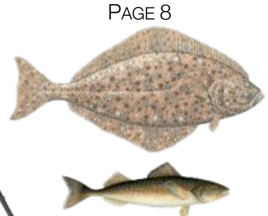
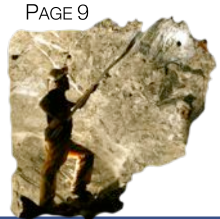
Southeast Alaska by the Numbers 2013

A Publication of Southeast Conference



September 2013

Changes in Southeast Alaska: 2010 to 2012

The regional population increased by 2,800 people - to 74,423. A new record high.

The labor force increased by 1,800 jobs.

Job earnings increased by 10%.

280 new mining jobs were created, an increase of 50%.

37,000 more people deplaned in SE towns. 61,000 more cruise ship passengers visited.

Southeast Alaska's Economy 2013: Significant Growth

It is a good time to live and work in Southeast Alaska, and not just because of 2013's epic summer weather. The economy of Southeast Alaska is in an expansion phase, and has been since 2008. Between 2010 and 2012 the economic growth of the region has intensified—nearly every single economic indicator for the region is up, and continuing to rise.

In 2012 the region reached a new record population, easing past the former record set in 1997. In the last two years, the regional labor force increased by 1,800 jobs. Leading the way were employment gains in mining, professional & business services, the visitor industry, and construction.

Due to these increases, the region has more workers than ever before (46,000), along with the highest total payroll—even when adjusted for inflation.

The number of cruise passengers is up—and expected growth will set visitor records over the next few years. The number of passengers traveling in and to Southeast Alaska by plane and ferry are also up—albeit below peak levels.

The 2013 salmon fishing season is shaping up to be the best ever, already surpassing the 1999 record for total harvest.

The unemployment rate for the region is down. Housing starts are up slightly, and school enrollment is flat (although it increased in 2011 for the first time in 14 years). Both of these indicators are far below peak levels, but continued improvement is expected.

Falling economic indicators over the last two years were minor. Employment losses were mostly confined to the retail sector and local government losses in Juneau (although total wages remained up). A handful of job losses were also reported in the timber and information sectors.

While most parts of the economy will continue to improve, there are some areas of concern. The price of metals—although up between 2010 and 2012—have begun to drop in 2013, which could have a chilling effect on the mining industry. Sequestration is resulting in cuts to federal programs. Perhaps most worrisome looking forward is the dwindling oil production upon which state revenues are so dependent, along with continued reductions in federal and local government expenditures.

In the meantime, take a moment to enjoy one of the strongest economies the region has experienced.

A Message from Southeast Conference's Executive Director

Greetings-

One of the many functions of Southeast Conference is to disseminate economic and socioeconomic information, and this year I am proud to present you with our 2nd annual Southeast Alaska by the Numbers publication.

I hope this report will be valuable to you as you make decisions for your community, business, non-profit, or other government entity. Our consultant, Sheinberg Associates, waded through nearly 150 reports and data sets so that you didn't have to. This year the report provides a two-year snapshot of the regional economy. The story it tells is a great one. It shows that finally, after a great deal of effort from many of you, many economic gains have been realized, and the upward trends appear poised to continue.

No one did this alone—these positive economic trends are materializing because all of us are working together to overcome obstacles. We are Southeast Alaskans, and by working together we have proven that we can overcome adversity. We've learned through difficult times that people and community leaders of Southeast Alaska must think locally and plan regionally. Each component of our economy needs continued support if we are going to maintain these upward trends.

In the past year, Southeast Conference has been working on several initiatives to grow the regional economy. We have been continuing our work with the Alaska Energy Authority, regional electricity providers, and alternative energy providers, to increase the capacity of all of the communities in our region in the quest for energy stability and security. We are working to establish a sustainable and renewable timber industry in Southeast Alaska through collaborating with the U.S. Forest Service, the State of Alaska, and Alaska Native Organizations to reinstate the responsibility of establishing a predictable and reliable timber supply sufficient to sustain the region's timber economy and communities. We also are working to enhance the efficiency and capacity of Alaska's Marine Technology and Trades Industry, which will support a wide array of existing and emerging economic activity dependent upon marine transportation. On that note, don't forget to check out our other September 2013 publication: The Maritime Economy of Southeast Alaska.

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 people supporting the establishment of 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 now includes nearly every community in Southeast Alaska. If you are not a member please join, and join us in growing the economy of the region. We need all the help we can get.

Shelly Wright
Southeast Conference, Executive Director

The Past Two Years At a Glance

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

Demographics	**2012**	**2010**	**% Change***
Population [1]	74,423	71,664	**+4%**
60 to 79 year olds [2]	11,949	10,262	**+16%**
Non Juneau Population [1]	41,591	40,389	**+3%**
Median Age [2]	39.5	39.3	**+0.5%**
K-12 School District Enrollment [3]	11,490	11,517	**-0.2%**
General Economic Conditions			
Total Labor Force (jobs, includes self-employed & USCG) [6, 5]	45,996	44,195	**+1,801/ +4%**
Total Job Earnings (includes self-employment earnings & USCG) [6, 5]	$2.1 billion	$1.9 billion	**+10%**
Total Private Sector Payroll [6, 5]	$1.35 billion	$1.2 billion	**+11%**
Average Annual Wage [1]	$43,371	$40,881	**+6%**
Annual Unemployment Rate [1]	6.8%	7.7%	**-0.9%**
Top Economic Sectors	**2012**	**2010**	**% change**
Government	**Top Sector : 36% of all employment earnings**		
Total Government Employment [1, 5]	13,882	13,958	**-76 jobs / -0.5%**
Federal Employment [1, 5]	2,246	2,230	**+0.7%**
State Employment [1]	5,574	5,563	**+0.2%**
City and Tribal Employment [1]	6,062	6,165	**-1.7%**
Total Government Payroll (includes USCG) [1]	$745 million	$691 million	**+8%**
Commercial Fishing & Seafood	**Second Sector: 12% of all employment earnings**		
Total Seafood Employment (includes fishermen) [6]	4,122	3,966	**+156 jobs/+4%**
Total Seafood Employment Earnings [6]	$245.8 million	$209.5 million	**+17%**
Shorebased Processing Wholesale Value [7]	$518.8 million	$467.7 million	**+11%**
Pounds Landed (commercial seafood pounds by SE residents) [8]	267,316,798	279,864,836	**-4%**
Estimated Gross Earnings (ex-vessel value of pounds landed) [8]	$335,036,429	$291,748,083	**+15%**
Visitor Sector	**Third Sector: 8% of all employment earnings**		
Total Visitor Industry Employment [6]	6,267	5,871	**+396 jobs / 7%**
Total Visitor Industry Wages/Earnings [6]	$174 million	$157 million	**+10%**
Cruise Passengers [10]	937,000	875,600	**+7%**
Total Air Passenger Arrivals in Southeast (includes inter-region travel) [11]	898,467	861,451	**+4%**
Total Southeast AMHS Passengers Arrivals [12]	262,931	251,503	**+5%**
Health Care Sector (combining public & private health)	**Fourth Industry: 8% of all employment earnings**		
Health Care Employment [6]	3,223	3,089	**+134 jobs / +4%**
Health Care Wages [6]	$162 million	$149 million	**+9%**
Mining Sector	**Top Growth Industry**		
Total Mining and Exploration Employment [6]	815	536	**+279 jobs/ +52%**
Total Mining and Exploration Wages [6]	$79 million	$51 million	**+56%**
Price of Gold [15] (Note: metal prices are down in 2013)	$1,669 per ounce	$1,225 per ounce	**+36%**
Other Selected Statistics	**2012**	**2010**	**% change**
Professional and Business Services Employment [6]	2,781	2,581	**+200 jobs/+8%**
Total Retail & Wholesale Trade Employment [6]	5,140	5,291	**-151 jobs/-3%**
Construction Employment [6]	2,226	2,107	**+119 jobs/+6%**
Housing Starts [4]	103	100	**+3%**
Total Timber Harvest (mmbf) [9]	121	147	**-16%**
Net generation of MwH in Southeast (2010-2011) [13]	408,469	397,457	**+3%**
Avg. Daily Volume TAPS [14]	547,866	619,655	**-12%**

