

ALASKA VISITOR VOLUME REPORT

Summer 2018

PREPARED FOR:

**Alaska Department of Commerce,
Community, and Economic Development
Division of Economic Development**

February 2019

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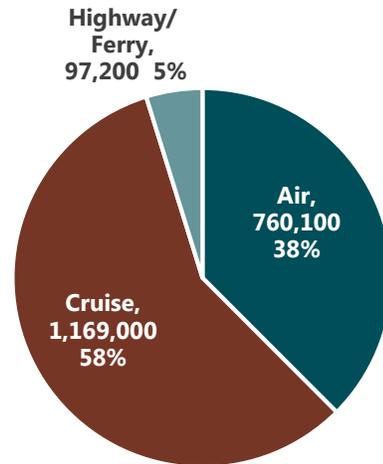
Visitor Volume, Summer 2018

Volume by Transportation Market

An estimated 2,026,300 out-of-state visitors traveled to Alaska between May and September 2018. By transportation market, 1,169,000 traveled by cruise ship, 760,100 were air visitors (entered *and* exited the state by air), and 97,200 were highway/ferry visitors (entered *or* exited the state by highway *or* ferry).

AVSP methodology counts visitors as they exit the state, by transportation mode (airport, highway, ferry, and cruise ship). However, measuring traffic by transportation market is useful because many cruise ship passengers exit the state via air; in addition, the highway and ferry markets overlap, making it practical to group them together.

Chart 1. Alaska Visitor Volume by Transportation Market, Summer 2018

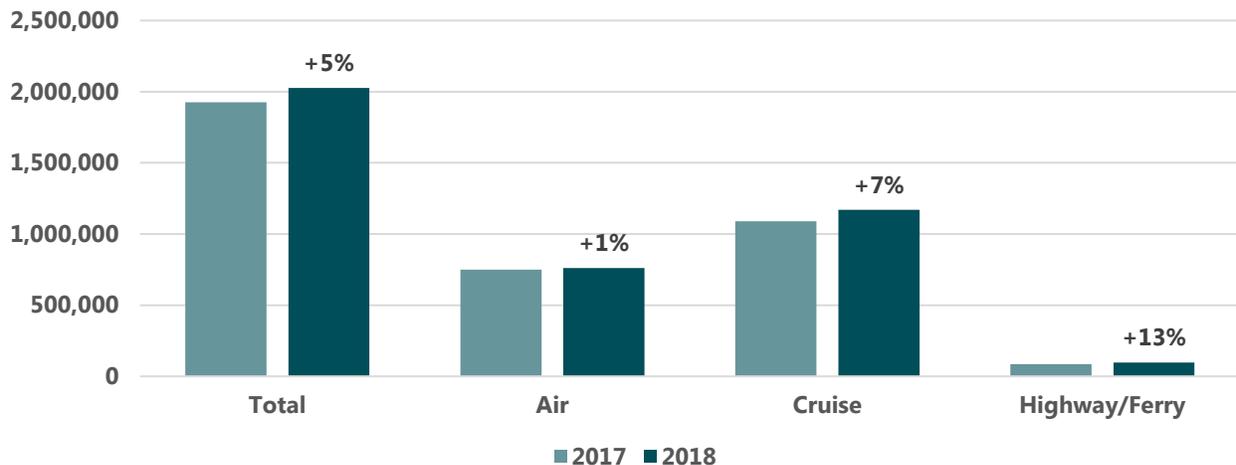


Change from Summer 2017

Total Visitor Volume: 2,026,300

Summer 2018 visitor volume represented an increase of 5 percent (100,000 visitors) from summer 2017. Most of the increase is attributable to the cruise market, which grew by 7 percent (79,300 visitors). The air market increased by 1 percent (9,600 visitors), while the highway/ferry market increased by 13 percent (11,100 visitors). In terms of market share, cruise passengers increased their percentage from 57 to 58 percent of all visitors; air visitors shifted from 39 to 38 percent; and highway/ferry stayed at 5 percent.

