

# Overview of the Southeast Alaska Economy

The region of Southeast Alaska stretches from Yakutat in the north to Metlakatla in the South. Southeast Alaska is made up of 23 incorporated and about 21 unincorporated communities & villages with a 2009 population of 69,338. Juneau, the largest community in the region, does not have road access to any other communities. In total only 4 of 44 Southeast Alaska communities are accessible from the rest of the State by road.

The Southeast Alaska region is an area of 22.9 million acres (including land and water) and is made up of a narrow strip of shore fronted by an archipelago of over 1,000 islands contributing to over 11,000 miles of coastline. The region covers a 500-mile long stretch of mainland and islands. The archipelago is 120 miles at its widest point. Most of the communities are located on various size islands that make up 40 percent of the region's total land area.

Southeast Alaska is now, and has historically been, a resource dependent economy. Major economic sectors that bring money into Southeast Alaska (basic industries) include commercial fishing, tourism, mining, and timber. Manufacturing is also considered a basic industry and is made up mostly of businesses processing fish and timber products.

While these industries once were responsible for the success of the region, some have not consistently performed well in recent years. Recent economic conditions have eroded markets for Southeast Alaska resources and products and slowed the flow of visitors who purchase goods and services in the region.

Moreover, there is also a growing concern about Alaska's economic future because of the decrease in the flow of oil, on which Alaska's revenue is 85%+ dependent. This represents a double threat to Southeast because the region has a high ratio of government employment. More than a third of the regions employees have government related employment, compared to a quarter of all Alaska workers, and 15% of all workers nationally. In Juneau, 42% of all employment is with the government.

## **Timber Industry**

The decline of the timber industry has been well documented. In 1900 there were 12 large sawmills operating in Southeast Alaska. Today there is only one. The Viking Mill in Craig is operating, however timber purchased by the mill faces costly litigation and delay. In 1990, there were 3,450 direct sawmill and logging jobs in the region; however, by 2009 only 214 sawmill and logging jobs remained in Southeast.

## **Seafood Industry**

The seafood industry (commercial fishing, fish processing and hatchery production) constitutes another important sector of the regional economy. In 2009, more than 10,000 people participated in the Southeast Alaska commercial fishery industry, including 4,674 Southeast residents (as crew or fishermen). In 2008 participants in the commercial fishing industry earned \$181.3 million. The processing sector includes smokeries and fresh fish buyers. In 2009, 178.7 million pounds of seafood were processed in Southeast by shore-based processors, with a wholesale value of \$374.3 million. However, the fishing industry has been struggling with market volatility and fluctuating prices. While Individual Fishing Quota's (IFQ) and Commercial Fisheries Entry Commission Permits (CFECs) have increased the value of the fisheries, costs associated with starting a business have increased dramatically.

## **Travel Industry**

Tourism, as a whole, is a significant private-sector employer in Southeast Alaska. The number of cruise ship visitors to the region doubled between 1997 and 2007, when more than a million passengers visited the region. However, in response to the global recession tourism has declined in recent years. The number of cruise passengers visiting the region has decreased by 15% over the past two years, but is expected to increase again.

## **Mining Industry**

Mining is an exceptional bright spot. With the 2010 opening of the Kensington Gold Mine in Juneau and the skyrocketing price of gold and silver, the Southeast mining industry has been booming. In 2009, there were 413 mining jobs in Southeast Alaska. With the opening of the Kensington Gold Mine in Juneau in 2010, the region's mines are expected to have 600 employees and a payroll of more than \$50 million annually by the end of 2011.

With 333 employees, the region's largest mine is the Hecla Greens Creek Mine on Admiralty Island that is the second largest silver producer in North America and the sixth largest in the world. Although recent trends have been positive for the region, history informs us that the value of precious metals can be volatile.

## Government

The government sector has a major impact on the economy of the region. In 2009, government employment represented 13,295 annual average jobs, representing more than a third of all employment, and 45% of all wages.

