A Trends Profile—

Ketchikan

by Kristen Tromble and John Boucher

Economy is resource driven

Ketchikan is a narrow, waterfront community that stretches about three miles along the shoreline of Revillagigedo Island at the southern end of the Southeast Alaska Panhandle. Perched between the waters of the Tongass Narrows and steep, forested mountain slopes, it is Alaska's southernmost major city and the state's fifth largest, with a population of about 8,700. The surrounding Ketchikan Gateway Borough is home to nearly 15,000 Alaskans.

As elsewhere in Alaska, Ketchikan's economy has always been tightly connected to the natural resources of the area. 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. In the 1950s, the timber industry assumed the primary position when Ketchikan Pulp Company (KPC) opened. The pulp mill, which became the community's largest employer, was sustained by timber supplied from the Tongass National Forest through a 50-year contract with the U.S. Forest Service.

As 1996 drew to a close, Ketchikan braced for economic change. In October, Louisiana-Pacific, KPC's parent company, announced it would close the pulp mill in March 1997. The future of the company's associated sawmills is, at this writing, uncertain.

This profile looks at Ketchikan before the mill closure. It provides baseline measures that can be used in future analyses of the effects of the closure on the community. Impacts on outlying areas such as Prince of Wales Island and Annette Island, where KPC's logging and sawmill sites are also threatened, are beyond the scope of this article. The information presented in this report indicates that after a decade of generally improving economic performance, the pulp mill closure could precipitate a sharp reversal.

Several indicators of economic performance have improved during the last few years. Population, employment and wages are up; unemployment, down. Per capita income has risen and is running higher than the statewide average. The number of tourists visiting Ketchikan is expected to continue to climb. More businesses are operating. Sales tax collected has increased steadily since at least 1988. In 1995, gross business sales were down slightly from the previous year, but were still more than 20 percent higher than their 1990 level. While the transition will be rough, Ketchikan's strengths should assure that the community survives.

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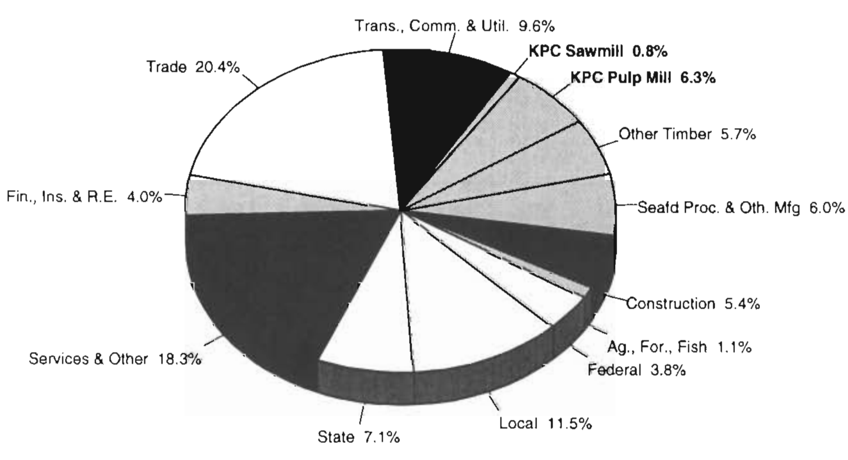
Timber drives a diverse economy

Ketchikan's recent employment trends have been tied to the timber industry's performance. From 1980-1985, a down period in the timber industry, Ketchikan's growth rate was 0.4%. Meanwhile, the rest of Southeast grew at a respectable 2.3% rate, and the

