

Has tourism fully bounced back?

Cruise ships and the rocky ride since COVID-19 began

By **KARINNE WIEBOLD**

Alaska has an additional 15 jobs in the summer for every 100 in the winter. Tourism, along with the seafood industry and construction, make our economy the most seasonal in the nation.

The visitor season is important to the statewide economy and for some communities, especially in Southeast, it's an economic pillar. Nearly 90 percent of those who visit Alaska at any point during the year arrive during the "summer season," which has gotten longer over the years. In 2023, cruise ships are scheduled to arrive from April 17 to October 27.

Fifty-three percent of annual visitors arrive by cruise ship and make their way around the state, while 43 percent fly in and a few come by highway and ferry. Air and highway traffic is harder to track, but information on cruise traffic is plentiful. Data availability and the large number of annual sailings and passengers make cruise ships a good proxy when looking at tourism in Alaska. (Tourism is a loose term, though, as there is no distinct tourist industry in the numbers. See the sidebar on the next page for what we include in this designation.)

The cruise industry is also ideal for gauging some

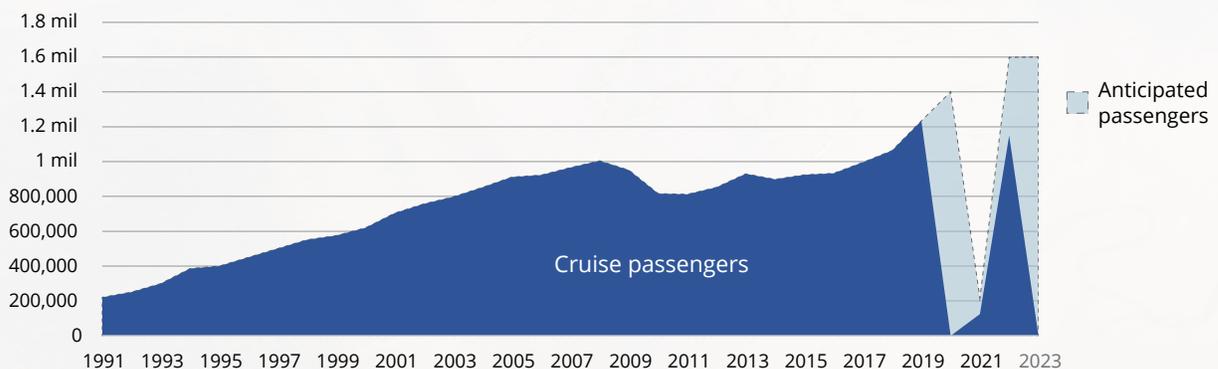
of the most extreme effects of the pandemic on Alaska's economy. After the pandemic began in the spring of 2020, people could still fly to Alaska, albeit in much smaller numbers, but health and border restrictions shut cruises down, bringing the year's ridership to zero from the anticipated 1.4 million. Not only did early ship outbreaks elsewhere lead to a no-sail order, but Alaska-bound foreign-flagged ships must stop in Canada if they depart from a U.S. port, and Canada closed its borders through November 2021.

How the last few years unfolded: The freeze and the ships' return

In 2019, our last "normal" year, an estimated 2.5 million people visited Alaska, and 1.3 million came on cruise ships. Expectations were even higher for 2020, but COVID-19 hit just as the industry was entering the spring ramp-up, bringing the season to a halt.

