



# ***ECONOMIC PROFILE AND INVENTORY***

## ***SKAGWAY, ALASKA***

### ***EXECUTIVE SUMMARY***

***Compiled By:***  
***Skagway Development Corporation***  
***P.O. Box 1236***  
***Skagway, Alaska 99840***

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Skagway's economy has seen three major boom and bust cycles: the Klondike Gold Rush 1897-99; World War II 1942-45; and the present tourism boom which began around 1989. Throughout these cycles Skagway has retained its status as a major inter-nodal transportation hub for northern Southeast Alaska and the Yukon Territory. This position has allowed Skagway to develop not only the physical infrastructure required to handle freight, bulk, and cruise ships, ferries, trains, trucks, and planes but also the workforce with the required skills to efficiently handle all that passes through the port.

While the port has dominated Skagway's economy, the community itself is small, close-knit, well educated, and hard working. The children of Skagway are lucky to be able to move safely about the streets any time of the year and are well catered for with events and activities to keep them occupied. The quality of life is high and relationships very informal, everyone from cradle to grave is on a first name basis.

This executive summary follows closely the *Total Development Paradigm* "Layer Cake Model" in its description of the different facets that make up Skagway and its economy. This model uses a systems approach to show how all components of development fit together. Industrial development is a subset of economic development and both are a subset of community development. This conceptual model illustrates the need for a holistic approach to development.<sup>1</sup>

## **Economic Base**

Skagway's strategic position at the northern terminus of the Inside Passage has made this port community the gateway to and from the Yukon Territory since the days of the Klondike Gold Rush of 1897-99. Traditionally dominated by transport jobs, today trade and service jobs now dominate the economy albeit to serve the cruise ship industry.

"Skagway's historic significance and natural beauty now attract hundreds of thousands of visitors each year. Skagway's seasonal tourism-based economy is very strong and growing. But its year round economy and its importance in regional transportation has weakened, and needs to be rebuilt to support a thriving and stable community. The need for more year round jobs is of primary concern to residents."<sup>2</sup>

## Tourism

The visitor industry is the most important sector of Skagway's economy; supporting businesses, providing jobs, and creating tax revenue for the City government.<sup>3</sup> During the summer of 2005 there will be approximately 950,000 visitors arriving on cruise ships, ferries, planes, and vehicles via the Klondike

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<sup>1</sup> Kansas State University Research and Extension, *Creating Economic Opportunities* Number 53, Fall 2002

<sup>2</sup> City of Skagway, *Skagway Comprehensive Plan* (1999), 5-1

<sup>3</sup> Southeast Strategies, *Skagway Economic Impact Study* (2000), 2.

Highway. In addition to these there will be approximately 250,000 repeat cruise ship crew member visits.

Many seasonal businesses operate in Skagway to provide goods and services to these visitors. These retail and tour sectors are the largest in Skagway during the summer cruise ship/visitor season of May to September. There is also the corresponding increase in seasonal employees required to adequately staff these businesses.

In 2004 the visitor industry contributed between 80% and 90% of the taxable revenue for the community: this in turn funds the many public services and utilities. Using 1999 figures, the visitor industry generated approximately 70% of the services budget while 76% of public service and utility costs were contributed to visitors and seasonal residents.<sup>4</sup>

While the economic activity associated with the visitor industry is very beneficial to the residents of Skagway, this seasonal economy should not be compared to other industrial economies with year round jobs.” Generally, a job in the Skagway visitor industry does not pay a “family wage” (enough money to support a family for a full year at a level above the poverty line).<sup>5</sup>

### Transportation

Throughout its history, Skagway’s economy and employment has been dominated by transportation. In 1980 transportation jobs accounted for over 45% of total jobs; 1985 this dropped to 22%, and by 1990 this had again increased to 31%.

Skagway continues to be a major port of entry for the Yukon Territory although in a reduced capacity to its peak. Transportation suffered a setback when it became cheaper for the business community in the Yukon to haul goods up from Vancouver by road rather than by barge service. In 1998 the Skagway Ore Terminal ceased operations due to falling metal prices worldwide. The terminal may re-open in 2007 to ship coal from the Yukon to Pacific Rim markets.

The Yukon is currently seeing a resurgence in mineral exploration and mine preparedness in response to the increase in the value of metal commodities and the dramatic surge in demand from China and India. There is an opportunity to re-establish shipments from the ore terminal as the Yukon mines become financially viable. There has also been renewed interest in the shipment of logs from the Yukon and British Columbia through Skagway because of the 2 day shipping advantage to Pacific Rim markets.

