

Section 3: Southeast Alaska and the Emergence of Tourism

Southeast Alaska is a region characterized by rugged mountain ranges, forested islands, intercoastal waterways, and glaciers. A temperate rain-forest climate has led to a rich diversity of plants, animals, and marine life that have supported human habitation for at least 10,000 years and fueled regional economic growth since the 1700s (fig. 1). Tlingit and Haida people have the oldest known human habitation of this region, with roots traced to prehistoric times. The Tsimshian relocated from British Columbia to occupy Annette Island in the 19th century. In 2000, roughly 20 percent of the region's population was Alaska Native. Southeast Alaska is sparsely populated and geographically distant from both the main population center in Anchorage and from the Lower 48 States of the United States. Thus, the region has its own unique history and a distinct identity within Alaska. The entire region includes 73,082 residents in 32 organized settlements, with nearly half residing in Alaska's capital city, Juneau (pop. 30,711; all population figures are from USDC Bureau of the Census 2000). The remaining residents are scattered in smaller settlements ranging from Meyer's Chuck (pop. 21) to Sitka (pop. 8,835). Most communities in southeast Alaska are geographically isolated, with access by private boats and planes, scheduled airlines, air taxis, and ferries. This isolation has restricted the flow of people and commodities throughout the region and promoted a strong sense of community and regional identity. In addition, the abundance of public lands, particularly the 17-million-acre Tongass National Forest, as well as lands managed by other federal and state agencies, influences the nature of economic development in the region.

Over the years, natural resources of southeast Alaska have been used in a variety of ways, providing fuel for the regional economy. In the 18th century, Russian and European explorers and settlers sparked a lucrative fur trade, altering economic and social patterns of Tlingit and Haida communities (De Laguna 1990).⁷ The discovery of gold near Juneau in the 1880s and later the Klondike Gold Rush in the 1890s resulted in a boom in population and was the impetus for moving Alaska's capital to Juneau from Sitka (Mitchell 1997). In the late 1800s, fish canneries were built throughout the region, introducing new forms of wage labor and concentrating local populations in fishing towns (Mitchell 1997, Price 1990). Fishing remained a mainstay of the regional economy throughout the 20th century. The late 19th century

Southeast Alaska has its own unique history and a distinct identity within Alaska.

⁷ Early contact with explorers also resulted in the decimation of local populations from disease.

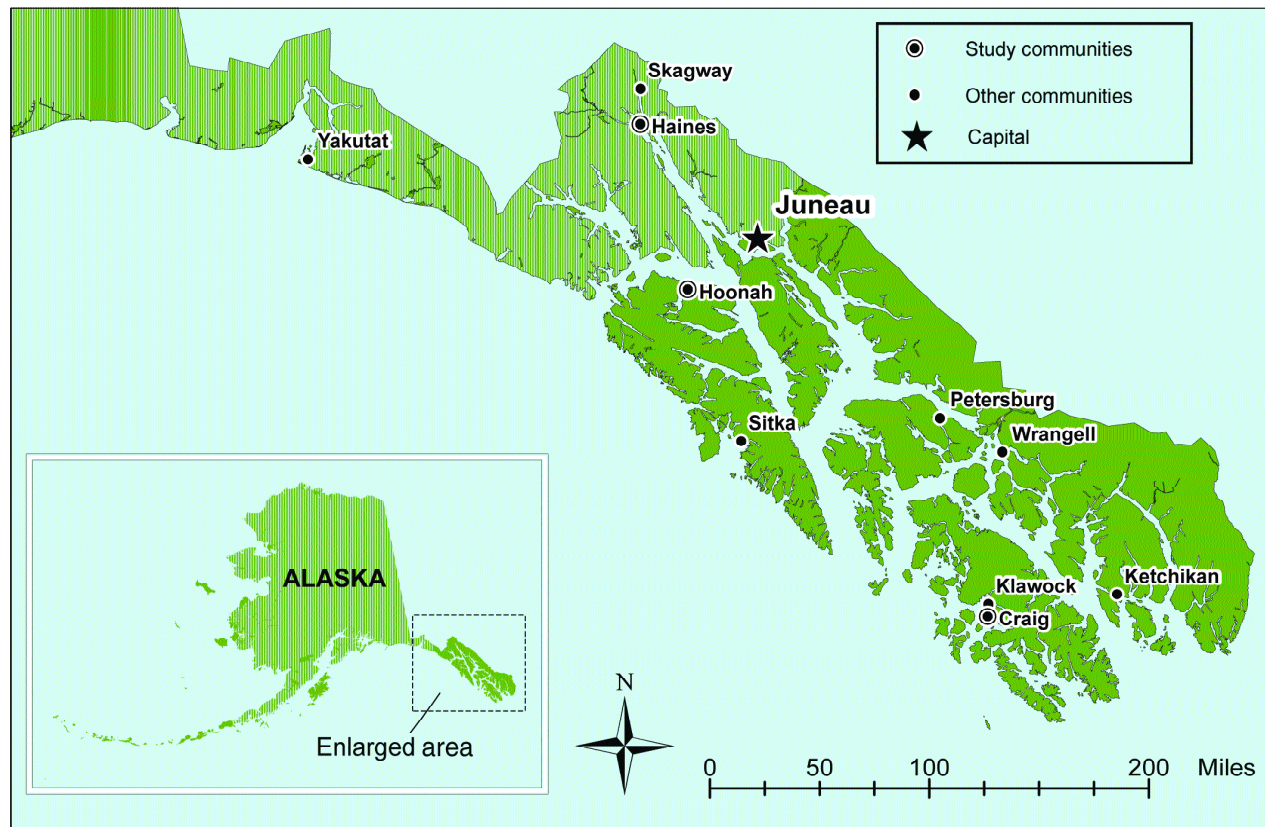


Figure 1—The study region.

also saw the arrival of the first steamships carrying tourists, sparking an arts market for locally produced goods, including wood carvings, baskets, and silver. Tourism would become increasingly important to the regional economy in the late 20th century. In the 1950s, southeast Alaska saw the emergence of the timber industry, which altered historical land use patterns in rural and remote areas. The Tongass Timber Act of 1947 authorized the USDA Forest Service to offer 50-year timber contracts to supply two large pulp mills, resulting in a significant increase in the amount of timber harvested. The timber industry contributed to the rapid growth of mill towns and to the construction of roads and logging settlements (Durbin 1999, Rakestraw 1994).

Natural resources remained an important source of economic growth throughout most of the 20th century. In the 1970s, the economic landscape changed with the Alaska Native Claims Settlement Act of 1971, which awarded 202 300 hectares of southeast Alaska land to Native corporations established at the regional and village levels. Many of these corporations invested in lands used for timber, accelerating

the pace of timber harvest in the 1980s and 1990s. Meanwhile, environmental regulation and changing market conditions altered the market for timber logged on Forest Service lands. The 50-year contracts were ended by the Forest Service in the early 1990s, when harvest restrictions were implemented, resulting in the closure of the mills by 1997. Between 1990 and 2002, the timber industry lost 3,000 jobs (Gilbertsen and Robinson 2003). Commercial fishing also struggled in the late 20th century. Allocation systems implemented for salmon and halibut limited the number of permit holders and increased the price of fishing permits, making it difficult for newcomers to start fishing. Since the late 1990s, Alaska salmon fleets have experienced stiff price competition from farmed salmon and consolidation in the seafood processing industry resulting in a 37-percent decline in active fishing permits statewide between 1990 and 2002—a loss of nearly 1,000 salmon fishermen (Gilbertsen 2003, 2004). Recent downturns in these resource-dependent industries have altered the regional economy (Robertson 2004). Many city officials have begun to strategize new avenues for economic development. A glance at the distribution of southeast Alaska workers shows that the service and retail sectors increased their share of the economy from 1991 to 2001 while manufacturing jobs (which includes mill and seafood processing jobs) decreased (table 2).

The first tourists to Alaska arrived in the 1880s by steamship.

The Growth of the Tourism Industry

Although industries such as fishing and timber have experienced declines, the tourism trade in southeast Alaska has grown steadily. The first tourists to the new U.S. territory arrived in the 1880s by steamship on the “Inside Passage Tours,” which took them to see glaciers, fiords, Native villages, and gold rush boomtowns (Hinckley 1965, Nash 1981, Norris 1985). Travel writers and scientists participating on these excursions wrote the region’s first travel guides and inspired many to follow (Norris 1985, Wyatt 1995). By the end of the 19th century, five steamship companies were bringing tourists to Alaska (McDonald 1984). Steamship travel remained an important source of visitors through the 1930s, providing seasonal income for many artists and entrepreneurs catering to visitor needs.

After World War II, travel to Alaska gained momentum thanks to improvements in transportation infrastructure made during the war. The Al-Can Highway was opened to the public in 1948, bringing 18,000 visitors to Alaska in its first year (Norris 1985). Throughout the 1940s and 1950s, road improvements to other Alaska highways, such as the Richardson Highway in the interior, increased road-based tourism. The Alaska Marine Highway (ferry) system was formed in 1963, bringing travelers, including backpackers and explorers, to southeast Alaska from

Table 2—Percentage of employment by industry, southeast Alaska, 1991 to 2001

Industry	1991	2001
	<i>Percent</i>	
Mining (oil and gas)	1.0	0.8
Construction	3.7	4.4
Manufacturing	14.2	7.7
Transportation and communication	7.0	7.7
Wholesale and retail trade	16.6	17.6
Finance, insurance, real estate	3.4	3.6
Services	16.8	21.7
Government (federal, state, local)	37.1	36.3
Total	100	100

Source: Alaska Department of Labor and Workforce Development (2002).

the terminal in Seattle, and later Bellingham, Washington. Pan Am Airlines was the first to fly commercial jets into Alaska as early as the 1930s. In 1947, entrepreneur Chuck West began offering flights to visitors from Fairbanks to the Arctic. Other airlines flew guests to remote Denali campgrounds as well as to cabins and fishing lodges throughout the state. When airlines were restructured in the 1980s, air travel became more affordable, and Alaska Airlines became the leading commercial airline serving the region. Tourism gained a foothold in Alaska with the formation of the Alaska Visitors' Association in 1951 and the state division of tourism in the early 1960s. These agencies marketed Alaska's natural and cultural attractions to visitors worldwide and lobbied state officials about the economic potential for tourism.

