

***THE ECONOMIC IMPACTS OF  
SEALASKA CORPORATION ON  
RURAL SOUTHEAST ALASKA COMMUNITIES***

**PREPARED FOR:**

**SEALASKA CORPORATION  
ONE SEALASKA PLAZA, SUITE 400  
JUNEAU, ALASKA 99802**

**AUGUST 2001**

***THE ECONOMIC IMPACTS OF  
SEALASKA CORPORATION ON  
RURAL SOUTHEAST ALASKA COMMUNITIES***

PREPARED FOR:

**SEALASKA CORPORATION  
ONE SEALASKA PLAZA, SUITE 400  
JUNEAU, ALASKA 99802**

PREPARED BY:



**JUNEAU • ANCHORAGE**

**AUGUST 2001**

# Table of Contents

---

<b>Table of Contents</b> .....	<b>i</b>
<b>Executive Summary</b> .....	<b>1</b>
Sealaska Spending and Employment In Southeast .....	1
Role of Sealaska in Southeast Communities .....	1
The Economics of Rural Southeast Communities.....	2
Potential Socioeconomic Impacts of Reduced Sealaska Logging Activity .....	3
Additional Impacts of Sealaska Economic Activity .....	3
<b>Introduction</b> .....	<b>5</b>
<b>Chapter I: The Economic Impact of Sealaska Corporation</b> .....	<b>6</b>
Sealaska Spending in Southeast Alaska .....	6
<b>Chapter II: The Role of Sealaska in Southeast Alaska’s Rural Economies</b> .....	<b>10</b>
Hoonah.....	10
Kake .....	13
Prince of Wales Island Communities .....	15
Hydaburg .....	16
Klawock.....	18
<b>Chapter III: The Potential Socioeconomic Impacts of Reduced Sealaska Timber Harvests</b> .....	<b>22</b>
The Economics of Rural Southeast Communities.....	22
Community Analysis.....	23

The purpose of this study was to measure the economic dependence of Southeast communities – particularly small, rural communities with predominantly Native populations – on Sealaska Corporation’s timber harvesting activities. This report presents region-wide data and impacts, but focuses on the communities of Hoonah, Kake, Klawock and Hydaburg. Some impacts on Craig are also included, but this larger community was not a primary focus of the study. In addition, this report provides a historical perspective on rural socioeconomic conditions and the forces at work in these communities. Key findings are presented below.

### Sealaska Spending and Employment In Southeast

- Sealaska spent \$61 million in Southeast in 2000 in support of its corporate and timber-related operations. This spending, including payroll, was spread throughout Southeast, with most spent on logging contractors in Hoonah, Craig/Klawock and Ketchikan.
- Region-wide, Sealaska Corporation, Sealaska Timber Corporation and its contractors employed approximately 870 full and part-time workers in 2000. These workers earned an estimated \$29 million in payroll.
- Sealaska Corporation and its contractors combined make the corporation the largest private sector employer in Southeast Alaska.
- Including indirect employment and payroll, Sealaska-related employment totals approximately 1,200 workers and \$35 million in payroll in Southeast Alaska, based on McDowell Group estimates.

### Role of Sealaska in Southeast Communities

- The economies of rural Southeast Alaska communities are built on a complex mix of employment and income from government, the timber industry, the seafood industry, income from transfer payments (payments from governments to individuals), community service organizations, and other sources of income for residents. Though not the dominant force, Sealaska plays a significant role in the economies of several rural communities. On average Sealaska accounts for about one-quarter of personal income in the communities studied, with other economic contributors providing the bulk (approximately three-quarters) of the jobs and income.
- Sealaska logging activity and, in particular, ship-loading activity represent important sources of cash to many village residents. A total of 264 Hoonah, Kake, Klawock and Hydaburg residents earned some income from ship loading. Though these jobs are part-time, they are an important source of cash income.

## **Hydaburg**

- In Hydaburg, for example, a community of 380 residents, 61 local residents earned income from shipping-loading work. This is in a community that is the poorest in Southeast Alaska, with per capita income that is only about half the regional average.
- Total annual Sealaska-related payroll in Hydaburg is estimated at about \$1.2 million. Though specific data is not available, this payroll probably accounts for one-fourth of total personal income for Hydaburg residents.

## **Klawock**

- Just under 120 Klawock area residents are employed either full-time or part-time in Sealaska logging-related activity, again primarily in ship loading, as well as logging.
- Klawock workers earn an estimated \$2.3 million in annual payroll, which accounts for approximately 18 percent of the community's total personal income. Klawock's population is approximately 700 residents.

## **Kake**

- In Kake, 145 workers earn income from Sealaska-related logging activity. These workers earn approximately \$4 million in annual payroll.
- This payroll is a critical source of personal income for Kake, a community of about 710 residents, accounting for 30 percent of the community's estimated total personal income of \$14 million.

## **Hoonah**

- Hoonah, a community of 860 residents (plus another 120 at the nearby Whitestone Logging camp), has 130 Sealaska-related jobs with approximately \$3.4 million in payroll. This represents approximately 19 percent of total local personal income.

## **The Economics of Rural Southeast Communities**

- Nearly every Southeast community with a Native population of 50 percent or more has experienced population decline in recent years.
- Angoon (-2 percent), Kake (-4 percent), Hoonah (-2 percent), Hydaburg (-7 percent) and Klukwan (-4 percent) all experienced population loss between 1998 and 1999. Only Klawock grew between 1998 and 1999 (up 4 percent), though that community experienced sustained long-term decline throughout most of the 1990s.
- Changes in resource management have affected rural communities economically, including initiation of limited entry in the commercial salmon fisheries and, more recently, the individual fisherman's quota (IFQ) system. These resource management changes have led to the migration of commercial fishing permits from rural to urban people. IFQs have also resulted in the loss of crew jobs important to rural fishermen.

- Reduced Tongass National Forest logging activity has also affected rural areas. Since 1990, the volume of timber harvested annually from the Tongass National Forest has dropped by 70 percent. The Tongass timber industry's current direct employment of approximately 600 people is nearly 1,900 jobs below the 1990 level. The Southeast Alaska economy has lost over \$100 million in forest products payroll since 1990, not counting indirect and induced payroll losses.
- Other forces have affected the rural economies of Southeast Alaska. Declining state government revenues have led to reduced municipal assistance and revenue sharing, for example. Welfare reform has also affected the socioeconomic structure of some communities. In summary, a range of forces have led to increasing economic hardship for many rural communities.

