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Industry Profiles

Construction Industry

As one of the largest employers in the state, the construction industry in Alaska expects continued growth in the coming year. For a variety of reasons, commercial construction in Alaska tends to dwarf residential construction and is evenly divided between the public and private sectors. In 2002, the State of Alaska expects to undertake $350 million in transportation projects including major upgrades to the Old Seward Highway, C Street and Arctic Boulevard in Anchorage. The 2002 budget contemplates significant transportation projects in all parts of the state. In addition, the Alaska Legislature committed more than $400 million to local schools and universities to address deficiencies in facilities. Similarly local municipalities approved more than $100 million in general obligation bonds for the construction of new schools.

Due to the importance of air travel in Alaska, upgrades will continue at many of the airports throughout the state. FAA funding will account for almost $150 million of the construction and Stevens International Airport in Anchorage will expend almost $85 million for the expansion of the "C" concourse.

Owing to Alaska's strategic location, defense spending will continue to remain at a high level. The Army Corp of Engineers anticipates approximately $275 million in new construction and other branches of the military should add an additional $150 million.

The private sector will continue to be dominated by investments on the North Slope by the oil industry. BP and Phillips Petroleum anticipate a combined capital budget of approximately $1.2 billion. Other private sector companies will expand their Alaskan bases as Wal-Mart and Home Depot open additional stores in the state.

POTENTIAL FUTURE PROJECTS:

The existing labor pool hampers significant expansion of the construction industry. Should the natural gas pipeline, ANWR, or the missile defense system move forward, Alaska might not have sufficient labor to address these new initiatives while continuing to meet the capital needs of an expanding economy. The Alaska construction industry through AGC is working with educators, politicians, and labor leaders to address this need.

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Seafood Industry

The Seafood industry is Alaska's largest, private industry employer, accounting for over 33,000 full-time jobs. Forty-seven percent of Alaska's private employment is related to seafood. In 1998, eleven seafood processors were in the top 100 employers in the State of Alaska.

Alaska, if it were a nation, would rank as one of the top ten worldwide – 5 billion lbs. or 60% of all U.S. production. This is four times more then the next largest U.S. producing region. Illustrated another way: if all the seafood produced in Alaska was loaded into shipping containers…. those containers laid end to end would stretch from Prudhoe Bay to Valdez…as long as the Alaska pipeline.

Approximately 250 shore based processing facilities of all sizes operate in Alaska (and declining), employing nearly 22,000 and generating an annual payroll exceeding $350 million.

Commercially harvested species include sockeye (red) chinook (king), pink (humpy), coho (silver) salmon, and chum (keta or dog); halibut; herring; snow, king, and dungeness crab; scallops; shrimp; pollock; Pacific cod; sablefish; Atka mackerel; rockfish; yellowfin sole; turbot; rex sole; flathead sole; dover sole; Pacific Ocean perch; ling cod; sea cucumbers; urchins; abalone; and whitefish.

Alaska's seafood industry is the second largest provider of state revenue and pays over $80 million annually in taxes and cash benefits to the state and its communities. Almost every costal community in Alaska is heavily reliant on the seafood industry. Over 90% of Southeast Alaska's private industry income is derived from the seafood industry. Anchorage is Alaska's largest fishing community; with 768 permit holders, 36 fish processors and over 20,000 crewmembers residing in the area. Alaskans own approximately 78% of commercial salmon permits. Mat-Su is the second largest.

Exports

- Export production has averaged 550 million pounds since 1991 and export value has averaged $1.5 billion during the same period of time.
- According to the US Department of Commerce, for the first six months of 1999, fish products continue to be Alaska's number one export, accounting for 47% of Alaska's total Exports. Seafood exports were over 55% as the same period a year ago. The majority of product is exported to Japan, Korea, and other Pacific Rim nations.

