

Skagway: Gateway to the Klondike

by John Boucher
and Rachel Baker
Labor Economists

Email: John_Boucher@labor.state.ak.us

From gold rush boom to tourism boom

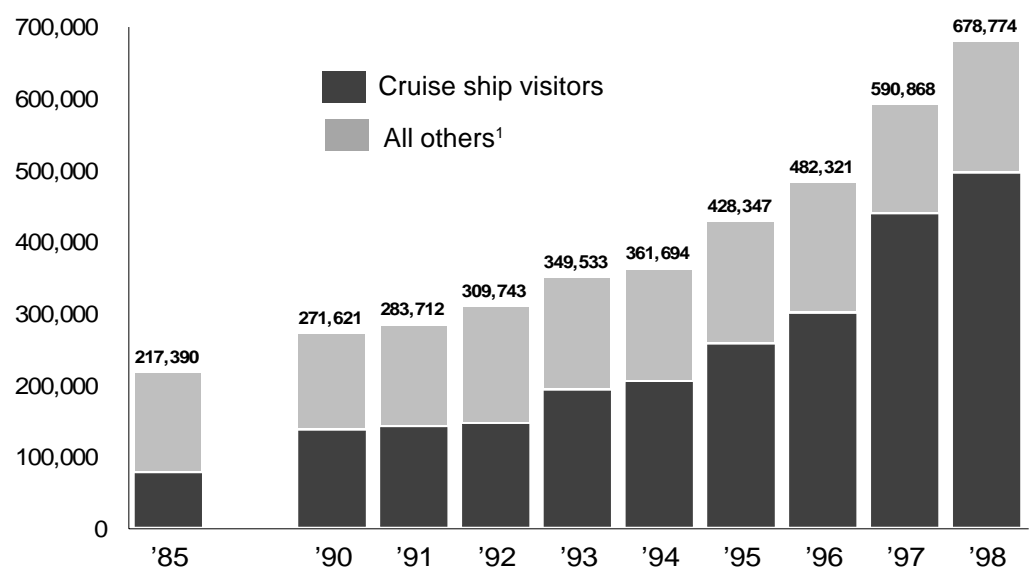
During the Klondike gold rush of the late 1890s, thousands headed north to Alaska and the Yukon Territory in search of personal fortune. Goldseekers came through Skagway, the port nearest to embarkation points for the famous Chilkoot and White Pass trails, on their way to Dawson City and points beyond. The first boatloads of stampedeers arrived in Skagway and nearby Dyea in the summer of 1897. By October, a Northwest Mounted Police report estimated Skagway's population at more than 20,000.

future as a supply and shipping port for towns in interior Canada and Alaska. Construction began on the railroad in May 1898 and reached Lake Bennett, British Columbia, in July 1899. The final spike was driven near Whitehorse in July 1900. By this time, the gold rush was over, but the railroad still served as an important link to the Interior. The railroad quickly became the center of Skagway's economy, and continued to be the primary source of jobs and income until the early 1980s.

Just a few years later, the peak of the gold rush had passed and the 1900 census reported the city's population at 3,117. That figure was still large enough to make Skagway the second-largest settlement in Alaska. In the same year, Skagway became the first incorporated city in the Territory of Alaska. That distinction was short-lived, however, and the town's population continued to shrink as time passed. In 1910, the number of inhabitants in Skagway was estimated at 872.

Unlike nearby Dyea and many other gold rush towns, Skagway managed to survive after the majority of stampedeers had moved on. With the construction of the White Pass and Yukon Railroad, the city insured itself an economic

Cruise Ship Visitors Multiply Visitor arrivals by mode: 1985, 1990-1998



¹ Includes Alaska Marine Highway, Klondike Highway, White Pass and Yukon Railroad, air, and other.

Source: Skagway Convention and Visitors Bureau

Today, Skagway's population is 814 and its economic roots are still tied to the remnants of the gold rush of 1898. The crowds that disembark at Skagway are not fortune seekers, but tourists visiting Skagway's historic sites. Their popularity makes tourism far and away the largest industry in Skagway. The transportation sector now holds a lesser place in Skagway's economy. Over the last 20 years transportation lost importance due to the astounding growth in tourism and the curtailment of White Pass and Yukon Railroad service from year-round freight shipments to tourist excursions in the summer months.¹

Tourism: Skagway's largest industry

Skagway's economic lifeblood is now the tourism industry. Located at the northern terminus of the Inside Passage, Skagway is a stop for nearly every cruise line that plies the Inside Passage. The growth of the cruise industry in Alaska has resulted in phenomenal growth in the number of visitors

that Skagway sees during the course of the summer. In 1985, about 77,000 cruise ship passengers visited Skagway. By 1998, that number had grown more than six times, coming in at over 490,000 visitors. While other modes of visitation have generally stayed stable or grown slightly, it is the cruise ship industry that has driven growth in Skagway's visitor sector. (See Exhibit 1.)

