





AIDEA's Customers

- Businesses - including resource development firms and nonprofits;
- Communities throughout Alaska; and
- Banks - AIDEA participates in or guarantees bank loans, helping to leverage the bank's funds and extend the terms of the loans to Alaskan businesses.



AIDEA's Role in Economic Development is to:

- Provide financing assistance to Alaskan businesses.
- Assist the State of Alaska through an AIDEA dividend.



AIDEA's Dividend

Since the start of the AIDEA dividend program in 1996, the AIDEA Board has made available over **\$178.1 million** in total dividends to the state's general fund.

What AIDEA's Involvement Provides:

Financing:

- Long-Term
- Lower-Cost
- Mixed-Term
- Tax-Exempt

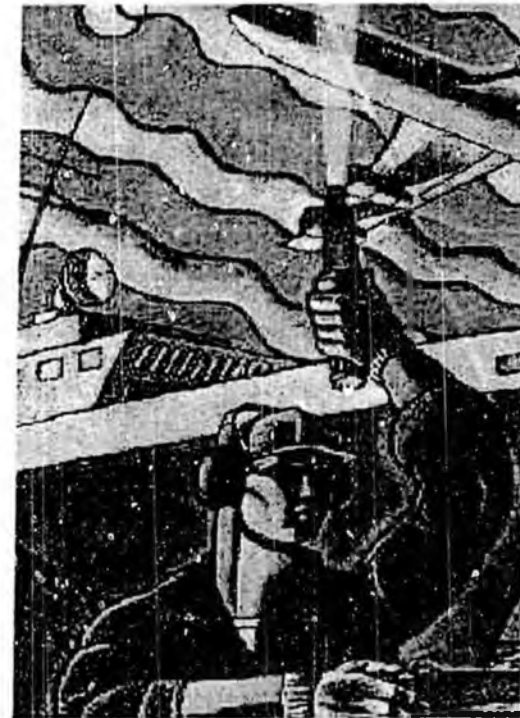


Public-Private Partnership

Growing a Diversified Economy

AIDEA Provides Financing Assistance for:

- ✓ Large and small Alaskan projects;
- ✓ Urban and rural projects; and
- ✓ Various industry sectors including retail, tourism, natural resource extraction and processing, air cargo and services.



AIDEA does not...

- Compete with the private sector;
- Provide grants; or
- Finance only large projects.



Key AIDEA Programs

- ✦ **Development Finance**
- ✦ **Loan Participation**
- ✦ **Loan Guaranty & Export Assistance**
- ✦ **Conduit Revenue Bond**





Key AIDEA Program

Development Finance

Objective:

To finance the infrastructure necessary to support Alaskan economic development projects.

Method:

AIDEA owns the project and is repaid through user fees, leases and other revenue sources.

To Qualify:

The project must be endorsed by the local government and be financially feasible.



AIDEA Development Projects

- ✿ DeLong Mt. Transportation System
- ✿ FedEx Facility
- ✿ Alaska Seafood International
- ✿ Snettisham Hydroelectric Project
- ✿ Ketchikan Shipyard

AIDEA's Program Results: Development Finance Program

AIDEA's investment in the Delong Mountain Transportation System (DMTS) made Red Dog mine a reality and created a tax base that led to the formation of the Northwest Arctic Borough.

As of the summer of 2004, the Red Dog mine and the DMTS provided 510 jobs, of which 57% were held by NANA shareholders. These jobs represent over 30% of the private sector jobs in the NANA region.



DeLong Mt. Transportation System (DMTS)





More results from AIDEA's Development Finance Program

The AIDEA-constructed Federal Express Maintenance Facility at the Ted Stevens Anchorage International Airport:

- created 20 permanent, high-skill jobs.
- brought to Alaska a pilot base that provides a direct infusion of income into SouthCentral Alaska.
- improved basic services for air carriers, strengthening Alaska's role as an international air crossroads.

Alaska Seafood Int'l (ASI)



BACKGROUND: In 1993, the legislature provided AIDEA with bonding authority to construct and own a seafood manufacturing facility. The facility was to provide secondary (value-added) processing of halibut, bottomfish, surimi and salmon.



SCOPE OF PROJECT: A two-story, 184,000 sq. ft. manufacturing facility; an adjoining cold storage facility; and a two-story, 20,000 sq. ft. power plant. The facility had the capacity to annually produce 100 million pounds of seafood product.



Alaska Seafood Int'l (ASI)

- AIDEA regained possession of the building when the operating company dissolved. AIDEA is responsible for oversight of the facility.
- AIDEA Board of Directors publicly solicited purchase offers in mid-2004.
- All offers received by AIDEA in accordance with a published notice setting forth the process were considered at the July 13, 2004, Board of Directors meeting.



Alaska Seafood Int'l (ASI)

- During the July 13th meeting, the AIDEA Board of Directors approved an offer from Anchorage Community Development, LLC (ACD) for \$24.5 million with financing provided by AIDEA, subject to further board approval.
- The parties are currently negotiating a Purchase and Sale Agreement. When executed, ACD will deposit \$50,000 into escrow and a 60-day due diligence period will begin.
- If due diligence is satisfactorily completed by both parties, the transaction is expected to close 30 days after the end of the due diligence period.



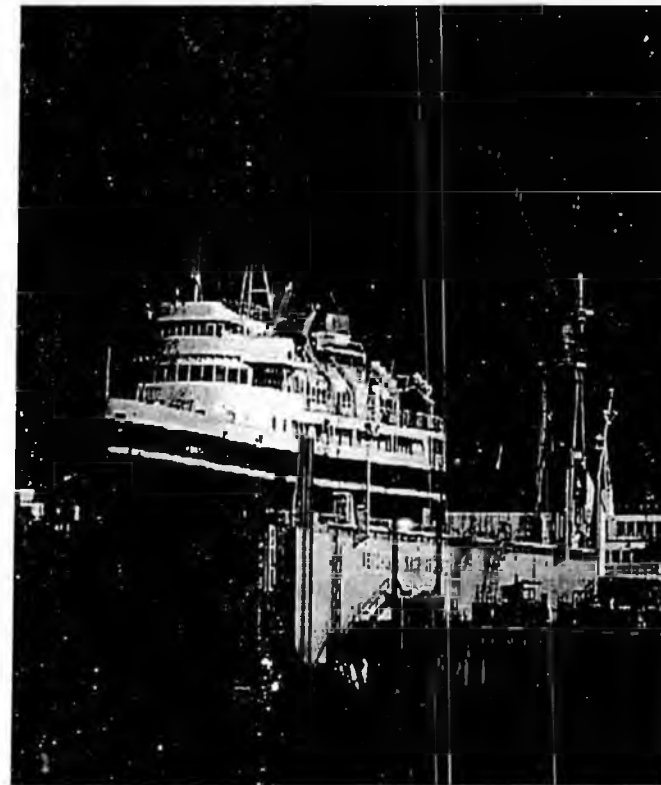
Snettisham Hydroelectric Project

- 78,210 kw hydroelectric project located 28 air miles southeast of Juneau.
- It provides approximately 80% of the Juneau-Douglas area electrical energy.
- AEL&P purchases all project power under a long-term power sales agreement.

Ketchikan Shipyard

PARTICIPANTS

- ◆ AIDEA
- ◆ Ketchikan Gateway Borough;
- ◆ City of Ketchikan;
- ◆ Ketchikan Public Utilities; and
- ◆ Alaska Ship and Drydock, the shipyard operator.





Ketchikan Shipyard

- ◆ In 1991, the state canceled its lease with the City of Ketchikan and closed the facility for two years.
- ◆ In November 1993, DOT&PF awarded an operating contract to reopen the facility and manage Alaska Marine Highway System overhaul projects.
- ◆ In July 1997, DOT&PF transferred title to AIDEA.
- ◆ AIDEA, the City and the Borough negotiated a MOU that describes each entity's contributions towards supporting the shipyard.



Ketchikan Shipyard

- ◆ In August 2002, AIDEA was awarded a \$5 million grant from the Economic Development Agency (EDA) for adding a second ship lift. The total project budget is \$10 million.
- ◆ The required \$5 million match was provided by the Ketchikan Gateway Borough and the State of Alaska.
- ◆ Currently in the design phase. The design engineer is Tryck Nyman Hayes.



Key AIDEA Program

Loan Participation

- ✦ Objective: To provide long term financing to acquire, develop or enhance Alaska businesses. AIDEA finances office buildings and tourism and manufacturing facilities, among other things.
- ✦ Method: Both taxable and tax-exempt financing are available under this program.
- ✦ To Qualify: Participation may total up to 90% of a loan originated by a commercial lending institution, with total participation not to exceed \$20 million.



Results

Loan Participation Program

Between 1992 and the end of FY 2004, 4,492 construction jobs and 4,699 permanent jobs have been created or retained through AIDEA's loan participation program.



AIDEA Loan Portfolio Diversification by Industry as of June 30, 2004

<u>Industry</u>	<u>%</u>
Hospital/Clinic/Day Care	1.47
Restaurant	1.10
Manufacturing	0.74
Aircraft Hangar	2.57
Office/Warehouse	9.56
Recreation	3.31
Office/Business Condo	20.59
Retail	30.88
Tourism: Hotel/Lodge	10.29
Warehouse/Shop	13.97
* <u>Other</u>	<u>5.52</u>
	100.00

**The "Other" category includes Equipment, Laundromats and Unimproved Property.*



AIDEA Loan Portfolio Delinquency

as of December 31, 2004

<u>Loan Status</u>	<u>%</u>	<u>\$Amount (000)</u>
Current:	99.56%	\$303,355
Past due:		
31-60 days	0.00%	0
61-90 days	0.22%	679
Over 90 days	0.22%	671
	100.00%	\$304,704

All Alaskan banks delinquency (as of 9/30/04) = 2.10%



AIDEA Loan Portfolio Diversification by Geographic Region

	<u>% Loan Balance</u>	<u># Borrowers</u>	<u>%Borrowers</u>
▪ Anchorage	54.9%	139	51.5%
▪ Interior	5.3%	26	9.6%
▪ Northern	3.5%	6	2.2%
▪ Mat-Su	4.7%	20	7.4%
▪ Gulf Coast	8.3%	26	9.6%
▪ Southeast	21.1%	45	16.7%
▪ Southwest	2.2%	11	4.1%

(as of 1/31/05)



Key AIDEA Program

Loan Guaranty & Export Assistance

- A loan guarantee program that provides eligible financial institutions with a guarantee of up to 80%, but not to exceed \$1 million on the principal of the loan.
- Provides assistances to manufacturing enterprises as they export goods and services.
- AIDEA is a city-state partnership with the U.S. Export-Import Bank.



Key AIDEA Program

Conduit Revenue Bond

- Objective: To provide financing where AIDEA acts as a conduit for the issuance of taxable and tax-exempt bonds.
- Method: Neither the assets nor credit of AIDEA are at risk in this program; the creditworthiness of the project and credit enhancements offered by the applicant are essential to the underwriting and placement of bonds.
- To qualify: A business enterprise may request the adoption of an eligibility resolution for tax-exempt financing by submitting a preliminary application and nonrefundable fee to AIDEA. If the board of directors adopts an eligibility resolution for a project, an applicant then submits an application for financing for the project.



Results

AIDEA's Conduit Revenue Bond Program:

From program inception in 1978 through 12-31-04, over \$929 million in bonds for 303 projects have been issued to support projects as diverse as:

- Fort Knox gold mine near Fairbanks,
- expansion of Hope Community Resources' facilities in Anchorage,
- expansion and improvement of Providence Health System's Anchorage facilities, and
- expansion and improvement of Fairbanks Memorial Hospital.



Thank you for your time!

www.aidea.org

***Alaska Industrial Development & Export Authority
813 West Northern Lights Blvd.
Anchorage, AK 99503
907-269-3000***

HB

2

24-LS0003VL
Kurtz
4/1/05

CS FOR HOUSE BILL NO. 2()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

BY

**Offered:
Referred:**

CMN - TRA Fin JUD

Sponsor(s): REPRESENTATIVE GATTO

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to taxes regarding certain commercial passenger vessels operating in
2 the state; and providing for an effective date."

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

4 * Section 1. AS 43.52 is amended by adding new sections to read:

5 **Article 2. Excise Tax on Passengers Traveling Aboard**
6 **a Commercial Passenger Vessel.**

7 **Sec. 43.52.100. Levy of excise tax on passengers traveling aboard a**
8 **commercial passenger vessel.** There is imposed an excise tax on passengers
9 traveling in the marine waters of the state aboard a commercial passenger vessel that
10 provides overnight accommodations *and that calls in at least one*

11 **Sec. 43.52.110. Rate of tax.** The tax imposed by AS 43.52.100 - 43.52.199 is *ALASKA PORTS*
12 levied at a rate to be determined each calendar year by the department based on actual
13 costs of services to commercial passenger vessels; the rate may not exceed \$50 a
14 passenger a voyage.

