

The Economic Impacts of the Cruise Industry in Southeast Alaska

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Executive Summary

Introduction

This report details the economic impacts of the cruise industry in the four Southeast communities of Juneau, Ketchikan, Sitka, and Haines. Some elements of the study provide updated numbers to the McDowell Group's 1997 report entitled *Cruise Industry Impacts on Local Governments in Southeast Alaska*. However, these studies differ in several important ways.

- This current study focuses on a range of economic impacts, including employment, payroll, expenditures (by passengers, cruise lines, and crew), and sales tax. The 1997 study focused specifically on municipal revenues and expenditures related to cruise industry activity.
- The current study quantifies cruise-related economic impacts in four local economic areas -- Juneau, Ketchikan, Sitka, and Haines. The 1997 study dealt with nine municipal entities: the cities of Ketchikan, Wrangell, Petersburg, Haines, and Skagway; Ketchikan Gateway and Haines boroughs; the city and borough of Sitka, and the city and borough of Juneau.
- Three local areas are not covered in this study. Wrangell and Petersburg are not included because they are small-volume ports. Skagway is not included because the City of Skagway produced a 1999 study on visitor industry impacts. (A discussion of cruise industry impacts in Skagway is included in the Appendix.)

Cruise-Related Expenditures

Cruise lines, passengers, and crew are estimated to have spent a total of \$181 million in the four communities of Juneau, Ketchikan, Sitka, and Haines in 1999.

Juneau was the largest beneficiary, with a total of \$90 million, followed by Ketchikan with \$66 million, Sitka with \$14 million, and Haines with \$10 million.

Cruise passengers accounted for \$149 million, or 82% of the total, followed by \$22 million in direct spending by cruise lines, and \$10 million in crew spending.

Total Cruise Passenger Spending in Southeast Alaska

1993*	1997**	1999***
\$77 million	\$160 million	\$193 million

*Source: *Alaska Visitor Expenditures, Summer 1993*, Alaska Visitor Statistics Program III, McDowell Group, Inc.

**Source: *Cruise Industry Impacts on Local Governments in Southeast Alaska*, February 1998, McDowell Group, Inc.

***Includes estimated Skagway spending from *Skagway Economic Impact Study*, Southeast Strategies and Dean Runyan Associates, prepared for City of Skagway, February 2000. Does not include Wrangell or Petersburg spending.

Sales Tax Revenue

The four communities under study collected \$6.6 million in cruise-related sales tax revenue in 1999.

The largest recipient was Juneau, with over \$2.8 million collected on total taxable spending of \$59.8 million. Ketchikan followed with collections of nearly \$2.8 million. Sitka's cruise-related sales tax collections are estimated at \$566,000, and Haines received \$437,000.

Employment and Payroll

The cruise industry in these four communities directly generated the equivalent of 1,565 year-round jobs in 1999 and a total payroll of \$34.5 million. However, the number of individuals earning income from cruise-related employment is significantly higher due to the seasonal nature of the industry. Department of Labor records show that in July of 1999, cruise-related businesses employed approximately 5,100 individuals.

The most employment was generated in Juneau, with 748 jobs and \$15.2 million in payroll. The cruise industry in Ketchikan generated 502 jobs with \$12.1 million in payroll; in Sitka, 199 jobs with \$4.7 million on payroll; and 116 jobs and \$2.4 million in payroll in Haines.

Average annual payroll for cruise-related jobs was \$22,100 overall. Ketchikan had the highest average payroll at \$24,300. Sitka followed with \$23,900. Haines and Juneau had similar average payrolls, at \$20,500 and \$20,400, respectively. These averages range between 77% and 94% of the average private sector wage in these communities.

The jobs created fell mostly in three major sectors of the economy: transportation,¹ with an average annual equivalent 642 jobs and \$19.0 million in payroll; the retail sector² also with 642 annual equivalent jobs and \$11.4 million in payroll; and the service sector³ with 281 jobs and \$4.1 million in payroll.

Role of the Cruise Industry in Local Economies

In 1999, employment resulting from the direct spending of cruise passengers, cruise lines, and crew accounted for between 9% and 16% of the basic industry employment of Juneau, Ketchikan, Sitka, and Haines, measured in number of jobs.⁴

The basic industry sector consists of the industries that produce goods and services that are consumed by non-residents of the local area, thereby attracting new money into the local economy. The remainder of the economy, termed the support sector, results from basic industry activity. It provides goods and services to local area population businesses and industries – circulating existing money among residents. For example, Juneau’s first basic industry was mining, whereas the first support industry activity was the general store that served the miners. Please see page 17 for a more complete discussion of basic and support industry theory.

Readers are reminded that these percentages refer to employment figures only. In terms of income per employee, tourism and cruise-related industries tend to be lower paying. Therefore, the monetary impact of these jobs in each economy is not as high as the employment impact. See the chapter on “The Role of the Cruise Industry in Local Economies” for additional discussion.

The cruise industry was most important in Ketchikan, where cruise-related employment (502 jobs) comprised 16% of the area’s total basic industry employment of 3,131 in 1999. In Juneau, cruise-related employment accounted for 10% of the basic industry employment of 7,800 jobs. Employment resulting from cruise spending in Sitka, approximately 200 jobs, accounted for 9% of the city’s basic industry employment.

¹ Examples of transportation sector jobs would include flightseeing pilots, motorcoach drivers, and dayboat crew members.

² Examples of retail sector jobs would include gift shop salespeople, store managers, restaurant employees, and clothing store workers.

³ Examples of service sector jobs would include fishing charter operators, museum workers, tour guides, and hotel workers.

Cruise-related employment in Haines was calculated as a percentage of total employment (basic industry *and* support industry), due to insufficient data on the area's economy. Employment resulting from cruise-related direct spending is estimated to total 116 jobs, or 11% of the total employment in Haines. Assuming Haines' economy is structured similarly to other local economies, the study team estimates that approximately 20% of Haines' basic industry employment results directly from cruise activity.

Regional Basic Industry Trends

Employment in Southeast Alaska's traditional basic industries has either stayed steady or declined over the past decade. These include seafood processing (0% growth), forest products (66% decline), state government (5% decline), and federal government (14% decline). As a group, employment in these four industries has declined by 23% since 1990 – a loss of nearly 3,000 jobs.

In four of the region's five major ports, 1999 cruise-related employment totaled nearly 1,600 jobs, an estimated increase of approximately 1,000 since 1990. In the absence of historical data on cruise-related employment, it is assumed that jobs resulting from the cruise industry have increased approximately in relation to total cruise activity. The number of cruise passengers visiting the region has grown dramatically, from 235,000 in 1990 to 596,000 in 1999 – an increase of 154%.

Southeast Basic Industry Employment and Cruise Traffic (Average Annual Employment*) 1990 & 1999

	1990	1999	% Change
State Government Employment	5,600	5,300	-5%
Federal Government Employment	2,100	1,800	-14%
Seafood Processing Employment	1,400	1,400	0%
Forest Products Employment	3,500	1,200	-66%
Cruise-Related Employment (Juneau, Ketchikan, Sitka and Haines only)**	N/A	1,565	-
Cruise passenger traffic in Southeast	235,000	596,000	+154%

Sources: Alaska Department of Labor and the McDowell Group's *Economic Impacts of the Cruise Industry in Southeast Alaska*.

*Employment expressed in 12-month equivalents. Cruise-related employment is almost entirely seasonal. From DOL data, the study team estimates a peak employment of 5,100 jobs directly resulting from cruise activity in July of 1999.

**Does not include Skagway, Petersburg, Wrangell, or other ports in Southeast. The study team estimates that average annual employment, including these ports, would exceed 2,000 jobs.

Introduction

Scope of Work

This study measures the economic impact of the cruise industry in 1999 on four communities in Southeast Alaska: Juneau, Ketchikan, Sitka and Haines. The study includes:

- Estimated local purchases of goods and services by cruise passengers, crew and cruise lines.
- Estimated local government tax revenues from cruise-related spending.
- Average annual employment and total annual payroll for 1999, by industrial sector, resulting from cruise-related spending in Southeast Alaska.
- The role of the cruise industry generating jobs in local communities.
- Discussion of leakage of visitor dollars from local economies.