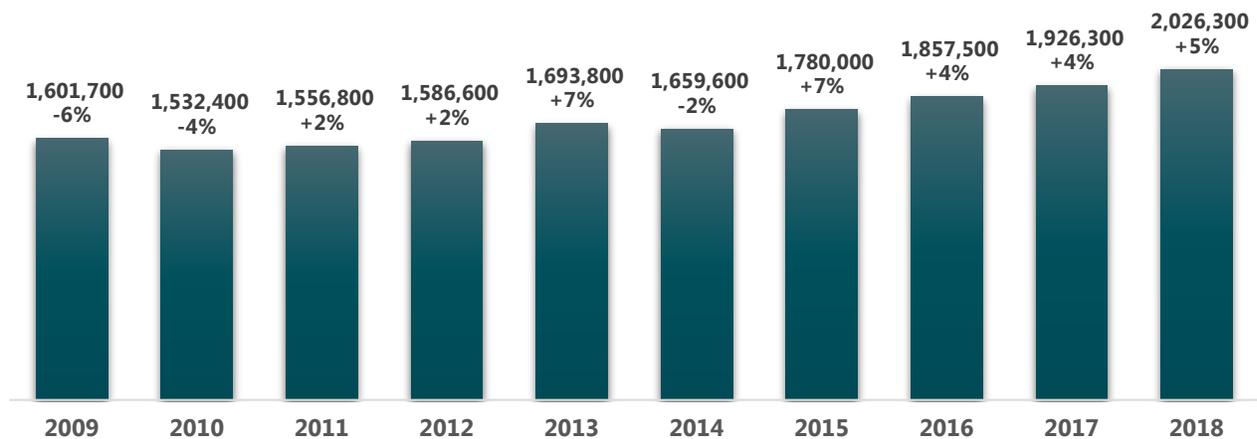
Chart 2. Alaska Visitor Volume, Total and By Transportation Market, Summers 2017 and 2018



Trends in Total Volume

The summer 2018 visitor volume of 2,026,300 is the fourth consecutive summer of growth: volume increased by 7 percent, 4 percent, 4 percent, then 5 percent, from 2014 to 2018. From a long-term perspective, the 2018 volume represents 27 percent more visitors than a decade earlier.

Chart 3. Alaska Visitor Volume, Summers 2009-2018



Trends by Transportation Market

The following chart and table show how visitor volume to Alaska has fluctuated over the last decade, broken down by air, cruise, and highway/ferry transportation markets.

The air market experienced its sixth consecutive year of growth in summer 2018, which was 50 percent higher than a decade earlier (2009). However, growth slowed significantly in the last two years: from 6.2 percent in 2016, to 0.5 percent in 2017, then 1.3 percent in 2018.

Cruise volume experienced another record season in 2018: up 14 percent from a decade earlier, and 33 percent higher than the low point in 2010. In contrast to the air market, the growth rate of cruise volume has increased in the last several years: from 3 percent in both 2015 and 2016, to 6 percent in 2017, and 7 percent in 2018.

Like the air and cruise markets, the highway/ferry market experienced a record season in 2018, representing a 39 percent increase from a decade earlier, and the fourth consecutive year of growth. The increase of 13 percent in 2018 was the largest rate of increase of the last decade.

See chart and table, next page.

