

Transportation and the pandemic

2020 job losses hit tourism-linked categories the most

By SARA TEEL

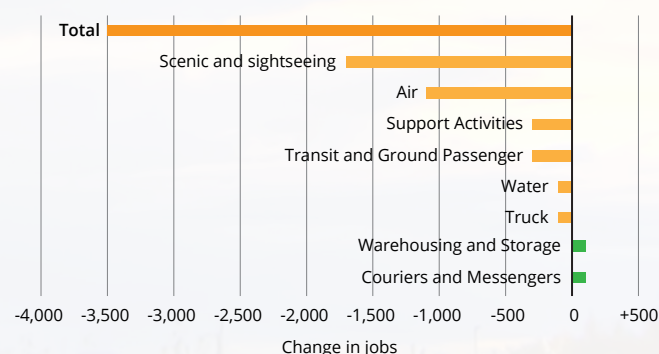
Travel restrictions to slow the spread of COVID-19 and the lack of tourism caused Alaska's transportation sector to lose just over 15 percent of its jobs last year. After leisure and hospitality, transportation's loss was second-largest at 3,500.

Transportation represents about 7 percent of Alaska's jobs, or nearly 8 percent if you include the state-run Alaska Railroad and Alaska Marine Highway System. Transportation jobs pay about \$70,000 a year — \$13,000 more than the state average — so the losses had an outsized effect on total wages.

Over the past decade, transportation had its ups and downs but never gained or lost more than 2.5 percent of its employment in a single year. Before the pandemic hit, the sector had been adding jobs for several consecutive years, beginning in 2017 when overall job losses from the statewide recession had begun to slow. Over the decade, transportation employment grew 7 percent.

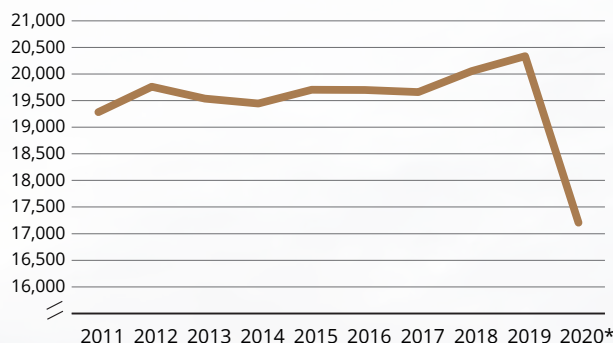
While the pandemic took its toll on transportation overall, its influence varied by category and area. Two categories even grew. In general, jobs

Tours took the biggest hit last year



Note: Based on the first three quarters of 2020
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Big dive for Alaska transportation jobs after a few years of growth



*First three quarters
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

associated with moving people were hit harder than those transporting freight or cargo.

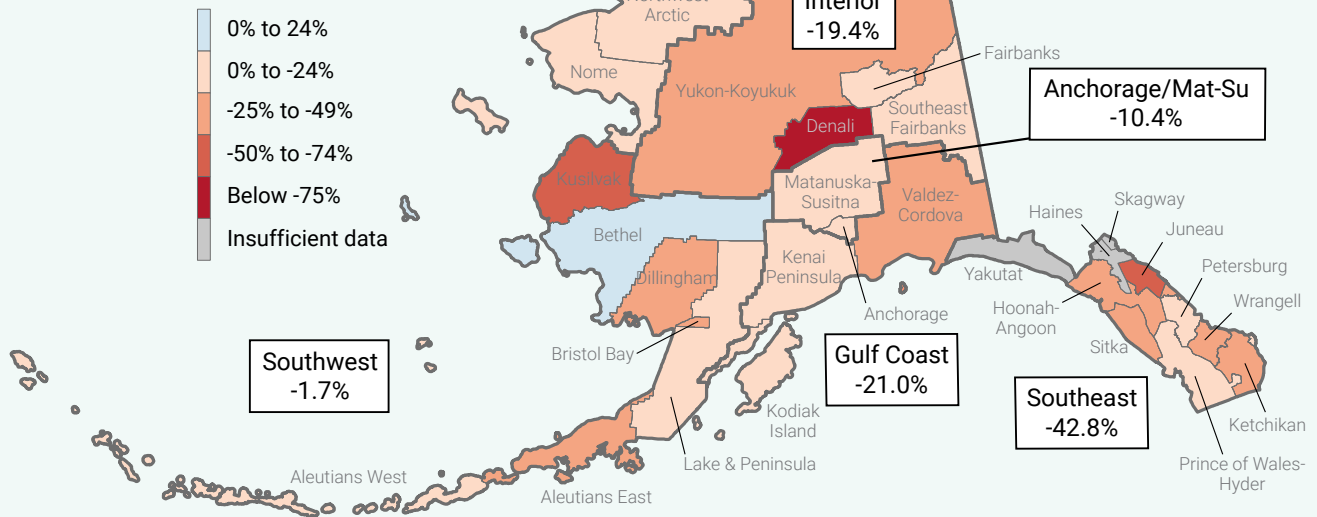
The biggest loser by far: Scenic and sightseeing transportation

When the pandemic hit in early 2020, it decimated the year's visitor season. The number of cruise ship passengers plummeted to just 50 from more than 1.3 million the year before, and the number of airline passengers also dropped sharply.

