ALASKA ECONOMIC

# TRENDS


May 1997

## 1997-98 Forecast

Economy to Maintain Steady Course

Anchorage's Economy Holding Its Own

Fairbanks Embraces Economic Growth

Will Mining Rescue Southeast's Economy?

February Hints at Spring Growth

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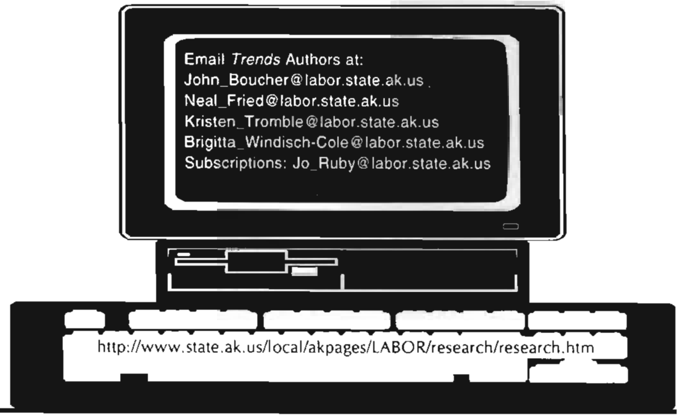


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*Alaska Economic Trends* is a monthly publication dealing with a variety of economic-related issues in the state.

*Alaska Economic Trends* is funded by the Employment Security Division and published by the Alaska Department of Labor, P.O. Box 21149, Juneau, Alaska 99802-1149. For more information, call the DOL Publications Office at (907) 465-6019 or email the authors.



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**May 1997**
**Volume 17**
**Number 5**
**ISSN 0160-3345**

Alaska Department of Labor



*Cover design by Jim Fowler*

This publication, funded by the Department of Labor's Employment Security Division, was produced at a cost of $.86 per copy.

*Printed and distributed by ASSETS Inc., a vocational training and employment program.*

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# Economy to Maintain Steady Course

by John Boucher

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Alaska's economy will continue to grow slowly through 1998, extending a nine-year string of job gains into its second decade. The industries critical to job growth during this period are air cargo handling, services, hard rock mining, trade, and the visitor sector. On the down side, segments of Alaska's oil and gas industry, the manufacturing sector and to a lesser extent the public sector will shrink, offsetting job gains in other industries. In spite of the negative factors, positive influences on the economy will tip the balance toward job increases. However, the result is job growth that falls under the 1.0% mark in 1997 and rebounds to 1.0% in 1998. (See Table 1.)

During the past two years, oil and airline industry layoffs, struggling timber and seafood industries, and public sector downsizing have been dampers on the state's economy. The result was the slowest job growth since 1988. (See Figure 1.) This two-year forecast reflects the slower job growth that has characterized the economy for the last two years.

This forecast is based upon several assumptions. The most important is that there will be no dramatic deviation from the oil prices or oil production levels forecast in the Alaska Department of Revenue's Spring 1997 mid-case revenue scenario. Other assumptions key to an industry's outlook are mentioned in the pertinent section.

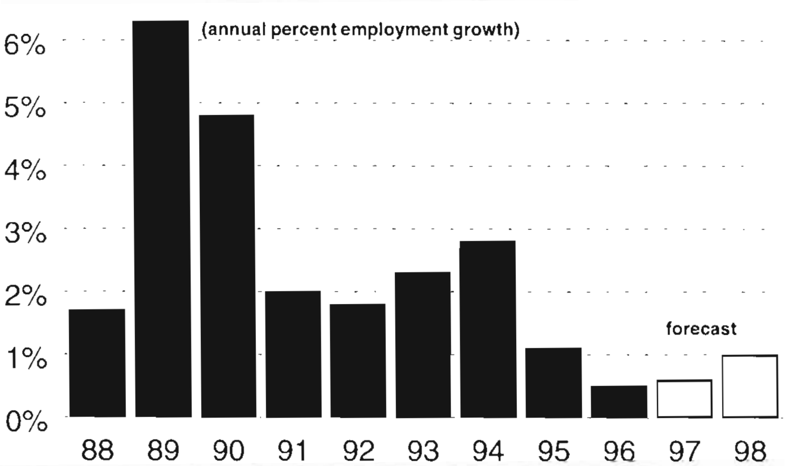
## Services continues growth leadership

A steady services sector will be the critical engine for job growth through 1998. (See Figure 2.) Pacesetters for services growth will be hotels and lodging places, amusement and recreation services, business services, social services and the health care industry.

A climbing number of visitors has keyed increased demand for visitor-related services employment. In the next two years, more tourists than ever will visit Alaska, which will continue to drive services employment growth. One sector expected to accelerate on the strength of the visitor industry is hotels and lodging places. New hotels are scheduled to come on line in Anchorage, Fairbanks, and Talkeetna in 1997, and numerous hotel projects are on the drawing board that will add to existing capacity by the end of the forecast period. While hotels are under consideration in urban and traditional destinations, new seasonal lodges catering to the fishing, hunting and wildlife-watching tourists are playing an increasing role in boosting summer lodging employment. Amusement and recreation services are another services sector which will expand along with the number of visitors. Excursion tour operations, such as float trips, walking tours, and numerous other recreational services, are counted in this sector.

Figure • 1

State to Maintain Job Growth




*Source: Alaska Department of Labor, Research and Analysis Section.*

A relatively healthy outlook for the construction and hard rock mining sectors and development projects in the oil industry will keep professional service providers like engineers, accountants, architects, and surveyors in demand for the next two years. Business services, such as advertisers and data processing firms, should also grow during the next two years in support of these industries. Business and professional services are two sectors that have capitalized on the downsizing occurring in other sectors of the economy. For example, private firms are providing caretaker and environmental clean-up services to some of Alaska's moth-balled military installations. Another contributor to business services growth has been temporary help agencies, which provide contract employees to other businesses.

Health care services should also grow, although it is unlikely to keep pace with the growth rates it posted the last several years. This forecast assumes that the majority of the employment at the Alaska Native Medical Hospital in Anchorage will remain in federal government at least through the end of 1998. If that facility is privatized sooner, it would be a substantial boost to private health care services, while federal government employment would show a concurrent employment drop.

## Air cargo carries transportation gain

Alaska's air transportation sector, particularly the air cargo business, appears to be one of the most dynamic growth areas in the state's employment outlook during the next two years. Anchorage is uniquely positioned to capitalize on the phenomenal growth that has occurred in Pacific Rim and Russian trade. Federal Express and United Parcel Service, the largest international freight handlers, have either just completed or are completing major expansions of their Anchorage facilities. Anchorage was selected recently as the hub for United Air Lines' new trans-Pacific air freight service, which will mean an expansion of United's Alaska-based workforce.

Elsewhere in Alaska's largest transportation sector, the airline industry has recovered nicely following the employment losses associated with the closures of MarkAir and MarkAir Express. Smaller air carriers have grown as a result of the healthy hard rock mining, tourism and construction industries. These carriers are experiencing increased traffic volumes to many destinations.

Water transportation is expected to grow slightly during the next two years. The expansion of the state's retail base is largely over, but a relatively solid construction industry, along with potential for increased mining and oil development activity, point to some growth in the water transportation industry. In Southeast, water transportation could experience a dip due to the closure of the pulp mill. This loss may be somewhat offset by the tourism-related sectors of water transportation, which are expected to grow. Boat charters and water-based sightseeing excursions should also benefit from an increased number of visitors.

Other segments of transportation have mixed outlooks. Bus and ground transportation should grow in response to increased numbers of tourists. Trucking will contribute growth due to the solid outlook for the construction industry, as well as to its role carrying materials to mine and construction sites. Communications and utilities will experience some employment gains. The biggest gain will be when the Fairbanks Municipal Utilities System (MUS) moves to the private sector. Pipeline transportation of oil is one transportation sector likely to contract. Alyeska Pipeline has announced a major restructuring of its operations, and its employment levels will decrease during the next two years as pump stations along the Trans-Alaska Pipeline are closed down and the company downsizes.

