

Ketchikan's Fluid Economy

Alaska's gateway city, from mining and timber to fishing and tourism



Alaska's southernmost city has its roots in the bank of a stream the Tlingits called "Kitschkin."

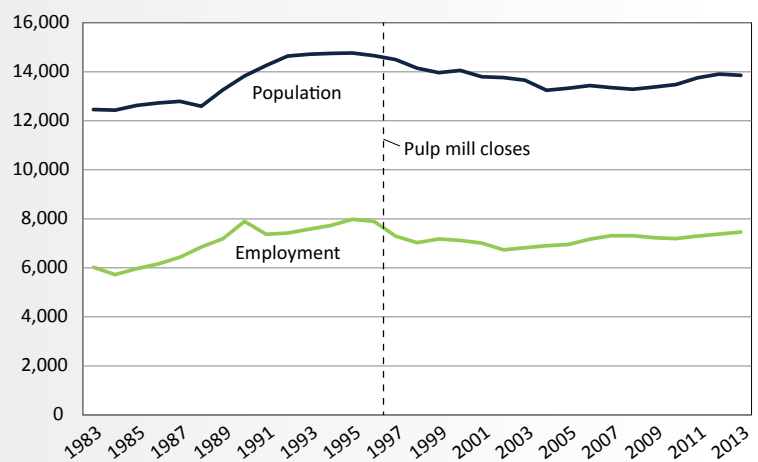
In the late 19th century, white settlers explored the southern part of the Southeast panhandle in search of a place to harvest salmon. They found the mountainous land undesirable until they discovered the mild sloping beach surrounding the Kitschkin stream, where the Tlingits had established a summer fish camp.

The settlers purchased land from the Tlingits and built a salmon saltery along the banks of the water body, which became known as Fish Creek and then Ketchikan Creek, based on the original name. This initial business lasted just a few years, but multiple canneries and salteries soon began operating, giving rise to the town now



Above, the Inter-Island Ferry provides transportation between Ketchikan and Ketchikan International Airport, which is located on Gravina Island. Photo by Chris Lott

1 Ketchikan's Population and Jobs 1983 to 2013



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

known as Ketchikan.

Mining in the early days

Mining became dominant in the area during the Alaska Gold Rush, and Ketchikan was many prospectors' first stop on their trip north. The town also served as a supply center for mines operating in the surrounding area and on Prince of Wales Island, mines that produced some gold but primarily focused on copper. By 1900, the town had grown to approximately 800 people.

When the stock market and copper prices tumbled in 1907, area mines closed. Fishing helped compensate for the loss of jobs, and more canneries were built in the years that followed as a market developed for shipping frozen salmon and halibut. Logging also gained prominence and became the economy's driving force for most of the 20th century.



At left, Ketchikan Creek runs along historic Creek Street, a boardwalk on pilings.
Photo by Jay Galvin

On the opposing page, this totem pole at Saxman Totem Park depicts a Tlingit legend about a boy who unwisely takes on a giant oyster to steal its pearl.
Photo by Mary Harrsch

Timber rises, then fades

Until the early 1900s, a few small logging companies provided lumber locally, but the majority of lumber the town used was shipped in.

Ketchikan Spruce Mills opened in 1903, nearly filling local demand for lumber and remaining in operation until 1983.

Ketchikan Pulp Company opened in 1954, processing lumber harvested from the Tongass National Forest. In 1989, the pulp mill was the state's seventh-largest private employer, and it was consistently one of the 20 largest private employers through the mid-1990s.

With the timber industry flourishing, Ketchikan's population peaked in 1995 at approximately 14,800 people. (See Exhibit 1.)

The tide began to turn in 1990, when the Tongass Timber Reform Act ended annual federal support of up to \$40 million to the Alaska timber industry.

