



PRESIDENT AND CEO REPORT • JANUARY THROUGH MAY 2020

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DATELINE: JULY 1, 2020

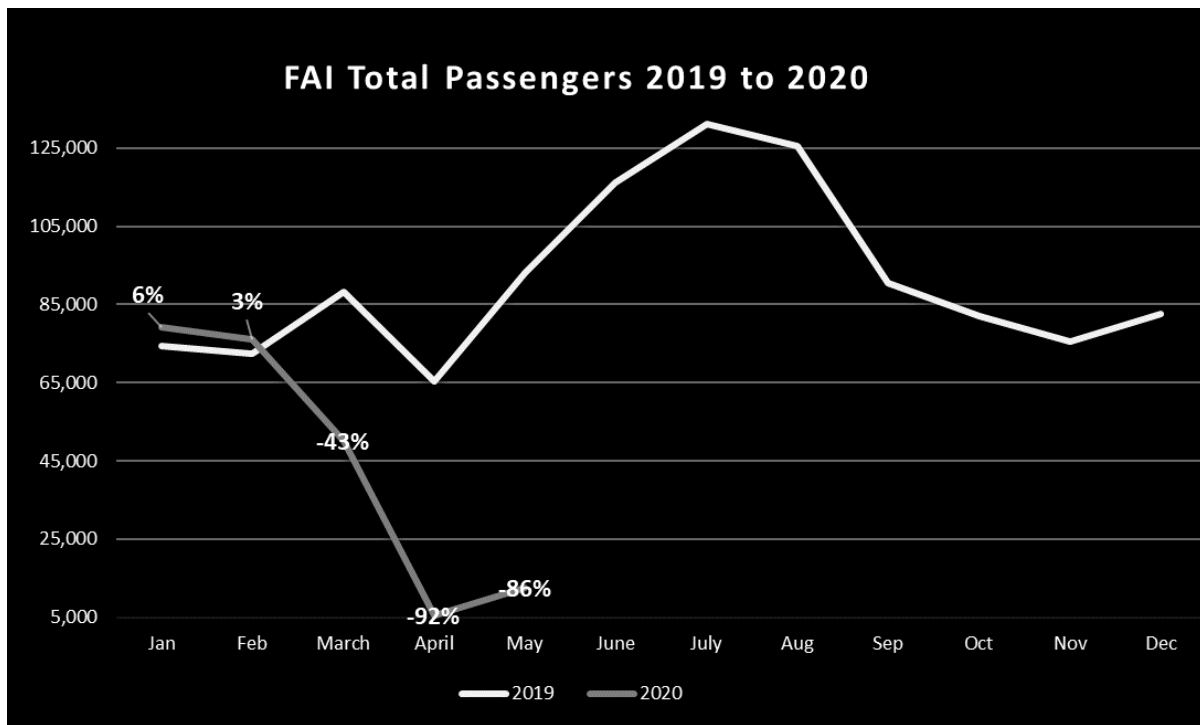
The five stages...and counting...of a pandemic

Common refrains heard during this pandemic are: “We’re making this up as we go along.” “Uncommon times require uncommon measures.” “Tourism is resilient.” All are true. Together the remarks are a testament to entrepreneurial flexibility, ingenuity and just plain stamina. While still too early to assess the total impact of the pandemic, a re-cap of the calendar year to date compared to 2019 verifies that the local tourism industry is experiencing an industry-wide crisis. According to the United States Travel Association (U.S. Travel), “The impact of the current pandemic on the travel industry is worse than two of the most significantly devastating times in America’s history: September 11 and the Great Depression.” Analysis by Tourism Economics reveals that while the economy is in a recession, the travel industry is in a depression: overall travel industry unemployment is 51%—twice the unemployment of the worst year of the Great Depression.

Stage #1 Shock By March 2020, the Fairbanks tourism industry was already on its way toward its sixth consecutive year of year-round growth with unprecedented increases in January and February, such as Hotel/Motel Tax collections and airport passengers. By mid-March pandemic pandemonium had set in with a staggering downward spiral of cancellations for both winter and summer bookings. When Explore Fairbanks closed the Morris Thompson Cultural and Visitors Center to the public on March 22, aurora and winter tourism seasons had already met an untimely death in its most popular month. Simultaneously, owners and operators tried to keep their heads above water during the first wave in a tsunami of summer cancellations and a year-over-year decline in bookings. Giving new meaning to the ides of March, the fate of tourism was sealed when the State of Alaska issued Health Mandate 10.1 ordering international and interstate travelers to Alaska to self-quarantine for 14 days effective on March 25. Further closing the door on summer was the Center for Disease Control extending its no-sail order for cruise ships from 30 days to 100 days effective April 15.

