In viewing these figures, it is important to keep in mind that these declines reflect decreases in prices as well as room nights.)
- Anchorage showed a 23 percent decrease in vehicle rental tax revenues, and a 26 percent in RV rental tax revenues. As with bed tax revenues, these figures likely reflect decreases in prices as well as rentals.
- Department of Fish and Game license sales show a 16 percent decline in non-resident fishing license sales between 2008 and 2009, reinforcing reports from lodge and charter operators. While hunting licenses were down only 2 percent, big game tags were down 18 percent.
- While sales tax revenues are not direct indicators of visitor spending as they reflect both resident and non-resident spending, it is interesting to note that sales tax revenues were down 16 percent in Sitka, 12 percent in Juneau, and 9 percent in Skagway. The Skagway figure is particularly indicative of the visitor market, as visitor spending represents the vast majority of spending on goods and services in Skagway during the 2nd and 3rd quarters.

Table 14
Summer 2009 Visitor Industry Indicators

	Change 2008 to 2009
Domestic airplane passengers exiting Alaska, May-September	
Anchorage	-10%
Fairbanks	-7%
Juneau	-15%
Ketchikan	-12%
Sitka	-20%
Other	-6%
Total	-10%
International airplane passengers exiting Alaska, May-September	
Anchorage	-9%
Fairbanks	-8%
Total	-8%
Cruise passenger traffic	
Total passenger volume	-1%
Land tour volume	-13%
Out-of-state ferry passenger volume	
Total	-16%
Bed Tax Revenues, April-September	
Anchorage	-22%
Fairbanks	-18%
Denali	-14%
Juneau	-28%
Mat-Su	-10%
Sitka	-30%
Valdez	+7%
Vehicle Rental Tax Revenues, April-September	
Anchorage car rental	-23%
Anchorage RV rental	-26%
Department of Fish and Game License Sales (calendar years 2008 and 2009)	
Nonresident sport fishing licenses	-16%
Nonresident King Salmon tags	-18%
Nonresident hunting licenses	-2%
Nonresident big game tags	-18%
Sales Tax Revenues, April-September	
Juneau	-12%
Skagway	-9%
Sitka	-16%

Sources: Alaska Airlines, Ted Stevens Anchorage International Airport, Fairbanks International Airport, Cruise Line Agencies of Alaska, cruise lines, Alaska Marine Highway, Alaska Department of Fish and Game, and the municipalities/boroughs of Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, Valdez, Skagway, and Sitka.

Economic Impact of 2009 Decline

While within the scope of this project it is not possible to measure precisely the economic impact of the decline in visitor spending in 2009, available data provides an indication of the significance of the decline. Alaska Department of Labor and Workforce Development employment data indicates that statewide annual average employment in the accommodations sector (hotels, lodges and B&Bs) was down by 600 jobs in 2009. Accommodations employment in July 2009, at the peak of the visitor season, was 1,100 jobs below the July 2008 level. Other visitor-affected sectors of the Alaska economy also experienced employment declines in 2009, as illustrated in the following table. Not all of the job loss in these sectors can be attributed to a decline in visitor spending; Alaska residents account for a significant portion of spending in these sectors. Nevertheless, it is clear from the long list of declining visitor industry indicators (reported above) that lower visitor spending was a key contributing factor.

Table 15
Annual Average and Peak Month Employment Declines in Visitor-Affected Sectors,
2009 versus 2008

	Annual Average Change, 2008 to 2009	Change, July 2008 to July 2009
Retail	-600	-500
Air transportation	-300	-500
Accommodations	-600	-1,100
Food and drink	-400	-1,200

Source: Alaska Department of Labor and Workforce Development.

Detailed sector employment data for the third quarter of 2009 further illustrates job losses during the peak of the visitor season. In these selected visitor-affected categories, statewide employment during the third quarter of 2009 was about 2,300 jobs below the third quarter of 2008, a decline of about 7 percent. Payroll was down \$14 million for the quarter, a decline of 6 percent. Two sectors that are most heavily affected by non-resident visitor travel, scenic/sightseeing transportation and tour companies, saw employment declines of 9 percent and 25 percent, respectively.