Methodology

Cruise-Related Expenditures

In order to estimate cruise line spending, the study team contacted all cruise lines operating in Southeast Alaska. Companies representing in excess of 80% of the market responded. In cases where cruise lines were non-responsive, we were able to estimate their expenditures using passenger counts and data from comparable lines. In addition, our information was supplemented by expenditure data from Cruise Line Agencies of Alaska, which handles a large portion of cruise line purchases.

Spending estimates for cruise passengers and crew are based largely on the McDowell Group's study of *Cruise Industry Impacts on Local Governments in Southeast Alaska (1997)*, along with 1999 gross sales data, sales tax data, cruise line reports of on-board tour sales, and cruise traffic data for each community. In addition, the McDowell Group recently conducted proprietary research that assisted in making these estimates.

Sales Tax Revenues

Tax revenues were determined by applying local sales tax rates in each community to estimated taxable spending. All spending by crew is assumed to be taxable, while some types of expenditures by passengers and cruise lines are non-taxable.

The major categories of non-taxable passenger spending are the federal exclusion of tours involving air transportation, and the local policy exclusions of commissions on tour sales by cruise lines. Commissions on tour sales customarily total 25%. McDowell Group methodology for calculating taxable cruise passenger spending was to estimate the proportion of total spending on tours, and then deducting estimated commissions. In addition, the study team estimated the volume of air-related tours that would be excluded from taxation by federal law. The remaining amount of expenditures is then considered taxable.

Depending on the community, the proportion of passenger spending that is taxable ranges from 65% in Juneau (which has a very high volume of air-related tours) to 88% in Sitka (which has little air tour volume). Proportions of visitor spending on tours are based on estimated updates of Alaska Visitor Statistics Program tour spending data and proprietary McDowell Group studies.

Certain categories of cruise line spending are taxable, including some purchases of goods and services, some maritime services, and port and dockage fees. Excluded are federal/state related fee payments (where regulations prohibit taxation of federal and state income); medical expenditures on behalf of crew (all municipalities exclude medical costs from taxation); some maritime services that are excluded from taxation by federal law; and goods and services purchased for re-sale.

Employment and Payroll

In order to estimate employment resulting from the cruise industry, the study team first selected Standard Industrial Classification (SIC) codes that relate to the cruise industry (for example, Amusement and Recreation, Water Transportation, etc). Monthly employment data for all businesses in these codes, in all four communities, was then obtained from the Department of Labor.

Next, the study team conducted a fax/telephone survey of all businesses identified as serving cruise lines and/or passengers. The survey verified DOL employment data and asked for the percentage of overall revenue resulting from the cruise industry. Over 250 cruise-related businesses and organizations were contacted.

Public entities (such as Convention and Visitors Bureaus and local harbor management) were also contacted for employment information, and levels of service to cruise passengers. Further, the study team developed lists of cruise-related proprietary businesses that were not included in the DOL data.

Average annual employment in each community was determined by applying the percentage of cruise-related revenue to the average employment for each business. For example, if a jewelry store employed an average of 10 people in 1999, and 80% of its revenue came from cruise passengers, eight jobs were then attributed to the cruise industry. These cruise-related jobs were then added together for each community and grouped according to Transportation, Service, and Retail.

Payroll information was determined by applying average salaries in each sector (according to the 1998 DOL Employment and Earnings Report) to the corresponding cruise-related employment. For example, if Juneau was determined to have 50 jobs in the restaurant category resulting from the cruise industry, and the Juneau average restaurant job earns \$20,000 annually, it would result in an estimated \$1 million in payroll. That \$1 million would be included in the total Retail payroll figure.

Role of the Cruise Industry in Local Economies

The study team developed detailed estimates of employment in each basic⁵ industry in three of the four local economies – Juneau, Ketchikan, and Sitka. These estimates were based on recent comprehensive studies of each economy by the McDowell Group, where basic industry employment (but not payroll) was quantified. The cruise industry employment developed in this study was then compared to the employment in the basic industries in each economy. In the case of Haines, where no studies of basic industry employment were available, the comparison of cruise-related employment is made to all employment – the total of both basic and support industries.

Currently, payroll information for the basic industry portion of most local economies is not available. Payroll discussion is therefore limited to total community payroll (basic *and* support industries).

Leakage of Cruise-Related Dollars

“Leakage” refers to the money generated in a community that is not, in turn, spent in the community, but is taken or spent elsewhere. An

⁵ The basic industry sector consists of the industries that produce goods and services that are consumed by non-residents of the local area. The support industry sector provides goods and services to local area population businesses and industries. Please see page 17 for a more complete discussion of basic and support industry theory.

extensive discussion of three types of leakage related to cruise activity is included at the end of the report. While no specific field research was conducted, and no specific calculations made, secondary research did provide some information on the nature of cruise-related leakage.

Note: Skagway

The community of Skagway was not included in the scope of this project. A separate study of the economic impacts of their visitor industry was conducted in 1999 by Southeast Strategies and Dean Runyan Associates.⁶ It is difficult to incorporate results from that study into this one, as the Skagway study measured the impacts of the entire visitor industry, as opposed to only the cruise industry. The study did include passenger spending: cruise ship passengers reportedly spent a total of \$44 million in Skagway in 1999, with an average per-passenger spending estimated at \$123 (comparable to McDowell Group's 1997 estimate of Skagway passenger spending). With the exception of average and total cruise passenger spending, the study offers no other data specifically on the cruise market. Please see the Appendix for further discussion of cruise industry impacts in Skagway.

⁶ *Skagway Economic Impact Study*, Southeast Strategies and Dean Runyan Associates, prepared for City of Skagway, February 2000.

Cruise-Related Expenditures

Cruise Ship Passenger Spending

Cruise ship passengers visiting the four ports of Juneau, Ketchikan, Sitka, and Haines are estimated to have spent nearly \$150 million in 1999. Spending was greatest in Juneau, with \$74 million. Expenditures totaled nearly \$54 million in Ketchikan, \$12 million in Sitka, and \$9 million in Haines.

Cruise ship passengers visiting Southeast Alaska spend money on a broad range of goods and services. Most spending is on shore excursions (such as motorcoach tours, wildlife viewing, flightseeing, and sportfishing), gifts and souvenirs, and food and beverages. The estimated spending rates below are based in part on the McDowell Group's study of the effects of the cruise industry on local governments in Southeast Alaska in 1997. For that report, the study team analyzed local sales tax data, local gross sales data, and expenditure data from the 1993 Alaska Visitors Statistics Program (AVSP). Also taken into account were the effects of inflation, the effects of infrastructure development (such as the new dock in Haines), spending patterns among key tour operators and retailers in the region, local business sales trends, and local tour and retail development since 1993.

The most recent available information on cruise ship passenger spending in Southeast refers only to Skagway. A study conducted in the summer of 1999 on the economic impacts of tourism in Skagway found that cruise passengers spent an average of \$123 per person, per visit.⁷ This is based on intercept surveys with visiting cruise passengers. The McDowell Group's estimate of cruise ship passenger spending in Skagway in 1997 was \$103, per person, per visit. However, Skagway's major tour attraction, the White Pass and Yukon Railroad, has added a third tour as well as additional cars. The tour and retail sectors have continued to grow, giving the typical cruise passenger a wider variety of spending options in Skagway. This could support additional average spending compared to 1997 in Skagway.

The same expansion of tour and retail options has occurred in the major ports of Juneau and Ketchikan. This indicates that per visitor spending has likely increased slightly compared to 1997 estimates; and particularly compared to the last comprehensive study of passenger spending in Southeast, the McDowell Group's 1993 Alaska Visitor Statistics Program.

⁷ *Skagway Economic Impact Study*, page 14.

Further, the long-term trend (according to Cruise Line Agencies of Alaska) is that in-port times have gradually increased over the last decade, due to the larger vessels being faster than their predecessors. This has resulted in both earlier and later scheduling of tour offerings. Readers are reminded that this study is based on the 1999 cruise season, not the 2000 cruise season, when some ships elected to shorten in-port time in Juneau. In-port times in Sitka, on the other hand, are primarily determined by itinerary considerations related to Vancouver and Glacier Bay and have not increased to the extent they have in Juneau, Ketchikan and Skagway.

1999 sales tax data in tourism-related categories was collected in each of the four municipalities and compared to similar data in 1997. Unfortunately, inconsistency in data reporting formats prevents isolating cruise-related sales from sales to residents and non-cruise visitors. However, local sales tax records indicate increased sales in cruise-related business categories. In Juneau, Ketchikan, and Haines, cruise-related categories showed significant increases, while those in Sitka showed a slight increase. The study team concludes that the increased cruise volume in Juneau, Ketchikan, and Haines played a role in increasing sales, whereas a slight decline in Sitka's cruise volume was reflected in little sales increase.

