



Call for Marine Passenger Fee Fund Proposals
Funding Source is the CPET (Commercial Passenger Excise Tax) Funds

Proposal Title: Old Sitka Dock Improved Passenger Access

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NOTE - Proposals must enhance at least one of the following: the safety, transportation or efficiency of cruise ship passengers.

Proposal:

The State of Alaska collects a fee from each visitor that visits Sitka. Per Alaska Statute 43.52.200 the City and Borough of Sitka receives \$5 paid by each cruise ship passenger that visits Sitka. Per the state statute the City is required to utilize this money in a **manner calculated to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.**

"For each voyage of a commercial passenger vessel providing overnight accommodations, the commissioner shall identify the first five ports of call in the state and the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the commissioner shall distribute to each port of call \$5 per passenger of the tax revenue collected from the tax levied under AS 43.52.200 - 43.52.295. If the port of call is a city located within a borough not otherwise unified with the borough, the commissioner shall, subject to appropriation by the legislature, distribute \$2.50 per passenger to the city and \$2.50 to the borough. Each port of call receiving funds under this section shall use the funds in a manner calculated to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce."

Halibut Point Marine Services would like to propose that the City and Borough of Sitka utilize \$3 of the head tax collected to enhance the safety and efficiency and provide for proper transportation services for cruise ship passengers between the Old Sitka Dock and downtown Sitka.

It is proposed that passengers will be transported between the Old Sitka Dock and downtown Sitka in 2 potential ways at no cost to the passengers. Tour Operators, and a Shuttle Bus System.

Tour Operators:

Many of the larger tour operators have 2 tours per day. It has been proposed that some of the land based and water based tour operators would pick up their first tour groups at the dock in the morning. After the tours completion, the operators would end their tour in downtown Sitka and the passengers would disembark. The second tour of the day would begin from downtown Sitka and passengers would be dropped off at the Old Sitka dock at the end of the tour.

Based on this model, the tour operators would be providing transportation for passengers between the dock to downtown Sitka. Under this proposal the tour operators would receive \$1.50 for each of the morning passengers for picking them up at the dock and dropping them off downtown. They would also receive \$1.50 for each of the afternoon passengers for transporting them from downtown to the dock.

Shuttle Bus:

A shuttle bus system will be implemented to provide scheduled bus service between the Old Sitka Dock and Downtown Sitka. For large cruise ships it is anticipated that 10 buses would need to be utilized for larger vessels. This would result in a bus departing approximately every 7 minutes.

Per the Statue this system would provide proper services for ship visits and enhance the safety and efficiency of commerce. In addition, this system would encourage the current ships that visit Sitka to utilize the Old Sitka Dock by minimizing their transportation costs associated with getting their passengers off of the ship.

Impact of Dock Utilization to the City of Sitka.

Cruise Ship Passenger Visits have been declining over the past 5 years and 2012 will see nearly half of the passengers as 2008. As a result Sitka's economy has suffered. Local tourism based employment has declined and sales tax revenues have also significantly declined.

Currently there are no plans for Sitka to get additional cruise ship passengers. So, the only way to improve the economic impact of the cruise ship visitors to Sitka is to maximize the impact of the visitors that currently come to Sitka by making it easier for them to access the local merchants, and tour operators.

Currently all cruise ship visitors access Sitka by utilizing tender boats. It can take over an hour for the ship to anchor, set tender boats in the water, and transport the first passengers to town.

Depending on the anchor location, tender boats can take up to an hour to make a round trip hauling passengers from the ship to the tender dock. This along with the inconvenience of having to wait in line on the ship to board the tender, the frequent poor weather in Sitka Sound, and accessibility issues with older passengers, tendering results in fewer visitors getting off the ship.

Currently the first passengers off of the ship are those booked on shore excursions. The travelers that want to explore downtown Sitka and shop have to wait on the ship until all of the shore excursion passengers have been transported to shore on the tender boats. With the utilization of the dock, passengers wanting to shop will not have to wait.

If the ships were to utilize the Old Sitka Dock passengers would meet their shore excursion operator at the dock. Tours would be able to start shortly after the ship arriving. This would have a major effect on many tour operators because limited port time by the ship limits the tour operators on the number of tours that they can offer during a port call. The utilization of a dock would result in tour operators having more time to offer tours which may result in an additional tour during the port call which intern results in more revenue for the operator and more sales tax for the city.