### Trade and Services

These jobs began to increase in the mid-1980’s after the railroad closed and they have increased steadily since. By 1990 the economy began a revival with visitor

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<sup>4</sup> Southeast Strategies, 44-46

<sup>5</sup> Southeast Strategies, 6

numbers increasing and the railroad re-opening (1988). In 1990 trade and services each contributed around 18% of the total employment. Service job numbers jumped significantly in 1995 when the Alaska Dept. of Labor reclassified the railroad jobs from *transportation* to *service sector* to reflect the changed nature of its business.<sup>6</sup> In 1998 trade and service jobs accounted for 58% of total employment in Skagway.

### Public Sector

Up until 1983 the public sector had traditionally been second to transportation in terms of job numbers. After the railroad shut down and the economy was depressed the public sector accounted for 40% of the jobs in town. This was a short lived dominance that lasted until 1988 when once again public sector jobs took a secondary position in the economy. By 1998 these jobs accounted for only 23% of the employment numbers. This is in contrast to overall Southeast Alaska employment which is still dominated by public sector jobs.<sup>7</sup>

## **Physical Infrastructure**

### Water and Sewer

Skagway's drinking water supply consists of 3 deep wells with total production capability at approximately 700 gallons per minute. Total storage consists of 2 redwood tanks with a combined capacity of 300,000 gallons. The water is pumped directly into the distribution system without treatment because it is a true groundwater source.

The water system is being reviewed to address pressure issues and expandability. There are plans for a new pump house which will increase and stabilize pressure at the north end of town while putting in place the mechanism for pumping water north beyond the Skagway River Bridge.

Skagway's primary wastewater treatment plant is designed to operate efficiently at a maximum flow capacity of 630,000 gallons per day.

### Municipal Solid Waste

The community of 880 people generates approximately 8 tons of garbage per week during the winter and 8 tons of garbage per day in the summer. This requires a disposal system that will work efficiently and effectively at all times of the year. To that extent the City decided to build a (Thermal) Waste Oxidizer incinerator in 1996. In July 2005 the City bought a portable multi-material shredder capable of processing up to 7 tons per hour of solid waste from appliances, brush piles, and demolition and construction debris. This will significantly alter the way the City processes its solid waste.

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<sup>6</sup> City of Skagway, 5-2

<sup>7</sup> *ibid.*

Skagway provides a curbside pick-up service year round for businesses and residences in the townsite area. Skagway also provides a limited recycling program which accepts aluminum, glass, and tin cans. There is a scrap metal barge that visits Skagway approximately once every 12-24 months and ships the scrap to Washington State.

### Utilities

Local telephone service is provided by the Alaska Telephone Company (ATC) a subsidiary of Alaska Power & Telephone Company (AP&T). AP&T Long Distance and ATT Alascom provide long distance service. AP&T LD has 300 trunk lines out of Skagway and a capacity of well over 20,000 calls per day.

APTAlaska.Net is a full service internet provider and is a division of Alaska Telephone Company and provides both dial-up and DSL internet services.

Power in Skagway and Haines is supplied by the Alaska Power Company (APC) which is a subsidiary of AP&T. Power is generated from a series of hydro plants in Skagway and Haines which generate all of the community's power needs. The proposed Kasidaya Creek Hydro Project is to be completed by the end of 2007. It will be a 3.0 MW facility and once this plant comes on line it will boost the total peak capacity to 14.3 MW.

The communities of Skagway and Haines are joined by a 13 mile submarine cable inter-tie allowing two-way movement of power between them.

### Roads

Skagway is one of three Southeast Alaska communities that are accessible by road. The Klondike Highway provides tidewater access for the northern highway system to Interior Alaska, Northwest Canada, and the Continental US. The Klondike Highway was designated an "Industrial-Use Highway" (IUH) in 1989 to accommodate the heavy use of the road by oversize/overweight trucks, primarily hauling ore concentrate from the Yukon mines to Skagway's port.<sup>8</sup>

### Port

The Port of Skagway is a deep-water, ice-free port that serves as a year-round transshipment and transportation hub between Alaska and The Yukon Territory. There are three deepwater docks, a ferry dock, a barge dock, and the City owned small boat harbor. Principle cargo consists of general and barge container freight, and petroleum products. The City's fenced upland staging and storage area is 120,000 sq ft of open storage adjoining the ferry/barge terminal. There is also a bulk ore terminal and loader with 1000 tons per hour capacity.