The scenic and sightseeing category caters to visitors, so it suffered the largest loss by far at two-thirds of its jobs during the first three quarters of 2020 (-1,700), a share that was over three times larger than the next-largest percent loss by category.

Scenic and sightseeing transportation includes all modes of transportation, from busing tourists from Anchorage to Denali or Fairbanks to float planes and boats conducting whale or glacier tours in Southeast Alaska. For more on scenic and sightseeing transportation losses by area, see the sidebar on the next page.

Percent of transportation employment lost in 2020



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

Southeast lost the most because of canceled tourist season

Southeast Alaska lost the largest number and percentage of transportation jobs last year, as it was the region most vulnerable to cruise cancellations and the lack of tourists in general. Southeast shed 1,400 transportation jobs during the first nine months — a near-43 percent drop.

The majority of the losses, 800, came from Juneau and represented 51 percent of the capital city's transportation employment. Ketchikan was second, losing around 40 percent, or 300 jobs. Juneau and Ketchikan are the biggest communities in Southeast, and they are popular tourist destinations with the largest numbers of transportation businesses that cater to visitors.

Overall, 80 percent of Southeast's transportation losses came from scenic and sightseeing transportation.

The lack of visitors rippled north as well, as ship passengers visit other coastal ports such as Anchorage and take excursions to Denali National Park, Fairbanks, and other inland communities.

Anchorage shed about 10 percent of its transportation employment, a loss of about 1,000. Around 300 of those were from scenic and sightseeing transportation, which represented a 71 percent loss in that category.

Because Anchorage is the state's flight hub, half the city's losses came from air transportation, representing a 16 percent loss for that category. Without the jump in air

cargo volume, the losses would have been larger. (See the main article for more on passenger and cargo at the state's largest airports.)

The Interior shed about 450 transportation jobs, and almost three-quarters came from the Fairbanks area. Fairbanks also receives a significant number of tourists each year, so nearly half of its decline came from scenic and sightseeing transportation. Fairbanks lost more modest numbers from air, trucking, and ground transportation, at 50 to 60 jobs each.

About 100 of the Interior's lost jobs came from the Denali Borough, but they represented a 76 percent decline for that area.

The Gulf Coast's loss of about 400 jobs was more evenly spread across the Valdez-Cordova, Kenai, and Kodiak areas, with slightly less decline in Kodiak. Valdez-Cordova alone lost more water transportation employment than any region, mostly in oil transport. Kenai's biggest loss was in scenic and sightseeing transportation, while Kodiak lost more transportation support jobs.

While the Northern Region lost 16 percent of its transportation employment, the decline amounted to only around 100 jobs, mainly linked to oil and gas. Similarly, the Southwest Region lost just 20 jobs (-1.7 percent), likely because the remote region relies on the industry to provide basic services.

The only winners: Storage, warehousing, and couriers

People began to order more goods online last year to reduce their risk of exposure to COVID-19. Starting in April, cargo volume into the Anchorage and Fairbanks airports was nearly 18 percent higher each month than in 2019.

Demand for warehousing and storage grew as more goods were shipped, and using couriers and messenger services also allowed people to minimize contact.

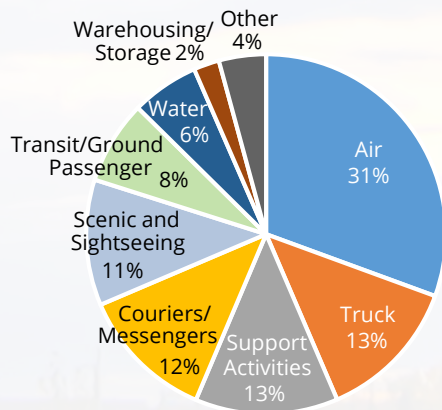
These categories bucked the loss trends, with each adding about 100 jobs: growth of 11.1 percent and 3.9 percent, respectively. Most gains were in Anchorage, the state's main cargo and freight hub.

Airline passenger numbers plummeted but cargo increased

Because Alaska lacks a comprehensive road system connecting most communities, Alaskans rely on air transportation for people and goods. At 31 percent, air represents the largest share of transportation employment.