Sources: [1]Alaska Department of Labor (ADOL); [2]ADOL Southeast Alaska Population by Age, Sex and Borough/Census Area, 2010 to 2012; [3]Alaska Department of Education and Early Development; [4]Building Permits Survey, US Census; [5]US Coast Guard FOIA; [6]Combination of ADOL 2012 Employment and Wage data; 2011 US Census Nonemployer (self-employment) Statistics; [7]ADF&G Seafood Production of Shorebased Plants in Southeast Alaska, 2000 through 2012; [8]ADF&G Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information, 2010-2012; [9]Alaska Forest Association; [10]McDowell Group; [11]US Bureau of Transportation Statistics (RITA); [12]Alaska Marine Highway System; [13]Annual Electric Power Industry Report. U.S. Energy Information Administration; [14]Alyeska Pipeline Service Company; [15]Kitco Metals Inc. Special thanks to the Alaska Department of Labor for providing many specialized datasets for this publication.

*__Note:__ These figures are total change between 2010 & 2012, not the compound annual growth rate.

The Whole Economy

One of the challenges of measuring the Southeast economy is that Alaska Department of Labor employment and wage data does not include self-employed individuals or their earnings. Nor does it include active duty armed forces. In Southeast this means that commercial fishing efforts and our significant active duty Coast Guard population are often omitted due to lack of data. These groups represent approximately 8,500 people—18 percent of all regional employment.

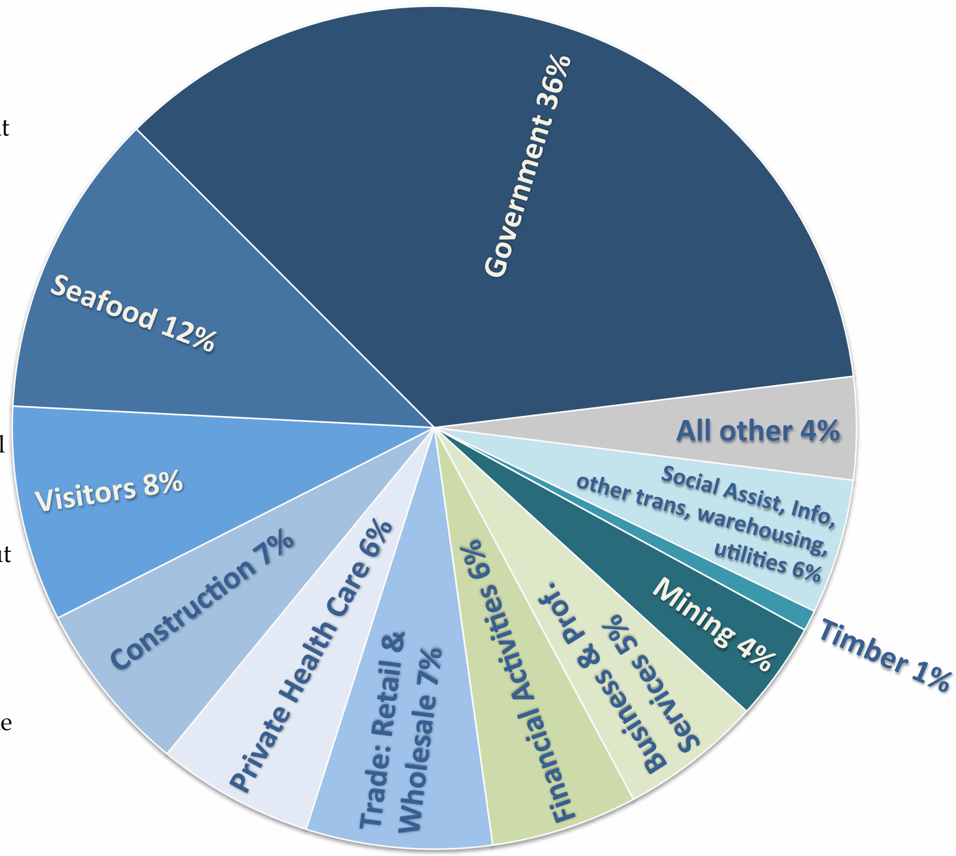
This publication includes the self-employed and all Coast Guard employees. Self-employment is measured using the US Census Nonemployer Statistics, which track self-employment earnings by compiling tax return data. It lags employee wage data by a year, so to develop a complete picture we used 2012 ADOL and full USGS data, along with 2011 self-employment data.

There are important differences in how employment, self-employment, and active duty data are measured, but combining the data finally provides a clear and accurate picture of the regional economy as a whole. The methodology used here is readily reproducible on an annual basis.

The bulk of all self-employment earnings (39%) are in the seafood sector (mostly commercial fishermen). The pie chart to the right shows the Southeast Alaska regional economy as a whole based on all work related earnings, while the data below provides a detailed breakout of employment and employment earnings.

