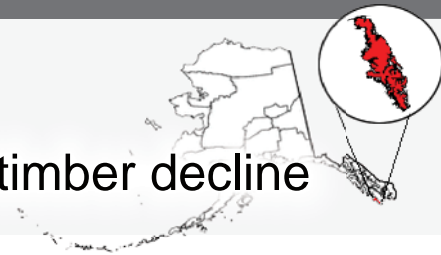


# Prince of Wales

## Area redefines its economy after the timber decline



**T**he Prince of Wales area's water, forest, and land and their many users are its economic core — the region has a rich history of fur farms, mining claims, and quarries, and transitioned to fly-in fishing lodges and mariculture.

Prince of Wales relied heavily on logging for decades, but the decline of the timber industry and deindustrialization throughout the 1990s forced the region to redefine its economy and look more toward government jobs and tourism.

Timber is still a cottage industry in the region, and Viking Lumber is one of its largest private employers. However, the availability of industrial jobs has declined steadily over the decades, and the region's economy increasingly centers around small proprietorships such as family-run specialty wood mills, fishing and seafood, and hospitality businesses.

### Geographic changes

The 12 communities on Prince of Wales Island, the second-largest island in Alaska after Kodiak, are connected by 2,000 miles of Forest Service roads and accessible to the outside only by air and the Ketchikan-Hollis Inter-Island ferry.

The 2,755-square-mile island is the main hub of the Prince of Wales-Hyder Census Area, which includes several largely uninhabited Alexander Archipelago islands to the west and an "island" of land surrounding the town of Hyder on the Canadian border at the terminus of Portland Canal. Hyder is the area's only community accessible to the outside by road.



Above, this ferry makes regular trips between Ketchikan and Hollis on Prince of Wales Island. Photo courtesy of J. Brew

The census area also includes Annette Island, which is home to Alaska's only Indian reservation, Metlakatla. Like the communities on Prince of Wales Island, Metlakatla is accessible only by air or water. It's also the area's largest community, followed by Craig — the only two towns with a population of more than 1,000. Most of the region is highly rural, with people living outside the boundaries of even the smallest settlements.

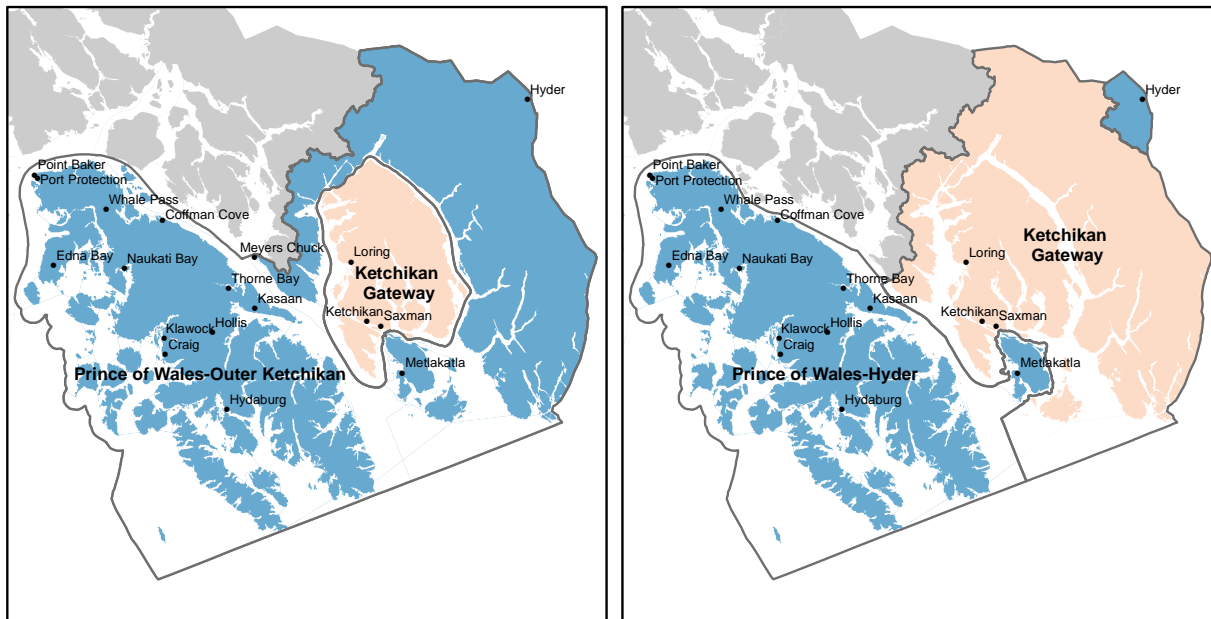
The area has seen boundary shifts in recent years as well as changes to its industry makeup. In 2008, after several years of petitioning, the Ketchikan-Gateway Borough annexed most of the outer Ketchikan areas into its incorporated borough — areas that until then were part of the census area known as Prince of Wales-Outer Ketchikan. For the newly named Prince of Wales-Hyder Census Area, this was a size reduction of about 4,700 square miles of inleted coastal range rainforest that abuts Canada. (See Exhibit 1.)