Average on-board expenditures on shore-side tours, as reported by two major cruise lines, show some increase over past years. Further, the major cruise lines are increasing their revenue by additional marketing of shore-side tours, including the new practice of pre-booking tour options prior to departure. The increased spending in Haines is primarily due to significant increases in high-end nature/adventure tours in that area, predominantly from passengers off ships docked in Skagway and taking day trips to Haines.

Because more tours are offered, pre-booking helps increase tour volume, retail options have expanded, and cruise-related sales tax records show increases, the study team concludes there were some increases in 1999 average cruise passenger spending over 1997. Estimated 1999 spending is shown in the table below. Specific passenger survey research would be required for a more accurate estimate of expenditures. A new McDowell Group visitor research program beginning in 2001 should generate updated visitor expenditure data.

**Cruise Ship Passenger Volume and Estimated Spending
By Port 1999**

	Passengers	Spending Per Visit	Total Passenger Spending
Juneau	595,959	\$125	\$74,495,000
Ketchikan	565,005	95	53,675,000
Sitka	168,024	70	11,762,000

Haines	159,734	55	8,785,000
Total			\$148,717,000

Source: Passenger volumes are provided by Southeast Stevedoring. Spending data are McDowell Group estimates.

Cruise Line Spending

Cruise lines purchase a wide variety of goods and services from Southeast businesses, ranging from fresh seafood products from local processors, to groceries, repair services, moorage, pilotage, and other maritime services. These estimates of cruise line spending in Southeast communities are derived from two sources: budget information from the cruise lines themselves, and expenditure information from Cruise Lines Agencies of Alaska, which handles a large portion of cruise line purchases.

Major categories of expenditures are maritime services, port/dockage fees, federal and state-related fees, medical services, charitable contributions, and a wide range of purchases of other local goods and services. These expenditures do not include expenditures by cruise lines on behalf of their passengers taking tours. While cruise lines do collect money from passengers and in turn pay local tour operators, these transactions are not counted because they would duplicate the reported expenditures by passengers. Expenditures on tours are included in the passenger spending data above.

The total cruise line spending in Southeast of \$22 million is significantly higher than the amount reported in the McDowell Group's 1997 study. There are several reasons for this. Increased passenger and voyage volume, as well as increased purchases of goods and services in the region, explains some of the increase. In addition, some moorage and pilotage rates increased in general, and larger ships resulted in higher payments for maritime services and port fees. Finally, the study team was able to acquire data on additional expenditures directly by cruise lines that was not available for the previous study.

The majority of cruise line spending in the region involves a full range of maritime services such as pilotage, scheduling, tug assistance, longshoring, and related services.

Cruise Line Spending 1999, By Port

	Total Spending
Juneau	\$11,031,757
Ketchikan	8,505,655
Sitka	1,341,120
Haines	1,186,225
Total	\$22,064,756

Source: McDowell Group estimates.

Cruise Ship Crew Spending

According to cruise traffic statistics, cruise ship employees made nearly 700,000 “visits” to the four communities of Juneau, Ketchikan, Sitka and Haines in 1999. Crew spending in Southeast has not been measured in several years; however, two McDowell Group studies provide an indication of crew spending rates in Juneau and Sitka. The 1995 study entitled *Juneau’s Visitor Industry: An Economic Profile* included a survey of visitor affected businesses in Juneau. Among many other questions, the survey asked merchants to estimate sales to crew. The survey, which measured visitor industry impacts in 1994, indicated crew spending totaled approximately \$3 million, or about \$20 for each of the 163,000 crew visits that year.

A second study entitled *Sitka’s Visitor Industry: An Economic Impact Study* used the same methodology to measure crew spending. That study found that Sitka’s 80,000 crew visits in 1994 generated local sales of approximately \$1.2 million, or \$15 per visit. No data is available for crew spending in other communities. Crew spending estimates presented below are relative estimates based on the Juneau and Sitka benchmarks. The key assumption used to make these estimates is that economies with better-developed retail sectors will generate greater rates of crew spending.

Cruise Ship Crew Volume and Spending By Port 1999

	Crew Visits	Spending Per Visit	Total Crew Spending
Juneau	244,847	\$20	\$4,897,000
Ketchikan	231,150	15	3,467,000
Sitka	73,791	15	1,107,000
Haines	55,580	5	278,000
Total			\$9,749,000

Source: McDowell Group

Sales Tax Revenues

Southeast communities receive a substantial amount of tax revenues from cruise ship passenger and crew spending. However, not all cruise passenger spending is taxable. For example, flightseeing purchases are non-taxable under federal regulation. In addition, commissions on tours, travel and lodging are non-taxable, including the commissions earned by cruise lines from on-board sales of tours. Spending rates from the 1997 study, adjusted for changes in visitor spending patterns in 1999, were used to estimate taxable spending by cruise passengers.

The first table below shows the total spending by cruise visitors and the portion of that spending that is taxable according to the policies of each municipality. In brief, between 65% and 88% of cruise passenger spending is taxable. The major non-taxable categories are tours that involve air transportation (which, by federal law, is not taxable) and the commissions on tour sales (commonly 25% of the price of the tour). Commissions are exempt under most local tax policies. The study team estimated the proportion of visitor expenditures on tour sales and also estimated the approximate volume of tour sales involving air transportation. Juneau is the major port involving air tours and therefore has the largest proportion of exempt sales.

The second table below shows the calculations that result in estimates for sales tax collections by each of the municipal entities from taxable cruise passenger, crew, and cruise line spending. Like passenger spending, not all cruise line spending is taxable. For example, under federal law, some portions of maritime services are exempt from taxation, and local policy exempts medical expenditures.

Total and Taxable Cruise Ship Spending By Port, 1999

	Total Spending	Taxable Spending
Juneau	\$74,495,000	\$48,300,000
Ketchikan	53,675,000	44,700,000
Sitka	11,762,000	10,300,000
Haines	8,785,000	7,400,000
Total	\$148,717,000	\$110,700,000

Source: McDowell Group.

**Total Cruise-Related Sales Tax Revenue
1999, By Jurisdiction**

	Juneau	Ketchikan	Sitka	Haines
Taxable Passenger Spending	\$48,300,000	\$44,700,000	\$10,300,000	\$7,400,000
Taxable Crew Spending	\$4,900,000	\$3,500,000	\$1,100,000	\$280,000
Taxable Cruise Line Spending	\$6,600,000	\$3,700,000	\$487,000	\$528,000
Total Taxable Spending	\$59,800,000	\$51,900,000	\$11,887,000	\$8,208,000
Total Cruise-Related Sales Tax Revenues				
City		\$1,755,000		\$316,000
Borough		\$1,018,000		\$121,000
City/Borough	\$2,848,000		\$566,000	
Total Cruise-Related Sales Tax Revenues (in all four ports):			\$6,624,000	

Note: Taxable spending amounts are inclusive of sales tax.

Employment and Payroll

Cruise industry-related employment has been converted to annual equivalents (full-time, year-round jobs) for comparable measurement with all other basic industries. For example, three cruise-related jobs lasting four months count as one annual equivalent job in the graphs below. Because it provides a great deal of seasonal employment, earnings per person tend to be lower for the cruise industry, but the number of individuals earning income is significantly higher.

The cruise industry in Juneau results in an estimated 750 year-round equivalent jobs. Juneau not only sees the highest number of cruise visitors in Alaska; it also has considerably more tour activity than any other destination in the state. This results in a high number of jobs and considerable payroll related to the cruise industry.

While Ketchikan has its share of tour options, they are less numerous than in Juneau. Ketchikan's strong retail development is evident in high employment and payroll for that sector. Cruise visitors to Ketchikan purchase far fewer tours than in Juneau and are more immediately available to the downtown retail sector. As headquarters for Southeast Stevedoring, Ketchikan also hosts many high-paying piloting jobs (cruise lines are required to employ Alaska residents as pilots of their ships).

Sitka has struggled with significant loss of cruise traffic since the peak in 1996. Sitka's relative employment and payroll are about the same as reported in a previous study.⁸ There are fewer cruise passengers visiting the community than in 1994. However, more business interests are involved in serving the cruise and independent market than at that time. As a result, the relative level of employment and wages attributable to the cruise industry in Sitka are similar to 1994 levels.

