Southeast Alaska Economic Overview

Presented to:
Southeast Conference

Presented by:
McDowell Group, Inc.
September 19, 2006
Presentation Contents

- Southeast Industries Overview
  - Visitor Industry
  - Seafood Industry
  - Timber Industry
  - Mining Industry
  - Oil Industry
  - Government

- Economic Indicators
  - Employment
  - Population, Aging
  - Cost of Living
Visitor Industry
Southeast Cruise Traffic
1990-2007 est

Number of Cruise Passengers (in thousands)
## Passenger Estimates Based on Berth Capacity

<table>
<thead>
<tr>
<th>Location</th>
<th>2007</th>
<th>% change (2006 to 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ketchikan</td>
<td>850,000</td>
<td>6%</td>
</tr>
<tr>
<td>Wrangell</td>
<td>5,000</td>
<td>-17%</td>
</tr>
<tr>
<td>Sitka</td>
<td>211,000</td>
<td>-21%</td>
</tr>
<tr>
<td>Juneau</td>
<td>954,000</td>
<td>4%</td>
</tr>
<tr>
<td>Hoonah</td>
<td>156,000</td>
<td>15%</td>
</tr>
<tr>
<td>Haines</td>
<td>23,000</td>
<td>-36%</td>
</tr>
<tr>
<td>Skagway</td>
<td>785,000</td>
<td>8%</td>
</tr>
<tr>
<td>Prince Rupert</td>
<td>104,000</td>
<td>11%</td>
</tr>
</tbody>
</table>
Seafood Industry
Commercial Fishing

- Salmon permit values climb...
  - SE Seine $47K, ↑ $5k
  - SE Gillnet $37K, ↑ $7k
  - Power Troll $33K, ↑ $5k
- Halibut & Blackcod prices strong, total ann. catch down slightly
- 2005 SE salmon value $85 million
- Estimated 2006 value $80 Million
  - 2006 harvest 41 million salmon below 2006 projected harvests
  - Pink harvest down 48 million fish from 2005
  - Chum harvest up 7 million fish
SE Salmon Harvest Value
1996-2006 (ex-vessel, million $)
SE Commercial Fishermen

- 1,200 permit holders actually fished
- 3,300 permits fished
- $92 million earned in ‘05

- Processing
  - 3,800 employees (1,800 resident)
  - $38 million in payroll
Timber Industry

• Employment of about 450 in SE for 2006
  – 280 logging and construction
  – 120 in mills
  – 50 small operators

• Including indirect impacts, timber still generates income for over 1,500 workers in SE
Total Southeast Timber Harvest, 1996-2006 (mmbf)
The Mining Industry

- Kensington development underway
  - 200 perm jobs projected
  - 300 jobs in peak construction
  - Late 2007 start-up
  - 10 years mine life - 1 mill oz gold

- Greens Creek employs 280
  - 24 more contractors
  - 11 years reserves
  - Newly on AEL&P Hydropower

- Other activity
  - Union Bay - Platinum
  - Woewodski Island - Gold Silver Zinc
  - Niblack - Copper Gold

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Prices of gold, silver, and oil

Gold
- 2000: $200
- 2001: $350
- 2002: $500
- 2003: $650
- 2004: $800
- 2005: $950
- 2006: $1000

Silver
- 2000: $2
- 2001: $4
- 2002: $6
- 2003: $8
- 2004: $10
- 2005: $12
- 2006: $14

Oil
- 2000: $10
- 2001: $20
- 2002: $30
- 2003: $40
- 2004: $50
- 2005: $60
- 2006: $70
The Oil Industry

- FY06 average price $72/b
  - Forecast FY06 price was $39/b

- FY 07 forecast price $54/b
  - New forecast in Oct.

- FY06 N. Slope production 852,000 b/d
  - FY05 ann. production 920,000 b/d

- 2,600 oil industry jobs in Alaska, average annual salary of $145,000
PPT Tax Impact

- Predicted revenue for FY07 with PPT:
  - $6.2 b assuming $70/b (w/o Pr Bay issues)
    - $2.2 billion over ELF
  - $4.9b assuming $54/b
    - $1.2 billion over ELF
- $3.6 billion in revenue FY06
Government

Southeast Jobs

- 5,500 State gov’t jobs \( \uparrow 50 \)
- 2,000 Fed. gov’t jobs \( \downarrow 50 \)
- 5,950 Local gov’t jobs \( \downarrow 100 \)
- 800 Tribal gov’t jobs \( \downarrow 50 \)
Alaska Regional Employment Trends, 2004 to 2005

- Anchorage ↑ 1.8% (2,700 new)
- **SE** ↑ 1.7% (600 new jobs)
- Fairbanks ↑ 1.6% (600 new jobs)
- Northern ↑ 1.5% (250 new)
- Gulf Coast ↓ 0.1% (down 50)
- SW ↓ 0.5% (down 100)
### Local Employment Trends

**↑ 2004 to 2005**

<table>
<thead>
<tr>
<th>Location</th>
<th># Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haines</td>
<td>48</td>
<td>4.8%</td>
</tr>
<tr>
<td>S/A/H</td>
<td>65</td>
<td>4.3%</td>
</tr>
<tr>
<td>Yakutat</td>
<td>13</td>
<td>4.1%</td>
</tr>
<tr>
<td>Sitka</td>
<td>153</td>
<td>3.6%</td>
</tr>
<tr>
<td>Juneau</td>
<td>389</td>
<td>2.3%</td>
</tr>
<tr>
<td>Wran/Pet.</td>
<td>54</td>
<td>2.1%</td>
</tr>
<tr>
<td>POW/OK</td>
<td>34</td>
<td>1.7%</td>
</tr>
<tr>
<td>Ketchikan</td>
<td>55</td>
<td>0.8%</td>
</tr>
</tbody>
</table>
Most recent regional employment trends...

- August ‘06 employment in SE up 800 jobs from last year (41,700 jobs)

- August unemployment down from slightly from last year
# Recent Local Population Trends, 2004 to 2005

<table>
<thead>
<tr>
<th>Location</th>
<th># Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sitka</td>
<td>115</td>
<td>1.3%</td>
</tr>
<tr>
<td>Petersburg</td>
<td>21</td>
<td>0.6%</td>
</tr>
<tr>
<td>Juneau</td>
<td>51</td>
<td>0.1%</td>
</tr>
<tr>
<td>Ketchikan</td>
<td>-33</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Haines</td>
<td>-47</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Wrangell</td>
<td>-50</td>
<td>-2.5%</td>
</tr>
</tbody>
</table>
The Aging of SE AK

Age of Southeast residents by percentage
1980 and 2005

- 2005 Southeast Population
- 1980 Southeast Population

- Retirement Aged Southeast Residents
  - Aged 55+
    - 1980 11%
    - 2005 27%

- Younger
  - Aged 20 to 35
    - 1980 31%
    - 2005 17%

- Older
  - Aged 40 to 55
    - 1980 15%
    - 2005 21%
Cost of Living in Alaska

• Wage earners needed to purchase house
  – Juneau $281,000 = 1.8, up from 1.6 in 2002
  – Ketchikan $232,000 = 1.8, up from 1.5
  – Alaska $249,000 = 1.5, up from 1.4
  – Fairbanks $200,000 = 1.3, up from 0.9
  – Housing prices up 53% since 2000 in AK

• Military COLA 2006
  – Juneau=128, KTN=138, Sitka=136, Anch=122
  – Does not include housing
Southeast Alaska Economic Overview

McDowell Group, Inc.
Anchorage • Juneau • Kodiak

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