Chart 4. Trends in Summer Visitor Volume, By Transportation Market, 2009-2018

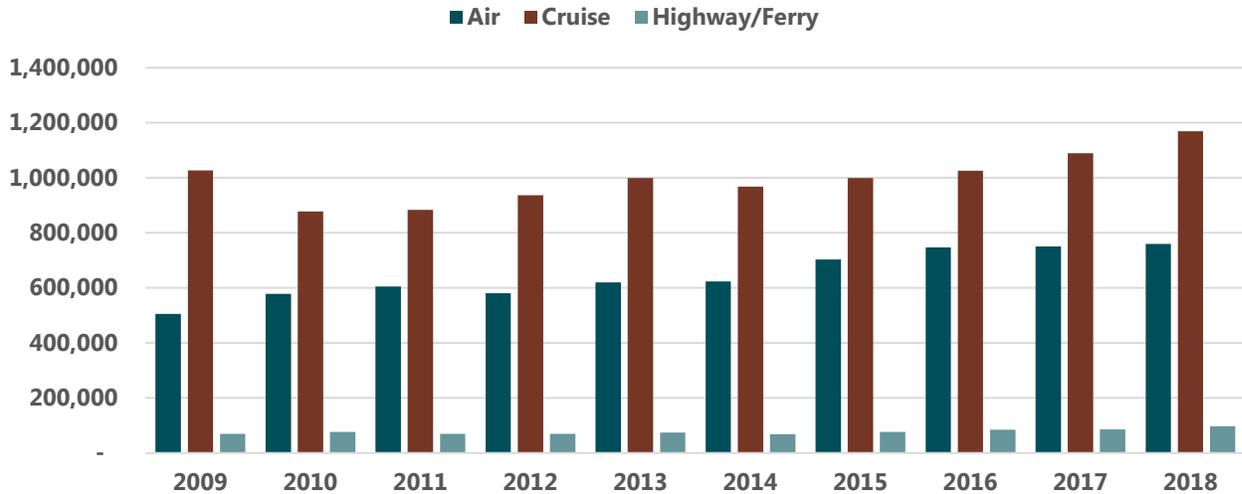


Table 1. Trends in Summer Visitor Volume, By Transportation Market, 2009-2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Air	505,200	578,400	604,500	580,500	619,400	623,600	703,400	747,100	750,500	760,100
Cruise ship	1,026,600	878,000	883,000	937,000	999,600	967,500	999,600	1,025,900	1,089,700	1,169,000
Highway/ Ferry	69,900	76,000	69,300	69,100	74,800	68,500	77,000	84,500	86,100	97,200
Total	1,601,700	1,532,400	1,556,800	1,586,600	1,693,800	1,659,600	1,780,000	1,857,500	1,926,300	2,026,300
<i>% change</i>	-6.2%	-4.3%	+1.6%	+1.9%	+6.8%	-2.0%	+7.3%	+4.4%	+3.7%	+5.2%

Sources: AVSP 6 and 7.

Additional Visitor Industry Indicators

Alaska Indicators

Table 2 (see page 6) presents changes in traffic data and other indicators comparing the 2018 summer visitor season with the previous year (2017). Unless otherwise indicated, data refers to the May through September time period.

DOMESTIC AIR

Domestic air traffic exiting Alaska (including both residents and visitors) increased by 4.0 percent between summers 2017 and 2018. However, much of the increase was attributable to a 22.9 percent increase in cross-gulf cruise traffic – over 200,000 cruise passengers exited Alaska via air in summer 2018, roughly 40,000 more than in 2017. The air market (which excludes cruise passengers) therefore grew by a much smaller percentage than that indicated by domestic air traffic.

- Exiting traffic at both Anchorage and Fairbanks airports was up in 2018, by 3.9 percent and 5.2 percent, respectively; this can largely be attributed to higher numbers of exiting cruise passengers.
- The three Southeast ports of Juneau, Ketchikan, and Sitka were up by similar percentages: 2.3 percent, 2.6 percent, and 2.9 percent, respectively.
- “Other” airports include Petersburg, Wrangell, Cordova, and Yakutat. Combined, enplaning passenger traffic on outbound flights from these airports was up by 11.0 percent. Each of these four ports experienced a substantial increase, ranging from 9.0 to 13.2 percent.

INTERNATIONAL AIR

Passengers exiting Alaska via international air decreased slightly between summers 2017 and 2018, from 22,365 to 21,886 (2.1 percent). This is not necessarily an indicator of the overall international market; most international visitors exit Alaska via domestic air and cruise ship.