Figure • 1

1995 Employment Reflects Diverse Economy

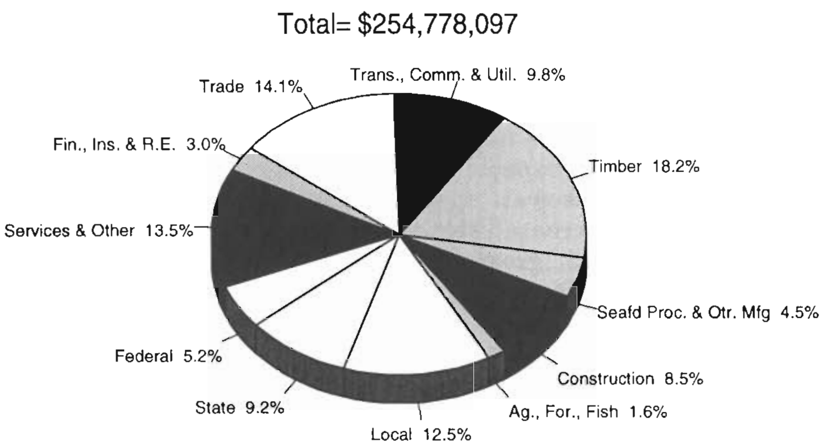
Total= 7,980



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

Figure • 2

Manufacturing Provides 22.7% of Wages 1995



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

state hummed along with 6.0% growth. A logging boom propelled Ketchikan's growth rate to 4.8% during 1985-1990. In this period, the rest of Southeast Alaska grew at a 2.3% rate, while the statewide rate fell to 0.6%. Since 1990, the timber industry downturn was a big factor in slowing Ketchikan's growth rate to 1.0%. The remainder of Southeast Alaska grew at 1.1%, and the state at 1.9%.

Despite recent slower growth in 1995, the Ketchikan Gateway Borough's wage and salary employment hit a new high of nearly 8,000 wage and salary jobs. Gains in trade and services offset dips in manufacturing and government. (See Table 1.) This number excludes most seafood harvesters and other self-employed persons.

In addition to employment growth, Ketchikan has enjoyed more economic diversity than many communities in Southeast Alaska. In 1995, four industries, timber, fish,

Table • 1

Ketchikan Gateway Borough Wage and Salary Employment 1980-1995

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total	5,842	5,598	5,715	6,024	5,723	5,971	6,141	6,434	6,853	7,187	7,602
Mining	*	*	*	*	*	*	*	*	0	0	1
Construction	392	258	270	424	435	336	268	366	375	299	320
Manufacturing 1/	1,239	959	973	822	560	937	1,197	1,282	1,378	1,668	1,645
Transportation	627	630	499	488	430	441	509	584	675	590	668
Trade	969	980	1,061	1,189	1,091	1,113	1,105	1,132	1,225	1,305	1,438
Wholesale	114	81	96	192	150	138	142	154	177	212	270
Retail	856	899	965	997	941	975	963	979	1,048	1,093	1,168
Finance-Ins. & R.E.	229	234	212	202	210	216	231	230	209	243	290
Services & Misc. 2/ 3/	872	947	1,036	1,119	1,146	1,129	1,108	1,121	1,265	1,302	1,382
Ag., Forestry & Fishing	*	*	*	*	*	*	*	*	29	26	29
Nonclassified	*	*	*	*	*	*	*	*	1	0	1
Government	1,484	1,542	1,641	1,766	1,818	1,769	1,696	1,681	1,695	1,754	1,828
Federal	359	321	342	309	313	282	269	262	251	273	288
State	431	445	531	561	587	542	556	510	523	535	535
Local	695	776	768	896	919	945	872	910	921	945	1,006

1/ Manufacturing employment adjusted in 1990 & 1991 to account for a multi-area logging firm whose employment was all counted in Ketchikan.
2/ Through 1987, services includes employment in ag., forestry & fishing and nonclassified.
3/ Services employment adjusted to include multi-worksite employer whose employment was counted elsewhere.
Subtotals may not add to totals due to rounding.
Source: Alaska Department of Labor, Research and Analysis Section.

