

An Economic Profile:

The Kenai Peninsula

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Great diversity underpins the Kenai Peninsula Borough economy

The Kenai Peninsula Borough's economy is one of amazing diversity. Unlike many places in Alaska, where one or two industries dominate the economy, the Peninsula's economy requires considerably more effort to describe. In a nutshell, the economic strength of the borough is its diversity. (See Exhibit 1.)

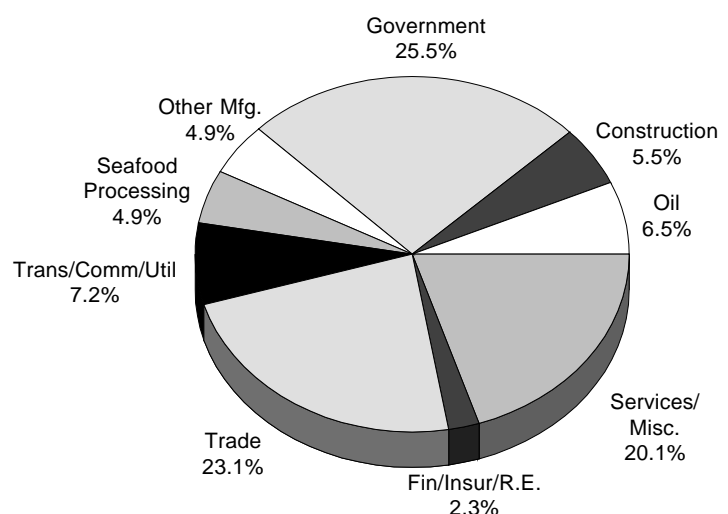
The foundation of the borough's economy includes fishing, tourism, oil and gas, refining and government. Many of these industries need to be further dissected to provide a more complete picture of Kenai's economic workings. For example, the Peninsula's fishery resource supports a large commercial fishing industry and the state's largest sports fishery. The local oil industry has spin-off activities such as refining and chemical manufacturing as well as provision of important services to the oil fields on the North Slope. Consequently, a significant number of the Peninsula's residents earn their living on the North Slope but spend their paychecks locally. The Peninsula is home to what many economic development advocates believe to be the prime ingredients of a healthy economy—big doses of value-added activity, a major export sector and an attractive quality of life. In addition to a diversified basic sector, the Peninsula's economy has gained a tremendous amount of breadth with the expansion of its support sector.

The 1990s—the moderate era

Unlike the go-go years of the 1970s and 1980s when the Kenai Peninsula's economy boomed

and busted a few times, the 1990s can be characterized as a decade of incremental or moderate growth. In the 1970s, employment grew seven percent per year and in the 1980s, five percent per year (despite the recession of 1986-1988). During the 1990s, the pace of growth slowed to two percent. (See Exhibit 2.) There is a host of reasons for this more temperate pace of economic growth but a few stand out. With the exception of the visitor industry and parts of the public sector, many of the Peninsula's traditional basic industries have not provided much impetus for growth. These industries do remain important players in the economy; they simply were not the growers in the 1990s.

Where the Jobs Were Kenai Peninsula 1998



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

Retail booms and services is close behind

Retail is one standout in the 1990s. From 1990 to 1998, retail employment grew 1,200 jobs or 56 percent. (See Exhibit 3.) That's approximately 38 percent of the wage and salary job growth during that period. Big new players like Kmart, Fred Meyer and others received much of the limelight, yet most of this expansion came from smaller players. The number of retailers on the Peninsula increased from 297 in 1990 to 381 in 1998. Restaurants, which are included in retail, were responsible for half of this growth. The dramatic expansion of tourism on the Kenai Peninsula goes a long way to explaining this growth. No other economic factor explains the Peninsula's unusually large retail workforce. It represents 23 percent of the area's wage and salary employment versus 17 percent statewide—giving the Peninsula one of the highest concentrations of retail in the state. Population growth is certainly another positive ingredient. The other explanation is that retail is now capturing more and more of the Peninsula's consumer dollars that in the past either made their way to Anchorage or outside the state.

Services' overall story is not much different from retail's. The services industry, which represents

the second largest private sector employer on the Peninsula, was 573 jobs larger in 1998 than in 1990. Like retail, the services industry is a major beneficiary of the visitor sector. For example, employment in hotels and lodging, a major player in services, grew by 39 percent from 1990 to 1998. Recreational services and other sectors also grew. But like retail, population growth and increased local consumption were also important factors. There are now more business, health care, personal and other types of services available locally. Since the Peninsula now provides for more of its own needs, the economic multiplier effect of these expenditures grows, which in turn leads to additional expansion of these industries.