1 **Sec. 43.52.120. Liability for payment of tax.** (a) A passenger traveling in
2 the marine waters of the state aboard a commercial passenger vessel that provides
3 overnight accommodations is liable for the tax imposed by AS 43.52.100 - 43.52.199.
4 The tax

5 (1) shall be collected by the person who provides the travel to the
6 passenger; and

7 (2) is due and payable to the department

8 (A) by the person who provides the travel to the passenger,
9 regardless of whether the person actually collects the tax from the passenger;
10 and

11 (B) in the manner and at the times required by the department
12 by regulation.

13 (b) A passenger is not liable for the tax under AS 43.52.100 - 43.52.199 if that
14 passenger was liable for the tax within the preceding 30 days.

15 (c) A person who provides travel for a passenger who, under (b) of this
16 section, would not be liable for the tax under AS 43.52.100 - 43.52.199 is not required
17 to collect and pay the tax to the department if the person reasonably believes that the
18 passenger is not liable for the tax under (b) of this section.

19 **Sec. 43.52.130. Disposition of proceeds.** (a) The proceeds from the tax
20 imposed by AS 43.52.100 - 43.52.199 shall be deposited in a special commercial
21 vessel passenger tax account in the general fund. The legislature may appropriate
22 money from the account for the purposes described in (b) and (c) of this section, to
23 provide to vessels services that enhance the safety and efficiency of interstate and
24 foreign commerce, and for any other lawful purpose.

25 (b) For each sailing of a commercial passenger vessel providing overnight
26 accommodations, the commissioner shall identify the first five ports of call in the state
27 and the number of passengers on board the vessel at each port of call. Subject to
28 appropriation by the legislature, the commissioner shall distribute to each port of call
29 10 percent of the tax revenue collected under AS 43.52.100 - 43.52.199 from each
30 passenger visiting that port. If the port of call is a city located within a borough that is
31 not unified with the borough, the commissioner shall, subject to appropriation by the

1 legislature, distribute five percent for each passenger to the city and five percent to the
2 borough. Each port of call receiving funds under this subsection shall use the funds
3 received to provide to vessels services that enhance the safety and efficiency of
4 interstate and foreign commerce.

5 (c) Within the special commercial vessel passenger tax account established in
6 (a) of this section, a regional cruise ship impact subaccount is established. The
7 subaccount consists of 25 percent of the proceeds from the tax on travel aboard
8 commercial passenger vessels providing overnight accommodations in the marine
9 water of the state. Subject to appropriation by the legislature and regulations adopted
10 by the department, the commissioner shall distribute funds from the subaccount to
11 municipalities or other governmental entities within the Prince William Sound region,
12 Southeast Alaska, or any other distinctive region affected by cruise-ship-related
13 tourism activities but not entitled to receive funds based on port-of-call visitation as
14 allowed by (b) of this section. The commissioner shall make the distribution
15 authorized by this subsection only if the funds are used by the recipient to provide to
16 vessels services that enhance the safety and efficiency of interstate and foreign
17 commerce.

18 **Sec. 43.52.140. Administration.** (a) The department shall

19 (1) administer AS 43.52.100 - 43.52.199; and

20 (2) collect, and supervise and enforce the collection of, taxes due under
21 AS 43.52.100 - 43.52.199 and penalties as provided in AS 43.05.

22 (b) The department may adopt regulations to carry out the purposes of
23 AS 43.52.100 - 43.52.199.

24 **Sec. 43.52.199. Definitions.** In AS 43.52.100 - 43.52.199, unless the context
25 otherwise requires,

26 (1) "commercial passenger vessel" means a vessel that is used in the
27 common carriage of passengers in commerce; "commercial passenger vessel" does not
28 include a

29 (A) vessel with an overnight accommodation capacity for fewer
30 than ²⁵12 passengers;

31 (B) noncommercial vessel or a vessel operated by the state, the

1 United States, or a foreign government; or

2 (C) vessel licensed under AS 16.05.490 and used in charter
3 service for the recreational taking of fish and shellfish;

4 (2) "marine waters of the state" means the marine bays, sounds, rivers,
5 inlets, straits, passages, canals, Pacific Ocean, Gulf of Alaska, Bering Sea, and Arctic
6 Ocean within the territorial limits of the state, and all other bodies of marine water that
7 are wholly or partially within the state or are under the jurisdiction of the state;

8 (3) "passenger" means a person with whom a common carrier has
9 contracted for carriage from one place to another.

10 * Sec. 2. AS 43.52.100, 43.52.110, 43.52.120, 43.52.130, 43.52.140, and 43.52.199 are
11 repealed.

12 * Sec. 3. The uncoded law of the State of Alaska is amended by adding a new section to
13 read:

14 TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt
15 regulations to implement sec. 1 of this Act. The regulations take effect under AS 44.62
16 (Administrative Procedure Act), but not before the effective date of sec. 1 of this Act.

17 * Sec. 4. The uncoded law of the State of Alaska is amended by adding a new section to
18 read:

19 REVISOR'S INSTRUCTION: The revisor of statutes shall substitute "AS 43.52.010 -
20 43.52.099" for "this chapter" wherever "this chapter" occurs in AS 43.52.010 - 43.52.099.

21 * Sec. 5. The uncoded law of the State of Alaska is amended by adding a new section to
22 read:

23 CONDITIONAL EFFECT. Section 2 of this Act takes effect only if the initiative
24 petition 03CTAX, an Act providing for taxation of certain commercial ship vessels, pertaining
25 to certain vessel activities and related to ship vessel operations taking place in the marine
26 waters of the state of Alaska, becomes law.

27 * Sec. 6. If, under sec. 5 of this Act, sec. 2 of this Act takes effect, it takes effect on the
28 effective date an Act providing for taxation of certain commercial ship vessels, pertaining to
29 certain vessel activities and related to ship vessel operations taking place in the marine waters
30 of the state of Alaska, proposed in initiative petition 03CTAX.

31 * Sec. 7. Section 3 of this Act takes effect immediately under AS 01.10.070(c).

1 * Sec. 8. Except as provided in secs. 6 and 7 of this Act, this Act takes effect January 1,
2 2006.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 15, 2005

SUBJECT: Head Taxes and Embarkation/Disembarkation Taxes (HB 2)

TO: Representative Carl Gatto
Attn: Cody Rice

FROM: Kathryn L. Kurtz *KLK*
Legislative Counsel

You asked whether there was a legal difference between a head tax and an embarkation or disembarkation tax.

These terms are simply labels of convenience used to describe specific taxes imposed by state and local governments. Each state or local tax will differ in its exact language and construction.

Black's Law Dictionary (6th ed.) defines "head tax" as a "[t]ax of flat amount per person." It does not define "embarkation tax" or "disembarkation tax," although both of those, if assessed on a flat, per person basis, could fall within the definition of "head tax."

A Lexis search of state and federal case law revealed no references to either "embarkation tax" or "disembarkation tax." There were 375 references to "head tax."

I hope this is helpful. Please contact me if you require anything further on this point.

KLK:med
05-263.med

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHE 2(), Draft Version "L"

- 1 Page 1, line 10, following "accommodations":
- 2 Insert "and that calls in at least one Alaska port"

Amend 12 to 35

Research - California Laws *
Sale of Ticket -
TAX Imposed on
Purchase of
Ticket
6 months - 1 yr

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

January 27, 2004

The Honorable Carl Gatto
Alaska State Legislature
State Capitol, Room 411
Juneau, AK 99801

Dear Representative Gatto:

In response to your request, I have attached informational documents produced by the Department of Revenue (DOR) and Governor's Office of Management and Budget (OMB) that may prove useful as backup material for your presentation of HB 207, *Tax on Commercial Vessel Passengers*, to the Economic Development, International Trade and Tourism Committee on Tuesday, January 27, 2004. Included are a few schedules that may be of particular interest to committee members.

These are:

- Cruise Ship Port Fees in Selected U.S. Ports
- Cruise Ship Fees - Other Countries
- State Costs Incurred Supporting the Visitor Industry in Alaska

Questions on cruise ship fees can be directed to Dan Dickinson, Director, DOR, Tax Division at 269-1033. Questions on state costs to support the visitor industry can be directed to Brad Pierce, OMB, Senior Policy Analyst at 465-4677.

We hope this information will prove to be helpful.

Sincerely,

A handwritten signature in black ink that reads "Michael Tibbles".

Michael Tibbles
Legislative Director

Attachments

Cruise Ship Port Fees In Selected U.S. Ports

City/Port	Passenger Fees	Docking	Selected Port Fees	
				Other
CALIFORNIA				
Los Angeles	\$9.35 for passengers embarking/debarking, no charge for in-transit passengers	\$72-\$10,340		
San Diego	\$5 for passengers embarking/disembarking, \$4 for in-transit passengers	\$3.72/foot for 688 foot vessel		
FLORIDA				
Port Canaveral	\$1.30-\$5.05 depends on length of trip	\$2.10-\$9/foot		\$185-\$740/movement based on ship length and day of week
Port Everglades	\$8.20/each embark/disembark & in transit, multi-day cruises; \$1.41/each embark/disembark & in-transit, daily cruise (minimum 25 cruises/month)	\$0.167/GRT, multi-day cruises; \$0.077/GRT, daily cruise (minimum 25/month)		\$215-\$273/day harbormaster rate; \$228-\$490/movement line handler rate (tie ups)
Tampa Port Authority	\$5.75 embark/disembark & in-transit	\$4.36-\$7.982/foot length overall (LOA)		\$0.35/foot LOA harbormaster fees, \$250/service for line handling (+OT & holiday rates)
HAWAII				
Ports of Hawaii	\$2.50 embark/disembark	\$25-\$2,857/day/arbtor, based on LOA and harbor		\$25-\$637.50 (based on overall length), port entry fee/harbor
MASSACHUSETTS				
Cruiseport Boston		\$8.50 \$2/foot, minimum \$1,200		
TEXAS				
Port of Galveston	\$4/passenger in-transit, \$4.25 for embark/disembark	\$1.91-\$9.74/foot		harbor fee \$385/visit, wharf cleaning fee \$207/visit, line handling done by others
Port of Houston	\$4/passenger for embark/disembark	\$5.60-\$10.62/foot based on LOA		
WASHINGTON				
Port of Seattle	\$5.50-\$6.00 embark/disembark for homeport vessels, \$6.00 embark/disembark, \$6.00 for in-transit	\$153-\$14,077/day based on LOA (90% of regular dockage fees)		

Source: Legislative Research Report 00.072, February 5, 2002, Page 12. Port of Seattle passenger fees updated for 2003 by the Department of Revenue.

Notes and Sources: Docking rate for 24-hour period, except as noted.

Los Angeles- Port Tariffs, Port of Los Angeles website, <http://222.portoflosangelesw.org/tariff.asp> (accessed January 22, 2002).

San Diego- Richard Winchip, Chief Wharfinger, Port of San Diego.

Port Canaveral- Port Tariffs, Port Canaveral website http://www.portcanaveral.org/business/tariffs_ruleF.htm (accessed January 25, 2002).

Port Everglades- "Section Five - Wharfage," Port Everglades Tariff Number 11, Port Everglades, <http://www.co.broward.fl.us/poi04705.htm> (accessed January 25, 2002).

Tampa- Tampa Port Authority Tariffs, Sections D & E (accessed online January 25, 2002).

Hawaii- "Chapter 44. Subchapter 6: Wharfage", Title 19- Hawaii Administrative Rules, Hawaii Department of Transportation, <http://www.state.hi.us/dot/harbors/adminrules/htm> (accessed January 22, 2002).

Boston- Massachusetts Port Authority Tariff, Section 2, 3, & 7, Massport website <http://www.massport.com/ports/cruis.html> (accessed January 23, 2002).

Galveston- Port of Galveston Tariff, Section 400 & 500, website <http://www.portogalveston.com> (accessed January 23, 2002).

Houston- Tom Heidt, Port of Houston.

Seattle- Port of Seattle Terminals Tariff No. 4, website www.portseattle.org/harbor/tariffs (accessed January 23, 2002).