Skagway offers retail shops, restaurants and tours. Visitors also flock to the Klondike Gold Rush National Historical Park, which was authorized by Congress in 1976. At that time, the National Park Service (NPS) began restoration work on historic buildings and trails in Skagway. This restoration process has made a significant contribution to Skagway's economy. The NPS contributed \$12.5 million to restore 13 historic structures in Skagway over the past 20 years. This restoration will be completed in 1999 and the downtown historic district's false-fronted buildings will look as they did during the gold rush years.

2 Skagway Wage & Salary Employment Annual Averages 1980, 1985, 1990-1998

	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Industries	497	395	604	572	587	595	593	593	648	651	681
Construction	1	0	0	0	2	6	13	29	27	26	30
Manufacturing	0	0	4	4	13	12	13	14	22	11	12
Transportation/Comm/Util ¹	239	86	176	160	152	156	156	65	89	90	92
Trade	55	75	103	102	122	132	154	177	191	194	188
Finance/Insur/Real Estate	10	9	7	7	7	8	8	8	7	7	6
Services ^{1 2}	67	66	139	136	124	106	99	169	160	162	196
Agric., Forestry, Fishing	3	2	1	0	0	0	0	0	0	0	0
Nonclassified	11	3	0	0	0	0	0	0	0	0	0
Government	109	155	175	162	166	176	150	147	160	162	159
Federal	11	35	35	37	40	52	58	57	68	69	65
State	22	33	36	15	15	14	12	12	11	12	11
Local	77	87	105	110	111	110	80	78	81	81	83

Subtotals may not add due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section

¹ In 1995, White Pass and Yukon Railroad was reclassified from rail transportation to services.

² Employment estimated for non-reporting multi-site services employer.

The impact of tourism can be seen in the employment mix for Skagway. Employment for the tourism sector is not counted directly, but most tourism-related jobs in Skagway are included in trade and service sectors. These industries provided 384 jobs during 1998, 56 percent of the total. Tourism activity supports a significant number of jobs in retail trade, hotel and motel services, eating and drinking places, and amusement and recreation services. In addition, transportation services for visitors to Skagway include buses, taxis, shuttles and horse carts. The transportation sector provided 92 jobs in 1998. (See Exhibits 2 and 3.)

Seasonal fluctuations set the pace for Skagway's economy

Since the majority of visitors come to Skagway during the summer months, much of the total economic activity takes place during a short period of time. Skagway's employment exhibits sharp seasonal fluctuations and the bulk of its business revenues are earned during the summer months. (See Exhibit 4.) The bustling city center of Skagway in the middle of the tourist season is hardly recognizable during the winter months. For the month of January 1998, total employment was 349 and there were 11 employers with 10 or more employees. During the peak month of July 1998, employment more than tripled to 1,106, and the number of large employers increased to 26. (See Exhibit 5.)

The seasonal nature of the tourism business has caused Skagway's local government to search for ways to broaden the city's economic base. Year-round residents are concerned about the lack of economic activity during the winter. Currently, a significant number of businesses close down for the winter season and, in many cases, the business owners leave town. The Skagway Convention and Visitors Bureau is working to expand Skagway's shoulder tourism season with events like the Windfest and the Buckwheat Classic to keep tourism dollars coming to Skagway as long as