Beginning in the 1970s, the most popular form of travel to Alaska was by sea. Tour ships, later known as cruise ships, subsumed the role of the steamships in bringing guests to Alaska. In the 1960s, Chuck West's company, Westours, included three small tour ships bringing people to Alaska's Inside Passage (West 1997). The popularity of the "Love Boat," a television program featuring Princess Cruise Lines, and heavy marketing by the cruise industry increased cruise volume worldwide. In 1973, 43 cruises traveled to Alaska bringing 36,556 visitors. Just 3 years later, the number of cruises increased to an estimated 140. In 1975, nine ships made more than 400 calls to six ports (Clark and Lucas 1978). Holland-America purchased the Alaska firm, Westours, and expanded their Alaska fleet in the late 1970s (West 1997). Holland-America ships advertised 700 or more berths, dramatically increasing the scale of cruise-based travel. Other cruise lines followed in the 1980s and 1990s, including Princess Cruises, Norwegian Cruise Lines, and Royal Caribbean,

along with smaller ships, such as the Yorktown Clipper. By 1980, more than 86,000 visitors were cruising to Alaska annually (Juneau Convention and Visitors Bureau 2000).

Polarization of Southeast Alaska Tourism

By the mid-1990s, the tourist industry became increasingly polarized into two modes: cruise travelers and all others, with cruise travel becoming the dominant mode. Tourism to southeast Alaska grew rapidly, with the total number of visitors to southeast Alaska increasing from 473,000 in 1985 to more than 700,000 in 2001 (McDowell Group 2002). An increasing portion of these visitors arrived by cruise ship. In 1985, an estimated 64 percent of visitors were cruise guests, but by 2001, this number had increased to 75 percent (McDowell Group 2002). A study by the McDowell Group in 2003 showed that 90 percent of visitors to Juneau were cruise visitors (Juneau Empire 2004a). A growing emphasis on cruise travel coincided with several other important factors. First, travel in southeast Alaska often appeared to be unpredictable owing to the dependence on marine and air transport. Harsh weather conditions frequently thwarted travel plans, along with incidence of ferry strikes and the sidelining of key vessels for repairs. On top of this, ferry schedules were sometimes difficult to interpret by travelers and travel agents not familiar with Alaska geography. Second, changes in the structure of the travel industry meant that travel agents in the Lower 48 States no longer were receiving steady commissions from air travel bookings and instead focused on the lucrative cruise market. Third, the decline in Alaska oil revenues led to budget stress in all areas of state government, including tourism marketing. In the 1970s and 1980s, when larger amounts of oil revenues were flowing into state coffers, the state of Alaska aggressively marketed Alaska travel to independent and cruise travelers. With budget setbacks in the 1990s, the state outsourced its marketing effort to a trade organization, and by 2001 the state had dismantled its Division of Tourism. The decline in state-funded tourism marketing has coincided with the growing prominence of marketing efforts by the cruise industry.

Cruise travelers—Cruises became the dominant mode of travel in the 1990s. Total cruise volume to southeast Alaska increased by 11 percent annually from 1981 to 2002, exceeding global trends in cruise travel, which increased at the rate of 8.4 percent annually for the same period (CLIA 2004a) (fig. 2). Cruise travelers to Alaska board the ship in Vancouver, British Columbia, or Seattle, Washington, and sail northward through the inland waterways of British Columbia and southeast Alaska. Or, they may fly to Anchorage and head south from a south-central Alaska

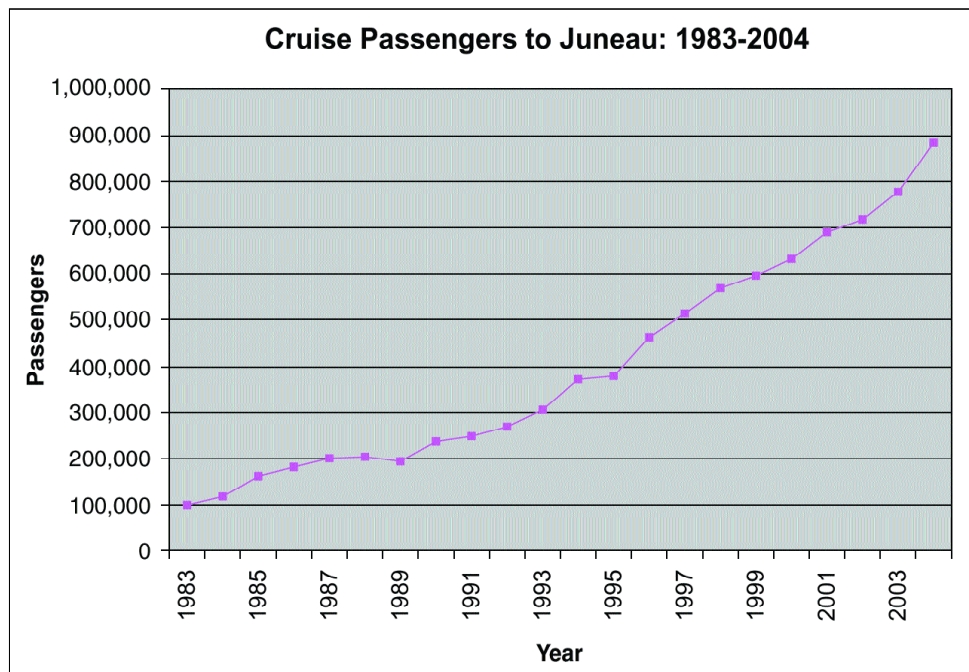


Figure 2—Cruise passenger visits to Juneau, Alaska: 1983-2004 (Juneau Convention and Visitor's Bureau 2000, Southeast Stevedoring 2004). Note: Cruise volume to Juneau is used as a proxy for southeast Alaska because nearly every cruise ship traveling to the region stops there.

By developing and solidifying economic relations with local tourism providers, the cruise industry has shown an ability to control the nature of the tourism product on shore.

port, such as Seward. Cruises typically range between 7 and 11 days, with visits to major and minor ports and natural attractions, such as Glacier Bay National Park and the Hubbard Glacier, near Yakutat. During the 1980s and 1990s, three ports emerged as the top destinations: Juneau, Ketchikan, and Skagway. Other ports including Haines, Sitka, and Petersburg, were destinations for a smaller number of large cruise ships as well as the smaller vessel cruise lines (fig. 3). Meanwhile, other communities have invested in infrastructure and successfully courted cruise lines. In 2003 and 2004, cruise ships docked for the first time in Wrangell, Hoonah (Icy Strait), and Prince Rupert, British Columbia. Changes in cruise volume within destinations reflect both shifting corporate policy, perceived economic value of the individual port for cruise lines, federal regulations controlling the flow of ships into Glacier Bay National Park, and local attitudes toward tourism.

Once docked in a southeast Alaska port, cruise guests are encouraged to participate in an increasingly diverse array of onshore activities. In the 1980s, cruise guests typically spent their time in port shopping, visiting museums, or attending local performances. In the 1990s, cruise lines began emphasizing participation in auxiliary tours—marketing their own tours and those offered by partner firms. By

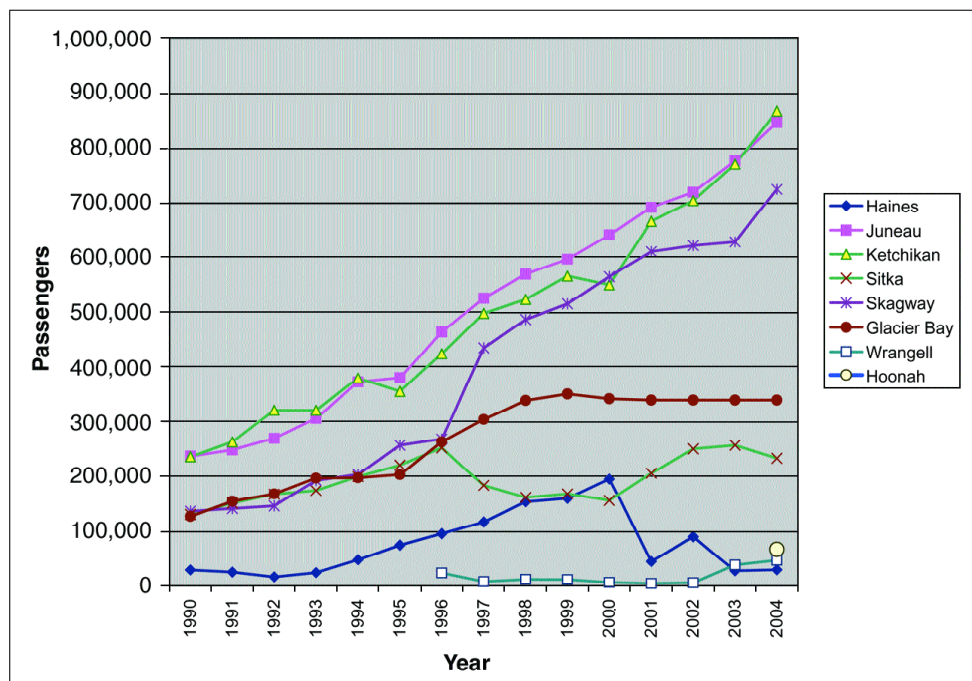


Figure 3—Cruise travel to southeast Alaska ports: 1990-2004 (Glacier Bay National Park 2000, Southeast Stevedoring 2004).

developing and solidifying economic relations with local tourism providers, the cruise industry has shown an ability to control the nature of the tourism product on shore. Local tourism providers without cruise contracts marketed their services to guests as they exited the ship. In Alaska, many of these tours have an adventure component, including river rafting, glacier hiking, kayaking, fishing, and dog-sled trips on the glaciers and ice fields. Other excursions emphasize sightseeing, including helicopter and floatplane tours, and excursions to glaciers and other natural features by bus or tour boat. Wildlife viewing also remains popular, with tours emphasizing bears, eagles, marine mammals, and salmon hatcheries. Still other companies advertise cultural and historically based tours with a strong educational component. Cruise-based tours last several hours while the ship is docked or anchored offshore. The proliferation of these auxiliary tours and their increasing diversity have created new challenges for public land managers, such as the Tongass National Forest. The desire of visitors for an up-close experience of Alaska's nature, culture, and history has resulted in the growing use of mechanized means of transportation, such as jet boats, helicopters, and four-wheel-drive vehicles in natural areas. These trends also have affected local patterns of resource use on public lands and waterways. In extreme cases, citizen groups have staged protests against specific tour companies or the cruise lines over the use of resources.