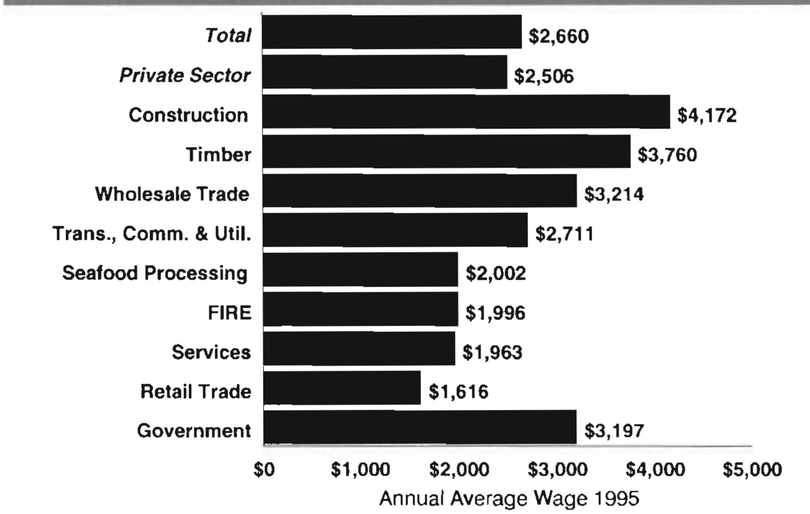
tourism and government, each served as a major economic support. This mix is reflected in the employment pattern shown in Figure 1. Government (federal, state, and local) was Ketchikan's largest provider of wage and salary jobs. Tourism's influence partially accounts for the strong trade and services sectors. Timber and seafood processing form the bulk of manufacturing. The seafood industry's presence is under-represented in this figure, as harvesting employment is not counted.

With this diverse mix, Ketchikan was less dependent on government and more dependent on manufacturing than the region as a whole. Ketchikan's diversity is also revealed by its largest employers. Every major industry except mining is represented by establishments employing more than 50 workers. (See Table 2.)

Ketchikan's wages were also more distributed by industry. Government provides the

Figure • 3

Timber Industry Boosts Average Wage



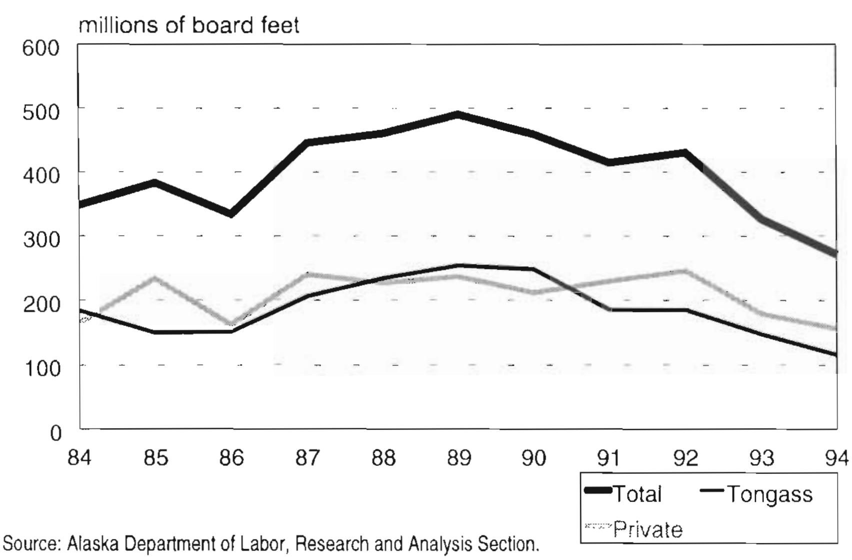
Source: Alaska Department of Labor, Research and Analysis Section.

Table • 1

1991	1992	1993	1994	1995
7,167	7,417	7,582	7,733	7,981
1	1	1	5	1
348	308	421	370	432
1,453	1,451	1,496	1,522	1,507
623	821	798	753	770
1,367	1,427	1,434	1,554	1,625
226	239	213	236	224
1,141	1,188	1,221	1,318	1,402
284	254	273	291	319
1,224	1,234	1,236	1,333	1,445
56	53	54	81	87
9	6	9	12	11
1,802	1,863	1,859	1,811	1,783
289	320	322	309	300
519	563	561	560	567
994	980	976	943	916

Figure • 4

Area Timber Harvest Falls 44.9% From 1989
Ketchikan & Prince of Wales



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

biggest chunk of the total wage pie, with manufacturing the largest private industry wage payor. Timber generated over 18 percent of wages and 80 percent of manufacturing wages. (See Figure 2.) The higher proportion of wages to employment reflects the above average wages paid in the timber and government sectors. (See Figure 3.) Another reason these industries have a higher percentage of the wage pie is that, in Ketchikan, they are also more likely to offer full-time, year-round employment. Construction and wholesale trade also paid above average wages, but they represent smaller slices of the employment pie.

