

Gold, a railroad, and lots of big ships

It's hard to say whether Skagway would even exist had it not been for the Klondike gold rush touched off by the 1896 discovery of gold in Canada's Yukon Territory. The Tlingit people had fished and hunted in the area for centuries, but the town itself took form when hopeful miners poured into the area on their way to the Chilkoot and White Pass trails, and then beyond to the Yukon.

Although the gold rush lasted just a few short years – by 1899 the traffic through Skagway had already slowed, some of it diverted to Nome where gold was discovered in 1898 – the port and the White Pass and Yukon Route Railroad it left behind became the backbone of Skagway's post-gold-rush economy for the next 80 years. The wild stories and colorful history from the gold rush days haven't hurt either.

A supply link to the Yukon and Alaska

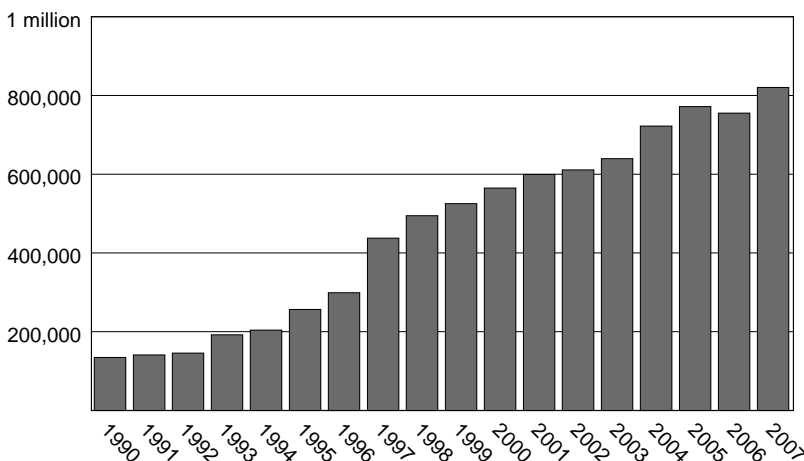
Although the explosive growth and wild lawlessness of the gold rush quickly subsided after the major claims in the Yukon had been staked, Skagway continued to play an important role in supplying the mining camps and transporting gold and other metals to market.

It was a much calmer time and the town's population quickly dropped from an estimated 8,000 to 10,000 people in 1898 to around 3,000 when the Census was taken in 1900.¹ By 1910 the population had fallen below 1,000 and by 1920 it was closer to 500.

Although Skagway was primarily a railroad town during these years, it also was quick to recognize the economic value of historic preservation and tourism. Its convenient location as the northernmost point on an Inside Passage cruise helped attract ships, and as early as the 1930s the town promoted the idea of creating a national historic park to commemorate the gold rush years.²

During World War II, Skagway became an important link in the supply chain to Alaska and played an important role in the rushed construction of the Alaska Highway in 1942 and 1943. Canadian mining activity kept the

1 Cruise Ship Traffic Swells Passengers visiting Skagway, 1990 to 2007



Source: Municipality of Skagway

¹ In 1900, Skagway became the first first-class city in the Territory of Alaska. Over a century later, in June 2007, Skagway voters approved dissolution of the City of Skagway and incorporation as a borough to be called the Municipality of Skagway.

² Congress eventually passed legislation creating the Klondike Gold Rush National Historic Park in 1976. The park is an important employer with about 20 year-round jobs and an additional 30 in the summer.

railroad busy until the 1980s when low commodity prices shut down mines and eventually the railroad.

And then there was tourism

The railroad was quiet for six years before re-opening in 1988 to transport sight-seeing passengers along the historic route. By 1990, tourism had taken firm hold with a visitor count that year of more than 250,000.

And that was just the beginning. Cruise ship growth accelerated in 1997, and by 2007 more than 800,000 passengers spent at least part of a day in Skagway. (See Exhibit 1.) That's nearly 1,000 visitors for every year-round resident.