Issues

- Expansion of international markets in Pacific Rim countries and the United States through improved marketing and development of value added products.
- Continued promotion of responsible fishing practices and sound management programs.
- Return of full fish and game management to the State of Alaska; resolution of the subsistence dilemma.
- Enhancement of the public image of the fishing/seafood industry.
- With 70% of the nation's fish rich continental shelf in Alaska, a tremendous opportunity exists for Alaska to supply fish and fish protein products.

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International Trade

Alaska is one of the most trade-oriented states in America, and international trade is big business in Alaska.

In 2000, Alaska's worldwide exports held steady at $2.5 billion, about the same as 1999. Exports bring new money into the local economy, and they support the jobs of many thousands of Alaskans. With only a small local market and a larger, but limited, market in the Lower 48, it is the overseas markets that enable the state's most important industries to be of the size and significance they are today. Examples include seafood exports to Asia, coal to Korea, liquefied natural gas to Japan and minerals to Canada and Europe. Even among service industries, professional and technical services for example, important markets are overseas.

While Alaska companies are exporting to more than 70 countries, most of our products go to a few markets, with over half of Alaska exports going to Japan and nearly 80% to Asia. It makes sense. Asia is nearby, the transportation links are there, and Asian economies need the natural resources that Alaska can provide.

Japan continues to be Alaska's largest trading partner, accounting for over 53% of Alaska's total exports. In 2000, Alaska exports to Japan topped $1.3 billion, holding steady with the recovery-year of 1999. Top exports to Japan in 2000 were seafood, crude oil and natural gas, wood products and minerals. Sixty-nine percent of Alaska's seafood exports went to Japan.

Korea and Canada remained Alaska's second and third export markets in 2000. After a record-breaking year in 1999, exports to Korea decreased slightly to $449 million. Canada imported $165 million from Alaska in 2000. Belgium and China rounded out Alaska's top five export markets, followed by Taiwan, Mexico, the United Kingdom, Germany and Singapore.

Seafood is Alaska's top export commodity. In 2000, seafood exports generated approximately $1.3 billion, an increase of 4.5% from 1999. This was the first time since 1996 that seafood exports topped $1 billion.

Since the lifting of the oil export ban in 1996, North Slope oil producers have exported a portion of their production to overseas customers. In 1999, the dollar value of these exports reached $500 million and was $287 million in 2000. During the past year, however, producers have decided to ship their entire production to West

Coast refineries. While this will cause a statistical impact in Alaska's export picture, it will not have any appreciable impact on employment or revenue for the state.

Minerals were Alaska's number three-export commodity in 2000. The overall value of the industry was approximately one billion dollars, with exports totaling $293 million.

Exports of services also continue to grow. Alaska companies have developed expertise in the oil and gas sector, including oilfield services and environmental services, and this expertise is recognized worldwide.

With its central geographical location on the direct air routes between the US and the Far East, and Europe and the Far East, Alaska's international airports have developed as major cargo hub airport for nearly 40 US and foreign cargo carriers. More all-cargo, wide-body aircraft move through Ted Stevens Anchorage International Airport than any other airport in the United States. The majority of all trans-Pacific freighter service comes through Anchorage. Fairbanks International Airport also has significant international air cargo activity, including service to Europe.

Alaska has five foreign trade zones (FTZ's): St. Paul, Valdez, Fairbanks, Kodiak and Anchorage. Goods imported into these areas and subsequently re-exported are subject to neither local inventory taxes nor U.S. import duties. For more about Alaska's FTZ's, see www.dced.state.ak.us/trade/pub/ftzbrochure.

"International trade is a very important part of Alaska's economy – more so than many other states. And though Alaska has a lot of competition out there, we're doing pretty well at it," said Governor Tony Knowles. "Any increase in exports means jobs for Alaskans," continued Knowles. "Government's role is opening doors, creating a friendly business climate and designing policies that let you in the private sector do your business."

ISSUES

1. Positioning Alaska as a premier location for air cargo warehousing and transit between the United States, Asia and Europe.