FACT

At its lowest point on April 11, about 50 souls came/went from Fairbanks International Airport (FAI).



Stage #2 The Blur of Survival After the CARES Act was signed into law on March 27, businesses scrambled to understand the idiosyncrasies of federal programs requirements and applications. At the time, who knew that acronyms such as EIDL and PPP would become part of the vernacular for months into the future? Keeping up with evolving regulations and the roll out of new programs has led to a seemingly endless series of webinars and virtual town halls. While this swift relief was welcomed, it is not enough to stimulate the recovery of tourism.

FACT The U.S. economic recovery will be inextricably tied to the recovery of the small-business sector, according to a June 2020 report from IHS Markit. In 2019, there were 10 million establishments with under 50 employees, the measure IHS Markit used to define small business, accounting for 44 percent of total private sector employment. Small businesses played a key role in the long economic expansion between 2009 and 2019 when 1.1 million new small businesses were established. “Total private employment during the last economic expansion rose by 20.4 million, with employment among small businesses accounting for eight million new jobs – close to 40 percent of that total,” said Jim Diffley, senior economist, IHS Markit. “That businesses with less than 50 employees, averaging six employees each accounted for such a large share of total growth in jobs is a testament to the dynamism of small business in America and why its role in recovery will be so significant.” “The important role of small business has been one of the hallmarks of the American economy, and the restoration of that sector will do much to determine the pace and strength of the U.S. recovery,” Diffley added.

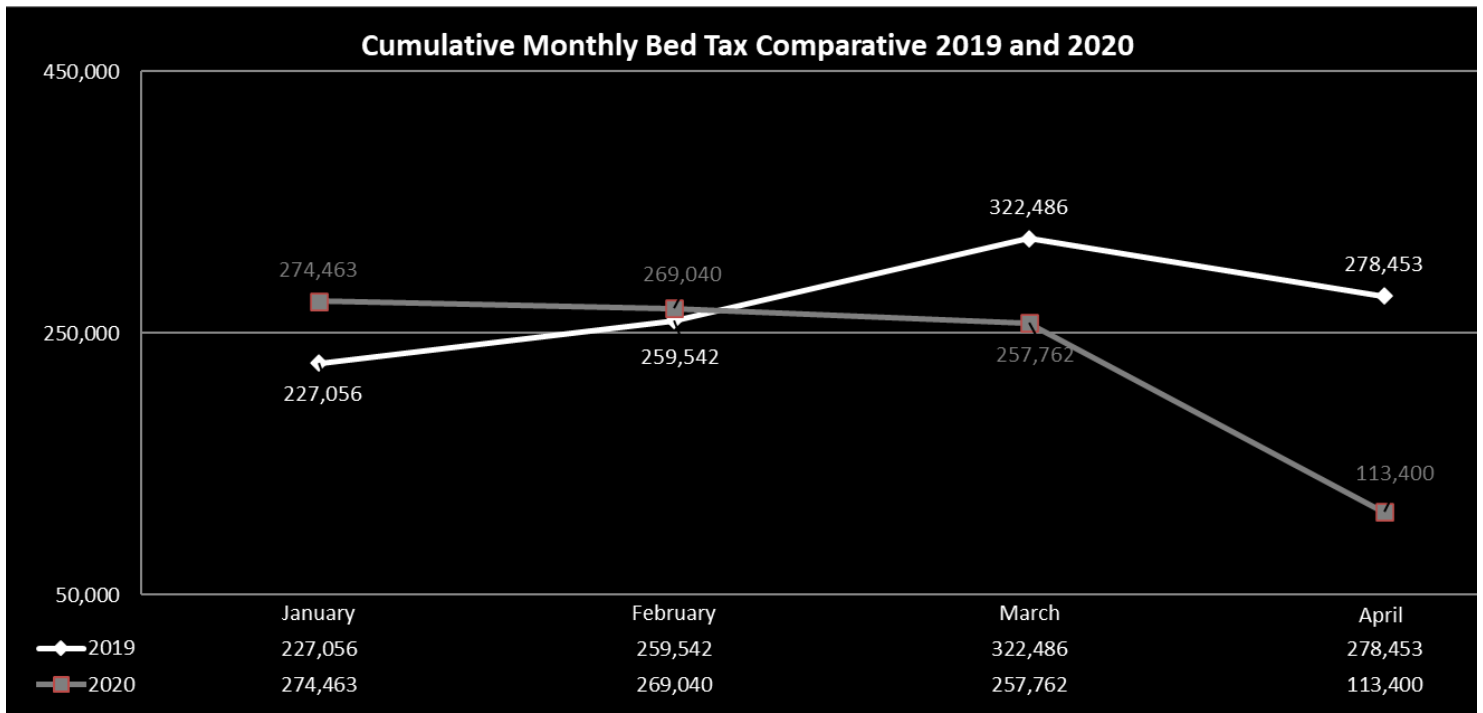
Curtailments in destination sales and marketing will reverberate in impact on small tourism businesses throughout the region. In a 2019 survey of Explore Fairbanks business partners, 83% had 26 employees or less and 56% had five or fewer employees. Therefore, most of Explore Fairbanks stakeholders are not only small businesses, but they are micro-businesses. Daily, Explore Fairbanks is acutely aware of the challenges and opportunities for small tourism businesses.

