

## FAIRBANKS – WAITING AND HOPING

*As regular readers of Alaska Economic Trends are aware, a reduction in resources recently forced the elimination of that portion of the publication dealing with the Fairbanks Labor Market Area. In an attempt to partially fill the void left by this deletion, John Schlicting, our Statewide Labor Market Analyst traveled to Fairbanks in early October for a first hand look at the community and its economy. The article below represents his report.*

The mood in Fairbanks these days can best be described as optimism tempered with a wait-and-see attitude and tinged with a dose of apprehension. After problems suffered during 1970, '71 and '72 as a result of the pipeline delay, things seem to be looking up. While part of the optimism reflects an improving pipeline outlook, much of it is also due to events within the Fairbanks economy that are unrelated to the pipeline. These include brisk levels of construction, and a continuing growth in the area's tourist industry. Current major construction underway includes the \$120 million Chena River—Lakes Flood Control project, which dollar-wise represents the largest single piece of work in Fairbanks' history, plus various highway and local utility construction totaling \$32 million. Tourism in 1973, the Fairbanks' Chamber of Commerce reports, has risen roughly 12 percent over last year's record levels. Much of the recent sharp upsurge in this area has been due to completion of the new Anchorage—Fairbanks highway, which, by placing Fairbanks, McKinley Park and Anchorage on the same stretch of road, has made the interior city a more attractive stop-over to visitors coming up the Alaska Highway from the lower Forty-eight and Canada.

It is true that during 1970—71 period, unemployment rates did move higher than normal for the area, and that some businesses cut back or pulled up stakes and left. However, many of the area's resident businesses, those which had been established prior to the 1969 oil boom, were able to keep their heads above water and are now in reasonably good shape. Those business failures that did occur came largely among firms established in response to the boom. When the boom became a bust, many of the new companies had no established non-oil related market to fall back on, and consequently went under. In addition, while the rest of Fairbanks' economy sagged, construction, particularly in the public sector, maintained a good clip with \$25 million worth of

local government work, plus the erection of new buildings at the University of Alaska making important contributions.

Indeed, in retrospect, perhaps the most important effect of the pipeline delay has been to inject a note of caution into the area's economy. This can be seen among both businesses and individual wage earners. In spite of the optimistic news on the pipeline front, the mood of the economy remains conservative. Wholesalers and retailers are not expanding their inventories to a level where, if the pipeline is delayed, they will be caught with goods they can't sell. Also, the rate of savings by individuals remains high as the community's breadwinners continue to defer major purchases until the pipeline picture becomes more firm. In all probability Fairbanks' economy will continue in this holding condition until the permit is issued.

Nonetheless, another delay of six months to a year could have a detrimental effect psychologically for a community which has come to view the pipeline project as a pivotal factor in its economic future. In this regard the Trans—Alaska Pipeline, and the gas pipeline that many feel will follow it, appears, not so much as an end in itself, but rather a means of escaping the boom bust cycle that has characterized Fairbanks' economy ever since Felix Pedro discovered gold near there in 1902. Completion of the pipeline holds the promise of attracting new industry, which would serve to broaden the city's economic base and thereby dampen out the forces that have in the past caused these boom-bust periods. This promise has already been fulfilled in part, by plans for a \$45 million oil refinery and electric power generating complex to be located in the Fairbanks area. The plant, whose completion is slated for about the time when oil begins flowing through the pipeline, will employ 150 people and create an additional 100 plus jobs in the community to support the workers and their families. In addition to its employment impact,

the facility has the potential to significantly lower Fairbanks' extraordinarily high cost of living, by providing cheaper fuel and electricity, both of which are extremely high cost items throughout Alaska's interior.

Potentially more important than direct economic impacts like the oil refinery are possible secondary effects in the form of increased developments in interior Alaska. These would probably take the form of resource extraction in areas adjacent to the pipeline corridor and access road. Such developments would allow the city to achieve maximum economic benefit from its role as the supply center for Alaska's northern interior. This is a function that has always to some extent, been performed by Fairbanks. But, with economic activity in Alaska's northern interior (with the exception of the 1969 North Slope oil rush period) largely static, it has to date made relatively little contribution to Fairbanks' overall economic picture.