A visitors' mecca

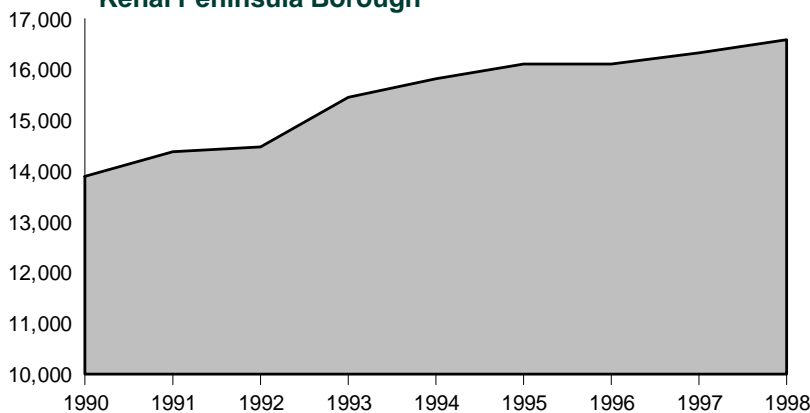
The growth and variety of the visitor sector on the Peninsula has been nothing short of phenomenal during the 1990s. For example, lodging services sales more than doubled between 1990 and 1998 and recreational sales grew from \$9.2 million to \$27.2 million during the same period. There are few places in Alaska where the visitor industry plays a more dominant role. Even fewer places enjoy such a diversity of visitors. Most visitor destinations in Alaska are heavily dependent on one category of visitor, but the Peninsula caters to two distinctive groups. These are the interstate Lower 48 visitors and Alaska visitors, who come mostly from the Anchorage/Mat-Su region, home to over half of the state's population. There are no recent figures that weigh these two groups by importance, but past studies indicate neither group is dominant. Such mixed dependence puts the visitor industry on firmer ground because of the geographic diversity of its clientele.

Another visitor industry strength on the Peninsula is the wide range of activities open to visitors. These include sightseeing, hiking and camping, visiting recreational properties, nature watching, kayaking and other boating activities, and, of course, fishing.

The single biggest attraction on the Peninsula is sports fishing. This year, nearly 1,200 fish

2 Employment Grew at a 2.2% annual average in the 1990s

Kenai Peninsula Borough



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

charter boats are operating on the Peninsula, the largest charter boat fleet in the state. Most people who fish the Peninsula do not even utilize the fleet's services. The Kenai/Russian River system is the single most heavily utilized sports fishery in the state. According to the University of Alaska Anchorage, Southcentral residents made approximately 157,000 sports fishing trips to the Kenai/Russian rivers in 1993 and nonresidents made 54,000. Together, anglers spent \$34 million in the pursuit of their sport. This fishery represents only one of many major sport fisheries in the borough. Fishing is only part of the picture. For example, the visitor count for the Kenai Fjords National Park was over 182,000 in 1998, and more than 125,500 cruise ship passengers disembarked in Seward that year. Untold thousands of other visitors to the Peninsula indulged themselves in a variety of activities.

A combination of new attractions such as the Seward Sealife Center, healthy fish resources, more lodging options, growth in cruise ship dockings and wildlife-viewing cruises continue to attract a growing number of visitors. And new attractions like the Challenger Center are in store for the future. As long as the national and Southcentral economies remain healthy,

employment in the visitor industry will likely continue to climb.

Fishing remains a core industry

Fishing represents the oldest cash economy on the Kenai Peninsula; chronicles tell of commercial activities as early as 1882. Many Kenai Peninsula residents still earn their primary income from fishing. During the 1997 season, the most recent analyzed, Kenai Peninsula fishers earned nearly \$69 million, second highest in the state after Kodiak. Alaska's Commercial Fisheries Entry Commission reports that 1,936 individual permits were fished in 1997 by Peninsula residents, who targeted salmon, herring, halibut, sable fish, a variety of groundfish, crab and other species. Even mariculture (farming oysters and mussels) and sea cucumber diving were part of the commercial activities.

Not all Kenai Peninsula fishers stay close to home to earn their living; many catch fish or crab in other Alaska waters. Kenai Peninsula residents can be found on fishing grounds from southeast to the northern edges of the Bering Sea, engaged in all types of fisheries. A large group fishes in the Gulf of Alaska or Cook Inlet waters.

Wage and Salary Employment by Industry 1990-1998 Kenai Peninsula Borough **3**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	Change 1990-1998	Change 1990-1998	Ann. Avg. Change
Total Employment	13,892	14,376	14,474	15,451	15,816	16,109	16,110	16,328	16,588	2,696	19.4%	2.2%
Agric., Forestry, Fishing	193	233	419	419	91	70	81	74	69	-124	-64.2%	-12.1%
Mining	1,175	1,156	1,051	1,071	1,146	1,105	978	1,152	1,088	-87	-7.4%	-1.0%
Construction	701	713	623	689	813	846	867	886	915	214	30.5%	3.4%
Manufacturing	1,861	2,066	1,848	1,833	1,799	1,804	2,006	1,908	1,614	-247	-13.3%	-1.8%
Seafood Processing	1,149	1,284	1,136	1,024	952	961	1,096	1,072	807	-342	-29.8%	-4.3%
Transportation/Comm/Utilities	995	1,006	967	1,001	1,059	1,052	989	1,047	1,199	204	20.5%	2.4%
Trade	2,555	2,708	2,945	3,194	3,414	3,432	3,438	3,597	3,833	1,278	50.0%	5.2%
Wholesale Trade	403	379	414	441	472	445	447	465	478	75	18.6%	2.2%
Retail Trade	2,152	2,329	2,531	2,753	2,942	2,986	2,991	3,132	3,355	1,203	55.9%	5.7%
Finance/Insurance/Real Estate	281	278	300	323	352	366	360	368	377	96	34.2%	3.7%
Services & Misc.	2,693	2,806	2,815	3,155	3,376	3,251	3,223	3,134	3,267	574	21.3%	2.4%
Government	3,421	3,398	3,479	3,728	3,768	4,181	4,168	4,162	4,228	807	23.6%	2.7%
Federal	285	289	308	357	374	374	405	415	406	121	42.5%	4.5%
State	1,077	1,051	1,029	1,031	1,033	1,040	1,047	1,041	1,041	-36	-3.3%	-0.4%
Local	2,059	2,058	2,141	2,341	2,361	2,767	2,716	2,706	2,781	722	35.1%	3.8%

Totals may not add due to rounding.