Lee Cerveny

Figure 4—Cruise ship docked in Juneau, Alaska (1999).

State and federal agencies, must manage Alaska resources with no ability to control visitor volume.

The overall trend toward larger vessels has significant implications for Alaska's communities and natural resources. This growth occurs without regulation by state or federal agencies, which must manage Alaska resources with no ability to control visitor volume. The trend toward larger ships also has significant implications for natural resources, including air, water, and marine life. Expanded capacity for guests and crew means more fuel consumed and more waste produced. When Royal Caribbean International was indicted for several episodes of disposal of toxic waste into the Inland Passage waterways in 1999, the public became aware of the potential environmental hazards. An aggressive state effort to legislate compliance to environmental regulations, along with an industry-led campaign to strive for cleaner air emissions and water and waste effluent, indicate steps to mitigate the negative effects of cruise ships (fig. 4).

The presence of a large number of cruise visitors in southeast Alaska also has implications for host municipalities, particularly for smaller cities and villages where the tourist is more noticeable. Southeast Alaska residents living in popular cruise destinations have faced congestion and crowding in their downtown streets, harbors, and at staging areas near the cruise dock. Residents have perceived increases in bus traffic on their roads, crowding on favorite trails and in recreation areas, and noise from plane and helicopter traffic, all of which have impacted the quality of

life for certain stakeholders and resident groups. Moreover, many have observed a rise in seasonal business activity and increased tendency for business owners to tailor their products and services for the tourist market, rather than residents. Municipal officials also have noted that cruise-based tourism causes some stress on city infrastructure and have sought strategies for both minimizing these stresses and for generating compensation from the cruise lines. Throughout the 1990s and early 2000s, several cities explored imposing head taxes on cruise passengers or sales taxes on local tours as a means to offset costs for hosting the ships. Southeast Alaska residents recognize that these seasonal patterns are a necessary part of their community's involvement with tourism, but they seek strategies for minimizing the undesirable changes and promoting the long-term health of their communities.

Cruise Industry Overview

Cruising has become an extremely popular and profitable industry. In 2003, there were 9.5 million cruisers worldwide, including 8 million guests from North America alone (CLIA 2004a, 2004b). Alaska as a cruise destination held approximately 8 percent of the market share in terms of traveler "bed-days," behind the Caribbean and the Mediterranean (CLIA 2004a) (table 3). Since 1999, Alaska's portion of the market has eroded somewhat, because of increased competition from the Baltic Sea, Hawaii, and the Caribbean.

Clients. The cruise industry has expanded its market by reaching out to a new breed of traveler. By expanding their ship-board offerings and partnering with tour companies in each port, they successfully advertised their products to a younger, more active demographic. In 1986, the average age of the cruise guest was 56. This average dropped to 54 years in 2002 (NFO Plog Research 2004). Media advertisements featured climbing walls, casinos, and workout facilities on board and adventure-oriented excursions on shore (Lindberg 1999). The industry also reached out to families and expanded onboard offerings for children. The North American public began to accept that cruising was not just for grandparents and retired neighbors. At the same time, the cruise lines slashed their prices owing to increased capacity and stiff competition, making a cruise vacation more affordable.

Capacity. The cruise lines have expanded capacity, bringing on more ships of larger sizes. Between 2002 and 2004, 62 new ships entered service of the global cruise fleet, adding 70,000 new berths (CLIA 2004a, 2004b). From

Table 3—Market share for largest global cruise destinations: 1987, 1995, 2001, 2004

Region	1987	1995	2001	2004
<i>Percent</i>				
Caribbean	43.3	42.8	36.6	40.3
Mediterranean	4.1	9.8	12.7	12.6
Alaska	8.4	8.4	7.9	7.7
Bahamas	9.4	7.7	7.9	4.7
Europe (Baltic)	1.8	4.4	8.1	9.7
Rest of world	32.9	26.9	26.8	25.0

Note: This is measured in bed-days, a cruise industry standard measurement for volume. These figures indicate percentage of total bed-days.

Source: Cruise Lines International Association (2004a).

1994 to 2004, there was an average annual increase in cruise ship capacity of 7.6 percent for ships visiting Alaska (Northwest Cruise Ship Association 2004). Not only is the number of ships in the global fleet increasing, but the newer ships are also larger. In the 1970s, the largest ships were under 1,000 passengers, with most holding 600 or 700 guests. In the late 1980s, megaships were introduced by Royal Caribbean, with capacity up to 2,800. In the late 1990s, Carnival and Royal Caribbean both brought on ships with accommodations for 3,400 to 5,000 guests (Klein 2002). Of the 25 cruise ships visiting Alaska in 2002, 11 carried 1,900 passengers or more, along with several hundred crew members.

Competition. The cruise industry is highly competitive, operating at the global scale. Cruise lines typically are vertically integrated corporations with various subsidiaries that own resorts, tour companies, travel agencies, hotels, and other key components of the travel experience (Dickenson and Vladimir 1996). Within a typical cruise port, a significant portion of businesses and real estate are owned by the cruise lines so they can capture a greater percentage of the tourist dollar. Cruise corporations benefit from economies of scale and offer goods at competitive prices, making it difficult for local business owners to compete. In some cases, cruise corporations have purchased uninhabited islands and created their own destinations—capturing every dollar of visitor spending and controlling the flow of visitors. They also have established contractual relations with local firms to provide tours to cruise guests, who book these tours online before the cruise or on board the ship, with the cruise lines taking

a commission. The onboard advertising of these partner companies gives the firms a significant comparative advantage over other tour operators selling their services on shore.

Consolidation. Frequent mergers between cruise companies have consolidated ownership and reduced operating costs. In the 1980s, Carnival Corporation began buying cruise lines and by 2003 owned seven major cruise lines, including Holland-America and Princess (Klein 2002). Together, these three cruise lines brought about 75 percent of cruise passengers to Alaska in 2002 (Juneau Empire 2002a). Royal Caribbean Cruises, the other major Alaska player, also owns Celebrity Cruises. Moreover, most of the ships owned by the larger cruise companies fly the flags of countries different from their corporate bases, known as “flags of convenience” (Klein 2002). Although headquarters may be in Holland, Norway, or Florida, ships are based in countries such as Panama and Liberia, which subscribe to different tax laws, labor laws, and other requirements for ship operations.

Packaged tourism—Two other forms of tourism in southeast Alaska are package and independent travelers, which in southeast Alaska account for roughly 25 percent of visitors (McDowell Group 2002). Alaska attracts nature enthusiasts, outdoor adventure trekkers, anglers, and travelers with interest in culture and history. Package travelers arrange their travel through companies that typically provide meals and accommodations and arrange activities, such as kayaking, wildlife viewing, and fishing, as well as cultural and historical tours. Tour operators often use public lands, which require permits for commercial recreation use. The growing popularity of these package tours is evidenced by data from the Tongass National Forest. The number of permits awarded to commercial tour operators increased from 73 in 1993 to 262 in 1998 (USDA Forest Service 1999). In 2001, more than 188,000 visitors participated in guided commercial tours on Tongass lands. With more visitors found in more remote parts of the forest engaged in an increasingly diverse array of recreational activities, there have been various effects on local land use patterns, wildlife, and the environment.

The most prominent example is the charter fishing industry, which has blossomed in many southeast Alaska communities throughout the region, particularly in Yakutat, Sitka, and on Prince of Wales Island. Recreational fishing represents an important form of tourism in the United States, with Alaska attracting the highest

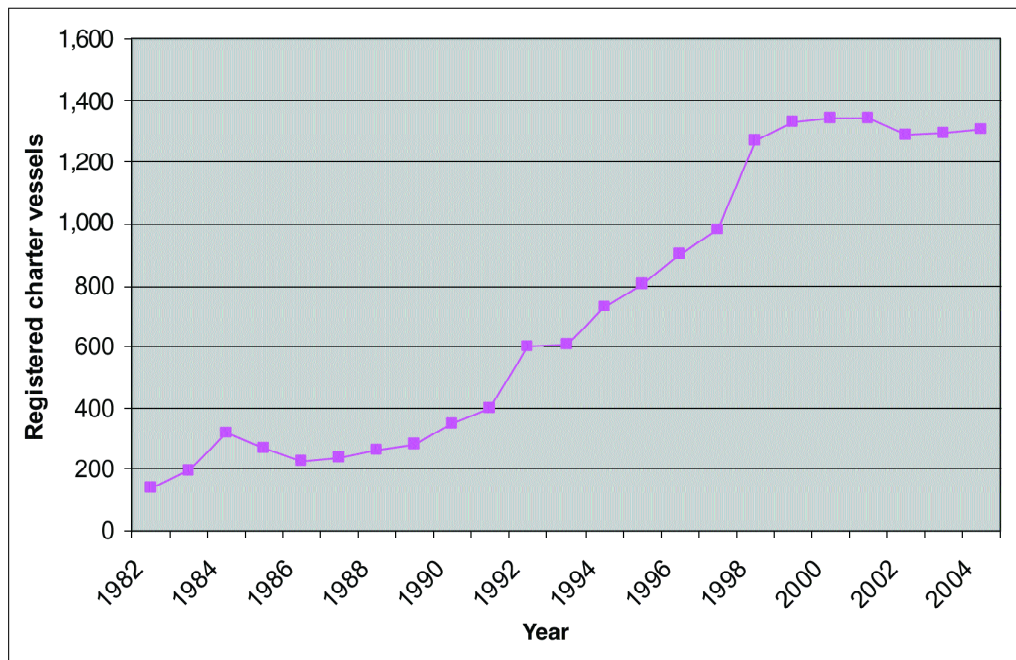


Figure 5—Number of registered charter vessels in southeast Alaska: 1982-2004 (Alaska Commercial Fisheries Entry Commission 2004).

