

# **ANILCA AND THE SEWARD ECONOMY**

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for  
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## **1. SUMMARY**

The Alaska National Interest Lands Conservation Act of 1980 (ANILCA) established the Kenai Fjords National Park and the Alaska Maritime National Wildlife Refuge on the doorstep of Seward, a small community on Resurrection Bay in the Kenai Peninsula of south central Alaska. The community originally opposed both, primarily because citizens felt they would preclude economic development through restrictions on the use of the natural resources of the region.

In the first decade after statehood, Seward had lost a large share of its economic base virtually overnight as a result of the Good Friday earthquake in 1964. It struggled through the rest of the decade, but was never able to recover its role as the transportation gateway into south central Alaska, which shifted to the port at Anchorage. In the 1970s growth in the seafood and timber industries, the pipeline construction boom, and state government spending combined to help the economy grow. Still, Seward never was a partner in the oil and gas development that stimulated growth in the western half of the Kenai Peninsula, and market driven fluctuations in both the seafood and timber industries were a continuing source of economic instability. As a result when ANILCA became law, Seward residents saw it as another obstacle to development rather than an opportunity.

In fact since ANILCA the Seward economy has expanded and strengthened. Annual average employment has increased at a rate of 3.7 percent per year. The economy has become less dependent on the unstable harvesting and processing of seafood and timber. Through the 1980s the seafood and timber industries did expand, but their economic contributions to the community have fallen in the 1990s. The opening of a state prison in 1988 added another source of stable employment and income.

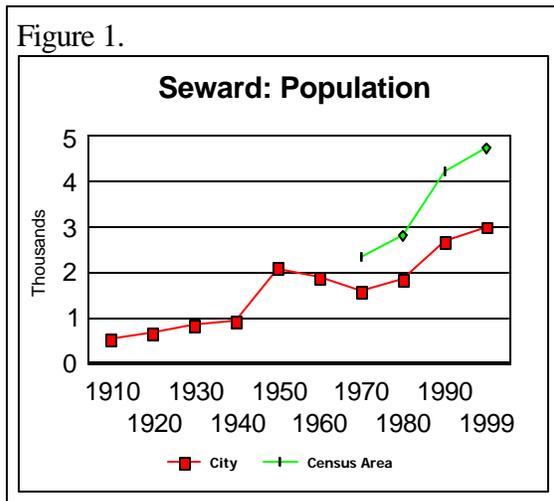
Most of the economic growth, particularly since 1990, has been driven by the visitor industry. Although there is no direct way to track this industry, employment in trade, services, and transportation—the sectors that provide the most visitor-related jobs—grew at an annual rate of 5.9 percent. Retail sales from summer visitors have grown at an 9.9 percent annual rate (inflation adjusted) since 1987.

The Kenai Fjords National Park is widely regarded as the primary magnet, along with recreational fishing in Resurrection Bay, for most of this growth. The Park headquarters is located in Seward, so Park visitors automatically become Seward visitors who stay for the other visitor attractions in the community. The National Park status has also elevated the profile of Seward as a visitor destination across the country and indeed the world.

There is now widespread agreement among the residents of Seward that creation of the Kenai Fjords National Park has been good for the visitor industry, the economy and for the community. The standard of living is higher, there are more job opportunities, local public revenues have grown, and the economy is more diversified. The creation of the national interest lands surrounding Seward has not foreclosed natural resource economic development opportunities, and has not led to other significant user conflicts. Seasonality of employment is a concern as is the potential that continued growth might at some time result in user conflicts. The community change of heart is best reflected in the fact that in the 1975 city council resolution condemning the formation of the National Park was rescinded in 1985, five years after the park was created.

## 2. SEWARD BEFORE STATEHOOD

The city of Seward was incorporated in 1912 in anticipation of construction of the Alaska Railroad, which occurred between 1915 and 1923, linking Seward in the south with Fairbanks in the North. Because of its location on the south side of the Kenai Peninsula and its year round deep-water port on Resurrection Bay, Seward became the gateway connecting Anchorage, Fairbanks, and much of interior Alaska to the outside world. The community grew slowly until the outbreak of World War II during which the population doubled. After the economic booms produced by World War II and the Korean War, population declined and at the same time a road link between Seward and Anchorage was opened in 1951 (Figure 1).



On the eve of statehood in 1959 the mainstay of the economy was transportation based upon the year round deepwater port, the railroad terminal, and road access to the interior. Fish and timber harvesting and processing were the other basic industries supporting the economy.

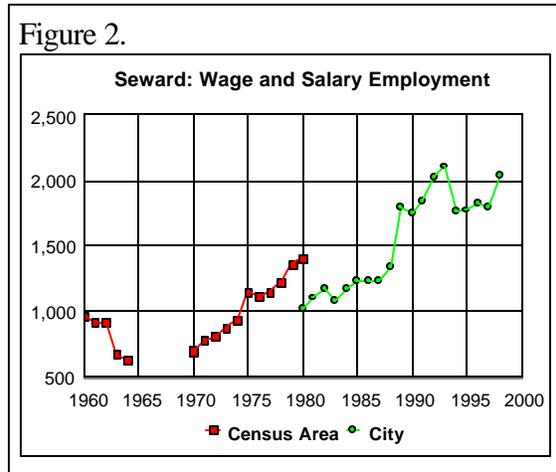
## 3. FROM STATEHOOD TO ANILCA

Shortly after statehood the new port of Anchorage began to take business away from Seward, and competition also increased from Whittier which had direct barge to rail capability. However it was the 1964 Good Friday earthquake and resulting tsunami that destroyed the transportation base of the economy and severely damaged the seafood and timber industries as well. The port of Seward was destroyed and the movement of goods into the state shifted to the Port of Anchorage. Both fish processing facilities were also destroyed. A timber mill was destroyed by fire two years later.

The port, railroad dock, one fish processing plant, and the timber mill were eventually rebuilt but Seward never regained its former role as the primary conduit for imports into south central Alaska. Furthermore an economic boom on the west side of the Kenai Peninsula, fueled by development of the Cook Inlet oil and gas resources, did not extend eastward into the Seward area.

The decade of the 1960's was a time of "economic distress" (Alaska State Housing Authority, 1968). Between 1961 and 1970 wage and salary employment declined from

969 to 692 (Figure 2).<sup>1</sup> The greatest loss was in the transportation sector where employment fell from 432 in 1961 to 42 just four years later in 1965. Unemployment increased due to the elimination of much of the economic base of the community and consequently the population of the city of Seward fell over the decade from 1,891 in 1960 to 1,587 in 1970.



The condition of the economy entering the decade of the 1970s is reflected in the statistics for personal income for 1969 (Table 1).

Government wages and salaries, mostly state and local, were the largest source of personal income, accounting for more than 1/3 of the total—38 percent. The harvesting and processing of seafood and timber accounted for an additional 25 percent (manufacturing and other). Transportation

and construction accounted for 12 percent. The remaining 25 percent was accounted for by businesses providing support both to these industries and to the general population (trade and services). Per capita income stood at \$13,727 (1999 \$).

**Table 1. Seward Personal Income in 1969**

	Thousands of 1999 \$	Percent of Earnings
Total Income	\$31,941	
Earnings	\$27,078	
Government	\$10,301	38%
Trade	\$3,857	14%
Services	\$2,954	11%
Manufacturing	\$3,028	11%
Transportation	\$2,030	7%
Construction	\$1,257	5%
Other (Fish Harvesting)	\$3,751	14%

The decade of the 1970s brought many changes to Alaska and to the Seward economy. First, it was a decade of rapid growth in earnings from fish harvesting and processing throughout the state. Between 1970 and 1978 the value of the salmon harvest in Cook Inlet increased from \$13 to \$74 million (1999 \$), before falling to \$25 million in 1980. In mid decade there were three processors active in Seward. Proprietor income in Seward, of which a large share was derived from fish harvesting, increased from \$3.9 million (1999 \$) in 1969 to \$10.7 million in 1978. Fish processing income (non-durable manufacturing) increased from \$2.3 to \$8.8 million over the same period (Figure 3). In

<sup>1</sup> All employment figures are annual averages.

Figure 3



response to increased harvesting pressure on the salmon resource limited entry was introduced into the fishery in 1974, which restricted harvester access and further growth in the number of harvesters.

Timber harvesting displayed a characteristic cyclical pattern—increasing rapidly in mid decade due to the establishment of the Louisiana Pacific Chip Mill, only to fall precipitously when the mill closed. Earnings fell from \$4.8 to \$1.5 million (1999 \$) in a year (Figure 4).

Figure 4.



At the start of the decade state spending increased as a result of the sale of the Prudhoe Bay oil leases. This higher level of spending was later sustained by state oil revenues from North Slope oil production. Consequently, wages and salaries in state and local government nearly doubled between 1969 and 1978 (Figure 5). The economy also benefited from growing state assistance to local government, reflected in a steep drop in the property tax mill rate starting in the later part of the decade (Figure 6).

Seward participated in the boom associated with construction of the Alyeska pipeline in mid decade. The port became a point of entry for material destined for the interior. In one year, 1975, transportation earnings increased from \$3 to nearly \$10 million. In the next year it fell to \$4 million and trended downward for the rest of the decade (Figure 7). The higher level of government spending and higher incomes from the pipeline boom in turn led to a construction boom at the end of the decade reflected in a spike in construction earnings and a jump in housing construction.

