Ketchikan: Southeast's Manufacturing Capital

by Holly Stinson and John Boucher

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Ketchikan's economy today is very similar to the economy at the turn of the century when the town was founded. In the early 1900s canneries were busy packing salmon, loggers were harvesting trees, and tourists glided by on cruise ships. In 1991 a local pulp mill was the tenth largest private employer in the state. Three seafood processors were on the list of Ketchikan's top ten employers. And tourism was booming, with more than 235,000 cruise ship passengers visiting Ketchikan in 1992. Perhaps the most conspicuous omission from yesterday's economy are the notorious businesses along Creek Street.

Ketchikan began as a mining community in the late 1800s. When mineral prices slumped, fish harvesting and processing eclipsed mining as the primary economic activity. The Ketchikan area had more than 30 canneries and advertised itself as the salmon-canning capital of the world. The first sawmill produced lumber to make packing cases for the millions of cans of salmon shipped from the area.

Ketchikan's ten largest private employers drive the local economy today. The two largest are in the forest products industry, and three are seafood processors. (See Table 1.) More than one out of every three jobs in Ketchikan's private sector are with these ten firms.

Due to the presence of these large manufacturing plants, the wood products industry accounts for 16% of Ketchikan's wage and salary jobs, while the seafood processors' share is 6%. (See Figure 1.) Employment connected with the tourist industry is harder to measure because these jobs are not all counted in one industry. A recent study by the McDowell Group estimated that 4-5% of Ketchikan's jobs were linked to tourism.

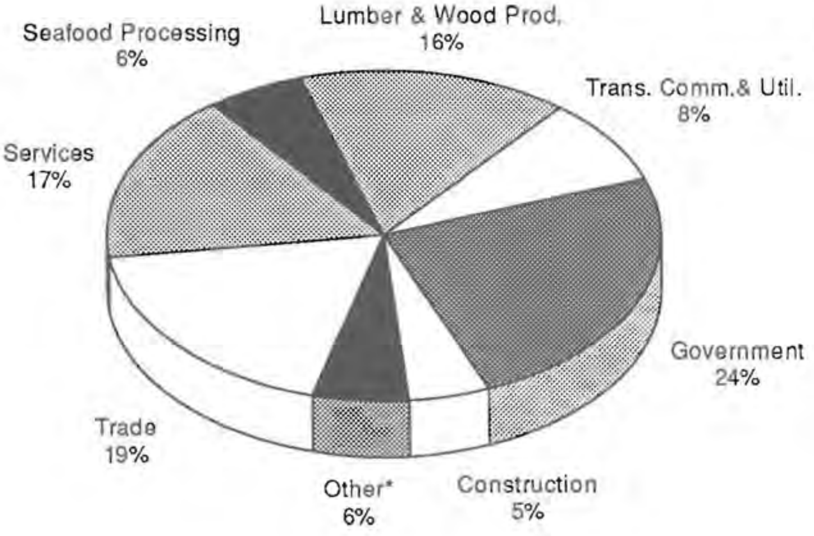
Local employment patterns often counter statewide trends

Ketchikan's employment trend is often different from the state, mainly because of its wood products industry. During the early 80s, when most of the state was growing rapidly, a downturn in the wood products industry stunted Ketchikan's employment growth. During 1986 and 1987, when the rest of the state was seeing employment in almost every sector plummet, the wood products sector was showing healthy growth. Almost every industry in Ketchikan was registering higher over-the-year employment. (See Table 2.) Those that weren't growing, such as services and government, at least held their own during this period.

The unemployment trend in Ketchikan has more closely followed the state, but has been higher than the Alaska rate the last three years. (See Figure 2.) In the 1986-1988 period, when the wood products industry was healthier,

F i g u r e • 1

Ketchikan Employment by Industry - 1991



Other includes finance, insurance, real estate, other manufacturing, and mining.

Source: Alaska Department of Labor, Research & Analysis Section.