2. Value of Alaska's seafood, oil and gas, and mineral sectors on the world market.

3. Increasing support for the export of services.

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Timber Industry

The Alaska forest products industry directly employed an annual average of 1,500 people in 2000. This is a 12% decrease from the annual average of 1,700 in 1999. Employment levels have continued in a downward trend and will likely average approximately 1,100 for the year 2001. Historically, Alaska's forest products industry has been based on processing its lower quality logs in two dissolving pulp plants and exporting higher quality round logs and cants to the Pacific rim, primarily Japan. The Asian economic crisis, the closure of Southeast Alaska's two pulp mills, and reductions in the annual allowable harvest for the Tongass National Forest have combined to drive harvest, employment and profit levels to dramatic lows over the last decade.

Approximately one hundred commercial sawmills and secondary manufacturers operate across the state. These range from five to ten mills that produce more than 1mmbf of product annually, to mobile dimensional mills sawing personal-use wood from national and state forests for individual clients.

Timber species targeted for commercial harvest in Alaska include Sitka spruce and western hemlock which are the main components of the coastal rainforests of Southeast and Southcentral Alaska. Southeast harvests also include western red cedar and Alaska (yellow) cedar. The boreal forests of Alaska's Interior feature white spruce, paper birch and balsam poplar, but these forest lands have not experienced the same degree of commercial utilization as the coastal forests.

Exports:

Alaska forest products exports totaled $209.5 million in 2000. This is nearly a 6% decrease from the $222 million exported in 1999. Softwood log exports totaled $184 million, and lumber and cants returned $18 million. Alaskans also exported $5.4 million worth of wood chips. With the softening of the Asian market continuing into the new decade, emphasis has shifted to the domestic, particularly with lower grades of logs. Alaska lumber and logs are increasingly sold to manufacturers in the lower 48 and to local Alaska markets.

Issues:

The biggest challenge facing the Alaska industry is the strategic, long-term transition to an integrated, value-added industry. With world markets oversupplied with cheap logs and fiber, Alaska must secure key niches markets for its forest products. The state Division of Forestry focuses its timber sale program on providing raw material for Alaska sawmills. Private land owners are investigating different strategies to maximize returns on their logging activities. The majority of private logs and timber from the Mental Health Lands Trust and the University of Alaska are still being sold in the round to markets outside the state, but each of these sources is considering its options.

The spruce bark beetle, which has infested approximately 3 million acres over the past decade, has slowed its destruction of Southcentral and Interior forest lands. Federally funded task forces in the Kenai Peninsula Borough and the Municipality of Anchorage have made progress on basic issues of fire safety for homes and community infrastructure. The State, which owns approximately 20% of the Kenai Peninsula, continues to make available salvage sales to promote and fund reforestation efforts.

Recent legal and administrative changes have made predicting timber harvest from the Tongass National Forest a difficult proposition. Importantly, a March 1999 federal Appeal's court injunction included a ruling that the 1999 Record of Decision on the Tongass Land Management Plan (TLMP) was invalid. As a result, the 1997

TLMP now is the controlling plan and the allowable sale quantity has risen back to that level of 267 mmbf. Nationwide the U. S. Forest Service is conducting a review of roadless areas. This review on the Tongass is not likely to reduce allowable harvests below the 1999 Record of Decision level of 187 mmbf because the Record of Decision removed virtually all roadless areas with wilderness potential from it's base harvest areas.

Despite the worsening supply situation, a new veneer mill has opened in Ketchikan and several sawmills in the region are considering the installation of kilns for drying lumber. The veneer facility is designed to peel veneer from western hemlock, Sitka spruce and western red cedar. Some of the hemlock veneer will be used to manufacture Laminated Veneer Lumber (LVL), an engineered structural product. The remainder will be sold for plywood stock.

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Mining Industry

Low prices for base and precious metals for most of 2000 had a negative impact on the mineral industry worldwide, including Alaska. Because of metal prices, many family placer mines were idle and exploration by junior mineral companies and independent prospectors was below that of last year.