Skagway is not the only place in Alaska to depend on tourism to support its economy, of course, but with the possible exception of the Denali Borough, nowhere else in the state depends on it so completely.³ Other Southeast communities generally have other economic drivers in addition to tourism – fishing, state government, mining and ship building, to name a few – but none of them have a major presence in Skagway.

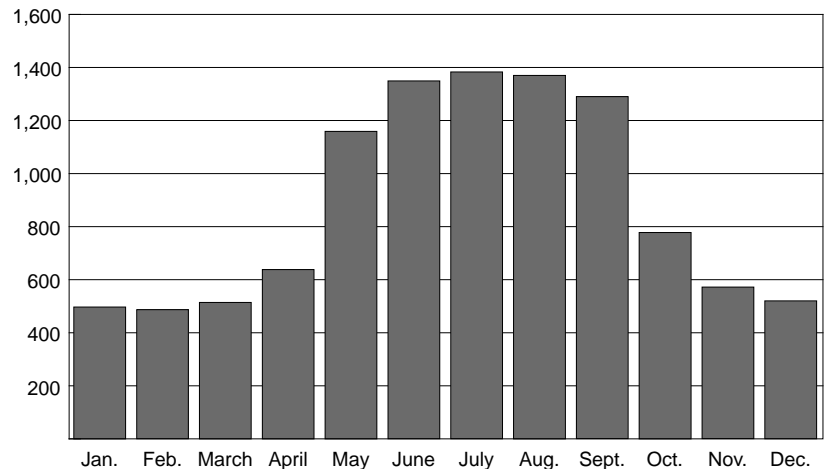
Skagway's job count nearly triples from its winter low point to its summer high point. (See Exhibit 2.) Statewide, there's typically a much smaller summer increase of about 15 percent, and a much bigger share of that increase comes from seafood processing and construction, two of the state's other very seasonal industries.

The nature of a tourism-dominated economy

In a way, Skagway is a petri dish for the study of a tourism-based economy. Despite an increase of more than 200,000 cruise ship pas-

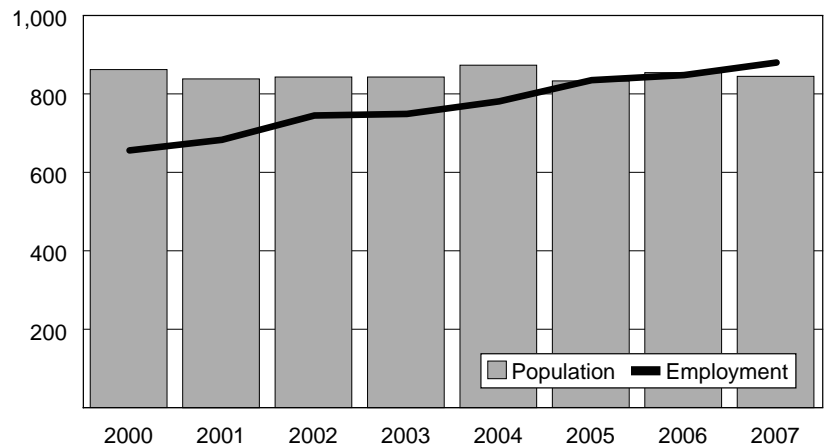
³ Because of Skagway's port facilities and road access, there's always the prospect of Skagway renewing its role as a shipping point for area mines. In 2007 the rehabilitated Skagway Ore Terminal took delivery of its first ore concentrate shipments since 1997. The ore concentrate was from a copper and gold mine in the Yukon Territory and was hauled to Skagway by truck and then loaded onto ships headed for smelters in Asia.