## Gold rush helps offset oil and gas losses

Alaska's mineral mining industry is undergoing an employment revival. Gold fever will be a key element generating new employment opportunities for the rest of the decade. In mid-1996, the Green's Creek Mine near Juneau returned to full-scale production, ramping up to an employment level of nearly 250. In late 1996, the Fort Knox gold mine near Fairbanks began production, employing nearly 300 miners, joining Green's

Creek and the Red Dog Mine near Kotzebue as one of the three largest mines in Alaska. The 500 or so jobs created by these mines last year should be augmented by more mineral mining jobs in the next several years. This forecast assumes that the Kensington mine near Juneau, in the size class of Green's Creek and Fort Knox, will be under construction as early as 1997 and in production in late 1998 or early 1999. In addition to the assumption that the Kensington project will proceed, expansions are also planned for the Red Dog Mine and the Usibelli Coal Mine near Healy. Several mines in Interior and Northern Alaska also look promising, and exploration and development expenditures are expected to be high.

Alaska's oil and gas industry is sending off mixed signals, but the message appears to be that the industry will continue to shrink during the next two years. Last year, the industry announced plans for several projects on the North Slope which could offer a mild boost to oil patch employment. The Northstar, Badami, West Sak and Alpine fields will result in employment boosts within the industry. However, good news on the exploration and development side was tempered by the announcement that British Petroleum will be trimming both its own and contracted workforce during the next several years. ARCO also intends to shave its contract workforce. In total, it appears that new developments will help stave off employment losses in the oil industry that otherwise might have been even steeper.

## Construction stays on course

Despite a slight dropoff from 1995, Alaska's construction sector put in a solid performance last year. The industry is expected to have good years in 1997 and 1998, although minimal growth is expected. In 1997, the building sector could fall off when residential construction, several major industrial projects and the latest round of public sector construction winds down. Commercial construction is expected to be a steady performer during the next two years, with a good portion of the activity related to increased investment in the mining and tourism industries.

Residential construction employment, coming off another strong year in 1996, is expected to fall off slightly during the next two years. Nearly every urban area of Alaska experienced an increase in residential construction activity last year. However, by the fourth quarter of 1996, nearly every part of the state was showing a drop in building permit activity compared to the previous year. With interest rates and materials costs on the rise and demand appearing to slow, the 1997 residential construction season looks like it will be slower. In rural Alaska, residential activity should be close to a repeat of last year. In 1996, a significant portion of rural residential construction was financed by the U.S.. Department of Housing and Urban Development (HUD) and the Alaska Housing Finance Corporation. Provided there is no major recision of HUD monies, the state's regional housing authorities should be active again with pockets of housing activity occurring throughout rural Alaska.

Publicly funded building construction will continue to provide a significant stimulus through 1998. Military construction projects will be a major source of activity, with hospitals, retail facilities, base infrastructure and housing upgrades all contributing during the next two seasons. On the civilian agency side, Juneau will see a renovation of the Mendenhall Glacier Visitor Center, and a new facility for the National Weather Service. Kodiak Island Borough will be a hot spot with construction of the Near Island fisheries research center and potentially a rocket launching facility. In the wings for Juneau could be an $85 million fisheries research facility that would consolidate employees of the National Oceanic and Atmospheric Administration.

State-funded building construction will come primarily from the University of Alaska. Dormitories, research facilities and maintenance projects are among the big ticket construction projects on the University's docket for the next two years. At the local level, Anchorage will be winding down a major school building initiative, but Fairbanks is poised to kick off a $62 million bond issue to fund public facilities construction. Juneau's largest locally funded building project will be the construction of a new police station, and construction on a new elementary school will be completed.

A budget of nearly $240 million in each of the next two federal fiscal years insures that highway, street, and community transportation programs should make a solid contribution to construction employment. However, with nearly $50 million for a new vessel for the Alaska Marine Highway System being paid for in state fiscal year 1997, this summer's construction budget for highway, street and community transportation construction will experience a slight lull as more money than usual is directed toward the ferry purchase. In 1998, the level of activity will rebound closer to historical levels.

Industrial and commercial construction will make significant contributions in the next two years as new facilities are built to handle the mining, air cargo and tourism booms. Construction employment at the Red Dog Mine expansion project will peak this season, while next year is expected to be the big construction year for the Kensington mine. Anchorage International Airport will be the site of a major warehouse expansion project related to the booming air cargo sector. Hotel construction and renovation also are expected to be sources of activity around the state. Another major construction project, combining fisheries research and Alaska's tourism industry, is the Seward SeaLife Center. The Healy Clean Coal project will also make a significant, although smaller, contribution to construction employment in 1997. The building of oil field modules for the Northstar oil field will have a significant impact on construction and oil field services employment if the project starts in time for the next construction season.

## Retail sector takes a breather

Alaska's retail trade employment struggled to post gains in 1996. General merchandisers and food stores, the two driving forces behind the recent surge of retail growth, took a breather last year after several years of staggering growth. As 1997 opened, these sectors showed signs of being on the verge of limited growth. Evidence of this is found in the current expansion of the Fairbanks Fred Meyer and the possibility of new Safeway stores in Anchorage.

While the outlook for food stores and general merchandisers may improve slightly, the segments of retail that carried the industry to growth in 1996 are showing signs of slowing. Eating and drinking establishments surged forward on the strength of new establishments and a continuation of the coffee house and micro-brewery boom. However, momentum from these trends appears to be waning. In the building materials and furniture store sector, an employment surge will occur with the opening of a new Home Depot in Anchorage; however, gains may be otherwise limited with a slower residential construction outlook. Elsewhere, Alaska's burgeoning tourism industry should help boost retail trade employment as new gift shops vie for a piece of the growing tourist trade.

## Financial sector flat

The finance-insurance and real estate portion of the economy will experience little or no growth in the next two years. Alaska's banking sector is healthy, with even the smallest institutions posting profits; however, competitive pressures and technological changes are forcing banks to make some reductions in personnel. The sector which has the most potential for growth during the next two years is Alaska's native corporations; however, the varied business activities that they are currently investing in will show up not only in finance employment, but also in a broad range of industries.

## Timber losses make for grim manufacturing outlook

The job count in Alaska's manufacturing industry fell in 1996 due to a struggling seafood processing sector and continued troubles in Alaska's forest products industry. The outlook for Alaska's seafood processors has not improved significantly, and the employment outlook for the wood products industry went from bad to worse with the recent closure of the Ketchikan Pulp Company's (KPC) pulp mill.

The outlook for Alaska's forest products industry is for continued employment losses through the next two years. The controlling factor in this forecast is the KPC pulp mill closure, which means a loss of about 450-500 jobs in the forest products industry. The good news in this sector is that, at least for the forecast period, Ketchikan Pulp's two sawmills will remain operating. It is also forecast that KPC's logging employment will increase significantly from its 1996 level, a year in which KPC curtailed logging employment significantly. For at least the next two years, it is assumed that no significant change will occur in the current level of sawmill employment in the region. Outside of Southeast, the logging industry is expected to show some slight growth.

Alaska's seafood processors appear to be in a better position entering the 1997 season than they were last year. However, optimism in the industry could be characterized as extremely guarded. Winter processing employment related to bottomfish and shellfish is down, despite an increase in the opilio crab harvest levels this year. One positive note is that the canned pink salmon inventory is lower than it was entering last year's harvest. An unexpected blow to employment in the industry recently occurred when the Tyson Seafood plant in Kodiak suffered extensive fire damage. What effect this will have on the state's processing employment is unknown at this point, but the worst case scenario would be the loss of that plant for the entire season.

