

# Southeast Alaska by the Numbers

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Fall 2012



## Our Region

The Southeast Alaska Panhandle, extends from the Dixon Entrance waters south of Prince of Wales Island to Yakutat in the north. This 500-mile long maritime area is home to 35 communities with just over 73,500 people, of whom 22% are Alaska Native. Islands make up 40% of the total land area and nearly 95% of the area's land base is managed by the federal government.

### Southeast Alaska's 2012 Economy

The mid to late 1990's and early 2000's were tough years in Southeast Alaska. In the early-1990's, seafood and timber directly accounted for 20% of the regional economy. Over the next decade pulp mills and sawmills in the region closed laying off more than 3,000 workers. During the same period, the value of salmon declined worldwide, and by 2002 regional ex-vessel values had fallen by 66% below the 1994 peak. Total Southeast Alaska wages hit bottom in 1997. When the regional economy began to show signs of recovery, the 2009-2010 national recession caused a slump in the visitor industry.

It has taken nearly two decades, but the Southeast economy is recovering.

Southeast Alaska's population has been growing since its low point in 2007. In fact, Southeast Alaska was the fastest growing region in the state in 2011.

Regional bright spots include increased mining, higher fish prices and increased commercial fishing efforts, visitors and cruise ships numbers rising to previous high levels, increasing health care jobs, and relatively steady government employment. Also interesting are increased marine services activity, such as ship-building and vessel haul-out capacity, and regional investment and activity in mariculture.

**Today the region's top industries are government, seafood, tourism, and health care.**

While these positive economic indicators are exciting, growth is not occurring uniformly in the region, nor is it clear that this new slow growth can be sustained. The good economic news in 2011-2012 must be tempered against likely declines in both state and federal employment and spending; the fact that the 2011 jump in both salmon prices and pounds harvested is not likely to be a long term trend; and continued weaknesses in the national economy. Moving forward there will be ups and downs on the road to regional prosperity.

# A Message from Southeast Conference's Executive Director

## *Greetings-*

I have been the executive director of Southeast Conference for the past 6 years. At Southeast Conference we disseminate economic and socioeconomic information, mostly through the Southeast Alaska Comprehensive Economic Development Strategy (CEDS).

This year, we are giving you a new product **Southeast Alaska by the Numbers, 2012**. This document provides a five-year snapshot analysis of the regional economy. The story it tells is one that I know all of you will be glad to see. It shows that finally, after a great deal of effort from many of you, that the economy of the region is no longer trending down following the crash of our timber economy, but has begun improving.



When you read through these pages, you will see that over past five years there has been slight improvement in government, seafood, visitor industry, health care, and mining jobs. Population is up. In fact, in 2011 Southeast Alaska was the fastest growing region in the state – now that is a story no one expected to see, even just two years ago.

I think it is important to stress the fact that no one did this alone. All of this good news didn't happen by each community and group out for themselves, but by all of us working together to overcome obstacles, by ignoring the naysayers, and coming together as a region. What we learned through the difficult times was that the people and community leaders of Southeast Alaska must think locally and plan regionally. We are Southeast Alaskans, and by working together we have proven that we can overcome adversity. Some of these upward trends are still very new and fragile. We need to continue to work as a united regional force. Southeast Conference will be right there, beside you, offering our services and our support to make sure this happens. Each component of our diverse economy needs support if we are going to continue to enjoy a high quality of life and access to family wage jobs.

The mission of Southeast Conference is to undertake and support activities that promote strong economies, healthy communities and a quality environment in Southeast Alaska. Southeast Conference began more than 50 years ago with a group of interested people who wished to see a regional transportation system in Southeast Alaska. After that success Southeast Conference stayed together through more than a half-century to focus not only on transportation issues but on many other concerns unique to the region. Our membership is 168 and now includes nearly every community in Southeast Alaska. We are blessed with the volunteer efforts of over 150 Southeast Alaska businesses and individuals.

We plan to be here for another 50 years and stand by your side as you continue to make great things happen for our region.

Shelly Wright  
Southeast Conference, Executive Director

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# The Past 5 Years At a Glance

The following table tracks key Southeast Alaska indicators over the past five years, along with associated changes.