2012 Southeast Alaska Employment Earnings

Includes US Coast Guard Payroll & Self-Employment Earnings[1]



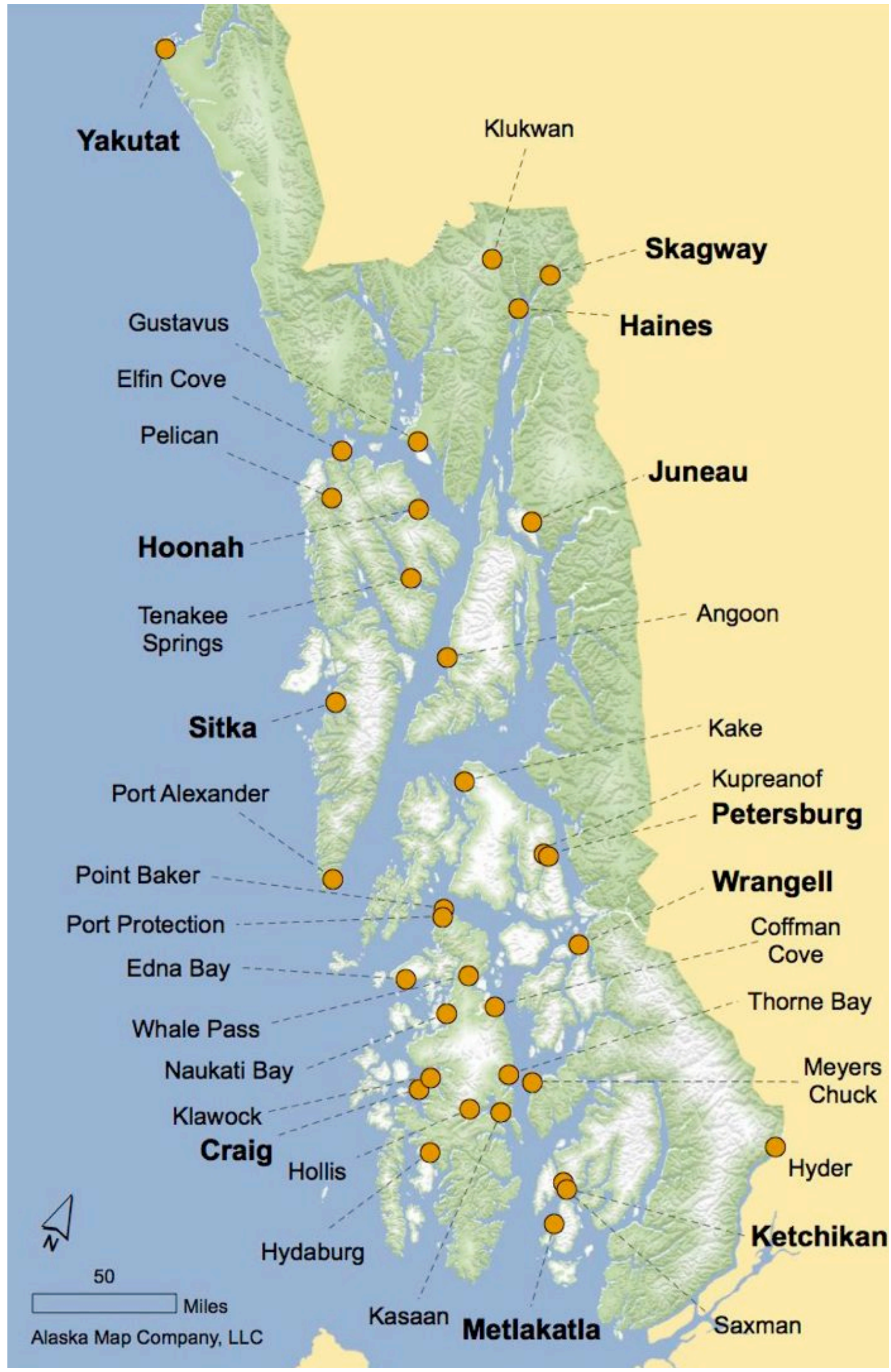
2012 Southeast Alaska Employment and Employment Related Earnings

	Employment Related Earnings			Employment Numbers		
	Wages (2012)	Self Employment Earnings (2011)*	Total Earnings	Annual Average Employment (2012)	Self-Employed (2011)*	Total Employment
Seafood Industry	$63,071,138	$182,707,000	**$245,778,138**	1,781	2,341	**4,122**
Visitor Industry	$146,657,061	$26,892,000	**$173,549,061**	5,481	786	**6,267**
Construction Industry	$98,772,374	$40,190,000	**$138,962,374**	1,550	676	**2,226**
Health Care Industry (private only)	$115,624,024	$10,303,000	**$125,927,024**	2,405	208	**2,613**
Trade: Retail and Wholesale	$127,401,697	$21,945,000	**$149,346,697**	4,576	564	**5,140**
Financial Activities	$60,386,295	$57,293,000	**$117,679,295**	1,320	578	**1,898**
Professional and Business Services	$71,124,303	$42,885,000	**$114,009,303**	1,547	1,234	**2,781**
Mining Industry	$78,405,118	$947,000	**$79,352,118**	806	9	**815**
Warehousing, Utilities, & Non-Visitor Transport	$32,606,429	$7,891,000	**$40,497,429**	732	181	**913**
Social Services	$42,775,212	$3,948,000	**$46,723,212**	1,505	230	**1,735**
Information	$19,257,088	$2,121,000	**$21,378,088**	442	51	**493**
Timber Industry	$14,289,945	$2,410,000	**$16,699,945**	270	61	**331**
Government (includes all Coast Guard)	$704,174,162	$41,062,510*	**$745,236,672**	13,318	564*	**13,882**
All Other	$52,036,627	$31,072,000	**$82,623,247**	1,771	1,009	**2,780**
Total	**$1,626,581,471**	**$471,666,510**	**$2,097,762,603**	**37,504**	**8,492**	**45,996**

Sources: [1]Alaska Department of Labor 2012 Employment & Wage data; 2011 US Census Nonemployer (self-employment) Statistics; 2012 US Coast Guard employment & wage data.
* There are no self employed government workers. These columns in Government refer to 2012 active duty Coast Guard personnel employment and wages.

Notes: Seafood Industry includes animal aquaculture, fishing, & seafood product preparation (NAICS 1125,1141,3117) and Southeast Alaska resident commercial fishermen (nonresident fishermen & crew that did not report income are excluded).
Visitor Industry includes leisure and hospitality and visitor transportation (air, water, scenic) (NAICS 71, 72, 481, 487, 483) McDowell Group includes a portion of retail jobs in their visitors analysis - that was not done here.
Timber includes forestry and logging support activities for forestry, and wood product manufacturing (NAICS 113, 1153, 321).