## Public sector downsizing continues at a slower pace

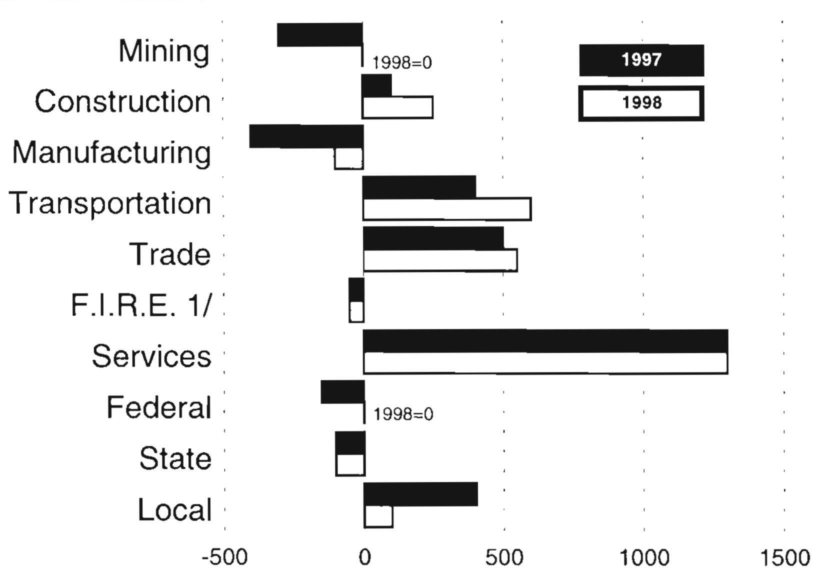
Most of the federal government's downsizing effort appears to be behind Alaska's economy. The last expected major blow, the Fort Greely base realignment, is scheduled for the year 2000, beyond the horizon of this forecast. While the next two years look relatively stable for federal government employment, some areas appear vulnerable to slight employment losses. One is civilian jobs associated with Alaska's military installations. On the civilian side, the Forest Service is planning on cutting personnel at its Sitka station. These positions were associated with the timber harvesting program for the Sitka pulp mill that shut down.

State government is forecast to be relatively stable during the next two years. However, state spending is being ratcheted down steadily, and lower employment counts are likely to result as agencies adjust to lower spending levels.

Offsetting the drops in federal and state government employment will be a slow increase in local government jobs. Local government is the likely exception to the rule of government downsizing because both education-related local government employment and law enforcement personnel are being beefed up. A number of school districts are bringing new or expanded school facilities on line during the next two years. These facilities will need teachers and administrative staff, although financial pressures on local school districts will limit expansion. Also, unless the federal initiative which helped fund new law

Figure • 2

### Services, Trade, Transportation Key to Slim Job Gain




1. Finance, Insurance & Real Estate

Source: Alaska Department of Labor, Research and Analysis Section.

Table 1

## Alaska Nonagricultural Wage and Salary Employment Forecast 1997-1998

| | 1995 Annual Average | 1996 Annual Average | Percent Change 95-96 | 1997 Annual Average | Absolute Change 96-97 | Percent Change 96-97 | 1998 Annual Average | Absolute Change 97-98 | Percent Change 97-98 |
|---|---|---|---|---|---|---|---|---|---|
| Nonag. Wage and Salary | 262,000 | 263,200 | 0.5 | 264,900 | 1,700 | 0.6 | 267,450 | 2,550 | 1.0 |
| Goods-producing | 39,700 | 38,700 | -2.5 | 38,100 | -600 | -1.6 | 38,250 | 150 | 0.4 |
| Mining | 10,000 | 10,000 | 0.0 | 9,700 | -300 | -3.0 | 9,700 | 0 | 0.0 |
| Construction | 12,800 | 12,500 | -2.3 | 12,600 | 100 | 0.8 | 12,850 | 250 | 2.0 |
| Manufacturing | 16,900 | 16,200 | -4.1 | 15,800 | -400 | -2.5 | 15,700 | -100 | -0.6 |
| Seafood Processing | 10,400 | 10,100 | -2.9 | 9,950 | -150 | -1.5 | 9,800 | -150 | -1.5 |
| Forest Products 1/ | 2,700 | 2,400 | -11.1 | 2,100 | -300 | -12.5 | 2,075 | -25 | -1.2 |
| Service-producing | 222,300 | 224,500 | 1.0 | 226,800 | 2,300 | 1.0 | 229,200 | 2,400 | 1.1 |
| Transportation | 22,900 | 22,700 | -0.9 | 23,100 | 400 | 1.8 | 23,700 | 600 | 2.6 |
| Trade | 54,200 | 54,600 | 0.7 | 55,100 | 500 | 0.9 | 55,650 | 550 | 1.0 |
| Wholesale Trade | 8,700 | 8,800 | 1.1 | 8,900 | 100 | 1.1 | 8,950 | 50 | 0.6 |
| Retail Trade | 45,500 | 45,800 | 0.7 | 46,200 | 400 | 0.9 | 46,700 | 500 | 1.1 |
| Finance-Ins.& Real Estate | 11,700 | 11,700 | 0.0 | 11,650 | -50 | -0.4 | 11,600 | -50 | -0.4 |
| Services & Misc. | 60,800 | 62,400 | 2.6 | 63,700 | 1,300 | 2.1 | 65,000 | 1,300 | 2.0 |
| Government | 72,800 | 73,100 | 0.4 | 73,250 | 150 | 0.2 | 73,250 | 0 | 0.0 |
| Federal | 17,600 | 17,300 | -1.7 | 17,150 | -150 | -0.9 | 17,150 | 0 | 0.0 |
| State | 21,500 | 21,600 | 0.5 | 21,500 | -100 | -0.5 | 21,400 | -100 | -0.5 |
| Local | 33,700 | 34,200 | 1.5 | 34,600 | 400 | 1.2 | 34,700 | 100 | 0.3 |

*1/ Includes Pulp Mills and Lumber and Wood Products.*

*Subtotals may not add due to rounding.*

*Source: Alaska Department of Labor, Research and Analysis Section.*

enforcement positions is cut, local law enforcement agencies will continue to add to their police forces.

### Guessing the wild cards

Speculating on events that would throw a curve into this forecast is a little risky, but given history and what's known today, here's a "best guess" at what could change the industry employment outlook. First, an extraordinary event affecting world oil prices or Alaskan oil production always has the potential to substantially impact employment. A run-up in oil prices would notably brighten the outlook, especially in the public construction and state and local government employment sectors. Prices falling dramatically would have the opposite effect.

While it's certainly not as important a commodity to the Alaskan economy as the price of oil, the price of gold is going to be crucial to projected employment gains in the mining industry. If gold prices dropped significantly from present levels, planned developments could be postponed or cut back.

### Summary: Slow, steady growth continues

The 1997-98 employment forecast predicts continued slow employment growth, with gains expected to be in the range of 1.0% per year. Hard rock mining, the air cargo industry, tourism, services and retail trade will spur job gains, with the construction sector making an important contribution. If projections come to pass, by 1999 Alaska will be poised to enter the new century riding a full decade of employment growth.

During a time like this, continued job growth is fragile and could easily change based upon some unforeseen turn in events. What is notable about this forecast is the outlook for a relatively slow, but steady, upward pace for Alaska's economy.

# Anchorage's Economy Holding Its Own

by Neal Fried

Neal Fried is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. Neal is located in Anchorage.

Over the next two years, Anchorage's economy will not stray far from its performance of the past two years. (See Table 1.) No events that would cause dramatic shifts in the economy are anticipated. Growth in employment will be largely absent. (See Figure 1.) However, underneath this otherwise serene-looking economic picture, some turbulence rumbles. Economic forces are being set in motion that could be felt beyond the years of this forecast.

The updrafts in the economy will continue to come from the visitor industry, services and local government. (See Figure 2.) The player providing most of the loft is Anchorage's air transportation sector. Although there is no expectation of big drops in the broadly defined industries, a few will lose altitude. Oil patch employment numbers will come down because of downsizing and relocation. Possibly the most important part of this economic story is that employment in most of Anchorage's industries will move little from its present levels.