- Condor Airlines passenger enplanements, which represented 64 percent of all international enplanements in 2018, increased by 5.9 percent in 2018.
- Icelandair enplanements, which represented 27 percent of international enplanements, were down by 7.1 percent in 2018.
- All other airlines combined represented 9 percent of international enplanements; these include Japan Airlines, Korean Air, Yakutia Airlines, Edelweiss (new in 2018), and Hainan (new in 2018). Two airlines that flew to Alaska in summer 2017 did not return in 2018: China Air and China Eastern.
- Anchorage enplanements accounted for 93 percent of international air traffic, while Fairbanks accounted for the remaining 7 percent.

CRUISE SHIP

Total cruise ship volume was up by 7.3 percent between 2017 and 2018.

- Cross-gulf passengers (those sailing between Whittier/Seward and ports in the lower 48 and British Columbia) increased by 22.9 percent. Most of the growth was attributable to increased traffic at Whittier, which saw about 31 percent more passengers, compared to 16 percent for Seward.
- Alaska's small ship market, which includes ships with capacities of less than 250 passengers, saw a 38.4 percent increase in 2018, from 13,900 to 19,300 passengers. The growth was attributable to several cruise lines increasing their passenger volume (Lindblad, Un-Cruise, and American Cruise Lines) as well as Windstar Cruises entering the Alaska market, with the Star Legend.
- Cruise traffic is projected to increase by an additional 16.5 percent in 2019.

FERRY

The number of Alaska Marine Highway System passengers was up by 1.4 percent in summer 2018, residents and visitors combined. (Data on non-resident ridership is not available as the ferry system no longer requires passengers to report their zip codes.)

FISHING LICENSES

Sportfishing licenses sold to non-residents was up by 13.5 percent between 2017 and 2018, January through September. According to Alaska Department of Fish and Game staff, the recent increase is in part attributable to a dip in license sales in 2017, due to an increase in fees that took effect that year, causing many purchasers to buy their licenses and tags in late 2016. As a result, 2017 sales were artificially low, leading to the large increase in 2018.

TAX REVENUES

Bed taxes and vehicle rental taxes reflect usage by both residents and non-residents, and can be affected by changes in rental rates. Changes in tax revenues are presented as supporting indicators; they are not necessarily directly reflective of visitor volume.

- Bed tax indicators varied by community. Anchorage bed tax revenues were down by 1.7 percent; however, this figure only reflects the April-June period, as third-quarter bed tax revenues were not yet available. Both Fairbanks and Denali bed tax revenues showed strong growth at 9.1 percent and 8.8 percent, respectively. Juneau's revenues were up slightly, by 0.7 percent, while Ketchikan's were down by 3.1 percent, and Sitka's were up by 8.0 percent.
- Anchorage car rental tax revenues were up by 5.7 percent in April-June 2018 compared to the previous year, while RV tax revenues were up by 1.7 percent. (As with bed taxes, third quarter data was not yet available.)

See table, next page

**Table 2. Summer 2018 Visitor Industry Indicators
Change from Previous Summer, 2018-2019**

Change 2018-2019	
Domestic airplane passengers exiting Alaska, May-September	
Anchorage	+3.9%
Fairbanks	+5.2%
Juneau	+2.3%
Ketchikan	+2.6%
Sitka	+2.9%
Other	+11.0%
Total	+4.0%
International airplane passengers exiting Alaska, May-September	
Total	-0.9%
Cruise passenger traffic, May-September	
Total passenger volume	+7.3%
Cross-gulf passenger volume	+22.9%
Small ship passenger volume	+38.4%
Alaska Marine Highway traffic, May-September	
Total passengers	+1.4%
Non-resident sportfishing licenses, January-September	
Total	+13.5%
Bed tax revenues	
Anchorage (April-June)	-1.7%
Fairbanks (April-September)	+9.1%
Denali (fiscal year)	+8.8%
Juneau (April-September)	+0.7%
Ketchikan (April-September)	-3.1%
Sitka (fiscal year)	+8.0%
Vehicle rental tax revenues	
Anchorage car rental (April-June)	+5.7%
Anchorage RV rental (April-June)	+1.7%

Notes: Air passenger traffic includes both residents and non-residents. The Fairbanks bed tax figure reflects combined City, Borough, and North Pole taxes.