Table • 2

Employers with more than 50 Workers in Ketchikan—1995

Rank	Firm	Annual Avg. Employment
1	Ketchikan Pulp Company	570
2	City of Ketchikan*	326
3	Ketchikan General Hospital	300
4	Ketchikan Gateway Bor. School Dist.*	274
5	Alaska Dept. of Transportation* 1/	238
6	U.S. Coast Guard*	212
7	U.S. Forest Service*	181
8	Williams Inc 2/	150
9	Norquest Seafoods	149
10	South Coast Inc	132
11	Phoenix Logging Co	131
12	Carr Gottstein Foods Co	122
13	Ketchikan Gateway Borough*	118
14	Ketchikan Air Service	93
15	Wards Cove Packing Co Inc	90
16	Boyer Towing	86
17	1st Bank	78
18	Alaska General Processors	75
19	Community Connections Inc	71
20	Alaska Dept. of Administration* 3/	70
21	The Landing	65
22	TyMatt Inc	62
23	Trident Seafoods Corp	61
24	Tongass Trading Co	59
25	Tatsuda's Supermarket Inc	58
26	Southeast Stevedoring Corp	57
26	Ketchikan Entertainment Center	57
26	Seaborne Lumber Co LTD 4/	57
27	Westmark Hotels Inc 5/	55
27	Cape Fox Corp	55
28	University of Alaska*	54
29	Alaska Airlines Inc	53
30	McDonalds of Ketchikan	51

1/ Includes the Alaska Marine Highway System ferry workers.
2/ Employer's estimate.
3/ Includes the Pioneers' Home.
4/ Facility ceased operations in 1996.
5/ Estimate.
* Indicates government agency. In this article, the hospital iscounted in the private sector.
Nonagricultural wage and salary employment. Does not include self-employed.
Source: Alaska Department of Labor, Research and Analysis Section.

Ketchikan's average wage lower, but has grown faster

Ketchikan's wages have traditionally been lower than the statewide average, but this partly reflects high wages in the state's oil and gas industry that are not an influence in Ketchikan. Over the last 10 years, as Ketchikan's manufacturing sector assumed increasing importance, Ketchikan's wages have closed in on the statewide average. By 1995, Ketchikan's average wage had almost caught up with the state's.

Despite a slightly lower average wage, Ketchikan residents' per capita income is well above the average for both the state and the nation. Earnings from self-employment, including fishing, help boost Ketchikan's per capita income above the statewide average. As Ketchikan's average wage has approached the state's, the per capita income gap between Ketchikan and the rest of Alaska has widened.

However, neither the state's nor Ketchikan's wage growth has kept pace with inflation. Since 1985, when adjusted for inflation (based on CPI-U for Anchorage), Ketchikan's average real monthly wage fell by almost $100, while the statewide average dropped by over $400.

Unemployment approaches the state average

Recently, Ketchikan's unemployment rate has also shown positive trends. After several years of higher rates, Ketchikan's unemployment rate has approached the regional and statewide average for the last two years. The peak winter rate has also declined so that Ketchikan's seasonal movement now closely tracks Southeast's.

Timber industry continues to reel

While Ketchikan's economy has performed fairly well, the announced pulp mill closure and changes in other important sectors have tarnished the outlook. For the timber industry, the mill closure is the largest blow in a series of setbacks. In 1994, the total timber harvest in the combined Ketchikan and Prince of Wales area was down about 45 percent from its high in 1989. (See Figure 4.) In the last two years, Ketchikan's logging employment has fallen to its lowest levels since at least 1988. Seaborne Lumber, a sawmill which employed about 60 workers, ceased operations in April 1996.

With the mill closure, Ketchikan's timber industry will have to restructure. While employment numbers are certain to decline over the next few years, there are hopes that new wood processing facilities will eventually replace some of the lost employment. Current possibilities include expansion of a kiln that is testing a new dehumidification process, a sawmill at the proposed Lewis Reef Industrial Park, and a sawmill or other facility at the pulp mill site. The size of a revamped timber industry will depend in part on harvest levels set by the revised Tongass Land Management Plan, due soon.

