



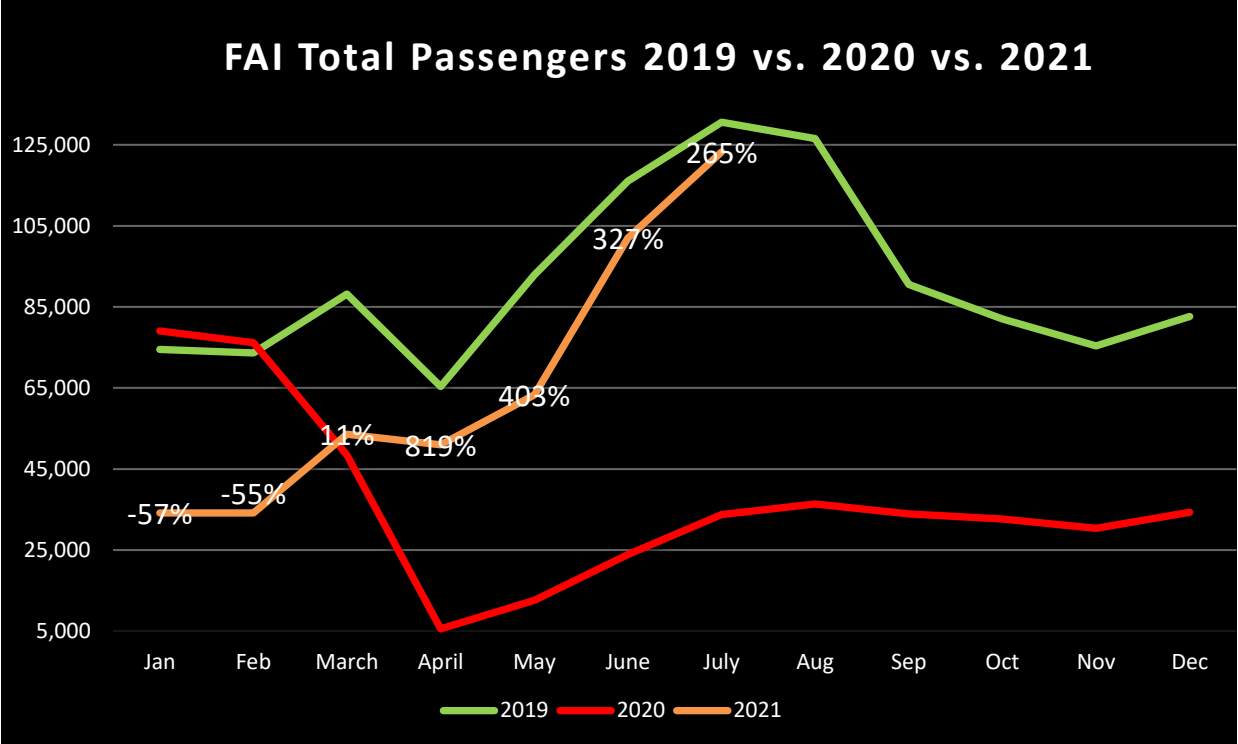
## **PRESIDENT AND CEO REPORT SEPTEMBER 2021**

Heading into the Labor Day weekend, it's hard to believe that the summer 2021 season is already coming to an end as the midnight sun disappears, and the northern lights takes its place, ushering in the start of another aurora season.

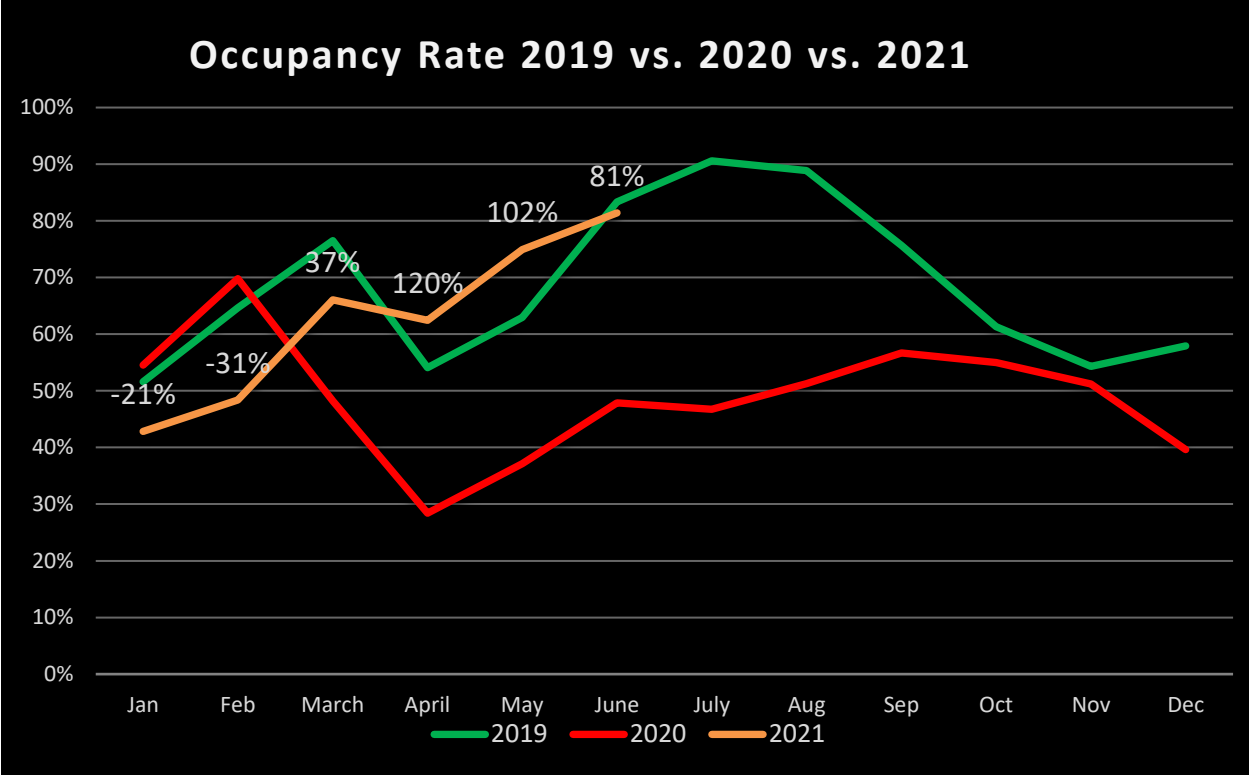
It has been a summer season that can best be described as unexpected—in both positive and negative ways. On the positive side is that in terms of visitor numbers, we have performed better than we anticipated given that we were facing another summer of no Cross Gulf of Alaska cruises and very limited international travelers and highway traffic. Those three areas, according to the 2016 Alaska Visitor Statistics Program (AVSP) typically make up a combined 67% of our summer visitors.