CALL TO ACTION Among the top federal priorities for U.S. Travel is to further build on CARES Act programs, such as increasing maximum loan amounts and flexibility, and extending the coverage period, and build on other critical provisions of the CARES Act. For state programs like AK CARES, recipients of PPP and EIDL monies should not be barred from applying; any previous awards should be factored into the formula.

Stage #3 Hard Cold Realities For many businesses, an assessment of revenue forecasts and financial resources forced hitherto unimaginable cuts in expenses, including heartbreaking decisions in staffing. For some summer businesses, the PPP helped to postpone agonizing decisions about employees and, for a handful, stave off these decisions for the time being. Ineligible for the PPP because of its 501(c)(6) nonprofit stature, Explore Fairbanks' day of reckoning came on April 10 with the termination of five positions and the institution of across-the-board pay cuts for the remaining team members. Without additional funding, a month-long furlough looms at the end of the year for all employees.

FACT Travel is the hardest hit industry sector on both a national and state level. Travel-related job losses represented 38% of all U.S. job losses through April — more than 8 million jobs. The Alaska Department of Labor and Workforce Development (DOLWD) reported in June that leisure and hospitality were down more than all industries in Alaska, dropping 48% from last April with a total job loss of 15,600. Alaska's May job count was down 12.2% from last May, a loss of 40,900 jobs. The state's seasonally adjusted unemployment rate declined from a revised rate of 13.5% in April to 12.6% in May. The comparable U.S rate for May decreased from 14.7% to 13.3%. Every major industry in Alaska was down from last May. Leisure and hospitality lost the most, numerically and in percent terms, dropping 39.7% from May 2019 or the loss of 15,300 jobs. The scary fact for Alaska is that the full brunt of summer season job loss is not showing up yet in the data.

FACT One indicator of tourism in the community is Hotel/Motel Tax collections based on two variables, occupancy and room rates. Below are the combined totals for the Fairbanks North Star Borough including the cities of Fairbanks and North Pole, comparing the January through April period of 2020 with 2019.



CALL TO ACTION U.S. Travel is advocating for \$10 billion in Economic Development Administration Grants specifically for destination marketing organizations and small businesses to promote healthy travel practices and encourage visitation to businesses, attractions and communities as it is safer to travel. U.S. Travel also advocates for destination marketing organizations to be eligible for PPP and other programs initially closed to certain nonprofits, such as 501(c)(6) organizations.

Stage #4 Wrestling with the Present to Open or Not to Open? Entrepreneurs, managers and CEOs struggled to decide whether to reopen or not. More than 100 businesses have reported “open for business” status to Explore Fairbanks; each business detailed safety and sanitation protocols established to help ensure the protection of employees and guests. According to the “Update to Coronavirus’ Impact on American Travel” released by Destination Analysts on May 11, 2020, travelers are exhibiting strong trust in official destination marketing organizations. When asked about the resources they would trust to provide the information needed to travel safely, official state tourism offices and local visitors bureaus were cited second behind friends and family.