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

Salmon

Among the varieties of fish harvested in waters along the shores of the Kenai Peninsula, salmon dominate, in particular the red salmon fishery. During the 1990s, harvest success and prices have fluctuated. Despite market problems which plague Alaska's entire salmon industry, Cook Inlet red salmon have kept a premium position. They usually fetch high prices because of their large size and quality. However, harvest volumes of earlier Alaska red salmon fisheries such as those in Copper River, Kodiak and Bristol Bay significantly impact product prices of the late-season Cook Inlet fish. In 1998, for example, prices were good because of the disastrous harvest in Bristol Bay, but catches were low. The 1999 season, however, turned out to be good for Cook Inlet fishers. Nearly 2.7 million red salmon were caught in Upper Cook Inlet and prices remained good.

The salmon fishery in the Upper Cook Inlet fishing district remains the most important according to harvester population. Over 1,300 individuals own commercial salmon fishing permits. Fishing effort remains high, especially among the Cook Inlet drift gillnet fleet. In 1997, the fleet size was 572 boats. Participation among those who fish from shore also remains high, although interest has waned a bit. In 1990, for example, 86 percent of all setnet permits were fished versus 80 percent in 1997. That year, a total of 603 permit holders anchored their nets from Cook Inlet beaches.

Another salmon harvest takes place in the Lower Cook Inlet fishing district. A small fleet, limited to 85 participants, targets pink and red salmon during the season. Here, harvest value and production have fluctuated considerably during the 1990s and fishing effort has varied accordingly. In 1997, for example, when a \$768,000 harvest came in at 44 percent of its 1996 value, only 23 boats fished. Because pink salmon usually make up the bulk of the Lower Cook Inlet catch, its value has turned modest with the low prices paid for pinks.

Not all of the Cook Inlet salmon fishers are local residents. In 1997, over 50 percent of those who fished in Upper Cook Inlet were Kenai Peninsula residents. Another 30 percent of Cook Inlet fishers live elsewhere in Alaska, mainly Anchorage and vicinity. But over 20 percent of these salmon permits belong to people who live out of state.

Groundfish, flatfish and herring

Halibut and sablefish (black cod) are prominent commercial fisheries for Kenai Peninsula residents. Both halibut and sablefish have surpassed salmon in per pound value. During the 1997 season, about 340 Kenai Peninsula residents delivered halibut catches and nearly 100 offloaded sablefish. Because both fish are caught in the Gulf of Alaska and Cook Inlet, many area fishers offload their catches in Homer, Seward, and some even in Kodiak. In 1998, Homer took first place in the state in commercial halibut landings. In 1999, Homer will likely retain its lead. By mid-August it ran ahead of other places in deliveries. Seward has become the favored port for sablefish deliveries. In 1998, nearly seven million pounds went over Seward docks. As the 1999 season progresses, it appears most sablefish catches will again go to Seward.

Other groundfish harvests also take place along the Gulf coast of the Kenai Peninsula and Cook Inlet. Among them, pollock and gray cod (Pacific cod) are the most popular target species. Although groundfish harvests have only developed during the 1990s, their importance is gaining.

For herring fishers of Cook Inlet, the fishery has not been a stable producer during the 1990s. In 1997, the harvest value fell below half a million dollars for 44 participating boats. In 1996, the fishery was worth nearly \$6 million. Since then, market prices and a low return of marketable fish have impaired the value of this fishery. There was no commercial herring harvest during the 1999 season.

Other

A few mariculture operations have been

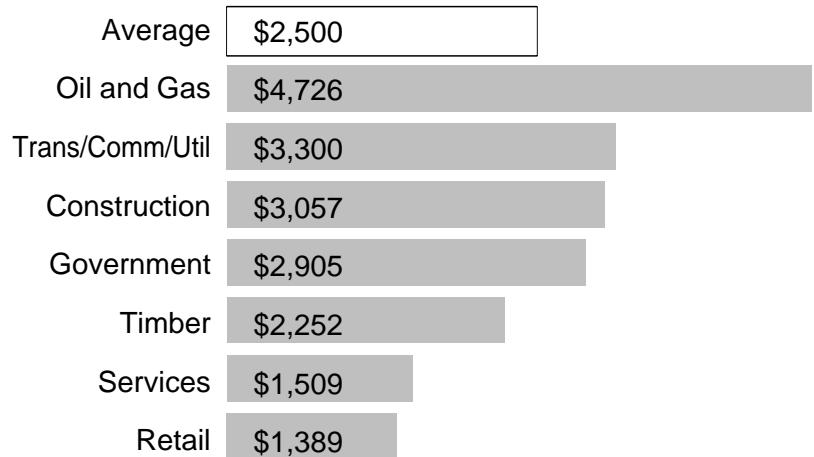
established in Kachemak Bay. Both mussels and oyster beds are cultivated. The mariculture industry is still fairly new in the state but for operators in Kachemak Bay, business has been developing. Demand is growing for oysters raised here because of their supreme quality. Scallops are also harvested in the area, but only a few boats have permits to participate.