T a b l e • 1

Ketchikan's Ten Largest Private Employers

Firm[1]	1991 Annual Average Employment	1991 Employment in Ketchikan Borough only
Ketchikan Pulp	946	579
Klukwan Forest Products [2]	276	72
Ketchikan General Hospital	245	245
Silver Lining Seafoods	170	121
Port West (food store)	162	162
South Coast (construction)	160	160
Farwest Fisheries	130	113
First Bank	120	91
SuperValu (food store)	99	99
E.C. Phillips & Son (seafood processing)	89	89

[1]One of the 10 largest employers in Ketchikan asked to be excluded from this listing.

[2]Employment in Borough only estimated.

Source: Alaska Department of Labor, Research and Analysis Section.

Published with permission of employers.

Ketchikan's unemployment rate was below the state's. So far in 1992 (average of January through August), Ketchikan's unemployment rate is slightly above last year, and still above the statewide rate.

Table 3 shows that Ketchikan's population grew 22.2% between the 1980 and 1990 censuses, when 13,828 people were counted in the borough. This includes 451 people (including dependents) associated with the local U.S. Coast Guard base. The 1990 census also found that borough residents had higher incomes than the state average, a lower number of people per household, and a greater percentage of people born in Alaska.

The biggest constraint to growth in Ketchikan can be summed up in one word: land. Land, or the lack of it, limits commercial expansion and keeps the local housing market tight. Statistics from the 1990 census confirm that the City of Ketchikan has the highest population density of any large Alaskan town, with 2,754 residents per square mile. There are plans for a bridge or tunnel to Gravina Island. This would not only provide a surface link to Ketchikan's airport but would also open up acres of land for development. With cost estimates running between $60-$130 million for the least complicated crossing, this link is not in Ketchikan's immediate future.

Ketchikan the heart of southern Southeast's timber industry

Timber harvesting and manufacturing is Ketchikan's leading private-industry employer. In 1991 the wood products industry accounted for 20% of the total private industry wage and salary employment in the borough and 30% of the private industry payroll.

There are three components to Ketchikan's timber industry. The largest, in terms of jobs provided, is the logging sector. The pulp mill is next largest and sawmills is the smallest employer.

While these three segments are interwoven, they make different contributions to the local economy. Logging accounts for more jobs, but the pulp mill makes the largest impact on Ketchikan's local economy. That's because the pulp mill is a fixed manufacturing site located within the borough. As such, pulp mill jobholders tend to be residents to a greater extent than loggers.[1] This means they tend to consume more local goods and services than their logging counterparts. Another factor is that a portion of the area's logging jobs exist primarily to provide raw materials for the pulp mill.

In addition to employing a greater percentage of residents, pulp mill employment is less seasonal than employment in the logging sector. Logging employment in January and February is usually about one-third of what it is during the peak timber harvesting season. On the other hand, pulp mill employment tends to fluctuate very little.

Even though the pulp mill outweighs the logging sector in terms of local importance, logging operations provide a major stimulus to the local economy. Ketchikan serves as headquarters for the region's logging outfits and for businesses that support the logging industry. Providing goods and services to logging camps and logging operations is an important component of many Ketchikan businesses. Among the industries bolstered by the presence of the logging industry are air and water transportation firms, construction firms and local retailers.

The sawmill portion of the industry is the smallest portion of the wood products industry in the borough. A sawmill operated by Ketchikan Pulp employs a little less than 100 people on a year round basis. And another smaller mill adds to employment.

Salmon fishery places seafood industry second

Following the timber industry, seafood processing is the other major manufacturing industry in Ketchikan. Three of the largest firms are seafood processors. Silver Lining, Farwest Fisheries, and E. C. Phillips combined have over 300 jobs on an annual average basis. During the peak summer months their employment approaches 1,000. From an annual average viewpoint, these and other seafood processors provide 6% of Ketchikan's

Note

[1] According to the AKDOL report *Resident Workers and Earning by Industry, 1990*, 46.5% of employees and 32.5% of the earnings in the logging and wood products portion of the timber industry were nonresident. In comparison, 19.2% of employment and 10.2% of the earnings in the pulp mill sector went to nonresidents.