### Total Southeast Alaska Government Employment, 2009

	Annual average Employment 2009	% of Employees in Juneau by Sector	Total Payroll (in thousands)	Avg. Annual Wage
<b>Private Sector</b>	<b>22,914</b>	45%	\$795,357	<b>\$34,711</b>
<b>Total Government</b>	<b>13,295</b>	55%	\$642,082	<b>\$48,294</b>
Federal Government	1,745	48%	\$120,846	<b>\$69,269</b>
State Government	5,483	77%	\$268,867	<b>\$49,039</b>
Local Government*	6,068	37%	\$252,370	<b>\$41,590</b>
<b>Total Employment</b>	<b>36,209</b>	48%	\$1,437,440	<b>\$39,698</b>

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

Note\* Local government includes tribal government.

However, State and Federal government employment has declined in recent years. Between 2003 and 2009, the region lost 219 federal jobs and 199 state jobs. Government investment in regional infrastructure has also slowed, and will continue to slow as the world economy struggles towards equilibrium. Expected Federal budget cuts will likely impact Federal Government employment, and a decline in Federal earmark spending will also impact both State and local government programs in the region.

## Demographics

The decline of Southeast's key industries impacted greatly the overall demographics of the region. From 2000 to 2009, 8,304 more people moved away from Southeast Alaska than moved to the region. While the population of Juneau stayed flat, the regional population outside of Juneau plummeted 8.7 percent in just 10 years. The population of Southeast Alaska school children has likewise decreased. In 2009 Southeast Alaska had 2,400 fewer children enrolled in the public school system (preschool through 12th grade) than in 2000, a 17 percent decline regionally and up to a 58 percent decline in some districts.

Along with the decline in population, Southeast Alaska is aging rapidly. By 2020, a third of Southeast Alaskans will be over the age of 55, compared to just 12% in that age range in 1990. In complete contrast to the rest of the state, the Alaska Department of Labor has recently projected that the population of Southeast Alaska will continue to decline and age in the years to come.