The fishing industry remains an important ingredient in the Kenai Peninsula's economy. Many residents still earn their livelihood from the riches of the sea. Because many fishers have diversified into various types of fisheries, it is hard to enumerate the size of the local self-employed fishing community. It is harder yet to gauge how many derive their primary income from fishing. For some residents, commercial fishing merely supplements other income. All activities, however, benefit crews and the suppliers of the industry as well. Although fish processing employment has suffered in recent years, partially through scaled-back operations, the fish processing industry still employs more than any other manufacturing industry on the Kenai Peninsula.

Oil has spawned many industries

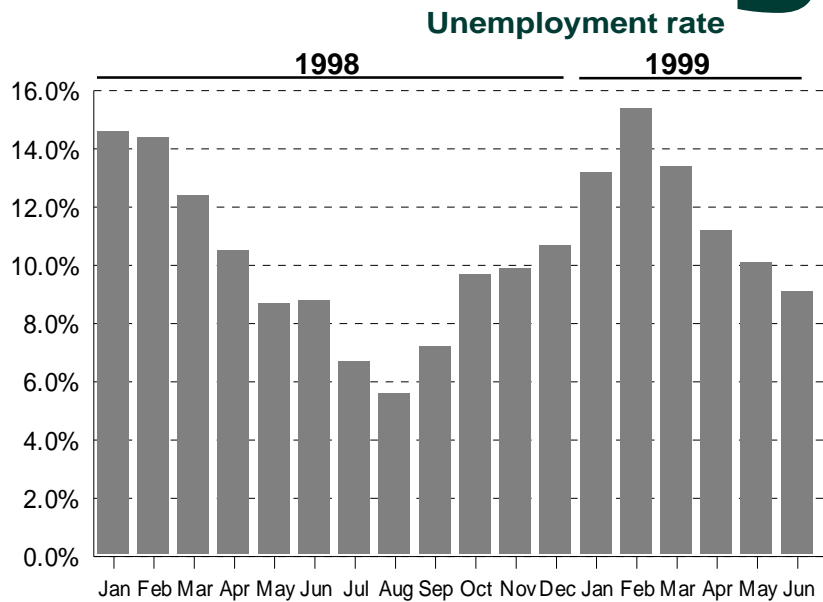
The Peninsula is Alaska's "mature" oil province. The oil industry has made itself felt for over 40 years, and it remains an integral part of the Peninsula's economy. It may also continue to be the single largest source of well-paying jobs in the area. Employment in the oil and gas industry represents approximately 6.5 percent of all wage and salary employment but because of its high wages, the industry is responsible for nearly 12.3 percent of all payroll earned on the Peninsula. (See Exhibit 4.) This is so despite the fact that oil production peaked in 1970 and today's production is one-seventh of the peak year. Steady gas production and North Slope activity have helped ward off steep employment declines. In 1998, there were nearly 1,100 jobs in the oil and gas industry. Outside of heavy losses in 1996, employment levels have changed little in the 1990s.

Average Wages by Industry **4** Kenai Peninsula Borough—1998



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

The Seasonal Unemployment Picture **5** On the Kenai Peninsula



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

But this is only part of the story. Much of Cook Inlet's oil and gas industry provides feedstock for a number of "value-added" activities. These include Tesoro's oil refinery, Unocal's urea plant

and Phillips Petroleum's LNG plant. The first two players, together, employ 419 workers in manufacturing. (Phillips' numbers are counted in the oil industry.) If their payrolls were added to oil and gas, nearly 20 percent of the Peninsula's wage and salary earnings would come from the hydrocarbon sector. And this is a conservative number because firms such as construction contractors, logistics support and others that are directly engaged by the industry are not included in these figures. The absence of much employment seasonality is another benefit this industry bestows. This industry plays an important role not only in employment; eight of the Peninsula's top 10 taxpayers are also attached to the oil industry.

6 Population Breakdown Kenai Peninsula Borough

	1990	1998	Annual Average Growth Rate
Kenai Pen. Borough	40,802	48,815	1.1%
Anchor Point	866	1,188	4.0
Clam Gulch	79	108	4.0
Cohoe	508	602	2.1
Cooper Landing	243	283	1.9
Crown Point	62	102	6.4
Fox River	382	439	1.8
Fritz Creek	1,426	1,998	4.3
Grouse Creek	580	639	1.2
Halibut Cove	78	74	-0.7
Happy Valley	309	400	3.3
Homer	3,660	4,155	1.6
Hope	161	135	-2.2
Jakolof Bay	28	51	7.8
Kachemak	365	419	1.7
Kalifonsky	285	338	2.2
Kasilof	383	558	4.8
Kenai, City of	6,327	7,058	1.4
Moose Pass	81	134	6.5
Nanwalek (English Bay)	158	180	1.6
Nikiski	2,743	3,060	1.4
Nikolaevsk	371	467	2.9
Ninilchik	456	675	5.0
Port Graham	166	190	1.7
Primrose	63	62	-0.2
Ridgeway	2,018	2,381	2.1
Salamatof	999	1,135	1.6
Seldovia	459	408	-1.5
Seward	2,699	3,040	1.5
Soldotna	3,482	4,134	2.2
Sterling	3,802	5,888	5.6
Tyonek	154	152	-0.2
Remainder of Kenai-Cook Inlet census subarea	6,751	7,639	1.6
Remainder of Seward census subarea	658	723	1.2

Much of the oil and gas industry's infrastructure is old, and big new investments are few. Even the size and life of Cook Inlet's gas reserves are being debated. Some of the oil platforms are for sale and a few have been shut down. But periodically there is renewed interest in exploration. In 1999, interested parties paid \$2.4 million for oil leases in Cook Inlet. Old players like Chevron, Mobil and others have left the area but they have been replaced by new players such as Anadarko Petroleum Corp., Cross Timbers, Union Texas Petroleum Corp. and Forcenergy. Both Forcenergy and Phillips Petroleum have plans to drill new prospects and Cross Timbers is reworking older properties. This indicates that a number of oil patch players believe production potential still exists on the Peninsula.