## **Potential Socioeconomic Impacts of Reduced Sealaska Logging Activity**

- The impact of reduced Sealaska logging activity would vary from community to community. Some communities are better-equipped to adjust to the economic loss that would occur. While only direct impacts are considered in this study, indirect impacts would also be lost.
- The communities of Hoonah, Hydaburg, Klawock, and Kake would likely see some population decline, but not proportional to the loss of jobs and income. Because most rural residents have placed lifestyle over economic opportunity in where they have chosen to live, many will likely remain despite the loss of an important source of income.
- Local business would see reduced sales resulting from the decline in local disposable income.
- Reduced school enrollment and the associated loss of state school foundation formula funding would result, to the extent that out-migration occurs.
- Impacts would vary by community. For example, Hoonah has the most diverse economy and offers the widest range of alternative employment opportunities. Nevertheless, the loss of \$3.4 million in income (plus additional indirect losses) would represent a significant loss to the local economy.
- While Klawock is part of a larger economy (one that includes Craig), the impacts of reduced timber activity on the community are potentially significant. The entire Craig/Klawock economy could suffer some economic loss. Sealaska creates a total of 250 jobs in the Craig/Klawock economy.
- Residents of Kake and Hydaburg have few employment alternatives and therefore are currently the most dependent economically on Sealaska timber harvests.

## **Additional Impacts of Sealaska Economic Activity**

The impacts identified in this study for individual communities are direct economic impacts only. They do not include indirect impacts of Sealaska economic activity. For example, not included are employment and payroll in the support sector such as grocery stores, transportation businesses, hotels and schools. Without Sealaska activity in Hoonah, for example, there would be less employment in stores, other businesses and in the local school system. These are called indirect impacts.

Because of the severe limitations of economic data on small communities, it is not possible to quantify these indirect impacts. In general, the more developed the local economy, the more indirect impacts result from basic industry activity such as timber harvesting. In the communities studied, Hoonah, as the most developed economy, would have the most indirect impacts. Hydaburg, as the least developed economy, would have the least indirect impacts.

In summary, the total impacts – both direct and indirect – of Sealaska economic activity are greater than stated in this study, which measures only direct impacts due to data limitations.

**Summary of Economic Impacts of Sealaska Corporation  
on Rural Southeast Alaska Communities, 2000\***  
(Individual community totals do not include  
*indirect* impacts of Sealaska activity)

<b>Total Southeast Impacts</b>	
Direct employment	870
Direct payroll	\$29 million
Direct + indirect employment	1,200
Direct + indirect payroll	\$35 million
<b>Rural Southeast Impacts</b> (Hydaburg, Klawock, Kake and Hoonah)	
Sealaska employment	456
Sealaska-related payroll	\$10.9 million
Percentage of total personal income	25%
<b>Hydaburg Impacts</b>	
Sealaska employment	61
Sealaska-related payroll	\$1.2 million
Percentage of total personal income	25%
<b>Klawock Impacts</b>	
Sealaska employment	120
Sealaska-related payroll	\$2.3 million
Percentage of total personal income	18%
<b>Kake Impacts</b>	
Sealaska employment	145
Sealaska-related payroll	\$4 million
Percentage of total personal income	30%
<b>Hoonah Impacts</b>	
Sealaska employment	130
Sealaska-related payroll	\$3.4 million
Percentage of total personal income	19%

\*The numbers in this table are based on the best available data and should be considered estimates.

The purpose of this study is to measure the economic impact of Sealaska Corporation and its subsidiary operations on rural communities of Southeast Alaska. Further, this study identifies the full range of economic factors that constitute the small but complex rural economies of Southeast Alaska. This study places Sealaska economic activity in the context of the complete rural economic picture. Sealaska, through contractors, harvests and exports logs from the Hoonah, Kake and Prince of Wales Island areas. Logging activity specifically affects the communities of Hoonah, Kake, Craig, Klawock, and Hydaburg.

This analysis focuses on the employment and personal income effects of Sealaska operations in these communities. Sealaska and Sealaska Timber Corporation provided detailed data on spending in Southeast communities. Key Sealaska contractors were contacted to collect information about the residency of the employees working on the Sealaska contracts. This, along with data from the Alaska Department of Labor and Workforce Development (ADOL), the U.S. Bureau of Economic Analysis (BEA), and the U.S. Census, provided the data used in the analysis.

While this report provides a professionally defensible estimate of the economic impact of Sealaska, it is important to recognize the limitation of this analysis. First, the study team relied heavily on the employment data provided by contractors. The data is considered to be accurate, however, there was no way to independently verify this information. Alaska Department of Labor and Workforce Development employment data does not consider the residency of employees – its published data considers only place-of-work. Further, ADOL data is released only after a significant time lag. The most recent available ADOL data is for 1999.

Personal income is a strong indicator of the economic impact. However, very little data exists on personal income in small communities. In fact, the most current measure of per capita income and income sources for the communities of Hoonah, Kake, Klawock, and Hydaburg is the (very outdated) 1990 census. More recent data is available from the BEA for larger geographic areas, however, this data does not accurately reflect many of the communities within these areas. For example, Hoonah is included in the Skagway-Hoonah-Angoon Census Area. Per capita personal income data for 1999 is available for this area, but the data is skewed by Skagway, where income levels are much higher than Hoonah or Angoon. Similarly, Hydaburg is included in the Prince of Wales-Outer Ketchikan Census Area, which includes Craig, a community with much higher income levels than Hydaburg. Given this dearth of relevant and timely data, the study team relied on a mix of current employment and wage-rate data (1999 to present); older personal income source data (1990 census); more recent census area per capita and personal income source data (1999); and other income data, such as Commercial Fisheries Entry Commission data on the value of residents' commercial seafood harvest over the last several years.

Finally, this report presents a comprehensive picture of personal income sources in affected communities, given data limitations and the limited time available to conduct this study. A more detailed assessment of local personal income sources would be possible with a survey of key employers in the affected communities. In addition, it is recommended that following the release of detailed 2000 census data, this report be updated. At the time of this report, released 2000 census data is limited to population characteristics and does not include information on community-level personal income. Census income data is expected in 2002.

# **Chapter I:**

## **The Economic Impact of Sealaska Corporation**

---

This chapter provides spending and employment data for Sealaska Corporation and Sealaska Timber Corporation. This data does not provide a complete picture of the corporation's economic impact on the Southeast region or its communities. For example, this analysis does not consider the impact of dividends paid to shareholders. It does not consider the economic impact of Sealaska-related events, such as Celebration, which draws thousands of visitors to Juneau and creates significant local spending. It does not consider the short-term and long-term economic benefits of Sealaska Heritage Foundation scholarships. Rather, this report focuses only on the direct impact of corporation business activity, namely timber harvesting, on Southeast communities.

### **Sealaska Spending in Southeast Alaska**

Region-wide, Sealaska Corporation, Sealaska Timber Corporation and its contractors employed approximately 870 full and part-time workers in 2000 in Southeast Alaska. These workers earned an estimated \$29 million in annual payroll.