## Schizophrenia in the oil industry

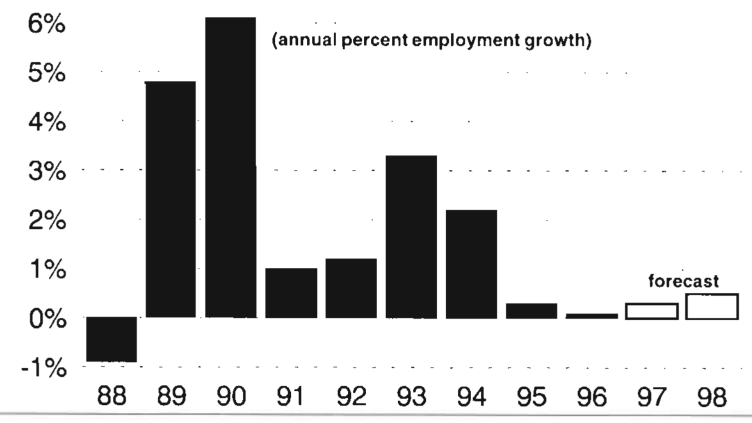
Over the last year, contradicting, confusing and conflicting news has flowed from the oil patch. However, after some explanation, it is possible to sort out some sense. Over the next two years, oil industry employment (mining) is expected to slip a bit. As the headquarters for both the oil producers and contractors, Anchorage will feel some of the squeeze. British Petroleum recently announced that by the year 2000 it would reduce the Prudhoe Bay-based workforce by 300 and the contractors' work force by 300-400. Atlantic Richfield plans to pare its contractor workforce by 300. In both cases, it is not yet clear how many of these losses will come out of Anchorage.

Further complicating Anchorage's oil outlook is the reorganization of Alyeska Pipeline Service Company. Although this employment counts in the transportation industry, it is dependent on the oil industry. Over the next year, Alyeska will cut its workforce in Anchorage from 390 jobs to 60. Most of these jobs will shift to Fairbanks and some to Valdez, but others will simply disappear. Over the next two years, this action represents the single largest negative event affecting Anchorage's economy. Not only will a large number of jobs be lost, but the impact is equivalent to losing oil producer jobs–the premier jobs in Anchorage's economy. On top of these losses, the shift will also affect 200-300 Alyeska contractor jobs in Anchorage. Besides oil industry employment, these contractor losses include jobs in construction, engineering, management, security, computer and other services.

Simultaneous with this barrage of negative news, Alaska's two major oil producers recently announced one of their most ambitious investment

Figure • 1

A Decade of Employment Growth in Anchorage




Source: Alaska Department of Labor, Research and Analysis Section.

plans in years. Development of at least four or five new oil fields will begin during the forecast period. Although there is no prediction oil industry employment will grow, these new developments will help prevent steeper losses. This outcome is impressive considering the continued decline in production from the state's giant Prudhoe Bay oil field. The biggest of these projects and the most beneficial to Anchorage is BP's development of the Northstar oil field. Delayed by legal challenges, this project could still restart during the forecast horizon. The construction of oil modules for the North Slope alone could generate over 200 construction jobs in Anchorage. Work will also begin in three other oil fields. They include BP's Badami project and ARCO's Alpine and West Sak projects. Additional module construction for several of these projects will also boost Anchorage's construction industry. In addition to these fields, other developments will join the growing list of oil industry activity.

Technological developments, along with other cost-cutting measures, have allowed the oil industry to find, develop and produce more oil today with less labor and effort. For example, years ago, when the Northstar project was first conceived, its estimated costs ran nearly three times higher than the present costs. Technological advancement has also made several smaller fields more economical. The most important result from this renewed oil industry activity is delaying the oil production decline (which began in 1988) for a number of years. This will mean additional revenues for the state which, ultimately, will generate new economic activity.

## Construction will remain on the level

During the next two years, a healthy mixture of public, commercial and residential projects should help sustain Anchorage's construction sector at or near present employment levels. The military will increase its contribution to the area's construction scene. The single largest construction project will be the $120 million Elmendorf Air Force Base hospital. Work on the hospital will proceed unabated through early 1998. In addition, the Air Force will build a $16 million hangar, and construction on a new $35-41 million commissary\exchange complex on Elmendorf will begin this year. Family housing renovation will continue on both bases, and a variety of other projects will further boost military construction.

School construction will slow now that two new middle schools have been completed. However, two new elementary schools are underway that will be ready for the 1998 school year and a significant amount of renovation work will continue. The University of Alaska Anchorage is building a new $29 million, 560-bed dormitory complex, slated for completion by the fall 1998 semester.

Highway construction in Southcentral should pick up. Seward Highway projects will be the anchors with the $14 million Bird Creek to Girdwood project, $11 million of bridge work and beginning work on the Whittier access road project.

The big surprise for the 1997 construction season is the interest in new hotel construction. At least six to seven hotel projects are under consideration in Anchorage. Some of these projects will not come to fruition. However, four or five will break ground in 1997, with additional ones starting in 1998. These projects might include a new Fairfield (a Marriot project) in midtown, a Hilton project at the airport, a Ramada in Muldoon, a Microtel near the airport, and at least one new hotel close to the new Native Medical Center. The single largest private construction project in Anchorage will be a new $38 million Federal Express warehouse facility. New retail space will also put contractors to work. The largest retail project will be a new Home Depot going up in 1997. Also, Safeway will likely build at least one new store in Anchorage. Both MAPCO and Tesoro have ambitious plans to upgrade and build new gas station/retail facilities around town.

Prior to the Alyeska job losses, Anchorage appeared likely to experience a near repeat of the 1996 residential construction season, which was the best in 11 years. However, these job losses could dampen the market. Some of this negative effect could be partially offset by the Alaska Housing Finance Corporation's proposed interest rate reduction program. This program will help mostly first-time home buyers with moderate to lower incomes. The softer economy may mean the addition of between 800-1000 new units, a level which mirrors the range for the past five years.

## Big updraft for air transportation

The next two years may introduce a renaissance for Anchorage's air transportation industry. If not for the relocation of over 300 Alyeska employees out of Anchorage, the employment forecast for transportation would grow significantly.

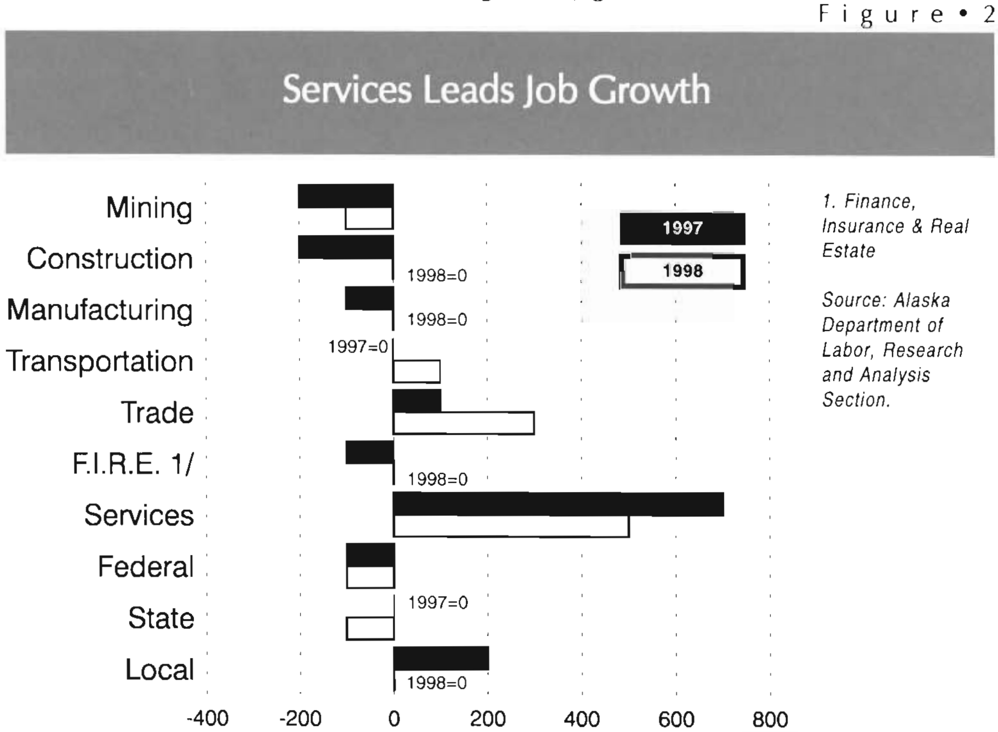
On the domestic intra-state side, local carriers have responded to the demise of the MarkAirs and the growing visitor industry. As a result, many local carriers are expanding their fleets, entering new markets, building new facilities, and, as a result, expanding their workforces. Changes in the inter-state picture are not as dramatic. At present, no plans for new carriers are known, but some existing players are adding flights into Anchorage.