In 1998, Nikiski became the site of a \$30 million module construction project for the new Alpine oil field on the North Slope. It was completed in July 1999 and shipped north. The area's skilled workforce and historical ties to the oil industry were important reasons for building the modules here. It took more than 320 people to complete the project. Many believe its success could lead to more of this type of work in the future.

Timber industry is small, but it has grown

The economic impact of the timber industry on the Peninsula remains small. In the early 1990s, there was hardly a trace of an industry, but by 1998 more than 200 jobs existed in the borough. Because of the massive spruce beetle infestation, the best market has proved to be wood for pulp processed into chips, which is shipped to other places in North America and Japan. There is also some value-added sawmill activity. For example, Alaska Spruce Products, the

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

largest mill in the area, is producing enough finished lumber to supply Home Depot and Arctic Builders in Anchorage. It employs approximately 30 people.

The public sector provides some stability

The public sector plays a smaller role in the Peninsula's economy than it does statewide, but it remains a significant player. Sixty-six percent of all public sector employment is in local government and more than half of local government is education. As school enrollments have grown, so has school district employment. In fact, the Kenai Peninsula School District is the single largest employer in the borough. Unlike many areas of the state, health care accounts for a significant share of local government employment. This is because both the Central Peninsula and South Peninsula hospitals receive significant local public funds even though they are run by nonprofit organizations. The state sector has budgeted little during the 1990s. Some of the big players are the Spring Creek and Wildwood Correctional Centers, and the Departments of Fish and Game and Transportation. Federal employment has changed little in recent years. The FAA and federal natural resource agencies employ most federal workers.

Unemployment has come down but remains high

During most of the past decade, the unemployment rate on the Peninsula has been in the double digits and is often among the highest

in the state. (See Exhibit 5.) Why the rate tends to be so high is not fully understood but some reasons are clear. Part of the explanation is that the economy is extremely seasonal—4,500 jobs separate the low and peak employment months during the course of a year. Another contributing factor is that many borough residents are employed elsewhere in the state but return home when they lose their jobs. Additional reasons for

Current Statistics and Census Data

A Snapshot of the Kenai Peninsula Borough

	Alaska	Kenai Peninsula Borough
Population 1998	621,400	48,815
The population is older with more persons per household		
Median age (1998)	32.4	35.4
Persons per household (1998)	2.71	2.79
...and there are more seniors (1998)		
Percent under 5 years old	8.4	6.9
Percent school age population (5 to 17)	23.3	24.0
Percent adult workforce population (18 to 64)	63.1	62.5
Percent seniors (65 years & over)	5.3	6.6
...and there are slightly more women		
Percent female (1998)	47.7	47.9
Demographics of the region (1998)		
Percent Native American	16.8	7.5
Percent White	73.9	90.4
Percent African American	4.4	0.6
Percent Asian/Pacific Islander	4.9	1.5
Percent Hispanic	4.6	2.7
More workers are unemployed (1998)		
Percent of all 16 years+ in labor force (estimate)	71.2	60.6
Percent unemployed	5.8	9.8
Income measured		
Personal per capita income (1997)	\$24,983	\$22,994
Personal Income—Average Annual Percentage Change 1990-97	3.8%	3.4%
Wage and salary employment (annual average 1998)	\$33,420	\$30,003
Educational attainment (1990)		
Percent high school graduate or higher	86.6	87.2
Percent bachelor's degree or higher	23.0	17.9

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

the stubbornly high rate are difficult to identify and isolate.

Last year, there was some reprieve from the high unemployment rate. The Peninsula's unemployment rate fell to 9.8%. This was its lowest level in the 1990s but still four points above the statewide jobless rate. In 1999, the Peninsula's rate crept up a bit but remains considerably below historical levels. In fact, during the summer months of the past two years, employers have often had a difficult time recruiting a complete workforce, with the fish processors experiencing the worst problems.

Population grows fastest outside four key communities

Like employment, the Peninsula's population grew more moderately during the 1990s than in previous decades. Between 1990 and 1998, the area's population grew 2.3% annually. Even this moderate pace was more robust than the state's 1.5% growth rate. During four out of the five last years, the state experienced negative migration rates while the Peninsula's were positive each year. Because of this stronger growth, the

Peninsula's share of the state's population has grown from 7.4% in 1990 to eight percent in 1998. The area is also getting a bit more crowded—it went from 2.6 persons per square mile to three.