The sum of exploration, development and the value of minerals produced exceeded $1 billion in 1999 for the fourth consecutive year and 2000 will likely make a fifth. Exploration expenditures in the state during 1999 were down $5 million from 1998 to $52.3 million but this decrease was significantly less than the decreases experienced in nearly all other parts of the world. Development (mine construction) was also lower at $33.8 million due to completion of the expansion and upgrade projects at the major mines.

The total value of Alaskan mineral production in 1999 was $1.03 billion, the first time ever that the "production" portion of the total value reached the billion dollar level. This breaks down as $921.2 million for metals, $70.5 million for industrial materials including rock, sand and gravel, and $41.2 million for coal (includes a small amount for peat). Metals accounted for 89% of the total 1999 production and was composed of 643,642 tons of zinc concentrate valued at $630.8 million, 517,890 ounces of gold valued at $144.3 million, 16.5 million ounces of silver valued at $85.6 million, 125,208 tons of lead valued at $57.6 million, and 2,100 tons of copper valued at $3.0 million.

The Red Dog Mine near Kotzebue produced most of the lead and zinc, as well as about 6 million ounces of silver, while the Greens Creek Mine near Juneau produced the balance of the lead and zinc, about 9 million ounces of silver and 60,000 ounces of gold. Red Dog accounts for approximately 10% of the zinc concentrate being produced in the world.

Most of the 517,890 ounces of gold produced in Alaska in 1999 were from the Fort Knox open-pit hardrock mine near Fairbanks, where almost 1,000 ounces per day were produced with a total of 351,120 ounces. Greens Creek was the second largest producer with the remainder coming from the approximately 100 placer mines operating statewide.

Usibelli Coal Mine, Inc. near Healy was the only coal mine operating with a total of 1.56 million tons produced. Of this total 560,000 tons were shipped to Korea, with the remainder used in seven power plants throughout the interior of the state. The Healy Clean Coal Project was idle for much of the year due to legal disagreements between the owners.

Sealaska Corporation continued to ship limited amounts of high-quality calcium carbonate in 1999 from the Calder Limestone mine on Prince of Wales Island as it continued to develop markets for the product. Other industrial minerals production occurred at various sites throughout the state with the majority being on the North Slope in support of oil and gas development.

Several exploration projects show promise of becoming the mines in the future, once the price of gold improves. At the Kensington Mine north of Juneau all permits are in place, but several modifications are being proposed due to low gold prices. The mine is expected to produce 200,000 ounces of gold per year. At Donlin Creek near the village of Crooked Creek in the central Kuskokwim, drilling has defined a resource of 11.5 million ounces of gold. In Interior Alaska, the True North gold project located about 13 miles from the Fort Knox Mine has a gold reserve of 1.3 million ounces and work is in progress to obtain permits so this ore can be mined and then trucked to the Fort Knox mill for processing. The Pogo gold prospect northeast of Delta Junction has a gold reserve of 5.6 million ounces at grade of 0.52 ounces per ton. This rich deposit continues to draw attention and spur on the claim staking rush that has been occurring from Fairbanks to the Canadian border and beyond. In 1999 Pogo began driving a 5000 foot long underground adit under and into the deposit to allow close-spaced delineation drilling and bulk sampling for metallurgical testing.

Exploration for both gold and polymetallic deposits containing gold, silver, copper, lead and zinc has continued but due to metal prices at a reduced rate. A total of 455,524 feet of drilling occurred during 1999 with 369,863 feet of that being core drilling for hardrock metal deposits.

A total of 12,793 new state mining claims and 1,892 state prospecting sites were located in 1999, bringing the number of total active state claims to over 50,000. However, due to federal administration policies, only 308 new federal claims were staked, mainly in southeast Alaska, with the total number of active federal claims being about 10,000.

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Oil & Gas Industry

Oil production from Alaska accounts for over 20% of all oil produced in the United States. Alaska ranks second in daily oil production behind Texas. Alaska has produced a cumulative total of 14 billion barrels of oil and 9.5 trillion cubic feet of natural gas. Production averages more than 1.1 million barrels of oil per day.