Figure 5.

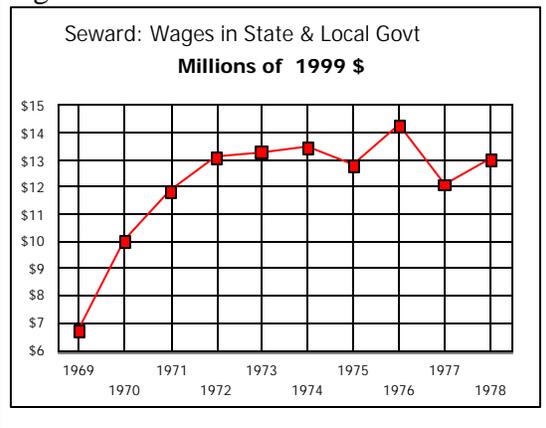
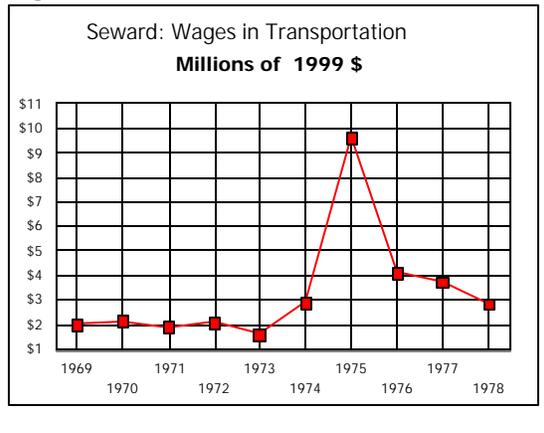


Figure 6.



Figure 7.



Largely in response to growth in the seafood industry and booms in timber and pipeline construction, earnings in services (health, education, and other) tripled over the decade and earnings in retail trade nearly doubled. In addition Seward was beginning to develop as a recreation destination for residents of Anchorage attracted by the beauty of Resurrection Bay with its port only 120 miles by road from Anchorage. At the same time the number of visitors from outside the state was starting to have an impact on activity on the Kenai Peninsula, including Seward.

Wage and salary job growth in the Seward Census area (including both the city and the surrounding region) between 1970 and 1980 was 104%, from 692 to 1,410<sup>2</sup>. The largest increase was in manufacturing—fish processing. As a result, total personal income more than doubled between 1969 and 1978—from \$32 million to \$70 million (1999 \$). Locally generated earnings were augmented by about 10 percent by wages brought home to the community by Seward residents working outside the city, on the North Slope and elsewhere.

Population growth was much slower—20 percent, with a definite boom during the pipeline construction years of the mid 1970s. Growth lagged behind the rest of the Kenai Peninsula. Consequently per capita personal income nearly doubled over the decade from \$13,737 to \$24,439 (1999 \$).

Notwithstanding the growth in jobs and income during the 1970s, a survey of permanent residents of the 5 largest communities on the Kenai Peninsula conducted by the Urban Observatory of the University of Alaska Anchorage in the summer of 1976 found that Seward was not keeping up with the rest of the Peninsula economically. The population over 60 was 10.4 percent—twice that of Kenai, and four times that of Soldotna. As a result 12 percent of the adult population was retired, compared to 1 percent in Soldotna and 3.1 percent in Kenai.

The percentage of homes in need of repair was highest in Seward, due to the older average age of the housing stock. Seward also had the most crowded housing, with over two persons per room (census definition). However the percentage of housing served by utility water and sewer was the highest.

Stability of the population was reflected in length of residence, which averaged 13.9 years in Seward compared to 5.3 in Soldotna, and 6.4 in Kenai.

<sup>2</sup> Wage and salary employment in the city of Seward in 1980 was 1,019.

Average household income was much lower in Seward than in the other communities surveyed--\$21,804 compared to \$29,659 for Soldotna and \$31,771 for Kenai. This was a reflection both of the large retired population and the absence of high paying jobs in oil and gas and construction that were available in Soldotna and Kenai. However the unemployment rate was not significantly different for Seward compared to the other communities on the Peninsula.

The job mix was found to be relatively diversified in Seward, with the following proportions—services (25.5%), trade (19.8%), transportation, communications, and utilities (14.2%), commercial fishing (13.5%), manufacturing (10.4%), and government (11.3%).<sup>3</sup>

The employment of heads of households was concentrated in commercial fishing (20.9%) and transportation-communications-public utilities (20.9%). About 12 percent of the workforce was employed outside the Kenai Peninsula.

The survey of permanent residents on the Kenai Peninsula asked questions about satisfaction with the community, attitudes toward growth and economic development, and perceived impacts of growth on the community. Seward residents had moved there for job-related reasons, but valued the small town values, aesthetics, and lifestyle of the community. The disadvantages of small town living were mentioned much less frequently in Seward than in Kenai or Soldotna. Residents had a generally favorable evaluation of the city, partly based on the well-developed social network in the community. Half were favorably disposed to population growth while the other half felt the current size was appropriate.

Seward residents' attitudes favored a range of economic developments. "The people of Seward favor growth and development, but in terms of the development potential that Seward had long before the possibility of oil development." "The choices reflect a greater desire to continue and expand the traditional economic activities of the community, rather than introduce new industries. The choices also indicate a preference for activities that will not result in a change to the environment." (Hitchins et al., 1977). These alternatives are shown in Table 2. There was general optimism that public services could accommodate any economic growth and development.

Towards the end of the decade, considerable attention was devoted to economic planning throughout Alaska. For Seward this effort was reflected in initiatives like the Kenai Peninsula Borough Overall Economic Development Program. This effort was partially stimulated by the potential for oil and gas development in the Cook Inlet and Gulf of Alaska areas as well as by the desire of state government to take a more proactive role in economic development, based on its wealth from North Slope oil. An important component of these efforts was an inventory of the economic development prospects for the region, including growth in existing industries as well as in new industries. Eight

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<sup>3</sup> These percentages do not correspond to either the employment figures from the Alaska Department of Labor or the earnings figures from the US Department of Commerce.

industries were identified—agriculture, timber, seafood, minerals, transportation, petroleum, manufacturing, and tourism.

Development Category	Percent Favorable
Deep Water Port	99
Commercial Fishing	97
Education Research	95
Small Boat Harbor	93
Light Manufacturing	90
Transport and Storage	89
Tourism	87
Lumber	80
Supply Base (for Oil Development)	67
Agriculture	61
Petrochemicals	42

**Agriculture**—After the opening of the Sterling Highway in 1951, connecting the Kenai Peninsula to Anchorage, agricultural production increased in response to the expanded market for agricultural products. In spite of this, during the 1960s and early 1970s cropland utilization on the entire Kenai Peninsula averaged only 2,000 acres. Most of this was on the west side of the Peninsula in the vicinity of Homer. The principal activities were cattle and vegetable production. A large share was for home consumption. Only 31 farms were reported to have sales in excess of \$1,000 in 1975, and there was virtually no infrastructure—credit sources, supply and service firms, etc.—to support an industry. One study, in discussing the suitability of different parts of the Peninsula for agriculture pointedly remarked, “Soils in the Kenai Mountains are shallow, steep and rocky, and therefore unsuitable for agriculture.”(Kenai Peninsula Borough, undated)

**Timber**—In 1978 there were 18 small firms operating in the Borough and three large mills at Seward, Jakolof Bay near Homer, and Tyonek on the west side of Cook Inlet. The annual cut of sawtimber ranged from 6 to 10 MMBF in contrast to an estimated mill capacity of 45-90 MMBF. Reasons for the low rate of production included uncertainty regarding land status, competition from the Pacific Northwest, lack of productive capacity for specialty products, transportation problems (especially from the west side of Cook Inlet), fluctuations in the Japanese market, uncertainties regarding Native corporation land strategies, size of the local market, and quality control. Product markets included both Alaska—dimensional lumber, and Japan—raw logs, chips, and cants. The potential for pulp manufacture was mentioned as a possible new industry, but not specifically in the Seward area. The industry was expected to expand, albeit at a slow pace because of the difficulties listed above. Most of the discussion of the potential for expansion focused on the timber resources on the west side of Cook Inlet. Seward was seen as a location for processing and for product exporting.

**Seafood**—Seafood harvesting and processing were identified as activities that could continue to develop and contribute to expansion of the economic base of the Kenai Peninsula. The potential for expansion of the harvest of halibut, scallops, and herring was noted, while clams and bottomfish were identified as resources that had not yet been tapped. The utilization of fish waste and fisheries enhancement programs, primarily for salmon, were also mentioned as an avenue for growth of the industry. One of the largest halibut processing plants in North America was located in Seward, and that plant also processed herring, salmon, crab, and scallops on a year round basis.