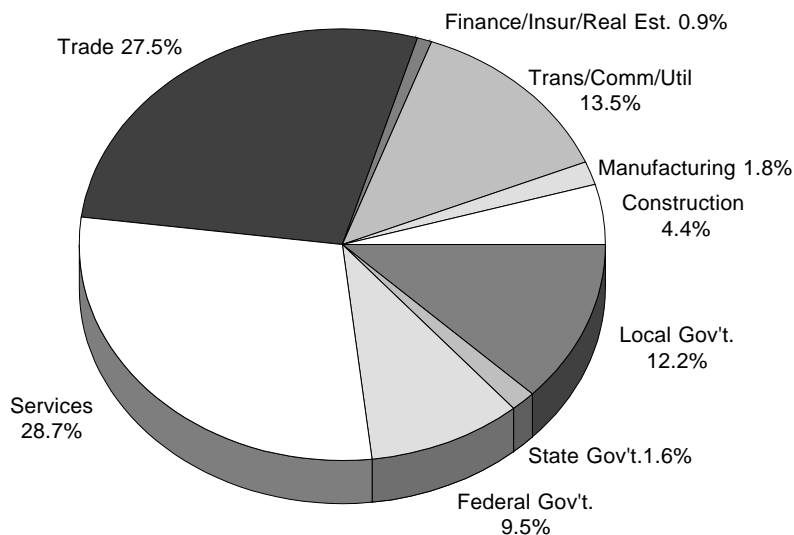
possible during the year. Local officials are also looking at opportunities to diversify the economy by encouraging the development of businesses that operate year-round. Potential businesses include a fish hatchery, light manufacturing and trucking.

Transportation keeps a foothold in Skagway's economy

Prior to the tourism surge, transportation provided the largest number of jobs in Skagway, primarily with the White Pass and Yukon Railroad. Currently, the transportation industry is the third largest private sector employer, and the railroad remains the largest Skagway employer. On an annual average basis in 1998, the White Pass and Yukon Railroad topped the list with 68 employees.

The White Pass and Yukon Railroad was initially built to supply goods to the interior gold mining camps. The railroad prospered during World War II when the trains hauled freight in the war

Trade and Services Claim More than half of jobs – 1998 3 Annual jobs by industry



Source: Alaska Department of Labor, Research and Analysis Section

effort. A fuel pipeline was also built parallel to the railroad tracks during this period. The railroad was used to transport materials for the construction of the Alaska-Canada (Alcan) highway. In the late 1960s and into the 1970s, railroad activity increased when the Cyprus Anvil lead-zinc mine opened in Faro, Canada. Freight shipments increased substantially, the railroad thrived and remained the center of Skagway's economy. After 1975, the bottom fell out of world ore prices, forcing the Faro mine to close in 1982. The railroad, almost entirely dependent on mine shipments, closed down the same year.

During the 1988 summer season, the railroad resumed passenger excursion service as a tourist attraction. This boosted transportation employment in Skagway for several years, but in 1995, White Pass and Yukon Railroad employment was reclassified from transportation to services to better reflect its function as a tourist attraction.

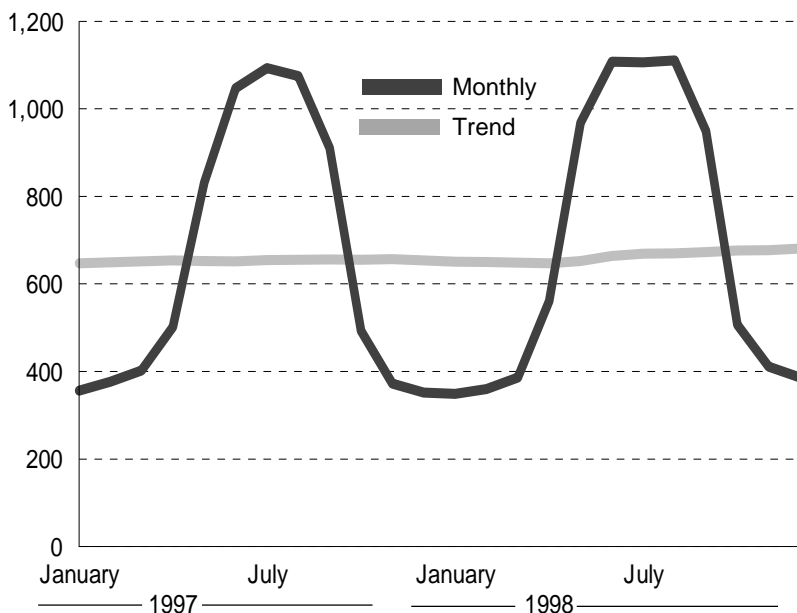
Skagway is connected to interior Canada and

Alaska by highway. The Klondike Highway opened year-round in 1986 and connects Skagway and Whitehorse. Skagway is one of only three Southeast communities with road access to the outside. The highway runs north through British Columbia and into the Yukon Territory to Carcross. The Klondike Highway eventually joins with the Alaska Highway, which provides access to interior Canada and Alaska. The opening of the road provided another access route for independent travelers to visit Skagway. The highway also serves as a trucking route between Skagway, Whitehorse and other communities in the Yukon.