| DEMOGRAPHICS   | 2011   | 2006           | % CHANGE        |
|--|--|----------------|-----------------|
| Population <sup>2</sup>  | 73,526   | 71,219         | +3%             |
| Infant to four year olds   | 4,798  | 4,192          | +13%            |
| Net In-Migration (people who moved here minus people who moved away) <sup>2</sup>    | +843   | -1,697         | 301%            |
| Median Age <sup>1</sup>  | 39.5   | 38.8           | 2%              |
| K-12 School District Enrollment (Note: up in 2012) <sup>3</sup>                      | 11,752   | 12,646         | -7%             |
| HOUSING  |  |                |                 |
| Housing Starts <sup>4</sup>  | 120  | 287            | -58%            |
| Median Home Value <sup>5</sup>   | \$264,100                                      | \$233,000      | 13%             |
| Number Dwelling Units 2010 & 2000 <sup>2</sup>                                       | 33,677   | 31,949         | 5%              |
| GENERAL ECONOMIC CONDITIONS  |  |                |                 |
| Total Labor Force (jobs, includes self-employed) <sup>6</sup>                        | 44,800   | 42,951         | +1,849/ +4%     |
| Total Payroll (includes self-employed) <sup>6</sup>                                  | \$1.94 billion                                 | \$1.62 billion | 20%             |
| Total Private Sector Payroll   | \$1.26 billion                                 | \$1.05 billion | 20%             |
| Average Wage <sup>1</sup>  | \$41,840                                       | \$36,117       | 14%             |
| Unemployment Rate <sup>1</sup>   | 7.3%   | 6.5%           | +0.8%           |
| TOP ECONOMIC SECTORS   | 2011   | 2006           | % CHANGE        |
| GOVERNMENT   | TOP SECTOR : 35% OF ALL EMPLOYMENT EARNINGS    |                |                 |
| Total Government Employment <sup>1</sup>   | 13,350   | 12,791         | +556 jobs/ +4%  |
| Federal Employment   | 1,712  | 1,748          | -2%             |
| State and Employment   | 5,560  | 5,534          | 0%              |
| City and Tribal Employment   | 6,078  | 5,509          | 10%             |
| Total Government Payroll <sup>1</sup>  | \$679,690,504                                  | \$568,024,013  | 20%             |
| COMMERCIAL FISHING & SEAFOOD   | SECOND SECTOR: 11% OF ALL EMPLOYMENT EARNINGS  |                |                 |
| Total Seafood Employment <sup>6</sup>  | 4,154  | 4,004          | +150 jobs/+4%   |
| Total Seafood earnings <sup>6</sup>  | \$218,446,854                                  | \$186,303,964  | 17%             |
| Shorebased Processing Wholesale Value <sup>7</sup>                                   | \$612,509,903                                  | \$367,838,886  | 67%             |
| Pounds Landed (comm. Pounds by SE res) <sup>8</sup>                                  | 395,628,268                                    | 252,453,606    | 57%             |
| Estimated Gross Earnings (Ex-Vessel Value) <sup>8</sup>                              | \$391,091,684                                  | \$203,054,611  | 93%             |
| Ship and Boatbuilding Employment <sup>6</sup>  | 160  | 57             | 181%            |
| VISITOR SECTOR   | THIRD SECTOR: 8% OF ALL EMPLOYMENT EARNINGS    |                |                 |
| Total Visitor Industry Employment <sup>6</sup>                                       | 5,941  | 6,302          | -361 jobs / -6% |
| Total Visitor Industry Wages/ Earnings <sup>6</sup>                                  | \$163,486,786                                  | \$154,556,232  | 6%              |
| Total Summer Visitors <sup>9</sup>   | 1.06 million                                   | 1.2 million    | -12%            |
| Cruise Passengers <sup>10</sup>  | 883,000  | 951,400        | -7%             |
| Total air passenger arrivals into SE (from outside region, year round) <sup>11</sup> | 343,419  | 362,679        | -5%             |
| Total Southeast AMHS Passengers (year round) <sup>12</sup>                           | 253,554  | 237,965        | 7%              |
| HEALTH CARE SECTOR   | FOURTH INDUSTRY: 9% OF ALL EMPLOYMENT EARNINGS |                |                 |
| Health Care Employment (public and private sectors) <sup>6</sup>                     | 3,324  | 3,079          | +245 jobs / +8% |
| Health Care Wages <sup>6</sup>   | \$161,665,598                                  | \$120,227,269  | 34%             |
| MINING SECTOR  | TOP GROWTH INDUSTRY                            |                |                 |
| Total Mine Employment <sup>6</sup>   | 647  | 409            | +238 jobs/ +58% |
| Total Mining Wages <sup>6</sup>  | \$59,796,418                                   | \$36,751,401   | 63%             |
| Price of Gold <sup>2</sup>   | \$1,572  | \$604          | 160%            |
| SELECTED ENERGY STATISTICS   | 2011   | 2006           | % CHANGE        |
| Net generation of MwH in Southeast (2010) <sup>13</sup>                              | 379,578  | 328,199        | 16%             |
| Avg. Daily Volume (million of barrels a day) TAPS <sup>14</sup>                      | .65  | .76            | -14%            |

Sources: <sup>1</sup>Alaska Department of Labor (ADOL); <sup>2</sup>ADOL Components of Population Change for Alaska Regions, Boroughs and Census Areas, 2000-2011; <sup>3</sup>Alaska Department of Education and Early Development; <sup>4</sup>Building Permits Survey, US Census; <sup>5</sup>ACS 2008-2010 and 2005-2007 average margin of error +/- \$9,600; <sup>6</sup>Alaska Department of Labor 2011 Employment and Wage data and 2010 US Census Nonemployer (self-employment) Statistics; <sup>7</sup>Alaska Department of Labor and Workforce Development, Fishing and Seafood Industry Data; <sup>8</sup>ADF&G fish ticket databases and COAR buying data; <sup>9</sup>Alaska Visitor Statistics Program VI: Summer 2011 and Summer 2006, McDowell Group; <sup>10</sup>McDowell Group; <sup>11</sup>US Bureau of Transportation Statistics; <sup>12</sup>Alaska Marine Highway System; <sup>13</sup>Annual Electric Power Industry Report. U.S. Energy Information Administration; <sup>14</sup>Alyeska Pipeline Service Company.