Table • 2

Ketchikan Wage and Salary Employment 1980-1991

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Total Nonag. Wage & Salary	5,842	5,598	5,715	6,024	5,723	5,971	6,141	6,434	6,853	7,188	7,602	7,228
Mining	*	*	*	*	*	*	*	*	*	*	*	*
Construction	392	258	270	424	435	336	268	366	375	299	320	348
Manufacturing [1]	1,239	959	973	822	560	937	1,197	1,282	1,378	1,668	1,645	1,453
Trans. Comm. & Util.	627	630	499	488	430	441	509	584	675	590	668	623
Trade	969	980	1,061	1,189	1,091	1,113	1,105	1,132	1,225	1,305	1,438	1,367
Wholesale	114	81	96	192	150	138	142	154	177	212	270	226
Retail	856	899	965	997	941	975	963	979	1,048	1,093	1,168	1,141
Finance-Ins. & R.E.	229	234	212	202	210	216	231	230	209	243	290	284
Services & Misc. [2]	872	947	1,036	1,119	1,146	1,129	1,108	1,121	1,265	1,302	1,382	1,294
Ag, Forestry & Fishing	*	*	*	*	*	*	*	*	*	*	*	*
Government	1,484	1,542	1,641	1,766	1,818	1,769	1,696	1,681	1,695	1,754	1,828	1,802
Federal	359	321	342	309	313	282	269	262	251	273	288	289
State	431	445	531	561	587	542	556	510	523	535	535	519
Local	695	776	768	896	919	945	872	910	921	945	1,006	994

*Nondisclosable

[1] Manufacturing employment adjusted in 1990 & 91 to account for a multi-area logging firm whose employment was all counted in Ketchikan.

[2] Services employment adjusted to include multi-worksite employer whose employment was counted elsewhere.

Source: Alaska Department of Labor, Research and Analysis Section

jobs, but during the summer salmon harvest their share of employment soars to over 30%.

If fishermen and their crews were included in employment statistics, the fishing industry's share of employment would be much higher. We do know that 300 Ketchikan residents fished in 1991 on 488 permits throughout the state; this count doesn't include crew. Also excluded are people from other areas who fish near Ketchikan and contribute to Ketchikan's economy.

Salmon, mostly pink salmon, make up about 75% of the total fish harvest in Ketchikan. Other species harvested in the area are mainly halibut and black cod. Statewide, record pink salmon harvests in 1989 and 1990 contributed to an overstock situation in 1991. Record low prices for pinks of about 12 cents a pound were set that year, combined with a record harvest. This resulted in a salmon value that was the lowest in seven years. (See Table 4.) Ketchikan was not alone in having a high-volume, low-price salmon harvest, but the poor year didn't devastate the local economy as much as in communities where fishing is about the only game in town.

After a record harvest in 1991, comparisons to last year make the 1992 harvest look weak. Although the catch is about half of last year's by weight, the 1992 harvest was close to other years' levels. And prices for pinks were slightly above last year's, running between 15 and 18 cents a pound. The final word on this year's fishing season won't be in until total value is calculated later in the year.

Cruise lines fuel tourism industry

Following timber and fishing, the tourist trade plays a large role in Ketchikan's economy. Ketchikan capitalizes on its unique position as the first Alaskan stop on both the cruise lines and the Alaska Marine Highway System. In the last ten years it's estimated that the number of visitors to Ketchikan has grown by more than 150%. This is primarily because of growth in the number of cruise ship passengers. (See Table 5.) The Alaska Marine Highway and airline passengers have also contributed to tourist growth but nowhere to the extent that the cruise ship industry has.

This past summer the number of visitors grew again. Cruise ship industry passengers and airline traffic were both up significantly. The number of cruise ships visiting Ketchikan was down, but replacement of one cruise ship by another larger ship boosted the cruise ship visitor count by 8%. Low airfares brought about by competition between Mark Air and Alaska Airlines increased airline passengers by an estimated 20%. On the down side, a decrease in the frequency of stops of the ferry Matanuska meant that the number of ferry passengers arriving from Bellingham was down 16% and from Prince Rupert was down 6%.