The Port of Skagway serves several important functions in the city's economy. Inbound general cargo and petroleum products pass through the port. Outbound ore concentrates are shipped all over the world from Skagway when the Yukon mines are operating. The port also serves the tourist industry as a docking spot for Alaska Marine Highway vessels and cruise ships. Barges call upon the Skagway port on a weekly basis. Several small tour ships and day boats also dock at the Skagway port and the harbor is beginning to experience congestion. The city, which manages the boat harbor, would like to expand the docking space but there is currently no room for growth.

Air access to Skagway is also gaining importance as more independent travelers visit the city. Skagway is served by scheduled and charter service from Juneau, Haines and Whitehorse. The Skagway airport has seen an increase in activity as transportation and sightseeing service by small planes has increased. The Alaska Department of Transportation began examining Skagway's airport in the late 1980s to determine how airport facilities could be expanded. The development of an airport expansion plan was delayed due to environmental impact concerns because the airport is adjacent to the Skagway River. After a decade of study, planning and permitting, project permits were issued in January 1999. Airport improvements were planned to begin immediately and are scheduled for completion in 2001.

4 Skagway Monthly Job Count Shows striking seasonal swings



Source: Alaska Department of Labor, Research and Analysis Section

Employers with 10 or More Employees

Three different perspectives in 1998



The Department of Transportation plan is designed to accommodate airport needs through 2012, with the possibility of an expansion to respond to traffic growth after that date. The increased airport capacity will allow for more growth in sightseeing services, which could provide more jobs in the air transportation industry.

The public sector is a large employer

As in most other communities in the Southeast region, public sector employment plays an important role in Skagway's economy. In 1998, local, state and federal government provided 23.3% of the city's jobs. The National Park Service is a large employer and it contributes a significant amount of money to the local economy for restoration, capital projects and maintenance. The Park Service presence will diminish, however, as the restoration projects are completed this year and those workers are laid off or reassigned to other duties. The City of Skagway is another large employer; it provided 45 jobs in 1998. State government employs only 11 people in Skagway, but state funding also contributes to Skagway's economy through capital improvement projects.

The Skagway City School District is also an important source of public sector employment. The city has one K-12 school, which had 33 winter employees in 1998. The school was built in 1985 and can accommodate up to 199 students. Since 1990, school enrollment has dropped from 148 to 130. This decline has occurred despite steady population growth in Skagway during the 1990s. This is because the growth was concentrated in the over-35 age group, especially the over-65 group, while the population age 19 and under decreased. School officials anticipate that the school-age population will continue to decline as the city's population ages and the economy continues to become more seasonal, which could discourage families with young children from moving to Skagway. Employment at the school district could be affected

Methodology:
This list was compiled by Unemployment Insurance account number. Firms with the same owner that report separately for Unemployment Insurance purposes are counted as separate entities. Due to the extremely seasonal nature of the Skagway economy, firms which operate seasonally and have a home office elsewhere may not be included in this list.

Source: Alaska Department of Labor, Research and Analysis Section

Ranked by Annual Average Employment 1998

RANK	NAME	EMPLOYMENT
1	White Pass and Yukon Railroad	68
2	City of Skagway	45
3	U.S. Dept. of Interior, National Park Service	44
4	Westmark Hotels Inc.	43
5	Skagway City School District	26
6	Golden North Hotel Inc.	23
7	Corrington's Alaskan Ivory Co.	22
8	Skagway Air Service Inc.	19
9	Hamilton Construction	16
10	Fairway Market Inc.	16
11	Temsco Helicopters Inc.	15
12	Alaska Power & Telephone Co.	15
13	Skagway Street Car Co. Inc.	14
14	Skagway Hardware Co.	13
15	Red Onion Saloon	12
16	Hunz & Hunz Enterprises	12
17	Sweet Tooth Saloon	10
18	Moe's Frontier Bar & Liquor Store	10

Ranked by January 1998 Employment

1	City of Skagway	43
2	U.S. Dept. of Interior, National Park Service	40
3	Skagway City School District	33
4	White Pass and Yukon Railroad	19
5	Fairway Market Inc.	15
6	Skagway Air Service Inc.	13
7	Alaska Power & Telephone Co.	13
8	Skagway Hardware Co.	11
9	Hunz & Hunz Enterprises	11
10	U.S. Postal Service	10
11	Mineral Services Inc.	10