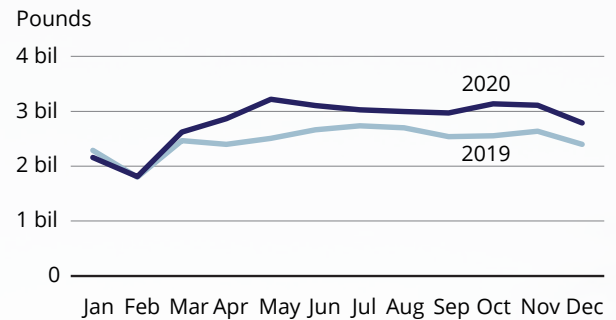
COVID-19 restrictions and health and safety concerns dramatically reduced the number of people flying last year. The biggest decline came in April when Ted Stevens Anchorage International Airport saw an 88 percent drop in outbound passengers. Juneau's numbers

Air is the largest slice of Alaska's transportation employment, 2019



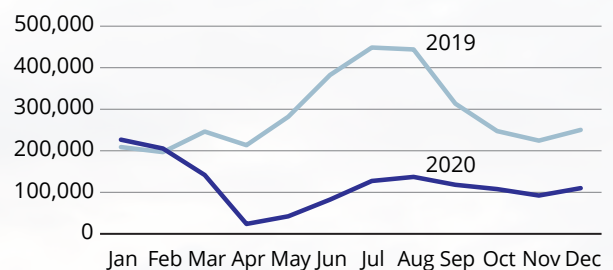
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Anchorage, Fairbanks air cargo volume grew with the pandemic



Source: Alaska International Airport Association

... but passenger enplanements dropped sharply in 2020



Source: Alaska International Airport Association

plunged 94 percent, and Fairbanks' dropped 92 percent. By December, passenger traffic had recovered somewhat but was still at half the previous December's volume.

Employment fell in concert. Alaska had more than 6,200 air transportation jobs in 2019, but that number dropped by about 1,000 in 2020 — a 17.1 percent decline.

While travel restrictions cost airlines a significant amount of revenue, a marked increase in e-commerce softened those losses for some. Anchorage is a major international cargo hub because it's less than 10 air hours from 90 percent of the industrialized world. More than 3.48 million tons of cargo landed at Ted Stevens International Airport in 2020, a 16 percent jump from the year before. (For more on Anchorage, see the sidebar on the previous page.)

It's also worth noting that Alaska has a unique rural mail delivery system, bypass mail, that likely eased the economic shock for some airlines and ensured

the continued delivery of goods to remote communities. Job numbers for bypass mail are hard to come by, as some of its jobs are federal and its contracted work isn't isolated in the data. But federal employment remained steady overall last year, and because bypass mail is legally mandated, it escaped the recent cuts to the U.S. Postal Service.

Bypass mail was implemented in the early 1980s to alleviate high volumes of mail and subsidize some of the high transportation costs that remote Alaska communities face. It allows Parcel Post mail to bypass postal sorting facilities and lifts the requirement that parcels be handled only by USPS personnel. Unlike traditional Parcel Post, which is limited to 70 pounds, bypass mail allows larger and heavier items such as televisions and pallets of soda.

By law, the USPS must pay private air carriers a set shipping rate, and it's often above the market rate. Because of that requirement, Alaska is the only place in the country that still has some regulated airline prices. The U.S. Department of Transportation bases the rate on fuel, labor, maintenance, and terminal fees, and calculates it so that airlines make a 15.5 percent annual profit on bypass mail. (For comparison, most airlines' annual profit margin is 2 to 3 percent.)

Most bypass mail is gathered in Anchorage and then flown to the bush. Only five carriers are approved to fly bypass mail from Anchorage and Fairbanks to regional hubs. From there, smaller carriers transport the parcels to their final destinations.

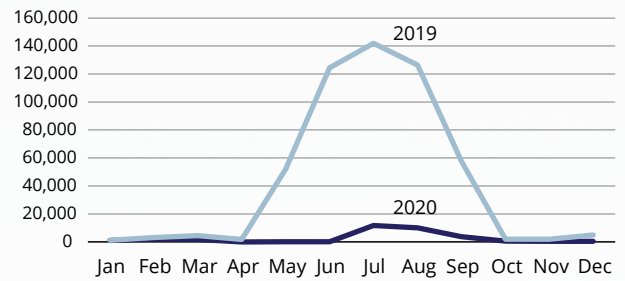
Water transportation losses weren't all caused by the pandemic

Water transportation has been critical to the development of Alaska's infrastructure, moving passengers and cargo for decades. With Alaska's higher air transportation costs, water sometimes provides an economical alternative.