Haines is the most difficult community in which to quantify cruise impacts. The community serves passengers from ships that stop in Haines as well as large numbers of passengers from ships stopped in Skagway. The local economy is still relatively underdeveloped for serving the cruise industry and as a result, employment and payroll are significantly lower than those in other communities studied. Haines plays an important role in delivering outdoor adventure experiences for cruise visitors in Northern Lynn Canal. Skagway, on the other hand, provides primarily historical experiences.

⁸ *Sitka's Visitor Industry: An Economic Impact Study*, McDowell Group, Inc., prepared for the Sitka Convention and Visitors Bureau, March 1996.

Average annual payroll for cruise-related jobs was \$22,100 overall. Ketchikan had the highest average payroll at \$24,300. Sitka followed with \$23,900. Haines and Juneau had similar average payrolls, at \$20,500 and \$20,400, respectively. These averages range between 77% and 94% of the average private sector wage in these communities.

**1999 Cruise Industry-Related Employment
(Wage and Salary Employment Only)**

	Juneau	Ketchikan	Sitka	Haines	Total
Transportation	309	179	87	67	642
Retail	304	238	86	14	642
Services	135	85	26	35	281
Total	748	502	199	116	1565

**1999 Cruise Industry-Related Payroll
(Wage and Salary Employment Only)
In 000's; based on 1998 average wages**

	Juneau	Ketchikan	Sitka	Haines	Total
Transportation	\$8,042	\$6,343	\$2,943	\$1,680	\$19,008
Retail	5,254	4,562	1,371	183	11,370
Services	1,941	1,238	426	516	4,122
Total	\$15,237	\$12,143	\$4,740	\$2,380	\$34,500

The Role of the Cruise Industry in Local Economies

Introduction

Following are brief analyses of the role of the cruise ship industry in each of the four local economies under study. The graphs presented below depict the basic economy of each community and the proportion of basic industry employment that results directly from cruise ship activity. This analysis does not include calculation of indirect or induced economic impacts. Readers are reminded that in economic base analysis, the economy is divided into two major sectors – the basic industry sector and the support industry sector.

The basic industry sector consists of the industries that produce goods and services that are consumed by non-residents of the local area. Basic industry brings money to the local economy from sources outside that economy. Basic industry is the reason for the existence of the communities in the first place. Juneau did not exist as a community until minerals were discovered, and Juneau's first basic industry was gold mining.

In the Southeast communities under examination, the primary basic industries are seafood, forest products, tourism, mining, and specific forms of government. Government can be considered a basic industry if its services are being provided to non-residents of the local area. For example, state government in Juneau provides services to the entire state of Alaska in its role as a capital city. The SEARHC hospital in Sitka qualifies as a basic industry since its services are generally provided to Native people who reside outside the Sitka area. In Haines, the arts and crafts industry sells mostly to non-residents of the area and is likewise a basic industry. In Ketchikan, seafood harvesting and processing results in products that are sold to markets around the world.

The remainder of the economy is called the support sector. The function of the support sector is to provide goods and services to local area population businesses and industries. For example, shortly after gold mining began in Juneau, a general store was established in support of the local population working in the mining industry. The general store was Juneau's first support industry business. Much of the retail and service sectors in these four communities serve primarily local residents, as do certain government functions such as schools, local hospitals, and city administration.

The proportion of each local economy that consists of basic or support industry tends to vary with the size of the community. As a local economic area increases in size, a larger portion of local employment tends to be support industry, since larger local markets provide more opportunities for business development. For example, employment in Sitka's economy is approximately half basic industry and half support industry, while Juneau's employment is more heavily generated by support industry businesses.

The following graphs depict the cruise industry role in the basic industry employment composition of each of the four communities. The graphs do not include support sector employment that is generated as a result of basic industry activity. Readers are advised that these are employment figures only – that is, they show numbers of jobs. In terms of income per employee, tourism and cruise-related jobs tend to be lower paying. Therefore, the monetary impact of these jobs in each economy is not as high as the employment impact shown in the graphs. Since the scope of this study does not include a complete analysis of employment and payroll in all basic and support industries, an income comparison is not included in this report.

However, it is possible to draw some comparisons between cruise industry and other private industry wages in each of the communities. For example, water transportation and air transportation wages generated in support of cruise activity are significantly higher than local average wages, averaging about \$3,000 per month. In the trade and service industries, where most cruise-related employment exists, average wages are lower than the overall average in each of the four communities. In Juneau, all private industry employment averages about \$2,200 per month compared to cruise-related wages of \$1,700 per month. In Ketchikan, cruise-related wages tend to be higher because it is the home base for much of the maritime services provided to the cruise industry. There, the cruise-related average monthly wage is \$2,200 compared to \$2,440 for all Ketchikan private industry. Sitka and Haines comparisons are similar. Sitka's average cruise-related monthly wage is \$1,990 per month and Haines is \$1,710 – both moderately lower than private industry averages.

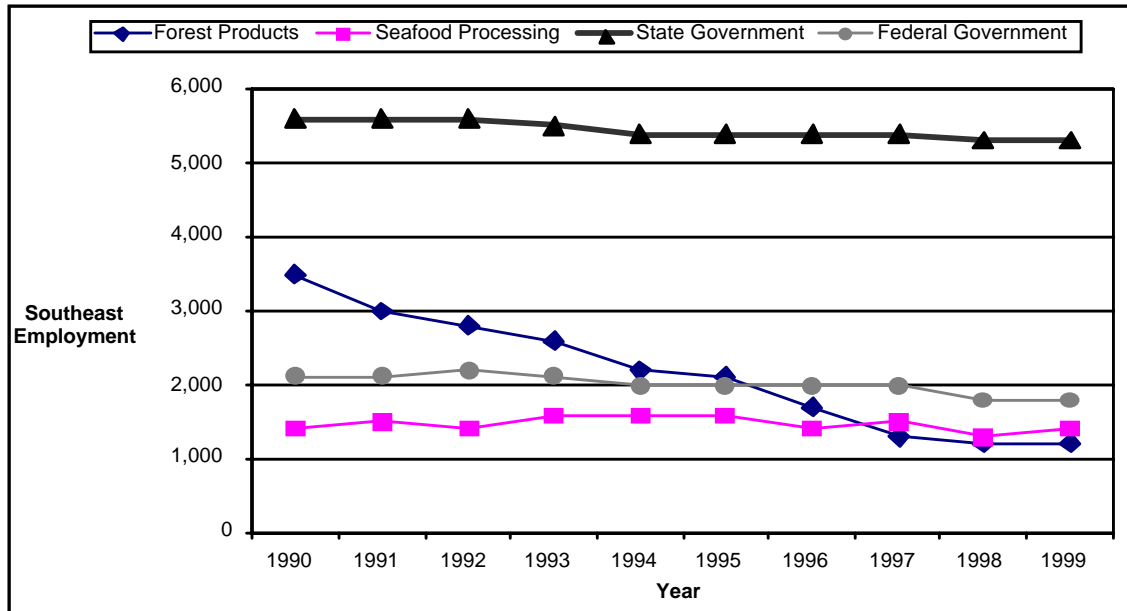
Note: Cruise industry-related employment has been converted to annual equivalents for comparable measurement with all other basic industries. For example, three cruise-related jobs lasting four months count as one annual-equivalent job in the graphs below.

