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State of Alaska, *EX OFFICIO*



June 10, 2021

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Dear Conference Committee members:

On behalf of the more than 600 members of the Alaska Travel Industry Association (ATIA), we want to thank you for the work you are doing to resolve the budget for 2022. There are many reasons to be grateful for legislative efforts made so far, though the fragile 2021 economic recovery is far from 2019 numbers.

Any improvement in revenue and visitor numbers over 2020 is significant, though we are a long way from returning to normal capacity, operations, and associated income. Tourism research shows that US travelers are excited to resume travel but that most are seeking vacation opportunities that they can drive to in the Lower 48, with air travel confidence not yet keeping pace.

ATIA board members convened yesterday and shared similar stories from within the travel sector across the state. It is a relief to see some independent travelers returning to Alaska along with the anticipated return of large cruise ships mid-summer. ATIA's marketing efforts, funded through 2021 by the CARES Act, along with the Governor's recent marketing investment have increased traffic to TravelAlaska.com and partner websites. These funds are being used to address marketing just through the 2021 season. Communities are beginning to see that result as visitors are following through and traveling to the state again.

There are still many challenges as the recovery is inconsistent within the travel sector. Some hotels and tour operators are near capacity, but capacity is greatly diminished. A helicopter tour company reports that it is able to operate just 6 aircraft, when in a normal year they would be operating 18. One group tour operator expects at most 20-25% of 2019 revenue this year, a huge improvement from 2020 but still a long way from a full season. Cruise ships will not be crossing the Gulf for this shortened season, which will further impact

Southcentral and Railbelt communities relying on land tour revenue. A few lodges and hotels have elected to not open this year due to insufficient bookings.

We do want to emphasize the importance of the \$10 million of American Rescue Plan Act funds identified in the House budget for Alaska tourism marketing for 2022. The recovery of the travel sector is precarious and yet is critical to the broader recovery. Allocated 2021 marketing dollars are being spent and will be depleted soon. It's important to our state economic recovery to build on the fragmented success of this year by investing in marketing for following years.

According to Tourism Economics, no sector nationwide has been hit as hard as leisure and hospitality, which has shouldered a third of all job losses suffered during the pandemic, including 10,000 jobs in Alaska. Attached you will find a report commissioned by ATIA by McKinley Research regarding Covid-19 visitor impacts, demonstrating the significance of the losses felt in the state. This report is both heart-wrenching to read and hopeful in the strength of our small business owners and their view of an economic recovery.

Trends are showing Americans are increasingly eager to resume travel over the coming months, and many more easily accessible destinations will be competing with Alaska for their attention. Limited flights, the closed Canadian border and a hesitancy to resume air travel, along with a worker shortage, are all factors hindering a full-blown state tourism recovery.

There are many tasks ATIA staff, board members and partner organizations are tackling right now to support the 2021 tourism sector recovery. In order for the recovery to gain traction, we need to be able to count on marketing funds for next year and beyond. **A \$10 million investment in 2022 tourism marketing will directly support the recovery of the \$4.5 billion impact on the state economy**, including over \$200 million in state and municipal revenue and \$1.4 billion in payrolls.

Again, we want to reiterate our gratefulness for the work you are doing to balance many priorities in the budget. Your task is not an easy one and we appreciate your commitment to right the economic ship for our state. ATIA remains dedicated to partnering with the State Legislature to help Alaska's travel and tourism sector recover.

Sincerely,



Sarah Leonard
ATIA President & CEO



Bill Pedlar, Knightly Tours
Chair, ATIA Board of Directors