### A change in population

The Prince of Wales-Hyder Census Area had a population of 5,814 in 2011. With the decline in the timber industry and subsequent closure of logging camps, the region's population dropped 20 percent

# 1 Prince of Wales Area Boundaries Changed in 2008

Some outlying areas were incorporated into Ketchikan's borough



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

between 1996 and 2007. (See Exhibit 2.) However, the population has risen by a total of 440 since 2007, a sign that the economy may be stabilizing.

The region is 40 percent Alaska Native. Historical Native villages in the area were Haida and Tlingit, then Tsimshians emigrated from Canada to Annette Island in 1887 and were granted reservation status in 1891.

The area has 23 percent more men than women, a gap that's considerably larger than the 8 percent average statewide. Its population is also six years older than the statewide median, similar to other low-growth regions.

## Jobs, wages since timber fallout

The area's current employment is mostly in government, with local agencies providing 41 percent of jobs in 2011, half of which were in education. (See Exhibit 3).

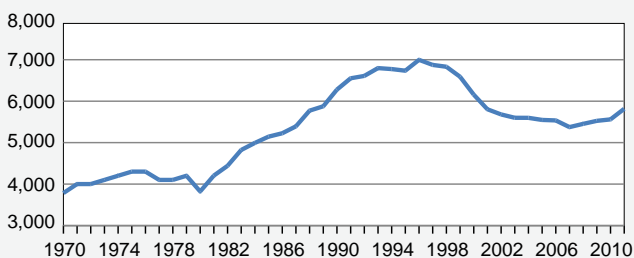
Because the tribal government operates the majority of Metlakatla's services and businesses on the reservation, local government is more prominent than in other boroughs where private firms provide more services.

Government agencies as a whole paid 52 percent of total census area wages in 2011. Of the \$38 million in government wages, 40 percent — or \$26 million — was from school districts, tribal government, and municipalities.

The federal government provides fewer jobs than local agencies, but they are important because federal wages are higher. (See Exhibit 4.) While some of those wages go to seasonal nonresidents working for the U.S. Department of Agriculture, much of that money stays in the region as year-round Forest Service jobs in Hyder and Point Baker.

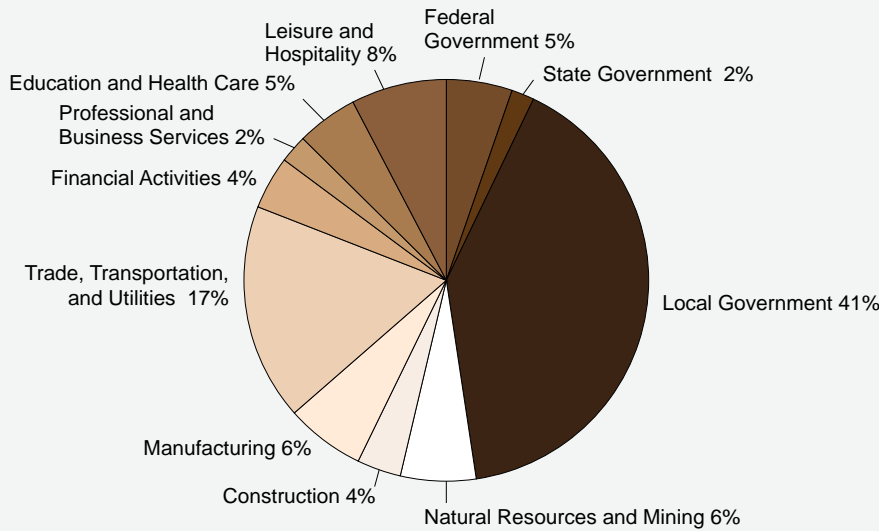
State and federal employment hasn't

## 2 Estimated Population Prince of Wales, 1970 to 2011



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

### 3 Employment by Industry Prince of Wales-Hyder Census Area, 2011



Note: Does not include seafood harvesting.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

particular sector.