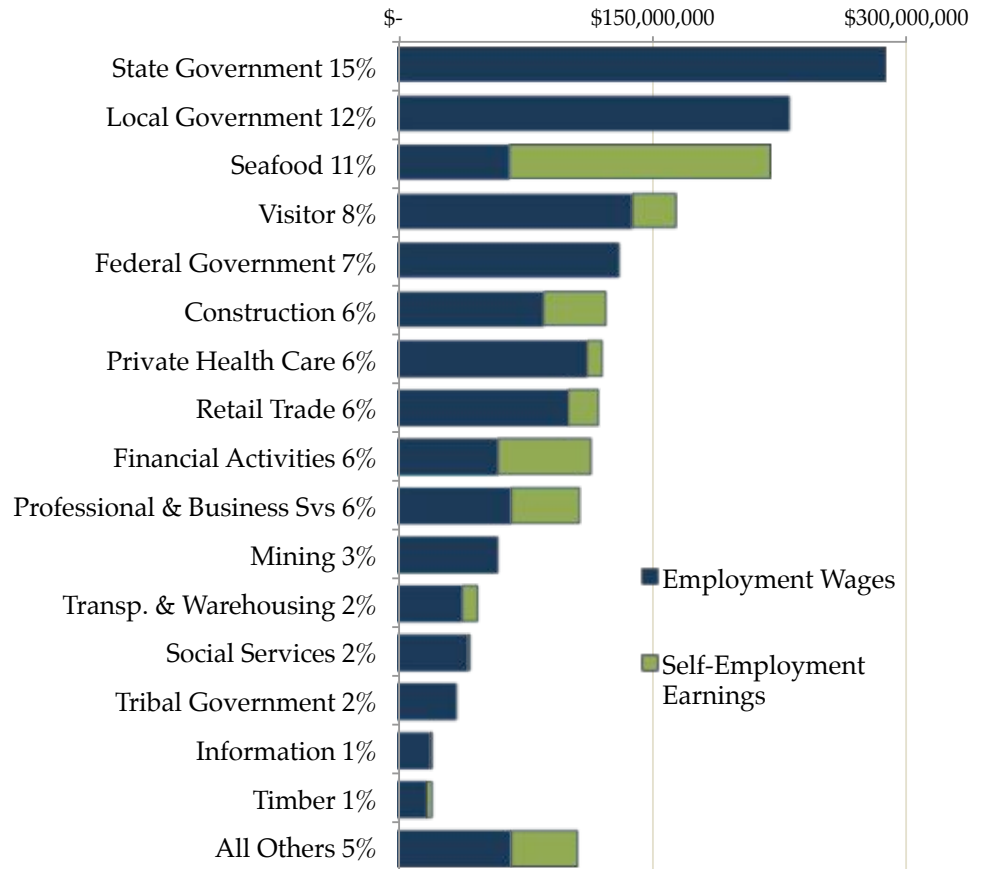
## Measuring the Whole Economy

One of the challenges of measuring the Southeast economy is that available employment and wage data does not include self-employed individuals or their earnings. In Southeast this means that commercial fishing efforts are often omitted from analysis due to lack of data.

However, US Census Nonemployer Statistics now track self-employment earnings by compiling tax return data (though it lags employee wage data by a year). There are important differences in how employment and self-employment data are measured, but because Southeast Alaska has so many individuals who work for themselves, combining the data provides a much clearer and more accurate picture of what the regional economy looks like as a whole.

Unsurprisingly, 40% of all self-employment earnings are in the seafood sector (mostly commercial fishermen). The graph to the right (and table below) show the Southeast Alaska regional economy as a whole based on earnings, with employee wages in blue and self-employment income in green.

## Southeast Alaska Employment Wages and Self-employment Earnings



|                                    | EMPLOYMENT RELATED EARNINGS |                          |                      | EMPLOYMENT                |               |                  |
|------------------------------------|-----------------------------|--------------------------|----------------------|---------------------------|---------------|------------------|
|                                    | 2011 Wages                  | Self Employment Earnings | Total Earnings       | Annual Average Employment | Self-Employed | Total Employment |
| Government                         | \$679,690,504               | \$-                      | \$679,690,504        | 13,350                    | -             | 13,350           |
| Seafood Industry                   | \$65,589,854                | \$152,857,000            | \$218,446,854        | 1,807                     | 2,347         | 4,154            |
| Visitor Industry                   | \$138,162,786               | \$25,324,000             | \$163,486,786        | 5,569                     | 372           | 5,941            |
| Construction Industry              | \$85,183,957                | \$37,565,000             | \$122,748,957        | 1,428                     | 686           | 2,114            |
| Private Health Care                | \$111,251,204               | \$8,997,000              | \$120,248,204        | 2,356                     | 205           | 2,561            |
| Retail Trade                       | \$100,159,736               | \$17,205,000             | \$117,364,736        | 3,836                     | 504           | 4,340            |
| Financial Activities               | \$58,690,122                | \$54,550,000             | \$113,240,122        | 1,319                     | 559           | 1,878            |
| Professional and Business Services | \$66,323,762                | \$40,729,000             | \$107,052,762        | 1,541                     | 1,137         | 2,678            |
| Mining totals                      | \$59,570,418                | NA                       | \$59,570,418         | 647                       | NA            | 647              |
| Transportation and Warehousing     | \$38,372,964                | \$8,890,000              | \$47,262,964         | 815                       | 197           | 1,012            |
| Social Services                    | \$41,555,915                | \$400,900                | \$41,956,815         | 1,498                     | 214           | 1,712            |
| Information                        | \$18,934,157                | \$1,718,000              | \$20,652,157         | 442                       | 57            | 499              |
| Timber totals                      | \$16,816,589                | \$3,223,000              | \$20,039,589         | 348                       | 74            | 422              |
| All Other                          | \$66,420,731                | \$39,223,100             | \$105,643,831        | 2,015                     | 1,480         | 3,495            |
| <b>Total</b>                       | <b>\$1,546,722,699</b>      | <b>\$390,682,000</b>     | <b>1,937,404,699</b> | <b>36,968</b>             | <b>7,832</b>  | <b>44,800</b>    |

Sources: Alaska Department of Labor 2011 Employment and Wage data and 2010 US Census Nonemployer (self-employment) Statistics

# Southeast Alaska Government



Photo used by permission of Rep. Cathy Munoz.

## UP 559 JOBS OVER 5 YEARS +4%

- **STATE +26 JOBS**
- **FEDERAL -36 JOBS**
- **LOCAL /TRIBAL +569 JOBS**

Southeast Alaska's lead sector—thanks in part to the location of the state capital in the region—is government, and the economy of the region is highly dependent on both government employment and spending.