## ***Other Factors Impacting Regional Economic Performance***

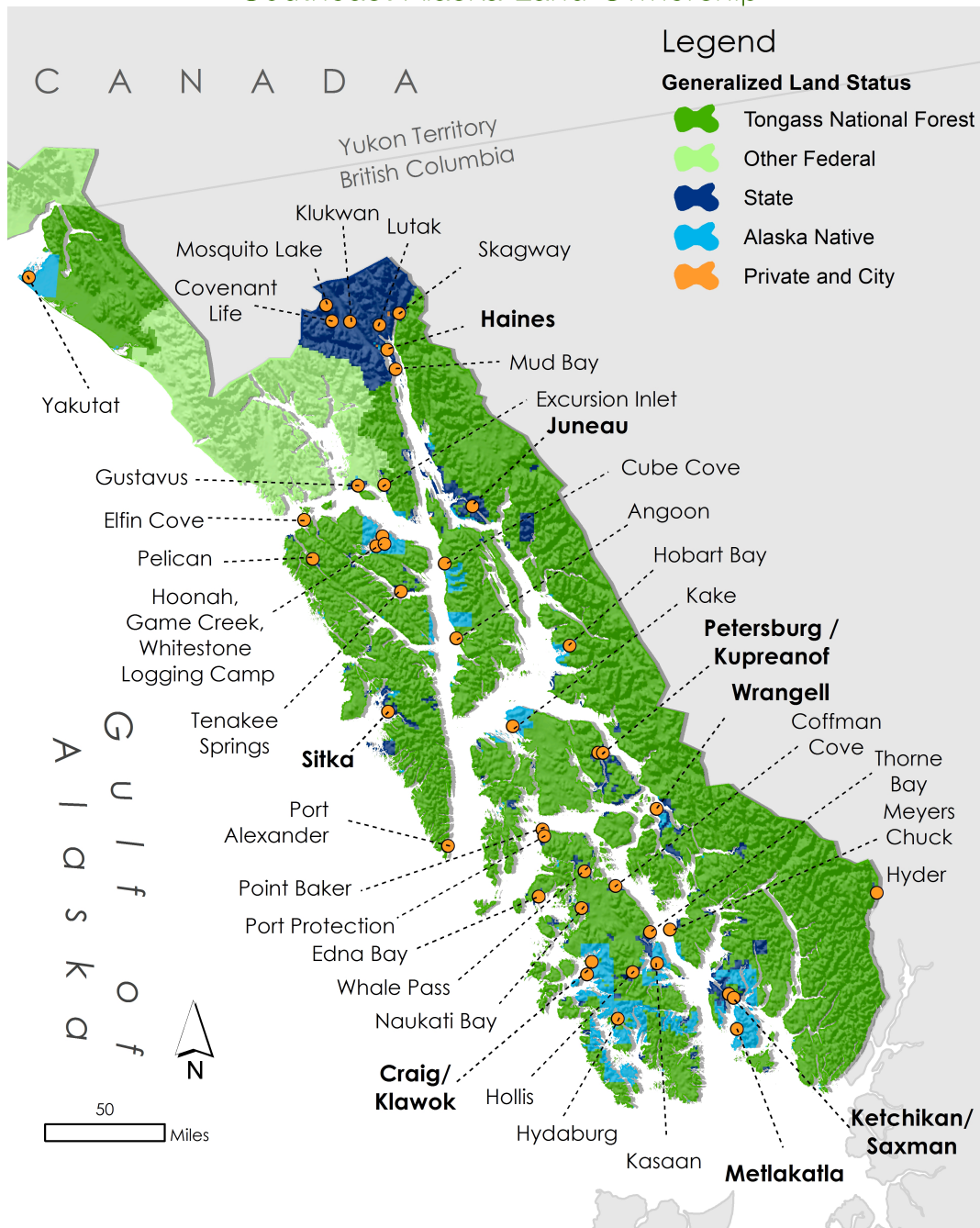
Southeast Alaska is rugged and remote, and the communities are mostly located along the shore, sandwiched between the mountains and the sea, and isolated from each other. Only four communities in Southeast Alaska have road connections to the world outside of the region. The small size and remoteness of the communities combined with the landscape limit the options for transportation, electric energy generation and transmission, and other basic infrastructures and services needed for economic development. The communities are dependent on airborne and seagoing transportation to move people, vehicles and goods, including basic needs such as groceries and petroleum products. The small populations and long distances between them tend to make all transportation options expensive. Many of the communities still rely on costly diesel generators for electric power, and telecommunications systems are slow in remote areas with a low capacity for data transmission.

While the region is blessed with abundant natural resources, the energy to process raw materials and the transportation required to get products to market are costly, so most value-added production occurs outside of the region (and generally outside of the state). In addition, the high costs of energy and transportation greatly impact the quality of life in our communities, limiting the amount and quality of affordable housing, health care, education, and other amenities.

### ***Land Ownership***

The lack of private lands and lands available for development also impedes the ability of the region to nurture the private sector. All but five percent of the region's land base is owned by the federal government. Land ownership in Southeast can be categorized as follows:

## Southeast Alaska Land Ownership



Source: Alaska Department of Natural Resources and US Dept. of the Interior, Bureau of Land Management

- 94.6 percent federal
  - 80 percent is the Tongass National Forest (16,800,000)
  - 15 percent Glacier Bay National Park and Preserve (3,283,000 acres)
- 2.7 percent Native corporations (280,000 acres village/urban; 290,000 Sealaska)
- 2.4 percent State & Mental Health Trust (296,000 State, 196,000 MHT)<sup>1</sup>
- Less than 1 percent = private and municipal land holdings

<sup>1</sup> This figure includes Mental Health Trust land and mineral rights

Improvement in the reliability and cost of transportation, communications, and electric energy generation; improved workforce development; and reduced opposition to responsible development of local resources can pave the way for increased economic development in Southeast Alaska.