Regional Trends

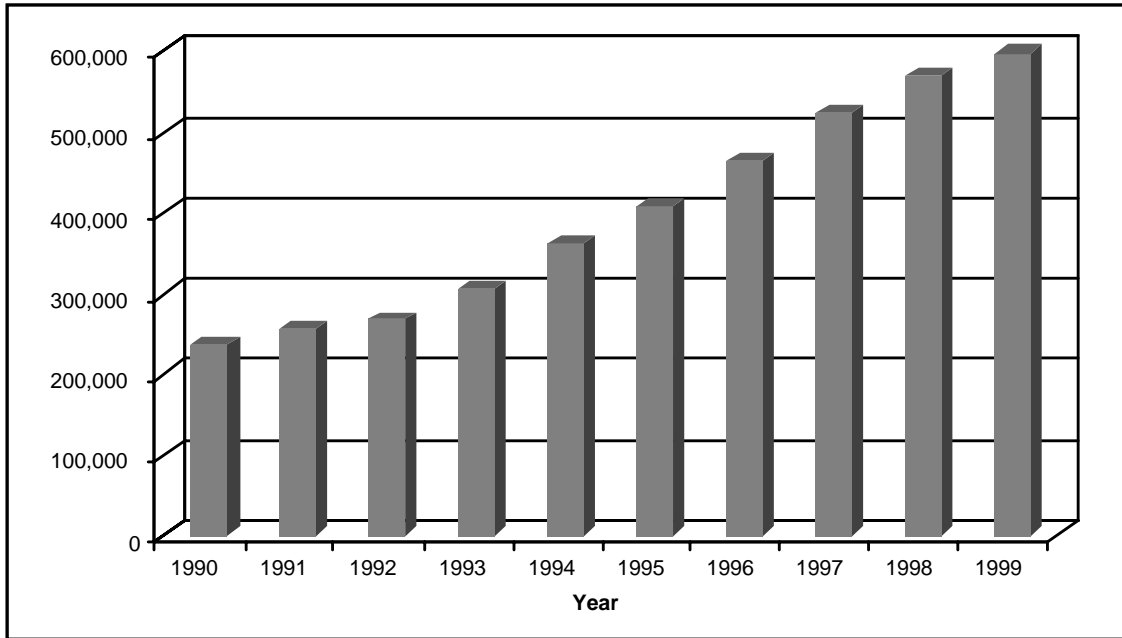
The first graph following shows the trends, over the past decade, in Southeast Alaska's traditional basic industries. The major industries of forest products, seafood processing, state government and federal government are expressed in terms of average annual employment. Employment in these industries has either stayed steady or declined over the past decade, including seafood processing (0% growth), forest products (66% decline), state government (5% decline), and federal government (14% decline). As a group, employment in these four industries has declined by 23% since 1990 – a loss of nearly 3,000 jobs.

The second graph following shows cruise passenger volume in Southeast Alaska over the past decade. This measure is used in the absence of historical employment information on cruise-related activity. In four of the region's five major ports, 1999 cruise-related employment totaled nearly 1,600 jobs, an estimated increase of approximately 1,000 since 1990. The number of cruise passengers visiting the region has grown dramatically, from 235,000 in 1990 to 596,000 in 1999 – an increase of 154%. While cruise volume does not equate directly to jobs, it is safe to assume that cruise-related employment has increased in relation to total cruise activity.

Southeast Alaska Basic Industry Employment 1990-1999



Cruise Passenger Volume in Southeast Alaska 1990-1999



Juneau

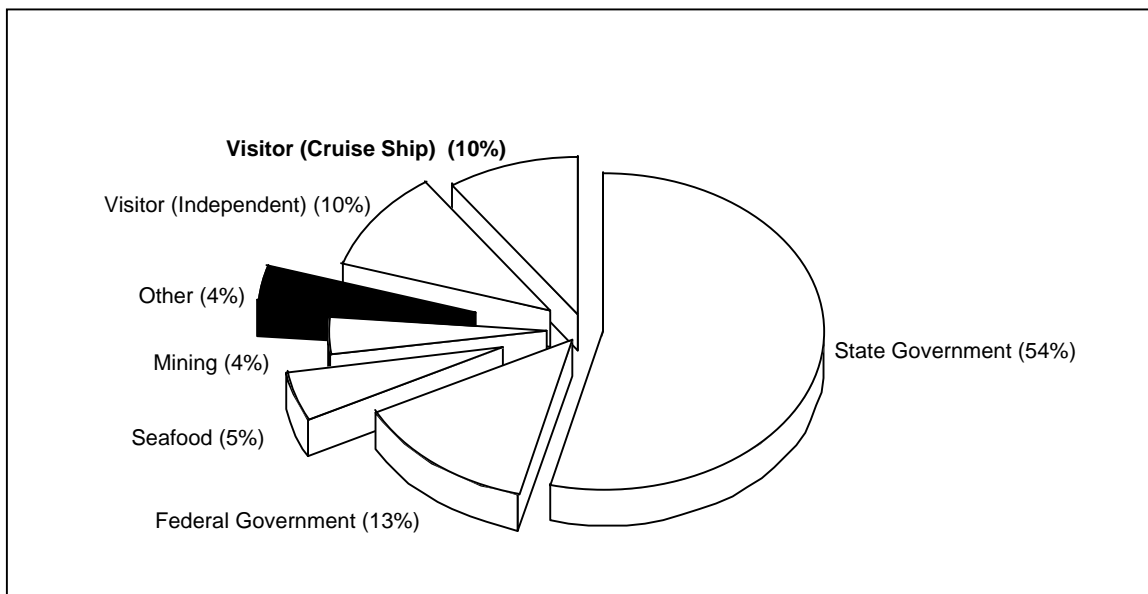
Cruise-related employment in Juneau totals 748 annual-equivalent jobs. The number of individuals earning income as a result of the cruise industry is significantly higher because most of these jobs are seasonal. This data is primarily the result of detailed DOL records showing 1998 monthly employment in all of the businesses identified in the study team's research.

Cruise-related employment constitutes 10% of Juneau's basic industry employment. Juneau's largest basic industry is state government. Juneau's role as the capital city of Alaska accounts for over half of its basic industry employment. Federal government is Juneau's second largest basic industry at 13%. Seafood (5%) and mining (4%) are also important.

The non-cruise portion of Juneau's visitor industry comprises another 10% of the community's economic base. When combined with cruise ship employment, the total visitor industry provides one-fifth of Juneau's basic industry employment on an average annual basis.

In terms of *total* employment (basic and support industries combined), cruise-related jobs *directly* account for 5% of the employment in Juneau. In terms of payroll, the direct cruise-related portion is estimated to be 3% of total payroll in the community. These figures do not include indirect or induced employment or payroll.

Juneau Basic Industry Employment, 1999



Source: McDowell Group estimates of basic industry employment based on the most recent ADOL industry data and previous McDowell Group economic studies of this local economy.

Trends in the Role of the Cruise Industry

The relative position of the visitor industry, and the cruise industry in particular, in the Juneau economy has escalated significantly in the past decade. In fact, it has been the only major economic growth influence in the economy. During the last ten years, total non-agricultural wage and salary employment in Juneau has increased by 23%, an annual rate of just 2%. Juneau's growth rate has slowed to approximately 1% since 1995.

At the same time, Juneau's dominant basic industry employment of state and federal government (5,100 annual equivalent jobs in 1999) declined by 7%. Virtually all of Juneau's growth during this time period has been in trade, service, and transportation – the sectors most affected by the visitor industry. The cruise-related portion of the visitor industry has been the fastest growing, with cruise passenger arrivals increasing from 184,000 in 1989 to 596,000 ten years later, an increase of 224%. By contrast, the volume of independent visitors to the community has not increased for several years.

While visitor industry employment data for this time period is not available, it is clear that cruise-related activity now ranks as Juneau's third-largest industry in terms of employment, behind state and federal government.

Ketchikan

Ketchikan's cruise-related employment of 502 is 16% of the area's total basic industry employment of 3,131. Ketchikan's total employment, including all support industries, is just over 7,000.

Ketchikan's largest employer is the seafood industry, with 23% of all basic industry jobs, including seafood harvesting. Seafood now surpasses the community's formerly dominant industry of forest products, following the closure of the Ketchikan Pulp Company's mill in 1995. Surprisingly, Ketchikan's second leading industry is state government, due to the role that Ketchikan plays as the primary crew and maintenance port for the Alaska Marine Highway System. Ketchikan also provides some state services to the Southern Southeast regional area from offices based there.