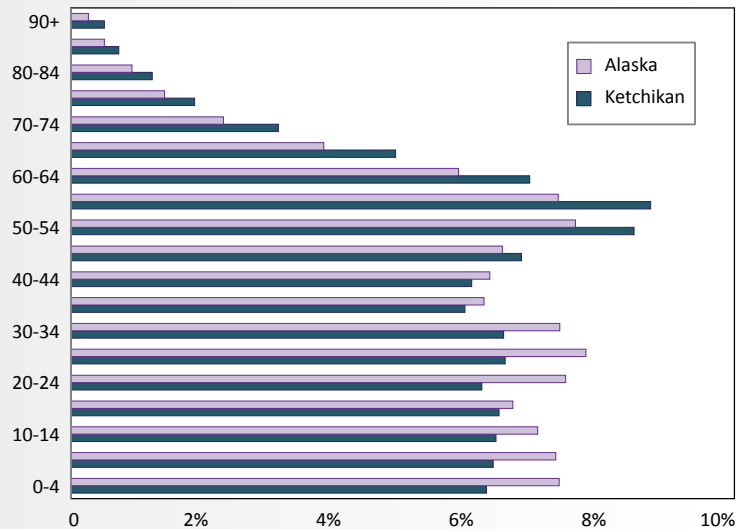
The mill, which had been cited for violating air and water emission laws and paid several million dollars in penalties, was closed in 1997 partly because it needed hundreds of millions of dollars in environmental renovations. The company contin-

2 Ketchikan's Racial Makeup 2012

	Alaska	Ketchikan borough
White	70.9%	72.4%
Alaska Native or American Indian	16.8%	17.9%
Black or African American	4.8%	1.3%
Asian or Pacific Islander	7.6%	8.4%
Hispanic origin (of any race)	6.1%	4.6%

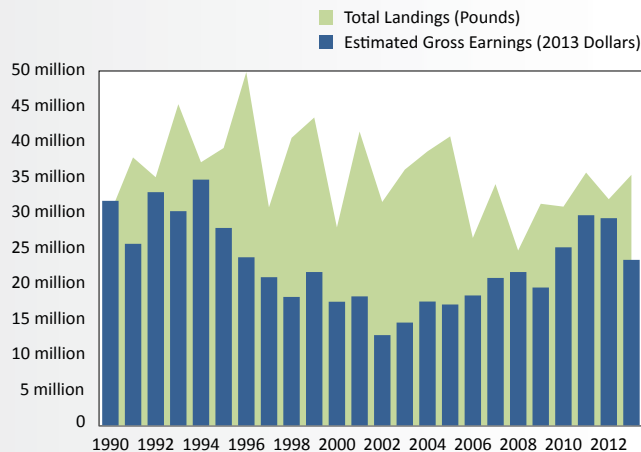
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

3 Older Than the State Average Ketchikan Gateway Borough, 2012



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

4 Ketchikan's Yearly Haul Fishing, 1990 to 2013



Source: Commercial Fisheries Entry Commission

ued logging on Forest Service land for two more years.

Ketchikan's total employment fell by 12 percent between 1995 and 1998, and its population dropped by 700 — to 14,100 — with the pulp mill's closure. This downward trend continued until 2004, when the population reached a low of 13,200.

Since then, the Ketchikan Gateway Borough's population has risen to 13,900, which includes the city's population of 8,300, the nearby Native village of Saxman with 411 people, a census-designated place called Loring with a population of three, and 5,129 who live outside of any defined city or CDP. (For borough demographics, see exhibits 2 and 3.)

Lower wages but higher incomes

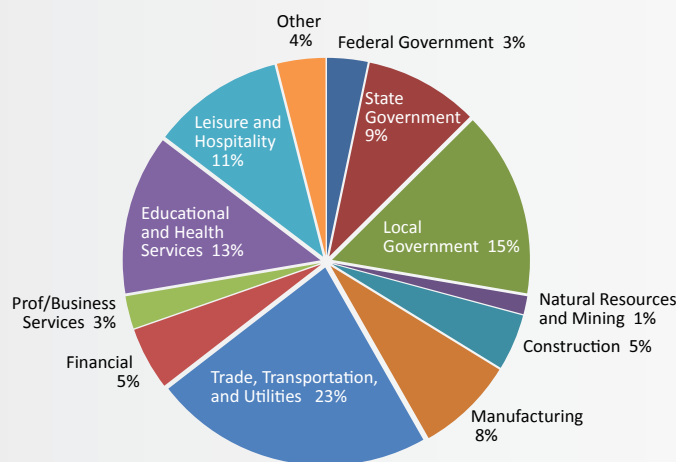
Ketchikan's average annual wage in 2013 was \$42,767, considerably below the statewide average of \$51,033. The average wage doesn't paint a complete picture, though, as it doesn't include fish harvesting income or account for people working multiple jobs.

For example, if a person spends the summer working in retail and the rest of the year working for the school district, wages at each employer would be counted separately, effectively lowering the average wage. Many jobs in the borough are seasonal, such as those in tourism and seafood processing.