Much of the cargo that enters Alaska comes through the Port of Anchorage, then travels by road or rail. Oil tankers leave Valdez to bring North Slope oil to market. While water transportation jobs in Alaska are concentrated near coastal communities, inland mines use river barges to ship materials in and ores and minerals out.

Employment in private water transportation fell 11.0 percent in the first three quarters of 2020 (-100 jobs). This excludes the state-run ferry system, although the Alaska Marine Highway plays a huge role in local

Railroad passenger numbers nearly bottomed out in 2020



Source: Alaska Railroad Corporation

economies, especially in Southeast. The ferries allow a lower-cost flow of goods and services to coastal communities, and they also provide local jobs and bolster tourism.

In recent years, the ferry system has been plagued by budget cuts, reduced routes, increased fares, and maintenance problems. Ferry system employment fell 11.6 percent in 2020; however, these losses were due to budget cuts rather than COVID-19. In fact, federal subsidies such as pandemic relief from the CARES Act likely prevented even steeper job losses from the ferries.

Railroad ridership came to a halt but subsidies kept it going

Aside from water, rail was one of the first major modes of transportation pre-statehood. Numerous private railroads sprang up before the 1920s when the Alaska Railroad was built. As the economy changed and air transportation began to take over, the private railroads began to disappear.

In the 1980s, when Alaska's economy was booming with high oil prices, the State of Alaska purchased the Alaska Railroad for \$22 million. The railroad transports passengers as well as freight such as gravel, petroleum, and coal.

Railroad jobs, which are part of state government, decreased by about 4.2 percent last year. While employment declined only modestly, riders almost disappeared. Ridership on the Alaska Railroad fell 94 percent from 2019 to 2020. In 2019, 47 percent of railroad riders were cruise ship passengers. In 2020, there were none.

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The lowest rate was among filers from outside the state. Nonresidents are more likely than residents to hold remote or seasonal jobs such as seafood processing or oilfield work.

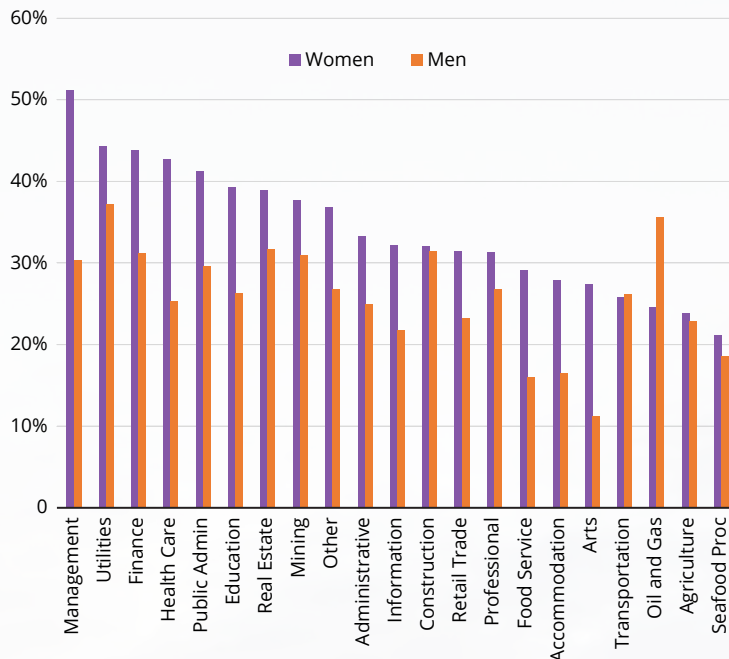
Women more likely to claim dependents

Twenty-five percent of men claimed a dependent in 2020 (11,768) and 34 percent of women did (13,442). Overall, women filed more dependent claims than men, both in numeric and percent terms, reflecting that women are more likely to be children’s primary caregivers.

Only oil and gas and transportation — industries whose workers are mostly men — had higher shares of men claiming a dependent.

Lennon Weller is an economist in Juneau. Reach him at (907) 465-4507 or lennon.weller@alaska.gov.

Percent with dependents by gender, industry



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

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Ground transit fell more, but trucking also lost jobs

The ground transportation and transit category includes mass transit such as subways or elevated rail — which don’t exist in Alaska — as well as buses, taxis, limousines, and shuttles, which do. School buses are in this category as well, and they represent a significant number of ground transit jobs in Alaska. This category took a hit last year from school

closures and less travel and lost around 300 jobs, which was about 18.6 percent.

Trucking is the second-largest transportation category in Alaska, and about three-quarters of its jobs are centered in Anchorage and Fairbanks. While trucking moves goods rather than people, it too lost a modest number of jobs in 2020. Trucking employment fell about 4.2 percent, or around 100 jobs.

Sara Teel is an economist in Juneau. Reach her at (907) 465-6027 or sara.teel@alaska.gov.