Southeast Alaska Overview



Southeast Alaska is a maritime region and economy. The Southeast Alaska Panhandle, extends 500-miles along the coast from Metlakatla up to Yakutat, encompassing 35,000 square miles. The saltwater shoreline of Southeast Alaska is approximately18,500 miles. Islands make up 40 percent of the total land area. The region is home to 34 communities. The three largest communities—Juneau, Ketchikan, and Sitka— together are home to 75 percent of the regional population. Native Alaskans make up nearly a quarter (22%) of the region's population.

More than a quarter of all Southeast Alaska wages are directly earned through ocean related employment in 2012. Taken together, the more than 400 businesses and government agencies that are directly tied to the ocean comprise Southeast Alaska's largest economic sector.

Land Ownership

Southeast Alaska's land ownership is dominated by the Federal government, which manages 95 percent of the land base. Most of this (80%) is the Tongass National Forest. An additional 15 percent is Federal land managed primarily by the National Park Service (mostly in the Glacier Bay area) and the Bureau of Land Management.

The State manages 2.4 percent of the total land base, and this figure includes the Alaska Mental Health Trust and University lands. Boroughs and communities own only 53,000 acres—a quarter of one percent of the entire regional land base. Alaska Native Regional and Village Corporations own just under three percent 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.

Looking Back

Until the mid-1990's, the population of Southeast Alaska had enjoyed nearly a century of growth that intensified after Alaska statehood in 1959. During that period the 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 mid to late 1990's and early 2000's were difficult years in Southeast Alaska.

In the early-1990's, seafood and timber directly accounted for a fifth of the regional economy. However, 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 two-thirds below the 1994 peak.

Total Southeast Alaska wages hit bottom in 1997. It would be another ten years before the negative economic consequences of timber industry losses worked their way through the regional economy. Population levels continued to decline through 2007, and 2008 marked the region's timid start to an economy recovery.

When the regional economy began to show signs of recovery, the national recession caused a slump in the visitor industry. Cruise passenger traffic dropped by 15 percent between 2008 and 2010.

It has taken nearly two decades, but the Southeast economy is now in a cycle of growth and is stronger than ever, and in 2010 the region embarked upon a new period of economic expansion.

Photo by Meilani Schijvens

Up 2,800 People over 2 years +4%

In 2012, Southeast Alaska reached a new population record. The region population reached 74,423, surpassing the previous peak population level set in 1997.[1]

Between 1997 and 2007, the regional population outside of Juneau plummeted by nine percent (while Juneau population levels remained flat). The long-term population forecasts for the region were bleak—ADOL projected losses of up to 20 percent over 30 years. However instead of continuing to fall, the region's population decline bottomed out in 2007. Between 2008 and 2012, the Southeast population increased each year, for a total increase of 4,200 people (5.5 percent).[1]

The growth intensified and between 2010 and 2012 **Southeast Alaska was the fastest growing region of the state,** increasing by 2,800 people. The majority of this growth took place in Juneau, which gained 1,600 additional residents during this period. Ketchikan, Sitka and Haines gained a combined 800 new residents. The two fastest growing communities in that time (among communities larger than 100) were Tenakee Springs and Gustavus with population gains of 16% and 11% respectively.[1] The regional compound annual growth rate was 1.9%.

Who are these new people?

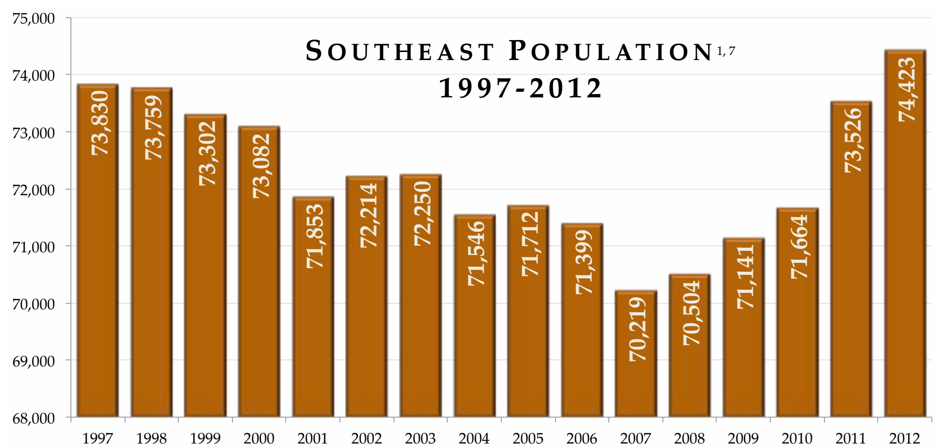
On average, those who arrived from outside the state between 2009 and 2011 were young, single, and educated: 70% were single; 75% had some college education or more; and two-thirds were under the age of 30.[6] They moved here for jobs in the visitor, seafood, mining, and construction industries, as well as for health care and Coast Guard positions.

Population Outlook

The population will continue to increase. Based on 5-year trends expect to see a 1.1% population increase in 2013. The population will also continue to age. Between 2010 and 2012 the number of residents over the age of 60 increased by 16 percent (1,800) and will continue to rise as baby boomers grow older.[2,5] As the grandchildren of baby boomers enter the school system in larger numbers, expect the K-12 population to rise. Between 1997 and 2010, the number of school children in the region decreased each year for a total loss of 3,000 students.[4] The losses have flattened out, and in 2011 student numbers increased slightly for the first time in 14 years. Unfortunately, these increases will be coming too late for some schools in the region, which are facing closure now due to low enrollment.