The Peninsula's geography is as diverse as its economy. For the sake of analysis, the Peninsula has been divided up into three relatively distinct regions—the Seward area, the Kenai/Soldotna area or the Central Peninsula, and the Homer region. But the Peninsula's geography is really not that straightforward. Its population of 48,815 is spread out among 31 identified communities of all shapes and sizes. (See Exhibit 6.) A significant share of the population is spread out along the highways and elsewhere rather than residing in any identifiable communities. Six Peninsula communities are accessible only by plane or boat. Most of the population lives outside any of the six incorporated communities. Although the cities of Kenai, Soldotna, Homer and Seward are the largest incorporated communities on the Peninsula, they represent just a little over a third of the borough's population. The biggest concentration of the area's population lives in the area immediately surrounding the communities of Kenai and Soldotna. Most of these areas are growing considerably faster. For example, Sterling

8 Kenai/Soldotna Wage and Salary Employment 1990-1998 by industry

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Employment	8,671	9,279	9,574	10,272	10,708	10,698	11,174	11,469	11,515
Mining	1,034	1,036	1,047	1,068	1,141	1,100	972	1,148	1,092
Construction	327	490	489	543	619	595	592	588	624
Manufacturing	961	1,310	1,294	1,258	1,219	1,256	1,497	1,522	1,195
Seafood Processing	*	*	733	707	637	627	807	870	560
Transportation/Comm/Utilities	560	598	557	548	565	524	498	534	526
Trade	1,652	1,722	1,939	2,201	2,348	2,226	2,175	2,236	2,524
Wholesale Trade	303	288	312	373	398	361	351	360	383
Retail Trade	1,349	1,434	1,627	1,829	1,951	1,865	1,825	1,875	2,141
Finance/Insurance/Real Estate	174	176	194	203	218	222	226	239	234
Services & Misc.	1,862	1,974	1,965	2,176	2,315	2,147	2,074	2,054	2,090
Government	2,039	1,966	2,089	2,274	2,282	2,628	2,548	2,560	2,606
Federal	140	150	155	196	214	223	237	243	235
State	611	529	529	545	540	544	546	543	531
Local ¹	1,355	1,287	1,405	1,533	1,528	1,861	1,765	1,774	1,840

¹ Includes estimate for Kenai Peninsula Borough School District. Totals may not add due to rounding. * Data not available

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

and Kasilof grew more than twice as fast as the Peninsula overall. There are also a few communities, such as Seldovia, that lost some population in the 1990s.

It is interesting to note that the Peninsula's population is considerably older than that of the the state. The borough's median age in 1998 was 35.4, three years older than the statewide population. (See Exhibit 7.) This is because a smaller proportion of Peninsula residents are younger than five and a larger proportion are over 65. There are also more in the 55-64 age category. This could mean a few things. More residents are choosing to stay on the Peninsula when they retire and, perhaps, a growing number of people outside of the Peninsula are retiring to the Peninsula. There is a lot of anecdotal evidence that people are increasingly choosing to retire in places such as Homer, Sterling, Anchor Point, along the Kenai River and elsewhere. The climate is relatively

mild, the life style is attractive to many, recreational opportunities abound, and compared to elsewhere in the state, the cost of living is low. This should not necessarily come as a surprise. Many "resort" type areas around the nation have become attractive places for older Americans to retire. As this phenomenon has grown so has its economic impact. Some refer to this phenomenon as the "mail box" economy, with income for this population coming through the mail in the form of pension checks and asset disbursements but being spent locally. This could become a growing slice of the Peninsula's already diverse economic pie.

In a slightly different vein, a considerable number of borough residents work elsewhere in the state. The largest numbers among these distant commuters are probably attached to the oil industry. For example, 277 BP and ARCO workers live on the Peninsula.

The Largest Employers in the Kenai/Soldotna Area

1998



Rank	Name of Company/Organization	Annual Average Employment	Business Activity	Location
1	Kenai Peninsula Bor. School District ¹	944	Local Government	Soldotna/Kenai
2	Union Oil Co. of California (Unocal)	416	Petroleum Products/Platforms	North Kenai
3	Peak Oilfield Services	333	Oilfield Services	North Kenai
4	Kenai Peninsula Borough ¹	327	Local Government	Soldotna
5	Central Peninsula General Hospital	276	Hospital	Soldotna
6	Fred Meyer	232	Grocery/General Merchandise	Soldotna
7	Alaska Petroleum Contractors	182	Oilfield Services	North Kenai
8	Tesoro Alaska	168	Refinery/Gas Stations	North Kenai
9	Kmart	160	General Merchandise	Kenai
10	Baker Hughes Oilfield Services	139	Wholesale/Petroleum	North Kenai
11	Carr Gottstein Foods	124	Grocery	Kenai
12	City of Kenai	119	Local Government	Kenai
13	Polar Equipment/Cook Inlet Salmon	118	Seafood Processing	Kenai
14	US Department of Transportation (FAA) ¹	115	Federal Government	Kenai
15	Safeway Stores	110	Grocery	Soldotna
16	Alaska Department of Corrections	109	State Government	Kenai
17	Inlet Fisheries	102	Seafood Processing	Kenai
18	Frontier Community Services	99	Janitorial Services	Soldotna
19	Central Peninsula Counseling Services	92	Health Care	Kenai
20	Dragnet Fisheries, now Cherrier Seafoods	91	Seafood Processing	Kenai

¹ Estimated

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

The area's population mix has changed little since 1980. The borough's population is more than 90 percent white. Native Alaskans make up the second largest group with 7.5% of the population. The ratio of males to females is almost identical to that of the rest of the state.