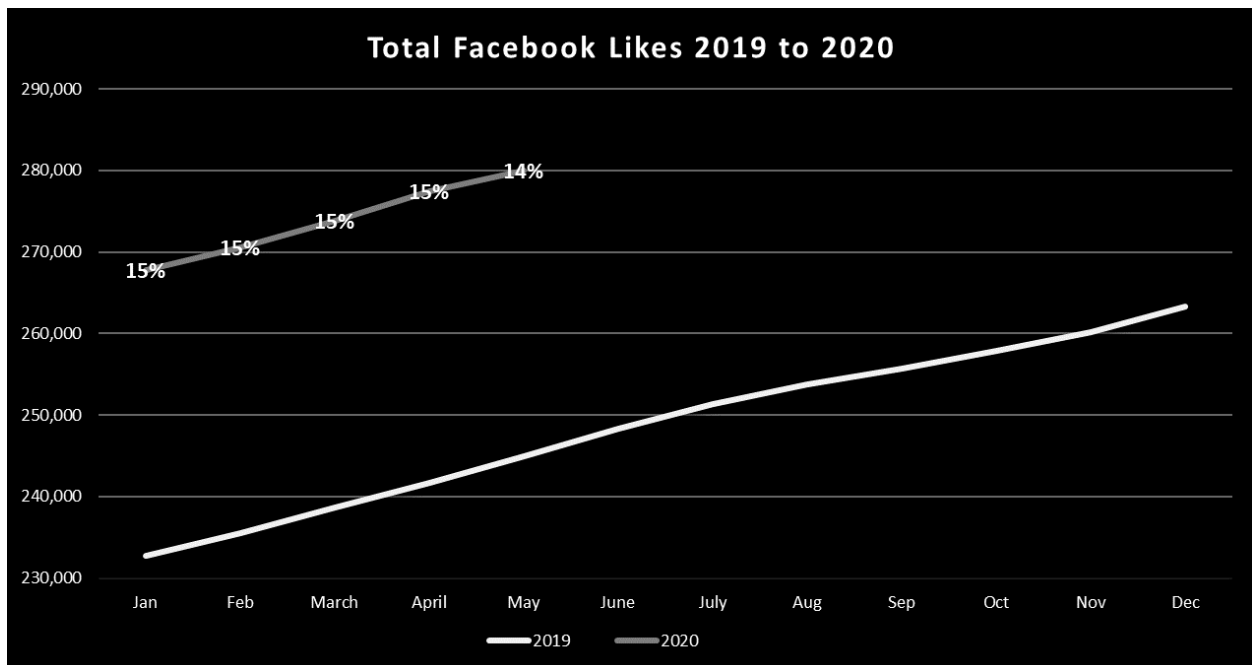
FACT Meetings and conferences, scheduled in Fairbanks and actively engaged with Explore Fairbanks, that have been postponed or cancelled to date reflect a loss of more than \$11.5 million in Total Estimated Economic Impact (direct + indirect + induced wages) in the community during the March through September 2020 period.