An Extremely Seasonal Job Market **2** Skagway monthly employment, 2007



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

More Jobs than Local Residents **3** Skagway population and employment

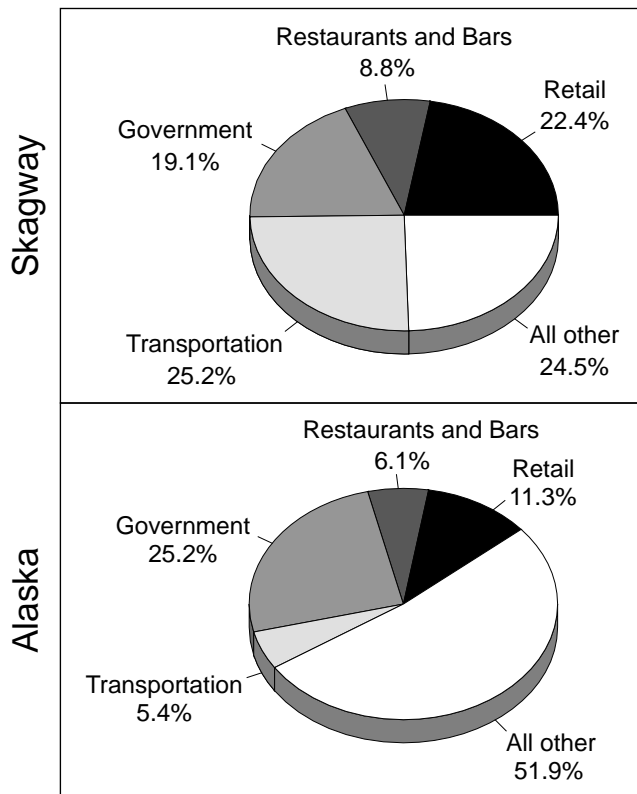


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

sengers from 2000 to 2007, the city's resident population (845 in 2007) hardly budged, an example of how seasonal job growth doesn't always equate to population growth. From 1990 to 2000, on the other hand, when cruise ship visitor numbers more than quadrupled from 136,500 to 565,600, there was a corresponding population increase of 170 people, or 25 percent.

The population changes are relatively small, but one possible explanation of the difference be-

4 A Very Different Employment Mix Employment, Skagway and Alaska 2007



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

tween population growth in the 1990s and lack of growth in the 2000s is that cruise ship tourism was just emerging as the major economic contributor in the 1990s.

That emergence made all kinds of new business possible and provided a new source of income for both current and new residents. While incremental growth continued throughout the 2000s, it was less likely to impact resident population counts because job growth was less likely to come from new businesses and more likely to come from growth in existing seasonal businesses.

In fact, despite very little population change from 2000 to 2007, Skagway's average monthly job count has consistently climbed and actually exceeded its resident population in 2007. (See Exhibit 3.) For comparison, the 2007 statewide population of 677,000 was more than double the state's average monthly employment of 318,000.

A need to import workers

One of the things those numbers imply is that Skagway has an especially large percentage of imported workers who are not counted in the resident population. That doesn't mean, however, that the nonresident workers are taking job opportunities from the local population.

The choice for a Skagway business is generally not between hiring a local Skagway resident and someone who just wants to work in Skagway for the summer; the choice is instead more likely to be between hiring the nonresident and not hiring anyone at all. Skagway's population is simply not large enough to fill all the jobs created by summer tourism.

A mix of visitor-based businesses

Easily the biggest employer in Skagway is the White Pass and Yukon Route Railroad, which provided 144 jobs in the summer of 2007. Mostly due to the railroad, transportation makes up a quarter of Skagway's total job count compared to just 5 percent for the state as a whole. (See Exhibits 4 and 5.) Overall, Skagway's employment mix is dominated by a few visitor-related industries.

As one might expect, retail trade and restaurants and bars also make up larger slices of the Skagway economy. Another difference is that Skagway depends less on government jobs than the state – only 19 percent of Skagway's employment is in government compared to 25 percent for the state. Skagway is especially thin on state government employment, which makes up less than 2 percent of its total compared to 24 percent for Juneau, and 8 percent for the state as a whole.

Retail trade has a presence twice as large in Skagway as in the state as a whole. The retail businesses are predominantly clothing and jewelry stores and gift shops. Those types of businesses make up 67 percent of retail trade employers in Skagway, a mix unlikely to be seen in an economy less reliant on short-term visitors. Predictably, Skagway's summertime high of

around 350 retail jobs shrinks to a winter low of less than 100.

