

The Ketchikan Gateway Borough

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A profile of the island community in Southeast Alaska

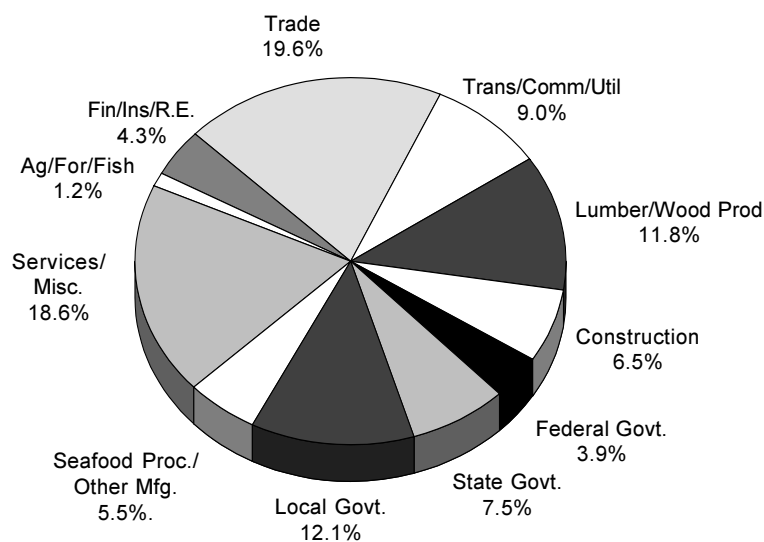
Ketchikan's location at the southern end of Southeast Alaska has earned it the nickname "Alaska's first city." The community lies along the shoreline of Revillagigedo Island between the Tongass Narrows and steep forested mountains. The city of Ketchikan is the state's fifth largest city with a population of about 8,300. The Ketchikan Gateway Borough, which encompasses all of Revillagigedo Island and numerous smaller islands in southern Southeast Alaska, has a population of almost 14,000.

Like many communities in Alaska, Ketchikan's economy has always been tied to the natural resources of the area. Ketchikan began as a mining community in the late 1800s. When mineral prices declined, fish harvesting and processing became the primary economic activities. In the 1950s, the timber industry became the principal economic force when the Ketchikan Pulp Company (KPC) opened a pulp mill, which was supplied with timber from the Tongass National Forest through a 50-year contract with the U.S. Forest Service. The mill became the community's largest employer and provided stable job opportunities in an economy that was fairly short on prospects for year-round employment.

The pulp mill remained the key economic player in Ketchikan until March 1997, when timber supply and demand challenges resulted in the mill's closure. The loss of about 500 jobs, many

of which were high paying and year-round, was a big setback for the community. The effects of the mill closure radiated into other sectors of the economy. Ketchikan's total employment dropped from 1996 through 1999 and the borough's population has fallen by almost 700 since 1996. Vacancy rates in rental units have jumped and real estate sales have languished. The past few years have been a transition period for many Southeast Alaska communities, including Ketchikan, as the roles of timber and fishing in the regional economy continue to diminish.

Ketchikan Employment 1996 Total 7,682 wage and salary



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

Pulp mill helped provide a fairly diverse economy

The stability that the pulp mill provided for over 40 years encouraged the development of a fairly diverse economy in Ketchikan. Fishing, tourism, and government all contributed significantly. This economic diversity can be seen in the breakout of wage and salary employment among industries in 1996, prior to the mill closure. (See Exhibit 1.) Government was Ketchikan's largest provider of wage and salary jobs, with 24 percent of total employment. Ketchikan's manufacturing sector is represented by the lumber and wood products and seafood processing industries. Seafood harvesting, another important part of Ketchikan's economy, is not included in wage and salary employment.

By 1999, Ketchikan's mix of manufacturing employment had changed. (See Exhibit 2.) The lumber and wood products share of total employment dropped from almost 12 percent to

just below six percent. Employment gains in seafood processing and other manufacturing increased that sector's share to 10 percent of total employment.