A regional transportation hub

Since Ketchikan serves as a regional distribution center and is a large volume exporter of timber and fish

Selected Social Characteristics
Ketchikan Gateway Borough

Educational Attainment

Persons 25 years and over	8,551
Less than 9th grade	299
9th to 12th grade, no diploma	953
High school graduate	2,648
Some college, no degree	2,319
Associate degree	601
Bachelor's degree	1,169
Graduate or professional degree	562
Percent high school graduate or higher	85.4
Percent bachelor's degree or higher	20.2

Occupation

Employed persons 16 years and over	6,943
Executive, administrative, and managerial occupations	864
Professional specialty occupations	1,076
Technicians and related support occupations	208
Sales occupations	653
Administrative support occupations, including clerical	893
Private household occupations	4
Protective service occupations	104
Service occupations, except protective and household	715
Farming, forestry, and fishing occupations	341
Precision production, craft, and repair occupations	900
Machine operators, assemblers, and inspectors	312
Transportation and material moving occupations	535
Handlers, equipment cleaners, helpers and laborers	338

Poverty Status

All persons for whom poverty status is determined	13,485
Below poverty status	566
Persons 18 years and over	9,469
Below poverty	425
Persons 65 years and over	854
Below poverty	37
All families	3,397
Below poverty level	81
With related children under 18 years	2,005
Below poverty level	64
With related children under 5 years	941
Below poverty level	36
Female householder families	471
Below poverty level	54
With related children under 18 years	350
Below poverty level	45
With related children under 5 years	153
Below poverty level	36

Selected Social Characteristics
Ketchikan Gateway Borough

Family Income in 1989

Families	3,397
Less than $5,000	27
$5,000 to $9,999	76
$10,000 to $14,999	144
$15,000 to $24,999	239
$25,000 to $34,999	454
$35,000 to $49,000	659
$50,000 to $74,999	1,027
$75,000 to $99,000	497
$100,000 to $149,000	193
$150,000 or more	81
Median family income (dollars)	51,716

Selected Housing Characteristics: 1990

Total housing units	5,463
Year Built	
1989 to March 1990	122
1985 to 1988	388
1980 to 1984	902
1970 to 1979	1,399
1960 to 1969	482
1950 to 1959	757
1940 to 1949	475
1939 or earlier	938
Gross Rent	
Specified renter-occupied housing units	2,194
Less than $200	43
$200 to $299	85
$300 to $499	455
$500 to $749	835
$750 to $999	456
$1,000 or more	188
No cash rent	132
Median (dollars)	614

Note: These data are based on a sample, subject to sampling variability and limitations. Refer to the technical documentation for Summary Tape File 3 for a further explanation of sampling variability and limitations of the data.

Source: Summary Tape File 3, U.S.Bureau of the Census products, the transportation industry is an important employer. The air transportation sector is vital to many aspects of the timber industry. Air activities range from transporting workers and supplies to and from remote sites to the increasingly prevalent practice of helicopter logging. Water transportation employment in the area is predominantly a spin-off of moving raw and finished materials to and from the sawmills and pulp mill.

During the last year the passenger portion of the air industry experienced some ups and downs. Temsco Helicopters shut down its airline division late in 1991. Mark Air's introduction to the market helped temporarily bridge the gap left by their closure, but the subsequent pullout has pushed this sector into contraction. The water transportation sector has managed to hold steady through the timber industry downturn.

High income, regional position critical to secondary sectors

The support sectors of trade, services and finance have experienced slow, generally steady growth during the last ten years. When employment in these industries has been lost, it usually coincided with a timber industry downturn. The relatively high incomes of Ketchikan's wage earners is one reason why growth in trade and services employment has displayed this trend. Ketchikan's per capita income of $25,594 ranked it third in the state in 1990.