**Minerals**—Coal production has a long history along the west side of the Kenai Peninsula near Homer, and significant coal deposits had been identified on the west side of Cook Inlet at Beluga. No prospects for coal development were identified in the vicinity of Seward. Most mining activity on the Peninsula had been lode production of gold, concentrated in the Hope mining district on the north side of the Peninsula. Of the Seward mining district, “No placer deposits have been reported and none of the lode prospects have produced. Most of the lode gold prospects are a southward continuation of the gold-bearing fissure veins near the end of the Kenai Lake in the Hope District. Others of unknown type reportedly occurred 11 to 14 miles northwest of Seward.” (Kenai Peninsula Borough, undated.) The prospects for development of a mining industry in the vicinity of Seward were not viewed as positive.

**Transportation**—The deep-water port, the railroad terminus, the Alaska Ferry, and the highway connection to Anchorage were all potential resources that Seward could use for the re-development of its transportation industry in concert with the growth of the state economy. The temporary boom associated with the construction of the pipeline was an indication of this potential. However in 1974 the Seward port accounted for only 3 percent as much freight as the port of Anchorage, a clear indication of the dominance of Anchorage as a transportation hub for central Alaska.

**Petroleum**—although petroleum became an important part of the economy of the Kenai Peninsula shortly after statehood, that activity, including production, refining, and manufacturing, was all located in and adjacent to Cook Inlet on the west side of the Peninsula. In the 1970s the petroleum industry explored in the Gulf of Alaska, but oil in commercial quantities was not discovered. If oil had been discovered, Seward would have been a logical location for a support base for development, and possibly a site for some type of processing. However, by the end of the decade interest in the area was waning as attention concentrated more on the North Slope.

**Manufacturing**—Manufacturing on the Kenai Peninsula consisted of fish processing, timber milling, refining of Cook Inlet oil, and conversion of Cook Inlet natural gas to LNG and ammonia-urea. The manufacture of other products was not considered a serious prospect for economic development in the region because of the underdeveloped infrastructure, high labor costs, and great distance from markets.

**Visitor Industry**—Growth of the Anchorage population increased the demand for the recreational resources available on the Kenai Peninsula. Of the 195 business licenses in

Seward in 1974, 51 were in recreation-oriented businesses. Sport fishing was the most popular activity, and Seward, only 120 road miles from Anchorage, was a popular destination for saltwater fishing trips, primarily targeting silver salmon. Visits by out of state tourists to the Peninsula were also increasing. Growth in demand was expected to continue at a rapid rate. “Based on past experience, the projected growth for the Anchorage area and estimates for out of state visitors, recreational traffic for the Peninsula is projected to continue to grow at an average rate of 10 percent annually” (Kenai Peninsula Borough, 1977).

Thus, on the eve of the passage of ANILCA and establishment of the Kenai Fjords National Park, the most likely identifiable prospects for economic development for the Seward economy were continued expansion of the seafood and timber industries (export of cants to Japan), and tourism. Oil and gas development prospects were fading, transportation activity was dominated by Anchorage, mineral prospects were concentrated on coal development at Beluga on the west side of the Cook Inlet, the struggling agriculture sector, on the west side of the Peninsula, was low on the priority list for state development assistance, and manufacturing unrelated to the natural resources of the region was not a viable prospect.

Going into the decade of the 1980s the Seward economy was based primarily upon fish and timber harvesting and processing, government employment, and tourism. The shares of wage and salary employment in 1980 reflect this, except that they exclude the self employed, most importantly the fish harvesters and people working in self-owned visitor related enterprises. (Table 3.)

<b>Table 3. City of Seward Wage and Salary Employment in 1980</b>		
	Number	Percent
Total	1,019	100.0
Mining	28	2.7
Construction	32	3.1
Manufacturing	243	23.8
Transportation	45	4.4
Trade	141	13.8
Finance	17	1.7
Services	175	17.2
Ag., Fish, Forest	9	0.9
Federal Government	34	3.3
State Government	194	19.0
Local Government	109	10.7

Because of dependence on seafood and timber, a large share of the population was subject to annual fluctuations in employment opportunities and income tied to the size and value of the annual harvest of these resources. Government employment and tourism related jobs provided more stability. Seasonality was more pronounced than it had been in earlier decades when transportation had been a dominant force in the economy.

Construction, seafood harvesting and processing, and tourism were all highly seasonal activities. Timber harvesting and processing provided some countercyclical activities.

#### **4. NON VISITOR INDUSTRY RELATED DEVELOPMENT OF THE SEWARD ECONOMY SINCE ANILCA**

In 1980 the Alaska National Interest Lands Conservation Act (ANILCA) converted 104 million acres of Alaska lands into national parks, wildlife refuges and other conservation categories, doubling the size of the country's national park system. Among the new parks created by this act was the Kenai Fjords National Park located on the Kenai Peninsula to the west and southwest of Seward. The act also established the Alaska Maritime National Wildlife Refuge including the Chiswell Islands in the waters adjacent to the National Park. (See Map after References section)

The main feature of the park's 669,983 acres is the Harding Ice field, a mountain platform one mile high, 35 miles long and 20 miles wide, that spills glaciers into spectacular fjords along the coast of the Gulf of Alaska and into the interior of the Kenai Peninsula. The wildlife includes bald eagles, mountain goats, moose, bears, wolverines, marmots and other land mammals that have established themselves on the thin life zone between marine waters and the ice fields' frozen edges. Seabirds, including tufted and horned puffins, black-legged kittiwakes, and common and thick-billed murre, seasonally inhabit the steep cliffs and rocky shores. Marine mammals, including Steller sea lions, harbor seals, Dall porpoises, sea otters, humpback, killer, and minke whales, inhabit the surrounding waters.

The park headquarters is located in Seward, situated just to the east of the park. Access to the park is by road to the Exit Glacier ranger station, north and west of Seward, and by boat or float plane from Seward south and west via Resurrection Bay. Developed facilities within the park are limited to a campground at Exit Glacier, a few established hiking trails, and a limited number of public-use cabins along the coast. The most popular activities include wildlife viewing, hiking, camping, boating, and kayaking.

The park is adjacent to a number of other public areas, including the Chugach National Forest, the Kenai National Wildlife Refuge, Kachemak Bay State Park and the Alaska Maritime National Wildlife Refuge.

When establishment of the park was under consideration there was considerable opposition to its creation in Seward. The city council passed a resolution in 1975 opposing its establishment (which it rescinded in 1985) (Kizzia, 1990). The fear was that the park, along with the other preserves created throughout the state, would become an obstacle to economic development by "locking up" the land.

In fact, since 1980 wage and salary employment in the city of Seward has grown at the substantial average annual rate of 3.7 percent (compared to 2.6 percent for the state as a whole) and population has grown at an annual average rate of 3.1 percent. Additional

jobs and population have been added outside the city limits. No data is available on total or per capita income growth since 1980.<sup>4</sup>

However, according to the Alaska Department of Labor, “(Seward) is home to a diverse, dynamic economy. Over the last decade, it has successfully exploited its location beyond peoples’ expectations”(ADOL, 1999). Stability has been added into the economic base, even though the economy has continued to experience fluctuations in its natural resource dependent industries, and seasonality is more pronounced than in the past. In summary, growth in the 1980s was driven largely by the seafood industry and state government, while growth in the 1990s has been dominated by expansion of the visitor industry.

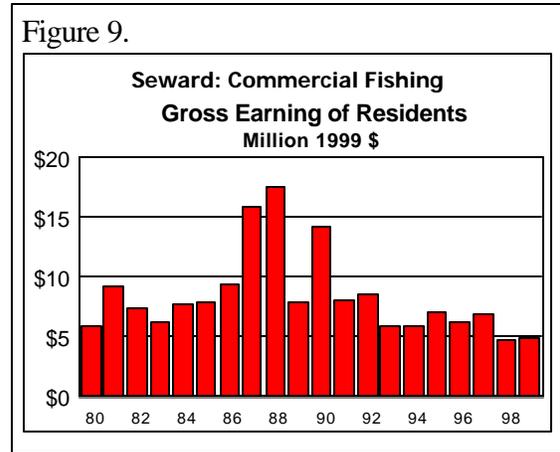
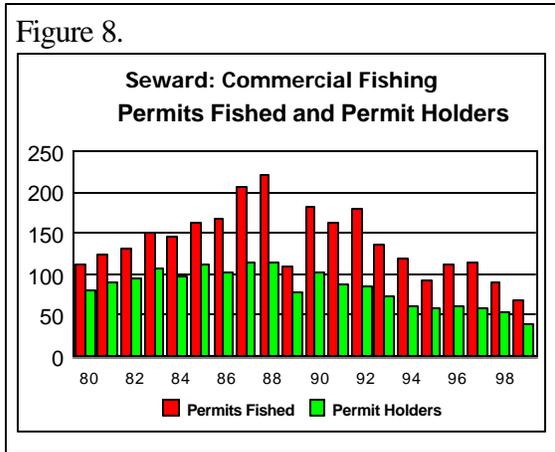
The structure of the economy in the late 1990s is reflected in the wage and salary figures for 1998 in Table 4. Transportation, trade, and services now account for about half of total jobs (excluding the self employed). Government accounts for about 32 percent, and manufacturing—primarily seafood processing--is 11 percent. A large share of the growth since 1980 can be attributed to the visitor industry, both recreational visitors from other parts of Alaska and tourists, but the Seward economy has been influenced by many events and changes that need to be identified before we can isolate the effects of recreation and tourism on the economy.