Employment fell 7% after mill closure

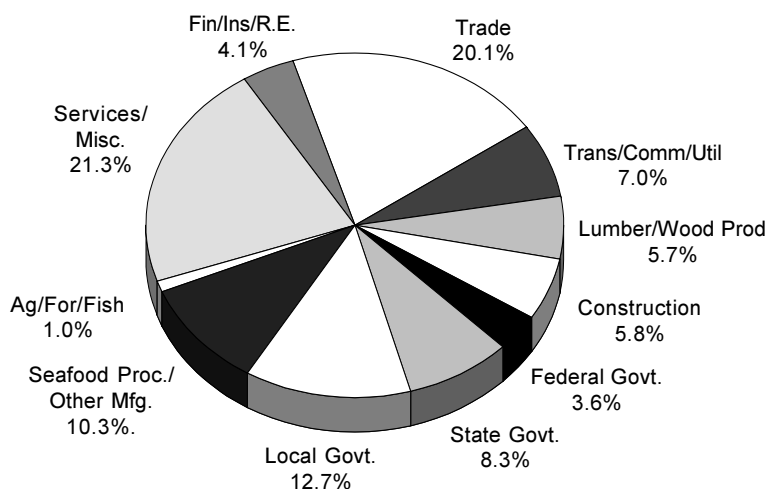
From 1996 to 1999, Ketchikan's employment fell by seven percent. (See Exhibit 3.) For the same time period, Southeast regional employment growth was flat and state job growth was 5.3%. As expected, most of the job losses in Ketchikan came from the manufacturing industry, but significant job losses were also posted in transportation and construction.

Ketchikan's largest employment drop took place in 1997, when almost 400 jobs were lost during the year. Although manufacturing lost another 200 jobs in 1998, most other industries had stable employment levels, and the services sector made a comeback, adding more than 100 jobs. In 1999, the total employment count increased for the first time in Ketchikan since 1995. The employment gain came primarily from seafood processing, as well as from additional wood processing and shipyard jobs.

There was also more good news recently for Ketchikan. Gross business sales for the third quarter of 2000 were reported up from the previous year. Overall, businesses took in more money in this third quarter than for any year since 1996. Construction contracting, real estate, and retail trade all had improved sales in the third quarter 2000. Some sectors fell short of the previous year's figures, however. Professional services like engineers and attorneys, transportation, wood processing, fishing, and hotels had lower gross sales than the third quarter 1999.

Some components of Ketchikan's economy appear to be recovering from the pulp mill closure. Nevertheless, challenges still lie ahead. High

2 Ketchikan Employment 1999 Total 7,146 wage and salary



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

quality jobs like those lost from the KPC pulp mill are difficult to replace. Even if the employment count continues to grow, the quality of the employment mix may not be completely restored. Many new jobs are in retail or services related to tourism, which tend to be seasonal and pay relatively low wages.

Wages in Ketchikan have already lost ground when compared to Alaska and the Southeast region. In 1996, Ketchikan's average monthly wage was about the same as the statewide average and \$160 more than the Southeast average. Since then, Ketchikan's monthly wage has dropped below the state average and remains slightly above the Southeast average. (See Exhibit 4.)

Government is a large employer

Ketchikan is a bit less dependent on government employment than the Southeast region as a whole. All government sectors combined provide almost 25 percent of total employment in Ketchikan, compared with 35 percent in Southeast and 26 percent statewide. Ketchikan has two separate municipal governments—one for the city and one for Ketchikan Gateway Borough. The city has taken over as Ketchikan's largest employer since the pulp mill closure. (See Exhibit 5.) The importance of government employment is apparent in Ketchikan's largest employers list. Government agencies occupy five of the top ten spots on the list of employers with 50 or more workers.

Ketchikan Gateway Borough Wage and salary employment 1990–1999

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total	7,596	7,166	7,418	7,583	7,733	7,981	7,682	7,286	7,001	7,146
Mining	2	1	1	2	5	1	0	3	0	0
Construction ¹	313	345	308	421	370	432	498	405	412	416
Manufacturing ²	1,645	1,453	1,451	1,496	1,522	1,507	1,329	1,163	949	1,142
Transportation	667	623	822	798	753	770	688	606	574	499
Trade	1,438	1,367	1,427	1,434	1,554	1,625	1,502	1,482	1,449	1,436
Wholesale	270	226	239	213	236	224	209	214	199	189
Retail ³	1,168	1,141	1,188	1,221	1,318	1,402	1,293	1,268	1,250	1,247
Finance/Insur/R.E.	291	284	254	273	291	319	331	298	262	296
Services & Misc.	1,381	1,225	1,234	1,236	1,333	1,445	1,425	1,376	1,487	1,518
Ag/Forestry/Fishing	29	57	53	54	81	87	95	106	68	75
Nonclassified	2	10	6	10	12	11	7	5	0	6
Government	1,828	1,802	1,863	1,859	1,811	1,783	1,807	1,842	1,800	1,758
Federal	288	289	320	322	309	300	303	308	275	256
State	535	519	563	561	560	567	577	601	580	595
Local	1,006	994	980	976	943	916	927	933	945	907

¹ Construction employment adjusted in 1996 and 1997 to account for a firm whose employment was incorrectly counted in Ketchikan.