Since it is the largest city in the southern Southeast region Ketchikan trade and services businesses benefit from economic activity from the surrounding area. Ketchikan provides services such as medical care for most of the surrounding communities.

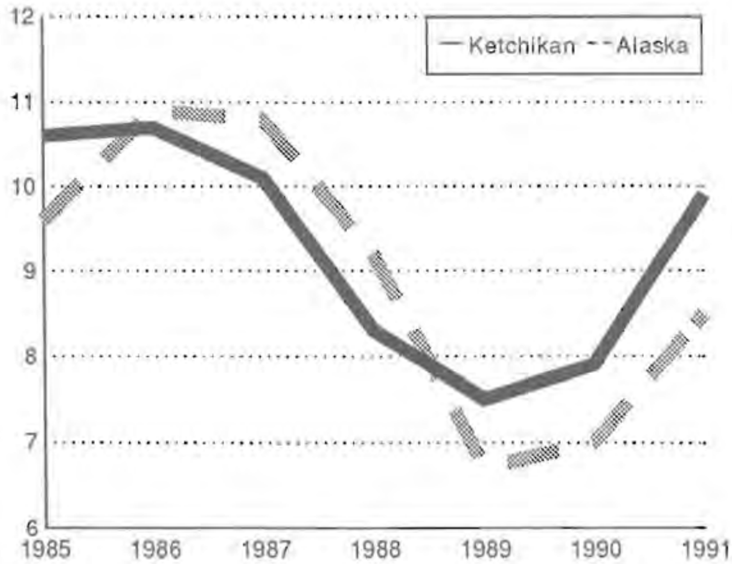
Tourism has also helped to feed some of the employment growth in the services sector. Within the last several years, hotel capacity in Ketchikan has increased to serve the needs of tourists during the peak season.

One distinct feature of Ketchikan's financial sector is that it is home to the only commercial bank headquartered in Southeast Alaska. First Bank is Ketchikan's largest employer in the financial sector and one of the largest private employers in Ketchikan. Within the last several years First Bank has expanded into other parts of Southeast, particularly Juneau.

Figure • 2

Unemployment in Ketchikan is Higher than Alaska

Source: Alaska Department of Labor, Research & Analysis Section.



Government sector smaller than elsewhere in Alaska

One result of a relatively strong private sector has meant Ketchikan's economy is less reliant on government as a source of employment than many other areas of the state. Public sector jobs account for 24% of wage and salary employment compared to 29% statewide. Public sector employment includes jobs with the University of Alaska-Southeast Ketchikan campus, which accounts for 10% of the state jobs in Table 1. Close to half the jobs in local government are with the public school district. Whether employment is with the federal, state or local government, most are stable, year-round jobs that pay very well. The government payroll is a proportionately larger share of total payroll than of total employment in Ketchikan. (See Figures 1 & 3.)

Federal jobs are mainly with the Forest Service and the Postal Service. Not included in the federal count of jobs in Table 2 are the approximately 200 Coast Guard staff stationed in Ketchikan. The local Coast Guard base has responsibility for enforcement of fishing regulations and coordination of search and rescue operations for the entire Southeast region—from Yakutat to Dixon entrance. The Ketchikan base is assisted by a station in Juneau and an air station in Sitka.

The 1990 census found that 3.3% of the borough's population were associated with the local Coast Guard base. While this is a smaller proportion of uniformed forces than in some towns—such as Kodiak or Fairbanks—the fact that there is very limited on-base housing in Ketchikan means these "coasties" likely have a proportionately larger impact on the local economy than elsewhere. Because of the lack of on-base housing, and the tight housing market in Ketchikan itself, the Coast Guard would like to spend $22 million to build 90 new housing units in the Point Higgins area north of the city. This project is at least five years into the future, though.

Public sector stokes construction boom

Presently the Coast Guard is near the end of a $12 million construction plan which includes several new buildings and a highway overpass. This and other public sector projects are providing most of the current construction jobs in Ketchikan. The largest of these is the remodel and addition at Ketchikan High School. The first phase began this year, with the second and third slated to start in 1993. If all four phases are completed, the project will cost at least $37 million.