Population Change 2010 to 2012[1,7]

	2010	2012	Change* 2010 to 2012
Juneau City and Borough	31,275	32,832	5%
Ketchikan Borough	13,477	13,938	3%
Sitka City and Borough	8,881	9,084	2%
Petersburg	2,948	2,972	1%
Haines Borough	2,508	2,620	4%
Wrangell City and Borough	2,369	2,448	3%
Metlakatla	1,405	1,463	4%
Craig	1,201	1,243	3%
Skagway Municipality	968	961	-1%
Klawock	755	799	6%
Hoonah	760	777	2%
Yakutat City and Borough	662	622	-6%
Kake	557	598	7%
Thorne Bay	471	508	8%
Gustavus	442	489	11%
Angoon	459	456	-1%
Saxman	411	432	5%
Hydaburg	376	367	-2%
Coffman Cove	176	181	3%
Tenakee Springs	131	152	16%
Naukati Bay	113	115	2%
Hollis	112	109	-3%
Hyder	87	98	13%
Klukwan	95	93	-2%
Pelican	88	82	-7%
Kasaan	49	69	41%
Port Alexander	52	66	27%
Port Protection	48	42	-13%
Whale Pass	31	39	26%
Edna Bay	42	39	-7%
Kupreanof	27	34	26%
Elfin Cove	20	20	0%
Game Creek	18	19	6%
Point Baker	15	16	7%
Total	**71,664**	**74,423**	**4%**



Sources: [1]Alaska Department of Labor (ADOL); [2]ADOL Southeast Alaska Population by Age, Sex and Borough/Census Area, 2010 to 2012; [4]Alaska Department of Education and Early Development; [5] Alaska Population Projections 2010 to 2035, April 2012; [6]2009-2011 American Community Survey; [7] 2010 US Census. *Note: These percentages are total change, not the compound annual growth rate.

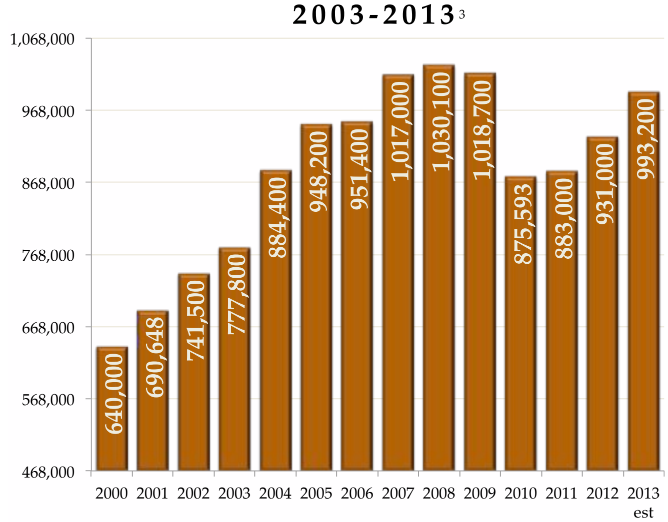
Southeast Alaska Visitor Industry

Visitors have been coming to Southeast Alaska since John Muir wrote about the region in the 1870's.

Up 400 jobs over 2 years +7%

The Southeast Alaska Visitor Industry is experiencing significant growth. Between 2010 and 2012, visitor industry employment increased by seven percent in Southeast Alaska—400 jobs—while tourism-related employment income increased by 10 percent—a $16.5 million increase in job earnings.[1] Southeast Alaska is the most visited region of the state, attracting nearly 70% of all Alaska summer visitors.[3]

SE Cruise Passengers 2003-2013[3]



According to McDowell Group, out-of-state visitors spent $524 million in Southeast Alaska in 2012. On average, visitors spend $485 per person in the region.[3]

For this publication we define the Visitor Industry as including leisure and hospitality businesses, along with air, water and scenic transportation companies. With this aggregation, the Visitor Industry emerges as the region's largest private sector employer in terms of jobs, accounting for 14% (6,300 jobs) of all employment. Those working in the visitor industry earned $174 million in 2012—8% of all income earned in Southeast Alaska.[1]

Between 2010 and 2012, cruise passenger traffic to the region increased by seven percent.[3] In 2013, 993,200 cruise ship passengers are projected to visit the region, making 500 voyages on 30 large cruise ships in Southeast Alaska.[5] This represents a 110,000-passenger increase from 2010—13% more cruisers. Cruise passenger traffic had increased steadily and significantly for 35 years, but the number of visitors to the region declined in 2009 and 2010 in response to the global recession and a head tax. Approximately five percent of all 2013 cruise ship passengers worldwide visited Southeast Alaska.[6]

It is not just cruise passengers that are visiting the region. Air and ferry passenger numbers are increasing as well.[3,4] Southeast Alaska is becoming a more popular destination for independent travelers as the region gains more a national spotlight. Petersburg was named one of the top 10 yachting communities in the US by Yachting magazine in 2013. The Top Chef season 10 finale aired earlier this year was filmed in Juneau; as were episodes of the Amazing Race that will air this fall; and Gold Rush—a popular reality TV show filmed in Haines—has begun airing its 4th season.

The volume of visitors attracted to the region has given rise to a rich variety of visitor focused regional businesses that the economy has come to depend on.

Visitor Industry Outlook

The visitor industry in Southeast Alaska tends to follow national and international trends. As the US economy continues to rebound, so will the Southeast Alaska visitor industry. Along with visitors, the number of jobs and related income in this sector should continue to improve.

In 2014, the number of cruise visitors visiting Southeast Alaska may be slightly lower—by 23,000 passengers—than 2013 projections. Two Princess Cruises ships will be replaced resulting in a 35,000 capacity decrease.[7]

However, expect the region to hit a new cruise passenger record within the next three years, as cruise passenger levels slowly increase.

Worldwide, the projected passenger annual average growth rate of cruise industry is expected to be seven percent through 2017, although growth in the Alaska market is expected to occur more gradually.[6]

Sources: [1]Combination of ADOL 2012 Employment and Wage data; 2011 US Census Nonemployer (self-employment) Statistics; [2]McDowell Group; [3]US Bureau of Transportation Statistics (RITA); [4]Alaska Marine Highway System; [5]Cruise Line Agencies of Alaska, Cruise Ship Calendar for 2013; [6]Cruise Market Watch; [7]Princess Cruises. Note: Visitor Industry includes leisure and hospitality and visitor transportation (air, water, scenic) (NAICS 71, 72, 481, 487, 483) McDowell Group includes a portion of retail jobs in their visitors analysis - that was not done here.