<b>Table 4. City of Seward Wage and Salary Employment in 1998</b>		
	Number	Percent
Total	2,037	100.0
Mining	0	0.0
Construction	93	4.6
Manufacturing	230	11.3
Transportation	218	10.7
Trade	412	20.2
Finance	23	1.1
Services	404	19.8
Ag., Fish, Forest	1	0.0
Federal Government	90	4.4
State Government	377	18.5
Local Government	189	9.3

First, commercial fishing has continued to be an important part of the economy. The traditional salmon fisheries have been increasingly augmented by the harvesting and processing of halibut, bottomfish and other seafood. However the number of Seward residents working in fish harvesting appears to have declined and jobs in fish processing, many of which are filled by non-local residents, have not increased. The number of Seward residents holding limited entry permits, the number of those permits fished, and gross earnings of residents, all of which increased during the 1980s until 1988, have since

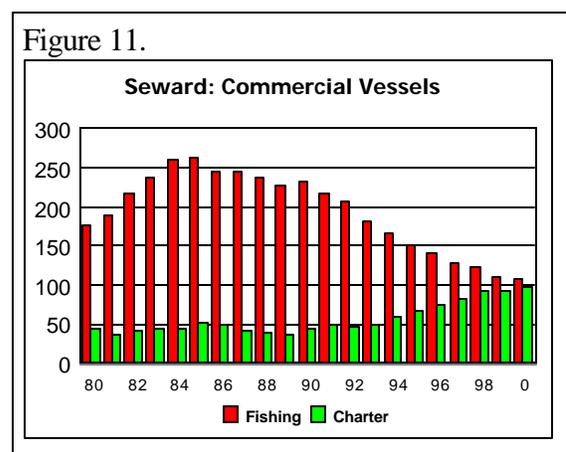
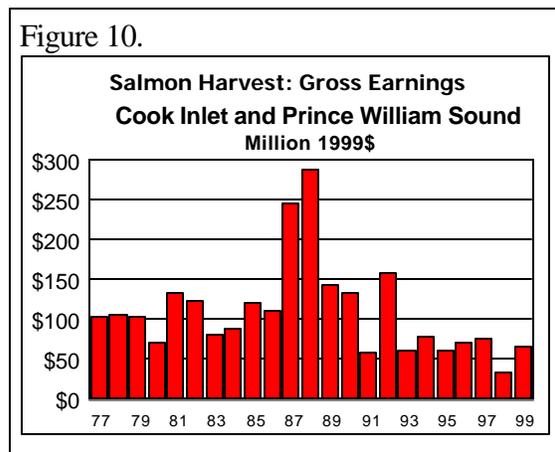
<sup>4</sup> Seward lies within the Kenai Peninsula Borough Census Area. Personal income data is collected and reported for the entire Borough but not separately for the city of Seward.

been trending downward. This is largely the result of lower salmon prices due to competition from farmed salmon (Figures 8 and 9). In 1999 39 resident permit holders fished 69 permits, the number of resident crew members was 163, and the gross earnings of residents was \$4.9 million.



The fisheries in Cook Inlet, Prince William Sound and elsewhere in Southcentral Alaska continue to be highly productive, and Seward is an important location for fishermen to bring their catch regardless of where they live. For example for most of the 1990s the gross earnings of the Cook Inlet and Prince William Sound salmon harvest has been between \$50 and \$100 million (Figure 10). However the total is considerably less than the decade of the 1980s. The crab fishery, important in the 1980s, has also declined markedly. Seward is one of the most important ports in Alaska, with Homer, Kodiak, and Dutch Harbor, for halibut and sablefish landings. In recent years the value of those landings has been between \$20 and \$30 million.

Although the costs associated with fish harvesting are high and only a portion of the harvest of these resources is taken by Seward residents, it is a significant contributor to income. Furthermore this harvest supports the processing industry in the community and the fleet is in turn supported by a number of marine-related services at the port, such as marine communications suppliers, boat repair firms, etc. Nonetheless the number of commercial fishing vessels that call Seward home has been declining since the mid-1980s (Figure 11).



There are currently two significant fish processors located in Seward, one of which, Icicle Seafoods, relocated to Seward in 1998 after its plant was destroyed in Homer. In 1998 Icicle Seafoods had annual average employment of 68 and Cook Inlet Processing 56. With the advent of the Individual Fishing Quotas (IFQs) for halibut and sablefish the seasonality of both harvesting and processing has been somewhat moderated, but fishing is still a highly seasonal activity. As a result the non-resident share of workers in this industry is very high.<sup>5</sup>

The timber industry has not made a sustainable contribution to the economic base of the community since 1980. In 1990 Chugach Alaska Corporation opened a \$13 million state-of-the-art sawmill designed to employ more than 100 workers when running at capacity. The timber was to be brought to Seward from locations around Prince William Sound and the Gulf of Alaska. Its products were to be chips for export, and dimensional lumber for the Alaska and Japanese markets. Unfortunately it developed management problems and cost overruns from the beginning and was never able to make a profit. In the end, in 1994, the mill could not compete for lumber supplies with sales of unprocessed timber sold to Japan. The physical supply of timber was never considered to be a problem with its success.

Although the spruce bark beetle infestation has created a potentially large supply of timber in the 1990s, it has not been translated into either significant timber exports through the port or processing in the Seward area.

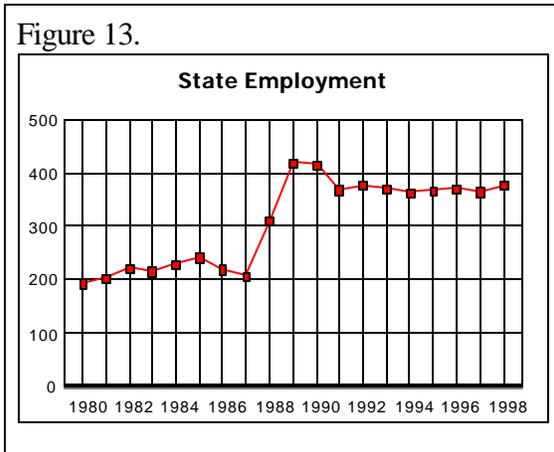


As a result of these developments in the fish processing and timber industries, employment in manufacturing in Seward has been quite volatile (Figure 12). It has fluctuated in a range between about 100 and 300 over the last 20 years. Although many of these manufacturing jobs have been relatively low wage and associated with fish processing, in the early 1990s the bulge was largely due to the short-lived timber mill, which offered year round high wages.

State government, not identified as a potential economic driver in the late 1970s, has in fact contributed not only to growth in jobs, but also to per capita income and stability. The opening of the Spring Creek Correctional Facility in 1988, across Resurrection Bay from downtown, directly added 200 jobs to the region (Figure 13). Construction of the \$45 million facility helped contribute to a construction boom in the late 1980s. The prison was originally designed

<sup>5</sup> The Alaska Department of Labor reports a large number of seafood manufacturing jobs in Seward in the early 1990s. This is due to a large processor whose workers were assigned to Seward by the Department. Their actual economic impact on the community was small.

to house 412 inmates, but it has since been expanded to a capacity of 500. (This has been a significant addition to the reported population figure for the community of Seward.) The jobs at this facility are year round and relatively high wage.



A second important state facility, opened in 1969, is the Alaska Vocational Technical Educational Center, which employed 75 in 1998. This facility provides vocational training to about 1,500 Alaskans each year, most of whom come to Seward for an extended period, and stay in dormitories. This facility has expanded over the years,

generating construction as well as operating jobs.

The State Department of Transportation is the third largest state employer in Seward, consisting of 54 workers associated with the Alaska Marine Highway system and the road system.

Another important component of the state government contribution to the Seward economy is the Permanent Fund Dividend. This annual cash payment to each Alaska resident began in 1982 with a special payment of \$1,000 and has become an increasingly important part of non-wage income. The year 2000 dividend of \$1,963 is the largest in the history of the program. For a community of 3,000, this directly adds about \$6 million to household purchasing power.

State spending increased dramatically during the early 1980s fueled by high oil revenues. Much of the state enjoyed an economic boom during this time, but Seward was not a full participant. Neither was it a victim of the economic bust that followed in the second half of the decade.

The economy was bolstered not only by the opening of the prison, but also by the initiation of the export of Alaska coal through the Seward port in 1985. The coal is transported by rail from the interior of Alaska. The port does not compete with Anchorage as a gateway into the state, but during the winter port traffic does pick up when there is ice in upper Cook Inlet.

The other important event in the recent economic history of Seward was the *Exxon Valdez* oil spill in early 1989. For several summers Seward became an important staging area for cleanup efforts in Prince William Sound. The cleanup brought in many non-residents and generated a large amount of personal income within the community. A more lasting legacy of the oil spill has been the establishment of the Alaska SeaLife Center in the community as a tourist, research, and educational facility.

Figure 14.