Another public sector project is the new ferry terminal for the Alaska Marine Highway in Ketchikan, which is scheduled to be built in 1993 with federal highway funds. This is part of a $10 million long-term development plan for the port. Also on the waterfront, the U.S. Forest Service has begun construction of the $7 million Southeast Alaska Public Lands Information Center at the old Spruce Mill dock. Local developers hope to expand opportunities at the Spruce Mill dock to include public access to the waterfront, businesses offering marine services, and possibly retail or eating places.

The City of Ketchikan is concentrating on two projects: renovation of the hospital and construction of a civic center. Funding for the first phase of the $20 million hospital project is a combination of state appropriations and a 1% city sales tax; it is slated to begin in 1993. If the civic center is built, locals hope to attract conventions as well as having a facility for local events.

Table • 3

A 1990 Census Snapshot of Ketchikan

	Ketchikan Gateway Borough	City of Ketchikan	Saxman	Alaska
Population in 1990	13,828	8,263	369	550,043
Percent change from 1980	22.2	14.8	35.2	36.9
Percent female	47.8	48.2	46.6	47.3
Percent Native	13.7	15.7	77.0	15.6
Percent White	81.8	78.3	20.6	75.5
Percent under 18 years old	29.8	27.5	33.3	31.3
Median age	31.7	31.7	29.1	29.4
Persons per household	2.70	2.53	3.73	2.80
Percent born in Alaska	36.8	36.5	76.7	35.6
Percent of labor force unemployed	7.5	8.6	25.5	8.8
Per capita income in 1989	$18,789	$19,053	$10,714	$17,610
Median household income in 1989	$45,172	$41,931	$30,481	$41,408
Percent below poverty level	4.2	5.5	5.8	9.0
Percent with high school or higher education	85.4	85.0	74.1	86.6

Source: U.S. Bureau of the Census

Future holds peril, promise

For the immediate future, a critical component of Ketchikan's future employment prospects depend on the performance of the timber industry. During the last two years a combination of factors have put the timber industry into decline, with the logging sector and its support industries suffering the largest job losses.

For Ketchikan residents, the outlook for the pulp mill is a crucial factor in the job market. Currently the world market for the dissolving pulp the Ketchikan mill produces is soft. Pulp mills elsewhere in the northern hemisphere have shut down while southern hemisphere capacity is expanding. Production and resource costs are a concern for the mill but their product is competitive in the market. The immediate causes for concern are a consistent timber supply and potential major capital investment necessary to comply with water quality standards.

The immediate outlook for the logging sector looks to be a continued downward trend. Logging of private timberland, a major source of logging industry employment, is projected to decline through the year 2000. The closure of the Klawock Timber Alaska mill in 1991 meant the

Table • 4

Catch and Value of Ketchikan Fisheries (In Thousands of Pounds and Dollars)

	Salmon		Other Fisheries		Total	
	Weight	Value	Weight	Value	Weight	Value
1980	11,509	$6,935	4,360	$1,670	15,869	$8,605
1981	11,880	$7,296	4,366	$1,704	16,246	$9,000
1982	13,645	$6,989	5,707	$2,485	19,352	$9,474
1983	16,918	$6,508	7,172	$3,702	24,090	$10,210
1984	16,530	$7,917	6,196	$2,757	22,726	$10,674
1985	27,288	$11,454	5,353	$3,582	32,641	$15,036
1986	31,425	$12,982	7,902	$5,684	39,327	$18,666
1987	10,215	$8,818	8,389	$5,516	18,604	$14,334
1988	12,302	$15,825	10,551	$3,864	22,853	$19,689
1989	38,587	$20,086	12,309	$6,176	50,896	$26,262
1990	22,041	$12,357	7,966	$5,575	30,007	$17,932
1991	28,495	$8,217	6,404	$2,823	34,899	$11,040