Cruise Ship Fees – Other Countries

There are countries that levy passenger fees. We were able to find the following fees levied by countries in the Caribbean:

Summary of Head Taxes in Caribbean Region, 2003		
Destination	Head Tax (\$)	Incentives
Antigua/Barbuda	7.50	Incentives to \$6
Aruba	3.50	Incentives to \$2
Bahamas	15	Incentives to \$7.50, 2nd port is free
Barbados	6	
Belize	5	
Bermuda ¹ -	60	Arrival Tax, regardless of length of stay
-	14	Per night, May through August
-	10	Per night, September through April
Bonaire	0	
British Virgin Islands	7	Incentives to \$2
Cayman Islands -	11.22	Seasonal
-	9.27	Year-round
Costa Rica	2.50	
Curacao	3.50	Incentives to \$1.75
Dominica	5	Incentives to \$3
Dominican Republic	1	
Grenada	4.50	
Guadeloupe - Pointe-a-Pitre	1.85	
Jamaica - Ocho Rios	15	Incentives to \$8.50
- Montego Bay	13	Incentives to \$8.50
Martinique	0	
Mexico - Cozumel	3.85	
Nicaragua	2	
Panama	4.50	Rebates to \$12
Puerto Rico - San Juan	10.30	Incentives to \$8.50
St. Kitts	5	Incentives to \$3.50
St. Lucia	6.50	Incentives to \$6
St. Maarten	5	
St. Vincent and the Grenadines	6	
Trinidad & Tobago	5	
U.S. Virgin Islands - St. Thomas	7.50	Fixed until 2006
- St. Croix	0	Fixed until 2006
Port Canaveral	5.05	In-transit
Port Everglades	6.62	In-transit
Key West	8	
Miami	7.25	In-transit
Palm Beach	4	In-transit
Tampa	5.75	In-transit

Source: Florida Caribbean Cruise Association

State Costs Incurred Supporting the Visitor Industry in Alaska

Special legal issues are present when a tax falls on the Alaska cruise ship industry. The Department of Law (DOL) has addressed these in an extensive memorandum dated November 17, 2003. Incidentally, many of these same issues have been addressed in several memoranda by John R. Corso of the City and Borough of Juneau Legal Department as they examined the same issues in relation to their head tax.

In brief, DOL's conclusion is that it is entirely possible to construct a defensible tax which falls on cruise ship accommodations as long as it is used to recoup, through taxes, related governmental expenses. Table 19 sets forth one such preliminary estimate of government expenses for the current fiscal year. As can be seen, public money spent far exceeds what will be recouped in tax. Because of the enormous amount of spending by state visitors with Alaskan merchants and service providers, it is entirely appropriate that the state government subsidizes the visitor industry. This is especially true in areas where the expenditures can benefit everyone, visitor and non-visitor alike. However, it is also entirely appropriate, and legal, for the state to recoup some of those expenses through its taxing power.

		FY 2004 Component Total Appropriations (\$ Thousand)	Potentially Attributable to Cruise Industry	Notes on Methodology
FY 04 Operating Budget				
Debt	Harbor Project Debt Service	14,459.1	6,069.0	See OMB harbors debt service spreadsheet.
	International Airport Bond Debt Service	17,701.3	5,535.2	59% of traffic during high demand months are visitors and 53% of visitor traffic is one-way cruise users, <i>Alaska Visitor Arrivals: Summer 2003</i> , Northern Economics, December 2003.
DOA	Risk Management	24,483.9	-	Some portion of liability insurance for public transportation: \$1.5m/yr. marine transportation; \$890k/yr. international airports.
	Motor Vehicle Licensing	9,611.5	14.5	Licensed tour bus - 1,163 proportion of 770,000 total licensed vehicles X budget.
DCED	State Match to AK Travel Industry	4,000.0	1,926.0	FY 04 budget amount billed to cruise industry from department.
	Marine Pilot Licensing Program	225.4	112.7	Assumes cruise ship operations are 1/2 of total.
	Alaska Railroad	10,000.0	7,130.0	71.3% of passenger are directly associated with cruise lines so that percentage was applied to the passenger operations budget.
DEC	Food and Safety Sanitation	2,838.5	30.0	Estimate provided by department based on food service inspections of ships operating in AK.
	Environmental Compliance Fee	706.9		Paid entirely by cruise ship industry.
	Spill Prevention and Response	5,567.4		No current basis for allocating cost to cruise industry.
ADFG	Sport Fisheries	35,459.7	10,818.3	81% of sportfish licenses sold to nonresidents in CY '02 assumes that 1/2 were sold to cruise ship visitors.
	Wildlife Conservation	29,100.2		No current basis for allocating cost to cruise industry.
DHSS	Epidemiology	18,678.1		No current basis for allocating cost to cruise industry.
	Medical Examiner	1,245.1		No current basis for allocating cost to cruise industry.
	Public Health Laboratories	5,141.1		No current basis for allocating cost to cruise industry.
Labor	Marine Training Program	240.0	120.0	Assumes cruise ship operations are 1/2 of total.
	Wage and Hour	1,300.0		No current basis for allocating cost to cruise industry.
DMVA	Homeland Security and Emergency Services	5,346.6		No current basis for allocating cost to cruise industry.
	Local Emergency Planning Committee	409.0		No current basis for allocating cost to cruise industry.
DNR	State Parks	7,909.4	1,502.8	19% of visitors to state parks are nonresidents
DPS	Fish and Wildlife Protection	18,045.5	2,400.1	Assumes same proportion of enforcement effort as commercial fishing for sport with 1/2 attributable to cruise visitors. Ref: court approved <i>Carlson</i> methodology.
	Search and Rescue	368.1		No current basis for allocating cost to cruise industry.
DOT/PF	Marine Highway System	85,813.8		No current basis for allocating cost to cruise industry.
	International Airports	236,818.7		No current basis for allocating cost to cruise industry.
FY 04 Operating Budget Subtotal		535,479.3	35,658.6	

Operating Budget Component Name		FY 2004 Component Total Appropriations (\$ Thousand)	Potentially Attributable to Cruise Industry	Notes on Methodology
FY 04 Capital Budget				
DMVA	State Homeland Security Grant Program	18,225.0	758.6	Port Security Grants
DOT/PF	International Airport System Projects and Costs	38,274.8	11,343.1	Anchorage (see formula above)
	Corps of Engineers Harbors Program	8,450.0	8,450.0	St. Paul and Wrangell Projects (both cruise ports)
	International Airport System Projects and Costs	28,808.7	9,008.5	Fairbanks
	Ted Stevens International Airport Projects	134,593.0	42,087.2	Anchorage
Alaska Railroad		12,000	8,556.0	\$12 million/year passenger-related capital expenditure X 73.1%
FY 04 Capital Budget Subtotal		238,351.5	80,203.4	
GRAND TOTAL		773,830.8	115,861.9	

Note that the potentially attributable cost figures in the table refer only to the cost side of the ledger without regard to how those activities and projects are funded. Because the Alaska constitution does not allow for dedication of funds, public revenue can be spent on anything and those funds spent on regulation, support and enforcement of cruise ship activities could be spent on other public services if the industry did not exist. This legal rationale was delineated by the Alaska Supreme Court in *Carlson, et al v. State of Alaska*. The only exception in the table is the DEC Environmental Compliance Fee which is paid directly by the cruise ship industry.

***Preliminary Estimates of Cruise Industry Fiscal Impacts
on the State's General Fund***

**with a
Preliminary analysis of State of Alaska support material
for HB207, Tax on Commercial Vessel Passengers**

***Prepared for:
North West CruiseShip Association***



Juneau • Anchorage

April 22, 2004

Preliminary Estimates of Cruise Industry Fiscal Impacts on the State's General Fund

The following estimates and accompanying explanations are developed by the McDowell Group, Inc., at the request of the North West CruiseShip Association in response to the support material attached to a letter by Micheal Tibbles, Legislative Director for Governor Murkowski, to Representative Carl Gatto dated January 27, 2004. The material accompanying the letter was used to support a tax proposal. An initial cursory examination of the support material brought into question the basis for the estimates of cruise industry fiscal impacts. The McDowell Group was then assigned the task of conducting a preliminary professional review of the assumptions, as part of an ongoing comprehensive assessment of the cruise industry's economic impacts in Alaska. The result is a preliminary estimate of cruise industry General Fund impacts of \$900,000, compared to the original estimate of \$115,861,900 in state government impacts presented in the Tibbles support material. These findings are preliminary and subject to change, pending the outcome of McDowell Group's detailed analysis of the expenditure and revenue impact of the cruise industry on state and local governments in Alaska.

- **International Airport Bond Debt Service** **Original estimate: \$5,535,200**
McDowell Group cruise market data and official statistics from the international airports shows that 314,000 cruise passengers used the Anchorage and Fairbanks airports in 2003, out of 5,222,619 total passengers using the airports (enplanements and deplanements) in the last fiscal year, for an attribution rate of 6.0 percent, not the 22 percent assumed in the Tibbles letter. More important, according to Airport officials, the International Airport system receives no General Fund money. **Revised estimate: \$0**

- **State Match to Alaska Travel Industry** **Original estimate: \$1,926,000**
Original calculation ignores cruise industry contribution of \$2.4 million to the overall statewide marketing program that benefits all visitor markets. Cruise industry contribution more than accounts for stated attributable funds. **Revised estimate: \$0**

- **Alaska Railroad** **Original estimate: \$7,130,000**
Revenues to the railroad related to the cruise industry more than compensate for the portion of the operating budget attributable to the cruise industry, according to Alaska Railroad executives. ARR receives no general fund monies. ARR would likely show a net profit from cruise-related operations. **Revised estimate: \$0**

- **Sport Fisheries** **Original estimate: \$10,818,300**
McDowell Group statewide survey data shows that 6 percent of all cruise passengers participated in sport fishing in 2003. This represents 16 percent of all non-resident sport fishing licenses (not the 50 percent incorrectly assumed in the Tibbles letter) and 10 percent of all sport fishing licenses. General Fund money to Sport Fisheries totals approximately \$18.4 million (FY04 Authorized). Ten percent of that total is \$1.8 million. Subtracted from that is the approximate \$1.2 million in cruise passenger fishing license revenue. **Revised estimate: \$600,000**

- **Marine Training Program** **Original estimate: \$120,000**
Marine pilots pay for the training program as part of their annual licensing fees. **Revised estimate: \$0**

- **State Parks** **Original estimate: \$1,502,800**
 Tibbles material attributes all non-resident park visits to the cruise industry, while cruise visitors constitute approximately 50 percent of full-year Alaska visitor traffic. Cruise visitors are not as likely as non-cruise visitors to visit the state's widely-distributed parks, as they rarely utilize campgrounds, and their itineraries are shorter and more concentrated. Most cruise passenger visitation to state parks is likely to be covered by commercial user fees. In the absence of specific visitation data, this analysis estimates a state park attribution rate of 20 percent of all non-resident usage, although the actual percentage is likely much lower.
Revised estimate: \$300,000
- **Fish and Wildlife Protection** **Original estimate: \$2,400,100**
 See Sport Fisheries note. Cruise visitors account for only 10 percent of all sport fishers and virtually no hunters or commercial fishing activity – which involve major enforcement expenditures. It is not known if Tibbles material eliminated hunting and commercial fishing enforcement costs.
Revised estimate: not yet determined
- **Harbor Project Debt Service** **Original estimate: \$6,069,000**
 Most Alaska harbor project debt service is not related to cruise dock facilities. Tibbles material is unclear as to what ports and facilities are included in this debt service. Little state money is likely involved in cruise port development in the three major Southeast ports.
Revised estimate: \$0
- **State Homeland Security Grant Program** **Original estimate: \$758,600**
 As a federally funded grant program, this budget item likely has no general fund impacts.
Revised estimate: \$0
- **International Airport System Projects and Costs (ANC)¹** **Original estimate: \$11,343,100**
 McDowell Group data shows that 261,000 cruise passengers used the Anchorage airport in 2003, out of 4,392,204 million total passengers using the airport (enplanements and deplanements) in the last fiscal year, for an attribution rate of 5.9 percent, not 22 percent as Tibbles material assumed. In any case, the International Airport system receives no General Fund money.
Revised estimate: \$0
- **Corps of Engineers Harbors Program** **Original estimate: \$8,450,000**
 Tibbles material refers to harbor projects in Wrangell and St. Paul that consist of fishing industry-related improvements. According to city officials in both communities, neither project has any relation to the cruise ship industry.
Revised estimate: \$0
- **International Airport System Projects and Costs (FBX)¹** **Original estimate: \$9,008,500**
 McDowell Group data and official airport statistics show that 53,000 cruise passengers used the Fairbanks airport in 2003, out of 830,415 total passengers using the airport (enplanements and deplanements) in the last fiscal year, for an attribution rate of 6.4 percent. In any case, the International Airport system receives no General Fund money.
Revised estimate: \$0

¹ According to officials at the Department of Transportation, the Tibbles material double-counts the airport-related budget items. The airport capital expenditures are financed through the international airport bond debt service. Expenditures on the capital budget side are referenced that are already accounted for on the operating budget side.

- **Ted Stevens International Airport Projects¹** **Original estimate: \$42,087,200**
McDowell Group statewide survey data shows that 261,000 cruise passengers used the Anchorage airport in 2003, out of 4,392,204 total passengers using the airport (enplanements and deplanements) in the last fiscal year, for an attribution rate of 5.9 percent. Further, the International Airport system receives no General Fund money.

Revised estimate: \$0

- **Alaska Railroad** **Original estimate: \$8,556,000**
Revenues to the railroad related to the cruise industry more than compensate for the portion of the operating budget attributable to the cruise industry, according to Alaska Railroad executives. The ARR is not a state agency and receives no general fund monies.