Fishing outlook mixed

As Ketchikan struggles to counter losses in the timber industry, changes in another resource-based industry, fishing, are also cause for concern. Both the number of people holding permits and the number of permits fished by residents have declined. In 1994 and 1995, pushed by losses in the two largest fisheries, salmon and halibut, permit holders and permits fished hit the lowest levels since at least 1982. (See Table 3.) Low prices for pink salmon may have led some harvesters to sit out this fishery. The institution of Individual Fishing Quotas (IFQ) had a noticeable effect on the halibut fishery, where the number of permit holders and the number of permits fished tumbled from 110 in 1994 to 33 in 1995.

While fewer salmon and halibut permits were fished, activity increased in alternative fisheries such as herring spawn on kelp, shrimp, clam and sea cucumber. A new sea urchin fishery in the Ketchikan area started this December. The ability of these small fisheries to make up for losses in salmon and halibut is limited. Already, rapid growth in

Table • 3

Fewer Ketchikan Residents Hold Fish Permits

Year	Number of Permit Holders	Number of Permits Fished 1/ Total	Salmon	Halibut	Other
1982	391	555	-	-	-
1983	427	637	-	-	-
1984	388	599	-	-	-
1985	384	589	-	-	-
1986	370	604	-	-	-
1987	351	652	-	-	-
1988	367	683	-	-	-
1989	347	623	-	-	-
1990	334	595	228	131	236
1991	339	607	231	146	230
1992	345	591	229	132	230
1993	322	543	221	117	205
1994	312	532	190	110	232
1995	314	513	188	33	292

1/ Detail permit data for prior to 1990 not available for this article.
Source: Commercial Fisheries Entry Commission.

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	12,356	7,966	5,588	30,007	17,944
1991	28,451	9,262	7,792	5,506	36,243	14,768
1992	25,448	13,454	9,172	5,761	34,620	19,215
1993	32,959	12,150	12,386	6,572	45,345	18,722
1994	29,915	11,842	8,237	10,359	38,152	22,201
1995	33,250	9,347	5,198	n/a	38,448	n/a

n/a = not available
All fisheries with nondisclosable data are included in other fisheries.
Source: Commercial Fisheries Entry Commission.

dive fisheries, such as sea cucumber and sea urchin, has led to the imposition of a four-year moratorium on entry into these fisheries.

However, the existence of fewer permit holders does not necessarily translate into less weight or value for fisheries. Total harvest for 1994 was second in value only to 1989's, and the total weight caught remained above average. (See Table 4.) The second highest salmon catch by weight in the last 15 years occurred in 1995, but its value was down. The 1995 salmon harvest by Ketchikan fishers was the third lowest in value in the last 10 years. While final numbers for 1996 are not yet available, a good harvest of pink salmon was plagued with even lower prices.

The value of non-salmon fisheries has been rising. In 1994, the most recent year for which data are available, these fisheries earned nearly 60 percent more than the previous year.

Table • 5

A Snapshot of Ketchikan GatewayBorough Current Statistics - 1995 unless noted

	Alaska	Ketchikan
Population (1996)	607,800	14,728
Ketchikan's population is older...		
Median age	30.0	33.6
less racially diverse...		
White	75.7	83.4
Native American	15.7	11.9
Black	4.4	0.5
Asian & Pacific Islander	4.2	4.3
has fewer children, more seniors...		
Percent under 20	33.0	29.5
Percent 20 to 64	62.4	63.3
Percent 65 years & over	4.6	7.2
and an average proportion of females.		
Percent female	48.0	48.0
Fewer residents have degrees...		
High school graduate or higher (1990) 1/	86.6	85.4
Bachelors degree or higher (1990) 1/	23.0	20.2
and slightly more are unemployed.		
Percent of all 16 years+ in labor force	63.1	63.0
Percent unemployed	7.3	7.6
Income is higher, wages average		
Personal per capita income (1994)	$23,344	$29,148
Annual average monthly earnings	$2,691	$2,660
Housing is tighter...		
Percent vacancy rate	7.0	5.0
while rents compare favorably. 2/		
Juneau Borough		868
Sitka Borough		836
Ketchikan Gateway Borough		769
Statewide		713
Wrangell-Petersburg Census Area		678

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

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

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

Tourism offers hope

While the resource-based industries struggle, tourism just keeps on growing. Symbolic of the shift from timber to tourism is the ongoing conversion of an old spruce mill site to retail space and a hotel. Another tourist-related proposal would build a $12 million aquarium.