If the long term economic impacts of pipeline construction seem to be virtually all beneficial, the same cannot be said for its short run effects. Once the project actually starts the community will experience an influx of new people like nothing in its past history. This influx will consist of workers and dependents, both pipeline and otherwise, as well as unemployed persons coming north in hopes of finding high paying jobs on or related to the pipeline. People in the community are worried about this. Housing in Fairbanks is already tight, and the movement of many new families into the area could create serious problems. It is true that preliminary zoning for residential purposes, of land surrounding the town has already been accomplished and in many cases utility construction has also been completed. However, given the conservative economic mood prevalent in the community not much building seems likely until a pipeline permit is actually issued. Once this occurs contractors and suppliers will have to move fast if the community is to avoid a real crunch in residential housing.

If the crunch does come, it could have a severe impact on Fairbanks' already extreme cost of living. The feeling in the community is that unless enough housing can be found, rental costs together with home ownership prices could go sky high and in the process take the area's overall living costs with them. Such a situation, while difficult for everyone, would

be a disaster for Fairbanks residents having fixed incomes.

Other areas of impact include police protection, fire protection, medical services and schools. In short, it appears that virtually the entire spectrum of community services will be hard pressed once the ball gets rolling. Indeed, it is hard for an outsider to see how the weight of all the newcomers who will descend upon Fairbanks once pipeline work begins can avoid straining the socio-economic fabric of the community to near the breaking point.

So far we have discussed Fairbanks' economy as it is now, and looked at the long term economic effects of the pipeline on the community, together with some more short term socio-economic impacts that will come as a result of its construction. Before we close this article, however, it seems well to say a few words about the long term ramifications of the project for Fairbanks' life style. In this vein, consider for a moment that Fairbanks, like every other community in Alaska represents a way of living that is typical both of itself and of Alaska. In many cases people residing there came originally to escape the crowded conditions, pollution and other factors that have, during the last ten to twenty years, made life in the lower forty-eight increasingly less pleasant. While no one is suggesting the pipeline construction will, during its two year duration, transform Fairbanks into a Houston, Texas or a Los Angeles, California, most authorities agree that the project has the potential to induce significant and perhaps irrevocable changes in the community's life style. For example, recreational pressures on the lands around Fairbanks will show a significant increase during pipeline construction. Given the population that will be added to the area this pressure is sure to continue even after the project is completed. More subtly, the newcomers will effect changes in the community's social system by virtue of the beliefs, values and attitudes they will bring with them. Up until now Fairbanks' long term growth has been slow enough that new residents have been more or less absorbed by the community and therefore have tended to adopt its on-going life style. But, with the beginning of pipeline work, Fairbanks' population growth will proceed at such a level that it could be the newcomers who will, to some degree at least, be imposing their way of life upon that of the community. What may transpire from this process of cultural mixing is an end result which will resemble

both Fairbanks' life style as it is now, and that of the newcomers. Whether this will in fact occur, and whether the end product will be better or worse than the life style which preceded it, only time will tell.

a year ago seems to indicate an anticipation in Alaska's labor market of possible pipeline related employment, which appears to be encouraging many part-year workers to maintain their attachment to the labor force, even in the face of the seasonal waning of the economy.