Sources: Alaska Airlines, Delta Airlines, Alaska Department of Transportation and Public Facilities, Juneau International Airport, Ketchikan International Airport, Cruise Line Agencies of Alaska, Alaska Department of Fish and Game, Alaska Marine Highway System, Municipality of Anchorage, Explore Fairbanks, Matanuska-Susitna Borough, Denali Borough, City and Borough of Sitka, Ketchikan Visitors Bureau, and City and Borough of Juneau.

U.S. Travel and Economic Indicators

Most U.S. travel indicators for 2018 showed slight growth from the previous year, including a 1.9 percent increase in domestic person-trips, and an increase in hotel occupancy of 0.4 percent. These indicators are modest in comparison to Alaska's summer visitor volume growth of 5.2 percent. A 23.0 percent increase in fuel price between summer 2017 and 2018 apparently did not dissuade Alaska's highway/ferry market, which showed stronger growth (12.8 percent) than the overall market.

Overall U.S. economic activity continued its previous growth in 2018, with Real GDP up 2.9 percent, the unemployment rate down by 0.5 percent, and the Consumer Price Index up 2.5 percent.

Table 3. Nationwide Economic and Travel Industry Indicators 2017-18

	Change 2017-18
U.S. Travel Indicators	
Domestic person-trips	+1.9%
Leisure	+2.0%
Business	+1.6%
Overseas arrivals to the U.S.	+5.0%
Travel spending in the U.S.	+5.0%
Hotel occupancy	+0.4%
Average Daily Rate (ADR)	+2.6%
Revenue Per Available Room (RevPAR)	+3.0%
Average U.S. fuel price	+23.0%
U.S. Economic Performance	
Real GDP	+2.9%
Unemployment rate (% of labor force)	-0.5%
Consumer Price Index	+2.5%

Source: U.S. Travel Association *Travel Forecast, Fall 2018*; STR, Inc.; U.S. Energy Information Administration.

Note: These figures reflect the latest published data as of November 2018.

Looking ahead, the U.S. Travel Association projects domestic travel to increase by 1.8 percent in 2019, then by 1.5 percent in 2020.¹ U.S. travel expenditures are projected to be up by 4.1 percent in 2019, and 3.7 percent in 2020.

¹ www.ustravel.org

This report provides visitor volume estimates for Alaska between May 1 and September 30, 2018. McDowell Group is contracted by the Alaska Department of Commerce, Community, and Economic Development (DCCED) to conduct periodic visitor volume estimates. Some information is based on the *Alaska Visitor Statistics Program 7*, conducted by McDowell Group in 2016, also for DCCED.

Visitor volume is estimated by exit mode; the methodology is slightly different for each mode.

Domestic and International Air: Outgoing traffic by month and by port was gathered from Alaska Airlines, Delta Airlines, Alaska Department of Transportation and Public Facilities (for Anchorage and Fairbanks airport traffic), Ketchikan International Airport, and Juneau International Airport. Visitor/resident ratios were applied to monthly traffic, by port, to arrive at visitor volume estimates. Ratios were determined in the summer 2016 AVSP survey fielding period, during which time 53,394 flight passengers were tallied as they embarked on flights exiting Alaska. The airports where tallies took place included Anchorage, Fairbanks, Juneau, Ketchikan, and Sitka.

A slight adjustment to visitor/resident ratios in the Anchorage and Fairbanks airports was made for summer 2018 to reflect the significant increase in cruise passengers (who are assumed to be 100 percent visitors) exiting at these locations.