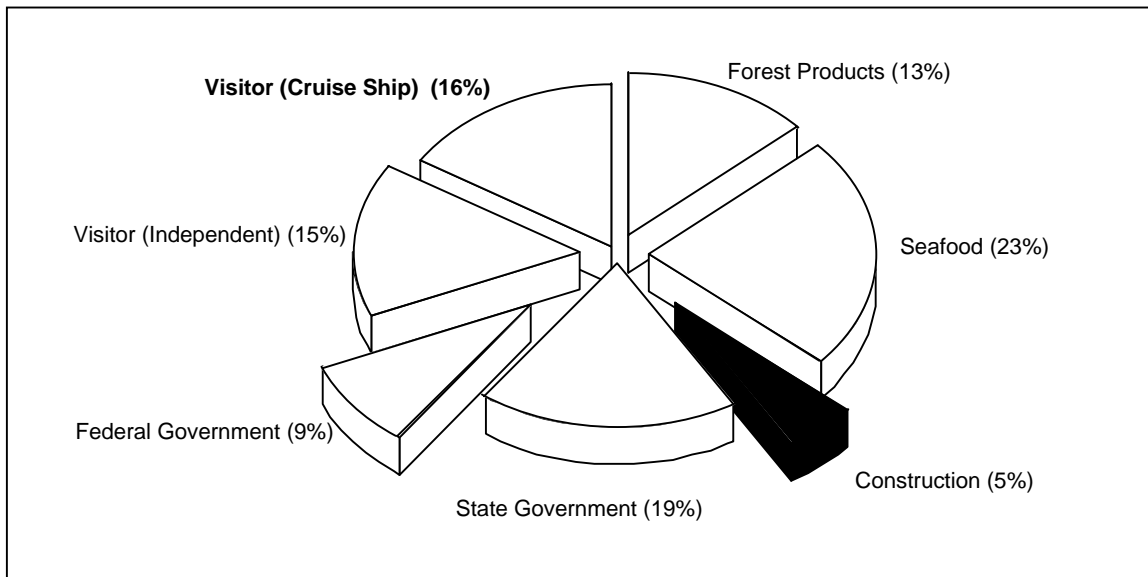
Forest products are currently 13% of the local economic base due to the fact that Ketchikan remains the primary center for this industry's activity in the area. Federal government (9%) and local government (5%) complete the economic base for this city as it continues to weather an economic slump resulting from the mill closure. Population, school

enrollment, business failures and other indicators show this local economy continuing to struggle in recovery.

The independent visitor industry accounts for 15% of Ketchikan's basic industry employment, and in terms of employment, ranks number three behind seafood and the cruise industry. Ketchikan's independent visitor industry serves both non-residents of Alaska and other Alaskans visiting Ketchikan for business, pleasure, and conventions/meetings. The visitor industry overall is the community's largest industry in terms of employment, with 31% of all jobs related to cruise or independent visitors. As mentioned earlier, the lower wage levels paid by the visitor industry in general would mean a lower, but still substantial, economic impact in terms of income.

Cruise-related employment *directly* accounts for an estimated 7% of total employment in Ketchikan (basic and support industries combined). In terms of payroll, direct cruise-related earnings comprise about 6% of total payroll in the community. These figures do not include indirect or induced employment or payroll.

Ketchikan Basic Industry Employment, 1999



Source: McDowell Group estimates of basic industry employment based on the most recent ADOL industry data and previous McDowell Group economic studies of this local economy.

Trends in the Role of the Cruise Industry

As in the case of Juneau, the visitor industry, particularly the cruise ship sector, has been the only major growth influence over the last decade and has played an important role in mitigating the recession following the collapse of the timber industry. Total non-agricultural wage and salary employment has declined from 7,188 in 1989 to 7,092 in 1999, a loss of 1%.

A more significant measure is the sharp drop from Ketchikan's pre-KPC closure peak of 7,981 in 1995, a loss of 11% (or 900 jobs) in just four years. By contrast, cruise passenger volume in Ketchikan has increased from 169,000 in 1989 to 565,000, an increase of 199%.

Though historical data are not available, it is likely that cruise-related employment has tripled during this period. On the other hand, as in the rest of Alaska, independent visitor volume to Ketchikan has either been stable or declined since the mid-1990's. This is especially reflected in the decline in AMHS traffic, which is important to Ketchikan's independent visitor industry. It is clear that the cruise-related visitor industry has become a much more significant portion of Ketchikan's economy over the last decade.

Sitka

The Sitka cruise-related employment totals an estimated 199 average annual equivalent jobs out of a total of 2,124 basic industry jobs, about 10% of all basic industry employment.

Sitka's leading industry is the seafood industry, accounting for 28% of basic industry employment, including fish harvesting. Health care is a very important industry in Sitka, and is comprised of several institutions that serve populations outside the local area. This includes Sitka's largest employer, the SEARHC hospital, which provides medical services to the Native people of Alaska; and the Sitka Pioneer's Home, which is part of the statewide Alaska system for care of the elderly. Health care comprises 22% of the economic base of this community and provides a significant proportion of high-wage jobs.

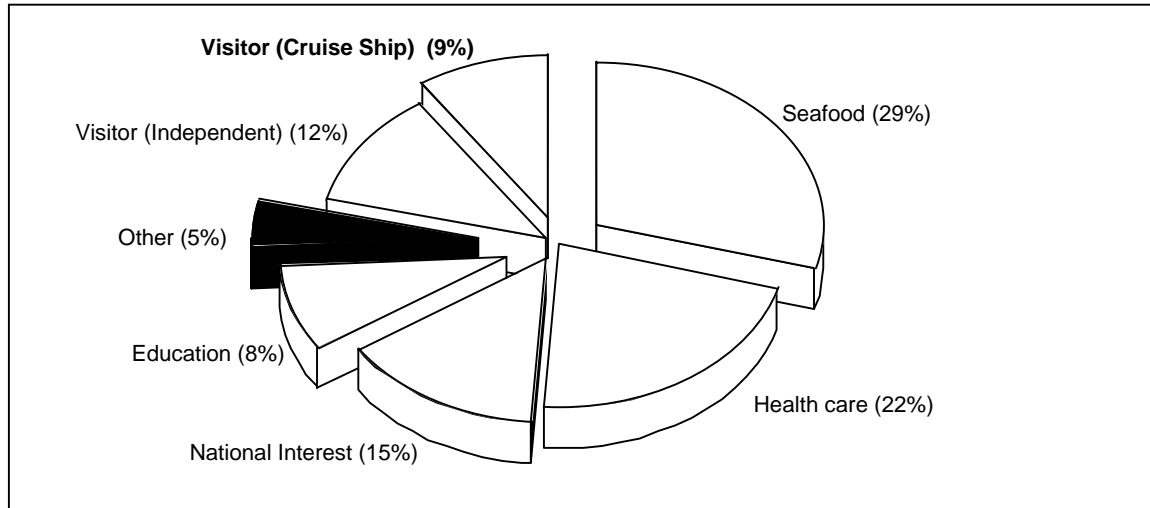
National interest industries (US Coast Guard base, US Forest Service management offices, and the National Park Service) combine to provide 15% of Sitka's economic base employment. Sitka is also a center for education with several institutions that bring in students from outside the local area. These institutions include Sheldon Jackson College, University of Alaska Southeast, Mt. Edgecumbe High School, and the Alaska Public Safety Academy.

Sitka has a significant independent visitor industry with particularly important market segments of charter fishermen, convention visitors, and other independent visitors. This independent visitor segment accounts for approximately 12% of all of the community's economic base employment. When combined, the total visitor industry comprises 22% of all basic industry employment, a number equal to that of the community's number two industry, health care.

Like Ketchikan, Sitka has been affected by a recession, due to the 1993 closure of a major employer, the APC mill. Fortunately for Sitka, the other growth industries of health care and national interest compensated for a portion of this loss over the last several years. On the other hand, income to local harvesters from the seafood industry has declined significantly since the implementation of the Individual Fishing Quota (IFQ) system, which deprived nearly 200 local residents of the right to harvest halibut and blackcod.

Cruise industry-related employment *directly* accounts for an estimated 5% of the total number of jobs in Sitka, basic and support sectors combined. In terms of payroll, the direct cruise-related portion is estimated to be 4% of total payroll in the community. These figures do not include indirect or induced employment or payroll.

Sitka Basic Industry Employment, 1999



Source: McDowell Group estimates of basic industry employment based on the most recent ADOL industry data and previous McDowell Group economic studies of this local economy.

Trends in the Role of the Cruise Industry

Unlike the other communities in this study, which experienced dramatic growth in cruise volume, Sitka has experienced the reverse, losing nearly one-third of its cruise trade in one year (1997). Cruise volume has remained flat through the 2000 season with a moderate upturn expected in 2001. As a result, employment and business income from the cruise trade have not increased noticeably since 1997.