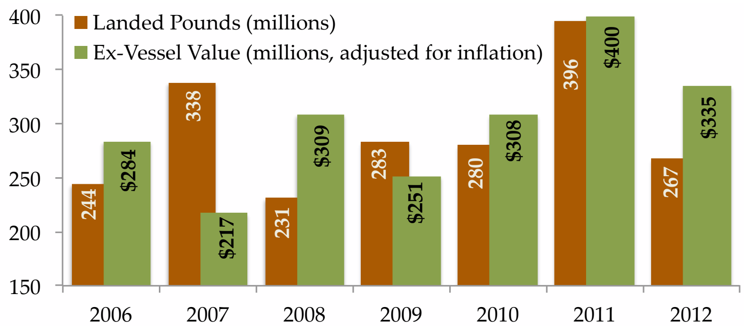
Southeast Alaska Seafood Industry

Photo Credit: Seafood Producers Cooperative

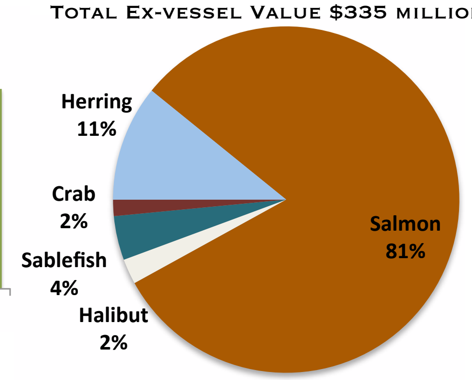
Up 150 jobs over 2 years +4%

In 2012, the Southeast Alaska total seafood harvest was 267 million pounds, and the 2012 ex-vessel value was $335 million.[4]

2006 to 2012 Southeast Alaska Seafood Ex-Vessel Value & Landed Pounds[4]



2012 Pounds Landed in SE[4]
Total Harvest 267 million pounds
Total Ex-vessel Value $335 million



The seafood industry (commercial fishing and seafood processing) is the largest private sector employer in Southeast Alaska in terms of wages, accounting for 12% of all regional wages, and 9% of all employment. In 2012, the average monthly employment for the Southeast Alaska seafood industry was 4,120 (these figures exclude nonresident commercial fishermen, and unreported crew members).[1]

Seafood trends cannot be discussed based on only a year of data because there can be dramatic variations from year to year due the to strength of returning runs and market prices. Case-in-point, in comparison to 2011, 2012 was down significantly. Total pounds landed in Southeast Alaska were down 32% and associated ex-vessel value of that catch was down by 14%. If, on the other hand, 2010 is used as the yardstick by which to compare (as it is throughout this publication) the catch value was up by 15%.[4] The changes in 2012's pounds harvested and value can be largely attributed to the reduced pink return that year; but 2012 prices were generally strong, and chum salmon harvest numbers were 38% higher than 2011.[5]

In 2012, the five salmon species represented more than four-fifths of the region's catch in terms of volume, and 57% of the total ex-vessel value.[4] Halibut and blackcod (sablefish)—while just 6% of total pounds landed—accounted for 34% of the total value of 2012's regional catch.[4]

Shore-based seafood plants in Southeast Alaska processed 196 million pounds of seafood in 2012, with a wholesale value of $518.8 million.[3] The wholesale value was 16% lower than the year before, but represented a 11% increase over 2010. State shared fisheries taxes on processing activity in 2012 provided $5.2 million to 18 communities in Southeast Alaska.[7]

Southeast Alaska bested the other regions of the state and was the top salmon harvester in 2012, both in terms of salmon harvested and total value.

Seafood Industry Outlook

The 2013 fishing season is shaping up to be one of the best ever.[6] By of the end of August 2013, the Southeast commercial salmon catch reached a record total of 98 million fish (surpassing the 1999 record of 97.6 million).[8] Most of the salmon harvested were pinks. Regional fishermen landed 85 million pink salmon—30 million more than projected (and 7 million more than the 1999 record levels). In addition, Southeast Alaska fishermen delivered 9.9 million chum, 2.4 million coho, 867,000 sockeye and 224,000 king salmon to processors. Coho and sockeye came in near projected levels; king harvests were 57% higher; while four million fewer chum were captured.[5,6] Expect the 2014 salmon forecast to be below 2013 levels due to the two-year pink salmon life cycle.

The salmon market has expanded significantly in the US, with strong demand and prices. Salmon is now on 39% of all restaurant menus in the U.S.[9] For halibut, the federal Catch Share Plan being devised now will shift halibut quota between commercial and charter fishing. The outcome of these 2014 decisions will impact future Southeast Alaska halibut related harvest and revenue.

Sources: [1]Combination of ADOL 2012 Employment and Wage data; 2011 US Census Nonemployer (self-employment) Statistics; [2]McDowell Group; [3]ADF&G Seafood Production of Shorebased Plants in Southeast Alaska. [4]ADF&G Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information; [5]Run Forecasts and Harvest Projections for 2013 Alaska Salmon Fisheries and Review of the 2012 Season; ADF&G February 2013; [6]ADF&G 2013 Preliminary Alaska Commercial Salmon Harvest - Blue Sheet Updated August 30, 2013; [7]Shared Taxes and Fees Annual Report FY12, ADOR; [8]Alaska Commercial Salmon Harvests and Exvessel Values, ADF&G; [9]Seafood.com 2013. **Seafood Industry** includes animal aquaculture, fishing, & seafood product preparation (NAICS 1125,1141,3117) and Southeast Alaska resident commercial fishermen (nonresident fishermen & crew that did not report income are excluded).

Southeast Alaska Mining Industry

Photo Credit: Kensington Mine

Mineral exploration and mining have been a part of the Southeast Alaska economy since gold was first discovered here in the 1860s.

Up 280 jobs over two years +52%

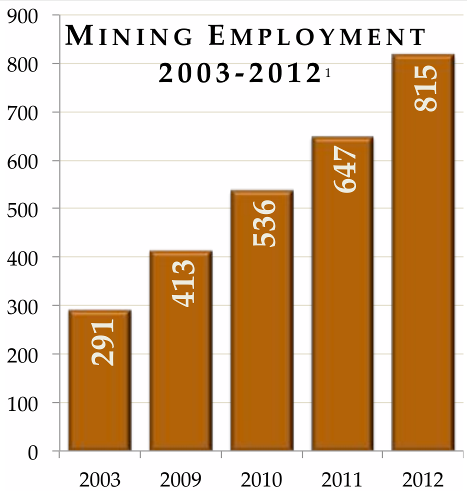
The role of mining in the Southeast economy has significantly increased over the last decade. In 2012, there were 815 mining jobs in Southeast Alaska with a $79 million payroll. Mining employment in the region was up 52% over 2010 levels, and nearly triple from a decade earlier.[1] With an average annual mining wage of $97,000, mining wages pay the highest wages of any sector, and are 2.5 times higher than the average private sector wage.[8]

However, the news for mining is not all positive. After rising each year for 11 years in a row, metal prices are falling. The average price of silver in the first half of 2012 was $25.14 an ounce, a 19% decrease over the 2012 average price. Gold dropped in value by 10% over the same period.[2] Meanwhile, the parent companies of Kensington and Greens Creek mines posted preliminary losses in the 2nd quarter of 2012.