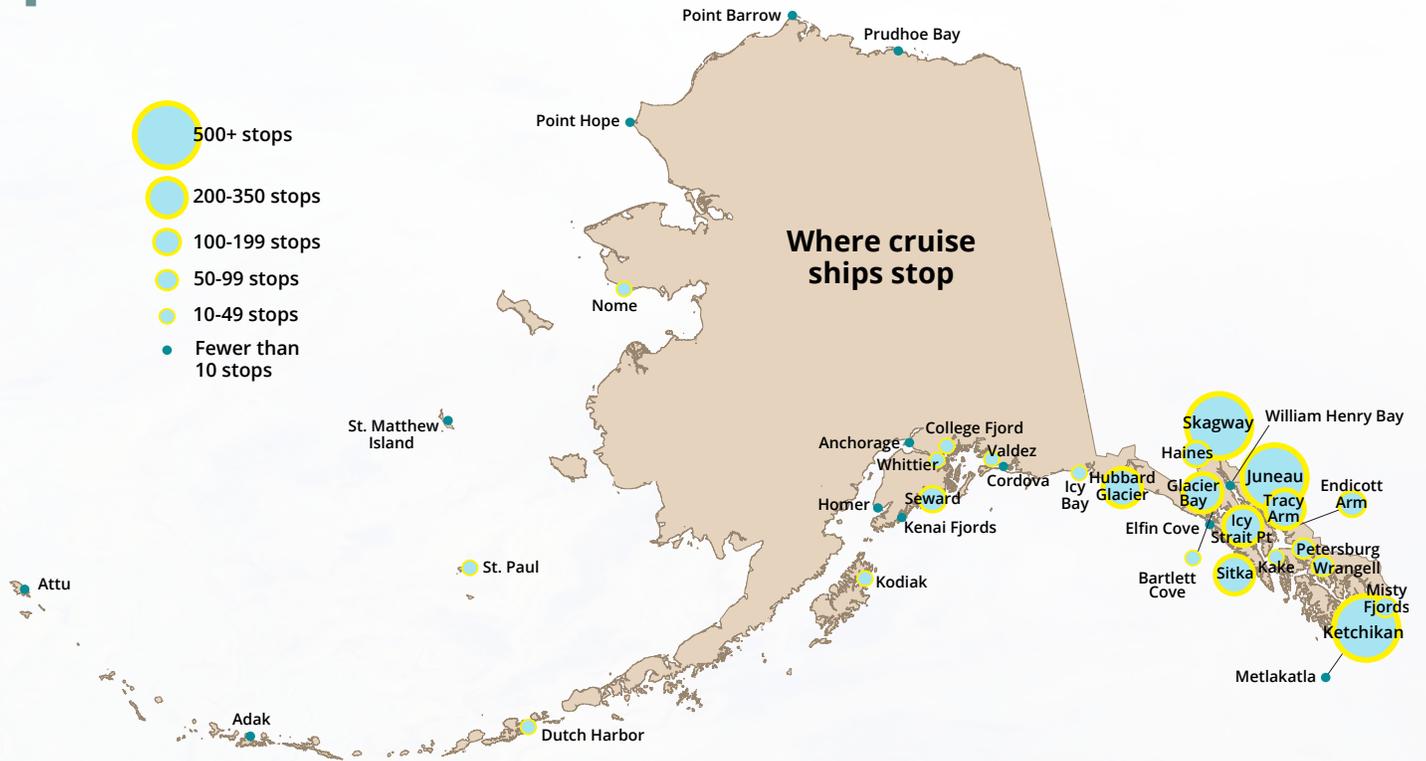
While Alaska received no ships in 2020, a small number of independent travelers came, especially those who had made expensive advance plans. Remote locations with lodges or permit requirements

Alaska's yearly anticipated and actual cruise ship passengers



Sources: Cruise Industry News, 2022 Annual Report; Rain Coast Data (2021), and Cruise Lines International Association (2022 and 2023)

Alaska's cruise ship destinations by the number of scheduled stops in 2023



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Cruise Line International Association Alaska

fares best. For example, Glacier Bay and Denali received just 1 percent and 9 percent of their 2019 traffic, respectively, but remote Katmai's reached 61 percent.

According to a McDowell Group/McKinley Research report, in 2020, all types of visitor traffic from April through December fell 82 percent below the year before. With cruises canceled and ferry/highway access cut off, the few who did visit Alaska flew in, and visits by plane decreased by an estimated 58 percent from a little over a million during that period in 2019 to 420,000 in 2020.

At the beginning of 2021, the potential for a cruise season was uncertain. Vaccines had begun to roll out, but health concerns remained high and travel was still restricted. Not only did the cruise industry have to contend with U.S. COVID restrictions, but the Passenger Vessel

How we capture jobs in tourism

There's no tourism category in the job numbers because jobs are categorized by what employers do rather than whether customers are locals or tourists. For this article, we refer to the multiple industries that serve visitors. The largest is leisure and hospitality, which had 36,000 jobs in Alaska in 2019. This sector covers employment in bars and restaurants and in accommodations such as hotels, along with smaller numbers of jobs in arts, entertainment, and recreation. A few other small industries also focus on visitors: scenic and sightseeing transportation — examples are whale watching and helicopter tours — souvenir and gift shops, and jewelry stores.