In 2011, state, federal and local government employment comprised 30% of the region's jobs (13,350) and 36% of regional wages (\$680 million).



## THE SLEEPING GIANT: DECREASING OIL REVENUE

The Trans-Alaska Oil Pipeline System has been operating for 35 years and funding 90% of Alaska's unrestricted government funds during that time. The North Slope oil fields flow peaked in 1988 at 2 million barrels a day and has declined now to nearly a quarter of its peak with an expected average of 580,000 barrels a day in 2012.

Despite the production decline, the rise in the price of oil has resulted in record levels of state revenue, and through past legislation there is \$60 billion in saving accounts (the \$40 billion Alaska Permanent Fund, the Statutory Budget Reserve, and the Constitutional Budget Reserve). However, the decline in oil production, the challenge of moving lower volumes of oil in cold weather, the instability of oil prices, and climbing state General Fund spending have put the state on a

collision course. Elected and appointed leaders must make decisions now in order to prevent future budget gaps that will result in less government money flowing into the region for salaries and services.

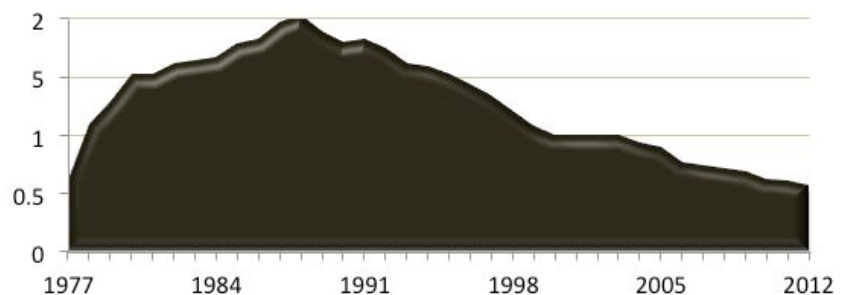
## GOVERNMENT OUTLOOK



Federal, state, local, and tribal government will continue to face challenges in 2012 and beyond, with negative consequences for the Southeast economy. In addition to the state revenue challenges already identified,

Federal budget cuts will impact Federal Government employment, and declines in designated Federal spending (earmarks) will impact State, local and tribal government programs in the region. According to Alaska Department of Revenue's forecasts, total oil revenues to the state in FY13 are expected to drop by \$1.5 billion from FY12 levels.

Avg. Daily Volume of the Trans Alaska Pipeline System in Millions of Barrels a day, 1977-2012



Sources: TAPS at 35: Accounting for the Oil Revenues by Scott Goldsmith Web Note No. 12 July 2012; Alaska Department of Revenue, Spring 2012 Forecast; ISER, Webnote No. 13, August 2012, Scott Goldsmith; Alyeska Pipeline Service Company; Alaska Department of Labor.



# Southeast Alaska Seafood Industry



Photo Credit: Julie Decker. Gillnetting for salmon in Sitka.

## UP 150 JOBS OVER 5 YEARS +4%

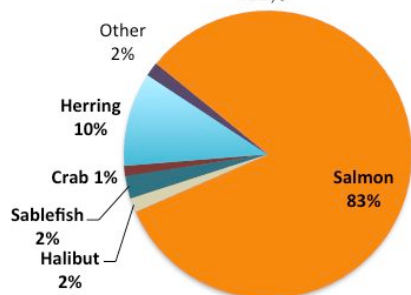
2011 was a banner year for seafood harvest and commercial fishing in Southeast Alaska.

the enormous 2011 pink salmon run and the high prices both pink and chum commanded. The overall salmon harvest was the 5th highest since Statehood.

Halibut and sablefish, while just 4% of pounds landed, accounted for 32% of the total value of 2011's regional catch.

Overfishing in the first half of the 1900's nearly destroyed some of the regions salmon runs, and the 1975 salmon harvest was just 12% of 1930's levels. By the mid-1980's regional seafood harvests were up to new record highs, and continued to grow through 1994. While salmon harvest levels fluctuated between 1994 and 2002, ex-vessel salmon values plummeted to a third of their value by 2002. Now back up, seafood harvests and values are providing a significant boost to the regional economy.

**2011 Pounds Landed**  
Total Harvest 396 million pounds  
+41%

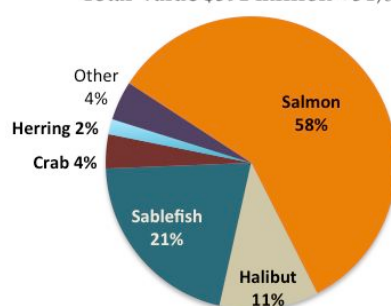


Fishing and fish processing have long historical roots in the region, with high ups and downs. Commercial fishing and seafood processing is now the largest private sector employer in Southeast Alaska in terms of wages, accounting for 11% of all regional wages, and 9% of all employment. In 2011, 4,200 Southeast residents participated in the regional seafood industry.

In 2011, the Southeast Alaska total seafood harvest was 396 million pounds, 41% higher than the 2010 harvest. Similarly high, the 2011 ex-vessel value of \$391 million was one-third higher than 2010's total ex-vessel value.

Both the large number of pounds harvested and high value can be primarily attributed to

**2011 Ex-Vessel Value**  
Total Value \$391 million +34%



Shore-based seafood plants in Southeast Alaska processed 273 million pounds of seafood in 2011, with a wholesale value of \$612.5 million (67% higher than the year before). State shared fisheries taxes on processing activity in 2011 provided \$ 4.3 million to 18 communities in Southeast Alaska.

Of Note: After years of planning the OceansAlaska Marine Science Center opened in July 2012 in George Inlet Ketchikan. Oyster seed is now growing in its floating facility, the 1st Alaskan source of seed for the 13 productive farms (oysters, clams, other) in Southeast Alaska (up from 7 in 2000).