INDUSTRY	1973			Changes From:	
	9-73	8-73	9-72	8-73	9-72
CIVILIAN WORKFORCE.....	143,800	148,400	138,000	-4,600	5,800
INVOLVED IN WORK STOPPAGES.....	400	400	100	0	300
TOTAL UNEMPLOYMENT.....	11,900	13,400	11,200	-1,500	700
Percent of Workforce.....	8.3	9.0	8.1		
TOTAL EMPLOYMENT <sup>2/</sup> .....	131,500	134,600	126,700	-3,100	4,800
Nonagricultural Wage & Salary <sup>3/</sup> .....	116,500	119,300	112,200	-2,800	4,300
Mining.....	2,100	2,100	2,100	0	0
Construction.....	11,400	11,300	10,900	100	500
Manufacturing.....	9,600	12,300	9,600	-2,700	0
Durable Goods.....	3,600	3,700	3,100	-100	500
Lumber, Wood Products.....	2,800	2,900	2,400	-100	400
Other Durable Goods.....	800	800	700	0	100
Non Durable Goods.....	6,000	8,600	6,500	-2,600	-500
Food Processing.....	4,100	6,900	4,400	-2,800	-300
Other Non Durable Goods.....	1,900	1,700	2,100	200	-200
Transp.-Comm. & Utilities.....	10,900	11,000	10,800	-100	100
Trucking & Warehousing.....	1,800	2,000	1,800	-200	0
Water Transportation.....	1,100	1,100	1,000	0	100
Air Transportation.....	3,200	3,300	3,300	-100	-100
Other Transp.-Comm. & Utilities.....	4,800	4,600	4,700	200	100
Trade.....	18,400	18,700	17,800	-300	600
Wholesale Trade.....	3,600	3,600	3,400	0	200
Retail Trade.....	14,800	15,100	14,400	-300	400
General Merchandise & Apper.....	3,800	3,800	3,700	0	100
Food Stores.....	2,000	2,100	2,000	-100	0
Eating & Drinking Places.....	3,600	3,700	3,400	-100	200
Other Retail Trade.....	5,400	5,500	5,300	-100	100
Finance-Insurance & Real Estate.....	4,300	4,400	3,800	-100	500
Service & Miscellaneous.....	16,800	17,400	16,200	-600	600
Government <sup>4/</sup> .....	43,000	42,100	41,000	900	2,000
Federal.....	17,200	17,100	17,300	100	-100
State.....	14,900	15,000	13,300	-100	1,600
Local.....	10,900	10,000	10,400	900	500

<sup>1/</sup> Estimated in accordance with techniques recommended by U. S. Bureau of Labor Statistics.

<sup>2/</sup> Includes domestics, nonagricultural self employed and unpaid family workers, and agricultural workers.

<sup>3/</sup> Prepared in cooperation with the U. S. Bureau of Labor Statistics.

<sup>4/</sup> Includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

## ALASKA'S ECONOMY IN SEPTEMBER

**Employment — Unemployment:** Total estimated employment continued to plunge seasonally downward, falling by 4,800 from August to September. Over half of the decline came in the non-durable goods sector of manufacturing as salmon canneries around the state terminated operations for the season. Smaller over-the-month declines were noted in most other industrial sectors and were due also to seasonal factors. Compared with August of 1972 employment was ahead by 4,800, with a substantial jump in government employment leading the way. Total unemployment was down over-the-month but ahead of last year's September figure. The September to August decline reflects the departure from the workforce of workers laid off by seasonal decreases in various industries. The gain from

**Mining:** Employment in the mining industry was stable over-the-month and year. Apparently this industry, which has been drifting downward for some time due to the dearth of oil activity in the far north, has for the moment bottomed out. While some increase is likely once the winter freeze-up comes on the North Slope, really substantial employment growth will have to wait for a firm go ahead on the Trans-Alaska project.

**Construction:** Continued record levels of construction pushed employment in the industry ahead by 100 over the month, and by 500 from September of a year ago. With winter approaching, employment will begin to decline during October or November as inclement weather calls a halt to most outdoor work around the State.

**Manufacturing:** Seasonal closures of salmon canneries, terminating what has been the worst salmon season in Alaska's history, spurred an August to September employment drop of 2,700 in the manufacturing group. Over the year manufacturing employment was unchanged as a gain of 500 in durable goods employment neutralized an equal loss in the non-durables sector. Responsible for the durables gain with continuing high demand for wood products on the Japanese export market, which made itself felt strongly in the form of higher forest industry employment this September than last. The loss registered by non-durables was due to poor yearend salmon catches, which retarded employment in seafood processing, and the strike against Alaska Lumber and Pulp Company which stifled employment in the pulp and paper sector during August as well.

**Transportation, Communications and Public Utilities:** Employment in this diversified multi-industry group fell by 100 from August to September as employment declines in air transportation and trucking and warehousing offset a gain of 200 in other transportation. The drop in air transportation employment reflects seasonal declines in tourism. Similarly trucking and warehousing employment was