A significant portion of charter fishing activity is associated with lodges, typically located in remote areas.

percentage of nonresident anglers nationwide in 1996 (Ditton et al. 2002). Charter fishing caters to visitors eager for a more indepth Alaska encounter, with a focus on adventure and the harvest of resources. Alaska's reputation as a place with abundant fish and game has led to growth in this subsector of the tourism industry. A recent survey revealed that 32 percent of noncruise travelers to Alaska came for fishing (McDowell Group 2002). Between 1982 and 2001, the number of charter fishing boats in southeast Alaska increased from 139 to 1,343 (ADF&G 2000a) (fig. 5).

A significant portion of charter fishing activity is associated with lodges, typically located in remote areas. Guests typically fly in to the lodge and spend 3 to 5 days fishing for salmon, halibut, and other groundfish, as well as for freshwater species. Lodges typically offer full-service experience, including comfortable rooms, gourmet Alaska fare, and customized service. Most guests return home with two or three 18-kilogram boxes of fish, according to lodgeowners interviewed. Although direct visitor spending in the local community may be limited, lodgeowners contribute to the local economy through purchases of fuel, supplies, and

groceries.⁸ Lodgeowners are a mix of long-time Alaskans and newcomers, with the larger facilities owned by nonlocal corporate entities and Native corporations. Many lodges employ local fishing guides; however, the larger lodges often import professional fishing guides from outside Alaska. In addition to fishing lodges, independent charter operators also work with local accommodations, such as bed and breakfast establishments or camp resorts to provide fishing packages for guests. And, some charter operators have accommodations for sleeping and eating right on their boats. Day-fishing also is popular, especially in busy cruise ports such as Juneau, where there is a ready audience of visitors looking for a way to spend time while in port. Although corporations have invested in larger lodge facilities, this sector of the tourism industry has largely maintained its “home-spun” Alaska character.

The growth in popularity of charter fishing has implications for natural resources. Charter fishing guests compete for salmon and halibut with commercial fishers who rely on fish for their livelihood. In addition, the charter fleet competes for fish with sport and subsistence fishers, who rely on fish for their quality of life and economic survival. Competition for fish has created tension within communities with sizeable charter fishing fleets, such as Craig and Sitka. In addition to frustration about harvest levels, some residents have expressed dismay about the minimal economic benefits of charter fishing lodges to the local economy.

Independent travelers—Independent travelers plan their own itineraries and rely to a greater extent on local accommodations and visitor services. These guests may fly to Juneau and travel around the region by ferry, making their own arrangements for accommodations. Others sail to southeast Alaska on their own private vessel and travel throughout the region for sightseeing and fishing, stopping in port cities for supplies. Still others drive the Alaska Highway to Skagway or Haines and travel by car or camper, engaging in fishing, hunting, camping, and boating. These guests support many small businesses in Alaska’s rural communities including accommodations, restaurants, and supply stores. One study noted that independent visitors spend more time and money in the local economy than do cruise guests and package tourists (Juneau Empire 2004b). As noted above, independent visitors have been overshadowed in recent years by the surge in cruise-based tourism. Most estimates suggest that independent travel to southeast Alaska has been flat from 1992

⁸ Based on a recent study on the sportfishing industry, visitors to southeast Alaska in 1993 spent \$54 million, nearly 40 percent of which went directly to the charter fishing operation (ISER 1999).

to 2002 (Juneau Empire 2002b). Both the independent and package tourism segments suffered declines after 2001, perhaps owing to a combination of economic recession and threat of terrorism. An estimated 93,500 independent visitors came to Juneau in 2003, compared to nearly 120,000 in 1993 (Juneau Empire 2004b).

Implications of Tourism Growth

The growth of Alaska tourism has afforded new possibilities to southeast Alaska communities struggling for economic survival amid declines in traditional industries. Tourism has become an important part of Alaska's economy. In 2002, the total economic contribution of travel and tourism, including direct and indirect economic effects, was \$1.5 billion statewide, or 5.2 percent of gross state product (Global Insight 2004). Tourism provides indirect economic benefits for many related industries, including construction, transportation, utilities, and wholesale trade. Meanwhile, the direct impact of the travel and tourism industry was \$851 million in 2002, making the travel and tourism industry the third-largest private sector employer with nearly 26,000 jobs (Global Insight 2004).

Tourism is vital to the health of the southeast Alaska economy. According to the McDowell Group (2000b), the total economic impact of cruise-based tourism on the southeast Alaska economy (excluding Skagway) in 1999 was \$193 million, including \$34.5 million in payroll. Cruise-related spending also resulted in \$6.6 million in tax revenues for southeast Alaska communities (McDowell Group 2000b).⁹ In 2002, tourism was one of southeast Alaska's most important industries, generating new business growth and accounting for 1 in 10 jobs, or 3,670 jobs region-wide. In some communities, such as Haines, the tourism industry was responsible for one in five local jobs (Fried and Windisch-Cole 2004). Many workers who lost their timber industry jobs turned to tourism, purchasing motels, offering lodging and meals in their homes, running tour companies, and operating fishing lodges. An increasing number of commercial fishermen were supplementing their income running charter fishing tours in the off-season. In former mill towns, like Sitka and Ketchikan, tourism was a key ingredient to survival after the mills closed.

Although tourism has demonstrated economic benefits to southeast Alaska communities, many have begun to note that the magnitude of these benefits is muted somewhat because of the nature of the tourism industry. Many were surprised to read the results of an economic impact study of Skagway in 2000 that revealed

⁹ The McDowell Group study included the communities of Sitka, Haines, Juneau, and Ketchikan and did not include Skagway, which was studied in a separate analysis.

that just 10 cents of every dollar spent in Skagway remained in the local economy (Juneau Empire 2000d). This leakage of tourist spending was attributed to the predominance of nonresident workers, the high rate of property ownership by nonlocal corporations, and the lack of product offerings catering to nonresident workers. Tourism put many southeast Alaska residents to work; however, wages of tourism jobs were not as high as in other industries. Average annual earnings for all industries 2002 was \$37,101, while earnings in the leisure and hospitality sector averaged \$15,937 (Fried and Windisch-Cole 2004).¹⁰ Tourism jobs were largely seasonal, making it difficult to earn a living wage on a year-round basis. Statewide data on the leisure and hospitality sector showed a fluctuation of tourism employment from a low of roughly 24,000 jobs in midwinter to a high of more than 34,000 jobs in the peak summer months (Fried and Windisch-Cole 2004). Some tourism providers and shopowners live seasonally in southeast Alaska communities, spending the off-season in warmer climes and boarding up their businesses for the winter (Kroll 2004). Seasonal industries often attract workers from outside Alaska. Data from 2002 showed that 27 percent of jobs in the leisure and hospitality industry were held by nonresident workers compared to a state average of 18 percent for all industries combined (Hadland 2004). Some of these workers, such as professional guides, possess skills not typically found in the local workforce. Although these workers do spend money in the community, many take their wages with them when they leave in September.

Cruise-based tourism also was associated with significant environmental effects, which shaped attitudes of local residents concerned about the sustainability of Alaska's resources. Cruise tourism is associated with myriad environmental effects, including hazardous waste disposal, air pollution, and noise effects (Johnson 2002, Klein 2002). The acknowledgment of guilt by Royal Caribbean executives for dumping toxic chemicals into Inland Passage waters created a flurry of activity among citizen-based environmental organizations and state officials, leading to the passage of state regulations in 2000. State and federal monitoring programs target air and waste emissions, but many residents still wonder about the long-term effect of cruise ships on the health of the ecosystem, with particular concern for the health of the fish and other foods used for personal consumption.

Tourism represents an important part of the southeast Alaska economy.

¹⁰ The leisure and hospitality sector is a new category attempting to capture the tourism industry. The sector includes hotels and accommodations, eating and drinking places, arts, entertainment, and recreation. However, the category does not include various forms of transportation or retail trade, which often are tourism related. The state of Alaska began using this designation in 2003 (Fried and Windisch-Cole 2004).

**Tourism presents
a viable option for
southeast Alaska
communities
facing declines
in traditional
industries.**

The emphasis on nature-based tourism and the increasing use of the Tongass National Forest, state forests, and other public lands and waterways, has region-wide implications for natural resource agencies. Tourism activities within specific sites often involve multiple jurisdictions among public agencies. Yet, once again this growth has occurred without significant planning or cooperation among key stakeholders, with the exception of two regional tourism workshops in 1999 and 2002 sponsored by the USDA Forest Service. Unlike logging on public lands, which typically necessitates an environmental impact analysis and mandated public involvement (per the National Environmental Protection Act), the arrival of 2,200 cruise guests to Hubbard Glacier or the port of Hoonah requires no similar process. Thus, the power to direct tourism policy is not just held by municipal officials in Alaska communities or regional resource institutions; it is concentrated in the corporate boardrooms of the major cruise lines.

