



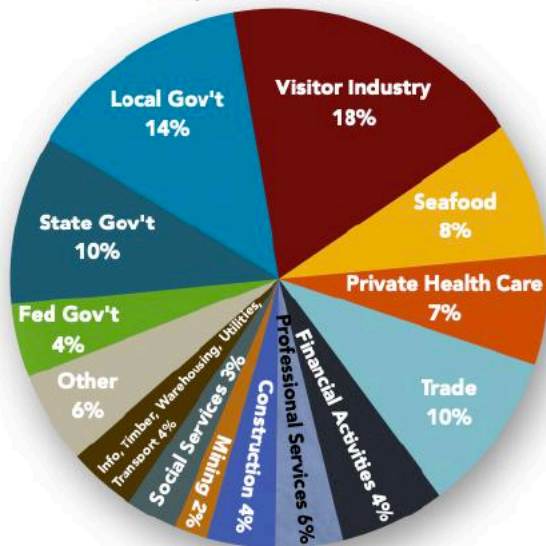
## Economic Impacts Associated with the Loss of Tourism in Southeast Alaska in 2020

The impact of COVID-19 on the Southeast Alaska tourism sector has been nothing short of devastating. In a typical year, Southeast Alaska is the most visited part of the state, with two-thirds of all Alaska tourists coming to the region. Visitors spend money in local establishments creating jobs, wages, and supporting community revenues through mechanisms like sales tax. Tourism also supports municipalities through fees such as moorage payments.

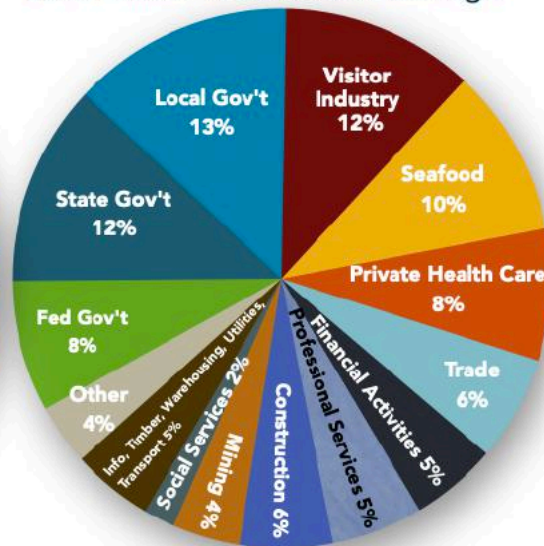
In 2019 the visitor industry was the largest jobs provider for the region, accounting for 8,350 annualized jobs, or 18% of all annualized employment in Southeast Alaska. The visitor sector paid \$272 million in wages, more wages than any other private sector industry and had been on track to surpass the state and municipal sectors to become the largest wage provider in the region overall in 2020.

### The Whole **Southeast Alaska Economy** 2019

Annual Average Jobs  
46,097 Jobs



Employment Earnings  
\$2.3 Billion Workforce Earnings



The 2019 visitor season in Southeast Alaska was record breaking by nearly every measure: passenger arrivals increased by 10%, industry wages by 9%, and jobs grew by 5%. A total of 1.8 million air, ferry, and cruise passengers came to Southeast Alaska from outside the region.

In 2020, tourists had been projected to spend nearly **\$800 million** across Southeast Alaska communities, supporting nearly **9,000 year-round-equivalent jobs**. Entrepreneurs, encouraged by this trajectory, were working to start new businesses to serve the growing number of visitors.

### Cruise Ship Season Cancelled for up to 31 Months

Tourists in Southeast Alaska are predominantly cruise ship visitors. Cruise passengers had been expected to make up 90% all of tourists in 2020 and 2021. In March of 2020, the Canadian government prohibited cruise ships carrying more than 100 people ships from sailing through Canadian waters. This ban, set to expire in February 2021, was instead extended through the end of February 2022. Southeast Alaska tourism-focused businesses are subsequently facing 31 months between cruise ship visits—many with little to no revenue opportunities.



In 2020, 43 cruise ships were scheduled to visit the region, carrying 1.41 million passengers on 606 voyages. All cruises but two were cancelled. Two small cruise ships attempted trips with 48 combined passengers, but one of those trips was aborted.

Currently, planning is beginning to go ahead to bring cruise ships to Alaska in 2022 with a lower-berth capacity of 1.58 million passengers.