Significant Mining Activity and Exploration in Southeast Alaska Includes:

Greens Creek Mine (+20 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 390 permanent year round employees in 2013.[4]

Kensington Mine opened in 2010. In 2013, the company employs 310 permanent year-round employees. In 2012, the Kensington mine produced 82,000 ounces of gold (6,000 ounces less than the previous year).[3]



Bokan Mountain Project is located on southern Prince of Wales Island. The mine plan estimates that 5.2 million tons of rare earth elements will be extracted over an 11 year period, once the mine begins operations. The total cost of building the mine is expected to be $221 million. The company has announced a 2016 mine completion goal.[5]

Niblack Project is a copper-zinc-gold-silver-lead deposit located on Prince of Wales Island with an estimated 5.6 million tons of mineral resources. There has been $87 million invested in the project, and the mine has the potential of creating 200 full time jobs. The company expects to complete the permitting process in 2016, at which time it will begin mill construction.[6]

Herbert Glacier Project is 18-miles north of downtown Juneau. Initial estimates indicate 182,400 ounces of gold. Claims were staked in 1986 after the deposit was exposed by the retreat of the Herbert Glacier.[7]

Other 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

With metal prices falling in 2013 and a softening of the global mining industry, the staggering growth in mining that the region has seen will not likely continue into 2014.

Southeast Alaska's mining industry has always risen and fallen based on mineral prices. If metal prices continue to decline, mining employment levels will become flat, exploration will decrease, and interest in historic mining sites will wane. Other challenges include difficulty securing exploration and development financing as well as environmental permits (Greens Creek currently reports that without a needed tailing expansion permit, the mine cannot operate past 2016). Also, the imposition of the Roadless Rule on the Tongass makes it more difficult both to access mines and for mines to connect to lower-cost renewable energy resources—such as hydropower—in order to supply the intensive energy requirements that accompanies mining.

In the meantime, Southeast Alaska is enjoying the largest mining boom since the days of the goldrush.

Sources: [1]Combination of ADOL 2012 Employment and Wage data; 2011 US Census Nonemployer (self-employment) Statistics; [2]Kitco Metals Inc; [3]Kensington Mine personal communication; [4]Greens Cree Mine personal communication; [5]Preliminary Economic Assessment Bokan Mountain Rare Earth, January 2013, Tetra Tech; [6]Niblack Overview Aug. 2013; [7]Technical Report on the Herbert Glacier Gold Property, April 2013, DuPre and Associates Inc.; [8]ADOL 2012 Employment and Wage data.

Southeast Alaska Government

U.S. Coast Guard photo: Air Station Sitka, Alaska MH-60 Jayhawk rescue helicopter.

Down 75 jobs over 2 years -0.5%

- **State +10 jobs**
- **Federal +15 jobs**
- **Local/Tribal -100 jobs**

As a whole, government employment was flat between 2010 and 2012.

Government wages make-up 36% of all regional employment earnings ($745 million) and 30% of the region's jobs (13,900).[1,2]

Forest Service employment has continued to decline. USDA jobs in the region have dropped by more than 150 employees over the past five years, including 30 jobs over the past two years. Since 2010, local government jobs have declined the most, as state and federal budget cuts trickle down to the local level. The City and Borough of Juneau lost 158 workers over the past two years alone.

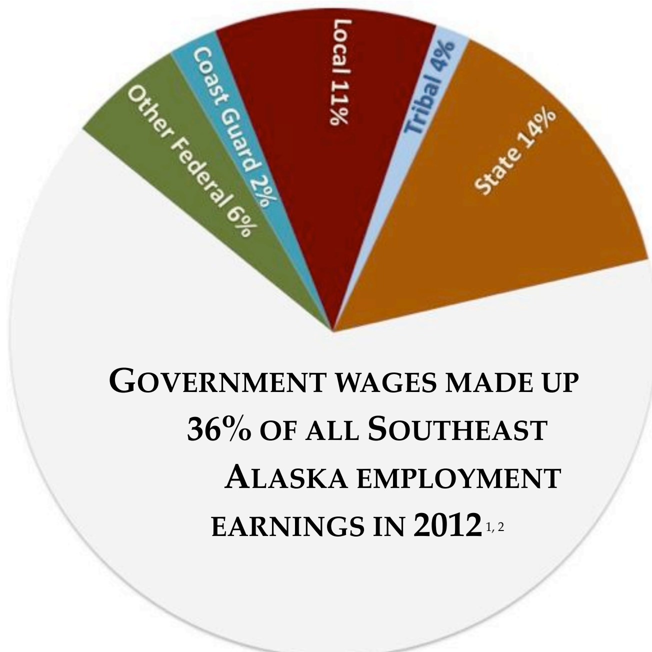
Top Federal Employer: The Coast Guard

The US Coast Guard is now the top federal employer in the region with approximately 700 employees, displacing the Forest Service as USDA jobs decline.

Coast Guard employment in the region has risen slightly over the past two years as Alaska and the Arctic region become increasingly important to U.S. national interests.[2] Retreating sea ice has opened up new possibilities for maritime trade, tourism, and natural resource exploration, resulting in a significant corresponding increase in ship traffic and need for Coast Guard services.[9] Southeast Alaska, despite its distance from the Arctic, has benefited from these development as the USCG builds up its Alaska presence to respond to these changing dynamics in the Arctic.

Decreasing State Revenue

The Trans-Alaska Oil Pipeline System has been funding 90% of Alaska's unrestricted government funds for most of 35 years. However, the decline in oil production and climbing state General Fund spending have put the state on an unsustainable economic course.[6] North Slope oil fields flow has declined to nearly a quarter of its peak with an average of 547,900 barrels a day in 2012 (down from more than 2 million).[3] According to Alaska Department of Revenue's forecasts, total oil revenues to the state in FY13 are expected to drop by $2 billion from FY12 levels.[5]



Government Outlook

The economy of the region is highly dependent on both government employment and spending. In addition to declining state revenue, federal budget cuts will continue to reduce State, local and tribal government programs in the region—recent examples include closure of the SEARHC substance abuse treatment center in Sitka, and reduced Head Start operations in 15 towns across the region, both due to sequestration. The near elimination of earmarks (designated Federal spending) will compound upcoming cuts and losses.

Additionally, the region is facing the likely prospect that the federal Payments In Lieu of Taxes (PILT) and Secure Rural Schools (SRS) programs will be reduced or eliminated. Communities receive SRS and PILT funding to compensate for the federal government's ownership of 95% of the regional land base. In 2012, these programs paid local governments $16.2 million that cannot be easily replaced.[7,8]

Federal, State, local, and tribal government will continue to face revenue challenges in 2014, with negative consequences for the Southeast economy.