## SEAFOOD INDUSTRY OUTLOOK



Commercial harvests and values fluctuate. Global demand for Southeast Alaska seafood products is likely to continue to grow as

knowledge of their health benefits spreads; however, 2011 was simply too good of a year for the regional seafood industry, leaving nowhere to go but down. Harvest data and prices to date in 2012 affirm this.

There is concern that recent increases in global farmed salmon production could glut the market and depress prices, as has happened in the past. The supply of world farmed salmon has rapidly grown as Chilean production rebounds, and there has been a steep fall in farmed salmon prices since March 2012.

On the other hand, there is a growing diversity of regional seafood products, and global demand for regional seafood is likely to continue to grow. The overall outlook is for both ups and downs.

Sources: Alaska Department of Labor 2011 Employment and Wage data and 2010 US Census Nonemployer (self-employment) Statistics; ADF&G <http://www.adfg.alaska.gov/index.cfm?adfg=CommercialByFisherySalmon.exvesselquery>; Run Forecasts and Harvest Projections for 2012 Alaska Salmon Fisheries and Review of the 2011 Season; Alaska Department of Fish and Game. Divisions of Sport Fish and Commercial Fisheries. February 2012; Trends in Alaska Salmon Markets, April 2012, UAS ISER Gunnar Knapp. Graph: Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information, 2011 ADF&G fish ticket databases and COAR buying data; Run 7/13/2012 and 7/15/2012, respectively. Personal use, deadloss, and discards are excluded.





# Southeast Alaska Visitor Industry

## DOWN 361 JOBS OVER 5 YEARS -6%

Visitors have been coming to Southeast Alaska since John Muir wrote about the region in the 1870's. Southeast Alaska is the most visited region of the state (attracting 68% of all Alaska visitors during summer 2011).

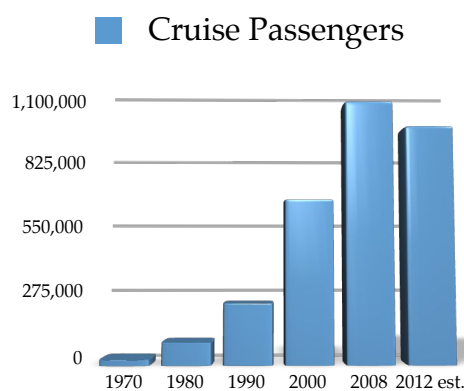
More than a million visitors came to the region in 2011, with most (85%) on cruise ships.

The volume of visitors attracted to the region has given rise to a rich variety of visitor focused businesses, from charter fishing operations to jewelry stores, whale watching, Tlingit cultural activities, bed and breakfasts, guided hikes, gold panning, ziplines, and more. Those coming to Alaska enjoy these experiences enough to return. Nearly a third—29%—of summer 2011 visitors had been here before.

For this report we define the Visitor Industry to include leisure and hospitality businesses with others that specifically comprise the industry in Southeast Alaska such as jewelry stores, tour operators, air transportation businesses, and more (see note below). With this aggregation, the Visitor Industry emerges as the region's largest private sector employer,

accounting for 13% (6,000 jobs) of all employment. It also brings in \$164 million in employment income (8% of the total).

Cruise passenger traffic in Southeast skyrocketed during the 35 years from 22,800 passengers in 1970 to 1.03 million at the peak in 2008. In response to the global recession and a passenger head tax, regional cruise ship tourism declined after 2008, but is now climbing again. In 2012, 931,000 passengers are expected to visit the region, coming on 30 different ships that will make 450 voyages through Southeast Alaska. In a sense the cruise ship visitation has acted as ballast for the regional economy when the timber industry was in decline and seafood industry struggling.



On average, visitors to Southeast Alaska spent \$485 per person in the region. In the summer of 2011, visitors likely spent around \$515 million total in the region.

## VISITOR INDUSTRY OUTLOOK



Generally, the visitor industry in Southeast Alaska follows national trends, and was thus negatively impacted by the national recession and its attendant reduction in "luxury" spending. Currently, the US economy is in an expansion

phase (albeit a slow one) and as long as this continues with no significant new tourism targeted taxes, slow growth for the Southeast Alaska visitor industry is projected into the future.

Construction of two Panamax docks in Juneau in 2013 will expand the total capacity of the Southeast Alaska cruise et to 850 voyages per year. Since there will be a projected 440 voyages in 2012, there is room for growth in the et; however, some analysts believe the Alaska cruise ship industry is at or near net capacity.

### Southeast Alaska Communities - 2011 Visitor Information

|   | AK    | SE          | Juneau | Ketchikan | Skagway    | Sitka    |
|---|-------|-------------|--------|-----------|------------|----------|
| Avg. per-person spent in community / area | \$941 | \$485       | \$197  | \$152     | \$150      | \$350    |
| % Very satisfied rating                   | 71%   | 72%         | 71%    | 72%       | 73%        | 74%      |
| Ave length of stay (nights)               | 9.2   | 8.7         | 8.7    | 8.7       | 8.7        | 8.4      |
|   | POW   | Glacier Bay | Haines | Hoonah    | Petersburg | Wrangell |
| Avg. per-person spent in community / area | na    | \$23        | \$152  | \$63      | \$212      | \$223    |
| Very satisfied rating                     | 72%   | 73%         | 76%    | 71%       | 77%        | 71%      |
| Ave length of stay (nights)               | 10.9  | 9.6         | 11.1   | 9.9       | 13.1       | 14.1     |

Sources: Alaska Visitor Statistics Program VI Summer 2011 (March 2012) McDowell Group; Alaska Department of Labor 2011 Employment and Wage data and 2010 US Census Nonemployer (self-employment) Statistics; Tourism and Its Effects on Southeast Alaska Communities and Resources Lee K. Cerveny. 2012 estimate; Personal communication Drew Green Port Manager Cruise Line Agencies of Alaska; ADEC's 2012 Southeast Alaska Vessel Traffic Study. Note: Sheinberg Associates defines the "tourism sector" as including the following: Jewelry stores; 448310; Gift, novelty, and souvenir stores 453220; Art dealers 453920; Air transportation 481; Coastal and Great Lakes passenger transport 483114; Inland water passenger transportation 483212; Charter bus industry 485510; Scenic and sightseeing transportation 487; Passenger car rental 532111; Recreational goods rental 532292; Travel agencies 561510; Tour operators 561520; Arts, entertainment, & recreation 71; Accommodation & food services 72.