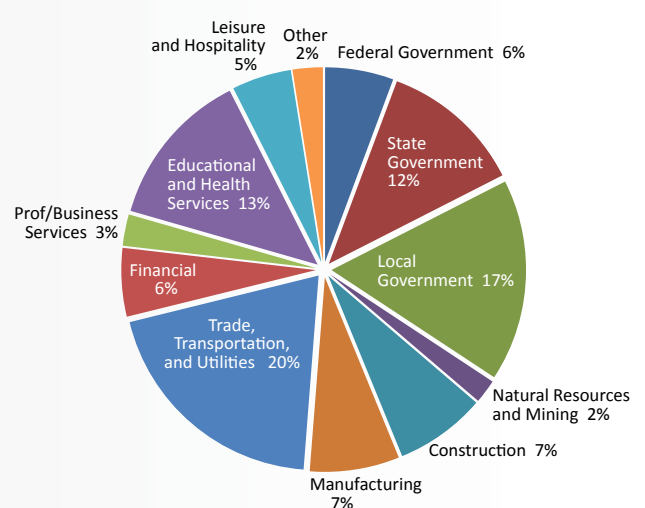
Personal income is a closer estimate of how much the average resident makes in a year, as it includes not just wages from a job but all the money a person takes in, such as investment income and

5 Industries that Make Up Ketchikan's Economy Percentages of total jobs and wages, 2013

Employment



Total Wages



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section



Above, a panorama of Ketchikan on a rare sunny day. Ketchikan averages 229 days of rain each year. Photo by Flickr user Threeifbybike

transfer payments (for example, Social Security, retirement, and public assistance). It also factors in income from multiple jobs and self-employment, including fish harvesting. (See Exhibit 6 for the change in personal income over the years.)

The borough's per capita personal income is consistently higher than the state average — in 2012, it was \$56,477 versus \$49,436.

Though the average wages per job are lower in Ketchikan, the area has more jobs per capita than the state as a whole as well as a higher level of business ownership income.

Ketchikan also has 21 percent higher per capita transfer payments than the state as a whole, in this case mainly driven by the retirement income of an older population (see Exhibit 3) and dividends, interest, and rents.

A different mix of industries today

Forestry and logging remains a minor industry in Ketchikan, comprising four firms with an average monthly employment of 59 in 2013 and \$3.5 million in total wages.

Although the population hasn't recovered its historic highs, and minor losses are projected over the next 15 years, Ketchikan's economy has adapted and developed renewed strength.

Fishing the economic mainstay

A welcome sign hanging over Mission Street in downtown Ketchikan proclaims the town "The

Salmon Capital of the World."

Fishing has given Ketchikan's economy resilience through the disappearance of mining in the early 1900s and the logging decline of the 1990s. Still, it's an inherently volatile industry, and earnings can fluctuate greatly from year to year depending on landings and price. (See Exhibit 4.)

The fishing industry suffered in the early 2000s as the introduction of farmed salmon lowered prices for wild salmon. Wild salmon prices rebounded soon after, largely due to disease spreading among farmed fish and resistance from consumers.

Alaska salmon prices have remained high, and The Southern Southeast Regional Aquaculture Association runs two hatcheries in the Ketchikan area to keep the salmon supply relatively stable.

Although fish harvesters are vital to Ketchikan's economy, they don't show up in regular employment statistics because they're self-employed and not subject to the same reporting requirements as other workers. Because they aren't included in this article's numbers, alternate measures are necessary to quantify fishing's impact on the economy.

The Commercial Fisheries Entry Commission estimates Ketchikan borough residents fished 344 permits in 2013, resulting in \$23.4 million in gross income.

In 2012, National Oceanic and Atmospheric Association estimated Ketchikan's fishery landings at 74 million pounds, making it the eighteenth-larg-

est port in the U.S. by quantity. NOAA also ranked the value of Ketchikan's port eighteenth in the nation that year, at \$54 million.

Manufacturing primarily in seafood processing

Another indicator of fishing's role in the economy is its seafood processing. The first industrial building in Ketchikan was a cannery, and seafood processing continues to be a primary economic driver.

In August 2013, food manufacturing provided 1,226 jobs, making up 13 percent of employment that month. The industry is highly seasonal, though, and average employment in food processing for the year was 444, or 6 percent of all jobs.

In 2013, six nonfood manufacturing firms provided another 152 jobs. These firms produced goods such as transportation equipment, wood products, and fabricated metal products. The largest, Alaska Ship and Dry Dock, had more than 100 employees and a \$31 million, 70,000-square-foot assembly hall.