While there has been a recent reversal in cruise volume, the 168,000 cruise visitors in 1999 is still an increase of 26% from the 133,000 that visited Sitka a decade earlier. Sitka's total non-agricultural wage and salary employment in 1999 has just recently recovered to the same level that it was a decade earlier, in 1989 (3,957 versus 4,055). However, total wages still lag \$16 million behind, in inflation adjusted terms, compared to the 1993 pre-mill closure, as Sitka's new jobs are lower paying than those lost in the forest products industry.

While the amount of cruise-related activity has increased only moderately over the last decade, it does appear to play a more significant role in the economy due to the income losses from the forest products industry. Fortunately for Sitka, the independent tourism sector appears to be growing to some degree in recent years, in contrast to its lack of growth elsewhere in Alaska.

Haines

Detailed data on basic industry employment in Haines is not available for this study, unlike Juneau, Ketchikan, and Sitka, where recent McDowell Group analyses provide information on basic industry composition. Instead, cruise-related employment is estimated as a percentage of total employment, including both basic and support industries. Overall, cruise-related employment directly accounts for 11% of all employment in the Haines borough, and approximately 10% of all payroll. Were Haines viewed as a typical Southeast Alaska economy, where approximately half of all employment counts as basic industry, then an estimate of the cruise industry's role in the basic economy would be approximately 20%. However, for purposes of this study, in the absence of accurate economic data, the graph below depicts cruise-related employment in terms of all employment in the Haines Borough, as reported by the Department of Labor.

Haines has an unusual economic composition compared to other Southeast Alaska communities. Commercial fishing is a leading basic industry, with a significant number of permit and vessel owners residing in the area. There is also some processing and fish-buying activity in the local area in season.

The visitor industry overall figures prominently in Haines' economic make-up, in part because it serves as one of the northern terminals of the Alaska Marine Highway System. Further, Haines has three non-traditional economic sectors that help support the local economy. There is a large and talented artisan community, a significant number of people choosing Haines as their retirement location, and additional non-residents of Haines that have purchased real estate and homes in the area.

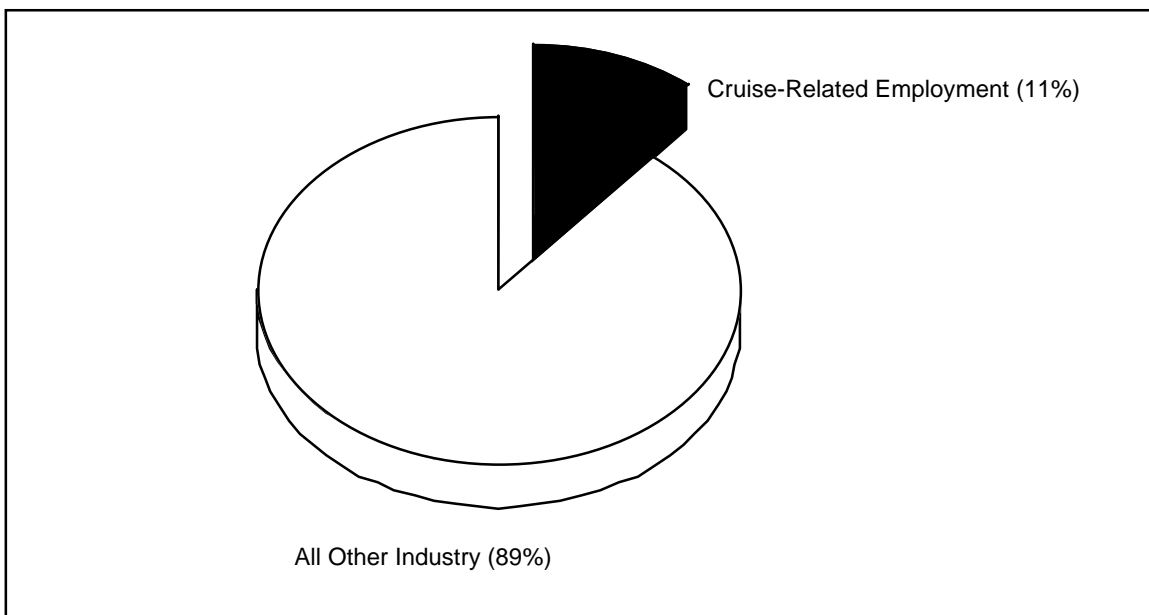
Though specific data is not available, the total impact of the visitor industry is undoubtedly important to the local economy. Unfortunately for Haines, the independent market that has been so important to its summer economy has been declining since 1996. However, rapid growth in cruise ship visits to the community, as well as many cruise visitors making day trips from Skagway, have boosted the summer economy in recent years.

McDowell Group's estimate of per-passenger spending in Haines is low compared to higher-volume ports – \$55 versus \$125 in Juneau, for example. The reason for this is that the late arrival times of most ships calling in Haines limits tour and shopping options, and there are fewer opportunities for visitors to spend money than in the more developed major ports of the region.

A major growth in the economic impacts in Haines as shown in the employment data is the servicing of Skagway-based cruise visitors coming to Haines for river adventure and other tour experiences. It is difficult to quantify the sales impact on the Haines economy of Skagway-based cruise visitors. On the other hand, all of the employment and wages that result from Skagway passengers visiting Haines have been captured through the methodology of this study.

To verify sales tax revenue to Haines a separate analysis compared increases in Haines' summer season sales tax collections with the increased sales tax the study team estimated as being generated by additional cruise traffic. The results matched closely, lending credibility to the increase in Haines sales tax collections due to cruise traffic growth between 1997 and 1999.

Haines Employment, 1999



Source: McDowell Group estimate based on total ADOL employment for the Haines Borough.

Trends in the Role of the Cruise Industry

Over the last ten years, total Haines employment has increased by 5%, from 1,015 to 1,065 annual equivalent jobs (an average annual increase of one-half of one percent). There has been no growth in total Haines employment since 1997. In the meantime, cruise traffic has increased exponentially, growing from an estimated 20,000 in 1989 to 159,000 in 1999 – a multiple of eight times. In addition to the economic benefits provided by these passengers, recent growth in visitors from Skagway-based cruise ships has resulted in an even larger boost to the Haines economy.

Judging from the total statistics on the Haines labor force, it appears that the other sectors of the economy have declined or grown only slightly, while cruise-related employment has increased significantly. In the last three years, the cruise-related employment categories of Amusement and Recreation Services and retail have increased by 73% and 15%, respectively. This compares to a 7% increase in government employment and a 1% decrease in overall employment.

Leakage of Cruise-Related Dollars

Introduction

“Leakage” refers to the money generated in a community that is not, in turn, spent in the community, but is taken or spent elsewhere. Alaska is an economy where most of what is produced in the state is exported and most of what is consumed in the state is imported. As a result, Alaska probably leaks a higher proportion of dollars from its economy than any state other than Hawaii. For example, a typical Alaskan grocery store immediately leaks 70% of every dollar outside the state. Grocery stores generally earn less than a 30% margin on cost of goods sold and almost all of their purchases for re-sale are from outside the state.

Another example in Alaska would be the construction industry. Oftentimes contracts are won by non-resident firms. The firms will import much of their equipment and their skilled labor, as well as construction materials, from outside the state. The net result is that, according to studies by the Institute for Social and Economic Research, construction has the state’s lowest economic multiplier. The state’s highest economic multiplier is state government. The labor force is virtually 100% resident, the jobs are generally year-round and permanent, and the salaries are above average for Alaska. Nearly all of state employees’ daily expenditures occur within the state, minimizing leakage.

This study does not quantify in any detail leakage of cruise-related dollars. Instead, its primary focus has been to quantify the direct economic impacts of employment, wages, and visitor spending. However, the following discussion is included to clarify the issue of leakage in Alaska and in regard to cruise-related activity.

In the case of the cruise-related visitor industry, there are three sources of leakage, all of them shared with other Alaska industries.

- *Wage leakage* results from spending outside Alaska by both residents and non-residents, and from non-residents taking a portion of their earnings to their home state following seasonal employment.
- The second source of leakage we term “*cost-of-goods-sold leakage*.” This refers to the purchase of goods from outside Alaska that are re-sold in the state to cruise passengers, crew, and cruise companies.
- The third form of leakage is *service leakage*. In the case of the cruise-related industry, this refers to leakage that occurs in the selling and delivery of tour services to cruise passengers. While service providers do not immediately export most of their income by paying for cost-of-goods-sold, some leakage does occur.