Even this approach is less than perfect for isolating tourism, though, as most of these categories also serve locals. To estimate local versus visitor demand, we consider employment during the off-season as the baseline when these jobs mainly serve Alaskans, then look at the seasonal change. For example, peak summer employment in the leisure and hospitality sector is about 50 percent higher than the winter low. Another limitation is that yearly visitors include everyone who comes to Alaska, not just tourists.

For this article, we use 2019 employment data as a reference point, as it was the last typical visitor season before COVID-19. These job numbers are for wage and salary workers only, so they don't capture the self-employed, such as tour owner-operators.

Services Act requires foreign-flagged ships leaving from U.S. ports to stop in at least one international port before docking in Alaska. Canada remained closed, which meant that for Alaska, spring of 2022 appeared to be the earliest possible sailing.

Alaska’s congressional delegation sponsored the Alaska Tourism Restoration Act, which both chambers passed unanimously. The act, signed into law on May 24, 2021, temporarily suspended the requirement to stop in Canada and some ships ultimately reached Alaska in 2021. Early on, they were small and U.S.-flagged — such as Uncruise Alaska and Alaska Dream Cruises — as the act passed too late for the major cruise lines to plan for a full season. The smaller ships also had fewer Centers for Disease Control restrictions because of their limited capacity.

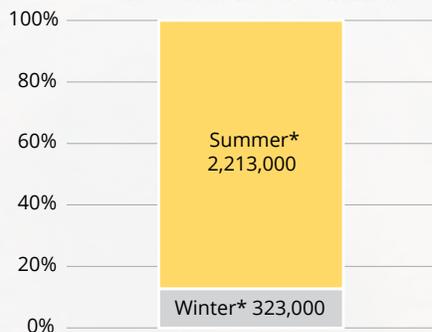
With the late start, a few large ships started to arrive in late July. The first, a Royal Caribbean ship, docked in Juneau on July 23 at about a quarter full. No cross-gulf ships — those that stop in Seward, Whittier, and Anchorage and feed the Interior — made the trip in 2021.

How and when visitors arrive

Over half come on cruises



Most visit in the summer



*Summer: May-Sept 2019, winter: Oct 2018-Apr 2019
Source: McDowell Group/McKinley Research, Alaska Visitor Volume, Winter 2018-2019 and Summer 2019

Percent of total 2019 passengers who stopped in selected ports

	Passengers	Percent of total
Juneau	1,305,700	98%
Ketchikan	1,186,400	89%
Skagway	1,035,800	78%
Icy Strait Point/Hoonah	267,200	20%
Seward	237,900	18%
Sitka	218,600	16%
Whittier	193,800	15%
Haines	63,400	5%
Kodiak	26,300	2%
Wrangell	17,300	1%
Homer	14,800	1%
Anchorage	13,700	1%
Valdez	12,400	1%

Source: McDowell Group/McKinley Research, Cruise Line Agencies of Alaska, and small cruise lines

The year's 125,000 cruise ship passengers amounted to less than a tenth of the usual tally, but that was an improvement from zero the year before. Independent travelers made an unexpectedly strong showing in 2021, too, and they tend to spend more money in hotels, bars, and restaurants than ship passengers. These visitors flew in, and most landed in Anchorage or Fairbanks.

Cruise ship restrictions were lifted in 2022 and a full slate returned to Alaska, but at partial capacity. Companies aim to sell out each sailing, but ships averaged about three-quarters full. Even so, at 1.15 million total passengers, it was one of Alaska’s strongest cruise seasons. Many Southeast communities had gone a full two seasons without tourists, which put some companies out of business and put a major damper on local economies.

Some communities struggled to stay afloat without ships

While the state is dotted with notable visitor destinations, some communities depend on that traffic more than others, particularly those along the major cruise routes in Southeast or inland along the railbelt. Skagway's and Denali's economies are tourism-based — during the on-season, Skagway's employment more than triples, and Denali's increases nearly fivefold from the winter lull.

The state departments of Labor, Commerce, and Revenue released a report in 2021 estimating the direct economic blow to communities in 2020 from

the loss of cruise ships at \$98.6 million in lost revenue. Including lost wages, state and local revenue, business revenue, and dock fees plus the cost of unemployment payments brought the year's loss to \$1.7 billion.

Federal pandemic relief funds buffered the blow to individuals, businesses, and local governments. Enhanced unemployment insurance coverage and direct stimulus payments to individuals and businesses infused cash directly into the economy as businesses shut down or dramatically shifted practices and all sectors lost jobs.