Sealaska Corporation employment and its contractor employment combined make the corporation the largest private sector employer in Southeast Alaska.

Including indirect employment and payroll, Sealaska-related employment totals approximately 1,200 workers and \$35 million in payroll in Southeast Alaska, based on McDowell Group estimates.

Direct Sealaska and Sealaska Timber Corporation spending in Southeast Alaska in 2000 totaled \$61 million on payroll and the purchase of goods and services.

Following are selected economic impacts, to the extent corporate data is available by community.

Table I.1 shows Sealaska headquarters spending on goods and services by community (excluding payroll). Headquarters payroll is primarily in Juneau and totals \$4.2 million for an average of 59 employees.

**Table I.1**  
**Sealaska Corporation Spending in Southeast Alaska, 2000**  
**By Community (excluding payroll)\***

Community	Spending
Juneau	\$3,950,477
Kake	1,026,378
Craig	428,413
Ketchikan	305,489
Hoonah	195,721
Sitka	152,157
Hydaburg	110,741
Klawock	90,815
Yakutat	57,644
Angoon	37,964
Haines	24,950
All Other SE Communities	2,892
<b>Total</b>	<b>\$6,383,639</b>

\*Note: Does not include Sealaska Timber Corporation.

Sealaska Timber Corporation (STC) spent \$48 million in Southeast Alaska in 2000. Most of this spending went to logging and ship-loading contractors operating in the Hoonah, Kake and Prince of Wales Island areas. These contracts created an estimated 780 jobs in Southeast Alaska. While payroll data is not available for these contractors, it is estimated that these jobs account for \$24 million in annual payroll.

STC directly employs 35 in Southeast Alaska, including 20 in Ketchikan, nine in Craig and a combined total of six in Hoonah, Kake and Juneau. These jobs account for \$2.2 million in annual payroll.

Table I.2 shows STC spending on contracts, goods and services by community. This is followed by Table I.3, that details direct STC payroll by community.

**Table I.2**  
**Sealaska Timber Corporation Spending in Southeast Alaska, 2000**  
**By Community (excluding STC payroll)**

Community	Spending
Hoonah	\$16,034,100
Craig	14,652,408
Ketchikan	14,093,248
Klawock	2,100,714
Kake	330,626
Thorne Bay	254,549
Hydaburg	227,574
Juneau	176,587
Sitka	160,072
All Other Southeast	55,036
<b>Total Southeast Spending</b>	<b>\$48,084,913</b>

**Table I.3**  
**Sealaska Timber Corporation Payroll in Southeast Alaska, 2000**  
**By Community**

Community	Payroll
Ketchikan	\$1,294,073
Craig	521,473
Hoonah	175,913
All Other Southeast	168,900
<b>Total Southeast Payroll</b>	<b>\$2,160,359</b>

Table I.4 provides employment by STC contractors by community, a total of 775 contractor employees. Sealaska corporate employment and direct STC employment add another 95 jobs, for a total of 870 in the region.

**Table I.4  
Sealaska Timber Corporation Contractor Employment in  
Southeast Alaska, 2000  
By Community**

Community	Total Number of Employees
Ketchikan	168
Kake	143
Craig	132
Hoonah	129
Klawock	117
Hydaburg	74
All Other Southeast	12
<b>Total Southeast Employees</b>	<b>775</b>

## **Chapter II: The Role of Sealaska in Southeast Alaska's Rural Economies**

---

As indicated above, many Southeast communities experience some level of economic impact from Sealaska timber harvest operations. This analysis focuses on the smaller communities with predominantly Native populations that are substantially dependent on Sealaska jobs and income from logging and/or ship loading, including Hoonah, Kake, Hydaburg, and Klawock.

### **Hoonah**

Sealaska Timber Corporation contractors harvested approximately 22 million board feet (mmbf) last year in the Hoonah area and constructed six miles of road. Whitestone Logging is Sealaska's logging contractor in the Hoonah area. Whitestone also harvests near Kake, in a joint venture with Kake Tribal (the joint venture is called Turn Mountain Timber).

Hoonah is a community of 860 residents, with an economy based on commercial fishing and seafood processing, timber harvesting, and government. The population of Hoonah has been declining in recent years, losing about 3 percent (25 residents) between 1996 and 1999. Whether this trend has continued is unclear. The 2000 census count of 860 residents is as of April 1, while earlier year' estimates are as of July 1, therefore direct trend comparison is not possible.

The data presented in Table III.1 does not include the population at the Whitestone Logging Camp. According to the U.S. Census, the camp's population was 116 in 2000. According to ADOL, Whitestone's population was 118 in 1999, down from 152 in 98, 165 in 1997, and 205 in 1996.

**Table III.1  
Population Trends in Hoonah, 1990, 1995-2000**

Year	Population
1990	795
1995	878
1996	902
1997	890
1998	892
1999	877
% Change 1990-99	10.3%
% Change 98-99	-1.7%
2000 Census	860
% Native	61%

According to the Alaska Department of Labor and Workforce Development (ADOL), Whitestone Logging, Inc. was the community's largest employer in 1999 (more recent data is not yet available from ADOL). At the peak, Whitestone employed 134 people. Other leading employers include Hoonah City Schools, Hoonah Cold Storage and the City of Hoonah. Southeast Stevedoring, also a Sealaska Timber Corporation contractor, employed as many as 53 during peak ship-loading activity. The local village corporation, Huna Totem Corporation, is not currently a significant source of employment.

