

## ALASKA'S ECONOMY 1976

From all indications, 1976 will be another good year for the Alaskan economy. The construction of the oil pipeline will continue to be one of the dominant factors affecting the state's labor force. With operation scheduled to begin early in 1977 labor requirements for the pipeline will remain at a high level. With only a few exceptions, private industry will continue to expand as it reacts to the population growth which has accompanied the economic boom of recent years. Total government spending and employment by federal, state, and local agencies will continue to grow during the coming year, even with the state government operating under an austerity budget.

This year should see a big push to complete the oil pipeline. Alyeska, in an effort to begin work as soon as conditions permit, has already begun to remobilize for the 1976 construction season. Alyeska currently is forecasting that by February 8, approximately 8,900 workers will be needed for work relating to the pipeline. During the peak construction period this summer, an estimated 21,000 persons will be employed in pipeline related activities.

The trans-Alaska pipeline in 1976 will by no means be the only major construction project within the state. Federal spending on construction is anticipated to be quite substantial in the coming year. Work on the Chena Lakes flood control project is expected to be one of the major non-pipeline related construction jobs to be undertaken in 1976. The Corps of Engineers have prepared contracts worth more than \$10 million for the construction of the Moose Creek Dam portion of the project. The total cost of the Chena Lakes project is estimated to be more than \$125 million. Other projects having federal funding will be: the construction of two new office buildings in Fairbanks and Anchorage; the rerouting of the Snettisham power line; and several public works projects such as harbor dredging and construction. Currently in the final stages of negotiation, is a noteworthy project in the private sector. The Daum Mall which is to be located in Fairbanks will be built over seven city blocks in the inner-city.

The outlook for employment in trade and service related industries will continue to improve

throughout the coming year. The number of new business openings will continue to outreach business closures. Firms operating in the service and trade sectors of the economy will continue to expand as they respond to the increasing demand for their services by such growth related industries as construction, and oil and mineral production. Though the construction industry may subside somewhat as the oil pipeline nears completion, the demand for more services from the expanding population will continue to have a positive effect on employment in this sector of the economy.

Towards the end of the year, when primary construction of the oil pipeline nears completion, the possibility of a slight downturn in the economy may occur. However, the Alaskan economy will not experience a "bust" similar to those following prior expansion eras. The "busts" of the past occurred in part due to a lack of any continuing basic industry which could sustain the economy. Such a situation is not applicable to the present economy. First of all even after the main portion of the oil pipeline is built, construction will continue in an effort to increase the capacity of the line. This secondary construction will have an effect on the economy well into the 1980's.

Another stabilizing factor in the economy is the presence of government spending. Total employment in government on the federal, state and local level is greater than any other single industry in the state. This large government payroll will be quite significant in cushioning the economy from any terrific downturn. Also, the increasing size of the population must be considered, in that it alone will have some effect on the future stability of the state's economy. As the cities of Alaska grow larger, they will reach a point where enough economic momentum has been created to continue on their own without any great need for outside stimulus. Two cities which may be prime examples of this situation are Anchorage and Fairbanks.

Though the impact on the economy will be subtle, in 1976 expectations aroused by the possible future construction of an Alaska gas pipeline may have a beneficial effect on the economy. The more these expectations are reinforced the more likely they will

have an effect on the economy. Rep. Don Young in an article in the January issue of "Alaska Construction & Oil" pointed out several key decisions which may affect the level of expectation in the Alaskan economy. It is now evident that Canada's western provinces are leaning towards endorsing an all-Canadian route for that nation's oil and gas reserves. In a further move, the ruling Liberal Party has adopted a resolution giving priority to pipeline projects that are all-Canadian in ownership and are intended to serve the Canadian public first. In reaction to this, Rep. Philip Ruppe (R-Mich.) and Sen. Walter Mondale (D-Minn.) who had intended to introduce legislation supporting the Arctic Gas route in November have not done so. These recent political events if reinforced with other positive indications are sure to encourage expectations for an all-Alaska gas pipeline.

The following is an industry-by-industry outlook for the coming year:

**Mining:** Mineral and oil exploration will continue to be important factors in this industry. This year Pet 4 will be explored to better determine the amount of oil that is in that reserve. The completion of the pipeline haul road has opened many areas to possible mineral development. However, the uncertainty of the disposition of the D-2 Native Land Claims may hinder the industry in early development of mineral deposits lying within lands affected by this legislation. In the southeast U.S. Borax has announced its intentions to develop molybdenum deposits at Wilson Arm near Ketchikan. Contingent on the acceptance of the environmental impact statement, construction of a road into the area may begin this summer. Development of the mine may take 5 to 10 years and could require as many as 1,000 workers.

**Construction:** The outlook for this industry in 1976 is very strong. Projects such as the oil pipeline, the Chena Lakes flood control project, and the construction of federal buildings in Anchorage and Fairbanks will continue the good employment trend that the construction industry has enjoyed in recent years. Though not on as large a scale as the trans-Alaska pipeline, the construction of an oil pipeline between the Tesoro oil refinery in Kenai and Anchorage will be a positive factor to employment in that area.