Ranked by July 1998 Employment

1	White Pass and Yukon Railroad	120
2	Westmark Hotels Inc.	110
3	Golden North Hotel Inc.	55
4	U.S. Dept. of Interior, National Park Service	55
5	Corrington's Alaskan Ivory Co.	51
6	City of Skagway	50
7	Temsco Helicopters Inc.	38
8	Skagway Street Car Co. Inc.	36
9	Skagway Air Service Inc.	24
10	Fairway Market Inc.	23
11	Hamilton Construction	21
12	The Stowaway Café	19
13	Southeast Stevedoring Corp.	19
14	Alaska Power & Telephone Co.	18
15	Sweet Tooth Saloon	17
16	Kellers Trading	17
17	Kone Kompany	17
18	Skagway Hardware Co.	15
19	Packer Expeditions Ltd.	13
20	Historic Skagway Inn	13
21	Moe's Frontier Bar & Liquor Store	12
22	Lynch & Kennedy Dry Goods Inc.	12
23	Hunz & Hunz Enterprises	11
24	Skagway City School District	11
25	Jewell Construction	11
26	Garden City Greenhouse	10

in the future if student enrollment continues to decline, because the district's state funding depends on the number of students enrolled.

Sales and bed tax revenues put Skagway in the black

The City of Skagway is in the enviable position of having a budget surplus due to sales and tourism tax revenues. The city collects a four percent sales tax and an eight percent hotel bed tax. In 1997, Skagway received \$1.7 million in sales taxes. Just over \$1 million came from tourism-related businesses. A significant portion of that revenue came from gift shop sales that primarily serve tourists. In 1998, sales tax revenues jumped to about \$2.5 million, partially due to the elimination of a tax exemption for excursions and transportation services booked outside of Skagway. (See Exhibit 6.) The large increase in tax revenues has prompted the city to reexamine its expenditures. Skagway is working to develop a

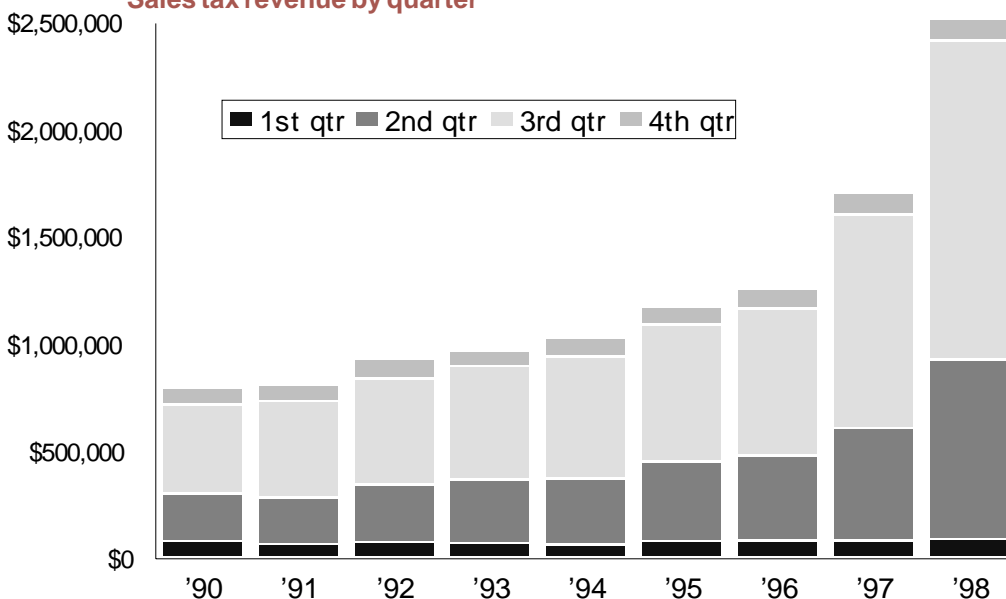
budget plan that supports the school district, capital projects, maintenance and operation of the city without draining its budget surplus account.

The tourism rush of the 1990s—déjà vu for Skagway?

Skagway's economy is currently experiencing a "boom" in the tourism industry that is comparable to the gold rush activity that created the town one hundred years ago. This time, however, the city is in a good position to benefit from the boom cycle while working to establish a healthy year-round economy. Although Skagway is currently enjoying the returns from its flourishing tourism industry, local officials recognize that the city's economy would be vulnerable if tourism activity were to slow significantly. Efforts are under way by Skagway's city officials to diversify the economy and make it less dependent on tourism-related activities. Skagway is also using its favorable fiscal position to make infrastructure improvements and stabilize its economy for the benefit of the year-round residents.

6 Sales Tax Peaks in Summer In company with the tourists

Sales tax revenue by quarter



Source: City of Skagway