**Table III.2  
Annual Average Employment in Hoonah, 1999  
Non-Agricultural Employment  
Top Ten Employers**

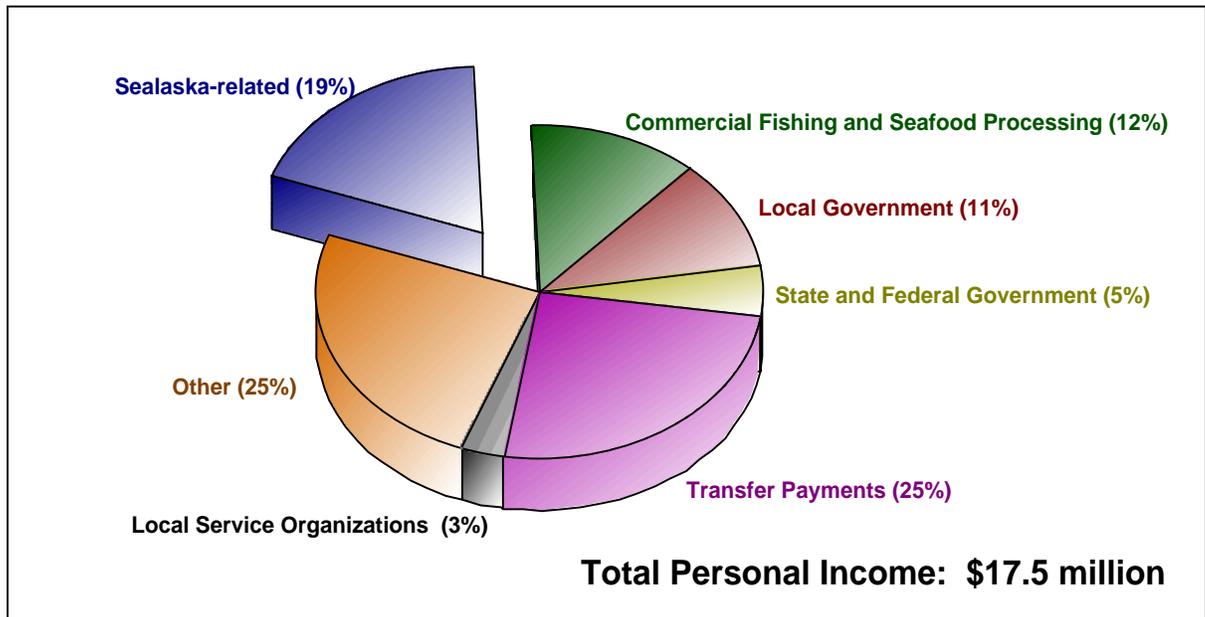
Employer	Peak Monthly Employment	Ann. Average Employment
Whitestone Logging, Inc.	134	99
Hoonah City Schools	73	67
Hoonah Cold Storage	62	35
City of Hoonah	23	21
Hoonah Indian Association	16	16
Southeast Stevedoring Corp.	53	14
U.S. Department of Agriculture-Forest Service	12	10
Harbor Lights Minimart	15	9
Hoonah Alaska Native Sisterhood	10	9
All other Employers (42)	-	86
<b>Total Employment</b>		<b>365</b>

A survey of STC contractors found that Sealaska-related employment in Hoonah totaled approximately 130 workers in 2000. This includes full-time and part-time jobs. Employment in ship loading peaked at 63 workers, while Whitestone employment peaked at 64 jobs (Sealaska-related employment only). Other local companies working for Sealaska include, Daklashu Forestry, and Yaan Dux Xach Co.

One approach to measuring the role of a business or industry in a local economy is to examine sources of personal income. While there is virtually no up-to-date personal income data available for Hoonah or other communities in Alaska, it is possible to develop a reasonably accurate model of local personal income sources based on older personal income data and more recent payroll and earnings data.

Based on the best available information, personal income in Hoonah totals \$17.5 million, based on an estimated per capita income level of approximately \$20,000. The following chart indicates the key sources of this personal income, including personal income for local people generated as a result of Sealaska timber harvest activity.

**Figure II.1  
Sources of Personal Income in Hoonah, 2000**



The Hoonah economy is well-balanced and diverse for a small community. Seafood, timber, government (local, state, federal and tribal), and transfer payments all make significant contributions to the local economy.

Sealaska-related timber harvest activity accounts for one in five personal income dollars flowing to Hoonah residents, or approximately \$3.4 million annually. Commercial fishing and seafood processing account for an estimated \$2 million in personal income. Over the 1998-2000 period, local commercial fishermen harvested fish with an average annual ex-vessel value of \$2.1 million. It is important to note that ex-vessel value represents gross income to fishermen. Net income, or personal income, is the amount of money left over after all expenses have been paid. According to preliminary Commercial Fisheries Entry Commission data, 59 Hoonah resident permit holders fished 93 different permits in 2000.

Local government, including the school district, is an important source of personal income in most rural communities, including Hoonah. Local government accounts for an estimated \$2 million in personal income for Hoonah residents. State and federal government sources of personal income include jobs with the Alaska departments of Public Safety, Fish and Game, and Transportation, as well as the U.S. Department of Agriculture, Forest Service.

Local service organizations include Hoonah Indian Association, Hoonah Alaska Native Sisterhood, Alaska Native Brotherhood, Tlingit-Haida Regional Electric Authority, and Southeast Alaska Regional Health Corporation. Together these organizations account for approximately \$600,000 in personal income.

Transfer payments account for one-quarter of all personal income for Hoonah residents, or approximately \$4.4 million. Transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The “Other” category of personal income includes all other sources, in particular, income generated from other private sector commercial activity such as construction, retail sales, transportation services, other services, lodging, and others. Personal income generated as a result of tourism activity is included in this category. Corporation dividends are also included in this category. The total estimated personal income from this category is \$4.2 million.

## Kake

Sealaska Timber Corporation contractors harvested approximately 27 mmbf last year in the Kake area and constructed 11 miles of road. Turn Mountain Timber is Sealaska’s logging contractor in the Kake area. Turn Mountain Timber is a joint venture between Whitestone Logging and Kake Tribal Logging.

Kake is a community of 710 residents, with an economy based on commercial fishing and seafood processing, timber harvesting, government, and tourism. Kake’s population has been declining slowly in recent years after peaking in 1998 at 775 residents.

**Table II.3  
Population Trends in Kake, 1990, 1995-2000**

Year	Population
1990	700
1995	703
1996	727
1997	756
1998	775
1999	745
% Change 1990-99	6.4%
% Change 98-99	-3.9%
2000 Census	710
% Native	67%

According to 1999 ADOL data, Kake Tribal Corporation and Kake Tribal Timber and Logging were the community’s largest employer that year. At the peak, Kake Tribal Timber and Logging employed 77 people. Other leading employers include City of Kake and Kake City School District.