# Southeast Alaska Mining Industry

Photo Credit: Hecla Greens Creek Mining Company

## UP 238 JOBS OVER 5 YEARS +58%

Mineral exploration and mining have been a part of the Southeast Alaska economy since gold was first discovered here in the 1860s. Today, due to high metal prices there is increased mineral exploration occurring statewide.

In 2011, mining employment in the region was up by 58% over 5 years ago, which is fortunate for the region, as mining jobs pay the highest wages of any sector. In 2011, the average annual mining wage in Southeast Alaska was \$92,000, or 2.5 times the average private sector wage.

In 2011, there were 650 mining jobs in Southeast Alaska with a \$60 million payroll (100 more mining jobs than in 2010). Preliminary 2012 data suggests mining employment will likely increase another 25% in 2012.

The average price of gold in the first eight months of 2012 was \$1,640 an ounce. In 2001, the price of gold was just \$271 per ounce.

Since that time gold has increased in value five fold. However, gold is not the only mineral commodity whose price has increased in the last decade. Silver, zinc, and rare earth elements have likewise risen dramatically.

### SIGNIFICANT ACTIVITY IN SOUTHEAST ALASKA INCLUDES:

- **Greens Creek** (+33 jobs in 2012) is the largest silver mine in the United States, and the sixth largest silver producer in the world. This mine is Juneau's top private employer with 370 permanent year round employees.

- **Kensington** (+150 jobs in 2012) opened in 2010. In 2012, the company employed 326 permanent year-round employees, and an additional 69 contract employees. In 2011, the Kensington mine produced 88,420 ounces of gold.

- **The Herbert Glacier Project** is 18-miles north of downtown Juneau. Claims were staked in 1986 after the deposit was exposed by the retreat of the Herbert Glacier. Initial estimates indicate 245,000 ounces of gold.

- **Bokan Mountain**, located on southern Prince of Wales Island, approximately 37 miles southwest of Ketchikan, is thought to hold about 3.8 million tons of rare earth elements.

- **The Niblack Project** is a copper-zinc-gold-silver deposit located on Prince of Wales Island, 27 miles southwest of Ketchikan. There has been \$26 million invested in the project since 2009, and the mine has the potential of creating 200-300 jobs. In 2011, the company proposed an "optimistic" opening date of 2015.

- A planned expansion of the AIDEA ore transfer facility at the port in Skagway.

- Interest by developing Yukon mines in using Skagway or Haines port facilities for ore transshipment.

- Support and expansion of the UAS Mining Training Center.

Other major prospects include the copper-rich **Palmer Project** adjacent to the Haines Highway; the **Poorman Prospect** near Kaasan; **Woewodski** and **Zarembo** gold, silver and zinc prospects located on separate islands near Petersburg and Wrangell; the **Admiral Calder Calcium Carbonate Mine** on Prince of Wales Island; and the historic AJ mine in Juneau.

## MINING OUTLOOK



Southeast Alaska's mining industry has always risen and fallen based on mineral prices, which are hard to predict in the long term. In 2012 and 2013 metal prices appear poised to continue to rise, which will lead to

continued mining employment increases, increased exploration, and heightened interest in historic mining sites. For now the region's golden age for mining is running full steam ahead. Some challenges include difficulty securing exploration and development financing given the weakened national and world economy (many mineral investors are not US firms) and the intensive energy requirements that accompanies mining.

## Gold Prices, 2000 to 2012



Sources: Alaska Department of Labor 2011 Employment and Wage data and 2010 US Census Nonemployer (self-employment) Statistics; Kitco Metals Inc; Coeur D'alene Mines Corporation 2011 Annual Report; Technical Report on the Herbert Glacier Gold Project, Southeast Alaska. May 2012. Yukuskokon Professional Services; The Bokan Mountain REE-U Deposit, Prince of Wales Island, Alaska H. Keyser, J. Dostal, A. Mariano, and C. Hanson, Ucore Uranium Inc.; Economic Impact of Mining in Alaska, 2011 Alaska Miners Association, McDowell Group.



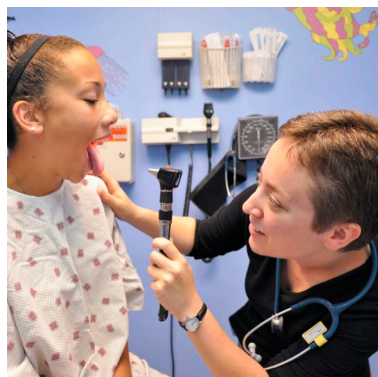


Photo used by permission of PeaceHealth Ketchikan Medical Center.

## Southeast Health Care Industry

**UP 254 JOBS OVER 5 YEARS +8%**

One of the fastest rising industries during the Southeast Alaska economic recession was health care. If both private and local hospital health care services are taken into account, the health care industry employment accounted for 8.6% of all Southeast employment (3,400 workers) in 2011.