Taking their place—though not to the same pre-pandemic numbers—have been an influx of domestic leisure travelers eager to travel because of the pent-up demand from months of being stationary and incentivized by exceptionally low air fares, to include new markets to Fairbanks such as Dallas-Fort Worth and Salt Lake City. Going into the summer season, Fairbanks International Airport was looking at a 33% increase in passenger capacity (not actual passenger numbers) over 2019. Not all those flights came to fruition, such as Condor's weekly service from Frankfurt and Delta Air Lines' second daily Minneapolis service.

In terms of actual passengers through the month of July, year-to-date we have seen an increase of 65% over 2020 and a decrease of 39% over 2019. As the graph below shows, 2021 started off under 2020 (which was on pace to be a record year) but rapidly picked up beginning in April. When looking at the summer months of May to July, there was an increase of 310% over 2020 and only a decrease of 15% compared to the same timeframe in 2019.



We've seen positive numbers in other data points that we track to help give us a sense of industry performance. Hotel occupancy rates have not only surpassed 2020, but, in the case of the months of April and May, were among the highest since we have been tracking over the last six years. Similar upward trends have been seen for City of Fairbanks and Fairbanks North Star Borough hotel/motel bed tax collections and hotel average daily rates (ADR). The below chart shows hotel occupancy rates through the month of June with percentage comparison to 2020; the data represents 70% of our hotel properties reporting with an average of 70 rooms or more. It's also worth noting that the Fairbanks Princess Riverside Lodge did not open this summer, while some other properties did not operate at full capacity.



Those were the unexpected pleasant surprises. On the flip side of the coin were the unexpected challenges, such as a compromised supply chain that has led to shortages of everything from rental cars to restaurant supplies and more, which also has the impact of increased costs for those supplies that are available.

The bigger challenge, however, has been the labor shortage. Labor Day is a time that we honor and recognize the American labor movement, but this year we might be spending more time bemoaning the lack of movement. It is a problem that the leisure and hospitality industry here in Fairbanks and Alaska shares with the entire nation, and for that matter, it is not limited to just our industry. White collar, construction, health care and more are all faced with the challenges of a depleted workforce and a shared frustration in the inability to attract new workers.

Because of the public facing nature of our industry, ours might have been more obvious than other



sectors, whether it be restaurants limiting days and hours of operation or having longer wait times, tour companies having to turn away business because they don't have drivers, or hotels having reduced housekeeping services. "Other duties as assigned" has taken on a whole new meaning this year, with employees from the top down putting in extra work and hours and taking on additional responsibilities to keep the doors open and provide the necessary services to the aforementioned influx of visitors.

As we look ahead to 2022 and the early forecast that it will be even more successful than this year, this challenge is one that we will all have to work together to address. Our primary mission at Explore Fairbanks is to bring visitors to Fairbanks, but growth in visitation on the road to recovery must be connected to the growth in employment to meet that volume.

With any problem, it starts with trying to answer the question of "Why?" and with this issue, there is no one underlying reason but rather a multitude of factors to include the virtually nonexistent J-1 program and the unavailability of childcare. In the coming months we are looking to have a partner webinar presented by those who study and analyze the employment challenges and can help us answer the "Why?" so that we can identify solutions moving forward.

Rest assured, we here at Explore Fairbanks will do our part to address this issue however we can, whether it be working with government officials on the J-1 program; hosting our visitor industry job fairs; partnering with the school district, military and the university to promote careers in the visitor industry; providing education and resources to our partners; and more.

If we've learned anything this last year and a half, it is that those who make up the Fairbanks visitor industry are indeed a resilient group, and it is that resiliency and cooperative spirit that will help us overcome this challenge as well as others to come.

Thank you for all that you do.

A handwritten signature in black ink that reads "Scott McCrea". The signature is written in a cursive, flowing style.

Scott McCrea

President and CEO

[smccrea@explorefairbanks.com](mailto:smccrea@explorefairbanks.com)