Highlights of the big three:

Retail, services and construction boost the Kenai/Soldotna area

The Kenai/Soldotna economic area is the largest and most diverse region of the borough. In fact, most of what can be said about the diversity on the Peninsula applies to this area, since it is home to all of the industries already mentioned. The area's wage and salary workforce is nearly 3,000 larger than it was in 1990. (See Exhibit 8.) During the 1990s, employment in oil and gas and its related industries changed little. Commercial fishing and the fish processing industry remain mainstays in the area. In 1997, fishers living in the Central Peninsula earned over \$20 million and fished 662 permits. Processing employment has waned

somewhat, accompanying the closure of the Ward Cove plant in 1999.

One of the growth industries in the area has been retail; employment nearly doubled in less than a decade. Combined gross sales for the cities of Kenai and Soldotna grew 62 percent or \$212 million between 1990 and 1998. Even after adjusting these figures for inflation, sales still grew by 31 percent. Four of the top employers are retailers. (See Exhibit 9.) This area has become the center of commerce for the borough. To some extent this has always been true, but it is quickly displacing much of the activity that used to flow to Anchorage. Another contributor to retail, services, and other industry growth is the visitor industry.

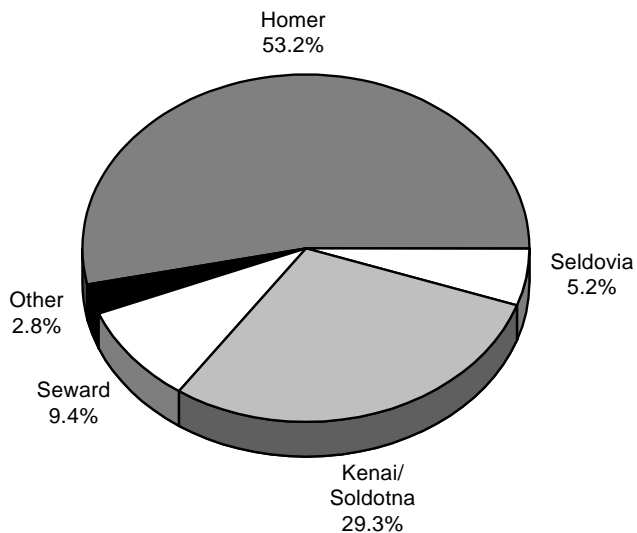
The Kenai River flows through the area, and supports the biggest sports fishery in the state—some have estimated a fifth of all sports fishing takes place on this river system. The area is home to other major sports fisheries and visitor attractions. The construction industry has benefited from growth in these industries and in population. Construction employment nearly doubled in the 1990s. Building permit value for the city cluster of Kenai and Soldotna grew from a little over five million dollars in 1990 to nearly \$17 million in 1998. The Central Peninsula is also the borough government's administrative center. The borough headquarters, the school district and many of the major federal and state offices are in this region of the borough, contributing stability to the area.

Homer—where the fishing and visitor industries dominate

Homer's economy is eclectic like so many on the Peninsula. From its inception, commercial fishing and the visitor industry have been mainstays of the area's economy. There are also significant numbers of people who live in Homer but work elsewhere in the state or have chosen Homer as a location to retire.

In 1997, Homer area residents claimed more than half of the Peninsula's fishing income. Many Homer area residents belong to the Cook Inlet fishing fleet, but a large number of Homer boats

10 Homer Residents Earned Half the income that came from fishing on the Peninsula in 1997



Source: Commercial Fisheries Entry Commission

leave to fish the Kodiak, False Pass, Bristol Bay, Prince William Sound and other regions. Homer residents fished 787 permits in 1997. But in 1998, Homer's fishing industry suffered a blow when its largest fish processing plant, Icicle Seafoods, burned to the ground. There are no plans to rebuild. Icicle had been one of Homer's largest taxpayers, a big employer and a place where much of the fleet sold its harvest.

Another indigenous industry in Homer is the visitor sector. Like elsewhere on the Peninsula, it draws from a diverse group of people. In 1998, Homer's charter boat fleet was 245 boats strong, making it the largest in the state. This fleet was the forerunner to what has now become a huge statewide industry. However, not all visitors head to Homer to fish.

In fact, Homer was one of the earlier areas of Southcentral Alaska to develop a significant visitor industry—possibly because of its stunning beauty. Thousands come simply to sightsee, taking in the Homer Spit and the beauty of Kachemak Bay and Kachemak Bay State Park. Nature viewing is another big

Homer's Largest Employers 1998 **11**

Rank	Company/Organization	Annual Average Employment	Business Activity
1	South Peninsula Hospital	227	Hospital
2	Kenai Peninsula School District ¹	154	Local Government
2	City of Homer	99	Local Government
3	Lands End Resort	71	Hotel/Resort
4	Carr Gottstein Foods, dba Eagle Store	71	Grocery
5	Homer Electric Association	69	Utility
6	Alaska Wildberry Products	60	Gift Shop
7	Circle De Pacific	46	Lumber Products
8	South Peninsula Mental Health Association	41	Health Care
9	Spenard Builders Supply	36	Building Supplies
10	Kenai Peninsula Services/Mc Donalds	33	Eating Establishment

¹ Estimate

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

Homer's Wage and Salary Employment 12 By industry, 1990-1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Employment	2,102	2,312	2,182	2,289	2,472	2,647	2,638	2,615	2,539
Construction	214	128	88	92	125	163	142	149	165
Manufacturing	304	414	296	261	301	242	280	190	167
Transportation/Comm/Utilities	245	226	213	235	271	288	243	237	229
Trade	450	546	515	548	572	696	734	764	664
Finance/Insurance/Real Estate	*	*	*	*	*	76	73	64	67
Services & Misc.	375	410	451	486	501	527	535	555	587
Government	463	533	558	601	630	655	631	656	660
Federal	56	63	67	68	66	66	68	74	68
State	27	102	98	93	103	103	107	111	111
Local ¹	380	368	393	439	460	487	456	471	481