The biggest story for air transportation in Anchorage is occurring on the international side. Explosive growth in Pacific Rim trade, expanding trade with Russia, loosening of and changes in international air transportation regulations and the fact that nearly 90 percent of all Asia-North America scheduled air cargo traffic comes through Anchorage will drive strong growth at the airport over the next two years. Although most of the flights stop to refuel and trade crews, several players are moving into the freight-forwarding business or are consolidating freight and routing it to different national and international markets. Presently, Federal Express and UPS are the biggest players. Combined, they employ nearly a thousand people in Anchorage. United Parcel Service just tripled its square footage and Federal Express is adding $38 million worth of warehouse space (see discussion on construction) and will continue to expand its workforce.

In March, United Air Lines started a new trans-Pacific air freight service with Anchorage as the hub. United's ground crew of 62 has grown to over 100, and 125 pilots will be based in Anchorage. More airlines are basing crews in Anchorage. For example, Federal Express has nearly 200 pilots based in the city. Not known is how many Anchorage-based pilots live in the community. Their numbers are growing, however, and the purchasing power of a pilot is equivalent to that of an oil production worker. In the longer run, these jobs could become important replacements for jobs lost in the oil industry.

Many existing international air carriers are looking to add flights or increase hub activity. Several national cargo-warehousing operators are considering building a sizable facility in Anchorage. A large cold storage facility could still be located at the airport. In other words, barring big surprises in the world trading scene, gains at the An-

Figure • 2




*1. Finance, Insurance & Real Estate*

*Source: Alaska Department of Labor, Research and Analysis Section.*

chorage International Airport will be a counterweight to losses taking place elsewhere in Anchorage's economy.

## Services' relentless growth should continue

Without growth in services, Anchorage's economy would have shrunk in each of the past two years. If services did not grow during the next two years, the city's labor force would certainly shrink. Health care, visitor-related services, business, management, social and entertainment services will likely continue to be the stronger players.

Growth in temporary help and the contingent workforce (business services) will continue to provide this industry with opportunities, although the relocation of Alyeska and its contractors will temper growth over the next two years. It is not just the oil patch that employs the contingent workforce. Nearly all industries are making more use of this workforce, including the state's large public sector.

Health care, the biggest player in services, will add another plus. As the population continues to age, segments of the industry such as home care will grow. Another boost is coming from public health care providers who are turning to the private sector to perform more of their services. Entertainment services will get a boost when the new Act III Theaters open their doors in the Diamond Center.

## Visitor industry will boost services and others further

By most accounts, the outlook for the next two visitor seasons is good. Bookings look strong, and hotel, air carrier and cruise ship capacity continues to grow. Longer shoulder seasons and more convention activity are also boosting this industry. Last year, hotel receipts in Anchorage climbed by more than 10 percent.

Faith in visitor growth is translating into plans for several new hotels (see construction section). The new 150-room Marriot Courtyard will open its doors in late spring, raising hotel employment by more than 50. Because hotels can be built quickly, hotels that go into construction this season could be open for the 1998 visitor season. Over 200 more rooms could be available for the 1998 season. Growth in visitor activity also disproportionately benefits retail trade and transportation.

## Retail will ring up a few changes

Anchorage's retail scene is still groping for equilibrium after the boom years of 1994-95. In 1996, for the first time in eight years, retail employment actually fell. However, barring any large store closures, retail employment should remain largely unchanged for the next two years. Some contraction and shakeout among the many general merchandisers and specialty retailers will continue. While this attrition is taking place, a few new players will enter the market. The biggest will be Home Depot, opening with a staff of close to 200. Both Tesoro and Mapco also have ambitious plans over the next two years (see construction section). The eating and drinking sector, one of retail's largest employers, is the most unpredictable. Given the large number of new eateries built in 1996, this scene might quiet down a bit. Given that little growth in real income or population is on the horizon for Anchorage, retail trade employment is unlikely to move far from its present level.

## City's finance sector will remain in near balance

Although most of Anchorage's financial institutions and Native corporations headquartered in Anchorage are enjoying healthy balance sheets and the expectation of a stable real estate market, there is no projection for growth in this sector. Technology, outsourcing and the relocation of some existing services may actually cause small losses. Key Bank announced it will lay off 65 workers as its check processing subsidiary moves south.

## Anchorage's public sector will remain in the black

After three years of major federal government losses, some reprieve may be granted for the next

Table • 1

## Anchorage Nonagricultural Wage and Salary Employment Forecast 1997-1998

| | 1995 Annual Average | 1996 Annual Average | Percent Change 95-96 | 1997 Annual Average | Absolute Change 96-97 | Percent Change 96-97 | 1998 Annual Average | Absolute Change 97-98 | Percent Change 97-98 |
|---|---|---|---|---|---|---|---|---|---|
| Nonag. Wage & Salary | 120,500 | 120,600 | 0.1% | 121,000 | 400 | 0.3% | 121,700 | 700 | 0.6% |
| Goods Producing | 11,200 | 10,700 | -4.5% | 10,300 | -400 | -3.7% | 10,200 | -100 | -1.0% |
| Mining | 2,700 | 2,500 | -7.4% | 2,300 | -200 | -8.0% | 2,200 | -100 | -4.3% |
| Construction | 6,400 | 6,300 | -1.6% | 6,100 | -200 | -3.2% | 6,100 | 0 | 0.0% |
| Manufacturing | 2,100 | 2,000 | -4.8% | 1,900 | -100 | -5.0% | 1,900 | 0 | 0.0% |
| Services Producing | 109,300 | 109,900 | 0.5% | 110,700 | 800 | 0.7% | 111,500 | 800 | 0.7% |
| Transportation | 12,000 | 11,800 | -1.7% | 11,800 | 0 | 0.0% | 12,000 | 200 | 1.7% |
| Trade | 29,700 | 29,700 | 0.0% | 29,800 | 100 | 0.3% | 30,100 | 300 | 1.0% |
| Wholesale Trade | 6,400 | 6,500 | 1.6% | 6,500 | 0 | 0.0% | 6,600 | 100 | 1.5% |
| Retail Trade | 23,300 | 23,200 | -0.4% | 23,300 | 100 | 0.4% | 23,500 | 200 | 0.9% |
| Finance-Ins. & Real Estate | 7,200 | 7,100 | -1.4% | 7,000 | -100 | -1.4% | 7,000 | 0 | 0.0% |
| Services & Misc. | 32,400 | 33,500 | 3.4% | 34,200 | 700 | 2.1% | 34,700 | 500 | 1.5% |
| Government | 28,100 | 27,800 | -1.1% | 27,900 | 100 | 0.4% | 27,700 | -200 | -0.7% |
| Federal | 10,500 | 10,000 | -4.8% | 9,900 | -100 | -1.0% | 9,800 | -100 | -1.0% |
| State | 8,100 | 8,100 | 0.0% | 8,100 | 0 | 0.0% | 8,000 | -100 | -1.2% |
| Local | 9,500 | 9,700 | 2.1% | 9,900 | 200 | 2.1% | 9,900 | 0 | 0.0% |

*Totals may not add due to rounding.*

*Source: Alaska Department of Labor, Research and Analysis Section.*

two years. Although job losses are predicted for the next two years, they are considerably smaller than the 500-job loss in 1996. The number of civilians working for the military and other larger branches of the federal government should find more stability. However, downward pressure on the federal workforce will continue as the battle with the budget deficit is waged. Contracting out will also reduce the federal employment numbers.

The state government workforce may well get smaller over the next two years. Pressure to reduce the operating budget will eventually translate into a smaller workforce. The University of Alaska is feeling similar stress.