Revised estimate: \$0

TOTAL ORIGINAL ESTIMATE	\$115,861,900
TOTAL PRELIMINARY REVISED ESTIMATE	\$900,000

***THE ECONOMIC IMPACTS OF THE
CRUISE INDUSTRY IN ALASKA, 2003***

FINAL REPORT

***PREPARED FOR:
NORTH WEST CRUISESHIP ASSOCIATION***

OCTOBER 2004

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PREPARED BY:



JUNEAU • ANCHORAGE

OCTOBER 2004

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EXECUTIVE SUMMARY

The cruise industry has become a major economic force in Alaska, bringing nearly 780,000 visitors to the state in 2003 alone. To better understand how the cruise ship industry affects the Alaska economy, the North West CruiseShip Association (NWCA) contracted with McDowell Group, an Alaska research and consulting firm, to prepare a study of the impacts of the Alaska cruise industry on the state during 2003.¹ Impacts were also summarized for Southeast, Southcentral and Interior/North regions of Alaska (see map). Cruise industry impacts are expressed in terms of spending, employment and payroll. Key findings are presented below.

Cruise Passenger and Crew Member Spending

- The average out-of-pocket spending per passenger in 2003 was \$511, for total spending of \$393 million. This does not include airfare to and from the state, or any trip components included in the cruise or cruisetour package (such as hotel, rail, and bus components).
- Cruise passengers make the bulk of their out-of-pocket purchases in Southeast Alaska, where they spend the most time. It is also where they have the most opportunity to make independent purchases on tours, retail items, and meals.
- Approximately 20,000 crew members spent an estimated \$13 million in Alaska in 2003, nearly all of it in Southeast Alaska.

Cruise Passenger Spending by Region, 2003

Region	Total Spending	Percent of Total
Southeast	\$334 million	85%
Southcentral	34 million	9
Interior/North	12 million	3
Unattributed*	13 million	3
Total	\$393 million	100%

*Unattributed spending includes spending that cannot be obviously attributed to a region.

Cruise Line Spending on Goods and Services

- Cruise lines and their subsidiaries purchased approximately \$149 million in goods and services from Alaska businesses and organizations during 2003. Included in this figure is spending on operational expenses as well as capital projects. According to cruise line data, approximately \$35 million of the \$149 million is attributable to capital projects. Direct payroll is not included.
- Southcentral captured about half of cruise line spending at \$76 million. Southeast and the Interior/North each captured about a quarter of spending at \$39 million and \$34 million, respectively.
- The high level of spending in Southcentral reflects, in part, cruise line subsidiary operations such as lodges, railcars, and other land tour components, many of which are based and/or supplied by businesses located in that area.

¹ This study considers impacts from NWCA member lines only, which represent 98 percent of the Alaska cruise market.

Cruise Line Direct Purchases of Goods and Services by Region, 2003

Region	Total Spending	Percent of Total
Southcentral	\$76 million	51%
Southeast	39 million	26
Interior/North	34 million	23
Total	\$149 million	100%

Total Direct Cruise Industry Spending

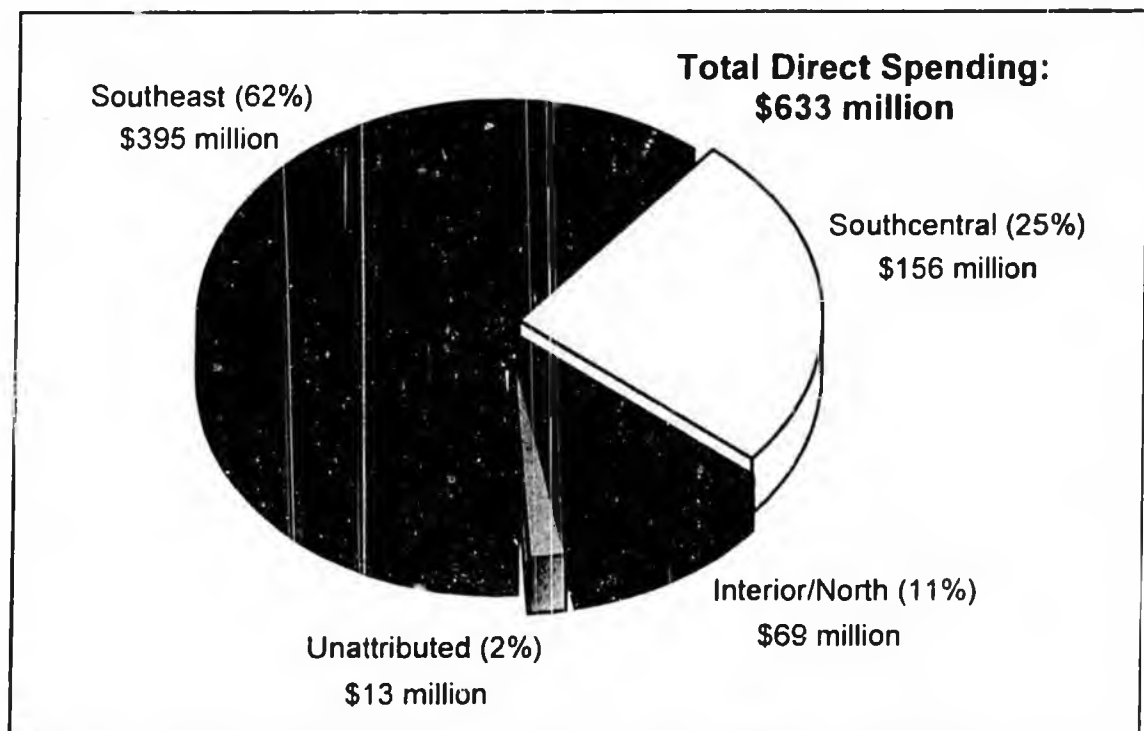
- Cruise lines, crew members, and passengers directly accounted for \$633 million in spending in Alaska in 2003. This figure includes \$393 million in passenger spending, \$149 in cruise line spending on goods and services, \$46 million in cruise line payroll spending, \$32 million in passenger airfare, and \$13 million in crew member spending.

Total Direct Cruise Industry Spending, 2003

Region	Total Spending
Cruise passenger spending	\$393 million
Cruise line spending on goods and services	149 million
Cruise line payroll	46 million
Cruise passenger airfare ²	32 million
Crew member spending	13 million
Total	\$633 million

- The following table shows the direct spending by cruise lines (purchases and payroll), passengers (out-of pocket spending and airfare), and crew members, by region.

Total Direct Spending by Cruise Lines, Passengers, and Crew Members By Region, 2003



² Cruise passenger airfare refers to the portion of passenger airfare that is estimated to stay in the state of Alaska.

Cruise Industry Employment and Payroll

- In 2003, the cruise industry directly employed an average of 1,630 workers, with peak employment of 3,130. Direct payroll accounted for \$46 million. These figures do not include jobs created by passenger spending or by cruise line spending with Alaska businesses.
- Counting both direct and indirect employment and payroll, the cruise industry generated 12,430 jobs (annual-equivalent) in 2003. Cruise industry-related employment peaked at approximately 21,000 jobs during the summer. The industry accounted for \$384 million in total payroll.
- The cruise industry has the greatest impact in Southeast, where it accounts for 7,300 jobs and \$212 million in payroll. These figures represent 14 percent of all employment and 12 percent of all payroll in Southeast.

Total Statewide Employment and Payroll Impacts of the Cruise Industry, 2003 (Including Direct, Indirect, and Induced Impacts)

	Jobs	Payroll (\$ millions)
Statewide		
Cruise line employment and spending	4,830	\$152.7
Passenger and crew spending	7,600	231.4
Total	12,430	384.1
Southeast		
Cruise line employment and spending	800	\$28.4
Passenger and crew spending	6,500	183.6
Total	7,300	212.0
Southcentral		
Cruise line employment and spending	1,970	\$81.5
Passenger and crew spending	900	37.3
Total	2,870	118.8
Interior/North		
Cruise line employment and spending	1,960	\$42.6
Passenger and crew spending	300	10.6
Total	2,260	53.2

Note: Regional totals may not add up to statewide totals due to rounding.

Cruise Industry Impacts on State and Local Governments

- At the municipal level, it is estimated that local governments earned over \$30 million from the cruise industry in 2003, including \$14 million in sales tax from passenger and crew spending.

Statewide Municipal Revenues from the Cruise Industry, 2003

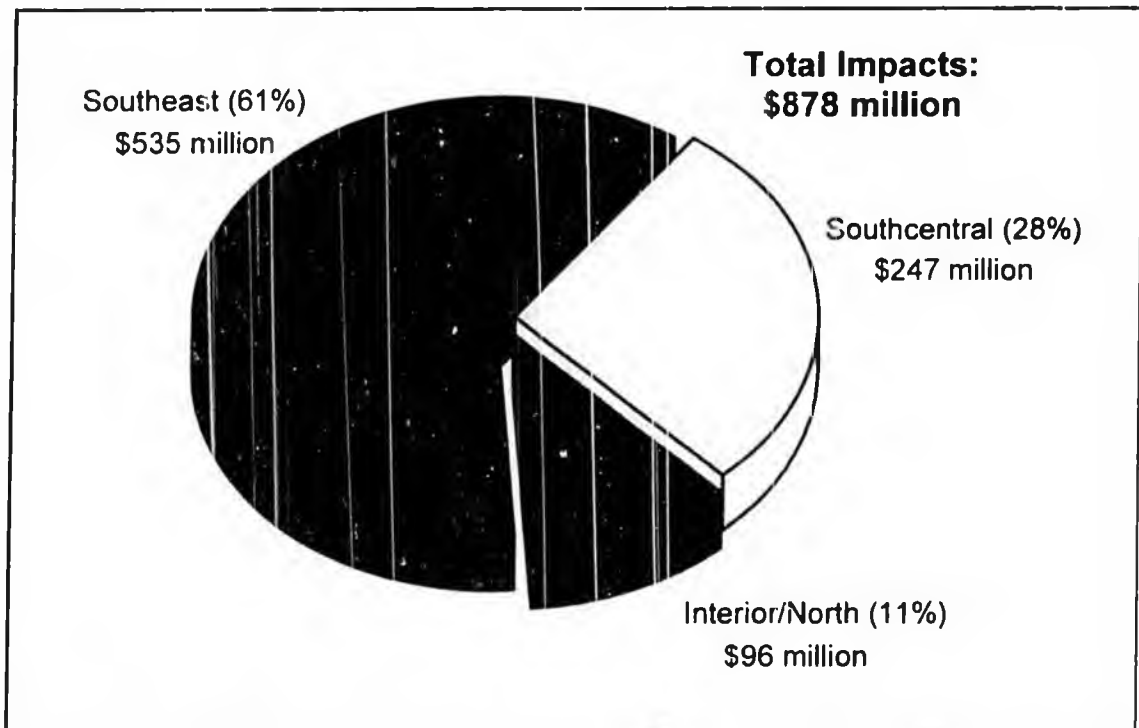
	Total Revenues
Passenger/crew sales tax revenues	\$13,906,000
Cruise line sales tax revenues	1,500,000
Cruise line dockage/moorage fees	7,834,000
Bed tax revenues	4,489,000
Property tax revenues	3,000,000
Total	\$30,729,000

- All available data suggests that the cruise industry provides an overall net benefit to local governments, with cruise-related revenues significantly exceeding cruise-related expenses.
- Though it is not possible to measure all state government costs and revenues associated with the cruise industry, available information suggests that revenues exceed costs.
- Based on interviews with state departments and cruise industry data, it is estimated that in 2003, \$2.1 million was generated by the cruise industry in revenue to the state, with \$775,000 in verified program costs attributed to the cruise industry.

Total Spending Impact

- Statewide, total spending attributable to the cruise industry was approximately \$878 million in 2003. This is a measure of all the direct, indirect, and induced spending in support of the industry, its passengers, and its labor force. Direct cruise line spending, passenger spending, crew member spending, cruise line payroll, and all associated indirect and induced spending and payroll are included in this number. This is a total measure of all dollars moving through the Alaska economy as a result of the cruise industry.
- Below is a chart that shows how total spending activity (including direct, indirect, and induced impacts) is spread out regionally in Alaska.

Total Spending Impact of the Cruise Industry by Region, 2003
(Including Direct, Indirect, and Induced Impacts)



Scope of Work

Over the last decade, the cruise ship industry has clearly become a major economic force in the state of Alaska. Like the visitor industry as a whole, it is a difficult sector to analyze. The cruise industry exists within a wide variety of economic sectors: services, amusement/recreation, hotel lodging, and transportation, among others. To better understand how the industry affects the Alaska economy, the North West CruiseShip Association (NWCA) contracted with McDowell Group, an Alaska research and consulting firm, to prepare a study of the impacts of the Alaska cruise industry on the state during 2003.