² Manufacturing employment adjusted in 1990 and 1991 to account for a multi-area logging firm whose total employment was counted in Ketchikan.

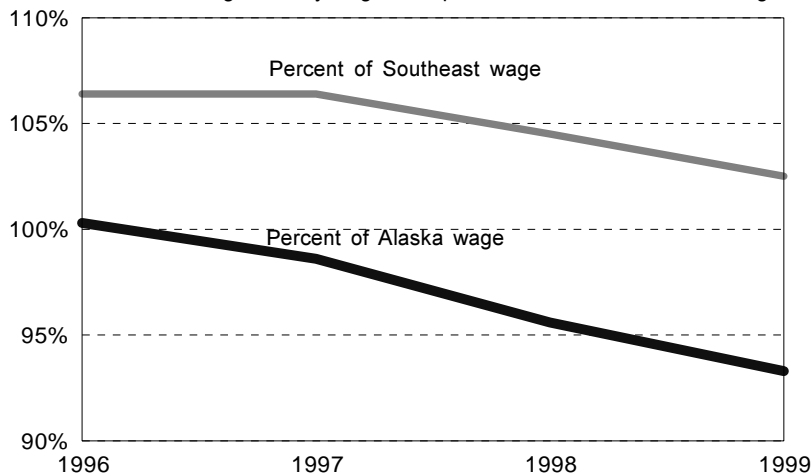
³ Prior to 1996, retail trade includes employment for a multi-worksites employer whose total employment was counted in Ketchikan.

Subtotals may not add to totals due to rounding.

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

4 Monthly Wage has Lost Ground Since 1996 in Ketchikan

Ketchikan avg. monthly wage as a percent of Alaska and SE average



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

5 Employers with 50 Workers Or more in Ketchikan—1999

Rank	Name	Annual Average Employment
1	City of Ketchikan*	355
2	Ketchikan General Hospital	348
3	Ketchikan Gateway Borough School Dist.*	314
4	AK Dept. Transportation & Public Facilities* ¹	274
5	Taquan Air Service Inc	210
6	Ketchikan Pulp Company	155
7	Ketchikan Gateway Borough*	153
8	Wards Cove Packing Co Inc	144
9	Norquest Seafoods	143
10	U.S. Forest Service*	140
11	Williams Inc	132
12	Safeway Inc/Carr Gottstein Foods	125
13	Alaska General Processors	102
14	South Coast Inc	101
15	Ketchikan Indian Corporation	101
16	Alaska Ship and Drydock Inc	90
17	Boyer Towing Inc	83
18	1st Bank	79
19	The Landing	78
20	AK Department of Administration* ²	74
21	Community Connections Inc	68
22	Yes Bay Lodge	63
23	Coastal Fisheries LLC	62
24	Alaska Airlines Inc	61
25	Phoenix Logging Co	61
26	Tongass Trading Co	59
27	Alaska Pacific Logging Inc	57
28	Ty Matt Inc	56
29	Westmark Hotels Inc	53
30	Pacific Log and Lumber Ltd	50

¹ Includes the Alaska Marine Highway System ferry workers.

² Includes the Pioneers' Home.

* Indicates government agency.

Manufacturing employment outlook is uncertain

The drastic decline in timber harvest on the Tongass National Forest has affected logging employment in Ketchikan. (See Exhibit 6.) The number of logging jobs has fallen from an annual average of more than 400 in the early 1990s to just under 200 in 1999. The decline in timber harvest has also created hardships for the wood processing industry. Gateway Forest Products, which took over operations at the former pulp mill site, operates a sawmill. The company would like to open a veneer plant, but a significant investment is needed to fund the development. Uncertainty about a reliable timber supply from the Tongass National Forest affects investment in all timber-related businesses. Recent proposals to include the Tongass in a roadless initiative for national forests could further restrict the number of tracts available for timber sales.