Cruise lines had a vested interest in keeping communities afloat during the pandemic. Lost visitor-generated revenue threatened to crumble tourism businesses that had built up over decades, also wounding local governments that rely on head taxes and port fees. Communities accustomed to welcoming thousands or hundreds of thousands of visitors were facing another ghost season in 2021.

In May 2021, Norwegian Cruise Lines announced it would give \$10 million to six port communities: Skagway, Hoonah, Seward, Sitka, Ketchikan, and Juneau. According to the company, "Alaska is one of our guests' most popular cruise destinations and we are doing everything in our power to safely resume operations in the U.S., which will provide much-needed relief to the families, communities, and small businesses who rely on cruise tourism for their livelihoods."

While some communities accepted the funds as an unexpected but needed boost, the capital met the offer with caution. In 2019, Norwegian had bid \$20 million on a waterfront port parcel in Juneau appraised at \$3.6 million. Royal Caribbean's bid was a distant second at \$13 million. Norwegian wanted to build a ship dock and facility on the property, which required the City and Borough of Juneau's approval.

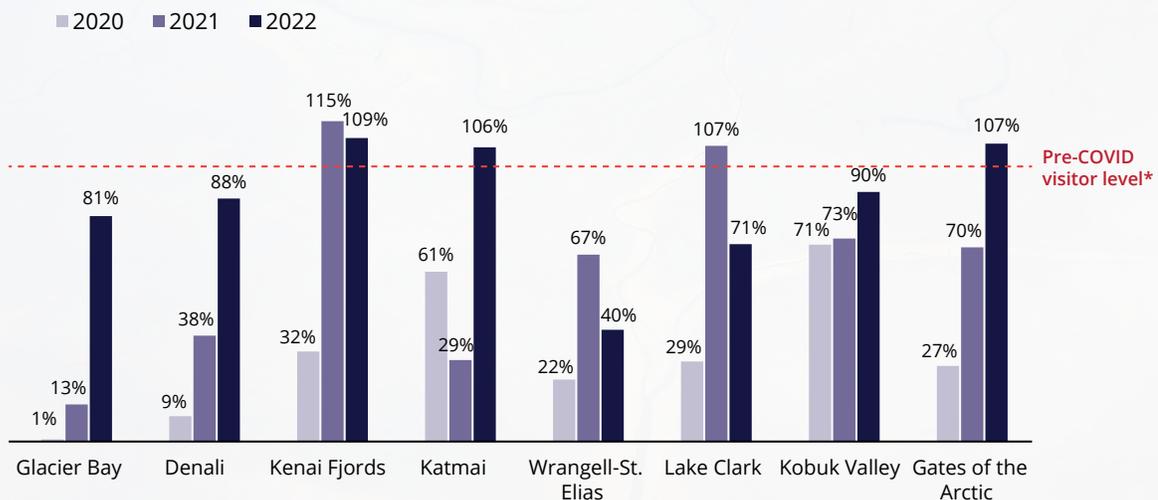
Juneau's assembly voted not to accept the pandemic funds, citing a conflict of interest with the potential waterfront development and a need to demonstrate impartiality. The donation earmarked for Juneau went to a community foundation instead, which spread the money among local nonprofits and community projects.

The cruise line donated the \$20 million parcel to the Alaska Native Huna Totem Corporation in 2022, saying in a press release the company wanted the project "fully integrated" into the community and that having Huna Totem lead its development made the most sense. Norwegian and Huna Totem have collaborated on other tourism-linked development projects, in Whittier and Hoonah.

Not just Southeast — passengers make their way all over the state

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Southeast communities receive the most ships and passengers by far, and most cruise ships stop in

Visits to Alaska parks as a percentage of pre-pandemic level



*2019 data used to represent typical pre-pandemic visitor level
Source: U.S. Department of the Interior, National Park Service

Tourism-related industries' recovery to pre-pandemic (2019) levels



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Juneau, Ketchikan, and Skagway (98 percent of all ships that reach Alaska stop in Juneau). However, other parts of the state including noncoastal areas also benefit from cruise ship tourism.

Parts of the Interior receive as much as half of their annual visitors from cruise ships, with 51 percent of Denali visitors and 41 percent of Fairbanks visitors arriving from cruise ships via land tour extensions, usually on the Alaska Railroad. Overall, just over a fifth of cruise ship passengers visit the interior.

