



Tourism Works for Fairbanks

Record Tourism Numbers for Fairbanks in 2015 and 2016

- Two indicators – hotel/motel tax collections and airport origin and destination numbers – broke records in 2015 which were then exceeded by 2016 numbers. Developing the aurora and winter tourism seasons has strengthened the local Fairbanks region travel industry providing more year-round jobs.
 - *2016 set a record high for hotel/motel tax collections* for the Fairbanks North Star Borough, including the cities of Fairbanks and North Pole, exceeding \$5 million in collections for the first time ever. 2015 was a record breaker itself which has now been overtaken by the 2016 collections of \$5,181,876, a nearly 9% increase above 2015.



- When analyzing summer and winter bed tax collections in the past ten years (2007 through 2016), the average growth of the five-month (May through September) summer period was flat whereas, the seven-month (October through April) *winter period grew an average of 6%*. In 2008, winter collections accounted for 26% of the total collections; whereas in 2016, winter accounted for 35% of the total collections. The first quarter of 2017 shows continued growth in winter collections. From January through March 2017, hotel/motel tax collections of \$910,871 for the Fairbanks North Star Borough, including the cities of Fairbanks and North Pole, was a 26.6% increase above the same period in 2016.

- Also, hotel occupancy in Fairbanks was 67.5% in 2015 and 67.9% in 2016. According to PKF Hospitality Research regarding national data, “The 65.6 percent occupancy level for 2015 is an all-time record for the 27 years STR, Inc. has been reporting U.S. lodging industry performance.” Therefore, *Fairbanks was above the national average in occupancy.*



- In 2015, the Fairbanks International Airport was up 6% over the year before and for the first time passed the one million passenger mark for Origin and Destination (O&D) which is the passengers on a flight who are either boarding or deplaning at a particular stop as opposed to being in transit. *2016 broke that 2015 record at FAI by exceeding 1.1 million O&D passengers, a 7.4% increase above 2015.*

Fairbanks Region Travel Industry Pays Its Own Way

- Tourism has a significant economic impact
 - According to the Alaska Visitors Statistics Program (AVSP) for Summer 2016, the 320,000 summer (May through September) visitors in Fairbanks had an economic impact of \$125 million in direct expenditures in the local economy (does not include any multipliers or induced spending figures). Average expenditure per person per trip in the Fairbanks community is \$391.
 - Unfortunately, due to state budget limitations, recent figures for winter tourism in Fairbanks are not available. According to the most recent – and outdated – AVSP Winter 2011-2012, 50,000 visitors in Fairbanks totaled nearly \$43 million in direct expenditures (this figure does not include indirect spending or multipliers). Average expenditure per person per trip is \$920, with international visitors spending \$1,612 and Japanese specifically spending \$2,075.
- Economic growth from the visitor industry is sustainable. The economic benefits brought to Fairbanks by the visitor industry are based on renewable resources and are not dependent on fluctuating commodity prices. Thus, the visitor industry provides the Fairbanks-area economy with sustainable economic benefits that can help buffer the booms and busts of the other basic industry sectors of the local economy.
- There is a lot of hype surrounding the term “economic development” yet growing an economy really boils down to importing new dollars into the Fairbanks economy by either growing a currently-existing basic industry or attracting a new one. Currently, the primary sources of new dollars for Fairbanks’ economy are limited to state and federal government; and a handful of private-sector basic industries, including a gold mine, oil-related support services, and the visitor industry. The visitor industry economic development strategy has worked for the economy of the Fairbanks region. It represents proven economic development that is attainable, measurable, and sustainable.