The 2003 Alaska large cruise ship market was almost entirely comprised of eight cruise lines, all members of NWCA: Carnival Cruise Lines, Celebrity Cruises, Crystal Cruises, Holland America, Norwegian Cruise Line, Princess Cruises, Royal Caribbean International, and Radisson Seven Seas Cruises.³ Passengers from these lines represented over 98 percent of the 2003 Alaska cruise market. This study examines the impacts of these lines only, not small cruise ship lines, or other non-NWCA member lines.

The study includes:

- Alaska Cruise Industry Profile
- Cruise Industry-Related Spending in Alaska
 - Cruise line spending
 - Cruise passenger spending
 - Cruise industry-related employment and payroll
- Cruise Industry Role in the Alaska and Regional Economies
- Cruise Industry Impacts on State and Local Government Revenues

Methodology

Cruise Line Purchases of Goods and Services

The study team received 2003 purchasing data, by vendor and by location, from seven of the eight NWCA member lines operating in Alaska in 2003. (These seven lines represented 98 percent of all passengers in 2003.) The data included all purchases by cruise lines in support of their operations, as well as subsidiary operations, over the course of the year. Capital expenditures are also included in the data.

For this report, the study team only analyzed expenditure data for purchases made with Alaska businesses. The data was reviewed and categorized into sectors (such as construction, transportation, and government) in order to facilitate the analysis of indirect economic impacts. Purchasing data was also categorized by community and region.

³ Two more cruise lines, Seabourn Cruise Line and World Explorer Cruises, are members of NWCA but did not send any ships to Alaska in 2003.

The purchasing list was further sorted to avoid duplication. Payments to tour operators were eliminated where those expenditures were included in passenger spending data.

The cruise lines also provided information on their charitable donations (both in-kind and cash) and payments made to local membership organizations.

Cruise Passenger and Crew Spending

Cruise passenger spending estimates were derived primarily from McDowell Group's biennial, proprietary visitor research program, the *Alaska Travelers Survey*. In a 2003 exit survey of cruise passengers, respondents were asked to estimate how much their party spent on their entire Alaska trip, not including their cruise or cruisetour package or airfare. Passengers were also asked to estimate their expenditures in several specific communities where the surveys were conducted.

It is important to note that the *Alaska Travelers Survey* expenditure data does not include any tip components paid for in the cruise or cruisetour package – for example, hotel stays, meals, bus transfers, and train transportation. These purchases are accounted for in the spending by cruise lines. The passenger expenditure data *does* include spending on shore excursions, even if the excursions were purchased through the cruise line before the cruise.

For a more detailed explanation of cruise passenger spending estimates, please refer to page 16.

To estimate 2003 crew member spending, the study team drew up on data from a 1995 McDowell Group study estimating crew spending for Juneau and Sitka, McDowell Group's 1999 Southeast cruise industry impacts study, and interviews with local retailers and crew members.

Cruise Industry Employment and Payroll

Detailed employment and payroll data for 2003 was obtained directly from the cruise lines. McDowell Group also received monthly employment data for all cruise industry-owned operations in Alaska (including land tour and hotel operations) from the Alaska Department of Labor and Workforce Development.

The study team used IMPLAN econometric models for Alaska to estimate indirect (and induced) impacts from cruise industry activity at the regional and statewide level. To verify the relevancy of the IMPLAN model, the study team used known direct expenditures provided by the cruise industry to evaluate the relationships between cruise-related activities and other businesses in Alaska. The direct, indirect, and induced impacts on output, employment, and payroll were aggregated to obtain total impact.

Impacts on State and Local Governments

At the state budget level, both revenues and expenses related to the cruise industry were analyzed for the report. The budgets of each individual state department were assessed for links to the cruise industry. Department, division, and section directors were interviewed to determine specific expenses and revenues from cruise passenger activity. This information was supplemented by McDowell Group visitor data – for example, cruise passenger sportfishing participation data was used to determine fishing license revenue, and cruisetour traffic data was used to determine airport usage by cruise passengers. Cruise line vendor data provided further information on revenues to the state budget.

This level of effort was not possible at the local level, considering the large number of communities across the state affected by the cruise industry. However, findings from the McDowell Group's 1997 study *Cruise Industry Impacts on Local Governments in Southeast Alaska* provide valuable insight into how the cruise industry affects municipal budgets in port communities.

Using current data, the study team also estimated 2003 municipal revenues, including sales tax revenues, docking and moorage fees, bed tax revenues, and property tax revenues. The data is presented at the regional level where possible.

Note on Previous Cruise Industry Economic Impact Analysis

The cruise industry impact numbers presented in this study differ from another recent analysis of cruise industry impacts. In *The Contribution of the North American Cruise Industry to the U.S. Economy in 2003*, a report prepared for the International Council of Cruise Lines (ICCL), cruise industry activity in Alaska in 2003 included \$694 million in direct spending and 13,650 in total employment. Methodological differences account for relatively minor variations between numbers presented in the ICCL report and this study.

ALASKA CRUISE INDUSTRY PROFILE

Overview of the Cruise Industry in Alaska

Alaska's Role in the Global Cruise Industry

Alaska captured 6.7 percent of the worldwide cruise market in 2003.⁴ It is the third most popular cruise destination in the world, after the Caribbean/Bahamas at 51.5 percent and the Mediterranean at 15.0 percent. Alaska's share has declined just slightly from 2002 when it captured 7.0 percent of the market, following market shares of 5.5 percent in 2000 and 6.6 percent in 2001.

The worldwide cruise industry has expanded at an average rate of 8 percent for more than two decades, and continued growth is forecasted. According to the Cruise Industry News Annual, "Only 15 percent of the North American population has ever taken a cruise... Moreover, cruising is said to account for only 3 percent of the North American leisure travel market. That leaves a huge potential of cruise passengers among all those who take vacations."⁵

Cruise Lines Operating in Alaska

The 2003 Alaska large cruise ship market was almost entirely comprised of eight cruise lines, all members of the North West CruiseShip Association (NWCA):⁶

- Carnival Cruise Lines
- Celebrity Cruises
- Crystal Cruises
- Holland America
- Norwegian Cruise Line
- Princess Cruises
- Royal Caribbean International
- Radisson Seven Seas Cruises

Together, these eight cruise lines sent a total of 26 ships to Alaska in 2003, on nearly 450 individual trips. Several of these cruise lines are affiliated with one another. Holland America is a subsidiary of Carnival Corporation; Princess was recently acquired by Carnival Corporation; and Royal Caribbean International and Celebrity Cruises are owned by one parent company, Royal Caribbean Cruises Ltd.

Average large ship capacity for the 2003 season was 1,700 passengers, with individual ship capacities ranging from 700 to 2,600. Average ship capacity has grown steadily over the last decade as new, larger ships have been introduced to the market.

⁴ *Cruise Industry News Annual 2003*, published by Cruise Industry News, 2003.

⁵ *Cruise Industry News Annual 2003*.

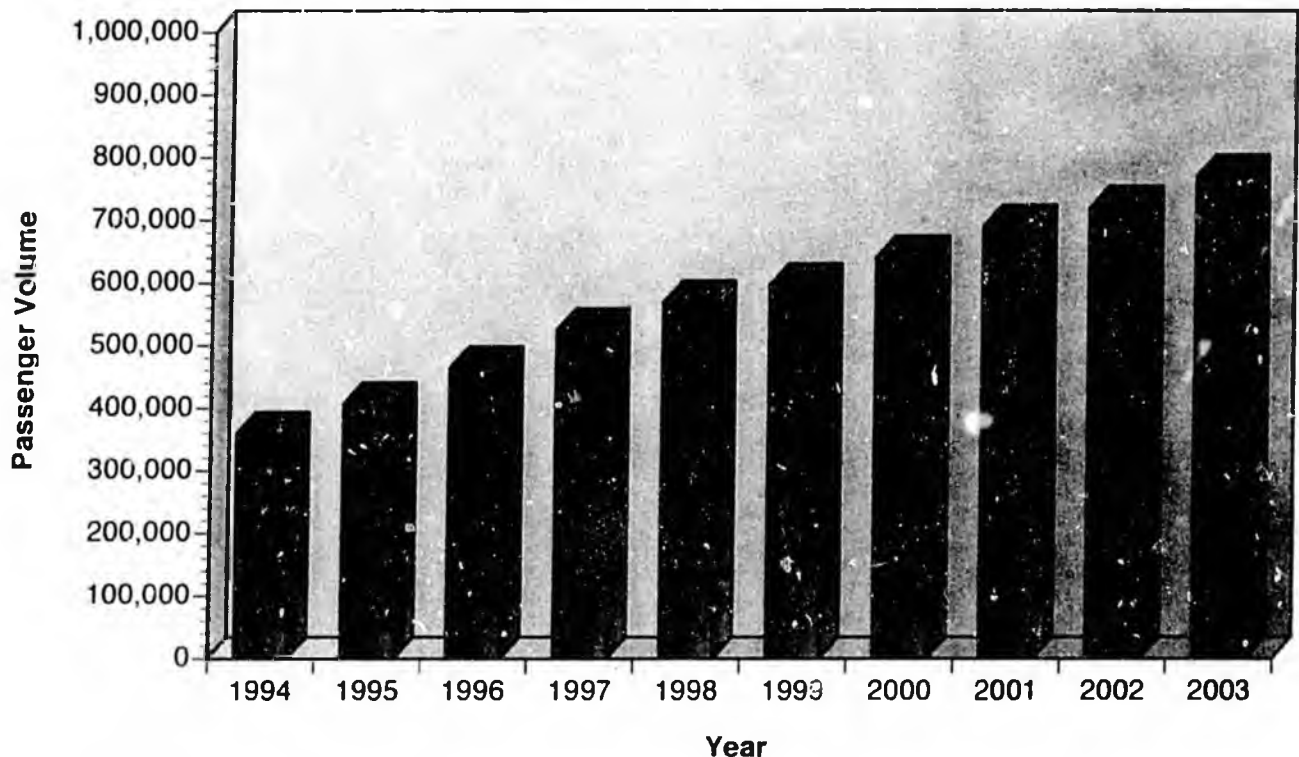
⁶ Two more cruise lines, Seabourn Cruise Line and World Explorer Cruises, are members of NWCA but did not send any ships to Alaska in 2003.

Cruise Passenger Volume

Cruise passenger volume to Alaska has grown dramatically over the last decade, increasing by 120 percent since 1994. In 2003, 780,000 people cruised to and/or from Alaska, an 8 percent increase over the previous year. The vast majority (98 percent) traveled on large cruise ships, which have a capacity of 250 passengers or more.

Industry projections indicate continued growth for the Alaska cruise market. A recent study conducted for the City of Ketchikan predicted that cruise passenger demand would reach 1.3 million passengers by 2015.⁷ This estimate reflects an average annual growth rate of 5 percent.

Chart 1
Alaska Cruise Passenger Volume, 1994-2003



Source: Cruise Line Agencies

Alaska's primary cruise ship ports are Juneau, Ketchikan and Skagway. Over 80 percent of the total market visits these three ports, and their market share changes little from year to year. Other ports experience more fluctuation in traffic and market share, as cruise lines experiment with different itineraries, and as new ports come onto the market (such as Icy Strait Point near Hoonah). Table 1, below, shows the 2003 passenger volume and market share by Alaska port; Table 2 shows the trend in cruise passenger volumes by Alaska ports for the past decade.

⁷ *Port and Harbors Facility Development Plan, Phase I: Inventory and Needs Assessment Report*, KPFF Consulting, City of Ketchikan, 2003.

Table 1
Cruise Passenger Volume and Market Share by Port, 2003

Port of Call	Volume (# of passengers)	Market Share of Total Volume (%)
Total Volume	780,000	-
Juneau	777,000	99.5%
Ketchikan	770,700	98.7
Skagway	628,000	80.4
Seward	293,200	37.5
Sitka	256,800	32.9
Wrangell	39,100	5.0
Haines*	28,500	3.6
Valdez	17,000	2.2

Note: These figures include both large and small cruise ship passengers.

* Does not include Skagway passengers who visit Haines on shore excursions

Source: Cruise Line Agencies

Table 2
Cruise Passenger Volume by Alaska Ports, 1994 – 2003

Location	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Juneau	360,000	407,000	464,000	525,000	569,000	596,000	640,000	690,000	740,000	777,000
Ketchikan	379,600	380,000	426,200	480,700	531,100	565,000	572,500	665,200	701,000	770,700
Skagway	202,900	252,800	268,400	435,600	486,600	515,000	563,700	610,100	619,600	628,000
Seward	158,000	137,000	230,000	208,900	280,500	280,200	274,700	337,200	316,600	293,200
Sitka	200,000	221,000	252,300	183,600	163,400	168,000	156,000	206,300	249,500	256,800
Wrangell	n/a	n/a	24,400	8,300	11,200	12,000	6,700	4,800	6,000	39,100
Haines	43,200	64,700	85,200	132,300	104,500	159,700	187,400	40,200	82,000	28,500

Note: These figures include both large and small cruise ship passengers.

Source: Cruise Line Agencies.