Highway: Highway border crossing data was gathered from the U.S. Department of Homeland Security. While all other traffic data refers to exiting traffic, entering traffic is used for highway estimates due to Yukon border data being incompatible with AVSP methodology. The assumption is made that a similar number of people cross the border each direction, as previous data has shown. One exception is in personal vehicle crossings at Skagway; U.S. data includes vehicles that only drive up to the pass and turn around, inflating the traffic numbers. Yukon data is therefore used for border crossings by personal vehicles at Skagway.

Visitor/resident ratios were applied to monthly traffic, by port, to arrive at visitor volume estimates. Ratios were determined in the summer 2016 AVSP survey fielding period, during which time 4,047 highway travelers were tallied as they drove the highway, before exiting Alaska. Tallies occurred at four locations: near the US border stations on the Klondike, Haines, and Alcan Highways, and north of Tetlin Junction on the Taylor highway.

Ferry: The Alaska Marine Highway provided exiting traffic data by month and port (passengers disembarking at Bellingham and Prince Rupert). Because AMHS no longer requires zip codes when passengers purchase a ticket, visitor/resident ratios from 2015 were applied to total passengers, by month and port, to arrive at estimated visitor volume.

Cruise: Cruise Line Agencies of Alaska provided passenger data for every port and every cruise ship for the summer 2018 season. Two numbers are generated from this data: the total number of cruise passengers, and the number of passengers who exit Alaska via cruise ship. The total number of cruise passengers is determined by adding together the maximum number of passengers recorded for each ship (without double-counting passengers who call at the same port twice). The number of passengers exiting Alaska is determined by counting the passengers aboard each ship as it exited the state (sailed southbound from an Alaska port to a Canadian port, or sailed eastbound towards Asian ports). All cruise ship passengers are assumed to be visitors.

This report also includes additional indicators of the 2018 visitor season. Sources included:

- Bed tax revenue data from Municipality of Anchorage, Explore Fairbanks, Denali Borough, City and Borough of Juneau, Ketchikan Visitors Bureau, City and Borough of Sitka, and Matanuska-Susitna Borough.
- Vehicle rental tax revenue data from Municipality of Anchorage.
- Fishing license sales data from the Alaska Department of Fish and Game.
- U.S. travel industry and economic indicators from the U.S. Travel Association, Bureau of Labor Statistics, Bureau of Transportation Statistics, and Smith Travel Research.

McDowell Group would like to acknowledge the following entities for their assistance with the project.

Alaska Airlines
Alaska Department of Transportation and Public Facilities
Alaska Department of Fish and Game
Alaska Marine Highway System
Cruise Line Agencies of Alaska
Delta Airlines
Juneau International Airport
Ketchikan International Airport
U.S. Department of Homeland Security
Yukon Department of Tourism and Culture

Visitor/Resident Ratios

The following table shows the percentage of all travelers exiting the state by various transportation modes who are out-of-state visitors (rather than Alaska residents) in summer 2018. For example, an estimated 70.6 percent of travelers who exited Alaska via Domestic Air in summer 2018 were visitors. These ratios are a composite of ratios by location, by month. Because they apply to traffic data on a monthly and by-location basis, applying them to overall traffic will not yield the same results.

It is important to note that the highway ratio refers to highway travelers who are exiting the state for the final time on their trip. This eliminates the possibility of double-counting visitors who exit the state twice – for example, ferry passengers who exit the state at Beaver Creek, then re-enter at Haines to board a ferry.

Table 4. Visitor Percentages, by Mode

Exit Mode	Percentage Visitors
Domestic Air	70.6%
International Air	80.0%
Highway ¹	35.2%
Ferry	66.7%
Cruise ship	100.0%
Total	78.5%

¹ The highway ratio refers to "last-exit" visitors: not planning to re-enter Alaska on the same trip.