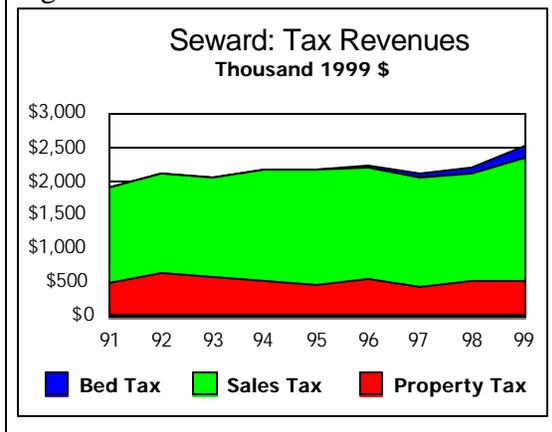


a small hospital and a social services clinic.

The oil spill, together with the construction and opening of the prison, the opening and closure of the timber mill, and the record salmon harvests of the late 1980s all contributed to an economic boom in the late 1980s and early 1990s. Employment jumped and subsequently tapered off<sup>6</sup> (Figure 14).

As in the rest of the state, health-related service jobs were important in the economy. A nursing and personal care facility, the Wesley Rehabilitation and Care Center, currently employs 56. In addition Seward has

Figure 15.



Finally growth in state revenue sharing with local government was a factor both in a doubling of local government employment and in a further reduction in the property tax mill rate, which had begun to fall in the late 1970s. Local government employment grew primarily in response to population and income growth in the community. The growth in local tax revenues in the 1990s has come from the sales tax and the bed tax put in place in 1997 (Figure 15). Property taxes have remained low compared to other communities and the mill rate has not increased since 1992.

## 5. THE ROLE OF VISITOR RELATED ACTIVITY IN THE SEWARD ECONOMY

Although an expanding seafood industry, coal exports, and growth in state spending added employment and income to the Seward economy, particularly in the 1980s, the visitor industry was also growing in the 1980s. Its continued growth through the 1990s has accounted for most of the new jobs and income added in the last decade. Towards the end of the decade the growth appears to be slowing.

“During the 1990s, the pace of growth has slowed to 2 percent for the entire Peninsula. There are 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

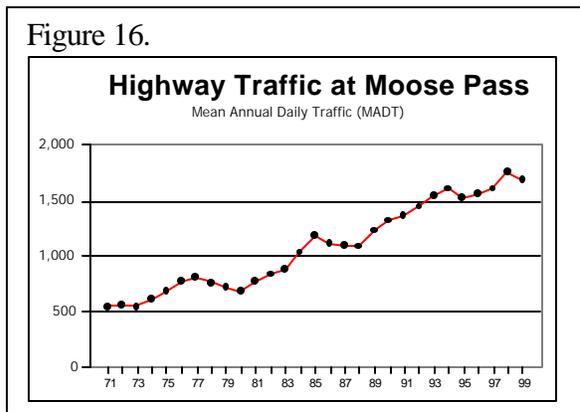
<sup>6</sup> The Alaska Department of Labor reporting of over 300 processor jobs in Seward in 1992 and 1993 contributed to the appearance of a larger boom than actually materialized for the city.

growth.” “The growth and variety of the visitor sector on the Peninsula has been nothing short of phenomenal during the 1990s.” (Alaska Department of Labor, 1999).

Since visitors generate sales for businesses in several industries that also serve resident households and businesses, we cannot directly document the employment associated with spending by and on behalf of these visitors, but we can demonstrate visitor growth and importance for the economy in other ways.

The visitor industry in Seward serves three kinds of visitors—Alaska resident recreational visitors, independent tourist travelers from outside Alaska, and cruise ship tourist travelers, also from outside the state. Most Alaska residents and independent travelers visiting Seward arrive by road with a small minority coming as passengers on the Alaska railroad or the Alaska state ferry.

A study conducted in the early 1990s estimated that the number of recreational visitors to the entire Kenai Peninsula from Anchorage in 1990 was 180 thousand and their total spending was \$71 million. Whatever the number, increasing population, greater accessibility as a result of road improvements, and more recreational facilities and opportunities, and expansions of the Seward small boat harbor to accommodate additional recreational boaters, have combined to increase the number of resident visitors over time.

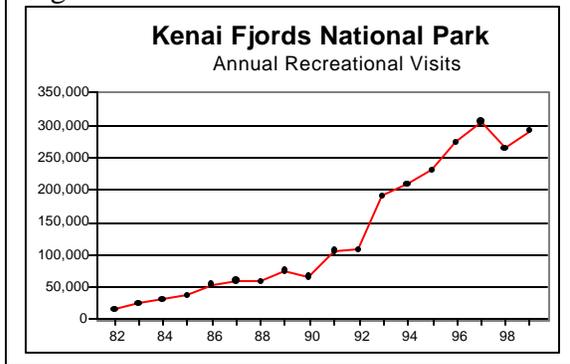


A measure of the growth in this vehicle visitor traffic comes from the average daily traffic counts at the community of Moose Pass, about 20 miles North of Seward on the highway connecting Seward to Anchorage and the other communities on the Kenai Peninsula (Figure 16). Traffic growth has averaged 4.1 percent annually. Since 1980 average daily traffic has grown from about 600 per day to about 1,700 per day in 1999.

Although this traffic includes all vehicles traveling on the highway, the fact that the level has grown considerably faster than the population of Seward suggests that a large part of the increase can be traced to visitor traffic. (A small part is due to improvement of the road that makes it more convenient for Seward residents to visit Anchorage for shopping and other activities.)

Tourism (visitors from outside Alaska) has been a growing industry for the entire state, but Seward has increasingly become a destination on visitor itineraries. In 1985 20 percent of the visitors to Alaska included Seward in their itinerary. Between 1985 and 1993 the number of visitors to Alaska grew from 273 thousand to 631 thousand, an increase of 131 percent. During that same period the number of visitors to Seward grew from 55 thousand to 208 thousand, an increase of 278 percent. The percentage of tourists who visited Seward in 1985 was 20 percent, but by 1993 it had grown to 30 percent.

Figure 17.



The Kenai Fjords National Park visitor count, which includes both Alaska residents and visitors from outside the state, also shows rapid growth in the number of visitors (Figure 17). A National Park Service survey conducted at the Kenai Fjords National Park in 1990 found that only 23 percent of its visitors were from Alaska, while 72 percent were from other states and 5 percent were from

other countries. By 1999 the Alaska percentage had fallen to 18 percent, while the share from other states had increased to 74 percent and that from other countries had increased to 8 percent.

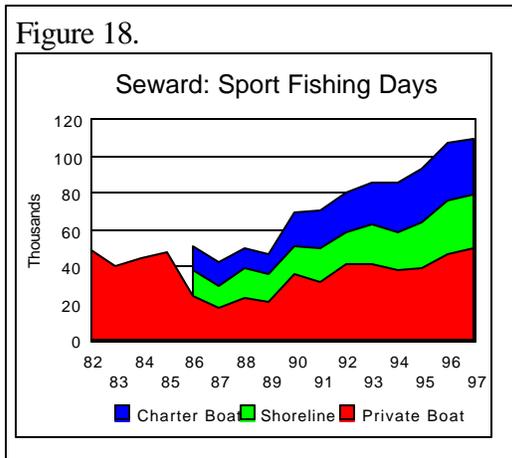
Large numbers of visitors began arriving in Seward by cruise ship in the early 1990s. In 1992 the port increased its cruise ship dockings by attracting Holland America and Royal Caribbean Cruise Lines, and in 1993 Princess Tours and Cruises began to route some of its cruise ships through Seward as well. More cruise ships began coming to Southcentral Alaska in the early 1990s, originally to Whittier, but in the mid 1990s the cruise lines decided to shift their business from Whittier to Seward. This was done for a variety of reasons, including the imposition of a new tax by Whittier, and the advantages of access and recreational opportunities afforded by Seward. In 1990, 29 cruise ships visited Seward. In 2000, the total was 89, bringing with them 267 thousand tourist visitors.

The cruise ships and their passengers have only a modest economic impact on the community. The majority of the passengers are on package tours that do not leave them the option of pausing to enjoy any of the visitor activities Seward has to offer. Immediately after their arrival they board busses for the 120 mile trip to Anchorage. These departing passengers are shortly replaced by passengers arriving by bus from Anchorage later in the day to begin the trip south.

However, the itineraries of a growing number of cruise ship passengers are becoming more flexible. This is allowing an increasing number of these visitors to have more time for visitor activities in the Seward area. Thus over time the local economy is getting a larger stimulus from these tourists, but the bulk of the recreational and tourist dollars still come from the Alaska residents and independent travelers. The cruise ships themselves are self-contained small communities, and their purchases while in port are limited. Crew spending is not significant in the community.

Four of the most popular visitor activities while in the Seward area are a sport fishing day-trip in the salt water of Resurrection Bay, a sightseeing cruise in the Bay, a visit to the Kenai Fjords National Park, or a visit to the Alaska SeaLife Center.

The number of sport fishing days at Seward has nearly doubled since 1990 and in recent years has hovered around 100 thousand (Figure 18). The growth has come in both private trips and charter trips targeting silver salmon and halibut. This growth is also reflected in doubling of the number of charter vessels with slips at the city dock (Figure 11). At an average estimated price of \$150 per angler for a fishing charter, 30 thousand charter trips represents a \$4.5 million industry for the community. Seward sponsors both silver salmon and halibut derbies each summer that draw visitors to the community in hopes of hooking a prize-winning fish.