Glacier Bay is the most popular geographical point of interest, followed by the Hubbard Glacier, College Fjord, Misty Fjords, and Prince William Sound. Ports not specified in the above table include many communities that are visited only by small ships, such as Elfin Cove, Petersburg, Metlakatla, Dutch Harbor, Homer, and Nome.

Cruise Industry Investments in Alaska

The cruise industry has a substantial amount of investment in property and facilities throughout Alaska. These include hotels/lodges, rail cars, motorcoaches, offices, and maintenance shops. Most assets are owned by the three cruise lines with cruisetour operations: Princess (Princess Tours/Royal Highway Tours), Holland America (Holland America Line Westours/Gray Line), and Royal Caribbean/Celebrity (Royal Celebrity Tours). Cumulatively, these three lines have spent nearly \$560 million in capital projects in Alaska since they began operations.

Hotels represent the cruise industry's most substantial assets in the state. Two cruise lines own and/or operate hotels in Alaska: Princess and Holland America. The following table lists the properties and their capacity, by cruise line.

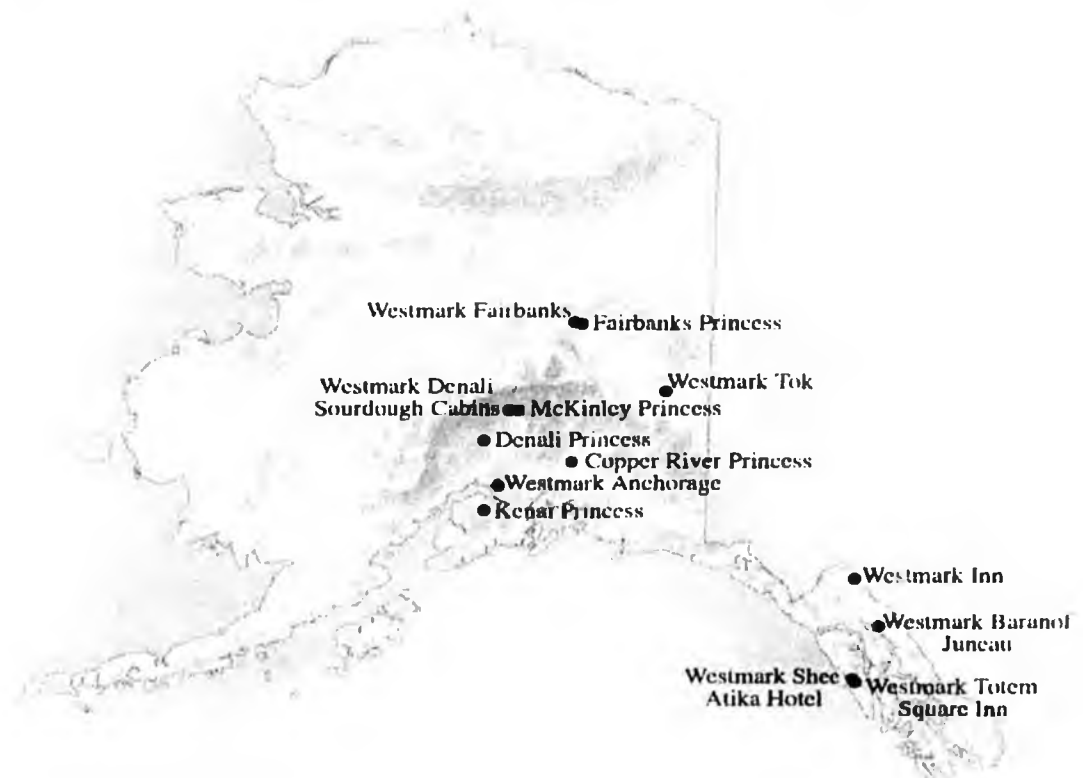
Some cruise line holdings serve other markets besides cruise passengers, such as the Westmark Anchorage hotel. Others, like Princess' hotels in Denali, serve almost exclusively cruise passengers.

Table 3
Cruise Line-Owned (or Operated) Hotels in Alaska

	Location	Capacity
Princess		
Fairbanks Princess	Fairbanks	325 rooms
Denali Princess	Denali	436 rooms
McKinley Princess	Talkeetna	324 rooms
Kenai Princess	Cooper Landing	86 rooms
Copper River Princess	Copper Center	85 rooms
Holland America		
Westmark Anchorage	Anchorage	198 rooms
Westmark Fairbanks Hotel	Fairbanks	136 rooms (400 as of 5/04)
Westmark Tok	Tok	92 rooms
Westmark Denali Sourdough Cabins	Denali	45 cabins
Westmark Inn Skagway	Skagway	151 rooms
Westmark Baranof Juneau	Juneau	196 rooms

Note: This table does not include properties managed but not owned by cruise line subsidiaries, such as the Westmark Shee Atika Hotel and the Westmark Totem Square Inn, both in Sitka.

Examining the number of hotel rooms by region, of the 2,084 total room capacity available in 2003, 1,119 rooms are located in the Interior/North, 618 rooms in Southcentral, and 347 rooms in Southeast. The map below shows where cruise line-associated hotel properties are located in Alaska.



Alaska Cruise Itineraries and Tour Packages

Cruise routes and itineraries vary among and within cruise lines, although there are general similarities. Cruises tend to supplement port calls with visits to geographical points of interest such as Tracy Arm and Glacier Bay. Round-trip itineraries usually use Vancouver or Seattle as the embarkation/disembarkation port. "Cross-gulf" itineraries use these same ports as a base, but also sail across the Gulf of Alaska, traveling between Vancouver/Seattle and Seward. (In 2004, Whittier will become an additional Southcentral port.) Passengers on cross-gulf itineraries cruise one-way and fly one-way. In 2003, round-trip cruises accounted for approximately 60 percent of all traffic, cross-gulf 40 percent. Alaska cruises generally last seven days, although some variations exist in cruise length.

Passengers on cross-gulf itineraries can choose from an array of land tour itineraries that last anywhere from three to ten days. Cruisetours spread out passengers, who embark and disembark their ships in large volumes, to different properties and locations – airplanes, hotels, buses, and railcars clearly have much lower capacities than cruise ships. As a result, there are many variations in tour length, accommodations, and transportation used to get from place to place.

Land tours usually consist of a rail segment and overnights in Fairbanks, Denali, and Anchorage. Other cruisetour destinations include Girdwood, the Kenai Peninsula, Talkeetna, Glennallen, and the Yukon. Cruise passengers can also choose optional add-on trips to such destinations as Nome, Prudhoe Bay and the Arctic Circle. In 2003, about 15 percent of all cruise passengers participated in a land tour.

Tour participation in Alaska is extremely high compared to other cruise destinations. Between 80 and 90 percent of all passengers purchase at least one tour through their cruise line. Recent years have seen an increase in the demand for more active, adventure-oriented tour options. In response, tour operators have created a wide array of adventure tours, including hiking on a glacier, dog sledding, scuba diving, kayaking, canoeing, river rafting, and driving a Jeep on mountain roads.

The table below shows the percentage of cruise visitors that participated in each type of tour during their Alaska vacation in 2003. The most popular tour in Alaska is the White Pass and Yukon Route train in Skagway. City tours are also very popular, followed by glacier tours, day cruises, and wildlife viewing tours.

(see table next page)

Table 4
Cruise Passenger Tour Participation
Alaska Travelers Survey⁶, Cruise Passengers, Summer 2003

	Total
White Pass/Yukon Route train	47%
City tours	39
Glacier tours	29
Day cruises	27
Wildlife viewing tours	25
Native culture tours/activities	16
Museums/historical sites	14
Helicopter flightseeing	10
Tramway/gondola	10
Lumberjack show	10
Gold panning/gold mine tours	10
Small plane flightseeing	9
Salmon bake	9
Hiking/nature walk	8
City walking tours	6
Charter fishing	6
Rafting	4
Dog sledding	3
Kayaking	3
Canoeing	3
Bear viewing	3
Horseback riding	2
Bike tours	2
Other tours/excursions	9

Cruise Passenger Profile

The following section includes data from the McDowell Group's ongoing, proprietary research program: *Alaska Travelers Survey⁶*. In addition to 2,000 surveys of independent visitors, over 1,500 cruise visitors were surveyed at cruise ship docks in Ketchikan and Juneau and at the Fairbanks and Anchorage airports in the summer of 2003. The cruise sample included passengers on large cruise ships only.

Demographic Characteristics

Alaska cruise passengers are predominantly from the United States (84 percent). The Western US is the largest market, representing one-third of all passengers, followed by the South, Mid-west, and the East. Canadians represent about one in ten passengers.

Cruise passengers tend to travel in 2-person parties, showing an average party size of 2.6. They report an average age of 56 years old. The average age among cruise passengers continues to trend downward gradually. Over half of cruise passengers have a college degree. Of passengers who reported their household income, 60 percent earned over \$75,000 annually.

Table 5
Demographics
Alaska Travelers Survey[®], Cruise Passengers, Summer 2003

	Total
Average age	55.8 years
Average party size	2.6 people
Household income > \$75,000	60%
Origin	
Western U.S.	34%
Southern U.S.	26
Midwestern U.S.	14
Eastern U.S.	12
Canada	9
Other International	5
Gender	
Male	43%
Female	57%
Educational Attainment	
High school graduate	78%
College graduate	54%

CRUISE INDUSTRY-RELATED SPENDING IN ALASKA

Money spent by cruise lines, its subsidiaries, and passengers affect the Alaska economy both directly and indirectly. Direct impacts include:

- Expenditures for goods and services
- Payroll (shore-side employees only)
- Government revenue
- Cruise passenger spending
- Crew member spending

Indirect and induced spending is sometimes referred to as a "multiplier effect." Cruise industry employees and passengers spend money with Alaska businesses; those businesses employ others and purchase goods and services; this in turn generates additional jobs and expenditures.

Cruise Line Purchases of Goods and Services

Cruise Line Purchases by Sector

Cruise lines and their subsidiaries spent approximately \$149 million on goods and services from Alaska businesses during 2003. This amount includes approximately \$35 million in spending on capital projects; it does not include cruise line payroll. Spending data is derived from purchasing information provided by NWCA member lines. The data was sorted to eliminate spending outside of Alaska, as well as payments to tour vendors accounted for under passenger spending.

Total Alaska expenditures are categorized by the industry sector in the table below. The top five sectors affected by cruise line direct purchases of goods and services were: hotels and accommodations (\$42 million); construction (\$29 million); transportation, including air, rail, ground and water (\$24 million); government fees and taxes (\$19 million); and wholesale and retail trade (\$12 million). NWCA member lines purchased goods and services from more than 1,770 Alaska businesses, organizations or government entities in 2003.

Table 6
Cruise Line Direct Purchases of Goods and Services by Sector, 2003

Sector	Total Expenditures (\$ million)	Percent of Total
Accommodations	\$41.9	28.1%
Construction	28.8	19.3
Transportation*	23.9	16.0
Local, state, and federal government	18.5	12.4
Trade (retail and wholesale)	12.3	8.3
Professional and business services	12.0	8.1
All other sectors**	11.7	7.8
Total	\$149.1	100%

* Expenditures with the Alaska Railroad are included under transportation, not state government.

**Other sectors include utilities, health services, financial activities and manufacturing.

Source: NWCA member lines

Cruise Line Purchases by Region

The \$149 million spent on goods and services by cruise lines almost entirely occurs in three regions: Southcentral, Southeast, and Interior/North (see map below). When categorizing spending by region, just over half (51 percent; \$76 million) occurs in Southcentral Alaska, a quarter (26 percent; \$39 million) in Southeast Alaska, and another quarter (23 percent; \$34 million) in Interior/North Alaska.

These figures reflect, in part, expenditures related to cruise line subsidiary operations such as lodges, railcars, and other land tour components, which are based primarily in Southcentral. In addition, purchasing data reflects the location of the company's headquarters – not necessarily where the service was provided. Of the 1,770 Alaska businesses, organizations or government entities from which purchases were made, 820 were based in Southcentral Alaska, 480 in Interior/North Alaska, and 470 in Southeast Alaska.