Seafood harvesting continues to be an important component of Ketchikan's economy, although its impact has declined somewhat since the early 1990s. The number of commercial permits held and fished by Ketchikan residents has declined since the late 1980s. The estimated earnings of the permit holders have also declined over the past decade. In 1989, Ketchikan residents earned about \$23 million from commercial fishing. Earnings have dropped almost every year since then, and totaled \$11 million in 1999. (See Exhibits 7 and 8.)

Although salmon and halibut continue to be the primary fisheries, some Ketchikan seafood harvesters have moved into the herring and dive fisheries for sea cucumber, sea urchin, and geoduck. These fisheries are closed to new entrants, so employment growth potential is limited, while harvest value could still increase.

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

Ketchikan makes the most of tourist traffic

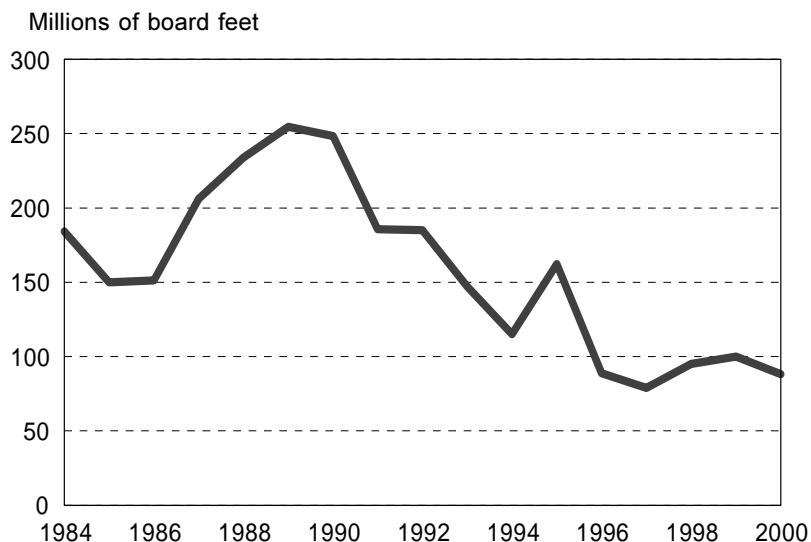
The Ketchikan Visitors Bureau and many local businesses have made an effort to increase tourism activity over the past few years. Cruise ships are the most common mode of arrival for visitors, who numbered more than 570,000 in 2000. Cruise ship traffic in Ketchikan increased rapidly in the early 1990s, but in recent years growth has slowed. The downtown area has been developed to provide tourists with shops and services. Offerings like the Great Alaska Lumberjack Show are typical of the expansion of tourism-related services. But it appears tourism-related retail trade has limited room for growth. Some observers believe the market for seasonal souvenir and gift shops is saturated in downtown Ketchikan. Without significant increases in the number of visitors, major expansion of that sector is not likely.

Ketchikan also serves as a hub for Prince of Wales Island, a popular fishing destination, by providing transportation and supplies for visitors. Travel to Prince of Wales has scaled back recently, however, due to a major cutback in logging activity on the island. The decreased demand for air travel affected Taquan Air, a local carrier, which closed due to financial difficulties, then reopened on a smaller scale under new ownership. State ferry service was also cut back to reduce costs. Transportation from Ketchikan to Prince of Wales will change when the Inter-Island Ferry Authority (IFA) begins service in 2001. The IFA will replace state ferry service, and plans to offer twice-daily, year-round service between Ketchikan and Prince of Wales.

A few positive signs

Ketchikan's economy is showing some positive signs. Construction was completed this year on a new wing of the hospital, and work continues