## **Other Economic Sectors**

### **Alaska Natives**

Tribal governments and Native Corporations in the region also generate economic activity. In 2008, tribal governments employed an annual average of 887 workers in the region. Jobs with Native corporations and other Native organizations are more difficult to isolate, as they are categorized under several industries along with non-Native entities. These businesses and organizations work in the Hospitality and Leisure, Transportation, Manufacturing, and other industries in the region.

Of the 200 Native Village Corporations in the State of Alaska there are 12 in the Southeast region. Village Councils (Federally Recognized Tribes) are listed in each community's section.

#### **Native Village Corporation & Community**

- Cape Fox Corporation, Saxman  
Goldbelt Inc., Juneau
- Haida Corporation, Hydaburg
- Huna Totem Corporation, Hoonah
- Kake Tribal Corporation, Kake
- Kavilco Inc., Kasaan  
Klawock Heenya Corporation, Klawock
- Klukwan, Inc., Klukwan
- Kootznoowoo Inc., Angoon
- Shaan-Seet Inc., Craig
- Shee Atiká, Inc., Sitka
- Yak-tat Kwaan Inc., Yakutat

While the combined economic importance of these and other Alaska Native organizations in the region and their activities has not been fully calculated at the local level, the economic impacts of these organizations on the Southeast Alaska economy is clearly significant.

### **Retirement**

While retirement is not generally considered an industry, retirees are economic actors who have an effect on the regional economy. Those who settle in Southeast Alaska spend their retirement income to live as any other worker would spend a paycheck. Most retirement income originates outside of the community. Retirees are a significant portion of the clientele of the health care and social services sectors. They also tend to contribute much to their communities through

volunteerism, and serve as an anchor for families who stay in the region to be near them. In 2009, 6,981 people age 65 and over lived in Southeast Alaska, making this group larger than both the State government and the local government sectors, which employed 5,339 and 6,433 people respectively in the region in that year. Senior citizens receive income from retirement benefits, Social Security, Medicare, investments and savings, private annuities and insurances, and other sources that they spend in Southeast Alaska.

### **Health Care**

The health care and social services sector is one of the fastest growing in the State and the region. In 2009, 3,409 people were employed in the private sector in this industry, and more were employed in the government sector dealing with health and social services. Major health care employers in the region include Southeast Alaska Regional Health Consortium (SEARHC), Bartlett Regional Hospital, and Ketchikan General Hospital. Trained health care professionals are in high demand in the region and continued growth in the industry is expected.

### **Southeast Alaska by the Numbers 2008 to 2009**

The following table provides a quick overview of key Southeast Alaska statistics and how those numbers changed from 2008 to 2009.

In 2009 Southeast Alaska total employment was down. Hardest hit was the private sector with a 3.9 percent decrease in annual average employment (jobs), and a corresponding 1.1 percent decrease in private sector payroll. Passenger arrivals were down. Employment in the mining and wood products industries were down. Southeast Alaska participation in the fishing industry was up, but the total ex-vessel value of the fishery (money paid to fishermen) was down by 18 percent. Unemployment was up. The rural (non Juneau) regional population was down by less than one percent. The median age was up.

On the bright side, regional school district enrollment was up, along with enrollment at UAS. Total government employment was up, and average wages and average household income were up.

Based on the first ten months of Alaska Department of Labor data, JEDC expects the region to lose 160 more jobs in 2010 as a whole. These losses will mostly be in tourism -- in the leisure, hospitality and transportation industries, along with retail. Gains will be seen in health care, construction and mining. So, while job gains are not predicted for 2010, we predict a fraction of the job losses seen in 2009.