Cruise ships bring the bulk of the tourists who arrive in Ketchikan, and their current passenger load is more than five times greater than the 1982 level. In 1996, cruise ships brought 430,000 passengers to Ketchikan. While tourist growth has been spectacular, at an estimated average of nine percent per year since 1990, this rate is likely to slow.

Ketchikan also benefits from its proximity to Prince of Wales Island (POW). Many parties travel to Ketchikan enroute to this popular fishing destination. In addition, Ketchikan serves as a regional hub, providing goods and services to POW communities. However, as the population on POW has soared, increasing over 80 percent since 1980, shopping and service choices in POW communities have expanded. Ketchikan may notice some effect from the increased competition.

Public projects support construction

Though timber losses will negatively impact the construction industry, public projects should help sustain it over the next few years. The Alaska Department of Transportation and Public Facilities plans to spend over $47 million on Ketchikan projects over the next five years. The largest will channel $10-15 million into reconstructing, extending and improving Third Avenue. Construction should start in 1998 and last three years. Other projects include a $3 million expansion of the seaplane float on Gravina Island, which should be completed in time for next summer's tourist season. Another $2.5 million over the next two years will reconstruct the Gravina Island shuttle's ferry terminal at the airport. Widening and reconstruction of North Tongass Highway moves into the design stage this year, with construction in two years. Smaller projects include improvements at the Ketchikan

Creek and Herring Cove bridges, and resurfacing the South Tongass Highway.

In other public projects, at the federal level, the Forest Service also plans road work. Locally, voters recently approved bonds for a $10 million expansion to the city's hospital. Construction of a new patient care wing and upgrade to existing rooms and equipment should start in late fall of 1997.

Additional work may be generated next year as the military looks at building a road from Metlakatla to Walden Point as a preparedness exercise. If the road is built, a ferry terminal at a Ketchikan site would be needed.

Government's a substantial presence

Government plays an important role in Ketchikan's economy. After Ketchikan Pulp Company, five of the next six largest employers are government entities. For purposes of this article, the hospital is included in the private sector. In local government, the city, school district and borough combined provide over 700 jobs. The U.S. Coast Guard and Forest Service provide the largest federal government contingents. The state's presence in Ketchikan includes Alaska Marine Highway System ferry workers, a Pioneers' Home and a campus of the University of Alaska Southeast.

In the near future, timber's struggles will impact government's performance, too. At the local level, total revenues could fall by $4 million annually. Federally, if timber sales decline, the Forest Service may also need fewer people.

Proposed projects look to future

Other projects that may fuel future development include shipyard expansion, an electrical intertie, and a new industrial area. Improvements at the shipyard could draw more maintenance and ship-building work. An intertie from Swan Lake to Lake Tyee could move into the environmental impact assessment stage early next year. The long-planned Lewis Reef Industrial Park is again generating interest. A final plan of businesses for the site is needed to finish the permit process. Wood and seafood processing facilities are possibilities.

After the pulp mill closes, its site could be converted to other use. The site has many assets including a deep water port, power plant, warehouse, water filtration system, effluent treatment plant, machine shop and auto repair shop. Another asset is ownership of tidelands in Ward Cove. One possible use being explored is a regional solid waste management facility where burning garbage would generate electricity. Others are an industrial park with timber or seafood processing facilities or a marina.

Ketchikan would also benefit from a feeder ferry system spearheaded by communities on Prince of Wales Island. This system would enhance Ketchikan's position as a regional supplier, providing improved sales and service opportunities to Ketchikan businesses and increased recreational opportunities to residents. A new ferry terminal in Ketchikan may also be needed.

Summary: Ketchikan on the verge of an economic change

Ketchikan's economy has had a good run, but storm clouds are gathering. One base industry, timber, will shrink with the closure of the pulp mill. Indirectly, this loss could drag government, another important support, to lower levels. Meanwhile, the outlook for the seafood industry is mixed. In the near future, however, only tourism is expected to grow. Ketchikan may weather the storm, but in 10 years, its economy will look much different than it does today.