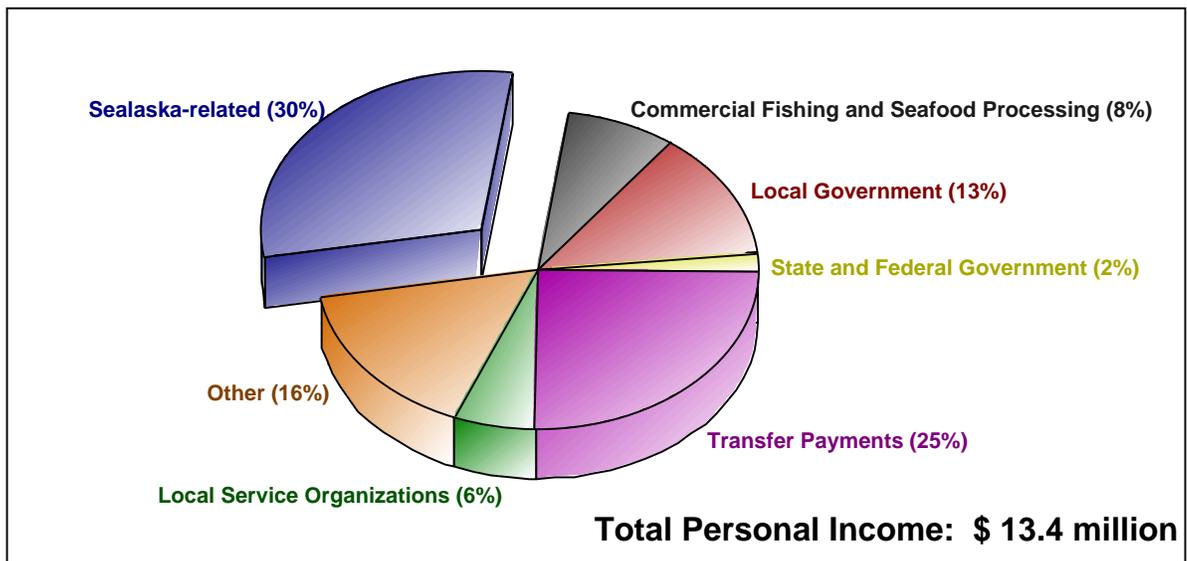
The 1999 ADOL data does not reflect the re-entry of Sealaska into the local economy. Turn Mountain Timber now employs 75 in Kake and Southeast Stevedoring employs another 63. A total of 145 full and part-time local jobs in Kake are attributable to Sealaska logging activity. These jobs account for approximately \$4 million in annual payroll.

**Table III.4  
Annual Average Employment in Kake, 1999  
Non-Agricultural Employment  
Top Employers**

Employer	Peak Monthly Employment	Annual Average Employment
Kake Tribal Corp.	66	58
Kake Tribal Timber & Logging	77	48
City of Kake	44	34
Kake City School District	44	33
Organized Village of Kake	27	24
SOS Value Mart Inc.	13	12
SE Alaska Regional Health Corp.	11	11
Gunnuck Creek Hatchery	12	7
All Other Employers (22)	-	29
<b>Total Employment</b>		<b>256</b>

Based on McDowell Group estimates, personal income in Kake totals \$13.4 million annually, based on an estimated per capita income level of approximately \$18,000. The following chart indicates the key sources of this personal income, including personal income generated as a result of Sealaska timber harvest activity.

**Figure II.2  
Sources of Personal Income in Kake, 2000**



Kake enjoys some economic diversity, but not to the extent of Hoonah. Transfer payments are particularly important, as is seafood and government, but the timber industry is the largest segment.

Sealaska accounts for about one-third of all personal income dollars flowing to Kake residents, or approximately \$4 million annually. Commercial fishing and seafood processing account for an estimated \$1.1 million in personal income. During the three-year period of 1998-2000, local commercial fishermen harvested fish worth an average annual ex-vessel value of approximately \$900,000, according to preliminary Commercial Fisheries Entry Commission data. Twenty-one Kake resident permit holders fished 33 different permits in 2000.

City government accounts for 13 percent of all local personal income in Kake, or approximately \$1.7 million. Kake has relatively few state and federal jobs, with only about \$300,000 in total personal income from these sources.

Local service organizations include Organized Village of Kake, Southeast Alaska Regional Health Corporation, the Rural Alaska Community Action Program, and Tlingit-Haida Regional Electric Authority. Together these organizations account for approximately \$800,000 in personal income.

Transfer payments account for approximately one-quarter of all personal income for Kake residents, or about \$3.4 million. Again, transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The "Other" category of personal income includes all other sources, in particular, income generated from other private sector commercial activity such as construction, retail sales, transportation services, other services, lodging, and others. Personal income generated as a result of tourism activity is included in this category. The total estimated personal income from this category is \$2 million.

## **Prince of Wales Island Communities**

Most of Sealaska's timber harvest activity occurs in the Prince of Wales Island area, including Dall Island, Soda Bay and Copper Mountain. In 2001 approximately 68 mmbf will be harvested from these areas, and 32 miles of road will be constructed. Sealaska's logging contractors include Phoenix Logging (Dall Island), Alaska-Pacific Logging (Soda Bay), and Shaan-Seet (Copper Mountain). Colson Airframe also has conducted helicopter logging in the Copper Mountain area for Sealaska.

Prince of Wales Island communities most affected by Sealaska timber harvest include Hydaburg, Craig and Klawock. Although a complete analysis of Craig's economy is not included in the scope of this study, it is necessary to report some Klawock data in terms of the entire Craig/Klawock area, due to data limitations.

## Hydaburg

Hydaburg's population is 382 residents, according to the U.S. Census. Hydaburg's population has been declining in recent years after peaking in 1995 at 406 residents. Timber industry activity is the primary source of local employment, along with local government.

**Table II.5**  
**Population Trends in Hydaburg, 1990, 1995-2000**

Year	Population
1990	384
1995	406
1996	405
1997	404
1998	397
1999	369
% Change 1990-99	-3.9%
% Change 98-99	-7.1%
2000 Census	382
% Native	85%

According to ADOL data, the Hydaburg City School District and Southeast Stevedoring were the community's largest employers in 1999. At the peak, Southeast Stevedoring employed 44 Hydaburg people while the school district employed a peak of 34. Other leading employers include City of Hydaburg, Haida Corporation and SEARHC. Haida Corporation, the local ANCSA corporation, plays a modest role in the local economy.

**Table II.6**  
**Annual Average Employment in Hydaburg, 1999**  
**Non-Agricultural Employment**  
**Top Ten Employers**

Employer	Peak Monthly Employment	Annual Average Employment
Hydaburg City School District	34	28
Southeast Stevedoring Corporation	44	11
City of Hydaburg	10	8
Haida Corporation	10	6
SE Alaska Regional Health Corp.	6	6
Hydaburg Cooperative Association IRA	8	4
Rural Alaska Comm. Action Program	5	4
Dots	3	3
Haida Oil Products	3	2
All Other Employers (4)	-	3
<b>Total Employment</b>		<b>75</b>