- Hotels are among the top property tax payers in the Fairbanks North Star Borough
 - Property tax is a broad-based tax that is fair in the sense that it evenly distributes support of government services across all private-sector segments of the economy.
 - Hotels are significantly represented in the top property tax payers in the community:
 - Of the top 50 property tax payers, excluding the pipeline, in the Fairbanks North Star Borough, ten (20%) are hotels. The Westmark Hotel and Conference Center is the most highly assessed lodging facility, ranking 8th of the top 50 tax payers.
 - Of these top 50, 41 are in the City of Fairbanks and seven (17%) are hotels. The Westmark is ranked 4th overall.
- Tourism brings new dollars into the community
 - The somewhat dated 2012 Economic Base Model by the Fairbanks Economic Development Corporation provides data comparisons among industry sectors within the Fairbanks North Star Borough. The “Tourism” industry sector ranks in comparison to other industry sectors, including government sectors, as follows in categories generated from non-local income sources:
 - 8th in revenue, totaling \$650 million (\$257 million direct; \$393 million indirect)
 - 7th in creating local jobs, totaling 3,471 jobs (2,673 direct; 798 indirect)
 - 7th in creating Gross Domestic Product, totaling \$200 million (\$137 million direct; \$63 million indirect)
 - 7th in Personal Income (wages/salaries and proprietor income), totaling \$134 million (\$99 million direct; \$35 million indirect).
 - According to the State of Alaska Department of Commerce, Community and Economic Development, Alaska’s visitor industry in 2014/15 accounted for the following:
 - An estimated employment of 39,700 full- and part-time jobs (including all direct, indirect, and induced impacts) with an estimated peak employment of 47,000, representing 9% of the statewide employment and 5% of labor income, total labor income of \$1.39 billion
 - The Interior counted for 10% of visitor industry employment and 6% of labor income.
 - *Note: The challenge in quantifying tourism economic data is that the tourism industry contributes into many economic sectors from the obvious such as lodging/accommodations to retail, transportation (air, sightseeing, railroad), food services/drinking places, construction etc.*
- The visitor industry is small-business friendly
 - Tourism offers unparalleled opportunities for local entrepreneurs to participate in the economic success of a basic industry at the ownership level. Explore Fairbanks’ cooperative destination marketing program is currently supported by more than 430 partners that are primarily small businesses. The growth in winter and aurora tourism seasons in the Fairbanks region has resulted in a rise in many small business, such as dog mushing tours, aurora viewing facilities and photography tours.

Industries	Direct	Indirect	Total	MP
1 Military	14,114	5,747	19,861	1.4
2 Investment	2,582	5,230	7,811	3.0
3 State Govt.	3,518	2,038	5,556	1.6
4 Federal Gov. Civ.	1,458	3,925	5,383	3.7
5 UAF	2,803	1,568	4,371	1.6
6 Other Mining	1,569	2,286	3,855	2.5
7 Tourism	2,673	798	3,471	1.3
8 OPIEX	-	1,398	1,398	-
9 Other Services	605	175	780	1.3
10 Fed. Gov. Enterpr.	649	53	702	1.1
11 Petroleum Refineries	101	592	693	6.9
12 Other Manufact.	329	305	634	1.9
13 Prof. Services	324	106	430	1.3
14 Air Transportn.	250	149	400	1.6
15 Health Services	278	104	381	1.4
16 PFD	-	358	358	-
17 Information Servs.	193	139	332	1.7
18 Utilities	115	122	237	2.1
19 Construction	139	77	216	1.6
20 FIRE	145	63	208	1.4
21 TRAVEL	97	42	139	1.4

The Travel Industry Contributes to the Quality of Life for Local Residents

- Visitors enjoy the same things that residents enjoy. The visitor industry, unlike most basic industries, develops the physical infrastructure used to “manufacture” a visitor experience that can also be enjoyed by and substantially enhance the quality of life of Fairbanks-area residents. Examples are:
 - Visitor air arrivals to and air departures from Fairbanks allow air service to be provided to residents with an increased frequency and at a decreased cost. The inbound (visitor) market to Fairbanks represents 70% of the total air passengers at Fairbanks International Airport. Most new or expanded air service to Fairbanks has served residents as well as visitors.
 - Residents enjoy restaurants and use meeting facilities year-round.
 - Museums, historic sites, hot springs and other attractions are enjoyed by residents and play an instrumental role in helping our community record and preserve its heritage for future generations. Public facilities, such as Pioneer Park, that are extensively used by residents are all directly or indirectly supported by visitor industry dollars. Urgent care and hospital services are another example of how visitor spending augments services for residents.
 - Impressive landscaping and flower displays provided each summer by visitor industry businesses are enjoyed by visitors and residents alike.
 - The more than \$18 million that Alaska visitors spend each year on hunting and fishing licenses and tags to the State of Alaska is used to enhance hunting, fishing, and recreational opportunities for residents.
- The Fairbanks tourism industry generously donates trips, tickets, hotel rooms to area nonprofits. The 15th Fairbanks Visitor Industry Walk for Charity raised more than \$17,000. Held on Friday, May 12th, families, friends and community groups gathered to walk and eat to support local non-profits. The 575 walkers raised money for 48 registered local non-profits. All proceeds were distributed to the designated 501(c)(3) charities. Since inception in 2001, the Fairbanks-area Walk for the fifteen Charity Walk events in Fairbanks have generated a total of \$352,000 for local non-profits.
- An intangible sense of pride and community spirit is felt by residents of any region that is visited and enjoyed by persons from around the world.
 - According to the Alaska Visitors Statistics Program for Summer 2016, 16% of the visitors to Fairbanks originated from international destinations (excluding Canada), the highest in the state which hosted 9% international overall.

The Destination Marketing and Management Model Is Distinctive to the Tourism Industry

The mission of Explore Fairbanks is to be an economic driver in the Fairbanks region by marketing to potential visitors and optimizing the visitor experience.