Table 16
Changes in 3rd Quarter Employment in Selected Visitor-Affected Sectors, 2008 to 2009

	3rd Qtr 09 Employment	Change from 3rd Qtr 08	Percent Change	Total Change in Payroll	Percent Change
Jewelry stores	598	-17	-3%	-\$507,708	-10%
Gift, novelty, and souvenir stores	1,276	-65	-5%	-\$566,046	-9%
Nonscheduled air transportation	1,718	-140	-8%	-\$224,008	-1%
Scenic and sightseeing transportation	3,106	-310	-9%	-\$3,161,303	-11%
Support activities for transportation	2,848	-243	-8%	-\$1,386,541	-4%
Passenger car rental	425	-27	-6%	-\$84,549	-3%
Tour operators	674	-224	-25%	-\$974,955	-15%
Amusements and recreation	4,333	-112	-3%	-\$1,084,540	-6%
Traveler accommodation	8,885	-665	-7%	-\$4,672,572	-8%
Full-service restaurants	8,455	-465	-5%	-\$1,541,174	-4%
Total All Categories	32,318	-2,268	-7%	-\$14,203,396	-6%

Source: Alaska Department of Labor and Workforce Development.

Based on the modeling conducted for this study, total visitor spending in Alaska declined by approximately \$270 million between 2007-08 and 2008-09, a 15 percent drop. A 15 percent drop in visitor spending could translate in to loss of 5,000 direct and indirect jobs if it were to persist for several years. In the near term, however, the direct employment loss during the summer of 2009 was significantly less than that amount.

In 2009, on average, \$82,000 in visitor spending created one direct job. At that rate, a spending decline of \$270 million would suggest a loss of approximately 3,300 jobs. However, employers are often more inclined (at least initially) to reduce non-personnel costs and/or earn reduced profits before resorting to job cuts. As such it is likely that statewide the decline in visitor spending resulted in the loss of perhaps 2,000 to 2,500 mostly seasonal jobs.

Industry Outlook

One aspect of the 2010 visitor market that is currently measurable is a forecasted decline in cruise passenger capacity. Overall, capacity is expected to be down 14 percent from 2009, based on several changes. The following ships will be re-deployed to other markets: 1,270-passenger Ryndam (Holland America Line), 2,600-passenger Star Princess (Princess Cruises), 2,002-passenger Norwegian Sun (Norwegian Cruise Line), 2,100-passenger Serenade of the Seas (Royal Caribbean International), and 114-passenger Spirit of Oceanus (Cruise West). Holland America's Amsterdam will make 11 Alaska voyages (of 14 nights each) instead of 20 seven-night voyages. There have also been changes from cross-gulf to round trip itineraries for two ships (the 1,950-passenger Coral Princess and the 2,124-passenger Carnival Spirit), which eliminates the option for passengers to travel additionally in-state (either independently or on land tour packages).

Different ports will feel the drop to different degrees, as seen in the following table.

Table 17
Anticipated Changes in Cruise Passenger Volume, 2009 to 2010

	% Change
Juneau	-14%
Ketchikan	-12
Skagway	-12
Sitka	-36
Whittier	-40
Seward	-16
Icy Strait Point	-11
Haines	-26
Statewide	-14%

Source: Cruise Line Agencies of Alaska.

A decline in cruise passenger travel to Alaska of approximately 14 percent (140,000 passengers overall) in 2010 could reasonably be expected to result in a 14 percent decline in cruise passenger spending, compared to 2009. If a decline of 140,000 passengers is accompanied by a proportional decline in spending, \$90 million in direct spending would be lost, and as much as \$150 million in total direct and indirect spending. This spending decline, plus the decline experienced in 2009, could bring the total employment loss from the 2008 peak to near 5,000 jobs, including all the direct and indirect effects.

However, 2009 was an unusual year in the Alaska cruise market. The result of a severe national recession, deep discounting was required to fill berths on cruise ships. The discounting fulfilled its objective; cruise traffic was down only about 1 percent. However, cruise passengers that did travel to Alaska in 2009 proved to be reluctant spenders, purchasing fewer excursions and spending less on gifts and souvenirs. Early indications for the 2010 season suggest that Alaska can expect a return of the more traditional (less frugal) cruise passenger. Anecdotal information indicates discounting is not being required to fill berths, meaning the typical cruiser in 2010 will spend at a higher rate than the typical 2009 cruiser. To the extent that 2010 cruisers do spend more, the spending and employment losses potentially stemming from the decline in cruise traffic will be mitigated.