The number of excursion boats and tour options available to visitors has also increased, although data on the number of passengers is not regularly collected. According to the National Park Service, the number of all-day tours, which are only those tours that go outside of Resurrection Bay and into the Alaska Maritime National Wildlife Refuge, was about 90,000 passengers in about 950 separate tours in each of the last two years. Industry sources suggest the total market may be about 140 thousand passengers per season. (11 percent are off the cruise ships, 12 percent are international visitors, 30 percent are “rubber tire tourists” from outside the state who have arrived by recreational vehicle or rental car from Anchorage, and 40 percent are “VFR”--visiting friends and relatives accompanying Anchorage residents.<sup>7</sup>)

All-day tours cost in excess of \$100 per person. Shorter half-day tours and tours that do not go outside the Bay cost from \$50 to \$100. The excursion business thus generates about \$13 million per season from these tours. The largest operator employs more than 100 workers on an annual average basis and nearly 200 during the summer season.

The Seward small boat harbor, with a capacity of about 650 vessels, is home to not only the commercial fishing, charter sport fishing, and excursion boat fleets, but also to a number of private boats owned by recreationalists from throughout southcentral Alaska. There is a waiting list of about 400 vessels for a slip, and an expansion of the capacity of the harbor is currently underway that will add several hundred additional spaces and make other improvements to accommodate the growing number of boating enthusiasts and passengers on the charter and excursion vessels.

The number of visitors recorded by the National Park has grown to 290 thousand in 1999 up from 16 thousand in 1982. The most popular activities, in addition to the all-day sightseeing excursion cruises, are visits to the visitor center in Seward and the Exit Glacier overlook, both of which are road accessible. An unknown number of visitors make more extensive visits, engaging in such activities as kayaking, backpacking, etc. A number of outfitting businesses provide a variety of services to these visitors.

<sup>7</sup> Percentages do not sum to 100 in the transcription of interview with respondent, Tom Tougas.

The Alaska SeaLife Center opened in 1997 and receives over 150 thousand visitors annually. The Chugach Heritage Center in the renovated railroad station opened shortly thereafter. Most visitors do not come to Seward for the express purpose of visiting these attractions, but they do expand the number of activities that visitors can engage in while in the community.

The importance of visitors to Seward is reflected in the number of business licenses in visitor-related businesses and the number of visitor beds in the community. Growth in the number of visitor-related business licenses between 1989 and 1998 is most pronounced in hotels and other lodgings, reflecting a growth not only in the number of hotels, but also in the number of bed-and-breakfast establishments (Table 5). The number of amusement and recreation services doubled over the same period, but because business licenses are recorded by the permanent address of the business owner, the many non-resident outfitter businesses are not captured in the table. For example, a complete master listing of all operators and service providers licensed by the National Park Service to operate within Kenai Fjords National Park in 1999 included only 9 businesses with a Seward address out of a total of 66.

	1989	1993	1998
Local and Interurban Passenger Transit	11	13	6
Air Transportation	3	2	0
Transportation Services	3	5	12
Eating and Drinking Places	31	30	23
Hotels and Other Lodging	18	44	92
Auto Repair, Service, and Parking	12	10	17
Amusement and Recreation Services	24	32	48

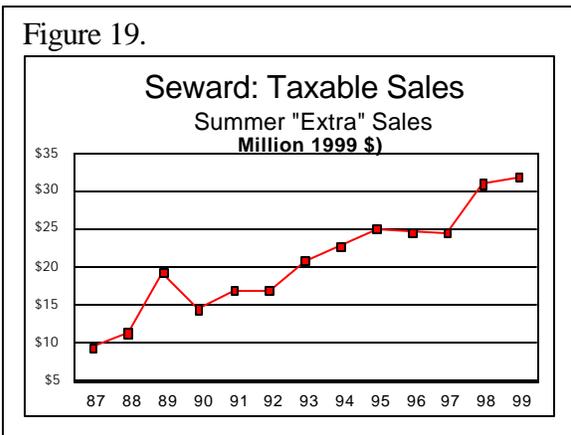
With the institution of a \$4 bed tax within the city limits in 1996 it became possible to monitor growth in the number of overnight visitors in the city—but not in the hotels and bed-and-breakfast establishments outside the city limits or in the campgrounds used by visitors in recreational vehicles or tents. The bed-tax receipts are expected to be \$168 thousand in fiscal year 2000, representing 42 thousand rooms occupied by visitors. The estimated number of available rooms is now 950, with several recent additions to the stock of hotels. This represents a capacity for 190 thousand visitor nights during a 3-month summer season at full occupancy, with an average of two in a room.<sup>8</sup>

There is no comprehensive measure of the total visitor spending that impacts the Seward economy. A National Park Service survey in 1990 found that the typical park visitor spent \$72 per visitor day (\$90 in 1999 \$). About half of this was food, lodging and travel. The remainder included tours, gifts, and other purchases. By 1999 another survey

<sup>8</sup> In addition, the US Army and Air Force also have recreational camps in Seward available for military personnel from bases in Anchorage and elsewhere.

found that the average visitor to the park spent \$181 during his entire visit to the Seward area.

Although the two surveys are not directly comparable (the former asked about purchases on the day of the park visit, while the latter asked about total purchases in the area), and they were taken at different locations in the park, they do suggest a high level of total expenditures by visitors while in the Seward area, as well as an increase in expenditures over time. Based on an estimated number of visitors to the park in 1990 of 66 thousand, total visitor expenditures would have been about \$6 million. Using the National Park Service estimates from 1999, total visitor expenditures would have been \$53 million.



Another estimate of visitor expenditures comes from the level of taxable sales in the community, since Seward has a 3 percent sales tax on most purchases and some services. Taxable sales in the community have grown at the rate of 5.2 percent per year since 1986 (1999 \$). However most of the increase has occurred in the second and third quarters of the year, during the visitor season. The “extra” summer season sales, defined as the amount of sales during the second and third quarters in excess of the sales in the

first and fourth quarters, has grown from \$9.5 million in 1987 to \$31.9 million in 1999 (1999 \$)—an annual growth rate of 9.9 percent (Figure 19). Although seasonality has always been a feature of the Seward economy, the “extra” summer sales have grown in importance from 18 percent of total annual sales in 1983 to 45 percent of total annual sales in 1999.

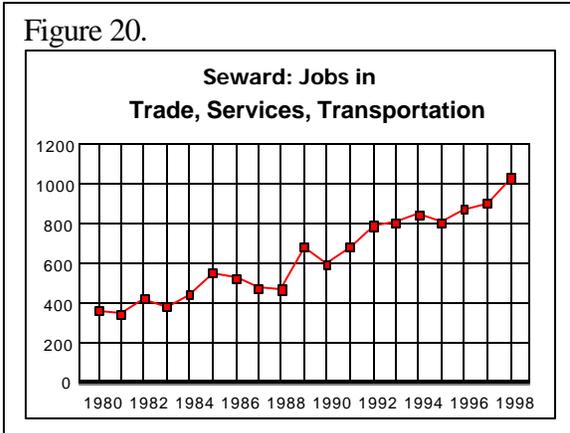
Turning to employment, most visitor-related wage and salary jobs are in the transportation, trade, and services industries. Others are with the federal government in the administration of the National Park and Chugach National Forest, the state government operating the ferry system, the local government providing visitor-related services like port and campground operations, and with the construction industry. A large number of visitor-related jobs are not captured in the wage and salary data. These are self-employed workers in businesses like bed and breakfast operations and sport fish guiding.

The transportation industry includes cruise ship operations, the larger fishing charter operations (smaller operations are sole proprietorships, which are not included in the wage and salary figures), vessel supply firms and local and interurban transportation businesses, such as the Alaska railroad. Average annual employment in this sector has grown from about 50 in the early 1980s to over 200 by 1998.

Trade employment includes restaurants, food stores, and other retail establishments serving visitors as well as local residents and businesses. From an annual average of about 140 in 1980, employment in this sector has increased to over 400 by 1998.

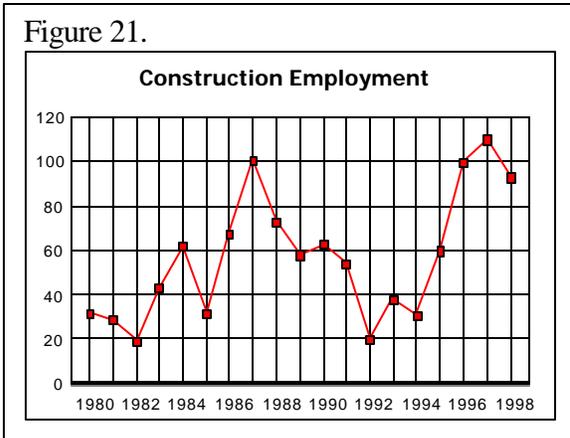
Services employment, which includes lodging and amusement services<sup>9</sup>, has increased from about 175 to over 400 in 1998. Since a number of lodges are located outside the city limits in the surrounding area, and many visitor-oriented services businesses, such as tour companies, are not headquartered in Seward, these figures are likely to underestimate the total service-related employment in the economy.