Local government employment should climb some during the next two years. Growth will come as the Anchorage School District opens two new middle schools in the fall of 1997 and enrollment in the district continues to creep upwards. At the city level, employment will also inch up. With federal grant money available for police officers, an emphasis on public safety, and the annexation of the Hillside area, the city hopes to hire 50 additional police officers in each of the next two years.

## Summary: Little change on the horizon

Over the next two years, Anchorage's economic landscape looks a lot like the past two years -- pretty flat. If stability explains the present climate, then the past five years and the next two represent the most stable period in Anchorage's economic history. Employment in most of the city's industries will not budge far from present levels. Losses in the oil patch and in the public sector and the relocation of Alyeska's workforce will continue to sap the Anchorage economy. Air transportation, services and the visitor industry should inject some new life into the economy.

# Fairbanks Embraces Economic Growth

by Brigitta Windisch-Cole

*Brigitta Windisch-Cole is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. She is located in Anchorage.*

Fairbanks' economy, growing since 1988, will continue to add employment over the next two years. Since 1990, employment growth in Fairbanks has averaged 2.2% per year. This forecast for 1997-98 calls for yearly growth rates of 2.4% and 2.7% respectively. (See Figure 1.)

Job growth will be led by transportation, which includes pipeline, communication, and utility employment. (See Table 1.) New mining industry jobs, created at Fort Knox and other mining projects, will strengthen the local economy. Services and retail also will contribute to employment increases. Public sector employment at the local level will lose ground because of the switch of Municipal Utility Services (MUS) to the private sector. The tight fiscal policies of federal and state governments will contain public sector employment growth. Construction will turn in a good performance, holding onto 1996 employment levels during the next year. A few larger projects will start late in 1997 and carry forward to a brisker 1998 construction season.

The robust outlook for Fairbanks' private sector will help diversify the area's economy. The future employment picture for Fairbanks becomes even brighter, considering that over 50 percent of the new jobs will pay above average wages or salaries.

## Transportation employment will lead job growth

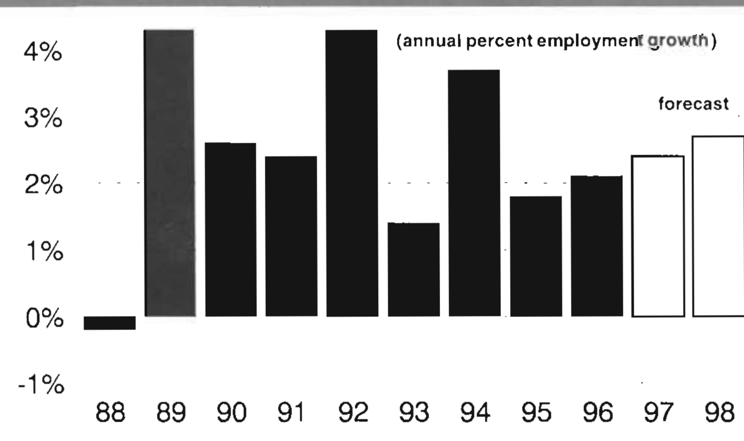
The strongest contribution to transportation employment in Fairbanks will come from a reorganization of the Alyeska Pipeline Service Company. (Employment at this company counts in the transportation industry, notwithstanding its close ties to the oil industry.) Although final job transfers have not been decided, about 250 jobs could move from Anchorage to the company's Fairbanks management unit within the next two years. This reorganization moves the jobs closer to the pipeline -- a business strategy designed to gain efficiency.

Another move will also boost transportation employment when Pacific Telecom, Inc., (PTI) relocates its headquarters to Fairbanks from Anchorage. This move is accompanied by the adjunct privatization of the Municipal Utility System (MUS). PTI will run the local telephone utility, taking over the majority of MUS' communication workers. Electrical linemen will work for Golden Valley Electric, and a new holding company, Fairbanks Water and Sewer, will employ the city's water and sewer utility personnel. Usibelli Coal Mine, Inc., purchased the powerhouse and has agreed to hire MUS personnel.

Although the terms of the MUS sale have been set, netting about $100 million for the city's coffers, its effective date cannot yet be determined. Privatization of MUS will depend on approval by the Alaska Public Utility Commission and on the communication licensing transfer process.

Figure • 1

## A Decade of Employment Growth in Fairbanks




Source: Alaska Department of Labor, Research and Analysis Section.

In addition to the switch of public to private sector payrolls, PTI's headquarters move could add about 60 jobs to communication employment. The Fairbanks market will become the largest concentration of a customer base for PTI, which operates local telephone services already in North Pole, Southeast, the Kenai Peninsula, Kodiak and other places.

Both moves, the Alyeska Pipeline Service Company and the PTI job transfers, will also increase Fairbanks' average annual payroll.

Because the moves are permanent business decisions, the new higher than average payrolls will blend well into the local economy.

## Government employment will drop off a bit

When MUS changes to the private sector, a flipside change in employment will occur in the public sector. Over 250 employees will be spun off public sector payrolls. Although school district employment will increase when families move to Fairbanks, these gains will not be large enough to absorb the drop in local government employment.

The downsizing phase of military-related and other federal employment has almost been completed and, therefore, no big changes are foreseen. In spite of expected population growth in Fairbanks, state government may not add any jobs. Budget constraints will keep state government employment from growing.

## Gold production strengthens the mining sector

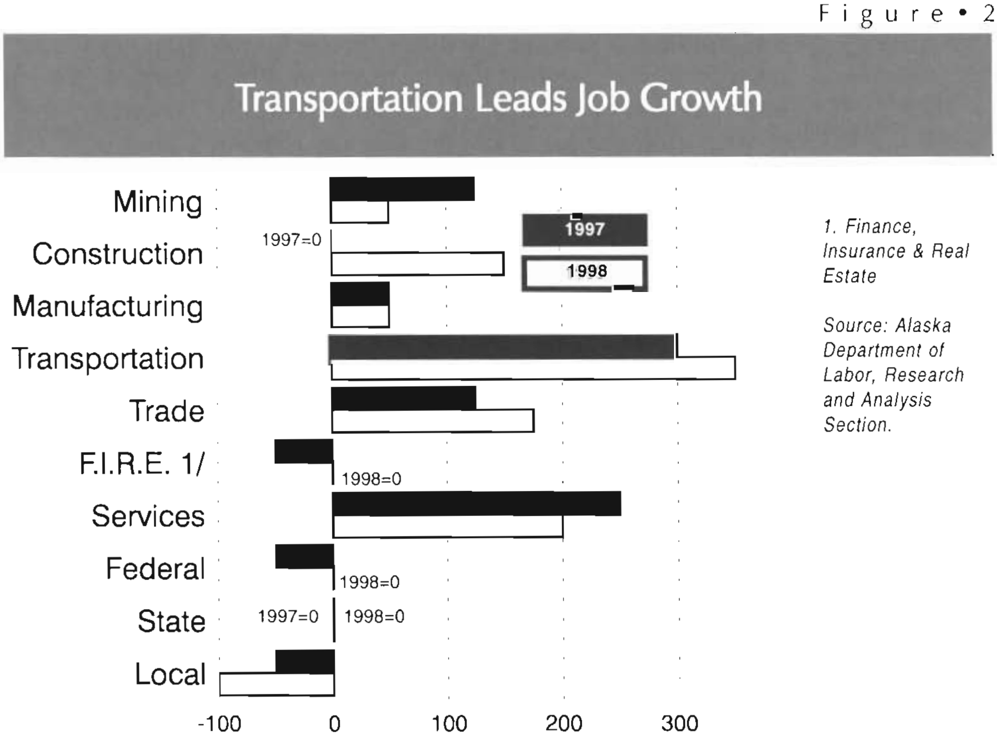
Year-round employment at Fort Knox will leave a strong impression on Fairbanks' economy. Although the Fort Knox mine has hired workers during its construction phase, its full impact on employment will become apparent during the first year of operation in 1997. Other mining companies will resume exploration efforts in the Fairbanks mining district and new prospects may be explored. Testing, drilling and recalculating gold deposits on the True North project will continue, bringing the development decision closer. These activities emphasize the resurgence of gold mining as a basic sector industry.