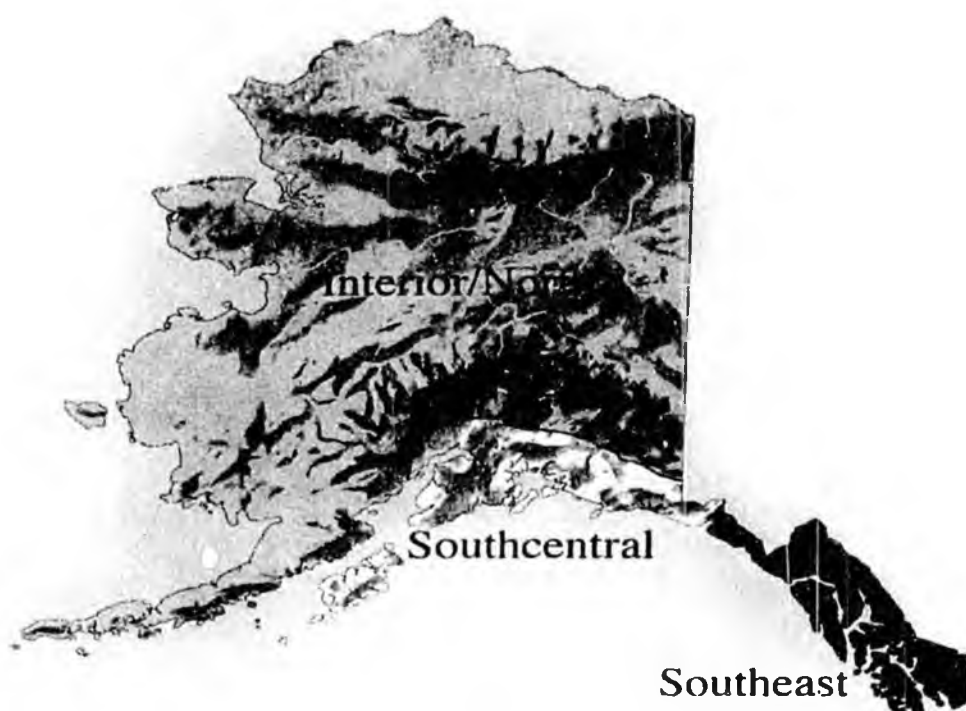


Table 7
Cruise Industry Direct Purchases of Goods and Services by Region, 2003

Region	Total Expenditures (\$ million)	Percent of Total
Southcentral	\$76.0	51%
Southeast	39.3	26
Interior/North	33.8	23
Total	\$149.1	100%

Source: NWCA member lines

Contributions to Non-Profit Organizations

The cruise industry had an additional impact on the Alaska economy in its charitable contributions to non-profit organizations. Based on data provided by NWCA member lines, in 2003, the cruise industry made in-kind and cash contributions to more than 256 non-profit organizations in Alaska, totaling \$522,000.

Table 8
Cruise Industry Contributions to Non-Profit Organizations in Alaska, 2003

Total Contributions	
Cash	\$349,000
In-Kind	\$173,000
Total	\$522,000

Source: NWCA member lines

These non-profit organizations ranged from church groups to social service organizations to scholarship programs. Support for community services and civic organizations (food banks, fire departments, senior centers, etc.) and educational programs (scholarship programs, school districts, etc.) are the two types of organizations that receive the highest support from the cruise industry.

Table 9
Cruise Line Contributions to Non-Profit Organizations in Alaska by Type of Organization, 2003

Type of Organization	Cash	In-Kind	Total
Community and civic	\$122,000	\$86,000	\$208,000
Education	\$90,000	\$26,000	\$116,000
Arts and humanities	\$56,000	\$11,000	\$67,000
Youth activities	\$32,000	\$13,000	\$45,000
Health/social services	\$14,000	\$29,000	\$43,000
Alaska Native	\$18,000	\$6,000	\$24,000
Other	\$17,000	\$2,000	\$19,000
Total	\$349,000	\$173,000	\$522,000

Source: NWCA member lines

Contributions were made throughout the state. Southeast Alaska received the most contributions (\$253,000), followed by Southcentral (\$164,000) and Interior/North (\$105,000).

Cruise Passenger Spending

Cruise or cruisetour packages usually include hotel accommodations, meals, transportation, and some tours in addition to the cruise itself. Cruise passengers also spend money on items not included in their package: shore excursions, meals, gifts, and transportation, for example. Cruise passengers who choose to travel on their own in Alaska before or after their cruise spend additional money on lodging, meals, and tours.

Total Cruise Passenger Spending

The average out-of-pocket spending per passenger in 2003 was \$511, for a total spending figure of \$393 million (NWCA passengers only).

**Table 10
Statewide Cruise Passenger Spending, 2003**

Average Per Person Out-of-Pocket Spending	Passenger Volume*	Total Spending
\$511	768,500	\$393 million

* NWCA member lines only

This per-passenger spending figure is derived from McDowell Group's biennial, proprietary visitor research program, the *Alaska Travelers Survey*, which includes both cruise and non-cruise visitors in its sample. In the summer of 2003, 1,149 cruise passengers were interviewed before they exited the state at three locations: the docks in Ketchikan, the Anchorage airport, and the Fairbanks airport. Results were weighted according to cruise line and cruise type (round trip, cross-gulf, and cruisetour) to ensure statistical representation of the entire large cruise ship market.

Respondents were asked to estimate how much their party spent on their entire Alaska trip, not including their cruise or cruisetour package or airfare. To arrive at a per person spending figure, the average per party figure (\$1,182) was divided by the average party size. The total expenditure figure (\$393 million) is a result of applying the \$511 average per person figure to the total number of NWCA cruise passengers in 2003 (768,500). The majority of cruise passenger spending is on tours, followed by retail. Cruise passengers traveling independently also spend money on lodging.

It is important to note that the *Alaska Travelers Survey* expenditure data does not include any trip components paid for in the cruise or cruisetour package – for example, hotel stays, meals, bus transfers, and train transportation. These purchases are accounted for in the spending by cruise lines, discussed in the preceding section. The passenger expenditure data *does* include spending on shore excursions, even if the excursions were purchased through the cruise line.

Cruise Passenger Spending by Region

Cruise passengers make nearly all of their out-of-pocket purchases (\$334 million out of \$393 million) in Southeast Alaska, where they spend the most time. Southcentral destinations (including Anchorage, the Mat-Su Valley, the Kenai Peninsula, and Prince William Sound) generate approximately a tenth as much spending. The Interior/North region, where spending is largely concentrated in two locations (Fairbanks and Denali), generated approximately \$12 million in passenger spending in 2003.

Not only do cruise passengers spend the most time in Southeast, it is also where they have the most opportunity to make independent purchases. Passengers on cruisetours to the Interior/North have most of their land tour included in their package, including transportation, day tours, and accommodations.

**Table 11
Cruise Passenger Spending by Region, 2003**

Region*	Total Spending	Percent of Total
Southeast	\$334 million	85%
Southcentral	\$34 million	9
Interior/North	\$12 million	3
Unattributed*	\$13 million	3
Total	\$393 million	100%

*Unattributed spending includes spending that cannot be obviously attributed to a region.

Regional spending figures are derived from *Alaska Travelers Survey* data, cruise line data, and past spending data acquired by the McDowell Group. The study team determined an estimated per-passenger spending amount for each port of call as well as each community visited on cruisetours. Communities frequently visited by cruise passengers traveling on their own were also considered.

The 2003 *Alaska Travelers Survey* program included acquiring passenger spending in certain communities. Other communities' spending levels were determined using past McDowell Group spending estimates as well as information provided by cruise lines on tour sales.⁸

Cruise line spending estimates were applied to passenger volume estimates for each community. For port communities, Cruise Line Agency passenger volume data was used.⁹ For other communities, the study team estimated visitation using *Alaska Travelers Survey* data. During the survey, cruise passengers were asked where they had overnighted, and for how long. Applied to the total volume of NWCA cruise passengers, this data provides the volume of passengers for each community, as well as their length of stay. Visitation volume data was verified by checking known volumes of passengers on various cruisetour patterns.

Cruise Passenger Spending on Air Travel

While four out of ten cruise passengers either enter or exit Alaska by air, neither the cruise line purchasing data nor the cruise passenger spending data includes passenger travel to and from Alaska.

Some of this spending on air travel to and from Alaska 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 this economic impact, one half the cost of an average one-way Seattle-Anchorage ticket was assumed to stay in the state. This methodology is inexact: some passengers fly to and from Fairbanks rather than Anchorage, 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 cruise passenger airfare in and out of the state.

Using arrival and departure data generated by McDowell Group, an estimate of air ticket costs, and the portion of these costs that have an economic impact in Alaska, total 2003 air travel spending by cruise passengers that affects the Alaska economy is estimated at \$32 million.¹⁰ Over 80 percent of this figure is associated with the Anchorage airport (\$27 million) with the remaining \$5 million associated with the Fairbanks airport. Southeast airports receive a nominal amount of traffic associated with large cruise ships. This distribution reflects cruise passenger traffic through Alaska airports.

Crew Member Spending

Approximately 20,000 crew members visited Alaska in 2003 aboard NWCA ships. Their spending in Alaska ports is difficult to quantify, as there has never been a survey of crew members on their spending habits in the state.

⁸ *The Economic Impacts of the Cruise Industry in Southeast Alaska, 1999* (2000); *The Economic Impacts of the Cruise Industry in Anchorage, 1999* (2001); and *The Economic Impacts of the Cruise Industry in Fairbanks/Denali, 2000* (2001).

⁹ For the purposes of determining total expenditures, passenger volumes were adjusted from CLA data to reflect the fact that not all passengers disembark in every community.

¹⁰ Approximately 323,000 passengers cruised one-way to or from Alaska in 2003. An average one-way Seattle-Anchorage fair is around \$200. Assuming 50 percent is attributable to Alaska, \$100 per passenger stays in the state, for an overall impact of \$32 million.

In 1995, the McDowell Group estimated Juneau and Sitka crew spending using surveys of local merchants. To estimate 2003 spending, the study team drew upon the 1995 data, the 1999 cruise impacts study, and interviews with local retailers, former crew members, and the owner of a crew service operation. These sources led to a conservative estimate of per crew member, per port estimate of spending for the entire season. Spending ranged significantly from port to port, from \$25 to \$300 per crew member, per season. Per-port spending reflects the number of crew member visits in each port, the level of retail development, and typical length of in-port time.

According to interviews, crew members' largest portside expense is food and beverage. They also spend a large amount of money on communications: phone cards, Internet use, and postage. In addition, crew members are frequent visitors to retail centers such as Fred Meyer's and Costco in Juneau. The table below provides community estimates of crew spending.

Table 12
Crew Member Spending, 2003

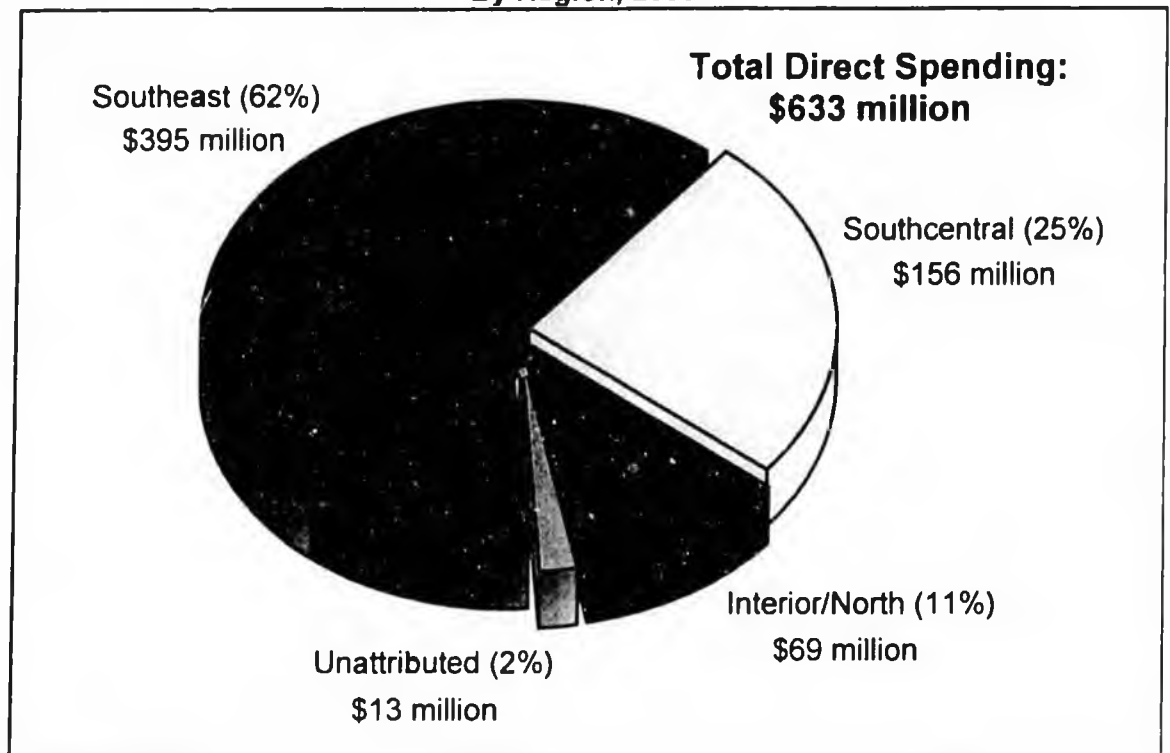
	Total Spending
Juneau	\$5.7 million
Skagway	\$3.5 million
Ketchikan	\$2.9 million
Sitka	\$572,000
Seward	\$236,000
Wrangell	\$54,000
Haines	\$43,000
Total	\$13 million

Economic activity associated with crew members also comes in the form of flying crew members in and out of the state and housing them when necessary. These expenditures are included under cruise line spending on goods and services. According to cruise line estimates, over 3,000 one-way trips were made by crew members in or out of the state in 2003.