## Southeast Alaska By the Numbers

	2009	2008	% Change from 2008
<b>SE Employment and Wages<sup>1</sup></b>			
<b>Total Employment</b>	<b>36,209</b>	<b>37,035</b>	<b>↓ -2.2%</b>
Total Government Employment	13,295	13,199	↑ 0.7%
Total Private Sector Employment	22,914	23,836	↓ -3.9%
<b>Total Payroll</b>	<b>\$1.437 billion</b>	<b>\$1.425 billion</b>	<b>↑ 0.8%</b>
Total Private Sector Payroll	\$795.4 million	\$804.1 million	↓ -1.1%
<b>Average Wage</b>	<b>\$39,698</b>	<b>\$38,463</b>	<b>↑ 3.2%</b>
<b>Median Household Income<sup>7</sup></b>	<b>\$64,005</b>	<b>\$61,716</b>	<b>↑ 3.7%</b>
<b>Unemployment</b>	<b>8.4%</b>	<b>6.8%</b>	<b>↑ 1.6% pts</b>
<b>SE Demographics<sup>1</sup></b>			
<b>Population</b>	<b>69,338</b>	<b>69,163</b>	<b>↑ 0.3%</b>
Non Juneau SE Population	38,677	38,758	↓ -0.2%
<b>Median Age</b>	<b>39.3</b>	<b>39.1</b>	<b>↑ 0.5%</b>
<b>Gross Rent<sup>7</sup></b>	<b>\$1,001</b>	<b>\$969</b>	<b>↑ 3.3%</b>
<b>Southeast Schools</b>			
<b>K-12 School District Enrollment<sup>2</sup></b>	<b>11,438</b>	<b>11,421</b>	<b>↑ 0.1%</b>
<b>University of Alaska Southeast<sup>3</sup> Enrollment (all campuses)</b>	<b>3,834</b>	<b>3,600</b>	<b>↑ 6.5%</b>
<b>SE Commercial Seafood Industry</b>			
<b>SE Pounds Landed (all commercial pounds)<sup>4</sup></b>	<b>282.9 million</b>	<b>231.1 million</b>	<b>↑ 22%</b>
Total Salmon	217.7 million	162.2 million	↑ 34%
<b>Ex-Vessel Value<sup>4</sup></b>	<b>\$234.1 million</b>	<b>\$284.0 million</b>	<b>↓ -18%</b>
<b>Fishermen and Crew (SE Residents)<sup>4</sup></b>	<b>4,674</b>	<b>4,663</b>	<b>↑ 0.2%</b>
<b>SE Industry Employment<sup>1</sup></b>			
<b>Mining</b>	<b>413</b>	<b>432</b>	<b>↓ -4%</b>
<b>Logging and Wood Manufacturing</b>	<b>214</b>	<b>259</b>	<b>↓ -17%</b>
<b>Private Health Care</b>	<b>3,576</b>	<b>3,489</b>	<b>↑ 2.5%</b>
<b>Southeast Transportation</b>			
<b>Airline Passenger Arrivals<sup>5</sup></b>	<b>574,114</b>	<b>627,492</b>	<b>↓ -8.5%</b>
<b>Air Freight Arrival<sup>5</sup></b>	<b>30.5 million lbs</b>	<b>32.1 million lbs</b>	<b>↓ -5.0%</b>
<b>Cruise Passenger Arrivals<sup>6</sup></b>	<b>1,018,700</b>	<b>1,032,300</b>	<b>↓ -1.3%</b>

**Sources:** <sup>1</sup> Alaska Department of Labor; <sup>2</sup> Alaska Department of Education and Early Development; <sup>3</sup> University of Alaska; <sup>4</sup> Alaska Department of Fish and Game; <sup>5</sup> Bureau of Transportation Statistics; <sup>6</sup> McDowell Group and Cruise Line Agencies of Alaska; <sup>7</sup> American Community Survey (US Census)