“Co-opetition” Is the Key to Destination Brand Marketing

- Cooperation + competition = “co-opetition” meaning businesses that cooperate when it is to their advantage are said to be in co-opetition.
- “Destination marketing” is the proven method worldwide whereby competing visitor industry businesses coalesce to market the destination brand. A key mechanism for that marketing is through a destination marketing and management organization (DMMO) such as Explore Fairbanks.
- Throughout the United States, the primary funding source for this effort is hotel/motel tax collections.

Commitment to the Future of Destination Management

Explore Fairbanks and business partners have demonstrated a commitment to “optimizing the visitor experience” through destination management. Organizations such as Explore Fairbanks advocate for improvements to the destination which enhance the product. While these improvements are focused on improving a visitors experience in the destination, they have a positive impact on local residents too in terms of economic benefit as well as enjoying a more robust menu of products.

- Explore Fairbanks and its business partners are meeting the challenge of mitigating the losses of funding for a statewide tourism marketing program.
 - The State of Alaska has greatly diminished its commitment to tourism marketing from \$16 million in FY 13 to \$1.5 million in FY 17. For the first time in 40 years, there was no printed Alaska Travel Planner; no television advertising, no print advertising, no direct mail; no international program and, for the first time in 27 years, no international contractors.
 - This fiscal year, the legislature approved \$3 million primarily in response to the introduction of legislation for an All-Alaska Tourism Improvement District (TID) as advocated by the Alaska Travel Industry Association. The proposed legislation would be a 1 to 2 percent assessment on certain sectors of the Alaska travel industry in order to fund statewide destination marketing. This is a complicated process in which the tourism sectors would vote in an assessment (or not) after the enabling legislation is passed.
 - Meanwhile, this reduction has impacted nearly every facet of the Explore Fairbanks marketing program. As examples, Explore Fairbanks has had to invest more staff time and financial resources to: reach key international target markets, engage media coverage, develop a direct mail program and extend advertising to target leisure travelers.
 - These local efforts cannot make up for a state marketing program especially in advertising outreach to leisure travelers. Explore Fairbanks Board of Directors has endorsed the passage of enabling statewide TID legislation which is the first step in establishing funding for Alaska tourism marketing.
- Fairbanks Leads the Way in International Travel
 - According to the Alaska Visitors Statistics Program report for Summer 2016, international travelers (excluding Canada) accounted for 9 percent of visitors statewide whereas international accounted for 16 percent in Fairbanks. Furthermore, that 16 percent of international visitors in Fairbanks represents an increase of 7 percent from summer 2011. International visitors spend more money in the community on a per person basis than domestic visitors.
 - Due to state budget restraints, recent numbers are not available for winter visitation but the international percentage in Fairbanks would most likely be the highest in the state and a higher percentage of winter leisure visitors.
 - This higher percentage of international visitors in Fairbanks is primarily due to the successful marketing of and infrastructure development to support the “aurora season” from August 21 through April 21 by Explore Fairbanks and business partners.
- Air Service Development Is Key to a Destination’s Growth
 - Explore Fairbanks and the Fairbanks International Airport (FAI) have had nearly two decades of working together to secure new air service to FAI. Examples of this cooperation are as follows:
 - Condor summer seasonal weekly service since 2001.
 - Since winter 2004-2005, Japan Airlines (JAL) charters have continued without interruption to the present. In years in which JAL has reduced service, other airlines have stepped in to bring Japanese guests to FAI via charters: Korean Airlines, and more recently, Uzbekistan Airlines and All Nippon Airways.
 - With business partners, charters from Taiwan since December 2015.