Looking ahead to 2011, Cruise Line Agencies of Alaska predicts that overall passenger volume will be about the same as in 2010, with additional losses being balanced out by new arrivals.

Further decline in the independent (non-cruise) travel market is not expected in 2010, and the outlook is for a modest rebound from 2009. Several factors point to this outcome.

- The reduction in cruise capacity – and stronger early cruise bookings despite lack of significant discounting – indicate better overall demand for Alaska and increased consumer economic capability. Cruise capacity limitations likely mean some visitors will choose a non-cruise Alaska trip.
- National retail spending and consumer confidence show some modest promise in early 2010. Since Alaska visitors tend to be well above average in income and education, they are less affected by an economic downturn.
- Past research in the Alaska market indicates that potential visitors may postpone their Alaska trip during uncertain times but not cancel their Alaska ambitions altogether. Some pent-up demand from the recent independent visitor downturn is expected.
- Most independent visitors enter and exit by air, and Alaska's dominant carrier – Alaska Airlines – is doing much better financially in 2010 than the aviation industry overall, so is likely to maintain sufficient summer frequency to service independent Alaska demand.
- Independents will be looking for value, as opposed to low price, and travel offerings throughout the state are more modestly priced as a result of the recession. The perceived (and true) value of an independent Alaska experience has improved since 2008.
- While the U.S. dollar may be strengthening somewhat in 2010, Alaska travel is still a good value for overseas visitors, and some additional independent traffic might be expected.

While all of these factors point to modest improvement in Alaska independent visitor volume and spending for 2010, the nation's recent economic troubles are indicators of much more comprehensive and long-term systemic issues with the U.S. economy that will continue to be of concern for all travel markets.

Revenues to Municipal and State Governments

The visitor industry generates significant revenues for state and local governments in Alaska. User fees, sales taxes, bed taxes, property taxes, income taxes and other payments all flow to state and local governments in Alaska directly or indirectly from the visitor industry. This chapter details, to the extent possible, state and local government revenues that can be attributed to out-of-state visitors.

Summary

Visitor-related tax revenues to municipalities in 2008-09 totaled nearly \$70 million in sales and bed tax revenues and cruise line payments. Sales' tax revenues are estimated at \$28.9 million, and bed tax revenues are estimated at \$23.5 million. In addition, cruise lines paid over \$17 million in dockage, moorage, and municipal passenger fees in 2009. Property taxes provide an additional revenue stream to municipalities.

Visitor-related revenues to state government during the 2008-09 study period included \$139 million in cruise line fees, fishing/hunting licenses, vehicle rental taxes, corporate income taxes, and revenues to the Alaska Marine Highway System and the Alaska Railroad. Cruise lines alone paid \$58 million in commercial passenger vessel fees, gambling taxes, Ocean Ranger Program fees, and Environmental Compliance Program fees. Additional revenues to the State of Alaska from the visitor industry not included in this total are airport fees, State Parks user fees, and State Museum revenues, among others.

Please see the following pages for more details on these revenues.

Table 18
Selected Revenues to Municipal and State Governments
October 2008-September 2009

	Revenues
Municipal Revenues	\$69.8 million
Sales tax revenues	\$28.9 million
Bed tax revenues	\$23.5 million
Dockage/moorage revenues	\$17.4 million
State of Alaska Revenues	\$138.8 million
Commercial Passenger Vessel Tax	\$46.4 million
Passenger Gambling Tax	\$6.3 million
Ocean Ranger Program	\$4.0 million
Commercial Passenger Vessel Environmental Compliance Program	\$1.0 million
Non-resident fishing/hunting/trapping licenses and tags	\$17.1 million
Alaska Marine Highway revenues	\$17.6 million
Alaska Railroad revenues	\$19.4 million
Vehicle rental tax	\$5.6 million
Corporate income tax	\$21.4 million
Total Selected Revenues	\$208.6 million

Municipal Tax Revenues

Sales Tax Revenues

Total sales tax revenues associated with visitor industry spending are estimated at \$28.9 million for the October 2008 to September 2009 study period. Visitor-related sales tax revenues are particularly important in communities such as Juneau, Ketchikan, and Skagway, where spending by visitors provides a significant portion of total spending in each community.