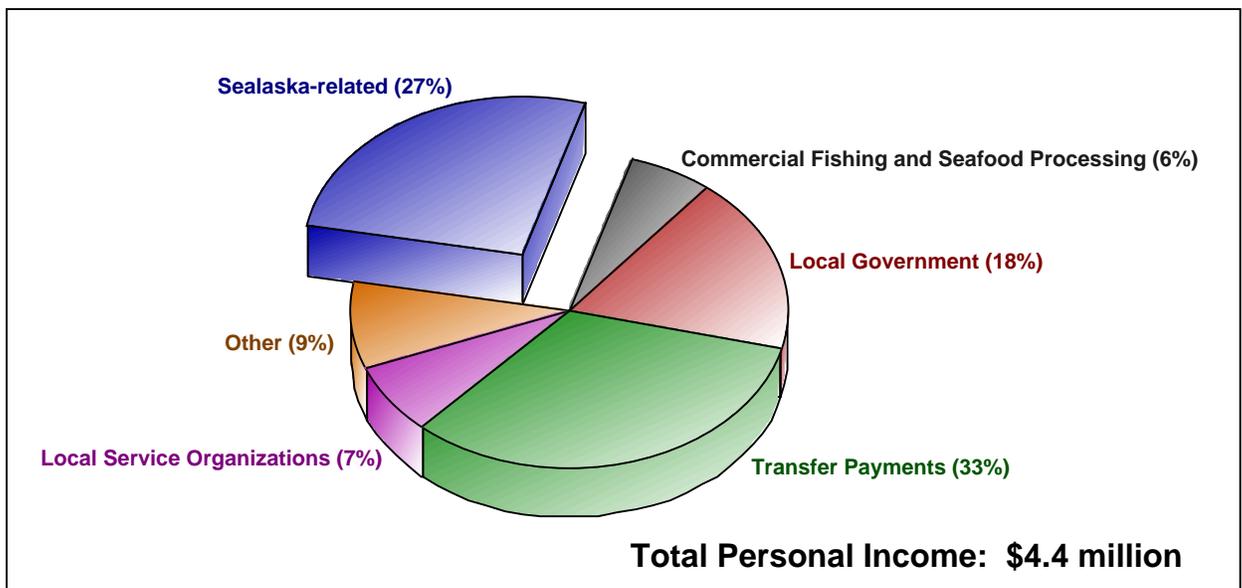
Currently, a total of approximately 75 jobs, mostly part-time, in Hydaburg are attributable to Sealaska logging activity. These jobs account for approximately \$1.2 million in annual payroll. Southeast Stevedoring employs 61 in Hydaburg and Alaska Pacific Logging employs another 12.

The Prince of Wales-Outer Ketchikan area has among the lowest per capita income rates in Alaska. In 1999, per capita income in the area averaged \$19,548, only 68 percent of the Alaska average of \$28,629. The U.S. average in 1999 was \$28,546. In Alaska, only the Wade Hampton Census area (\$13,029), Bethel Census area (\$17,131), Yukon-Koyukuk (\$19,126), and Lake and Peninsula (\$19,533) were lower.

Though recent data is not available, income levels in the predominantly Native communities are certainly far lower than the census area average. For example, the most recent available income data for Hydaburg is from the 1990 census (2000 income data will not be available until 2002). According to 1990 census data, per capita income in Hydaburg was \$8,602, about 55 percent of the Prince of Wales-Outer Ketchikan average of \$15,510 and less than half the Alaska average of \$17,610. Approximately 85 percent of the residents of Hydaburg are Native, according to the 2000 census.

Based on McDowell Group estimates, personal income in Hydaburg totals \$4.4 million annually, based on an estimated per capita income level of approximately \$12,000. The following chart indicates the key sources of this personal income, including personal income for generated as a result of Sealaska timber harvest activity.

**Figure II.3**  
**Sources of Personal Income in Hydaburg, 2000**



Hydaburg's economy is based on transfer payments, government, timber, and seafood. Subsistence plays a significant role in this economically disadvantaged community. While Sealaska's role is significant, other forces account for the bulk of local income.

Sealaska timber harvests accounts for about one-quarter of all personal income in Hydaburg, or approximately \$1.2 million annually. Commercial fishing and seafood processing account for an estimated \$250,000 in personal income. During the three-year period of 1998-2000 period, local commercial fishermen harvested fish with an average annual ex-vessel value of approximately \$400,000, according to preliminary Commercial Fisheries Entry Commission data. In 2000, 17 Hydaburg resident permit holders fished 25 different permits.

Local government, including the school district, accounts for an estimated \$800,000 in personal income in Hydaburg.

Local service organizations include Southeast Alaska Regional Health Corporation, the Rural Alaska Community Action Program, and the Hydaburg Cooperative Association IRA. These organizations account for approximately \$300,000 in personal income.

Transfer payments account for approximately one-quarter of all personal income for Hydaburg residents, or about \$1.4 million. Again, transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The "Other" category of personal income includes all other sources, including Haida Corporation and other local businesses. The total estimated personal income from this category is \$400,000.

## **Klawock**

Klawock is a community of approximately 670 residents. The community's economy is closely linked with the larger nearby community of Craig. Though some data exists for Klawock only, other data is reported in terms of the entire Craig/Klawock economy. Craig, with 2,100 residents, provides employment, shopping and service opportunities to the residents of Klawock, as well as Hydaburg and other Prince of Wales Island communities. Craig and Klawock are also closely connected in terms of transportation infrastructure, sharing the same airport and ferry terminal.

Like other predominantly Native communities, Klawock's population has been declining, though there was a slight increase in 1999. Through the early 1990s, Craig was one of the fastest growing communities in Alaska. Since about 1996, the area's population has stabilized.

**Table II.7  
Population Trends in Craig and Klawock, 1990, 1995-2000**

<b>Year</b>	<b>Craig</b>	<b>Klawock</b>
1990	1,260	722
1995	1,900	740
1996	2,082	720
1997	2,041	698
1998	2,144	659
1999	2,136	673
% Change 1990-99	+69.5%	-6.8%
% Change 98-99	-0.4%	+2.1%
 2000 Census	 <b>NA</b>	 <b>NA</b>
% Native	22%	89%

Based on 1999 data, Shaan Seet, Inc. was the largest employer in the Craig/Klawock area with an average of 101 employees. This includes all corporate and subsidiary employment. Like other smaller Alaska communities, local government and school districts are among the largest employers in the two communities.