Community leaders typically are aware of tourism's potential pitfalls, yet they continue to turn to it as a way to spur the local economy. Many view tourism as an industry that causes the least harm to the local environment in comparison with resource extraction industries such as logging and mining. In the 1980s, tourism often was touted by environmental organizations that opposed logging practices as a viable alternative to industries based in resource extraction. However, with the rapid growth of high-volume, cruise-based tourism, many environmental advocates have taken positions against "industrial-scale tourism." The economic reality is such that most rural communities face few viable options for economic development. Wood processing, commercial dive fishing, and nontimber forest products provide some hope for small-scale development, but are not akin to the "boom" industries common in the 20th century. Cities likely to weather the economic transition are those with economic diversity, including strong retail and services sectors. In some cases, tourism is viewed as one way to achieve this diversity.

For southeast Alaska communities located on the main cruise ship corridor, the cruise industry presents obvious possibilities for economic growth, and many cities have invested in infrastructure they hope will attract cruise ships and capture tourist dollars. The docking of the first large cruise ships in Wrangell in 2003 and Hoonah in 2004 is testimony to the potential for smaller cities to achieve success in marketing themselves as a cruise destination. Yet, the presence of large volumes of cruise guests may come at some price for residents. Local officials recognize the potential for their economy to become overly dependent on cruise ships for their survival. Relying heavily on cruise lines, which have consolidated their corporate power into two major international firms, can prove risky. The cruise ships are not

fixed assets—when economic forces propel them, they simply travel to other ports. Municipal leaders have discovered that when voters or city officials make decisions that are viewed as counterproductive or antagonistic to the interests of cruise executives, the cruise ships will be pulled out. This report documents events that occurred in Haines, which was perceived to have an antitourist attitude. Valdez, in south-central Alaska, is another example; it lost its cruise ships in 2003 when the port was deemed unsuitable, reportedly because of a lack of variety of onshore excursions. These cases demonstrate the increasing role of global corporations in the economic future of the region.

For those communities not on the main cruise ship corridor, other forms of tourism are sought. Some communities have focused on the small cruise ship market. Others have marketed themselves as charter fishing hubs, ecotourism destinations, or centers for Native culture and history. Communities in more remote locales are being creative in cultivating the character of their destinations to attract visitors. Research has demonstrated the high market demand for these activities in rural Alaska villages (Christensen et al. 2003). Both geography and community desire for tourism play roles in shaping the nature of the tourism industry in each locale.

Southeast Alaska residents are actively negotiating among themselves and with tourism providers to achieve the desired role of tourism in the local economy. In the process of this negotiation, provocative questions are being raised. How much tourism do we want in our community? What types of tourism activities do we want to promote (or discourage)? How do we maximize the local economic benefits of tourism and ensure that the industry provides opportunities for a wide range of residents? How can local institutions work to prevent or minimize tourism's undesirable effects on natural, cultural, and historical resources? How do we encourage tourism while maintaining our existing quality of life?

These questions reflect the desire for sustainable tourism growth that ensures economic opportunity while preserving local resources for the future. Examining tourism in southeast Alaska during this crucial period of transition has provided a unique opportunity to learn about tourism-community interactions. The case studies presented here examine three communities at various stages of tourism development. By chronicling the development of tourism at each site, the role of local and nonlocal stakeholders, and the distributional effects of tourism on communities and resources, we may gain understanding that will help local officials and regional planners address these key questions.

Southeast Alaska residents desire sustainable tourism growth that ensures economic opportunity while preserving local resources for the future.

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Section 4: Tourism Transformations

An examination of the evolution of tourism development within the three sites demonstrates clear differences in the ways tourism emerged and in the final tourism outcomes. The study sites all share an economic history based in fishing and timber and have experienced similar shifts in population growth and demography. In addition, shifts in state and federal resource policy and management decisions have impacted residents and businesses in each site. In spite of this common framework, the process by which tourism developed in the study sites and the types of tourism that emerged have differed in each case, owing to differences in geography and the individual efforts by key stakeholders.

Case Study 1: Haines, Alaska

Haines was chosen to illustrate the effects of the rapid growth of industrial-scale tourism. Located 145 kilometers north of Juneau, Haines (pop. 2,516)¹¹ was originally Chilkat and Chilkoot territory and was the site of a Tlingit village known as Deishu (fig. 6). The community had its economic roots in mining, the military, fishing, timber, and transportation. Commercial fishing began in the late 1800s with the construction of several canneries. Around the same time, gold was discovered in the Klondike and nearby Porcupine, and thousands of prospectors came through Haines. A military base was located there in 1904 to monitor the mining industry and to patrol the border. This facility remained a vital part of economic and social life through World War II. From 1950 to 1990, the timber industry provided the largest source of local income, employing more than 200 sawmill workers and loggers. The community gained a reputation as a hard-working, blue-collar town with an economy based on extraction of natural resources

Early tourism development—Tourism has long been part of Haines history. Since the 1880s, visitors have come to enjoy the scenic opportunities at Davidson Glacier and along the Chilkat River (Norris 1985). In the 1950s, the army base at Fort Seward was decommissioned and purchased by a group of veterans who transformed the facility into a self-sustaining community emphasizing theater and the arts (Snyder 1988). Beginning in the 1960s, tour boats and ferries brought visitors to Haines to enjoy the scenery, and the city cultivated a reputation as a center for Alaska Native art and culture (Eppenbach 1987). Cruise ships began plying the waters of southeast Alaska in the 1970s, and each season a few anchored in a harbor near Haines bringing guests to shore on small boats. Several local business leaders

¹¹ USDC Bureau of the Census (2000). This population represents the population of Haines Borough, which includes Mosquito Lake, Lutak Inlet, Haines Highway settlements, and Mud Bay. The population of the city of Haines in 2000 was 1,810.

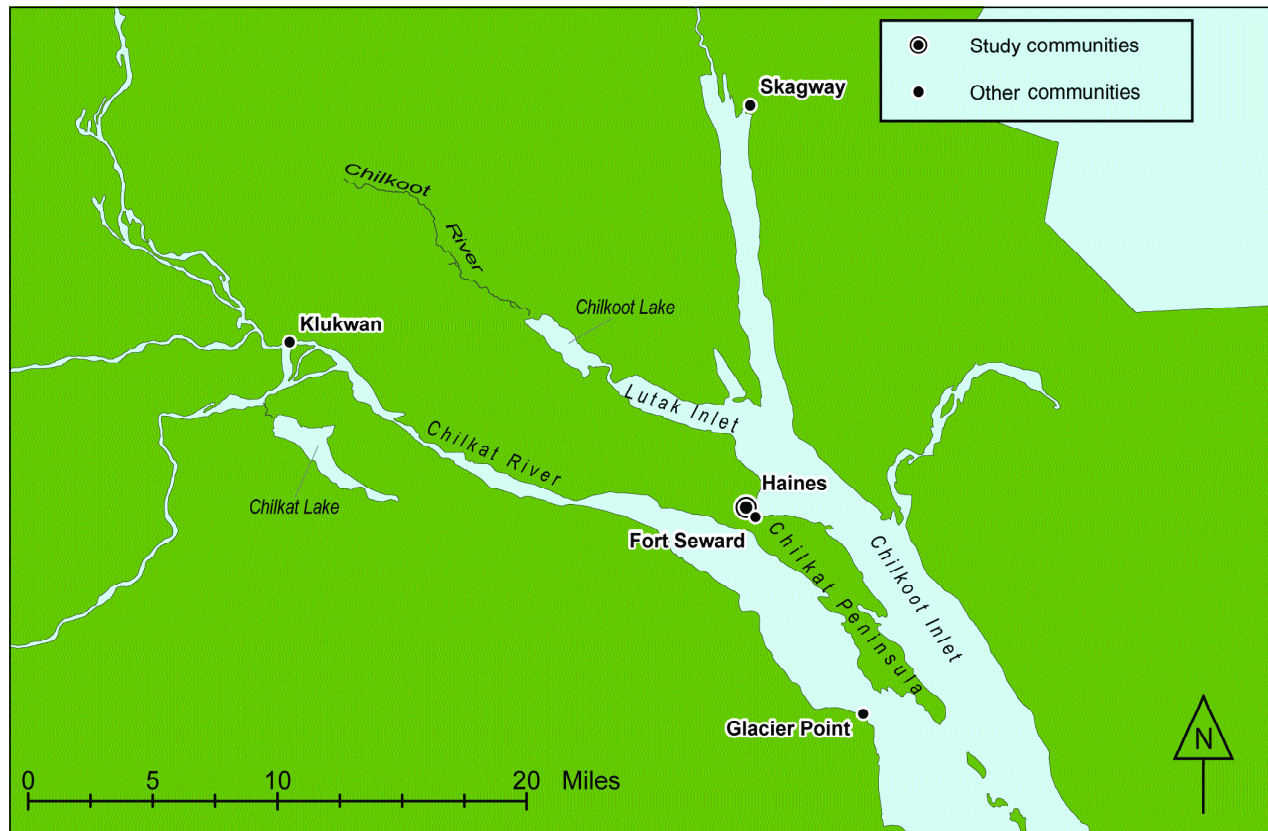


Figure 6—Haines, Alaska, and the Upper Lynn Canal.

formed a local branch of the Alaska Visitors' Association in 1979, developing brochures and urging merchants to clean up city streets for visitors (Lynn Canal News 1980). In the late 1970s, Haines also emerged as a destination for outdoor enthusiasts, attracting mountaineers, rafters, kayakers, and other adventurers. By the early 1980s, the city began courting tourism by eliminating docking fees and investing in infrastructure, such as public restrooms, to lure cruise ships away from Skagway (Lynn Canal News 1982).