Tongass Timber Harvest Falls Ketchikan and Prince of Wales **6**



Source: U.S. Forest Service

Fewer Fish Permit Holders Ketchikan numbers decline 1982–1999 **7**

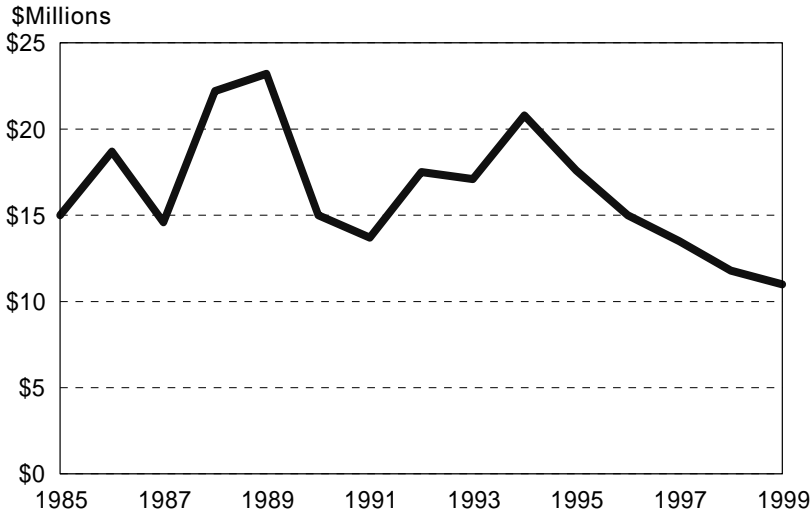
Year	Number of Permit Holders	Number of Permits Fished ¹			
		Total	Salmon	Halibut	Other
1982	391	555	-	-	-
1983	427	637	-	-	-
1984	388	599	-	-	-
1985	384	589	-	-	-
1986	370	604	-	-	-
1987	351	652	-	-	-
1988	367	683	-	-	-
1989	347	623	-	-	-
1990	334	595	228	131	236
1991	339	607	231	146	230
1992	345	591	229	132	230
1993	322	543	221	117	205
1994	312	532	190	110	232
1995	314	551	185	70	296
1996	295	511	164	69	278
1997	279	506	160	69	277
1998	268	509	150	72	287
1999	252	452	147	53	252

¹ Detailed permit data not available before 1990.

Source: Alaska Department of Fish and Game, Commercial Fisheries Entry Commission

8 Commercial Fisheries Earnings

Ketchikan residents' estimated gross



on Ketchikan's Wal-Mart, the first in Southeast Alaska. The store is scheduled to open in early 2001 and is expected to provide 150 jobs. Publicly funded construction will also give Ketchikan's economy a boost. Construction is underway on a state youth detention facility, and the borough could receive about \$560,000 in federal aid intended to compensate for reduced timber harvest on national forests. The funds are to be used for education and road construction.

As for business growth in Ketchikan, there are both opportunities and roadblocks. For example, significant funds are needed to expand the facilities of Alaska Ship and Drydock, and the future of the veneer plant is uncertain. After three tough years following the pulp mill closure, some of Ketchikan's economic indicators are starting to turn up. But the development of quality, year-round employment opportunities for residents is a big challenge, one that Ketchikan shares with other Southeast Alaska communities.

9 1999 Statistics

A Snapshot of Ketchikan Gateway Borough

	Alaska	Ketchikan
Population	622,000	13,961
<i>Ketchikan's population is older...</i>		
Median age	32.9	37.1
<i>less racially diverse...</i>		
White	73.7	79.8
Native American	16.8	14.7
Black	4.4	0.7
Asian & Pacific Islander	5.0	4.8
<i>has fewer children, more seniors...</i>		
Percent under 20	34.0	29.9
Percent 20 to 64	60.6	62.2
Percent 65 years & over	5.4	7.9
<i>and an average proportion of females.</i>		
Percent female	48.0	48.1
<i>Fewer residents have degrees...</i>		
High school graduate or higher (1990) ¹	85.8	84.0
Bachelor degree or higher (1990) ¹	20.3	18.2
<i>and more are unemployed.</i>		
Percent unemployed	6.4	7.5
<i>Income is higher and wages are below average.</i>		
Personal per capita income (1998)	\$28,518	\$31,803
Annual average monthly earnings	\$2,793	\$2,606
<i>More housing is available...</i>		
Percent vacancy rate (2000)	6.6	13.4
<i>while rents compare favorably with other SE communities.²</i>		
Juneau Borough		\$900
Sitka Borough		824
Ketchikan Gateway Borough		784
Municipality of Anchorage		747
Wrangell-Petersburg Census Area		707

¹ Source: U.S. Department of Commerce, Bureau of the Census

² Average monthly rent for apartment, condominiums and other rental units, not including single family residences or mobile homes. Rent adjusted to include utilities.