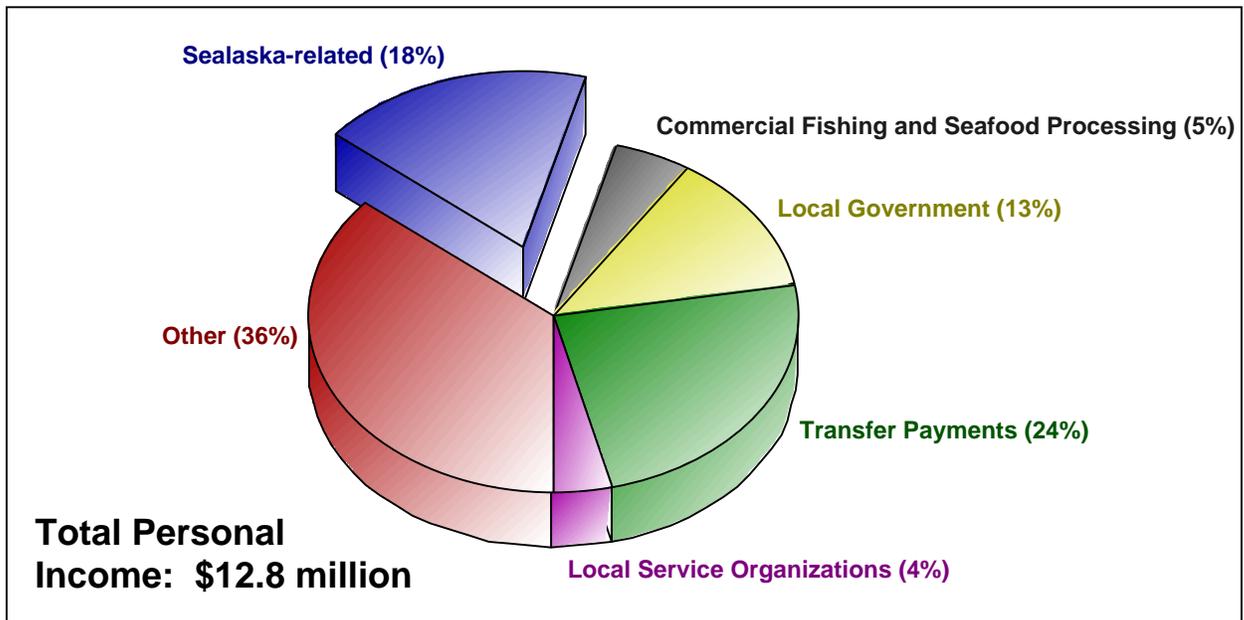
**Table II.8  
Annual Average Employment in Craig/Klawock, 1999  
Non-Agricultural Employment  
Top Employers**

<b>Employer</b>	<b>Peak Monthly Employment</b>	<b>Annual Average Employment</b>
Shaan Seet, Inc.	140	101
A&M, Inc.	95	72
Craig City School District	77	67
City of Craig	70	62
Klawock City School District	56	48
Viking Lumber, Inc.	34	29
Klawock Heenya Corp.	32	36
City of Klawock	29	26
All Other Employment	-	608
<b>Total Employment</b>		<b>1,051</b>

Sealaska-related employment in the Craig/Klawock area is currently estimated at approximately 250 full and part-time jobs and \$8.2 million in annual payroll. This includes jobs with Shaan Seet, Phoenix Logging Co., Southeast Stevedoring and Alaska Pacific Logging, Inc.

It is particularly difficult to measure sources of personal income for the residents of Klawock. However, based on the best available information, it is estimated that Sealaska timber harvests account for approximately 18 percent of all local personal income, or about \$2.3 million.

**Figure II.4  
Sources of Personal Income in Klawock, 2000**



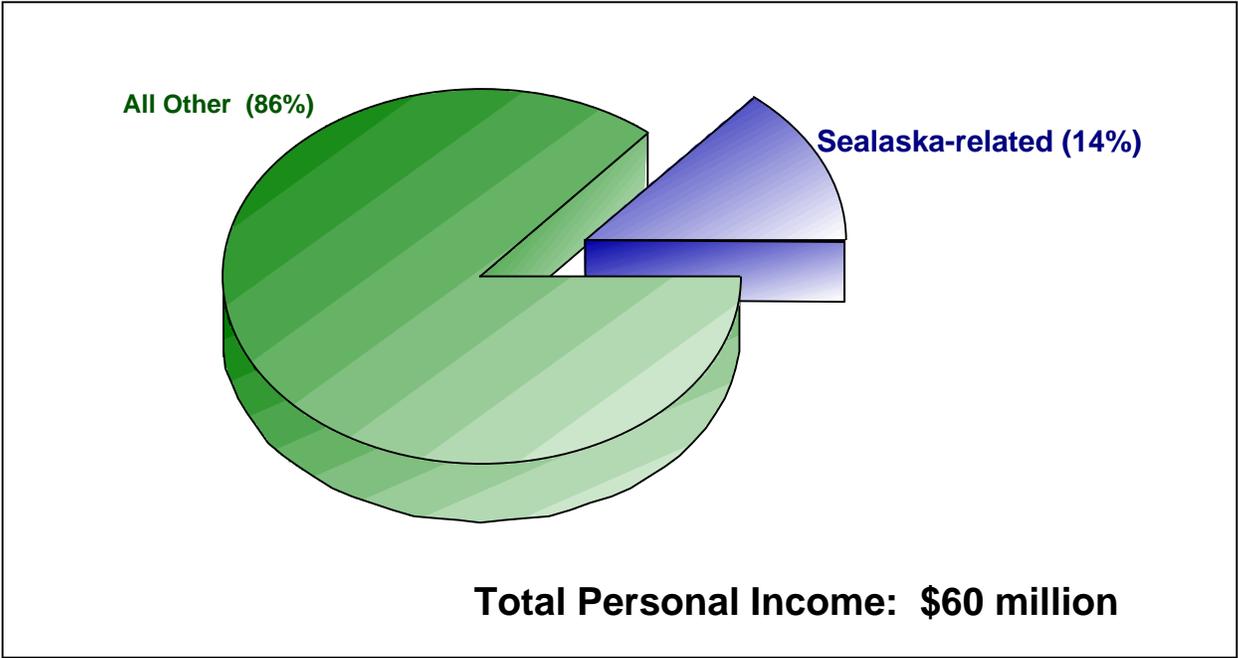
Other measurable sources of personal income include commercial fishing. Klawock fishermen harvested fish with a total ex-vessel value of \$570,000 in 2000. Forty-seven fishermen held 65 permits in 2000. However, only 19 people actually sold fish that year. During the 1998-2000 period, the annual harvest for local fishermen had an average ex-vessel value of approximately \$700,000, according to preliminary Commercial Fisheries Entry Commission data. In 2000, 19 Klawock resident permit holders fished 27 different commercial fisheries permits.

Local government in Klawock, including the school district, accounts for an estimated \$1.6 million in personal income, about 13 percent of the total. Local service organizations account for approximately \$300,000 in personal income. Transfer payments account for approximately one-quarter of all personal income for Klawock residents, or about \$3.1 million.

The “Other” category of personal income includes all other sources, including significant income earned by residents working outside the local economy. The total estimated personal income from this category is \$4.5 million.

In the Craig/Klawock economy overall, Sealaska accounts for an estimated 14 percent of total personal income.

**Figure II.5**  
**Sources of Personal Income in the Craig/Klawock Area, 2000**



## **Chapter III:**

# **The Potential Socioeconomic Impacts of Reduced Sealaska Timber Harvests**

---

In Chapters I and II, the employment and income impacts of Sealaska were presented. These impacts, however, do not necessarily reflect what would happen to an economy if Sealaska were to reduce or discontinue timber harvest operations in the Hoonah, Kake or Prince of Wales Island areas. Several factors would determine, ultimately, how people and a local economy would react to the loss of Sealaska-related jobs and income.