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<sup>8</sup> City of Skagway, 6-3

## **Support Infrastructure**

Skagway has a narrow range of professional and commercial services although; Skagway's location is advantageous in that it has ready access to two regional political and commercial centers.

The cities of Juneau, Alaska and Whitehorse, Yukon Territory are both the political capitals of their respective state/territory. Within these two communities Skagway has access to large box retail outlets; medical, dental, and other health related professional services; legal; financial, architectural and other building professionals; as well as transportation that connects this area with Anchorage, Fairbanks, Seattle, Vancouver BC, and destinations as far away as Frankfurt, Germany.

Skagway's religious community is well catered for with seven places of worship in the community. There are four fraternal organizations and several private non-profits serving the community. All have community based programs and donate heavily to scholarships, charities, and other community projects.

The school was rated the number one school district in the state for 2002-03 and 2003-04 in terms of the No Child Left Behind AYP test scores. The district has been awarded several large grants and they have been providing levels of programming that one would expect from a larger urban area. It is often said that the children of Skagway receive a private education from a public school.

There are high levels of computer ownership and internet connectivity in Skagway. Computers are an integral part of the education system including video- and teleconferencing capabilities in the new state of the art language lab.

Quality of life is probably the number one reason that people make Skagway home. Its proximity to wilderness and backcountry experiences within minutes of town makes Skagway an ideal location for outdoor recreation enthusiasts. Fishing, hunting, hiking, camping, boating, biking, all-terrain vehicle trails, rock and ice climbing, cross-country and downhill skiing, snowmobiling, and flying are all within a short drive. Coupled with the safe nature of the community it is a wonderful place to raise a family.

One bottleneck to continued growth is the scarcity of affordable year round and seasonal housing. The City of Skagway is currently reviewing all of its zoning regulations to refine ordinances to better encourage housing development. A housing partnership is currently being pursued by the City to create housing on city land. This coincides with an opportunity for the City to have 900 acres of its municipal entitlement land conveyed to it from the state.

## **Human Infrastructure**

Skagway was settled on speculation and the drive to improve one's lot; both of which required hard work, perseverance, and technological innovation. Once the height of the gold rush had passed the port and railroad became the community's economic engine. Transshipment has been Skagway's specialty from day one, be it cargo or passengers, and this has become more apparent today with the significant increase in cruise ship visits.

The people of Skagway are used to hard, demanding work and have always tackled a problem with innovation and determination. When they said the railroad could not be built, they built it. When issues arose from the transportation of ore concentrate in open rail cars, the railroad moved to containers and pioneered the inter-modal (ship-train-truck) movement of containers.

The community is family oriented and friendly with a high volunteerism rate in all aspects of community life. Skagwegians enjoy a positive vision for Skagway's future, although some concern remains regarding the sluggishness of the winter economy. Although, Skagway's future appears secure for the next 10-15 years according to the current projected annual increases in visitors and cruise ship dockings.

Skagway's seasonal economy has many of the positive quality of life attributes that are been actively sought by corporations and their site selectors when choosing new sites. With daily commute times at around 2 to 5 minutes, time spent recreating and with family is well above the national average.

This slower lifestyle allows for creative expression and as a result there are many artists and craftspeople who call Skagway home. The artists come from as varied a background as the art they produce. Art styles include wood and ivory carving, painting, drawing, photography, ceramics, jewelry making, corset design and making, quilting, silk scarves, glass fusion, bead making, stained glass, and fine furniture & cabinetry.

## **Leadership Infrastructure**

The City of Skagway is the oldest incorporated city in the State of Alaska. Its First Class city status allows it to levy taxes which currently include real property, sales, bed, and tour. The City is governed by the strong manager form of government with a mayor and six council members elected at large from the general population.

The 1999 *City of Skagway Comprehensive Plan* is the result of a broad based community process to formalize a common vision for the next ten years. The City

has had an ongoing economic development program for over twenty years. The current approach to economic development addresses the need to diversify and enhance the year round economy. The City supports an economic development effort undertaken by a local private non-profit that receives financial assistance from the City.

## **Conclusion**

Skagway's resilience and tenacity has proven to be its strong suit. The community has invented itself and re-invented itself always for the better and has become a successful rural community; at a time when many other rural Alaskan communities are closing down or suffering great economic hardships. There may well be opportunities in the next two years for Skagway to begin shipping coal, and logs year round once again. With the increase in mineral exploration and resource development in the Yukon, Skagway may well once again become the golden gateway to the Yukon.