Regional sales tax totals were calculated based on visitor industry spending and visitor volume at the community and regional level. Tax rates and total taxes collected by community were taken into account in the analysis (total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009). Taxable spending rates were also considered in the analysis. Not all visitor-related spending is taxable; for example, spending on flights is exempt, and some communities have sales tax caps.

Table 19
Sales Tax Revenues from Out-of-State Visitors
By Region, October 2008-September 2009

Region	Sales Tax Revenues
Southeast	\$18.3 million
Southcentral	\$9.8 million
Other regions combined	\$0.8 million
Total	\$28.9 million

Sources: McDowell Group estimates based on sales tax rates and revenues from Alaska Taxable 2009 (Alaska Department of Commerce, Community and Economic Development); and AVSP visitor survey and volume data.

Bed Tax Revenues

Out-of-state visitors paid an estimated \$23.5 million in bed tax revenues in the one-year study period. The bulk of the revenues accrue to Southcentral, where Anchorage has the highest bed tax rate in the state (12 percent) and attracts the highest number of overnight visitors. The Interior, with Fairbanks at 8 percent and Denali at 7 percent, accounted for about one-fifth of all bed tax revenues. While most Southeast communities charge bed taxes, revenues are not as high as in other regions because they have fewer overnight visitors (cruise ship visitors rarely overnight in Southeast). Both Southwest and Far North regions are estimated to receive less than \$1 million each in bed tax revenues from out-of-state visitors.

Over 30 different communities with bed taxes were considered in this analysis. Total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009. Each community's tax revenues were assigned a different "percentage out-of-state visitors" rate, based on data from the business survey (where accommodations reported the percentage of their business from out-of-state visitors) as well as previous visitor volume and survey research.

Table 20
Bed Tax Revenues from Out-of-State Visitors
By Region, October 2008-September 2009

Region	Bed Tax Revenues
Southcentral	\$15.6 million
Interior	\$5.6 million
Southeast	\$1.7 million
Southwest	\$0.5 million
Far North	\$0.1 million
Total	\$23.5 million

Sources: McDowell Group estimates based on bed tax rates and revenues from Alaska Taxable 2009 (Alaska Department of Commerce, Community and Economic Development); AVSP visitor survey and volume data; and business survey data.

Property Tax Revenues

It is beyond the scope of this study to measure property tax revenues in each Alaska community affected by visitor traffic. The analysis would be very complex; most property tax revenues are indirect, that is, paid by businesses that provide goods and services to visitors. Many visitor-affected businesses also provide goods and services to Alaska residents. Therefore, not all of the property taxes paid by these businesses could be attributed to the visitor industry.

A previous study estimated property tax revenues associated with the cruise industry at \$3.5 million for 2007. This figure was based on data provided by cruise lines on property tax payments, a review of property tax payments on cruise industry-related businesses in Ketchikan and Juneau, and previous estimates. This is only a relatively small portion of property tax revenues accruing to local governments from visitor industry-related sources. It does not include the lodging, tour operators, and other businesses serving the non-cruise market; nor does it include property taxes paid by businesses less dependent on visitor activity (but still deriving income from visitors) or taxes paid by households of employees of visitor-related businesses.

Cruise Ship Revenues

Some municipal governments in Alaska's cruise port communities receive revenues from cruise lines in the form of moorage and docking fees, primarily Juneau, Ketchikan, Sitka, and Haines. (The docks in Skagway, Whittier, and Icy Strait Point are privately owned. Seward's dock is owned by the Alaska Railroad.) Juneau has both private and public docks. Sitka does not have a deep-water dock, but charges lightering fees.

Each community has its own system of charging cruise lines for using port facilities. Dock charges are generally assessed on a per foot/per day basis. Additional charges may include tonnage fees, passenger fees, lightering fees, and water fees, depending on the community.

Total revenues for 2009 were \$17.4 million, most of it collected in Southeast. Juneau and Ketchikan account for the vast majority of this figure, with \$8.6 million and \$8.5 million, respectively.

Table 21
Cruise Ship Dockage/Moorage Revenues to Municipalities, Summer 2009

Port	Revenues
Juneau	\$8,587,000
Ketchikan	\$8,478,000
Sitka	\$115,000
Haines	\$99,000
All other ports	\$75,000
Total	\$17,354,000

Sources: City and Borough of Juneau; City of Ketchikan; City and Borough of Sitka; City and Borough of Haines.
 Note: Docks in Skagway, Whittier, and Icy Strait Point are privately owned. Seward's dock is owned by Alaska Railroad.