Fewer independent visitors

Even as cruise ship traffic to Skagway has boomed, the number of independent travelers visiting the area has declined, despite Skagway being one of only three Southeast communities on the road system.⁴

Consequently, the accommodations industry, which often thrives as tourism grows in an area, has seen job losses since 2000. High gas prices and the relatively low expense of visiting the region by cruise ship will probably continue to limit growth in independent travelers in the coming years.

A principal benefit of visitors: sales tax revenue

One of the most tangible benefits to Skagway from the large number of summer cruise ship visits is sales tax revenue. Since 2004, it's been increasing and reached \$5.3 million in 2007. (See Exhibit 6.)

Although Skagway's population is about one-tenth as big as Ketchikan's and one-thirtieth as big as Juneau's, its sales tax revenue is proportionately much larger. Ketchikan's \$9.1 million in 2007 sales tax revenue and Juneau's \$36.5 million both equate to about \$1,200 per capita. Skagway's sales tax revenue is roughly five times higher per capita at \$6,000.

Property taxes on the stores and businesses that offer their goods and services to summer tourists are also a major contributor to the local budget. Property taxes make up 14 percent of Skagway's total revenue and much of that comes from tourist-related businesses.

Who lives there?

As of the 2000 Census, Skagway's population was slightly older than the state's as a whole and

⁴ The Klondike Highway that connects Skagway to the Canadian road system was officially opened in 1979. Haines and Hyder are the two other Southeast communities with road access.

Wage and Salary Employment Skagway, 2007 **5**

	Average Monthly Employment
Total	880
Construction	62
Manufacturing	22
Trade, Transportation and Utilities	419
Retail Trade	197
Transportation	222
Scenic and Sightseeing Tours	164
Information	21
Financial Activities	9
Professional and Business Services	7
Educational ¹ and Health Services	8
Leisure and Hospitality	136
Accommodations	15
Restaurants and Bars	77
Other Services	28
Government	168
Federal ²	50
State ³	14
Local ⁴	104

¹ Private education only

² Excludes the uniformed military

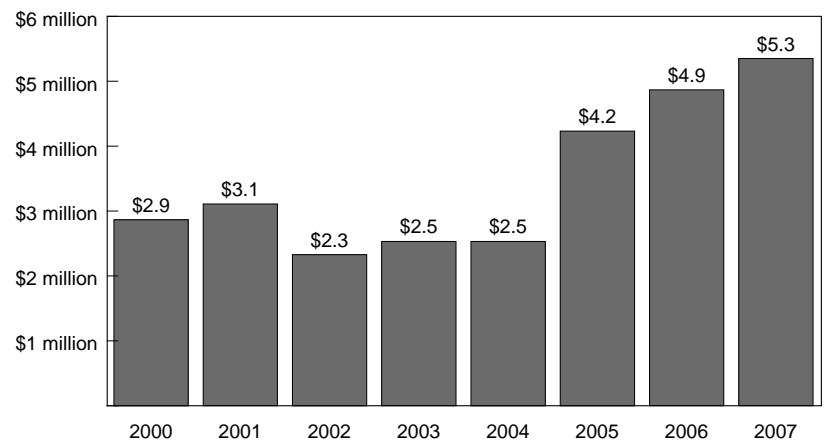
³ Includes the University of Alaska

⁴ Includes public school systems

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

Big Revenue for a Little Town **6**

Skagway sales tax revenue, 2000 to 2007



Source: Alaska Department of Commerce, Community and Economic Development, Division of Community and Regional Affairs

considerably less racially diverse. (See Exhibit 7.) It had a higher per capita income than the state as a whole and a slightly higher percentage of people who had never been married. Only 23 percent of Skagway's population was born in Alaska, compared to 38 percent statewide.