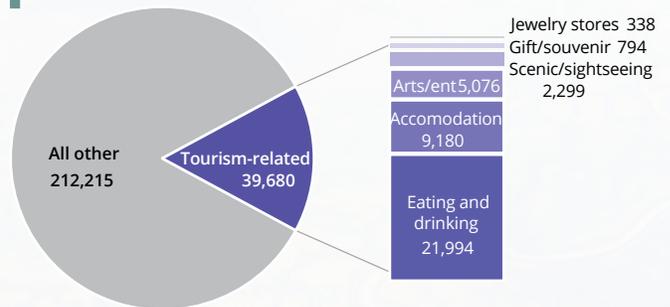
The state report mentioned earlier that attempted to quantify the economic effects of ship cancellations estimated the Interior lost about 160,000 visitors in 2020. Some seasonal hotels in Fairbanks and Denali didn't open that year, including the Westmark hotels in Fairbanks and the Princess lodges in Denali, which are both subsidiaries of Holland America.

Ships range from the tip of the Aleutians to Prudhoe Bay

Ship routes also extend farther than some might realize. As the map on page 5 shows, ports of call are concentrated in Southeast but dozens of areas will receive at least one ship this year, from Attu, a World War II historical spot at the tip of the Aleutian Islands, to Prudhoe Bay.

Ports of call are places ships stop, such as at a cruise ship dock. Ships can also anchor and send passengers to shore in small boats. The list of ports of call is in the table on page 6, but the map includes multiple waypoints where ships visit along

Jobs in Alaska tourism, 2019*



*2019 data used to show seasonality in a relatively normal visitor year
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

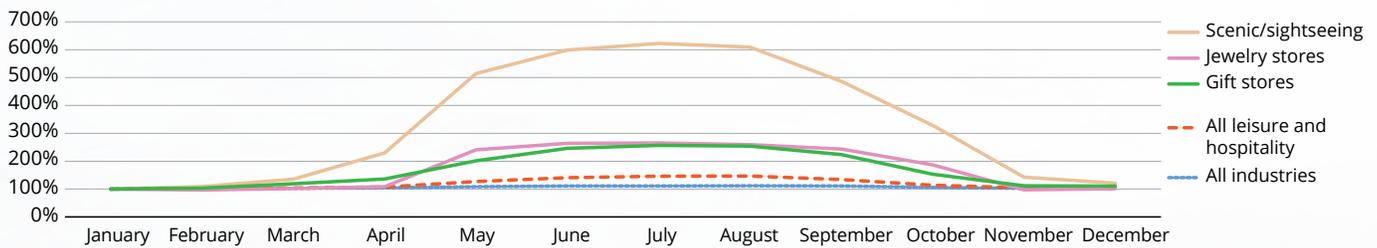
their routes, such as side trips to fjords.

For example, a 21-day German cruise starts in Japan, travels up the Japanese coast, crosses the Bering Sea, visits the Aleutian Islands with stops in Adak and Dutch Harbor, then ends in Seward. A 29-day excursion starts in Seward and ends in Greenland, stopping in Unalaska, St. Paul Island, and Nome.

Finding workers can be a challenge even in a typical year

Because some communities' need for summer workers is orders of magnitude larger than their populations, they relied heavily on out-of-state workers even before COVID. About 21 percent of Alaska's workers overall are nonresidents, and

Alaska's tourism-related employment is highly seasonal, 2019*



*2019 data used to show seasonality in a relatively normal visitor year
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Skagway and Denali workforces are 67 percent nonresident in a typical year. Larger visitor destinations also depend on out-of-state workers. One in four workers in Ketchikan is a nonresident, and in Juneau, the largest city in Southeast, it's one in five.

Some nonresident workers come from outside the United States. Foreign college students with four-month J-1 visas work in Alaska restaurants and hotels under the umbrella of a cultural experience in addition to work, and for some seasonal businesses, they are a critical part of the workforce. Ten-month H2-B visas also provide seasonal labor, focusing on jobs that can't be filled otherwise.

The pandemic curtailed the number of visas available, but at the same time, it reduced the need for workers for the first couple of years.

Alaska had nearly 25,000 fewer workers in 2020 than the year before, and about 60 percent of those cut were nonresidents. In 2021, the worker count ticked up by 6,600 from that pandemic low.

By 2022, as travel demand soared, Alaska and the rest of the country grappled with a worker shortage. Visa numbers have increased but have not yet reached pre-pandemic levels nationally.