Sources: [1]ADOL 2012 Employment and Wage data; [2]United States Coast Guard Response to FOIA 2013-1848; [3]Alyeska Pipeline Service Company; [4]ADOL Southeast Alaska Government Departments 2010-2012; [5]Alaska Department of Revenue, Spring 2013 Forecast; [6]ISER, Maximum Sustainable Yield:FY2014 Update Scott Goldsmith; [7]USFS FY12 ASR 10-1, Payment Summary Secure Rural Schools Act State Payment; [8]FY12 Alaska Payments in Lieu of Taxes (PILT) program; [9]United States Coast Guard Arctic Strategy May 2013.

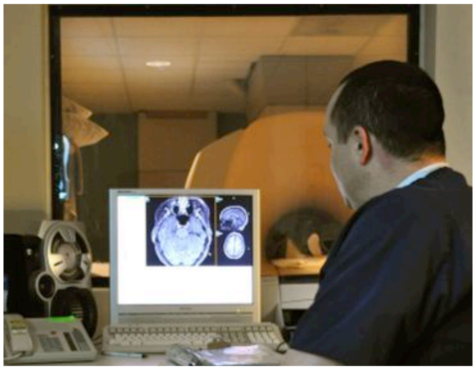


Photo by PeaceHealth Ketchikan Medical Center.

Southeast Health Care Industry

Up 130 jobs over 2 years +4%

When both private and local hospital health care services are taken into account, the health care industry employment accounted for eight percent of all Southeast employment (3,200 workers) and wages in 2012.[1]

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

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.

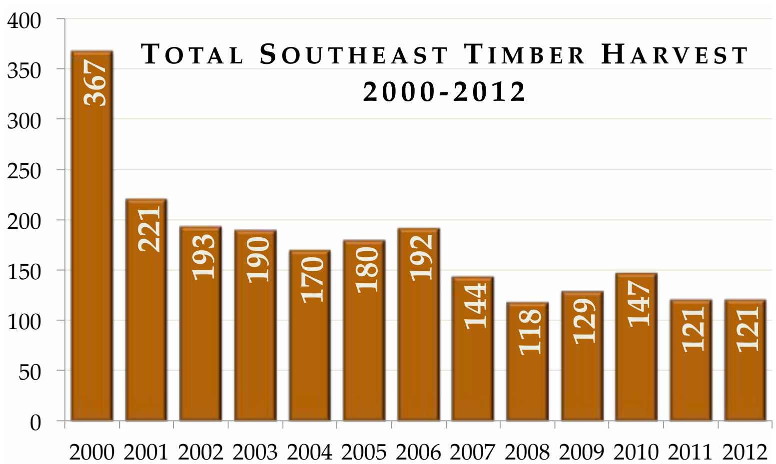
Statewide, Ambulatory Health Care Service jobs are forecasted to increase 37% between 2010-2020, while hospital employment is expected to rise 28%. As the demands to age in place (at home and in home communities) become stronger, demand for workers in the health care industry will translate into long-term continued growth for this industry region-wide through 2020.[2]

Photo by Meilani Schijvens

Southeast Timber & Wood Products Industry

Down 11 jobs over 2 years -3%

Between 2010 and 2012 timber related employment in Southeast Alaska decreased by 11 jobs (3%), and the total timber harvest fell by 16 percent.[3] Despite these losses total wages attributed to this sector grew by 5% to $16.7 million over this two-year period.[1]



Today's Southeast Alaska timber industry looks more like it did in the early 1900's than the 1990's. 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 2012, timber accounted for one percent of jobs and wages in the region with 331 jobs in Southeast (sawmill, logging, logging support and wood product manufacturing jobs.)[1]

Timber Outlook

Due to the timing of timber sales (including the Tonka sale) there will be timber harvesting gains in 2013.[3] However, the 2011 reinstatement of the Roadless Rule makes timber harvesting increasingly difficult over the long-term; while continued uncertainty and the current investment climate threaten the region's remaining capacity, infrastructure, and timber industry expertise. A successful timber industry requires changes to the federal timber harvest policy, a predictable timber supply with sufficient volumes to support industry, the timely release of the four 10-year timber sales, and passage of the Sealaska Land Bill.

Alaska Native Organizations

Southeast Alaska's Native Corporations (ANCs) are the region's largest private landowners with almost 700,000 acres of land collectively. Augmenting its timber harvest activity, Sealaska and other corporations have instituted large scale forest management programs. ANCs are investing in the reopening of the Kake Fish Processing plant (Rocky Pass Seafoods) and in the operation of several oyster farms (Haa Aani). The Haida Corporation is now investing in a hydroelectric facility at Reynolds Creek to provide energy to Prince of Wales Island. The region's ANCs are making major investments in the resurgence of and recognition of Native art and culture—which is becoming a key differentiator in the region - beyond the scenic majesty, as tourism 'must sees'. Sealaska Heritage Institute just broke ground on its $20 million Walter Soboleff Center in the heart of downtown Juneau, which will both showcase Southeast's Native cultures and provide resources for scholarly research. Huna Totem Corporation's Icy Strait Point cruise ship destination is in its 10th year of operation. This year they've launched Alaska Native Voices, a consulting service to help others develop cultural tourism ventures. Goldbelt Corporation's Mount Roberts Tram is a top tourist destination, and just one of their many visitor related businesses

Southeast Alaska's Tribes are also part of these collective efforts to build sustainable communities. Several have made new capital improvements in their communities and are working to strengthen cultural programs. The Organized Village of Kasaan is restoring the Chief Son-i-Hat Whale House to preserve the Haida architectural form and culture, already making Kasaan an Alaskan Dream Cruise destination. The Sitka Tribal Tannery is a business that tans sea otter, seal, bear, wolf and other hides. It is poised for growth as it capitalizes on lessons learned and gets ready to expand operations with direct sales and marketing. Southeast Alaska Native Corporation's land, commitment to culture, and business acumen are having a growing economic impact in our region.

Sources: [1]Combination of Alaska Department of Labor 2012 Employment and Wage data and 2011 US Census Nonemployer (self-employment) Statistics; [2]Industry and Occupational Forecasts 2010 to 2020, Alaska Trends, October 2012; [3]Alaska Forest Association; [4]Sealaska Forester Brian Kleinhenz.

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Photo by Meilani Schijvens

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