Year-round private-sector jobs are those that serve residents, including a few grocers, restaurants, and financial and health care institutions. Construction, charters, fishing lodges, and transportation jobs ramp up in the summer to serve the seasonal visitor and forestry industries.

There's evidence that jobs are scarce overall, though — the unemployment rate was high even before the timber industry decline and has continued to diverge from the statewide average. Regional unemployment averaged 15.3 percent in 2011, roughly double the state average.

### Commercial fishing

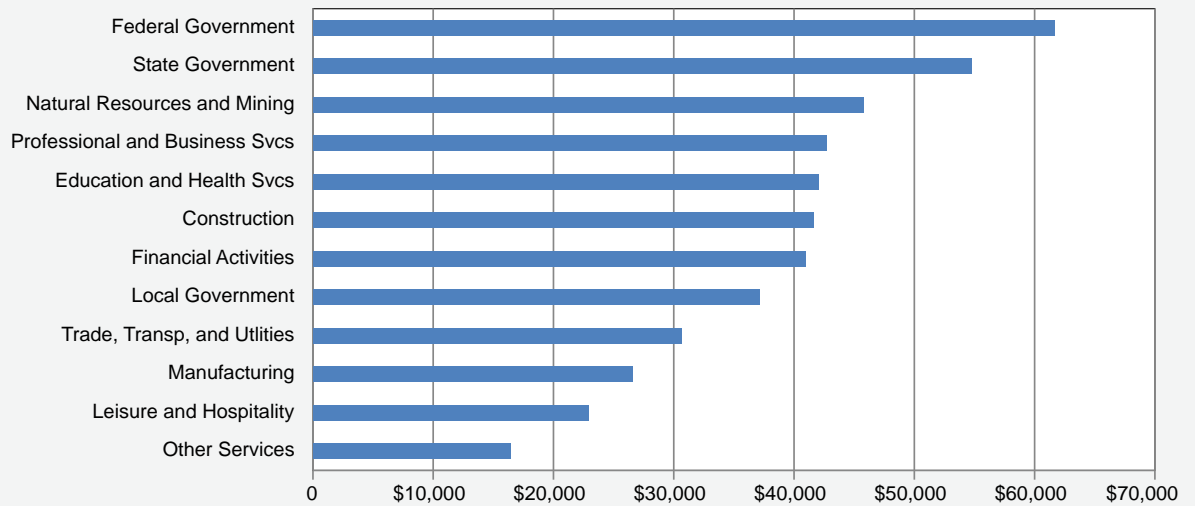
changed much in the past 10 years, and though the local sector grew in some years and shrank in others, its overall growth trend was flat.

The Prince of Wales commercial fishing fleet remains a cornerstone of the economy and the livelihood for many residents and nonresidents alike.

The same is true of the private sector. Following sharp declines in employment in 2000 and 2001, net job growth was just 120 between 2002 and 2011 (see Exhibit 5), with no sustained job growth in any