State of Alaska Revenues

Direct Payments from Cruise Lines

The State of Alaska receives several forms of direct payments from cruise lines: the head tax (Departments of Revenue and Environmental Conservation), the gambling tax (Department of Revenue), the Commercial Passenger Vessel Environmental Compliance Program (Department of Environmental Conservation) and state corporate income tax (Department of Revenue).

HEAD TAX

At the end of December 2006, a new head tax was established for passengers on large vessels. The tax is \$50 per passenger, with \$46 dedicated to the Department of Revenue for redistribution, and \$4 dedicated to the Alaska Department of Environmental Conservation to operate the Ocean Ranger Program.

According to the Alaska Department of Revenue, the State received \$46.4 million for the \$46 portion of the tax in 2007. These revenues are deposited in a special "commercial vessel passenger tax account" in the General Fund. For each voyage of a commercial passenger vessel providing overnight accommodations, the Commissioner of the Department of Revenue must identify the first five ports of call and the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the commissioner distributes \$5 per passenger of the tax revenue to each port of call. Each port of call must use the funds to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to improve the safety and efficiency of interstate and foreign commerce.

Head tax revenue for Department of Environmental Conservation amounted to \$4.0 million in 2009. This revenue is used to operate the Ocean Ranger program, which requires U.S. Coast Guard licensed marine engineers on board vessels to act as independent observers monitoring State environmental and marine discharge requirements, and to ensure that passengers and crew are protected from improper sanitation, health, and safety practices.

The large passenger vessel gambling tax was also introduced in December 2006. This tax applies to the use of playing cards, dice, roulette wheels, and coin-operated instruments or machines designed for gaming or gambling activities aboard cruise ships operating in Alaska waters. The tax is 33 percent of the adjusted gross income from these gambling activities.⁵ Gambling taxes are payable to the Department of Revenue and deposited in a special "commercial vessel passenger tax account" in the General Fund. The Department of Revenue reports gambling tax revenues of \$6.3 million in 2009.

COMMERCIAL PASSENGER VESSEL ENVIRONMENTAL COMPLIANCE PROGRAM

The Commercial Passenger Vessel Environmental Compliance (CPVEC) Program was established in July of 2001. This program requires all large passenger vessels to register and comply with quality control regulations. The program is operated with fees collected from large and small passenger vessels (\$1 per berth). In 2009, \$1.0 million was collected for the Commercial Passenger Vessel Environmental Compliance Program.

Corporate Income Tax

Alaska's corporate income tax rates are graduated from 1 percent to 9.4 percent in increments of \$10,000 of taxable income. The 9.4 percent maximum rate applies to taxable income of \$90,000 and over. Multistate corporations apportion income on a water's edge basis using the standard apportionment formula of property, payroll, and sales.

Tax payments by individual corporations are confidential; however, the Department of Revenue reports total corporate income taxes in the "tourism" category, including payments by cruise lines and other visitor industry businesses, of \$21.4 million in Fiscal Year 2009.

Vehicle Rental Tax

Alaska levies a 10 percent passenger vehicle tax as well as a 3 percent recreational vehicle tax. In Fiscal Year 2009, the Department of Revenue collected a total of \$8.0 million in vehicle tax revenues. Survey results indicate that approximately 70 percent of rental vehicle revenues are attributable to out-of-state visitors. Visitor-related tax revenues from vehicle rental are therefore estimated at \$5.6 million.

Revenues to Alaska Marine Highway and Alaska Railroad Corporation

While not in the category of fees or taxes, out-of-state visitors account for significant revenues to two transportation providers operated by the State of Alaska: the Alaska Marine Highway and the Alaska Railroad.

The Alaska Marine Highway reports that in calendar year 2009, out-of-state residents accounted for \$17.6 million in revenues to AMHS. For purposes of this report, this figure is assumed to represent the study period of October 2008 through September 2009. (This figure does not resemble the \$11.4 million reported in the Visitor Spending section because it is *total* spending, rather than spending only on passage to and from Alaska.)

The Alaska Railroad Corporation reports total passenger-related revenues of \$21.5 million in 2009, \$19.4 million of which is attributable to out-of-state visitors.

⁵ "Adjusted gross income" refers to gross income, minus prizes awarded and federal and municipal taxes paid or owed on the income.