The Economic Impacts of the Alaska Marine Highway System

Alaska House of Representatives

February 5, 2019
McDowell Group

• Multidisciplinary research and consulting since 1972

• 19 professional staff in Anchorage, Juneau, and WA State

• Services include:
  • Economic and socioeconomic analysis
  • Market research
  • Program evaluations
  • Feasibility studies
  • Business development and planning
Presentation Outline

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

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

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

• 33 AK ports; two systems (SE & SW)
• 28 ports not connected to road system
• 11 vessels (built ‘63 to ’05)
  • 2 new dayboats under construction
AMHS Traffic: System/Residency

2014 Passengers by System

- Southwest: 76,356
- Southeast: 242,648

Total Passengers: 319,000
Total Vehicles: 108,500

2014 Passengers by Residence

- Non-Residents: 103,475
- Alaska Residents: 215,509
AMHS Traffic: Southeast System

Embarking Passenger Traffic, Top 10 Southeast Ports, 2014

<table>
<thead>
<tr>
<th>Port</th>
<th>Traffic 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juneau</td>
<td>70,538</td>
</tr>
<tr>
<td>Haines</td>
<td>36,134</td>
</tr>
<tr>
<td>Ketchikan</td>
<td>33,254</td>
</tr>
<tr>
<td>Skagway</td>
<td>20,732</td>
</tr>
<tr>
<td>Annette Bay</td>
<td>15,214</td>
</tr>
<tr>
<td>Bellingham</td>
<td>13,647</td>
</tr>
<tr>
<td>Sitka</td>
<td>13,451</td>
</tr>
<tr>
<td>Petersburg</td>
<td>7,961</td>
</tr>
<tr>
<td>Prince Rupert</td>
<td>7,209</td>
</tr>
<tr>
<td>Wrangell</td>
<td>6,835</td>
</tr>
</tbody>
</table>
AMHS Traffic: Southwest System

Embarking Passenger Traffic, Top 10 Southwest Ports, 2014

<table>
<thead>
<tr>
<th>Port</th>
<th>Traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whittier</td>
<td>20,543</td>
</tr>
<tr>
<td>Homer</td>
<td>13,126</td>
</tr>
<tr>
<td>Valdez</td>
<td>12,788</td>
</tr>
<tr>
<td>Cordova</td>
<td>12,034</td>
</tr>
<tr>
<td>Kodiak</td>
<td>11,236</td>
</tr>
<tr>
<td>Seldovia</td>
<td>2,467</td>
</tr>
<tr>
<td>Port Lions</td>
<td>1,288</td>
</tr>
<tr>
<td>Ouzinkie</td>
<td>587</td>
</tr>
<tr>
<td>Dutch Harbor</td>
<td>538</td>
</tr>
<tr>
<td>King Cove</td>
<td>490</td>
</tr>
</tbody>
</table>
### AMHS Traffic Trends

#### Embarking Passenger and Vehicle Volume, 2005-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Passengers</th>
<th>Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>282,236</td>
<td>86,518</td>
</tr>
<tr>
<td>2006</td>
<td>307,220</td>
<td>97,070</td>
</tr>
<tr>
<td>2007</td>
<td>321,609</td>
<td>104,913</td>
</tr>
<tr>
<td>2008</td>
<td>340,412</td>
<td>109,839</td>
</tr>
<tr>
<td>2009</td>
<td>317,891</td>
<td>108,541</td>
</tr>
<tr>
<td>2010</td>
<td>326,313</td>
<td>110,075</td>
</tr>
<tr>
<td>2011</td>
<td>334,778</td>
<td>114,100</td>
</tr>
<tr>
<td>2012</td>
<td>337,774</td>
<td>115,448</td>
</tr>
<tr>
<td>2013</td>
<td>313,311</td>
<td>108,797</td>
</tr>
<tr>
<td>2014</td>
<td>319,004</td>
<td>108,478</td>
</tr>
<tr>
<td>2015</td>
<td>288,133</td>
<td>100,547</td>
</tr>
</tbody>
</table>
AMHS Freight

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

AMHS Employment by Community of Residence, Top 10, 2014

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

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

- Southeast: $29.5 m
- Southcentral: $12.1 m
- Southwest: $3.8 m
- Other: $0.4 m
Operations: By Category

- Fuel/oil: $23.7 m
- Services: $13.5 m
- Supplies/equip.: $4.2 m
- Travel/Training: $1.9 m
- Utilities: $1.6 m
- Other: $0.7 m
Capital Spending

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

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

- Payroll/benefits: $100.7 m
- Operations: $45.7 m
- Capital: $38.2 m
Total Economic Impacts
Economic Impacts?

• Jobs and labor income for AMHS employees
• AMHS spending with Alaska businesses
• Indirect impacts: spending by Alaska businesses that serve AMHS
• Induced impacts: spending by these businesses’ employees
• Spending by visitors who rely on AMHS
Total Employment/Wage Impacts

Direct employment
1,017

Indirect/induced
683 m

Direct wages
$65.0 m

Indirect/induced
$38.7 m

Total Wages: $103.7 million

Total Jobs: 1,700
Total Spending Impacts

• Total spending impact: $273 million
• More than double the State of Alaska’s General Fund investment of $117 million

Total Spending: $273 million
AMHS Role in Industry
Visitor Industry

• 2014: 103,000 non-resident passengers

• Summer 2011: average $1,300 in Alaska per person *not inc. transportation to enter/exit Alaska*

• Those who entered/exited Alaska via AMHS spent average $1,700
  • Total spending of $29 million

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

- Anchorage: 52%
- Juneau: 52%
- Skagway: 46%
- Ketchikan: 40%
- Denali: 37%
- Haines: 35%
- Fairbanks: 30%
- Seward: 29%
- Tok: 24%
- Valdez: 21%
Seafood

• AMHS provides critical alternative to air

• Important seafood ports include Kodiak, Cordova, Petersburg, Wrangell, and Juneau

• Affordable transportation allows for higher price paid to fishermen
AMHS Role in Communities
AMHS Plays Critical Role

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

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

• The ferry is threaded into everything we do...You book your whole life around the ferry schedule.

• We have been building our economy around the marine highway, especially the fast ferry, for over 10 years.

• This community will not survive without the ferry.

• If we lost ferry service our business would likely go bankrupt.

• If ferry services were limited, this would have a huge impact on our local workforce.

• If AMHS stopped service, the population would drop substantially.

• AMHS is absolutely critical to recruitment and retention of employees.

• The ferry is a critical part of our success or failure...This is our road system. It just happens to be on the water.
AMHS Reform Update

• Statewide Steering Committee working to create more efficient, sustainable organization.

• Pursuing Public Corporation
  • Incorporate private sector expertise
  • Longer planning horizon and stability in key leadership positions
  • Align management and labor interests
  • Strategically reduce operating costs
  • Grow revenues and public-private partnerships
  • Preserve access to federal capital funds

• amhsreform.com
Alaskan Ridership

AMHS carried residents from 175 communities.

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

Source: AMHS data
Visitors and AMHS

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

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

Source: AVSP 7, AMHS data
The Economic Impacts of the Alaska Marine Highway System

www.mcdowellgroup.net