Figure 20.



The combined total for these three industries now accounts for 51 percent of total annual average employment in Seward—just over 1,000 jobs, up from 35 percent and 400 jobs in 1980. Although the growth rate for total employment in Seward has averaged 3.7 percent since 1980, growth in these visitor-related industries has been 5.9 percent annually, while the rest of the economy has grown at only 2.1 percent per year (Figure 20).

Figure 21.

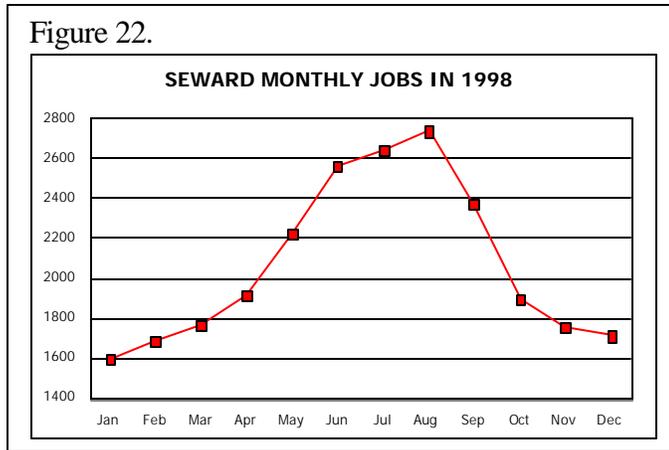


A portion of construction employment is also attributable to the visitor industry. In recent years significant projects have included the Alaska SeaLife Center, which cost \$45 million, several new or expanded hotels, and additional facilities funded by federal and state governments. Also in the planning stage is an expansion of the small boat harbor at a cost of \$29 million that would add about 350 slips and increase its capacity by 50 percent. Construction employment has been particularly strong in the second half of the 1990s (Figure 21).

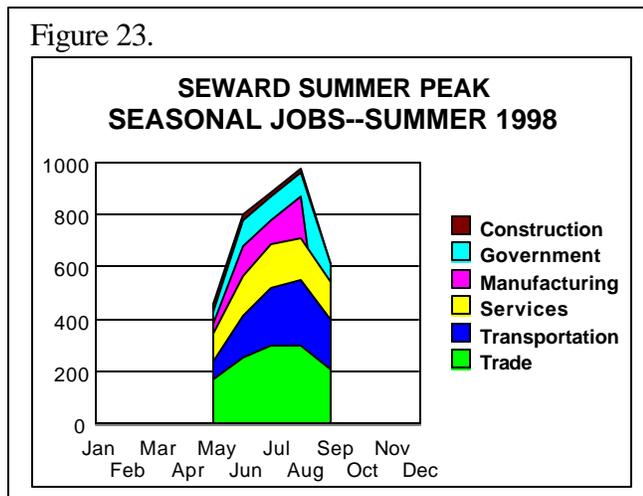
The visitor industry is highly seasonal, with the majority of visitors coming during June, July, and August, although the community is working to increase visitation in the winter season. The seasonality is evident not only in taxable sales, but also in employment. The seasonal variation in employment is not as pronounced, however, as that of sales (Figure 22).

<sup>9</sup> Again, small operations that are sole proprietorship are not included in wage and salary figures.

In 1998, for example, August wage and salary employment, the peak month, was close to 2,800, compared to 1,600 in January, the lowest month (Figure 22). The summer season expansion—covering May through September—occurred mostly in the services, transportation, and trade sectors, with a smaller summer expansion in government. The summer season also saw a manufacturing peak, due to seafood processing, and a slight increase in construction (Figure 23).<sup>10</sup>



The percent increase in jobs during the summer season also can be measured as the additional jobs in August as a percentage of the winter season average. In 1998 this varied from a 15 percent increase in construction to a 96 percent increase in trade (Table 6).

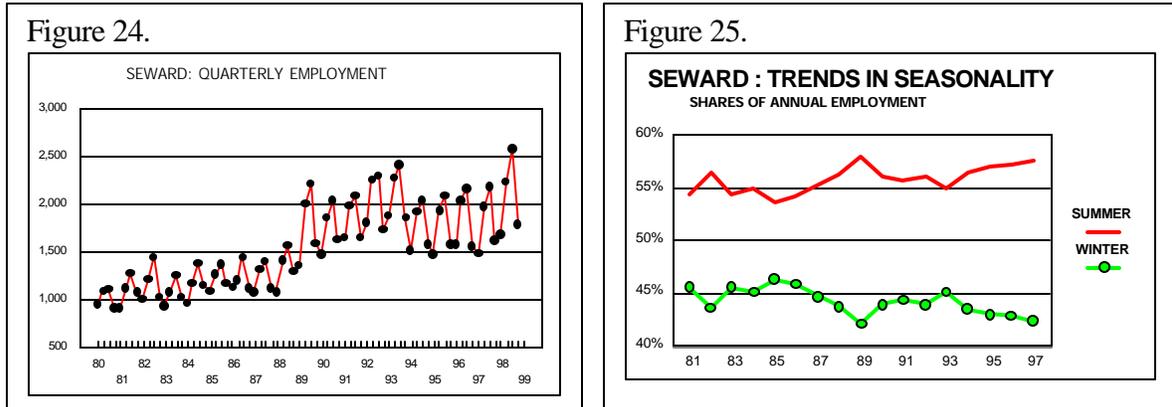


With growth of the visitor industry, the seasonality of employment has been increasing. The absolute number of jobs added during the summer months has increased (Figure 24). Also, the share of total annual average employment accounted for by the summer season has increased slightly (Figure 25).

Industry	Additional August Jobs	Percent over Winter Average
Construction	14	15 %
Manufacturing	94	84 %
Transportation	225	88 %
Trade	295	96 %
Services	171	49 %
Government	85	16 %

<sup>10</sup> The summer peak employment numbers are the extra jobs during the summer months over and above the average number in each industry in the seven-month winter season.

As is common with seasonal industries in Alaska, the visitor industry employs a large number of non-local residents and involves a number of non-local businesses that operate in the community only on a seasonal basis. However the non-resident share can vary considerably by business. One hotel in Seward reported only 15 percent non-resident workers, while another reported 47 percent. Seasonality and non-resident employment are features of the timber and seafood industries, as well as the visitor industry.



Wage rates in most visitor-related jobs tend to be relatively low, and Seward is no exception (Table 7). In 1997 the average monthly wage in services was \$1,553 and in trade \$1,567. However some visitor-related jobs are in higher wage industries such as transportation and government. Visitor-related economic activity also indirectly accounts for considerable employment in other industries through the economic multiplier. For example Seward households dependent upon visitor-related jobs spend a large share of their income within the community and this generates employment in a wide range of industries with a wide range of wage rates.

Industry	Average Monthly Wage
Services	\$1,553
Trade	\$1,567
Transportation	\$2,501
Manufacturing	\$2,431
Construction	\$3,303
Government	\$3,217

The total income generated by the visitor industry includes not only the wages and salaries, but also tips and gratuities, proprietor income, and profits that stay in the community when earned by residents. Tips and gratuities are an important part of the total labor income of both restaurant workers and guides. Many of the smaller visitor-oriented businesses are sole proprietorships that do not report their employment to the Alaska Department of Labor. This is particularly the case for bed-and-breakfast establishments, charters, and other small tour operators. Therefore, the total income attributable to the visitor industry is higher than the wage and salary numbers we can track.

## 6. THE ROLE OF ANILCA (KENAI FJORDS NATIONAL PARK AND ALASKA MARITIME NATIONAL WILDLIFE REFUGE) IN THE GROWTH OF THE VISITOR INDUSTRY IN SEWARD

Visitor industry growth in Seward has been due to a combination of forces, including population and income growth in southcentral Alaska, improvements in the road connection between Seward and Anchorage, increasing sport fishing pressure in other parts of the Kenai Peninsula, cruise ship companies shifting to Seward as the point of entry into southcentral Alaska, local marketing efforts such as the Seward fishing derbies and the 4<sup>th</sup> of July festival, the development of local attractions such as the Alaska SeaLife Center and the Native Cultural Center, establishment of Caines Head State Recreation Area and Resurrection Bay State Marine Park, and the growth of the excursion boat industry.

Figure 26.

**SEWARD** Alaska's Favorite Seaside Town!

Seward Chamber of Commerce

- Kenai Fjords National Park
- Alaska SeaLife Center
- Wildlife & Glacier Cruises
- World Class Fishing
- Historic Downtown
- Winter Recreation

**(907) 224-8051**

Seward Chamber of Commerce • Convention & Visitors Bureau  
P.O. Box 749 • Seward, Alaska 99664  
Check out our web site: [www.seward.net/chamber/](http://www.seward.net/chamber/) • e-mail: [chamber@seward.net](mailto:chamber@seward.net)

- Mt. Marathon Race - July 4<sup>th</sup>, 2000
- Seward Silver Salmon Derby - August 12<sup>th</sup> - 20<sup>th</sup>
- Seward Jackpot Halibut Tournament - May - August

The role of the Kenai Fjords National Park and the Alaska Maritime National Wildlife Refuge in this growth and development cannot be precisely quantified. However, the Seward Chamber of Commerce feels the National Park is an important selling point for potential visitors as reflected in the list of attractions it highlights in a recent advertisement in Alaska Business Monthly magazine (Figure 26).