Oil revenues are the major source of income to the state. In FY1999, the state received nearly $1 billion in unrestricted general fund revenues, representing 70% of the state's total unrestricted revenue. Since oil production began on the North Slope in 1977, the state has received more than $46 billion in taxes and royalties.

The oil and gas industry employs nearly 8,000 Alaskans and, although the oil and gas industry is not labor intensive, University of Alaska economists have determined that oil revenue contributes substantially to all Alaskans' personal income.

Alaska oil production totaled 415 million barrels in 1999. There are now more than a dozen producing fields on Alaska's North Slope. In 1999, North Slope fields produced 372 million barrels of oil and 32 million barrels of natural gas liquids. Oil from the North Slope travels 800 miles from Prudhoe Bay to Valdez via a Trans-Alaska Pipeline System, which is owned by a cooperative of oil companies.

Seven producing oil fields on the Kenai Peninsula produce 30,000 barrels of oil per day. There are 17 gas fields, which currently produce more than 485 million cubic feet of gas per day. In 1999, 11 million barrels of oil and 177 billion cubic feet of natural gas were produced from Cook Inlet gas fields. The Kenai Peninsula and offshore fields in Cook Inlet have produced a cumulative total of 1.3 billion barrels of crude oil and 5.8 trillion cubic feet of natural gas.

EXPORTS

A gas liquefaction plant at Nikiski, the only one of its type in North America, supplies 1.3 million barrels of liquefied natural gas to Japan each month. Presently, all oil produced in Alaska is being delivered to domestic markets.

ISSUES

- Development of new fields is essential to provide a sustainable, long-term revenue stream to the state.
- Future exploration in Alaska will require investment decisions based on worldwide oil and gas prices, land access, and competition for investment dollars.
- A competitive business tax and regulatory climate is necessary to encourage the industry to make the long term, high-risk investments typical of the business.

FORECAST

- Production from existing Cook Inlet and North Slope fields will continue to decline.
- Development of the North Slope's 35 trillion cubic feet of natural gas recoverable reserves will be in the forefront of oil and gas activity over the next 2-7 years.
- The State of Alaska and Business Community will continue to encourage opening of the ANWR Coastal Plain.

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Tourism Industry

Tourism is Alaska's second largest private-sector employer, accounting for one in eight private-sector jobs. It is also Alaska's fastest-growing industry. More than 1.4 million visitors traveled to Alaska during the year from October 1998 through September 1999, 1.2 million of them in the summer of '99.

Visitors spend over $1 billion annually in Alaska, or about $725 per visitor. Visitors and tourism businesses inject about $124 million directly into state and local treasuries in the form of taxes, fees, and other assessments a leading industry in Southcentral, Southeast, and Interior Alaska, and it continues to grow in the Southwest and Far North regions, as well. Winter tourism is also growing in many areas of the state. The visitor industry is mainly composed of small businesses and has a 78 percent resident hire rate, the highest of all industries.

The majority of Alaska visitors come for pleasure; however, a significant number also come for business, conventions, and to visit family and friends. The largest portion of Alaska visitors are from the United States and Canada. Overseas travelers account for 6 percent of visitors. The average visitor is very well-educated, has an average household income of $60,000, and is about 50 years old.

Visitors come to Alaska in the summer by air (50 percent), by cruise ship (38 percent), by highway (9 percent), by the Alaska Marine Highway (2 percent), and other ways (1 percent).

EMPLOYMENT OPPORTUNITIES

For jobs in the tourism industry in Alaska, visit www.alaskatourismjobs.com

ISSUES

- Adequate tourism marketing funds to keep Alaska competitive in the global travel market continues to be a major concern to the industry.
- Continuing infrastructure and transportation improvements are also required to meet the needs and expectations of visitors.

FORECAST

- Modest growth should continue, with aggressive marketing needs to expand the number of visitors to Alaska.
- More communities and businesses will be competing for visitor dollars.

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