Total Direct Spending by Region

The following chart combines cruise line, passenger and crew member spending totals by region. Southeast benefits from over half (62 percent) of all direct spending. Southcentral receives one-quarter of all spending (25 percent), and the Interior receives 11 percent. These distributions change significantly for payroll spending, discussed in the following section.

Chart 2
Total Direct Spending by Cruise Lines, Passengers, and Crew Members
By Region, 2003



Cruise Industry-Related Employment and Payroll

Direct Impacts

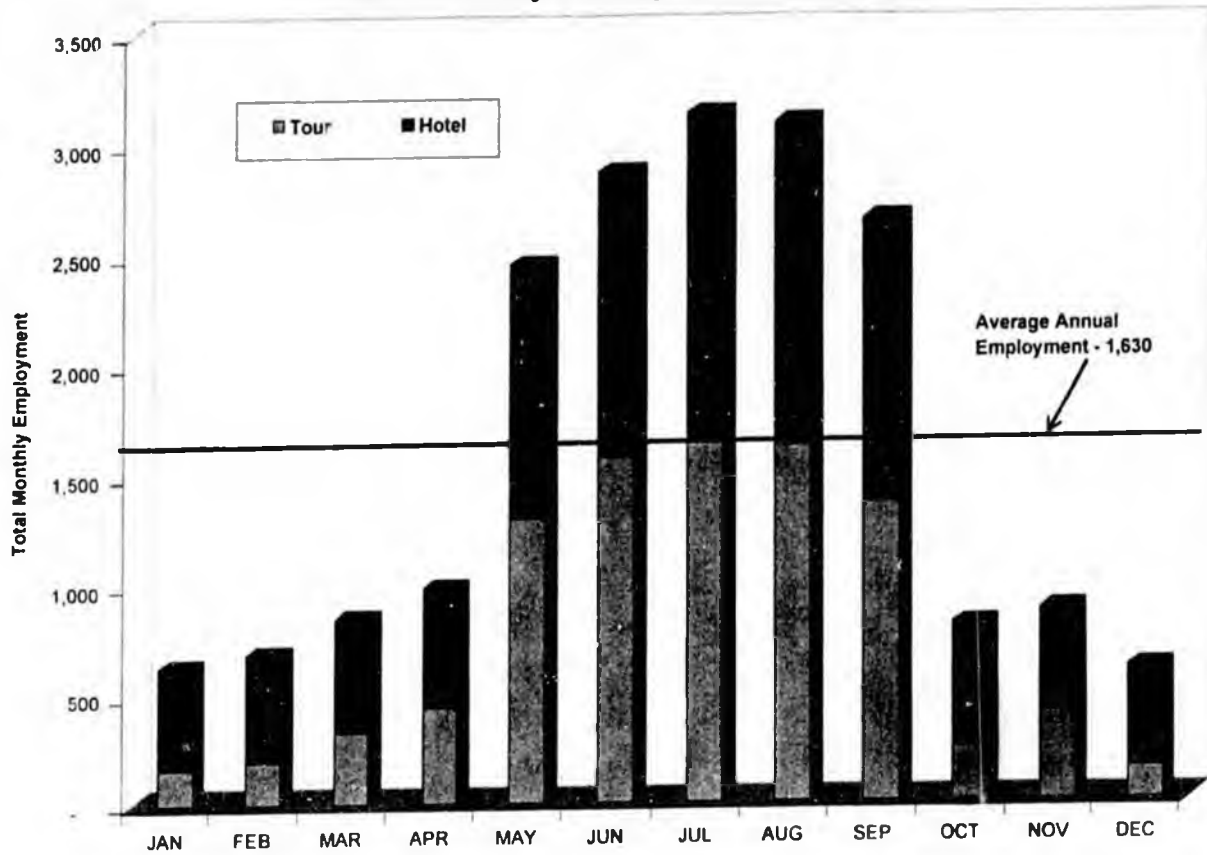
Cruise line employment includes a wide variety of occupations: managers, administration and clerical workers, luggage handlers, drivers, mechanics, restaurant servers, cleaners, and tour guides, among others. Using seasonal and year-round employment estimates from NWCA member lines, approximately 1,630 annual average jobs were created directly by cruise lines in Alaska in 2003.¹¹ These lines reported that they spent \$46 million on Alaska payroll during 2003.

Cruise line direct employment can be divided into hotel employment and tour employment. Tour employment includes all land-based tour employees, such as rail car workers and motorcoach tour guides. Hotel employment refers to employment at hotels owned by cruise lines or their subsidiaries – whether or not the hotel caters to cruise passengers. Of the 1,630 annual average jobs created in 2003, 850 were related to hotel operations, while the remaining 780 jobs were in tour operations.

Employment in the cruise industry is largely seasonal, fluctuating dramatically between summer and winter. During its seasonal summer peak, cruise lines directly employed approximately 3,130 workers (July 2003) in Alaska. This number dropped to a low of 600 workers in December.

¹¹ Labor data provided by the Alaska Department of Labor and Workforce Development.

**Chart 3
Cruise Industry Monthly Employment, 2003**



Source: Alaska Department of Labor and Workforce Development

The following table shows how the direct employment and payroll impacts of the cruise industry break down by region. Interior/North Alaska accounts for 65 percent of all direct cruise industry employment. About a quarter of direct cruise industry employment is found in Southcentral Alaska (23 percent) and one-eighth in Southeast Alaska (12 percent).

**Table 13
Cruise Line Direct Employment¹ in Alaska, By Region, 2003**

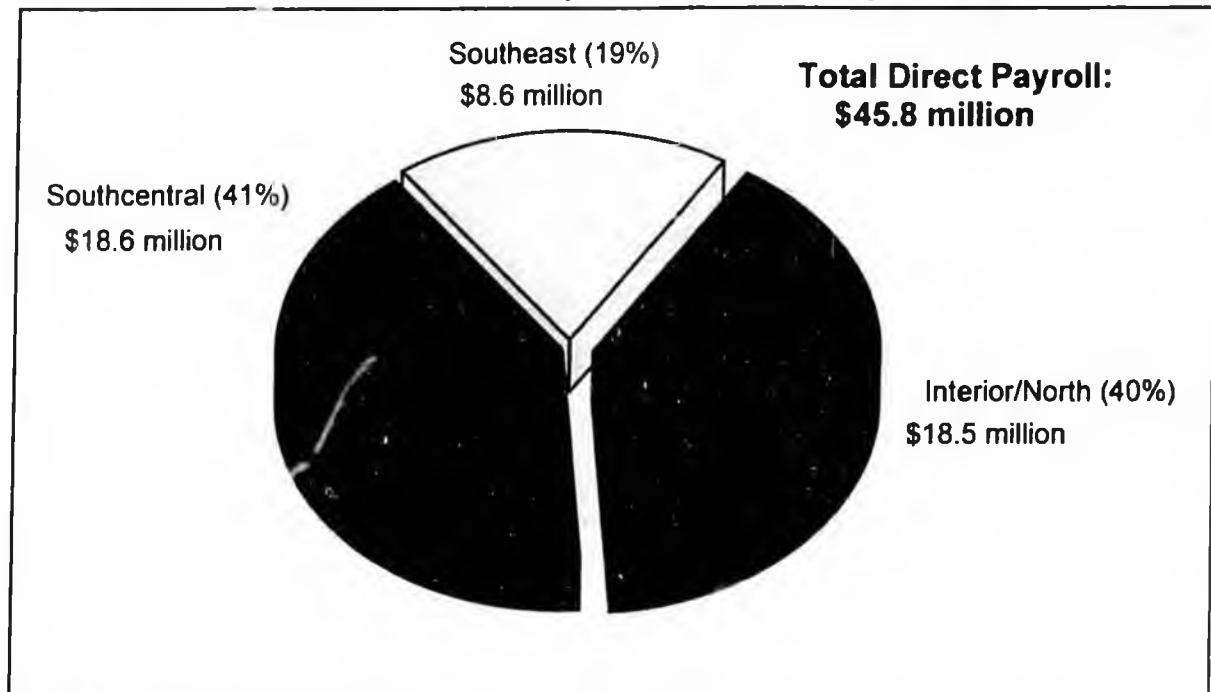
	Tour Employment	Hotel Employment	Total Employment	Percent of Total
Interior/North	68	585	653	40%
Southcentral	436	199	634	39
Southeast	196	147	343	21
Total	700	930	1,630	100%

¹ Annual average employment

Source: Total employment reflects Alaska Department of Labor and Workforce Development annual average figures for 2003. Regional employment is based on NWCA cruise line employment data.

Regionally, payroll is distributed evenly between Southcentral Alaska (\$19 million) and Interior/North employees (\$19 million) with the remaining \$9 million paid in Southeast Alaska.

Chart 4
Cruise Line Direct Payroll in Alaska, by Region, 2003



Source: NWCA member lines' payroll data

Total Cruise Industry Impacts (Direct, Indirect and Induced)

Cruise line spending on goods, services and payroll, in addition to out-of-pocket expenditures by passengers and crew, create additional jobs and spending that are not considered "direct" impacts, but rather "indirect" and "induced" impacts. For example, a cruise passenger buying a meal creates employment and payroll at the restaurant. These are indirect impacts. In turn, the employees at the restaurant create jobs and spending with their own purchases from other businesses, called induced impacts. The repeated rounds of spending produce a multiplier effect that increases the economic impact by a substantial amount. Commonly, indirect and induced impacts are grouped together under the label of indirect impacts.

To estimate the indirect economic impacts of cruise industry-related activity in Alaska, the study team used IMPLAN, predictive input-output model of local and state economies. IMPLAN is widely used to measure the economic impact of industries and industrial/commercial development.

Not all cruise passenger spending was entered into the IMPLAN model. Most shore excursions that passengers participate in are purchased through their cruise lines, which charge a commission. These commissions do not necessarily enter into the Alaskan economy and were therefore subtracted from passenger spending for the purposes of IMPLAN modeling.

In summary, IMPLAN analysis indicates that employment directly or indirectly related to cruise line spending totaled 4,830 jobs in 2003, accounting for \$153 million in payroll. Passenger and crew spending directly or indirectly created a total of 7,600 jobs and \$231 million in payroll in 2003. In total, the cruise industry accounted for 12,430 jobs throughout Alaska and \$384 million in labor income. Cruise industry-related output (a measure of all direct and indirect spending related to the cruise industry) totaled \$878 million.

Table 14
Total Statewide Economic Impacts of the Cruise Industry
(Including Direct, Indirect, and Induced Impacts)

	Jobs	Payroll (\$ millions)	Total Spending Impact (\$ millions)
Cruise line employment and spending	4,830	\$152.7	\$281.2
Passenger and crew spending	7,600	231.4	596.4
Total	12,430	\$384.1	\$877.6

Total Impacts by Region

The Southeast region experiences the highest degree of economic impact from the cruise industry, with 7,300 jobs and \$212 million in payroll, from \$535 million in economic output. Southcentral receives nearly 3,000 jobs and \$119 million in payroll, while the Interior/North receives 2,260 jobs and \$53 million in payroll.

Table 15
Regional Economic Impacts of the Cruise Industry
(Including Direct, Indirect, and Induced Impacts)

	Jobs	Payroll (\$ millions)	Total Spending Impact (\$ millions)
Southeast			
Cruise line employment and spending	800	\$28.4	\$67.5
Passenger and crew spending	6,500	183.6	467.3
Total	7,300	212.0	534.8
Southcentral			
Cruise line employment and spending	1,970	\$81.5	\$146.4
Passenger and crew spending	900	37.3	100.6
Total	2,870	118.8	247.0
Interior/North			
Cruise line employment and spending	1,960	\$42.6	\$67.3
Passenger and crew spending	300	10.6	28.5
Total	2,260	53.2	95.8

While a detailed assessment of the cruise industry's local-level economic impacts is beyond the scope of this study, some data is available on the larger communities of Anchorage and Fairbanks.

Approximately 292,000 passengers visited Anchorage in the 2003 season. Direct spending in Anchorage by cruise lines totaled \$72 million, not including cruise line-related payroll, which totaled \$17 million. Cruise lines made purchases from 588 Anchorage businesses. Cruise passengers spent an estimated \$19 million in Anchorage in 2003. This is a conservative estimate which includes only out-of-pocket purchases and does not include pre-paid expenditures, such as hotels and some local tours.

Fairbanks was visited by about 134,000 passengers in 2003. Direct cruise line spending in Fairbanks totaled \$15 million. Cruise line-related payroll totaled \$12 million. In total, cruise lines made purchases from 349 Fairbanks businesses in 2003. Cruise passengers spent an estimated \$8 million in Fairbanks. This is also a conservative estimate, and it does not include pre-paid expenditures.