This chapter briefly addresses the potential socioeconomic impacts of reduced Sealaska timber harvest activity. The chapter begins with a historical perspective on rural socioeconomic conditions and the political forces that have shaped the economies of these communities in the recent past.

### **The Economics of Rural Southeast Communities**

While economic conditions in rural Southeast Alaska communities are not well-understood, available indicators suggest the region's villages continue to struggle economically. Based on the best available data, communities with a majority Native component in the population are typified by high unemployment (and underemployment) and low per capita income. As indicated in Chapter II, nearly every Southeast community with a population of 50 percent or more Native people has experienced population decline in recent years. For example, Angoon's population fell by 2 percent between 1998 and 1999, Kake's by 4 percent, Hoonah 2 percent, Hydaburg 7 percent, and Klukwan 4 percent. Only Klawock grew between 1998 and 1999 (up 4 percent), though that community experienced sustained long-term decline throughout most of the 1990s. Year 2000 census data, though not directly comparable with prior year estimates (because of methodology differences), suggests continuing population decline in at least some of these communities.

Why are Southeast's smaller communities struggling economically? Several outside forces have been at work, including initiation of limited entry in the commercial salmon fisheries and, more recently, the individual fisherman's quota (IFQ) system. These resource management changes have led to the migration of commercial fishing permits from rural to urban people. IFQs have also resulted in the loss of crew jobs important to rural fishermen. This migration has made it more difficult for rural people to earn cash income.

Another reason for the population decline has been the reduction in Tongass National Forest logging activity. Since 1990, the volume of timber harvested annually from the Tongass National Forest has dropped from 471 mmbf to 146 mmbf in 2000, a 70 percent decline. The Tongass forest products industry's direct employment of approximately 600 people is nearly 1,900 jobs below the 1990 level, when logging, sawmill and pulp mill employment totaled 2,500 jobs.

The Southeast Alaska economy has lost over \$100 million in forest products payroll since 1990, not counting indirect and induced payroll losses. While the mill towns of Sitka, Ketchikan and Wrangell have suffered the lion's share of these losses, the rural communities have also lost employment and income opportunities as well as reduced Tongass timber receipts, which provide funding for rural schools and roads.

Other forces have also affected the rural economies of Southeast Alaska. Declining state government revenues have led to reduced municipal assistance and revenue sharing, for example. Welfare reform has also affected the socioeconomic structure of some communities. In summary, a range of forces have led to increasing economic hardship for many rural communities.

This historical context is important in considering the potential socioeconomic consequences of reduced or discontinued Sealaska timber harvests. It is important to recognize that communities such as Hydaburg, Kake, Klawock and Hoonah have and will continue to face major challenges as they seek to improve the socioeconomic well-being of their residents – even without any loss of Sealaska-related income for local residents.

## Community Analysis

The potential socioeconomic impacts of reduced Sealaska logging activity would vary from community to community. Some communities are better equipped to adjust to the resulting economic impact. In all cases, however, the economic effects of a complete cessation of Sealaska logging activity would be significant.

All four communities (Hoonah, Hydaburg, Klawock, and Kake) would likely see some population decline, but not proportional to the loss of jobs and income. Because most rural residents have placed lifestyle over economic opportunity in where they have chosen to live, many will likely remain despite the loss of an important source of income. Many affected residents would remain but would attempt to get by with less cash and a lower standard of living.

In all communities, local business would see reduced sales (though Hydaburg has almost no retail development), resulting from the decline in local disposable income.

Reduced school enrollment and associated loss of state school foundation formula funding would result, to the extent that out-migration occurs.

It is important to note, however, that while Sealaska contributes from between 18 percent (Klawock) and 30 percent (Hydaburg) of estimated personal income in these communities, a variety of other non-Sealaska contributors provide most of the personal income (ranging from 70 percent to 86 percent).

### Hoonah

Hoonah, the largest of the four communities considered in this study, would be impacted in several ways. Since it is the most developed economy, it would lose the most in indirect economic impacts. The community's stores, service businesses, schools and local government would all experience losses in addition to just the Sealaska jobs. On the other hand, Hoonah has the most diverse economy and offers the widest range of alternative employment opportunities. Nevertheless, the loss of 130 jobs and \$3.4 million in personal income – one-fifth of all local personal income –

(plus the additional indirect losses) would represent a very significant impact on the local economy. Population loss would be expected, certainly from reduced population at the Whitestone Logging camp, but also from some out-migration of Hoonah-proper residents. A population loss of 10 percent or more is possible.

## **Kake**

The community of Kake may have the most at stake. Sealaska creates 145 jobs and \$4 million in annual personal income, fully one-third of the local economy. The local population could fall by 10 percent to 15 percent and per capita personal income could drop by 15 percent to 20 percent. In addition, losses in retail, services, school and local government would compound the difficult economic situation.

## **Hydaburg**

Hydaburg has at stake 75 jobs and \$1.2 million in annual income – over one-quarter of all local personal income. Hydaburg exists in a historical socioeconomic context within which Sealaska-related jobs have been particularly valuable. Because local residents are likely to choose lifestyle considerations over cash income considerations, the local population would not decline in proportion to the economic loss. Still, per capita personal income could fall by 25 percent. Residents of Hydaburg have few, if any, employment alternatives. Hydaburg would experience less indirect loss in business, school and local government but only because this economy is not as developed. In summary, loss of STC activity would have very significant impacts.

## **Klawock**

While Klawock is part of larger economy (one that includes Craig), the impacts of reduced timber activity on the community are still potentially significant. Approximately \$2.3 million in personal income is at stake. Per capita income could decline by 10 percent to 15 percent.

The entire Craig/Klawock economy could suffer significant economic effects. Sealaska creates a total of 200 jobs in the Craig/Klawock economy and \$8.2 million in annual income, about 14 percent of the local economy.

## **Summary**

Clearly, the potential socioeconomic consequences of reduced or discontinued Sealaska logging operations are significant. This is of particular concern because many other factors in rural Southeast Alaska have already hit these small economies in negative ways. Cash income from STC jobs plays a disproportionately important role in each location. Households in all these communities are supported by a combination of industry payroll, transfer payments, government programs and subsistence activity.

Also important are the indirect economic benefits of Sealaska activity on retail and service businesses, schools and local government. These indirect impacts would be lost with reduction or cessation of STC activity.

Overall, this analysis of local economies shows Sealaska's impact as significant, but perhaps not dominant, in all communities studied. While Sealaska accounts for between one-fifth and one-third of the total income, other economic contributors – government (tribal, local, state and federal), community service organizations, the seafood industry, transfer payments – provide a majority of the personal income flowing to residents of these communities.