¹ Includes estimate for Kenai Peninsula Borough School District * Data not available Totals may not add due to rounding

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

attraction. Many tourists also visit its many art galleries and its renowned Pratt Museum, which welcomed nearly 32,500 visitors last year. For lodging, besides hotels, Homer has over 200 bed and breakfast places. Cottage industries have also developed around the visitor industry. There is a lack of actual data to substantiate this growth because most members of the cottage industry are self-employed and rarely have employees. There is, however, some concern in Homer that increased competition from Seward and the development of Whittier could hamper future visitor growth. This is because Homer is furthest away from Anchorage of the major communities. Others believe the industry is strong enough that neither distance nor competition from other ocean-access places will be able to outweigh Homer's unique flavor and sheer beauty.

Homer population has grown a bit more rapidly than that of the Peninsula as a whole, and some of the surrounding areas, like Fritz Creek and Happy Valley, have grown considerably faster. Employment, on the other hand, has changed little over the past four years. (See Exhibits 10, 11 and 12.)

Seward—logistics, visitors, fishing and a prison

Although Seward is one of the smaller regions on the Peninsula, it is home to a diverse, dynamic economy. (See Exhibit 13.) Over the last decade, it has successfully exploited its location beyond most people's expectations. As the southern terminus of the Alaska railroad and home to an important ferry terminal with a deep-water dock, Seward has become an important destination for the visitor industry. According to relatively old data (1993), Seward ranked eighth in the state in number of visitors, right behind the much larger community of Fairbanks. If there were more recent data, its standing probably would have improved because of the dramatic rise in the number of cruise ship passengers. Over the past decade, Seward has become the primary port of entry for the burgeoning cruise ship trade in Southcentral Alaska. Seward has also developed into a major visitor destination, with Kenai Fjords National Park as one of its primary attractions. Possibly more important than the growth of the

13 Seward's Wage and Salary Employment

By industry, 1990-1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Employment	1,753	1,851	2,029	2,111	1,767	1,777	1,824	1,802	2,037
Construction	63	54	20	38	31	60	100	110	93
Manufacturing	312	334	239	298	259	229	168	143	230
Transportation/Comm/Utilities	106	118	129	147	149	149	162	190	218
Trade	266	323	378	318	334	324	349	377	412
Finance/Insurance/Real Estate	*	*	*	*	22	22	21	24	23
Services & Misc.	223	242	284	346	366	338	363	340	404
Ag/Forestry/Fishing	135	173	353	342	3	2	1	1	1
Government	626	586	604	602	604	652	660	617	656
Federal	46	48	50	51	52	54	63	62	90
State	416	369	378	371	364	367	371	366	377
Local ¹	164	170	176	181	188	231	226	189	189

¹ Includes estimate for Kenai Peninsula Borough School District. * Data not available Totals may not add due to rounding.

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

cruise ship traffic has been the local development of the scenic day-cruise ship tours that take thousands of visitors into the Kenai Fjords Park and Resurrection Bay. Seward is also home to a large charter boat fleet. In 1998, according to the Commercial Fisheries Entry Commission, 117 boats were registered. Last year, the Seward Sealife Center opened its doors, quickly becoming a major attraction for in-state and out-of-state visitors alike. Another testament to this visitor industry-based growth has been the recent spate of hotel construction with the new Edgewater, the expanded Windsong Lodge, a new 56-unit U.S. Army Seward Resort and planned expansion of two other hotels.

Commercial fishing and fish processing are also important players in the area's economy. Unlike elsewhere on the Peninsula, seafood processing activity has recently increased in Seward. This is because Icicle Seafoods shifted its production to its Seward plant when the Homer plant burned down in 1998. Seward is also the site for the Alaska Vocational Technical Educational Center

(AVTEC) and the state's maximum-security prison, Spring Creek. (See Exhibit 14.) Both these facilities provide the community with stable year-round employment.

Summary—envy of the state

Even if one and sometimes more of the Peninsula's industries experience a setback, the area's economy, because of its incredible diversity, can sustain itself and even continue to grow. Two of the area's big industries with long-term historical ties to the area, commercial fishing and oil, remain important players in the economy and are an important source of well-paying jobs. The area's visitor industry is not only large, but continues to be a major source of growth. The expansion of its secondary sectors, such as retail and services, gives the Peninsula's economy more depth. The economic diversity the Peninsula enjoys remains the envy of much of the rest of the state.

Seward's Largest Employers 14 1998

Rank	Name of Company/Organization	Average Annual Employment	Business Activity
1	Alaska Department of Corrections (State Prison)	199	State Government
2	Alaska Heritage Tours	111	Sightseeing Boat Charter
3	Kenai Peninsula Borough School District ¹	94	Local Government
4	City of Seward	94	Local Government
5	Alaska Department of Education (AVTEC)	75	State Government
6	Icicle Seafoods	68	Seafood Processing
7	Seward Ass'n for the Advancement of Marine Science	58	Sealife Center
8	Wesley Rehab and Care Center	56	Nursing/Personal Care Facility
9	Cook Inlet Processing	56	Seafood Processing
10	Alaska Department of Transportation & Public Facilities	54	State Government

¹ Estimate

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