The jobs that largely serve visitors

Another way to gauge the pandemic's effect on tourism is to look at job counts in the industries that mainly serve visitors and how much they have recovered. Some categories fared better than others, and while none had recovered their

pre-pandemic job levels through the third quarter of 2022 (aside from a couple of off-season months for jewelry stores), some had come very close. (For more on how we define tourism and the categories it includes, see the sidebar on page 5.)

- Alaska had 9,180 jobs in **accommodation** in 2019, the last year before the pandemic halted travel and left hotels comparatively empty. That dropped to 5,769 jobs in 2020. Accommodation added back about 1,200 jobs in 2021, and the ongoing recovery during the first three quarters of 2022 put the industry at about 92 percent of its pre-COVID job count.
- The largest category by far is **bars and restaurants**, with 22,000 jobs in 2019. The pandemic cut about 4,500 jobs in 2020 as tourists didn't arrive and locals replaced eating out with takeout or eating at home.

By 2021, many restaurants had adapted to COVID protocols such as spacing, dividers, and limited seating, which brought back nearly 2,100 jobs and lifted the industry to 89 percent of its pre-pandemic employment.

Recovery continued in 2022, and while we don't yet have all four quarters of job data for 2022, the first three quarters suggest a 96 percent recovery.

- Jewelry stores** are highly seasonal and concentrated in the three main ports — Juneau, Ketchikan, and Skagway — which have 60 percent of the industry's jobs. Jewelry store jobs in the three cities combined jumped from fewer than 20 in January 2019 to just under 340 at the summer peak: a nearly 1,800 percent increase. Many of these stores are owned by

87% of Alaska cruise ship passengers are from the United States.

international or national businesses that move their staff and inventory to other cruise destinations during Alaska's off-season.

In 2020, jewelry store employment dropped 50 percent from the year before: from 338 jobs to 167. Employment reached about 87 percent of 2019 levels in 2022, and while more growth is likely this year, these businesses face the same questions as other industries about worker availability.

- **Gift and souvenir shops** track with the visitor season as well, with typical employment rising from under 500 jobs in January and February to more than 1,200 in July and August. Many of these shops didn't open in 2020, and 2021 saw some resume business with the strong return of independent travelers. Gift stores in Anchorage bounced back more than those in ship-dependent Southeast.

In 2022, these shops' seasonality had returned to its 2019 pattern, with summer peak employment about two-and-a-half times the winter low. The job count remained about 20 percent below pre-pandemic levels, though, with worker shortages a factor in its slower recovery.

- Whale watching, glacier helicopter, and sea-plane tours (known as **scenic and sightseeing transportation**) mainly serve visitors, so the job count dropped from more than 3,900 in the summer of 2019 to under 1,000 the following year. This industry's summer employment rose to 1,800 in 2021 and jumped to nearly 3,300 in 2022, bringing it to about 84 percent of pre-pandemic levels.
- The **arts, entertainment, and recreation** category's summer employment is typically 70 percent higher than the off-season, comprising about 5,100 jobs in museums, zoos, performing arts, bowling alleys, cultural centers, outdoor adventures, and gyms in 2019.

This catch-all category lost about a third of its employment in 2020 with shutdowns, added back 500 jobs in 2021 as demand remained low, then recovered another 1,100 jobs through the first three quarters of 2022, putting employment at about 92 percent of its pre-pandemic level.

Where we are as the 2023 visitor season ramps up

Nearly 40,000 people worked in these visitor-related industries in 2019. That number fell by almost a third in 2020 — and that's including a healthy (albeit off-season) first quarter before the pandemic hit.

Based on the first three available quarters of 2022, which include last year's tourist season, visitor-related employment had reached about 93 percent of what it was before the pandemic.

Cruise ships are a prominent piece of Alaska's economy, but Alaska captures just 5.4% of the world's cruise market.

With a continued return to normal in 2023, high demand for travel, and a longer season, this year could bring a record 1.6 million cruise passengers. Industry expectations for independent travelers are also high. Cruise lines anticipate hitting 100 percent capacity this year, but a few uncertainties remain.

If the U.S. were to enter a recession this year, for example, travel demand would fall as people limit nonessential expenses. The availability of workers, both locally and from out of state, could also continue to hamper the ability to provide visitor services. Job openings in a range of industries have hit highs over the last year, and those in service industries have been some of the hardest to fill. Job opportunities available across the country and low unemployment rates everywhere will likely make it harder to fill seasonal positions in Alaska.

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