Due to the aging Southeast Alaska population, health care needs are rising, and the health care industry is expected to continue to expand in response to these trends. An example of one local response to these needs is the UAS/UAA partnership that allows nursing students to take some classes in Sitka, Ketchikan, and Juneau and perform clinical rotations at local community hospitals.

The largest health care provider in the region is the Southeast Alaska Regional Health Consortium (SEARHC) followed by the Bartlett Regional and Ketchikan General hospitals.

## HEALTH CARE INDUSTRY OUTLOOK



Statewide, healthcare practitioners employment is forecasted to increase 25% between 2008-2018, and healthcare support workers to increase by 29%. As Southeast Alaska's senior population continues to grow and the demands to age in place stronger (at home and in home communities) demand for workers in the health care industry will translate into long-term continued growth for this industry region-wide through 2020.



## Southeast Timber & Wood Products Industry

**DOWN 116 JOBS OVER 5 YEARS -24%**

Once the economic backbone of the region accounting for almost 4,500 direct jobs, timber related employment now is only a fraction of the regional economy.

In 2011, timber accounted for only 1% of jobs and wages in the region with 422 jobs in Southeast (sawmill, logging, logging support and wood product manufacturing jobs.) At one time there were 12 large sawmills operating in Southeast Alaska. Today there are none, and only one mid-sized mill remains.

Though a small part of today's regional picture, between 2009 and 2011 timber related employment in Southeast Alaska increased by 53 jobs (18%) and wages attributed to this sector also grew by 18% to \$16.8 million.

## TIMBER OUTLOOK



Today's Southeast Alaska timber economy has been described as being like the industry was here in the early 1900's. Gone are the long-term contracts that guaranteed a supply of timber from Federal lands.

Some small-scale wood products

harvesting and manufacturing is occurring; however, the window of opportunity to bring back the regional industry in its former glory has passed.

## Total Southeast Timber Harvest, (mmbf)

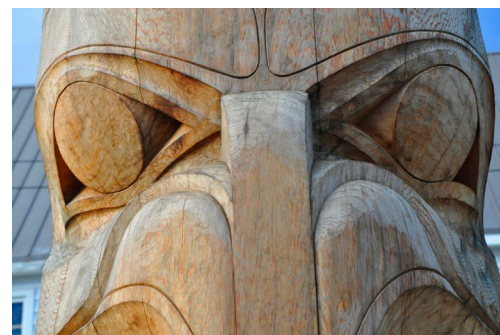
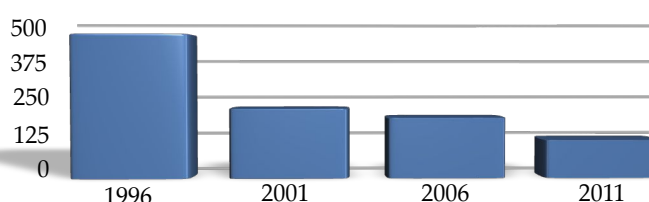


Photo used by permission of PeaceHealth Ketchikan Medical Center.

## Alaska Native Organizations

The economic importance of Southeast-based Alaska Native organizations and their activities is clearly significant to the regional economy. Southeast Alaska's Native Corporations own 98% of the non-public land base in the region.

A 2009 study calculated the impacts of Sealaska, Southeast Alaska's Regional Native Corporation. It found that Sealaska and its contractors directly employed 363 workers in 2008 region-wide, with an associate payroll of \$15 million (490 and \$21 million respectively when indirect impacts are included). Haa Aani is a Sealaska subsidiary dedicated to improving the economic conditions in Southeast Alaska communities. In addition, most of Southeast's Village Corporations and Tribal Governments are actively working on employment and economic opportunities for their shareholders and in their communities.

## SUBSISTENCE

While not part of the local cash economy, subsistence activities are critically important to the overall Southeast Alaska economy, lifestyle, and culture. Southeast Alaskans consume 48 to 550 pounds per person per year of subsistence resources with a total Southeast harvest of approximately 5.6 million pounds. At \$5 per pound this is the cash equivalent of \$28 million in food spending.



Photo used by permission of PeaceHealth Ketchikan Medical Center.

## Industry Spotlight: Southeast Alaska's Maritime Sector

Southeast Alaska's Marine Industry sector is one of the region's oldest and fastest growing sectors. It includes businesses engaged in marine transportation and logistics; shipbuilding, repair and related manufacturing; marine civil construction; port and harbor infrastructure; and a service and supply chain base that provides hundreds of specialized goods and professional services.

The maritime sector plays a critical role in supporting commercial and industrial activity throughout Alaska, the arctic, and the Pacific Northwest, and has significant room for growth in response to emerging opportunities such as arctic development, offshore oil and gas, mining, and expansion of Ketchikan's shipyard – the largest in the State.

Between 2006 and 2011, some of the businesses that make up the region's Maritime Sector—those in ship and boat building and repair—increased their workforce by 181%, with a payroll of over \$8.4 million. The Ketchikan Marine Industry Council is working to define and better track these businesses that produce world-class products and provide living wage jobs.

The recent purchase of the Alaska Ship and Drydock (ASD) by Vigor Industrial demonstrates this sector's broad economic linkages and that major firms are ready to invest in the region's "Blue Jobs." ASD recently completed a state-of-the-art assembly hall designed to build ships up to 500 feet long, with an adjacent five-story production center. When the next phase of improvements are complete, these expansions are expected to increase the shipyard employment from 120 (now) to 250 employees in the future.

## Land Ownership

Southeast Alaska land ownership is dominated by the Federal government, which manages approximately 95% of the land base. Most of this (80%) is the Tongass National Forest (17 of 21 million acres). An additional 14+% is Federal land managed primarily by either the National Park Service or the Bureau of Land Management.