All manufacturing-related jobs, food and otherwise, paid a total of \$23.8 million in wages during 2013 — 7 percent of total wages. (See Exhibit 5.)

28 percent of jobs in government

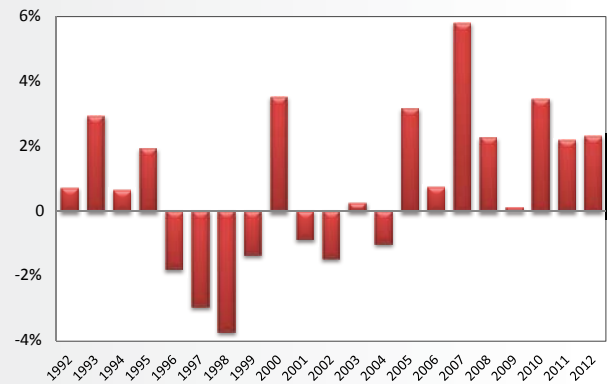
Another major piece of Ketchikan's economy is government, making up about 28 percent of jobs in the borough. These jobs tend to be higher-paying, so the government share of total wages is higher, at roughly 34 percent. (See Exhibit 5.)

Ketchikan is home to Alaska Marine Highway System headquarters and a University of Alaska Southeast campus, which contribute to a bigger state government presence than Alaska's average.

The city's percentage of local government jobs is also above the state average, largely due to the Ketchikan Indian Community. The tribe also operates a large health clinic. While tribal government is always included in local government job totals, these tribal health jobs are counted as private-sector employment in Ketchikan and many other Alaska communities.

6 Personal Income Up Recently

Percent change, Ketchikan, 1982-2012



Source: U.S. Bureau of Economic Analysis

City a major tourist port

Ketchikan is the first port for most cruise ships visiting Alaska, and as the cruise industry grew through the 1990s and early 2000s, visitor-related employment became more important to the economy.

Ketchikan had an estimated 935,900 visitors in summer 2012, over 90 percent of whom arrived by cruise ship.

Jobs in visitor-related industries averaged 1,171 in 2013, fluctuating from a low of 716 in February to 1,823 in July.

Ketchikan's visitor industry has a unique blend of jobs compared to U.S. tourism overall; for example, jobs in scenic and sightseeing transportation are 103 times more common in Ketchikan than the U.S. as a whole.

The city is also a hub for people traveling to and from Prince of Wales Island, now a popular fishing destination with a population of approximately 6,000. The borough's status as a regional hub means its percentage of air transportation jobs is eight times higher than the U.S. average.

Nearby mining prospects

Mining led to the initial boom in Ketchikan's popu-

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KETCHIKAN

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lation, and it has the potential to become a driving force again. No mines currently operate in southern Southeast Alaska and there's little short-term potential for development of a mine in Ketchikan Gateway Borough. However, a few major sites on Prince of Wales Island are in exploration phases.

If the sites go into production, many of the jobs and service-providing demands could fall to Ketchikan workers and businesses, and Ketchikan businesses have already provided support services to the projects.

The Niblack Project, located 27 miles from Ketchikan on southeast Prince of Wales, is in the advanced exploration phase. Heatherdale Resources reports spending \$37 million on exploratory drilling since 2009 and finding significant deposits of copper, gold, zinc, and silver. The Alaska Legislature has authorized the Alaska Industrial Development and Export Authority to provide bonds of up to \$135 million for development of the project.

The Bokan Mountain Project is located on southern Prince of Wales Island. Ucore Rare Minerals has completed a preliminary economic assessment and is in the middle of a feasibility study. Ucore focuses on extracting rare earth elements — primarily dysprosium, terbium, and yttrium — and the U.S. Department of Defense has contracted with the company to purchase them if the project advances to production. The Legislature has also authorized AIDEA to provide \$145 million in bonds for the project.

FAIRBANKS HOUSING

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prices increased abruptly and interest rates rose temporarily.

Interest rates have been on a steady decline, hitting historic lows in recent years and bringing the affordability index down. The past two years' affordability is unlikely to last, though, as it was driven by record low interest rates that began to rise in 2013 and will likely continue.

Fairbanks is a more affordable place to buy a home than the state overall, with the statewide affordability index generally running 10 to 20 points higher. An increase of 10 points equals an additional 10 percent of an average paycheck.