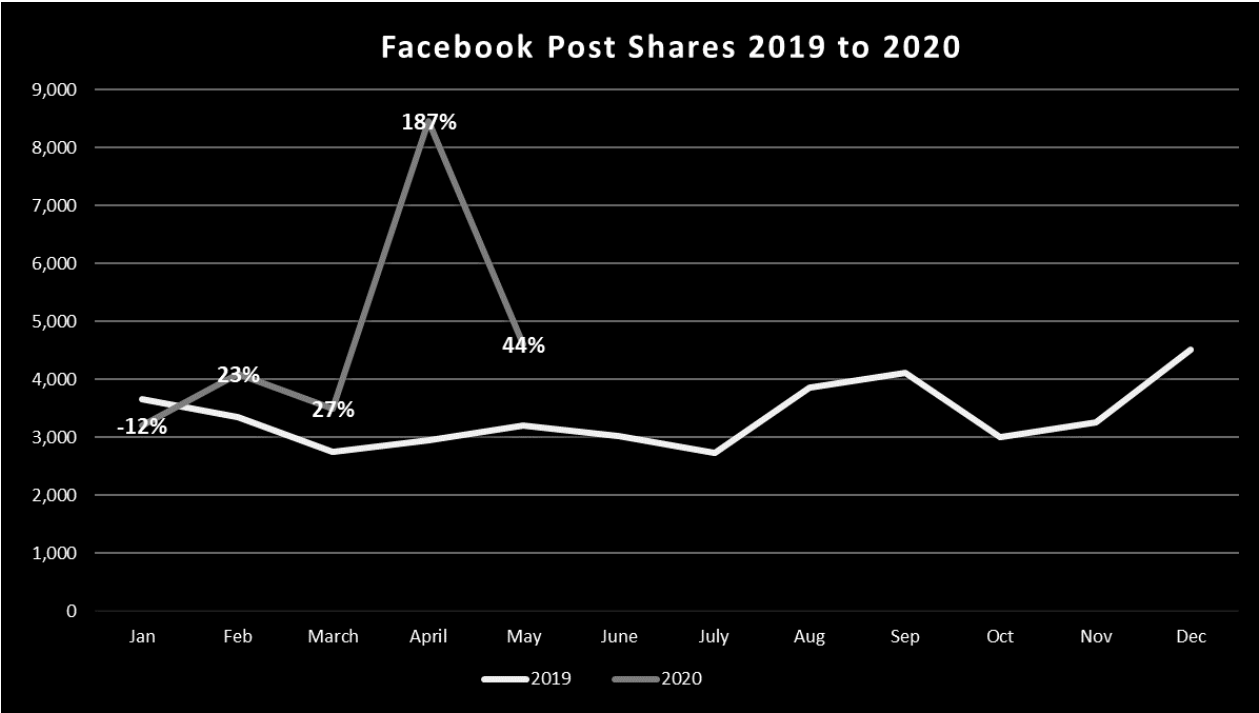
CALL TO ACTION Other federal legislative priorities for the U.S. Travel is federal legislation to provide a temporary and targeted safe harbor from liability for tourism businesses that maintain a safety plan based on CDC or OSHA guidelines. With the requirement that travelers to Alaska provide proof of testing, the availability of accurate rapid testing is another key to the quicker recovery of Alaska’s travel industry.

Stage #5 The Uncertainties of Recovery U.S. Travel, in research prepared by Tourism Economics, projects visitation and travel spending (both domestic and international). Total travel spending in the U.S. is predicted to drop 45% by the end of 2020. Domestic travel spending is expected to fall 40% (from \$972 billion in 2019 to \$583 billion in 2020); and international inbound spending is expected to fall 75% (\$155 billion to \$39 billion). In its weekly “Update on American Travel in the Period of Coronavirus” for the week of June 29th, Destination Analysts summarized, “After consistently improving throughout May and early June, with the alarming rise in cases in some of the most popular and populous areas of the country, American travel sentiment has reversed course—now nearly 4 in 10 say they don’t have plans to travel for the remainder of 2020. Travel advertising, nevertheless, still has the ability to inspire happiness, particularly if it communicates many affordable, fun things to do in a safe, uncrowded destination.” Alaska fits the perception of “a safe, uncrowded destination.” However, as a long-haul destination, Alaska in general and Fairbanks specifically have the added challenges of typically requiring more time and money to experience the destination.

CALL TO ACTION US Travel is advocating for the federal government to “incentivize a safe restart to the travel economy” by creating temporary tax credits to travelers and provide tax breaks to businesses for PPE and facility sterilization.

FACT After America shut down, friends and colleagues intensified and expanded their virtual and social media connections. While Explore Fairbanks Facebook Likes grew consistently with a total of 280,000 Total Likes, Shares ratcheted up 50% from January through May compared to the same period in 2019. Instagram increased an average of 15% per month through May to tally more than 19,000 Followers.





FACT Destination Analysts concludes, "Travel advertising also still has the ability to inspire joy, with over half of American travelers saying that seeing a travel ad right now would make them feel happy. Compared to a month ago, travelers are more desiring of advertising tones that are friendly, fun and inspirational." Explore Fairbanks pro-actively messages these destination qualities.



Get out and experience all the incredible activities, attractions and tours available in the Golden Heart of Alaska.

Find a list of business partners' current "Open for Business" status, discounts, sanitation procedures and more.

Learn more at www.explorefairbanks.com/local



Be inspired by the light of the Aurora Borealis. Renew your energy under the Midnight Sun. Experience the warmth of Fairbanks—Alaska's Golden Heart—and the gateway to Denali, Interior and Arctic Alaska. Make the Morris Thompson Cultural and Visitors Center your first stop to planning your Alaskan adventure.

Morris Thompson Cultural and Visitors Center
101 Dunkel Street • Downtown Fairbanks • Open 8am - 5pm Daily



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