The community faced an economic downturn when a large sawmill closed in 1985, because of poor market conditions and challenges by environmental organizations (Menke 1997). A few Haines business leaders urged the community to expand the fledgling tourism industry and actively market the area's natural and cultural attributes. Tourism also had the support of the environmental community, which viewed the industry as an alternative to logging. In 1987, voters agreed to a tax to promote tourism. A new tourism director was hired and a visitor center was upgraded and staffed by city employees. Training programs were offered to

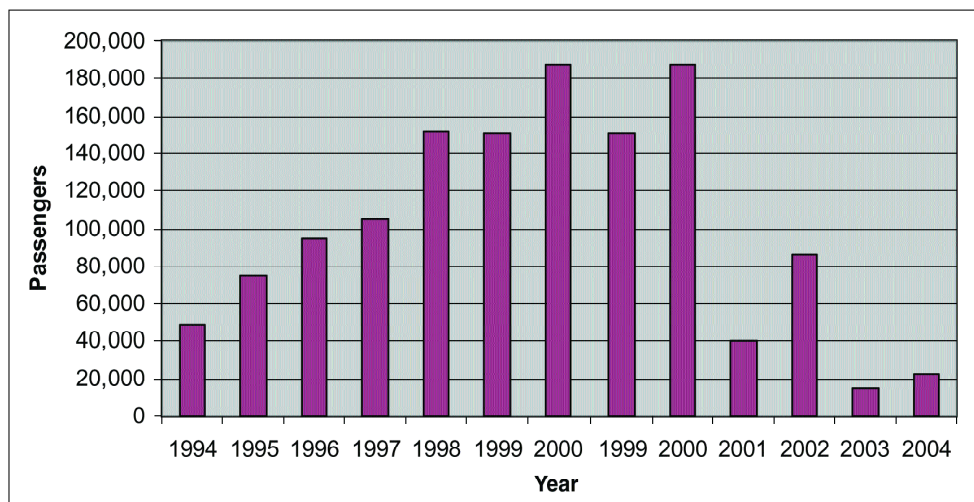


Figure 7—Cruise passengers to Haines: 1994 to 2004 (Haines Convention and Visitor's Bureau 2004).

merchants and residents about the visitor industry. City officials worked hard to promote independent tourism and to attract cruise ships to Haines, which in the mid-1980s were bringing an estimated 60,000 passengers (Chilkat Valley News 1989b). However, the industry experienced dramatic ups and downs, owing to the financial collapse of one cruise line. Cruise ship dockings declined from 100 in 1988 to 20 in 1989 (Chilkat Valley News 1989a). In the early 1990s, cruise visitation fluctuated between 15,000 and 30,000 passengers annually. When the last sawmill closed in 1991, Haines residents sought ways to promote new economic opportunities. Many looked to tourism with renewed interest and desired to expand tourism's economic significance. In 1993, a group of business owners worked with city officials to pursue the idea of expanding the city-owned dock to accommodate large cruise ships. The following year, city voters approved a ballot measure to expand the public dock. By 1995, the number of cruise visitors doubled from 40,000 to nearly 80,000 (fig. 7). Five years later, visitor volume had increased to more than 187,000.

Cruise-based tourism—Along with the rapid growth in cruise visitors after 1995, the number of tourism businesses increased, particularly those providing adventure and sightseeing tours. Local tour operators diversified into new areas, expanding their products and services to meet customer needs. At the same time, new competitors arrived, providing similar products and services and competition. The most successful businesses developed contractual relations with the cruise lines, which sold their tours on board in exchange for a commission. One notable success was Klukwan, Inc., the village corporation for Haines and Klukwan, which invested in

Table 4—Number of selected tourism businesses in Haines, 1994-2000

Segment	1994	1995	1996	1997	1998	1999	2000
Tour companies	15	16	17	25	*	26	24
Fish charters and guides	8	8	11	11	*	14	13
Tourism-related shops	10	12	21	21	18	19	19
Total	33	36	49	57	*	59	56

* = no data available.

Note: These are the best estimates based on data available.

Source: Haines Borough (2000).

Table 5—Haines tourism businesses by category, 2000

Business type	Number
Tour operators (adventure, ecotours, sightseeing, cultural)	21
Lodging (motels, hotels, bed and breakfasts, lodges, cabins)	22
Attractions (museums, totem parks, cultural centers)	6
Galleries/gift shops	19
Transportation (air, water, or city taxi)	9
Fishing lodges and guides	13
Cultural or historical tours	4
Restaurants	14
Camping/RV	6

Sources: Haines Convention and Visitor's Bureau (2000), Haines Borough (2000).

several tourism enterprises, including rapid ferries to Skagway and Juneau, wildlife-viewing tours in the eagle preserve, a gift shop, and a restaurant, among others. An intense business climate resulted, characterized by price wars and creative direct marketing near the dock. Between 1994 and 2000, the number of tours and tourism shops nearly doubled (table 4). By 2000, more than 114 businesses in Haines were directly involved in tourism. In addition, many local businesses profited indirectly from the trickle down of tourism dollars, and the city enjoyed increased tax revenues (table 5). The economic impact of cruise-based tourism in 1999 was estimated at roughly \$10.3 million, with tax contributions to the city and borough totaling more than \$400,000 (McDowell Group 2000b). Various studies looking at tourism-related employment in the late 1990s estimated between 11 and 20 percent of total employment (189 jobs) was tourism based.¹²

As cruise arrivals swelled, several significant shifts occurred in the structure of the tourism industry (fig. 8). First, a growing emphasis on large cruise ship tourism resulted in stagnated growth in other facets of the tourism industry, including small

¹² Allen et al. (1998) estimated tourism employment at 17 percent in 1995. Robertson (2001) estimated tourism employment in Haines between 14 and 21 percent. McDowell Group (2000b) suggested 11 percent of total employment was related to tourism.



Lee Cerveny

Figure 8—Cruise ship docked in Haines, Alaska (2000).

cruise ships and independent travelers. This led to a notable division within the tourism industry between businesses largely dependent on cruise-based tourism and those promoting other types of tourism. Second, competition emerged between those local companies that had partnered with the cruise lines (presold tours) and those that marketed tours directly to guests walking on shore (independent tours). Tension between these groups was evident during public meetings attended by the researcher in 2000. A third change was that Haines tourism became increasingly interdependent with its neighbor, Skagway, one of the most popular cruise destinations in the region. As annual cruise volume in Skagway exceeded 600,000 visitors, Haines tour companies began to receive some of the overflow. Tour operators arranged transportation for Skagway-based cruise passengers to travel to Haines by ferry or air taxi. The larger Haines tour operators indicated that between 50 and 90 percent of their business originated in Skagway.

Mitigating tourism effects—With the increase in cruise traffic, Haines officials also began facing a number of issues raised by residents. In 1999, Haines Borough officials proposed the creation of both a sales tax on tours and a bed tax to expand the economic contribution of the tourism industry and address a budget crisis (Chilkat Valley News 1999d, 1999e). At the same time, a coalition of Haines residents placed on the ballot an advisory measure to cap cruise ship arrivals at 2000 levels as a way to manage future tourism growth (Chilkat Valley News 1999a). All of these initiatives received voter support, albeit by a narrow margin (Chilkat

Valley News 1999b). Within days after the vote, Princess Cruise Lines announced that they would not be returning to Haines in 2000 (Chilkat Valley News 1999c). The same week, the Haines city mayor decided to attract cruise lines by slashing docking fees by 50 percent (Juneau Empire 1999). Because of a technical problem, the sales tax measure was recast in April 2000. Over the winter, the Visitor Promotion Committee, an ad hoc group of tourism providers, lobbied voters to toss out the tax. However, the measure was passed a second time (Juneau Empire 2000b). Also in the winter of 1999/2000, a representative of a local citizen organization, Friends of Glacier Point, began a letter-writing campaign to the cruise lines requesting that they encourage voluntary measures to limit the volume of tour activity at Glacier Point, at the base of the Davidson Glacier. In March 2000, this organization promised protests directed toward cruise guests at Glacier Point, prompting a Princess Cruise Lines spokesperson to call for a cruise ship boycott of Haines (Juneau Empire 2000a). Many Haines residents were concerned that the community was sending out an antitourist message.

The intense nature of public debates that emerged in conjunction with the ballot initiatives and planned protests thrust many issues to the surface reflecting economic and social costs of tourism. The heated nature of these discussions prompted city officials to establish a special tourism committee in 2000 to mitigate tourism's negative aspects while maximizing local benefits (Chilkat Valley News 2000a). In addition, a study was conducted by the Chamber of Commerce to assess the positive and negative effects of tourism (Chilkat Valley News 2000b). While the city's tourism committee worked to address tourism issues through public processes, Friends of Glacier Point and a new citizen group, Haines Peace Keepers, drew attention to negative externalities of tourism, including noise effects in the Chilkat Inlet and the transformation of recreation space at Glacier Point. The groups staged protests at Glacier Point in the summer of 2000, further polarizing the community.

Corporate cruise decisions—With the increasing reliance on cruise ships, Haines businesses became especially vulnerable to decisions made by cruise line executives. In late 2000, one large cruise line, Royal Caribbean, announced that economic factors forced their decision to eliminate Haines from their itinerary and cancel 52 planned 2001 dockings. This decision reinforced the concern that the community was perceived as “antitourist.” As a result, cruise volume to Haines plummeted to pre-1990 levels. The cruise line also terminated partnerships with two prominent tour operators. These decisions impacted the local economy significantly and reflected the economic vulnerability of the community. These events created an opportunity for residents to reevaluate their community's future relation with the

cruise lines and prompted realization of the tremendous ability of cruise corporations to alter local economies. Again, an ad hoc alliance between business and municipal leaders worked to woo the cruise lines back to Haines in 2002, and visitors increased from 40,150 in 2001 to 86,474 in 2002 (Chilkat Valley News 2001).

The cycle of boom and bust in cruise-based tourism was to repeat itself once more. In 2003, Norwegian Cruise Lines opted to send ships to the new port of Wrangell instead of Haines. That same year, Haines lost half of its scheduled dockings from Holland-America when the company reassigned its ships to the more profitable port of Skagway when berths suddenly became available after a fire destroyed a Princess vessel (Chilkat Valley News 2003b). As a result, fewer than 15,000 guests visited Haines in 2003, with modest increases in 2004. In an effort to gain ground with the cruise lines, Haines voters elected to repeal the controversial sales tax on tours in 2003, resulting in an immediately favorable gesture from regional cruise executives (Chilkat Valley News 2003c). These events suggest that secondary ports, such as Haines, Sitka, Wrangell, and Hoonah, are particularly vulnerable to fluctuation. Cruise lines base their docking decisions on a host of factors, including the availability of berths in primary southeast Alaska ports, their ability to profit from the sale of tours on shore, municipal incentives, and public attitudes. Moreover, southeast Alaska officials have increasingly become aware that local cruise line decisions often are made based on complex brokering for berths that often is tied to other global destinations.