7 How Skagway Compares Skagway and Alaska residents, 2000

	2000 Census	
	Skagway	Alaska
Age		
Median age	39	32
Under 5 years	4.6%	7.6%
18 years and over	79.5%	69.6%
65 years and over	8.5%	5.7%
Race and Ethnicity		
White	92.3%	69.3%
Black or African American	0.0%	3.5%
American Indian and Alaska Native	3.0%	15.6%
Asian	0.6%	4.0%
Native Hawaiian and Other Pacific Islander	0.2%	0.5%
Other	0.8%	1.6%
Two or more races	3.0%	5.4%
Hispanic (of any race)	2.1%	4.1%
Income		
Median household income	\$49,375	\$51,571
Per capita income	\$27,700	\$22,660
Gender		
Female	47.8%	48.3%
Male	52.2%	51.7%
Marital Status		
Never married	29.4%	28.4%
Divorced	12.2%	11.7%
Born in Alaska		
Percentage of population born in Alaska	23.3%	38.1%
Educational Attainment		
Less than 9th grade	1.7%	4.1%
9th to 12th grade, no diploma	8.2%	7.5%
High school graduate	26.1%	27.9%
Some college, without degree	35.6%	28.6%
Associate degree	3.4%	7.2%
Bachelor's degree	18.1%	16.1%
Graduate or professional degree	6.9%	8.6%

Source: U.S. Census Bureau

A growing economy with a stable population

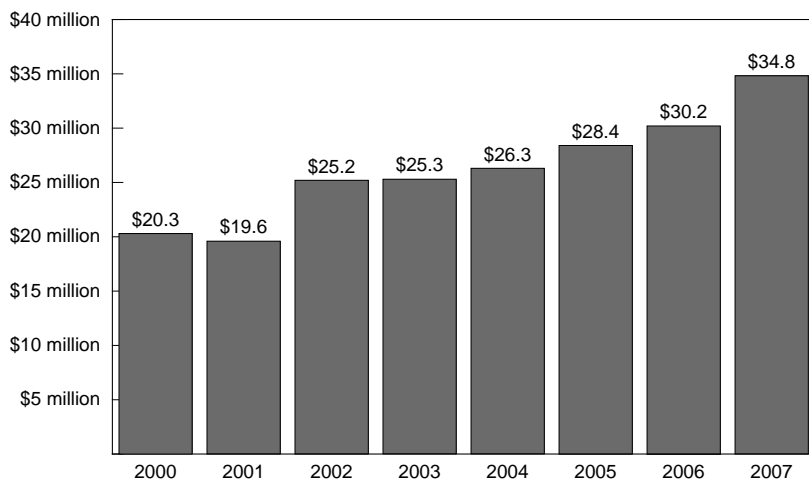
One of the most basic measures of whether a local economy is expanding or contracting is the total wages being paid out by local employers. By that measure, Skagway is growing. From 2000 to 2007, wages grew from \$20.3 million to \$34.8 million in constant 2007 dollars. (See Exhibit 8.)

A significant portion of those wages will be spent outside Skagway since it depends so heavily on visiting summer workers. But again, describing those wages as being lost to the local economy ignores the reality that there simply aren't nearly enough Skagway workers to fill those jobs. The contribution those wages make to the Skagway economy is smaller than those paid to Skagway residents, but the net effect is still decidedly positive.

On the whole, Skagway is a town that has profited from its history and location. New housing units have been built every year over the last decade, and although school enrollment is down slightly, that may have more to do with population dynamics than people leaving Skagway.⁵

Growing talk of Skagway resuming some of its former role as a shipping point for mines in Canada and Alaska would provide welcome economic diversity, but for now at least, tourism is still pretty much the only game in town – and it's been a pretty good game for quite a while.

8 Strong Wage Growth Skagway wages in 2007 dollars, 2000 to 2007



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

⁵ The children of baby boomers have been aging out of their high school years and are being replaced by smaller groups entering elementary school. Many other school districts in the state have also seen declining enrollment over this period, including Juneau. As mentioned earlier, Skagway's total population was largely stable from 2000 to 2007.