Wage Leakage

Wage leakage occurs in all Alaska employment, from three primary sources: payroll deductions (such as taxes), savings (where money is held out of circulation), and spending outside the local area. In the recent study of Skagway’s visitor industry, the percentage of total wages leaked by these three causes were 21%, 24%, and 17%, respectively.⁹ The local Skagway economy captured 43% of wages paid to full-year residents and 35% of wages paid to seasonal residents. Seasonal residents did save significantly more (30%) than full year residents, who saved 14%. The percentage of outside spending was moderate, even though Skagway’s retail and service sector provides limited opportunities for local purchase. While the Skagway study refers only to wages earned in that community, it provides some information that can apply to wage leakage elsewhere in Southeast Alaska.

It is the study team’s assumption that the leakage of dollars earned from the visitor industry would be somewhat less in the communities in this study than in Skagway. The reason for this conclusion is that the variety of goods and services locally available in communities such as Juneau, Ketchikan, and Sitka, is greater than that available in the community of Skagway, with a winter population under 1000. Year-round residents and seasonal residents living in these communities are likely to spend more of their dollars in these economies where the purchasing opportunities are significantly greater than in Skagway.

One thing the Skagway study shows is that in an economy dominated by the visitor industry, there is only modest difference between the leakage of resident wages and non-resident wages. This is not surprising, considering that non-residents do reside in the community during the terms of their employment and spend a portion of their earnings on daily

⁹ *Skagway Economic Impact Study*, page 40.

living costs. This is further supported by the fact that the visitor industry pay levels are lower than average for Alaska and that a higher proportion of that income must be spent on basic in-state living costs. When compared to a highly paid, non-resident North Slope oil worker, whose on-site living costs are paid by the employer, the Alaska visitor industry employee has less opportunity for earnings to “leak” from the state’s economy.

While the Skagway study showed only modest difference between leakage of non-resident wages and resident wages, it is still important to discuss the non-resident component of cruise industry employment. According to the Department of Labor’s “Residency Analysis of Alaska’s Workers by Firm-1998,” cruise-related businesses hire anywhere from 5% to 80% of their labor force from outside Alaska.¹⁰ The bulk of these businesses show a non-resident labor component that ranges from 10% to 35%. Another DOL report on non-resident rates shows that the 1998 average for all industries in Alaska is 20%, while the year-round average for the visitor industry is 25% non-resident.¹¹ However, if data were focused strictly on the summer season, when non-resident labor demands are highest, clearly the visitor industry would have a higher (but unknown) percentage. The following table shows a comparison of non-resident rates among private sector industries.

**1998 Non-Resident Rates
Private Sector Industries**

Sector	% Non-Resident
Food processing	72%
Hotels	33
Lumber/Wood Products	30
Oil and Gas	27
Water Transportation	27
Amusement & Recreation Services	27
Eating and Drinking	26
Business Services	22
Air Transportation	22
Metal Mining	22
Heavy Construction	20
Motion Pictures	20
Misc. Repair Services	19

Source: Alaska Department of Labor

¹⁰ “Resident/Nonresident Hire,” by Jeff Hadlund, *Alaska Economic Trends*, February 2000, page 10.

¹¹ *Residency Analysis of Alaska’s Workers by Firm – 1998*, Alaska Department of Labor and Workforce Development, February 2000.

A specific analysis of Southeast companies that reported at least 70% of their business coming from the cruise industry shows an average non-resident rate of 27%.

Cost-of-Goods-Sold Leakage

The second source of cruise industry leakage would be similar to that of the grocery store, where the goods they purchase in Alaska from local businesses which, in turn, purchase them from outside of Alaska. This same source of leakage applies to cruise visitors purchasing goods in Alaska shops, such as T-shirts, that are not manufactured in Alaska. Since the mark-up in gift shops is higher than in grocery stores, there is probably less leakage when gift shops sell a T-shirt to a visitor than when a grocery store sells paper towels to a resident.

Some purchases of goods by passengers, crew, and cruise lines are of Alaska-made products. For example, some of the arts and crafts sold in gift shops are made in Alaska, and the seafood purchased by cruise lines for on-board consumption is also Alaska-produced. In this study, no estimate is made of the portion of sales of goods that are produced in Alaska versus outside the state. As a result, there is no specific calculation of leakage due to cost of goods sold. As in other sectors of the Alaska economy, a significant portion of goods sold to visitors, crew, and cruise lines are more than likely to be manufactured outside the state.

Service Leakage

A third source of leakage results from purchases of visitor services, primarily tours, delivered to visitors in Alaska. For example, a cruise visitor will pay a cruise company \$100 for an adventure tour in Ketchikan operated by a local company. The cruise company is entitled to a 25% sales commission, which does not reach the Alaska economy. Only \$75 is paid to the local company. Therefore, the local economy immediately experiences a 25% leakage. The local tour operator then takes the \$75 remaining and in turn, pays for the goods and services that he must purchase in order to provide the adventure tour experience.

While this leakage may not approach the grocery store example, the tour operator may have made some purchases from outside the state, such as marine tour vessels, liability insurance, and outside travel for marketing purposes. The scope of this study does not include a specific analysis of what local tour companies purchase from within and outside Alaska. Therefore, the leakage from the third level of transactions is not known.

Skagway

As mentioned in the Introduction to this report, Skagway was not included in the scope of this study, because a recent study by the City of Skagway detailed impacts from the overall visitor industry. The impacts of the cruise ship market were not specifically defined. However, there are some assumptions that can be made from the study's data that approximate the impacts of cruise visitor spending on Skagway.

The study reports 1999 cruise ship passenger spending at \$44.1 million out of total visitor spending of \$59.6 million, or 74%.¹² The study does not estimate spending by cruise lines or crew.

The study further estimates that the year-round visitor industry in Skagway generates an annual average of 453 jobs and \$7.7 million in payroll, an average annual wage-per-job of \$17,100. Were the assumption to be made that 74% of this amount was cruise-related, then 335 jobs and \$5.7 million in payroll would be attributable to the cruise industry.

Similarly, a general estimate of sales tax revenue to the city of Skagway can be made by assuming the city's 4% tax rate on sales of \$44.1 million, less exemption for commissions and air-related tours. This would result in approximately \$1.2 million in cruise-related sales tax revenue.

Since the McDowell Group study team is not familiar with the methodologies and calculations developed in the Skagway study, and since the study's sample sizes were not large, these calculations should be considered only general in nature. Therefore, they were not incorporated into this study's major findings, where impacts were measured with a different methodology.

With these limitations in mind, the following figures represent total Southeast cruise impacts – combining findings of this report with those of the Skagway report.

- \$193 million in purchases by cruise passengers.
- 1,990 average annual employment resulting from cruise activity.
- \$40.2 million in payroll resulting from cruise activity.

¹² *Skagway Economic Impact Study*, page 19.

- \$7.8 million in total sales tax revenues. (This excepts cruise line and crew spending in Skagway.)

Sales Tax Rates, 1999

	Sales Tax Rate
Juneau	5%
City of Ketchikan	3.5%
Ketchikan Gateway Borough	2%
Sitka	5%
City of Haines	4%
Haines Borough	1.5%

Southeast Alaska 1999 Port Fees

	Juneau	Ketchikan	Sitka	Haines
<i>dockage fees by LOA</i>	ft/day	ft/day*	ft/day	ft/day
under 150	\$0.70	\$1.75	\$0.40	\$0.75
150-200	0.70	1.95	0.75	0.94
200-300	0.83	2.13	0.75	1.19
300-400	1.04	2.40	N/A	1.50
400-500	1.32	2.63	N/A	1.88
500-600	1.67	3.75	N/A	2.38
600-700	2.08	4.02	N/A	2.75
over 700	2.56	4.32	N/A	3.00
tonnage fee/net ton	\$0.23	-	-	-
passenger fee	-	-	-	-
lightering fee	\$357.20	\$280.00	\$ 450.00	\$250.00
garbage (dumpster/day)	-	-	35.00	-
waste oil/gal.	-	-	0.50	-
<i>water service fees</i>				
water/1,000 gals	\$1.75	-	\$0.75	\$ 4.00
service charge	-	-	\$25.00 minimum	50.00
water svc. under 100'	-	\$ 35.00	-	-
water svc. 100'-200'	-	45.00	-	-
water svc. 300'-500'	-	195.00	-	-
water svc. 500'+	-	300.00	-	-

*These rates include a "port development fee," paid only by cruise ships.