## Construction will closely match last year's performance

In 1997, construction employment is expected to repeat last year's good performance and an increase in 1998 will follow. (See Table 1.)

Although road and other infrastructure construction will be 20 to 30 percent below last year's activities, other public projects such as various school projects and the library will stimulate construction work in the next two years. In 1996, Fairbanks voters approved a $64 million bond package to build, modernize, and expand their

Figure • 2




1. Finance, Insurance & Real Estate

Source: Alaska Department of Labor, Research and Analysis Section.

Table • 1

## Fairbanks North Star Borough Nonagricultural Wage & Salary Employment Forecast 1997-1998

| | 1995 Annual Average | 1996 Annual Average | Percent Change 95-96 | 1997 Annual Average | Absolute Change 96-97 | Percent Change 96-97 | 1998 Annual Average | Absolute Change 97-98 | Percent Change 97-98 |
|---|---|---|---|---|---|---|---|---|---|
| Nonag. Wage & Salary | 31,200 | 31,850 | 2.1% | 32,600 | 750 | 2.4% | 33,475 | 875 | 2.7% |
| Goods-producing | 3,200 | 3,250 | 1.6% | 3,425 | 175 | 5.5% | 3,675 | 250 | 7.3% |
| Mining | 750 | 950 | 26.7% | 1,075 | 125 | 16.7% | 1,125 | 50 | 4.7% |
| Construction | 1,950 | 1,800 | -7.7% | 1,800 | 0 | 0.0% | 1,950 | 150 | 8.3% |
| Manufacturing | 550 | 500 | -9.1% | 550 | 50 | 9.1% | 600 | 50 | 9.1% |
| Service-producing | 28,000 | 28,600 | 2.1% | 29,175 | 575 | 2.1% | 29,800 | 625 | 2.1% |
| Transportation | 2,300 | 2,350 | 2.2% | 2,650 | 300 | 13.0% | 3,000 | 350 | 13.2% |
| Trade | 6,950 | 7,000 | 0.7% | 7,125 | 125 | 1.8% | 7,300 | 175 | 6.6% |
| Wholesale Trade | 800 | 750 | -6.3% | 750 | 0 | 0.0% | 750 | 0 | 0.0% |
| Retail Trade | 6,150 | 6,250 | 1.6% | 6,375 | 125 | 2.0% | 6,550 | 175 | 2.7% |
| Finance-Ins. & Real Estate | 950 | 1,000 | 5.3% | 950 | -50 | -5.3% | 950 | 0 | 0.0% |
| Services & Misc | 7,550 | 7,800 | 3.3% | 8,050 | 250 | 3.3% | 8,250 | 200 | 2.5% |
| Government | 10,250 | 10,500 | 2.4% | 10,400 | -100 | -1.0% | 10,300 | -100 | -1.0% |
| Federal | 3,000 | 3,200 | 6.7% | 3,150 | -50 | -1.7% | 3,150 | 0 | 0.0% |
| State | 4,350 | 4,350 | 0.0% | 4,350 | 0 | 0.0% | 4,350 | 0 | 0.0% |
| Local | 2,850 | 2,950 | 3.5% | 2,900 | -50 | -1.8% | 2,800 | -100 | -3.4% |

*Totals may not add due to rounding.*

*Source: Alaska Department of Labor, Research and Analysis Section.*

school facilities. The university's construction schedule lists start-up projects amounting to about $45 million. Among its larger projects, the university has specified the construction of the International Arctic Research Center and dormitory housing upgrades. The military will expend over $50 million in construction in the next two years. For both military installations, Eielson Air Force Base and Fort Wainwright, housing remodeling is the largest construction project.

Commercial construction activities are expected to pick up during 1997 and 1998. Possibilities include a six-story expansion of the Westmark Hotel, a headquarters building for Pacific Telecom, Inc.(PTI), and a new terminal for Alaska's Railroad.

Assessing future residential construction is difficult. However, currently, confidence in Fairbanks' real estate market is strong. Real estate experts forecast a hefty increase in residential building, because of Alyeska Pipeline Service Company's decision to relocate jobs to Fairbanks and the proposed PTI headquarters move. A few investors are committed to building condominium complexes in 1997, and if they sell, more units will be added in 1998. A small building boom in residential construction could result.

## Retail job growth will be noticed

When large national retailers opened stores in Fairbanks between 1989 and 1994, the local economy gained 1,200 new jobs. Since then, growth in retail has stalled. However, this will change as people moving to Fairbanks broaden the local customer base. Therefore, this two-year forecast calls for retail job growth. The old Fred Meyer store is adding a grocery department and expects to add to employment. Sears is also renovating their store to enlarge their retail space. Sears occupied their new warehouse in January, and the store renovation is scheduled to be completed by June.

Tourism in Fairbanks has left strong imprints on the local economy, although its growth is difficult to assess. Visitor statistics contain many uncertainties because individual businesses report different experiences. Experts do believe, however, that five percent overall growth is possible in each of the next two summer seasons. Retail stores, hotels, transportation industries, and restaurants could see increased business from travelers. Moreover, the workers and their families, transferring in from Anchorage, will be new, year-round clientele.

### Service industries will continue to add jobs

Employment gains in services will be widespread in the next two years. A growing visitor industry, increased population and new business units will require a variety of services. Therefore, employment growth can be expected in firms that provide services to the general public and to specific industries. It is certain that some of Alyeska Pipeline Service Company's contractors will establish a presence in Fairbanks.

Visitor infrastructure expansion demonstrates Fairbanks' commitment to the tourism industry. Last year, two new hotels opened their doors, and this year a new lodging place will create jobs in the hospitality industry. The new 48-cottage lodge, located on the Chena River, will open in time for the 1997 season. The downtown Northern Lights Hotel (the former Polaris) will have its make-over completed. Finally, the proposed Westmark Hotel addition will post new jobs in the 1998 season.

### Summary

Fairbanks will have a thumbs-up economy during this two-year forecast period. All private sector major industries will post new jobs. Most of the new jobs will pay above average wages or salaries, which reinforce the positive impact on Fairbanks' economy. The public sector will show a loss of jobs, although this change merely represents a shift to the private sector. Job growth will be strongest in transportation, reflecting the job transfers from Anchorage and the privatization of MUS. Support industries will benefit from the business moves. Both mining and construction employment will contribute to employment growth and foster economic prosperity.

# Will Mining Rescue Southeast's Economy?

by Kristen Tromble

Southeast Alaska's three traditional mainstays are struggling through transition. The timber industry, which over the last eight years has steadily shed jobs, lost its last big mill this spring. The seafood industry is adapting to less favorable market and pricing conditions, environmental concerns, and changes in fisheries management. Government employment is being squeezed by funding cuts and a reordering of priorities and organization. What will drive the region's economy over the next two years? (See Figure 1.)

Through 1998, Southeast's economic performance will likely be driven by changes in the timber and mining industries. (See Figure 2.) These two industries look set to move in opposite directions, with timber declines propelled by the closure of Ketchikan Pulp Company's (KPC) pulp mill in Ketchikan. While, over time, expansion in other sectors of Southeast's economy would push employment above 1996 levels, Southeast's immediate outlook hinges on the development of Coeur Alaska's Kensington mine.

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This project is the only apparent source of a sizable job gain which would significantly offset the pulp mill losses for this year and next. (See Table 1.) In addition to simply providing a large number of jobs, construction and mining jobs, like timber jobs, pay above average wages.

## Mining: the proverbial goose?

Mining, with related construction, is expected to be the main growth force over the next two years. The full effect of the reopened Greens Creek Mine will show in 1997's employment numbers. But the industry's and region's biggest growth driver will come from development of the Kensington Mine. Kensington, with estimated gold reserves of nearly two million ounces, is located between Haines and Juneau. As of this writing, the owner, Coeur Alaska, expects permits approved and a decision on whether to proceed with the project by mid-summer 1997. Once started, construction would last 18 months, through the end of this forecast period, and employ around 450 people. Additional exploration could shift some of this employment into the mining industry. During production, employment would run about 275 workers.