A National Park Service survey in 1990 found that 62 percent of park visitors identified the Kenai Fjords National Park as the primary

reason for their visit to the Seward area. Nine percent named fishing as the primary reason for their visit, six percent said visiting friends and relatives and 23 percent said other<sup>11</sup>.

A quick visit to travel web sites, such as GORP (Great Outdoor Recreation Pages) demonstrates the market value for the community and its businesses of having a National

<sup>11</sup> The 1999 survey did not ask this question, as it was primarily designed to get information to deal with the potential problem of crowding at visitor sites within the park.

Park in Seward's backyard. The Park provides a portal through which potential visitors learn about Seward and its other visitor attractions.

A search through all the Alaska national park web sites reveals the Kenai Fjords National Park home page that includes information on things to do, places to stay, and other visitor resources. Users can even submit comments on the park and view the comments of others. Travel guides and tour books also highlight the park. This is important, because a large share of visitors get their information about the region from these sources. The 1999 National Park survey indicated that 44 percent of visitors received their information from guidebooks, 8 percent from the Kenai Fjords National Park home page, and 10 percent from other web sites.

Local Seward officials echo these themes of marketability and the lure of the beauty of the fjords:

“The parks create “Marketability” according to Dennis Brandon, vice president of tourism for Cook Inlet Region, Inc. which owns most of the large boats in Seward offering day cruises of Kenai Fjords” (Ruskin, 2000).

“Tourism around the state is growing, but Seward's is growing faster. Fjords and fish are what lure most of Seward's visitors,” Dave Paperman, director of Seward Chamber of Commerce Convention and Visitors Bureau” (Glenn, 2000).

“The idea of scattering lodges and visitor centers had some support from businesses in Seward, but in retrospect would have been a mistake, Schaefermeyer said. ‘In the eyes of most businesses now, they see that had the headquarters been built out in the park itself few of the visitors would have come into the community to spend money’. Having the words ‘national park’ spelled out on the map is a guarantee of visitors. ‘There's an aura that you don't get with a national forest or a lesser designation’” (Kizzia, 1999).<sup>12</sup>

The Alaska Department of Labor, in its periodic reviews of the Seward economy, has consistently attributed a large share of the recent growth in the economy to the existence of the Kenai Fjords National Park:

“In response to the relatively newly established **Kenai Fjords National Park** (1980), Seward has found numerous new tourism opportunities to exploit” (Alaska Department of Labor, 1990).

“In the last few years, Seward and Resurrection Bay have shown the largest increase in the number of visitors. **The Kenai Fjords National Park** is the main reason. Over its short life span, the number of yearly

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<sup>12</sup> Darryl Schaefermeyer was the city manager at the time of this interview.

visitors have grown substantially to over 120,000 in 1993, according to the National Park Service. The NPS estimates that each visitor spends \$72 a day while visiting the park. These tourism dollars are growing as a key source of income in the area” (Alaska Department of Labor, 1995).

“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 cruise ship traffic has been the local development of the scenic day-cruise ship tours that take thousand of visitors into the Kenai Fjords Park and Resurrection Bay” (Alaska Department of Labor, 1999).

## **7. PERCEPTIONS ON THE RELATIONSHIP BETWEEN ANILCA AND SEWARD**

There was considerable opposition to the establishment of the Kenai Fjords National Park in Seward as reflected in the resolution passed by the city council opposing its creation. “The statewide ‘anti-federal-lockup’ feeling swept up some Sewardites, recalls city manager Darryl Schaefermeyer, a lifelong resident. But the area proposed for Kenai Fjords National Park had few of the hunting and mining conflicts that stirred opponents of other parks” (Kizzia, 2000). Some city officials were concerned that a park adjacent to the city would preclude oil-related developments because of air pollution restrictions. Others feared that the park would ruin the pristine coastal areas surrounding Seward. Some business people favored the idea of scattered lodges along the coast that a park would not allow.

Now, however, it is difficult to find any Seward residents not willing to sing the praises of the park for the local economy and the community.

“Even Herman Leirer, Seward’s elder statesman and genial curmudgeon, has quit carping. ‘The dang ice field wasn’t worth anything else, said the one-time promoter of a tram up into the mountains. ‘I guess I’d rather have the park up there than down here (in town)’”(Kizzia, 2000).

“‘The park’s one of the best things that ever happened to this community’, said chamber of commerce executive director Wayne Carpenter. ‘It’s given us international recognition’” (Kizzia, 2000).

In addition, it has restored pride in a community that was being passed over in the economic development of the state.

“‘When I was a kid, Seward was printed on maps in bigger letters than Anchorage. When that changed we didn’t like it,’ said Bev Dunham, a city councilwoman and former publisher of the local weekly paper, the

Phoenix Log. ‘People are enthused about having Seward be known again for something beyond Alaska’” (Kizzia, 2000).

Seward residents in interviews offered several positive effects of establishment of the National Park and growth of the visitor industry. These include:

- Jobs
- Worker stability--little employee turnover from year to year.
- Well defined seasonal jobs—a clear starting and ending date
- Quality workers--Coast Guard mandated drug testing for excursion boat employees
- Higher standard of living—more economic opportunities, public services, quality of infrastructure.
- More choices for residents in the summer time—restaurants, jobs, etc.
- Reduction in the local tax burden– the property tax rate has fallen, and higher sales and bed tax revenues are generated by visitor expenditures.
- National Park Service has done a good job integrating into the community, working with the community and becoming a part of it.

Not mentioned, but obvious economic benefits for the community are the economic diversification and economic stability attributable to the visitor industry. The economy now includes seafood, government and the visitor industry as its most important basic sectors. Unlike some of the other maritime Alaska communities, it is thus more insulated from an economic downturn in one sector of the economy. The tourist industry also has proven to be more stable from year to year than natural resource production that is dependent upon harvest and price, both of which can vary dramatically from year to year.

Seward residents in interviews did mention perceived negative effects of establishment of the National Park and growth of the visitor industry. These include:

- Local merchants reoriented toward selling to tourists--limited merchandise in the stores for local residents who now go to Anchorage for shopping. This is also driven by the local 5 percent sales tax (3 percent city and 2 percent Borough) as well as the retail boom in Anchorage that in the early 1990s brought a number of larger retailers, such as Walmart and Costco, into the market.
- Seasonality--The economy is now much more seasonal than in the past. A number of shops are only open during the summer months and others have a winter closure of 1 or 2 months. Some local residents leave for the winter.
- “Loss” of the town during the summer--but residents are willing to put up with it because the visitor industry generates income for the community and it is a clean industry. However, as the seasonality becomes more acute, people are beginning to question whether further development in this direction is desirable.
- Low wage seasonal jobs--but the opportunity for seasonal employment of local people, particularly high school and college students, is good; there have always been many seasonal jobs, and some residents prefer such jobs.
- Rental housing is in short supply in the summer.

- Some businesses raise prices in the summer.
- Sometimes goods are in short supply, and there are lines for shopping.
- Traffic congestion in the boat harbor area.
- Overuse of some areas and trails
- Sport fishing pressure results in the necessity of going further into the bay to catch fish.

Some concerns were not mentioned that have been raised about tourism development in other places. Although rentals are hard to come by in the summer, there was no mention of housing costs in general rising faster than incomes. This is largely because Seward has not developed as a site for recreational second homes and as a year-round resort. Second, although there was mention of some price increases during the summer season, there was no general complaint about the cost of living growing faster than incomes in the community. Third, although there was mention of tourism jobs being relatively low wage, these were not characterized as dead-end jobs. In other words, employment opportunities are not viewed negatively. Fourth there was no mention of potential problems associated with transient workers or non-resident tourists—such as an increase in the crime rate. Fifth there was no mention of the community losing control of its future to outside economic or other interests. Sixth, there was no mention of general environmental degradation to the air and water. Finally, and most significantly, there was no suggestion that the establishment of the park had either precluded other natural resource-based economic development, or that competition for the area’s resources, such as public infrastructure, increased by growth of the visitor industry, was hampering other types of economic development. There also was no mention of residents being unable to access parkland for recreational activities.

Finally, residents mentioned a variety of general observations about the industry and how the community has changed, but they did not characterize these as either positive or negative. Among these were:

- The political makeup has changed; it is not as conservative as in the past.
- There is some evidence that growth in visitors may be slowing.
- Cruise ship passengers move through town quickly and have little impact.
- The visitor season is being extended with school-based educational tours by the day-cruise ships.
- Authority over the activities of the sightseeing cruise ships is unclear. The state has jurisdiction over activities on the water, but the National Park Service has responsibility to protect the National Park.
- A majority of visitors are older, demanding and appreciating amenities, admiring the scenery, but not going into the park.
- The community is tourist friendly and open to change and development.
- There is lots of space on the water and on land for further expansion.
- At some point in time, growth in the number of tour boats will begin to generate conflicts with other users, such as kayakers, but that is not now a problem.

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# MAP OF KENAI FJORDS NATIONAL PARK

