

ALASKA'S ECONOMY IN 1975

Despite the magnitude of inflation-recession problems in the United States, the economic outlook for Alaska in 1975 is promising. With the State's economy well into the boom period initiated with the start of construction of the trans-Alaska pipeline, many sectors of the economy are expected to expand significantly in 1975.

No less now than in earlier boom times, Alaska's growth is tied to development of the State's natural resources. Basic industries such as petroleum mining and construction represent the key growth leaders in the current economic boom. The expanding population in Alaska, evolving mainly from in-migration, and the maturation of the state economy have also caused rapid growth in the state and local government and distributive sectors.

Historically, the unemployment rate in Alaska has been higher than the rate for the lower 48 states. Some factors which contribute to this phenomenon are the extreme seasonality in the food processing and fishing industries, the underemployment of the Native population, and the in-migration of "boomers" to the 49th state. In 1975, the Alaska unemployment rate should be lower than in 1974. The rate, however, will remain high when compared to other states.

The State will also experience continued growth in employment. According to the Alaska Manpower Study, prepared for the U. S. Department of Labor by the Human Resources Planning Institute and Urban & Rural Systems Associates, the annual average employment in 1975 is estimated at 155,700 workers which is an increase of 17.3 percent over their 1974 estimate.

During 1975, the Alaska economy will undergo substantial growth. Construction of the trans-Alaska pipeline will, of course, dominate the economic picture, but increased state and local government expenditures and the Native Claims Settlement Act are also expected to contribute to this growth.

In 1975, pipeline activity will accelerate noticeably. The haul road parallel to the oil pipeline route should be completed, pipeline will be laid south of the

Yukon River, and construction of pump stations and the terminal at Valdez will begin. Additionally, surveying and clearing of the pipeline right-of-way, placement of 44,000 vertical supports for the pipeline, and completion of all river crossings are planned for 1975. The Alyeska Pipeline Service Company has indicated that contractors will lay 360 miles of pipe during the year. Statewide, average peak quarterly employment in all areas of pipeline construction is projected to be 15,900. The level of manpower needs is likely to deviate from the present forecast only if external factors such as the weather, the availability of supplies, or the environmental conditions affecting the laying of the pipe are significantly different than anticipated. Currently, a number of reports indicate that the project is two months behind schedule; the delay seems to be the result of warehousing problems and the initial exposure to the winter climate.

State and local government expenditures are expected to grow substantially in 1975. In Alaska, most services such as education, health, housing, social services, and public safety are delivered by government units. All indications point to an increase in the State's population which will result in a need for expanded government services.

The impact of the Native Claims Settlement Act on the State's economy will depend to a large degree on the investment plans of the Native corporations. Presently, it appears that the regional corporations are beginning to move their investments out of liquid short term instruments and are planning to invest in commercial ventures within the boundaries of their respective regions. If this trend continues, it is expected that these ventures will do much to help the economies of various areas in the State. Though not directly related to the Native Claims Settlement Act, the Oil Lease Local Hire Act and the Alaska Plan will play important roles in state employment in 1975; the extent to which Natives outside of the money economy are induced into the labor force, will have an immediate effect on statewide employment.

Mining: As the world's supply of raw materials is rapidly depleted to fill the needs of a burgeoning

population, interest grows in Alaska's undeveloped mineral wealth. During fiscal year 1976, there should be no let-up in exploration activity. Uncertain international monetary conditions make it difficult to predict exactly what will occur in the way of development, however.

Petroleum: Naval Petroleum Reserve No. 4, commonly referred to as PET-4, has been the object of renewed interest since the onset of the energy crisis. Current schedules call for a civilian operator to drill perhaps ten exploratory wells in the five-year period ending July 1, 1980. However, President Ford has included PET-4 in his recently announced energy proposals. If Congress concurs, PET-4 would be opened for exploration, development and production. It is estimated the reserves could provide 2 million barrels of oil a day. The State, however, would not receive any revenue resulting from development of the reserve.

The legal dispute between the State and the federal government over ownership of submerged lands in Lower Cook Inlet will be heard by the U. S. Supreme Court, with a decision possible by the end of the fiscal year 1975. Two levels of the federal judiciary have found in favor of the State in this case, but the federal government has won the right to a hearing by the highest court in the land.

Construction: Construction of the trans-Alaska Pipeline will again dominate the construction industry in fiscal year 1976, even though there will be many other projects underway that in a normal year would be newsworthy. In late 1974, voters of the State approved over \$189 million in bonds for the construction of a variety of facilities including airports, libraries, schools, and port and harbor improvements. Several of the regional corporations brought into being by the Alaska Native Claims Settlement Act have plans for construction of commercial buildings in some of the larger cities. A natural gas pipeline from the North Slope could be started during fiscal year 1976 if a route is decided upon.