### All Modes of Passenger Transportation Down

The COVID-19 economy also wreaked havoc on other aspects of passenger transportation sector. In 2020 airline passenger arrivals were down by 58% across the region, with July-only traffic 71% below July 2019. Ferry passenger traffic was down by 71%. This is especially troublesome as it comes on top of a 49% decline in passenger traffic between 2012 and 2019, due to service cuts. Cruise ship traffic was down by nearly 100%.



### Significant Job Losses in Tourism

Summer job numbers published by the Alaska Department of Labor (ADOL) show the devastating effects of COVID-19 on Southeast Alaska jobs and the economy. Between April and September 2020, Southeast Alaska was down by 17% of its total workforce, compared to the same period in 2019. Unsurprisingly, hardest hit were those sectors that provide tourism services. Combined the transportation, leisure, and hospitality sectors shed 4,350 wage and labor jobs, with jobs in the transportation sector down by 50% due to the decline of scenic and sightseeing transportation activities.

However, these numbers only tell part of the story. **Self-employment data for this period is not yet available and has not been included in this analysis.** Approximately one-fifth of Southeast jobs are independent workers.





## Municipal Revenue Losses

In addition to the enormous impacts facing businesses and workers across the region, municipalities are also facing significant losses due to the loss of tourism. Lost municipal revenue means decreased services and layoffs in our communities, all of which exacerbate the current issues in the region.

- **Sales Tax:** Communities across the regional are is anticipating steep reductions in sales tax revenue during the summer of 2020. **Tourism losses alone cost the region \$80 million in local tax revenue.** A few examples are listed below:
  - **The Municipality of Skagway** collected \$8.96 million in taxes in 2019, and just \$780,890 in 2020 – a 91% decrease, mostly due to the loss of cruise ships.
  - **The City of Juneau** estimates a \$10 million sales tax loss in 2020.
  - **The City of Ketchikan** estimates a sales tax loss of \$4.3 million and is projecting total budgeted revenue losses of \$8.91 million across all forms of city revenue should there be no cruise activity in Ketchikan in 2021.
  - **The Municipality of Sitka** is estimating 2020 and 2021 losses to be about \$6.6 million and does not expect to see independent travelers filling the void of the loss of cruise passengers this summer.
- **Port Losses: Commercial Passenger Vessel and Port Moorage Revenues:** Municipalities lost significant revenue that would have accrued with the arrival of cruise ships, through commercial and moorage fees in 2020. These losses threaten the ability of municipalities to meet debt service and other financial obligations. While communities are still tabulating the full extent of these losses, some early data includes the following:
  - The City and Borough of Juneau lost an estimated \$15 million in passenger fees, along with an additional \$1.5 million in lost moorage and dock fees last summer.
  - Total revenue losses for the Port of Ketchikan in 2020 was \$14.2 million, including \$2.7 million in lost Commercial Passenger Vessel revenues, and \$8.7 million in passenger wharfage revenue losses.
  - Municipality of Skagway lost \$5.1 million in Commercial Passenger Vessel shared revenues.

## Tourism Business Surveys

Several surveys have been disseminated so that decision makers can better understand the immediate concerns of tourism business leaders. In February 2021, Southeast Conference members were asked to rate their level of concern regarding how the pandemic economy would impact their communities, businesses, industries, and the region as a whole. All - 100% of respondents - said they were concerned about how the pandemic would impact the regional economy, with 88% saying they are “significantly concerned” or have “maximum concern”. Those involved in tourism registered the highest degree of concern regarding the impact COVID-19 on their industry, with 100% saying they maximum concern regarding their industry.

In June 2020, regional business leaders participated in a Southeast Conference business climate survey. Key findings include the following:

- Tourism businesses reported that their 2020 revenue were down by 83% over 2019.
- 55% of existing tourism staff was laid off, and planned summer hires were cancelled.
- 35% of tourism businesses say they are at risk of closing permanently before July 2021, if conditions do not improve.

In August of 2020, the Ketchikan Visitors Bureau surveyed their membership. Key findings are below:

- **Retail stores:** 70% of seasonal retail businesses did not open in the summer of 2020.
- **Restaurants:** 3 out of the 5 seasonal operations did not operate, downtown businesses reduced operating hours.
- **Fishing resorts/lodges** operated a reduced season due to COVID Quarantine restrictions.
- Out of 93 surveyed tour companies and attractions, 35% did not operate or remained closed in the summer of 2020.

### **Tourism Economic Planning with Southeast Conference**

Southeast Conference is working to support the regional economy, including the development of a five-year economic plan for growth and resilience in the region, and a short-term resilience plan to immediately shore up the regional economy, protect it from additional decline, and provide a caretaking role for our institutions to ensure the fundamentals of the economy will be in place by 2022, once the COVID-19 healthcare crisis has passed.