Passengers not on tours would have better access to local merchants if the ships utilized the Old Sitka Dock. A transportation shuttle would be provided from the dock to downtown Sitka. For large ships 10 busses would be provided for transportation. So when the ship arrives 10 busses could be loaded and 500 passengers would be dropped off downtown within 30 minutes of the ships arrival and 1000 passengers could be dropped off within 1 hour.

Many people believe that the head tax funds should be utilized for capital improvements such as the renovation of the Centennial Building to improve facilities for the cruise ship visitors. Many of the local retailers and tour operator's are struggling to maintain their business with the declining cruise ship visitors. If these retailers and tour operators close their businesses, Sitka's visitor numbers will continue to decline because the ships will have nothing for their passengers to do if they come to Sitka. If this happens there will be no more head tax money and the capital improvements made utilizing head tax money will have been wasted.

Sitka needs to focus on maximizing the impact of its current visitors and make Sitka attractive to new ships. By utilizing head tax money to improve access for passengers from the ship to downtown Sitka both local business and the City and Borough of Sitka will benefit.

Following is an estimate of the financial impact utilizing data from the 2011 Cruise Ship Calendar.

1. There are 104 days when cruise ships will be in port. On 18 of the 104 days there will be 2 ships in Sitka on the same day for a total of 122 ship stops in Sitka.
2. The estimate passenger count for the 2011 season is 123,140 people.

Current situation

Assumptions:

1. The CBS Finance Department in the past has estimated that each passenger spends roughly \$85 per person while town.
2. Cruise Line Agencies of Alaska (CLAA) estimates that only 80% of passengers come ashore in lightering ports (less in stormy and rainy conditions)
3. The CBS fee for Lightering Vessels is \$699 per vessel.

Revenue calculations

123,140 passengers x 80% = 98,512 passengers

98,512 passengers x \$85/passenger = \$8,373,520 dollars into the community

6% Sales Tax = \$502,411 in sales tax revenue

112 ships calling on Sitka x \$699 = \$78,288 in CBS fees

Total \$ into Community: \$8,373,520

Total \$ to CBS: \$580,699

Old Sitka Dock

In 2011, if all ships during single ship days and the larger of the two ships during two ship days tied to HPM the estimated revenue to the community would be the following:

Additional Assumptions:

1. The smaller of the two ship days in the Sitka equals 12,212 passengers of the estimated 123,140 total.
2. CLAA estimates that over 90% of passengers come ashore at docking facilities.
3. CLAA estimates that passengers at docking facilities spend 1.5 to 2 times more than lightering passengers.

CBS lightering facility revenue calculations:

12,212 passengers x 80% = 9,770 passengers

9,770 passengers x \$85 = \$830,450 to the community

6% Sales Tax = \$49,827 in sales tax revenue

18 lightering ships x \$699= \$12,582 in CBS fees

Old Sitka Dock revenue calculations:

110,928 x 90% = 99,835 passengers

99,835 passengers x \$127.50 (\$85 x 1.5) = \$12,728,963 to the community

6% Sales Tax \$763,738 in sales tax revenue

Total \$ into community = \$13,559,413 (\$5,185,893 increase)

Total \$ to CBS = \$826,147 (\$245,448 increase)

The above estimates clearly show the financial impact of improving visitor access to Sitka. With the improved access an additional \$5.1 million dollars will be inserted into the community and the City of Sitka will receive an additional \$245,000 in sales tax revenue. This proposal will use head tax money which the City can only spend on cruise ship related projects and services and in return the City is going to gain additional sales tax revenue which can be spent by the City on anything it chooses.

Implementation

The transportation system would be implemented through a Request for Proposal (RFP) Process. The City and Borough of Sitka would issue an RFP for a shuttle bus service provider. Private companies would be able to submit proposals to operate the shuttle service. The city would choose a service provider based on the proposers ability to adequately provide transpiration services for \$3 per passenger based on the total number of passengers on each ship. In addition, the proposer would be required to distribute funds to tour operators that also provide transportation for visitors between the Old Sitka Dock and downtown Sitka.

If ships utilize Old Sitka Dock, the head tax funds utilized for transportation will benefit over 90% of the cruise ship visitors that come to Sitka. Halibut Point Marine Services proposes that the City and Borough of Sitka implement this transportation service for the 2012 and 2013 cruise ship seasons. By offering this service for 2 years the City will be able to measure the economic results of providing better access for visitors and it will show the Cruise Industry that Sitka is working to improve access for the Cruise ship industry and may encourage new ships to call on Sitka.