The State manages another 2.5% of the total land base, this includes the Alaska Mental Health Trust and University lands. Boroughs and communities own only about 53,000 acres.

Alaska Native Regional and Village Corporations own just under 3% of the remaining land base. Other private land holdings account for about 11,000 acres of all Southeast lands—or 0.05%. The lack of privately owned land and land available for development is unique in Southeast Alaska and impedes the ability of the region to nurture the private sector.

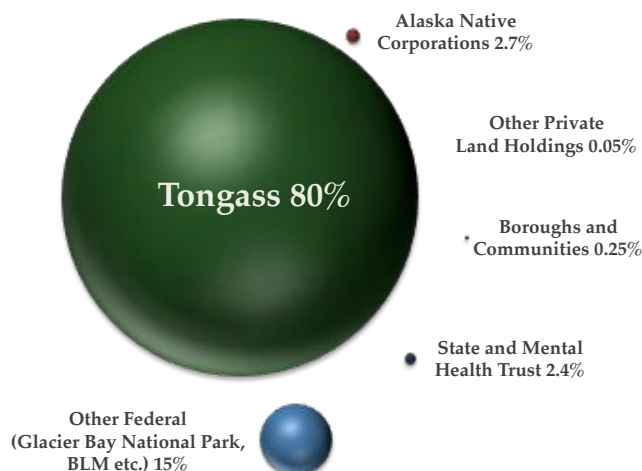
## Energy

The high cost of energy in Southeast Alaska is a key barrier to doing business in the region. While some communities are served by lower cost hydroelectric power, the region's more remote and isolated communities typically have very high electricity costs. In May of 2012, for example, the small commercial rate in Kake was \$0.61 per kWh. For the same amount of electricity (1,500 kWh) a Juneau small business owner paid \$0.13 per kWh.

Over the past four years, net generation of MWh in Southeast increased by 16%.

### Southeast Alaska Land Ownership

Circle size = Number of Acres



Sources: Alaska Department of Labor; 2012 Legislature TPS Report 55575v1 Project Title: Project Type: Remodel, Reconstruction and Upgrades Alaska Industrial Development & Export Authority; Economics in Transition: An Assessment of Trends Relevant to Management of the Tongass National Forest Stewart D. Allen, Guy Robertson, Julie Schaefer. USFS 1998; City of Tenakee Springs; Yakutat Power; AEL&P; Annual Electric Power Industry Report. U.S. Energy Information Administration.



# Demographics



Photo used by permission of PeaceHealth Ketchikan Medical Center.

## UP 2,300 PEOPLE OVER 5 YEARS +3%

The 2011 population of Southeast Alaska is 73,526 (ADOLWD). The three largest communities, Juneau, Ketchikan, and Sitka together are home to 75% of the regional population. Native Alaskans comprise 22% of the region's population (16,000).

Until the mid-1990's, the population of Southeast Alaska had enjoyed nearly a century of growth that intensified after Alaska statehood. Between 1960 and 1997, population and employment levels in Southeast more than doubled as the workforce expanded in the areas of mining, government, fishing, tourism, and timber. However, the demise of the timber industry coupled with decreased fish values significantly impacted the overall regional demographics. Between 1997 and 2007, the regional population outside of Juneau tumbled 9% (while Juneau population levels remained flat) resulting in dire long-term regional projections. More people moved away from the region each year of that period than moved to Southeast Alaska—8,400 more people.

However, the region's population decline bottomed out in 2007. Between 2007 and 2011, the Southeast population increased each year, for a combined increase of 4.5 %, and in these five years 1,500 more people moved here than moved away.

In 2011 Southeast Alaska was the fastest growing region in the state, led by 3%+ increases in Prince of Wales, Haines, Petersburg, and Juneau. The region's 2011 population is just 300 people below the peak regional population of 1997.

## Southeast Region Population, 1997-2011



## POPULATION OUTLOOK



When the numbers are in for 2012, expect to see Southeast reach a new record population, and continue to grow from there.

### POPULATION OF THE REGIONS' YOUNGEST UP

The population of Southeast Alaska children, after a long steep decline, is finally on the rise. The region's newborns to four year olds have increased by nearly 15% between 2007 and 2011 (led by apparent baby booms in Skagway, Prince of Wales, Haines, and Wrangell). While this age group was expected to see growth as the large cohort of baby boomer's children have children, Southeast's increase in this age group was much higher than the state as a whole—which grew at 8%.

In 2011, there were 2,500 fewer Southeast Alaskan children enrolled in the public school system than in 2000. However, if Southeast Alaska's communities can hold onto the increase number of newborn to preschool age children this trend should reverse beginning

next year. In 2012, the region's total student count was flat rather than declining (it actually increased slightly for the first time since 1996) potentially the beginning of this trend. Those 18 and under represented a quarter of the regional population in 2012.

### AGING POPULATION

Southeast Alaska is aging rapidly. By 2020, one-third of Southeast Alaskans will be over the age of 55, compared to just 12% in that age range in 1990. Confronting the challenge to meet changing infrastructure and service needs to support an older population in the areas of health care, housing, and transportation will be key as the region continues to age.

### MIGRATION

Generally, 9% of Southeast Alaska is made up of new residents on an annual basis. Each year in the region approximately 5% are new arrivals from out of state, another 3% are recent arrivals from another Alaska community, and 1% are international arrivals (mostly from Asia).

Sources: US Census 2010; ADOLWD Alaska Department of Labor, Components of Population Change for Alaska Regions, Boroughs and Census Areas, 2000-2011; State of Alaska Department of Education and Early Development, Average Daily Membership, updated 5/4/2012; Alaska Population Projections 2010 to 2035, April 2012, ADOLWD Alaska Department of Labor; 2006-2010 American Community Survey.

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