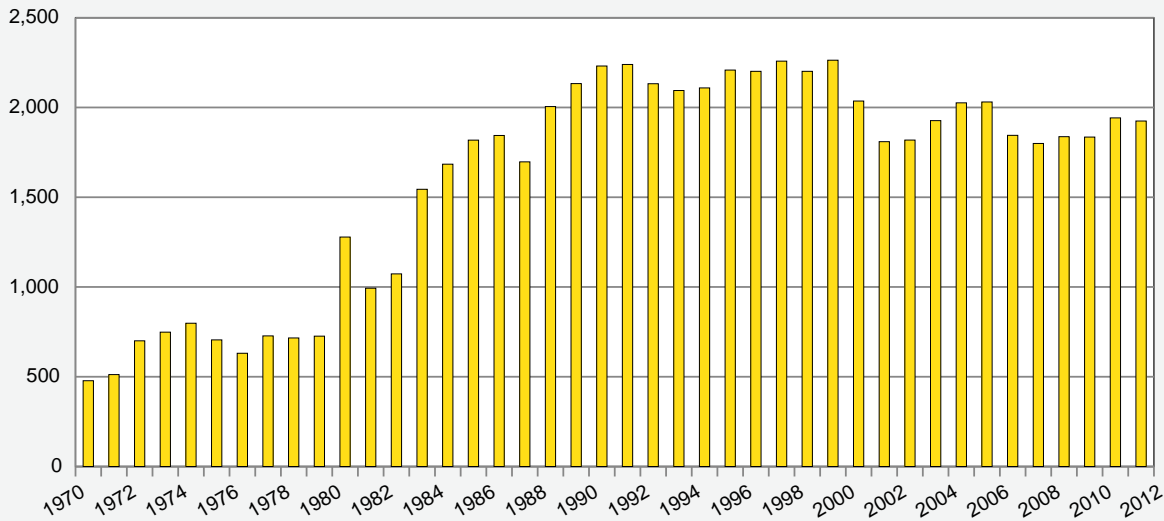
Fish and Game reported that Prince of Wales-Hyder harvested 19.6 million pounds of fish in 2011, 15.4 million of which were salmon. The associated earnings were \$15.9 million and \$11.3

### 4 Average Yearly Wages by Industry Prince of Wales-Hyder Census Area, 2011



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## 5 Average Number of Jobs Each Year Prince of Wales-Hyder Census Area, 1970 to 2011



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

million, respectively. (See Exhibit 6.)

Because a small place tends to have small businesses, many industries have a high level of self-employment, including fishing. Census data from the IRS show \$20 million in reported receipts from 530 area businesses in 2009, the most recent year available. Small businesses are an important source of income in the region, especially considering 221 private-sector firms in the region had employees that year.

ration on the Niblack copper-gold-zinc-silver project off the southern tip of the island, which if put in production could be similar in scope to the Greens Creek mine in Juneau.

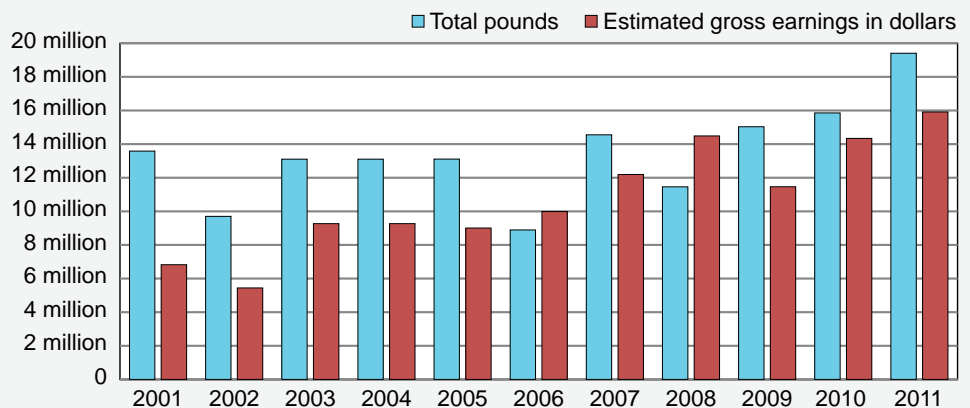
However, the industry faces significant challenges in exploration and permitting, so its future remains uncertain. The region doesn't yet have the infrastructure needed for industrial mining, despite its proximity to Ketchikan's facilities. The uncertainty of commodities prices is another barrier to full-scale production.

## Mining has an uncertain future

Prince of Wales island has a legacy of mineral extraction — marble, copper, and gold have all been part of the area's settlement history. In recent years, trade barriers with China have renewed interest in mineral extraction.

Ucore Rare Metals is exploring the Bokan Mountain site, a former uranium mine dubbed the "Silicon Valley of Rare Earth Elements." Heatherdale Resources has focused explo-

## 6 Fishing Harvests and Earnings Prince of Wales, 2001 to 2011



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section