Tourism stakeholders—The story of Haines tourism reveals three major findings related to the role of tourism stakeholders (table 6). (1) A strategic alliance of local business leaders and municipal officials was effective in developing and maintaining cruise-based tourism. In the 1980s, this type of alliance emerged amid a faltering timber industry to encourage tourism by investing in infrastructure and spending public funds in tourism marketing. In the 1990s, this alliance was successful in encouraging the expansion of the public dock allowing cruise ships to tie up near downtown. After 2000, municipal officials courted cruise lines by reducing docking fees and, together with business leaders, made visits to corporate offices to market Haines. (2) The cruise industry was able to influence local economic and political decisions through its business alliances with local tourism providers. Partnerships between local tourism providers and the cruise lines increased the economic gap between a handful of presold tour companies and the independent firms operating without a cruise contract—elevating the presold operators to a position of greater economic power. These partnerships played a key role in local

An alliance of local business leaders and municipal officials was effective in developing cruise-based tourism. But as Haines became more dependent on cruise-based tourism, the local economy became more vulnerable to shifts in corporate decisions.

Table 6—Role of principal actors in Haines tourism development

Group	Relation to tourism
Business owners	Generally supportive of tourism expansion. Gained economic benefits from direct and indirect spending by tourism industry. Chamber of Commerce supported the visitor industry.
Tourism providers	Promoted tourism in concert with the Haines Visitor Center. Worked in ad hoc organizations to increase public awareness of tourism industry. Some providers worked in partnerships with cruise line representatives.
City of Haines	Supported tourism industry through the Haines Visitor Center. Paid tourism director and staff. Lobbied for Haines to the cruise industry and target markets in trade shows. Upgraded city dock to accommodate cruise ships in 1995. Established Tourism Planning Committee in 2000.
Haines Borough	Sought tax revenues from tourism and endorsed the bed tax and a sales tax on tours (2000). Borough voters passed a measure capping cruise numbers at 2000 levels.
Cruise lines	Established partnerships with local tourism providers. Affected local economy by shifting docking schedule based on economic and political factors.
Klukwan, Inc.	Invested heavily in tourism industry beginning in 1997, employing many shareholders. Emphasis on transportation, tours, restaurant, and retail sales.
Environmental organizations	In 1980s, viewed tourism as alternative to logging. After 1995, critiqued the “industrial scale” of cruise ship tourism and the health effects of cruise waste. Some citizen groups protested tourist expansion at Glacier Point.
Alaska Department of Natural Resources	Provided tourism facilities in natural areas. Allocated permits to tourism providers using public lands.

political debates. Presold tourism providers often led movements opposing measures to curb tourism growth or introduce new taxes and used their special relation with the cruise lines as leverage to persuade Haines voters. (3) As Haines became more dependent on cruise-based tourism, the local economy became more vulnerable to shifts in corporate decisions made on a regional and global scale. Over time, Haines residents had to decide whether to play by the rules set by the cruise lines. This decision was particularly difficult to make given the lack of other viable sources of economic growth.



Figure 9—Prince of Wales Island.

Case Study 2: Craig, Alaska

Craig is a remote tourist destination off the main cruise ship corridor (fig. 9). Craig (pop. 1,726)¹³ is located on the west coast of Prince of Wales Island in the southernmost part of the region. Originally known as Fish Egg Island, Craig was established by Euro-American immigrants in 1908 at the site of a Tlingit fishing camp. Since that time, Craig has remained an active fishing port, with some of Alaska's oldest canneries and largest commercial fishing fleets. Beginning in the 1950s, significant logging took place on Prince of Wales Island to supply the Ketchikan pulp mill, and many logging camps were founded on the island. In the 1980s, Native corporations began logging on their private landholdings near Craig. Although Craig remained largely a fishing town, the community served as the island's primary commercial and retail hub for island residents, especially after

¹³ This population figure includes the 329 residents of Port St. Nicholas, an unincorporated community adjoining Craig.

roads were built linking Craig with other island communities. In addition, Craig and its neighbor, Klawock, became bedroom communities for island loggers. Craig's role as a retail and service center enabled the community to weather the economic repercussions when Ketchikan's pulp mill closed in 1997 and logging on Native corporation lands subsided owing to market conditions and supply shortage.

Early tourism development—Throughout most of the 20th century, few tourists ventured to Prince of Wales Island because of its remote location. One small cruise line docked in nearby Klawock in the mid-1980s but ran into some rocks in the harbor, destroying the ship and abruptly ending the island's courtship with cruise-based tourism. The tourism industry gained momentum in the 1980s when an historic cannery at Waterfall, located 16 kilometers south of Craig, was purchased by a group of investors and converted into a successful fishing lodge. Waterfall Lodge offered charter fishing, gourmet cuisine, and comfortable accommodations to well-heeled customers. By 1990, they were running 20 charter boats with capacity for 80 guests at one time. In nearby Craig, fishing enthusiasts began appearing in the 1980s. By 1990, seven local charter operators advertised fishing services. Craig's first full-service lodge was built in 1992 by former fishing guides from Waterfall. Soon after, other charter operators began building their own lodges, and by 2001, there were 11 lodges and more than 40 charter fishing operators based in Craig and Klawock (Alaska Commercial Fisheries Entry Commission 2004). Lodge ownership was divided among long-time Craig residents, including former loggers, seasonal residents to Craig, former Waterfall guides, and corporate entities, including Craig's village corporation, Shaan-seet.

Sportfishing—Over the 1990s, the Craig area cultivated a reputation in the sportfishing world as a top destination for king salmon and halibut, attracting thousands of fishermen each summer. As new charter operators entered the marketplace and existing lodgeowners expanded their fleets, the number of registered charter boats operating in Craig and Klawock increased from 11 in 1990 to 115 in 2001 (fig. 10).¹⁴ In addition, another 29 charter boats were registered at Waterfall Resort. Between 1980 and 1999, the Prince of Wales Island's share of total southeast Alaska sport harvest of halibut increased from 4 percent to 26 percent, while the island's share of southeast Alaska's sport king salmon harvest increased from 6 percent to 15 percent (fig. 11). The harvest of king salmon on Prince of Wales

¹⁴ The 1990 figure comes from the Craig Overall Economic Development Plan (1990). The 2001 figure comes from the Alaska Commercial Fisheries Entry Commission (2004).

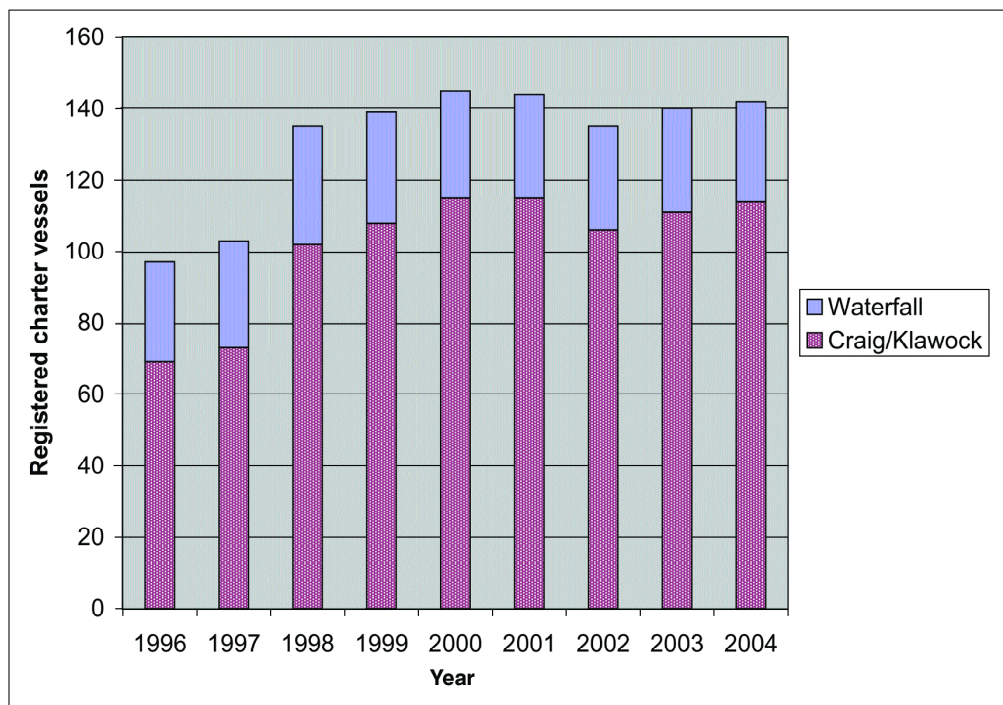


Figure 10—Registered charter fishing vessels in Craig/Klawock and Waterfall, 1996-2004 (Alaska Commercial Fisheries Entry Commission 2004).