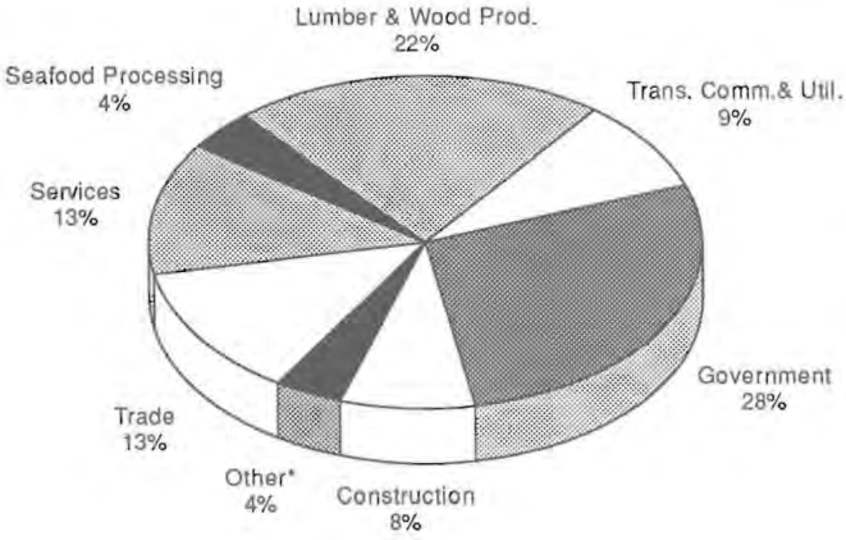
Source: Commercial Fisheries Entry Commission

Figure • 3

Ketchikan Payroll by Industry

**Other includes finance, insurance, real estate, other manufacturing, and mining.*

Source: Alaska Department of Labor, Research & Analysis Section.



loss of logging jobs which fed that facility. The sawmills that remain in production in Ketchikan and Metlakatla appear to be on solid ground for the immediate future.

Levels of fish harvesting and processing can vary widely from year to year, as cycles of salmon rise and fall. Many feel the key to smoothing out the vagaries of the seafood harvest is to concentrate on value-added production. For example, an organization of Southeast communities is working on microwavable salmon cans. Innovations being tested in other parts of the state may pay off in more value-added production in Ketchikan in the future.

The outlook for the tourism sector is for continued growth, but the airline segment will probably return to historical levels next season. Cruise ship passengers will continue to be the main source of visitors to the borough and some modest growth may occur next season. A strong economic recovery in the rest of the country would probably be the best medicine available for the cruise lines, and in turn the Ketchikan visitor industry.

Aside from fish, timber and tourism, there are some potential areas for growth in Ketchikan. One high profile project which has met with mixed success is the Ketchikan Shipyard. A $10 million expansion funded by Alaska Industrial Development and Export Authority (AIDEA)

Table • 5

Ketchikan Tourism Indicators 1982-1991

Cruise Ship Traffic	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Ships	11	12	13	18	25	23	26	18	27	27
Stops	142	156	157	224	289	315	355	367	374	362
Passengers	76,500	87,104	87,035	131,081	164,160	181,800	188,567	178,011	212,693	218,480
Airline Tourists	15,650	16,489	16,198	15,919	16,210	16,440	17,604	16,178	18,193	17,892
AK Marine Highway Tourists	15,199	14,350	15,815	15,265	15,494	15,914	16,670	16,686	16,851	16,567
Total	107,349	117,943	119,048	162,265	195,864	214,154	222,841	210,875	247,737	252,939

Cruise ship passengers are estimated at 90% of capacity.

Airline tourists estimated at 40% of May-September total airline passenger arrivals.

Alaska Marine Highway tourists are estimated at 85% of May-September passenger arrivals.

Source: Economic Development Center- UAS Ketchikan.

bonds is planned for next year. This may place the shipyard on the inside track for all Alaska Marine Highway System maintenance.

Two megaprojects on the horizon which could provide a large employment boost would be the proposed electrical intertie between the Swan Lake and Tyee hydroelectric projects and a bridge to Gravina Island. These projects both face major obstacles though and won't make any significant employment impact in the immediate future.