**Manufacturing:** Expansion in this sector of the economy will again be held back this year due to the poor markets for wood products and the slow recovery of the salmon fisheries in southeast Alaska. A possible indication of the deflated market for lumber products may be seen in the proposed revision of stumpage rates by the U.S. Forest Service. A promising bright spot in the manufacturing industry is the expected recovery of the salmon fisheries in western Alaska. The State Department of Fish and Game anticipating the strong run of salmon, has predicted a total state harvest of 37.8 million fish in 1976. If this harvest is realized it will be the largest since 1971.

**Transportation, Communication and Public Utilities:** The transportation industry may see a reduction in employment during 1976. It is anticipated that those firms most closely linked to the oil pipeline will be the most affected. This is further reflected in the Seattle Port Authority's announcement that it is expecting a drop in Alaska-bound tonnage. The primary cause of this reduction in force is the completion of the distribution of most of the material required for the oil pipeline.

Utilities will continue to be impacted by the rapid population growth within the state. The most ambitious public works effort planned this year may be in the Fairbanks area where an estimated \$25.7 million will be spent on public construction.

**Trade:** Wholesale and retail trade will continue the steady growth patterns of recent years. New shopping malls such as the Nugget in Juneau, the 4th Avenue, Country Village and the Boniface shopping centers in Anchorage, and the proposed Daum Mall in Fairbanks are positive indicators of private industry's faith in the future of the Alaskan economy. This continuing expansion will have a beneficial effect on employment.

**Finance—Insurance and Real Estate:** The positive outlook of the state's economy will continue to encourage growth in the financial sector. The city of Anchorage, which is now the dominant financial center of the state, will continue to extend its lead over other Alaskan cities. In addition to the eight banks already in Anchorage, three more banks have announced their intention to open offices in the area. These institutions are: the First National Bank of

Ketchikan which is currently under construction; the Alaska Pacific Bank; and the B. M. Behrends Bank of Juneau.

An interesting development in real estate is the entry of several Native corporations into the market. The Calista corporation of Bethel is particularly aggressive in this regard. Calista, which currently has large holdings in the Anchorage area, is now negotiating for the construction of a new Sheraton Hotel in downtown Anchorage and for land near the proposed capital sites at South Willow and Larson Lake.

**Services:** The service industry will continue to grow through most of 1976. However, when peak pipeline construction is concluded, some decline in its rate of growth may be seen. This is to be expected as this industry is dependent on other basic industries for its continued expansion. It should be pointed out that a sharp down turn in this sector may be buoyed up by the tremendous growth of the population and by positive expectations of gas pipeline construction.

**Government:** Again, as in recent years, government spending and employment will continue to grow. Throughout the state there will be a high demand for government funds to provide services to the growing population. As the state's economy grows, more personnel will be needed to effectively monitor the multitude of programs which are now in operation throughout the state.

## ALASKA'S LABOR MARKET IN DECEMBER

**Employment — Unemployment:** Total unemployment in December rose 17 percent over November. It is anticipated that this trend may continue into January before any significant hiring will affect the current unemployment rate. A decrease of one percent in the total number of persons employed, further indicates the reduced economic activity within the state in December.

**Mining:** During the month of December employment in the mining industry continued its seasonal decline with a decrease of 9 percent from November. The months of December and January should see employment in this industry level out as employers prepare for the coming work season. Employment for December 1975 returned to the same level as experienced in December 1974.

**Construction:** Continuing the trend of recent months, employment in construction remained fairly constant in December, declining by only 4 percent. The stability of the work force may be due to such factors as the continuing construction of the Valdez oil terminal and pump stations, as well as several other unrelated indoor construction projects. Employment in December 1975 increased 102 percent over December 1974.

**Manufacturing:** A seasonal decline in manufacturing continued in December with a 10 percent decrease in employment. The highly seasonal trend of this sector of the economy is due to nondurable manufacturing (i.e. fish processing), which is a major component of this industry. A poor fishing season and a poor market for wood products may be factors which led to the 2 percent decline in employment from December 1974.

**Transportation, Communication & Utilities:** A decline in activity in trucking and air transportation was a major factor in the 2 percent decline in employment in this industry. The drop in employment in this sector of the economy can be attributed to the onset of winter and the completion of the primary transportation phase of oil pipeline construction. However, when compared to the previous December, employment in this industry increased 24 percent in December 1975.

**Trade:** December was a very good month for this sector of the economy. During December more people were hired by firms in this industry than any other single industry in the state. The good showing by the trade industry may be partly a seasonal reaction to the Christmas holidays, however, there continue to be many signs of genuine overall growth. Employment increased 7 percent over the previous month, and has increased 22 percent over December 1974.

**Finance, Insurance & Real Estate:** Again in December employment in this industry remained constant. Though several institutions were planning to expand, significant increases in employment may not occur until later in 1976 when construction of new facilities are completed. Employment in this sector was 16 percent over the previous December.

**Services & Miscellaneous:** Employment in this industry decreased 2 percent from the previous month. Historically during the winter months, this sector of the economy experiences a more significant