One of the top priority items in the Southeast Alaska short-term resilience plan, as prioritized by the membership, to regrow the tourism sector:

**Plan to Regrow the Visitor Industry Post-Pandemic:** Support the creation of region-wide safety procedures and best practices for the tourism industry in Southeast Alaska. In light of the Canadian government's extended ban on cruise ships through February 2022, work to attract independent tourists. Support and collaborate with communities and entities to offer new programs and products catering to this type of traveler. Work as a catalyst to promote implementation of these regional procedures to communities and stakeholders. Communicate the importance of the tourism industry, and the role of cruising in the industry's success to lawmakers and communities; advocate for the swift return of business (including cruise) to the region in order to maximize potential economic impact for 2021. Support ATIA's communication efforts to amplify community reach for latest industry updates. Look for opportunities to innovate and/or redesign tourism in Southeast Alaska as we rebuild.

Southeast Conference has prioritized tourism in its 2025 economic plan, currently in development. The Southeast Conference tourism committee is currently working on developing the steps, timeline, and costs to implement the following priority objective over the next five years:

**Market Southeast Alaska to Attract More Visitor Spending and Opportunities:**

Create regional collaborative partnerships to market Southeast Alaska as a tourism destination. Enhance the reach and effectiveness of existing marketing activities conducted throughout the region and support organizations across the region as they work to develop new marketing strategies and campaigns post COVID. Focus on marketing to draw a diverse array of tourists to the region. Support communities and small businesses in the development of new and expanded products, tours and shoreside excursions. Harness the beauty of Southeast Alaska to create visuals for marketing. Outline of steps required for initiative:

- Pursue Funding Mechanisms to Support New and Expanding Businesses
- Develop Regional Outreach Opportunities to Share Best Practices and Experiences
- Support and Leverage the Efforts of the Southeast Alaska Tourism Council
- Work Collaboratively to tell the Story of Southeast Alaska to Target Audience

**Other Tourism Initiatives:**

**Grow Cultural and Arts Tourism Opportunities**

Support efforts to grow Indigenous and Cultural Heritage Tourism. Southeast Alaska has a rich and vibrant Alaska Native culture that traces back 10,000 years with art forms that evolved with each region developing distinct features. Incorporate Alaska Native culture, indigenous art, and history into tourism products. Continue to leverage cultural tourism as a strength. Support the efforts of communities, tribes, and Alaska Native organizations to create new cultural tourism products. Connect the entities working in this area. Innovate and create world class cultural tourism models. Continue to integrate Alaska Native signage, language, arts, history, and name places into communities. Support integration of Alaska Native guides into tourism experience. Consult with Tribes and Indigenous and Cultural Heritage Tourism leadership on appropriate cultural and cross-cultural messaging.

**Increase Access to Public Lands and Expand Southeast Alaska Trail Network**

Work to change how federal land access and permitting works in Southeast Alaska. Provide more access to recreational opportunities and expand access to recreation by supporting and growing the region's non-motorized trail systems. Increase guided access to public lands by increasing the number of permits available, providing more outfitter guide days, and developing new wildlife viewing options on federal lands. Increase flexibility of permits (permits can be hard to obtain and

are non-transferrable, making it difficult to provide the certainty needed to develop business plans). Encourage private/ public partnership to help construct and maintain trails, seawalks, cabins, and other recreation opportunities. Develop or improve infrastructure to support multi-day outings for individual travelers by supporting cabins or campsites in conjunction with trails, canoe, and kayak routes.

### **Increase Yacht and Small Cruise Ship Visitation**

Support increased growth small cruise ship and yacht visitation in the region. Develop long-term infrastructure plans to grow and support small vessel tourism sector. Advocate for funding for visitor and transportation related infrastructure development to accommodate additional vessels and vessel related services.

### **Educate Public on the Role of Tourism in the SE Alaska Economy**

The visitor industry was the top provider of jobs in SE Alaska pre-pandemic times and was on track to be the top provider of wages in the region. Support an outreach program to clearly communicate the value of the visitor industry to Southeast Alaska. Promote the importance and effectiveness of Juneau's Tourism Best Management Practices (TBMP) program which other destinations and tourism providers across the region have begun adopting in order to ensure our communities are great places to live and to visit. Share the Southeast Alaska visitor industry success story and work to address misinformation regarding the impacts of tourism. Develop a focused public relations effort led by visitor industry businesses.