The Economic Impacts of the Cruise Industry in Southeast Alaska

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A specific analysis of Southeast companies that reported at least 70% of their business coming from the cruise industry shows an average non-resident rate of 27%.

Cost-of-Goods-Sold Leakage

The second source of cruise industry leakage would be similar to that of the grocery store, where the goods they purchase in Alaska from local businesses which, in turn, purchase them from outside of Alaska. This same source of leakage applies to cruise visitors purchasing goods in Alaska shops, such as T-shirts, that are not manufactured in Alaska. Since the mark-up in gift shops is higher than in grocery stores, there is probably less leakage when gift shops sell a T-shirt to a visitor than when a grocery store sells paper towels to a resident.

Some purchases of goods by passengers, crew, and cruise lines are of Alaska-made products. For example, some of the arts and crafts sold in gift shops are made in Alaska, and the seafood purchased by cruise lines for on-board consumption is also Alaska-produced. In this study, no estimate is made of the portion of sales of goods that are produced in Alaska versus outside the state. As a result, there is no specific calculation of leakage due to cost of goods sold. As in other sectors of the Alaska economy, a significant portion of goods sold to visitors, crew, and cruise lines are more than likely to be manufactured outside the state.

Service Leakage

A third source of leakage results from purchases of visitor services, primarily tours, delivered to visitors in Alaska. For example, a cruise visitor will pay a cruise company $100 for an adventure tour in Ketchikan operated by a local company. The cruise company is entitled to a 25% sales commission, which does not reach the Alaska economy. Only $75 is paid to the local company. Therefore, the local economy immediately experiences a 25% leakage. The local tour operator then takes the $75 remaining and in turn, pays for the goods and services that he must purchase in order to provide the adventure tour experience.

While this leakage may not approach the grocery store example, the tour operator may have made some purchases from outside the state, such as marine tour vessels, liability insurance, and outside travel for marketing purposes. The scope of this study does not include a specific analysis of what local tour companies purchase from within and outside Alaska. Therefore, the leakage from the third level of transactions is not known.