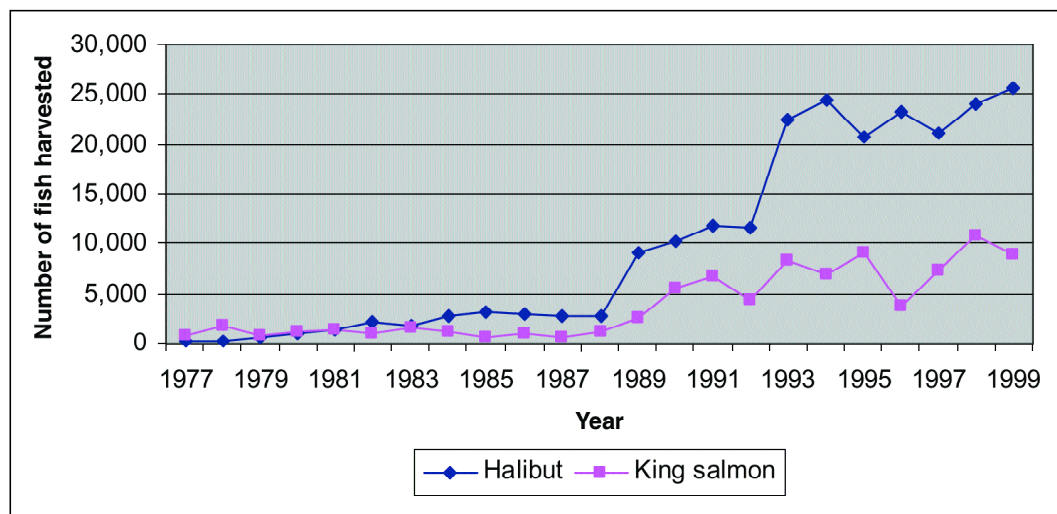


Figure 11—Prince of Wales sport harvest of halibut and king salmon, 1977 to 1999 (Jaenicke and Frenette 2000).

Island increased from 811 in 1977 to nearly 9,000 in 1999, the most recent figures available (Jaenicke and Frenette 2000).

Fishing lodges and charter operations contributed modestly to the Craig economy. Many area lodgeowners interviewed spent some money locally on fuel, parts, food, hardware, and labor; however, they were more likely to purchase bulk supplies and large ticket items in Ketchikan because of competitive pricing. Although most guest activities were contained within the lodges, charter guests also spent locally on transportation to and from the island, as well as local transportation, gifts, and to some extent food and beverages. Guests staying at Waterfall Lodge, however, did not typically spend money in Craig, as they were not given opportunities to visit town.¹⁵ The growth of charter fishing was a boost to the local economy in 2001, creating a small number of jobs for residents as guides, fish cleaners, maids, cooks, food servers, and bartenders. In 2002, there were 134 full-time jobs in the leisure and hospitality industry on Prince of Wales Island, representing 7 percent of employment (Fried and Windisch-Cole 2004). Waterfall Resort alone employed more than 94 workers in the summer of 2002, with 75 percent of them from outside Alaska (Hadland 2004). According to a report on nonresident workers, an estimated 56 percent of all guiding jobs and 35 percent of jobs in accommodations were held by nonresidents (Hadland 2004).

Other forms of tourism—Fishing was not the only source of tourist activity. With high concentrations of large game, more than 3200 kilometers of wooded roads, and numerous Forest Service cabins and accommodations, Prince of Wales Island is a well-known site for guided and independent hunters from other southeast Alaska communities and outside the region. In 2000-2001, 2,151 deer hunters obtained permits to hunt on Prince of Wales Island, with 42 percent coming from off the island, including 5 percent from out of state (ADF&G 2001b). Bear hunting also increased in popularity among nonresident hunters, who took more than 77 percent of the total bear harvest in 1999, compared to 44 percent in 1990 (ADF&G 2001a).

Because of the increase in charter fishing and hunting, Craig also saw a significant expansion in local accommodations. The number of lodges, bed and breakfast establishments, resorts, and rental cabins, grew from 2 in 1989 to 17 in 2001 (Alaska Department of Community and Regional Affairs 2001a, Prince of Wales Chamber

¹⁵ Incidentally, maps of the Waterfall Lodge on the company's Web site and brochures do not acknowledge the presence of Craig, although the community is 16 air kilometers from the lodge.

of Commerce 2001, and personal interviews.) In 2001, the total capacity for accommodations in the Craig and Klawock area, not including fishing lodges, was estimated at 210 guests. Many residents diversified their household income by renting attached apartments or converted rooms in their homes, whereas others built rental cabins for out-of-town guests. Although some bed and breakfasts actively promoted their business, most used low-key marketing strategies, relying on word-of-mouth references and local advertisements to generate clients.

Other forms of tourism also were occurring in Craig. Since 1992, an average of 680 pleasure boats visited Craig harbor annually, providing a key source of revenue for the city, and partly subsidizing harbor fees for other users.¹⁶ Boaters spent money on fuel, groceries, restaurants, laundry, supplies, and parts. In the late 1990s, island entrepreneurs also began promoting nonconsumptive tourist activities, including kayak tours, wildlife viewing, and cultural tours. The island possesses abundant resources to support these activities, including protected areas for kayaking and canoeing, a system of internationally renowned caves, unique dive tourism opportunities along the island's western coast, and a plethora of marine mammals, birds, and wildlife for nature-based tourism. In addition, the island has numerous cultural attractions, including totem poles, Native artwork, and archaeological ruins. In 2001, one tourism provider in Klawock specialized in cultural tourism.

The growth of charter fishing in the 1990s and the recent expansion of local businesses into other forms of tourism made Craig a growing tourist destination by 2001. An estimated 4,000 to 6,000 visitors traveled to Craig and Klawock in 2001, and roughly 82 tourism-related businesses existed to support these visitors (table 7). The Prince of Wales Chamber of Commerce based in Craig served as a visitor center and distributed brochures and information to incoming guests. This organization published a visitor's guide outlining area services. The Forest Service ranger station in Craig also provided travelers with information about the area's recreation resources.

Tourism stakeholders—Unlike Haines tourism, where municipal leaders took an active role in tourism promotion and development, tourism in Craig blossomed largely as a result of the efforts of the business community and with little encouragement from city hall. In fact, during most of the 1990s, Craig's mayor, a commercial fisherman, was an outspoken critic of the charter industry. The Chamber of Commerce and the Prince of Wales Island Tourism Council, however, supported

Tourism in Craig specialized in lodge-based fishing and has blossomed largely as a result of the efforts of the business community.

¹⁶ Data on file with City of Craig harbormaster. These figures fluctuated between 200 and 800 annually.

Table 7—Tourism businesses by category in Craig and Klawock, 2001

Business type	Number
Tour operators (adventure, ecotours, sightseeing, cultural)	5
Lodging (hotels, motels, bed and breakfasts, lodges, cabins)	23
Attractions (museums, totem parks, cultural centers)	4
Galleries/gift shops	7
Transportation (air, water, or city taxi)	11
Fishing lodges and guides	40 (24)
Restaurants	10
Kayak/skiff rental	2
Camping/RV	2

Note: Number in parentheses is estimated “active” businesses.

Sources: Prince of Wales Chamber of Commerce (2001), Alaska Department of Community and Regional Affairs (2001a).

the tourism industry. In addition to staffing the visitor center and producing the visitor guide, the Chamber of Commerce supported local events, including a marathon and logging festival. The Tourism Council formed in the late 1990s and consisted of tourism providers and city, state, and federal government officials who came together to coordinate tourism planning efforts and provide support for the growing visitor industry. However, formal involvement in these organizations by city officials was minimal.

In 2001, city officials participated in a workshop in Craig sponsored by the Tourism Council and recognized the economic importance of the tourism industry. Also in 2001, the mayor agreed to pay the city harbormaster’s entry to boat shows in the Lower 48 States to advertise Craig and provide incentives for boaters to stop. The city’s efforts to increase nonresident use of the boat harbor represented the first tangible measure taken by local officials to promote Craig tourism. The principal actors in Craig’s tourism development are shown in table 8.

Prior to 2002, tourism growth on Prince of Wales Island was inhibited somewhat by the island’s undeveloped transportation infrastructure. The Alaska Marine Highway System serviced the island through its Hollis terminal; however, ferry service historically was limited. In the late 1990s, municipal officials from several island communities and neighboring cities sought alternatives to the state ferry system, culminating in the Inter-Island Ferry Authority. The new ferry offered daily service from Ketchikan to Hollis in 2002, with a second ferry scheduled to connect the northern part of the island to Wrangell and Petersburg in 2004.¹⁷ New connections

¹⁷ Service is expected to be twice daily in the summer season.

Table 8—Role of principal actors in Craig tourism development

Group	Relation to tourism
Business owners	Chamber of Commerce supported Prince of Wales tourism with the visitor center, visitor guide, and sponsorship of key events. Business owners generally supported tourism industry.
Tourism providers	Lodgeowners developed business with relative autonomy. Some tourism providers organized an island tourism council to promote tourism development and planning.
City of Craig	Engaged in few proactive measures to support tourism. Focused on infrastructure and diversifying economy in other industries.
Tongass National Forest Craig Ranger District	Managed recreation infrastructure (campgrounds, trails) and awarded permits to tourism providers using public lands.
Inter-Island Ferry Authority	Offered regularly scheduled and consistent ferry service to Prince of Wales Island. Staffed an onboard tourism kiosk.

and regular service may encourage motorized tourist traffic on the island. The island’s road system also has posed challenges for tourism proponents. Although the island possesses an extensive road system, paved roads were largely restricted to the central part of the island in 2001. With improvements in ferries and roadways on the horizon, many anticipate a surge of tourist interest.

Tourism in Craig has, to a great extent, been shaped by the island’s remoteness (fig. 12). Without access to the main cruise ship corridor, Craig’s tourism industry has specialized in lodge-based fishing where guests expect to invest more in traveling to rural sites for access to Alaska’s bounty. Planned improvements in transportation infrastructure will make Craig more accessible and will likely redefine the nature of tourism. Craig tourism also has been influenced by the efforts of tourism providers acting individually or in cooperation to promote mutual interests. Until recently, municipal leaders have not prioritized tourism promotion. With the loss of jobs in fishing and timber, the city began to acknowledge the potential economic role of tourism. Finally, the charter fishing industry in 2001 consisted of a combination of “mom and pop” fishing lodges and larger corporate-owned ventures. Many of the larger lodges were owned by guides turned entrepreneurs. As they build capacity and expand their products and services, when it comes time to sell, these businesses may be too expensive for most Alaskans. An increase in corporate ownership of the larger lodges is perhaps inevitable.

Continue