Pipeline construction will move from the initial road-building phase, due to be completed in 1975, to actual pipeline, pump station and terminal facilities work. Demand will increase for skilled craftsmen, such as pipefitters, electricians, and

insulators. The end of fiscal year 1976 will see the approach of peak demand.

Manufacturing: A bleak picture is seen for the coming year with the effects of Japan's economic woes being felt in both shellfish processing and lumber mill operations. The market for pulp is holding fairly steady and should hold employment in supportive logging operations at a level near that of last year. Some Alaska lumber mills anticipate providing dimension lumber to pipeline contractors which could keep mill employment levels from dropping too low. The manufacture of construction-related products should enjoy a good year, however.

The Bristol Bay red salmon fishery was predicted to be of little significance. Poor runs of pink and red salmon were predicted generally. The statewide forecast for calendar year 1975 is for a catch of about 2 million fewer salmon than were caught commercially in 1974. With the bulk of the fishing occurring after the beginning of the fiscal year, the effects of the prediction will be felt during the period covered by this report.

Transportation, Communications and Public Utilities: A project of the magnitude of the trans-Alaska Pipeline requires the movement of a tremendous amount of material and large numbers of people. As employment on the pipeline reaches a peak, transportation employment will continue to rise significantly to provide logistical support.

Population growth resulting from pipeline construction will exert increasing pressure on communications and public utilities. Facilities will expand to meet the increased demand.

Trade: Growth in the number of trade outlets follows and parallels growth in population. There will be new businesses offering a broader variety of goods, and expansion of existing stores in the retail sector. Wholesale trade employment will continue to rise also. Much of the material used in pipeline, pump station, and terminal facility construction will be purchased or contracted for with Alaska firms.

Finance-Insurance and Real Estate: Personal income in Alaska has been growing at a more rapid rate than in any other state, more than twice as fast as the

Pacific region as a whole. In Federal Reserve member banks, demand deposits for 1974 were up more than twenty-four percent above 1973. This trend can be expected to continue. Banking facilities will expand to serve the needs of a growing and more affluent population.

Housing shortages have already been experienced in pipeline-impacted communities such as Fairbanks and Valdez. Real estate operators and developers can look for increased activity in this sector. Recent relaxation of credit controls by the Federal Reserve System will mean more mortgage money available to prospective home owners.

Services: A broad spectrum of activities are covered in this industry group with varying degrees of growth expected during the coming year. Hotels, personal and business services will spearhead growth here. The anticipated closure of one of the State's two private institutions of higher education will not be likely to cause a significant decrease in employment as the slack will probably be picked up by the University of Alaska. Discussions are being held toward possible sale of Alaska Methodist University's physical plant to the State University system. Medical service will expand with additional hospital space already under construction.

Companies contracted with to supply housing and food service to construction camps along the route of the pipeline will be employing a number of service workers.

Government: Little change is expected in federal employment during the forecast period. State and local government will increase their employment to provide service to more residents. Pipeline-impact funds are being made available for additional fire and police protection plus other community services.

Alaska's economy should show good growth in 1975. Many of the economic problems predicted for the rest of the nation this year will not be felt in Alaska. The trans-Alaska pipeline project will keep the economy on the upswing.

ALASKA'S ECONOMY IN DECEMBER

Employment — Unemployment: The normal seasonal downturn in Alaska continued as total employment decreased from 124,700 in November

to 124,100 in December. The decrease this year was not as marked as in previous years because of the economic activity generated by the Trans-Alaska Pipeline project. This is evident in the increase of 11,600 in total employment when comparing December 1974 to December 1973. Most of the over-the-month decreases occurred in out-of-doors industries such as mining and construction. Some sectors of the economy such as retail trade and air transportation showed increases in December due to the holiday season. Total estimated unemployment increased slightly over the month from 13,000 in November to 13,300 in December. Compared to a year ago total unemployment decreased by 1,900.

Mining: Employment in mining decreased by 100 over the month as some exploratory operations closed due to harsh weather conditions. The year-to-year gain reflects the buildup of staff of the major oil companies involved in the North Slope operation.

Construction: Employment in the construction industry decreased moderately from November to December as snow and cold weather called a halt to some outside work. However, this industry showed a growth in employment of 2,400 over the year which reflects the work that is continuing on the pipeline.

Manufacturing: Inclement weather throughout the State slowed much of the activity in the lumber and wood products sector during December. Food Processing which is normally at its lowest level in the winter months was further depressed by closure of some shellfish and shrimp processing plants in the Kodiak area. These plants closed down due to the poor sales for these products on the Japanese market.

Transportation, Communications and Public Utilities: Employment in the transportation sector fell slightly over the month. The decrease was in water transportation as the northern water bodies of the State were blocked by ice. Employment in air transportation increased by 100 over the month as both scheduled airlines and air taxi services hired temporary employees to handle the holiday season traffic. The communications and public utilities sectors remained stable over the month but showed a healthy increase over the year.

Trade: Spurred by the holiday season and the