- FAI and EF collaborated to lure alternative domestic service by securing a Small Community Airport Service Development (SCASD) grant in 2006 which resulted in Frontier Airlines summer service out of its Denver hub in 2010. Frontier ended service to the FAI market after summer 2014. Now working on applying for another grant to help lure service from Los Angeles, San Francisco or Phoenix hubs.
- Convention and Performing Arts Center Feasibility Study
 - Explore Fairbanks continues to lead the effort to collaborate with the Fairbanks Arts Association to determine the feasibility of a co-located convention center and performing arts center that could create a major new civic asset in the downtown core. Envisioned could be a purpose-built infrastructure that will enhance quality of life through the performing arts and attract and generate new revenue and advance the Fairbanks region economy by securing new conference and convention business to the community. Explore Fairbanks has engaged its business, civic, cultural and community partnerships, local, state and federal leadership, user groups and other stakeholders to strategically assist a multi-disciplined consultant team secured to analyze the viability of the proposed facility. This team is tasked to prepare a financial plan and management/operating plan and budget for stakeholder review and evaluation. This effort will independently evaluate previous assumptions and validate and refine the economic viability of a CC-PAC project. A highly collaborative process with stakeholders will be employed to update, define, shape and assess the sustainability of a CC-PAC project. This level of scrutiny will gauge the project's ability to broaden the cultural offerings of Fairbanks, contribute to downtown revitalization, attract regional, national and international meeting groups, and serve as a best practice model within the Circumpolar North.
 - Explore Fairbanks has a positive track record with infrastructure projects of this kind. From its inception, Explore Fairbanks was a partner in the development of the Morris Thompson Cultural and Visitors Center. Opened in September 2008, the center has become a community icon and gathering place.
- Explore Fairbanks works on other projects that enhance the community and region such as:
 - Encouraging sustainability of the community through leading an Arctic Winter Games Legacy Recycling Bins Program which has distributed more than 200 recycling bins to nearly 40 community organizations for use in public spaces, including schools, visitors center, community parks, sports facilities, and private-sector businesses.
 - Collaborating with community partners to advocate for expanded winter products, such as the Alaska Railroad schedule and activities/plowing at Denali National Park and Preserve. Another collaborative project has been the development of a Dalton Highway Safety Guide and sign.
 - Initiating a downtown wayfinding signage program as part of the Cushman Street Complete Streets project.
 - Working closely with elected officials and the University of Alaska Fairbanks, positioning Fairbanks as the hub and basecamp for the arctic. As the farthest north community in the United States accessible by air, rail and road, Fairbanks is situated to be a leader in scientific research and policy, helping sustainable economies for indigenous peoples, technologic development, and military defense. Leisure tourism as well as meetings and conventions are key to this positioning.

Hotel-Motel Tax Collections Is the Mechanism for Funding Destination Marketing and Management

An eight (8) percent hotel/motel or “bed” tax imposed on overnight guests is collected by the lodging facilities and remitted to the three government entities: the cities of Fairbanks and North Pole and the Fairbanks North Star Borough (excluding cities).

- **City of Fairbanks**
 - In 1977, a group of business people incorporated the Fairbanks Convention and Visitors Bureau (FCVB) – renamed Explore Fairbanks in 2014 – as a 501(c)(6). The following year, a handful of existing visitor industry small businesses recognized that world-class visitor product already existed in Fairbanks. They further recognized that the missing ingredient was promotion of their product.
 - In 1979, Initiated by the FCVB/Explore Fairbanks, Chamber and travel industry in Fairbanks, the City Council under Mayor William Wood enacted a 2% bed tax with a clear intent for economic development, especially destination marketing: “...for the purpose of and shall be limited to the funding of tourist and entertainment facilities for the general public, to promote the tourist industry, and the economic development of the City of Fairbanks.” Ordinance #3793 established the bed tax; 90% was reinvested into FCVB/Explore Fairbanks and 10% to the Fairbanks Industrial Development Corporation (now known as Fairbanks Economic Development Corporation).
 - The consistency in keeping with this ordinance was jagged on the part of the City Council until it reached a point of severe contentiousness between City government and the local tourism industry. Finally in 2003, an agreement was reached among representatives of the City of Fairbanks, Fairbanks Arts Association and FCVB/Explore Fairbanks as reflected in the ordinance that has been in place since 2004 which stipulates: 22.5 percent to the City of Fairbanks; \$400,000 distributed annually to Fairbanks Economic Development Corporation (\$100,000), Golden Heart Plaza/Barnette Landing Maintenance (\$30,000), Discretionary Grants (\$270,000); and the remaining to Explore Fairbanks.
 - This “remaining” has translated into an average of 62 percent reinvestment into Explore Fairbanks’ destination marketing programs during the past eight years.
- **Fairbanks North Star Borough**
 - Since 1993, the Fairbanks North Star Borough has levied an 8 percent bed tax. Beginning in 2002, FNSB reinvested bed tax into destination marketing via Explore Fairbanks. Since 2004, FNSB fiscal year budgets have appropriated 65 percent of a projected tax to be reinvested into the Explore Fairbanks destination marketing program.
 - Historically (except for one year), the actual amount collected has exceeded the projected amount. Therefore, the actual amount reinvested into Explore Fairbanks has been less than 65 percent - averaging 60 percent over the past eight years.
- **City of North Pole**
 - With the construction of a hotel within the North Pole City limits in 2009, the City of North Pole began collecting an eight percent bed tax with the stated purpose of funding services for the promotion of economic development, including the tourist industry, and for the funding of services for the general public. Since then, the city’s formula for distribution has varied from year-to-year.
 - Currently, the City reserves 25 percent for an administrative fee with the remaining 75 percent distributed to local nonprofits with Explore Fairbanks receiving 23 percent of the 75 percent in the current fiscal year. The distribution is based on the last audited figure. Over the last seven years, the City reinvested only seven percent of the total into the destination marketing programs of Explore Fairbanks.