Smaller projects, such as Sealaska Corporation's limestone quarry on Prince of Wales, will help round out this industry. Several other small to large mining projects are under investigation, but most employment impacts would fall outside this forecast period.

## Construction: the golden egg?

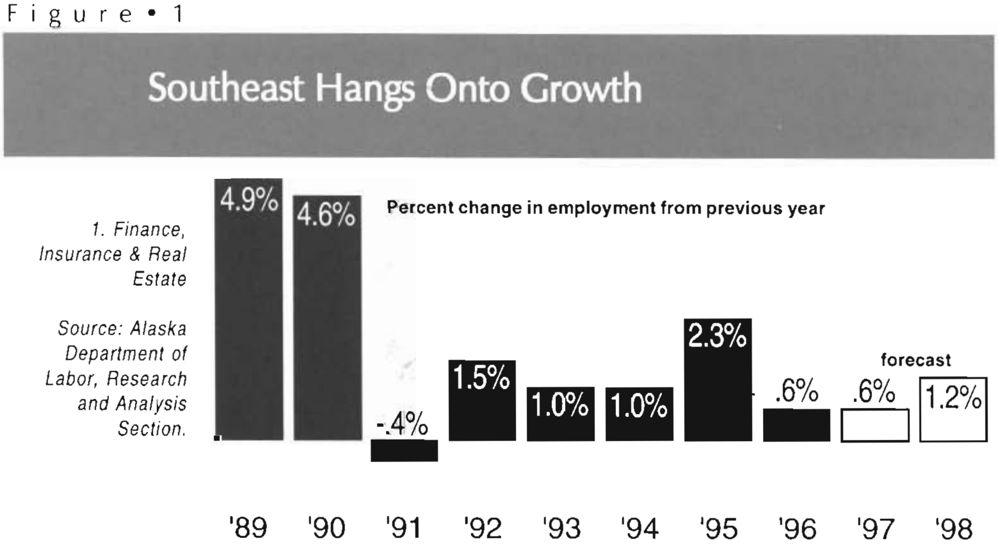
Thanks to work at the Kensington, the construction industry stands poised for two more years of strong growth. Employment could exceed the record levels of 1983 and 1984. Besides work at the mine site, the new mine will help support residential construction in Juneau, which was extremely hot last year. Coeur Alaska is working through Goldbelt to ease the mine's impact on the local housing market by adding 100 housing units. Goldbelt is also proceeding with plans to develop its property at Echo Cove.

Other indicators look positive, although it's uncertain that last year's high employment levels could be sustained without the Kensington. Other Juneau projects include a new police station, weather forecast office, and vocational training center, widening Thane Road, and a variety of other commercial and residential projects.

In Ketchikan, despite the mill closure, construction is booming. The Alaska Department of Transportation and Public Facilities plans $47 million in construction projects through 2001, with a huge road rebuild to start next year. Work continues on a seaplane dock, and the city may break ground for a historical museum this spring. Expansion at Ketchikan General Hospital and the construction of new health clinics will also boost this industry. Commercial expansion continues at the Spruce Mill development.

In other activity, Klawock, Metlakatla and Petersburg could all see new low-to-moderate-income housing. The Federal Highway Administration has a $4 million road project near Klawock, and the Forest Service is managing landfill clean-up at Thorne Bay. Sitka is gain-

Figure • 1




1. Finance, Insurance & Real Estate

Source: Alaska Department of Labor, Research and Analysis Section.

ing a new lightering facility, and its Mt. Edgecumbe hospital will enter the second phase of renovation. The Sitka Tribe of Alaska is building a community house.

One caution is pertinent. If the Kensington mine project proceeds on schedule, construction work will be over by the end of this forecast period. Unless other substantial projects appear to replace these jobs and sustain demand for new housing units, construction employment could drop significantly after 1998.

This forecast assumes that construction of the Kensington Mine starts by the end of summer 1997 and that Coeur undertakes further exploration work. This assumption contributes to employment changes in several ways. If this project is moth-balled or delayed, construction employment would be forecast to fall rather than rise. Residential construction would also be expected to slow, further depressing the construction numbers. Also, mining employment would hold steady or rise only slightly, with the remaining gains at Greens Creek offset by losses at Echo Bay following the halt to the AJ mine project. In addition, indirect gains in trade, services and transportation would not be realized.

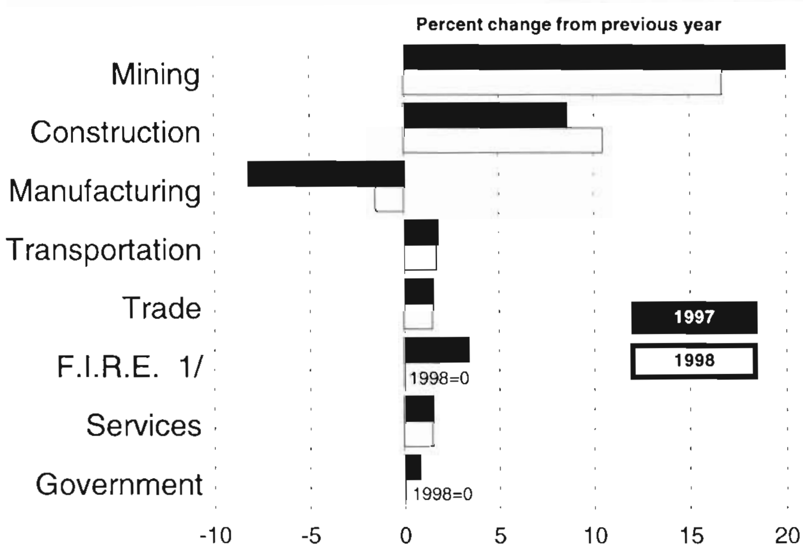
## Timber: not out of the woods

Following announcement of the pulp mill's closure, the beleaguered timber industry received a bit of good news when a deal was cut to keep KPC's two sawmills operational for the next three years. However, this forecast assumes that the Tongass Land Management Plan, when finally adopted, will not increase logging levels much above those needed to fulfill the Forest Service's commitment to these sawmills. Consequently, employment at independent timber processors is projected to remain at low levels for this short forecast period. There is much interest in the region in developing timber processing facilities such as dry kilns, planing mills, sawmills and other value-added manufacture. A greater supply of timber from the Tongass or from private or state lands could result in greater timber industry employment than forecast.

The pulp mill's closure will pull almost 500 jobs from this industry through 1998. (Since the mill operated for almost three months of 1997, the closure's full impact will not show in the annualized employment numbers until 1998.) However, an increase in logging employment, which was sharply curtailed in 1996 while KPC's future was decided, will partially offset over-the-year pulp losses for a smaller net drop industry wide. However, timber's employment will likely fall to its lowest level in over 25 years. The importance of timber in the region's economy has declined significantly in the last 20 years. In 1975, the timber industry directly provided 13.1% of Southeast's wage and salary jobs compared to its 1996 share of 4.9%.

Figure • 2

### Mining Leads Growth




1. Finance, Insurance & Real Estate

Source: Alaska Department of Labor, Research and Analysis Section.

## Seafood treads water

Indicators in the seafood industry are mixed, but the industry is unlikely to see any strong impetus for employment growth. Currently, the total 1997 salmon catch in Southeast is projected to fall about one-third below the 1996 harvest. Better prices for pink salmon could help this industry, but prices for chum and sockeye are expected to remain low. Some growth may occur as processors work to produce more value-added products, but market conditions will make processors search for efficiencies. For instance, Health Sea is both consolidating operations in Kake and adding a dried fish plant to its facility. On the down side, a promising new dive fishery may be iced due to lack of government funds for management.

Developing trends in this industry are expected to continue. These include harvesters directly marketing their catch, increased small scale specialty processing and a shift from commercial to sport fish activity. Growth in these areas could be offset by losses in this industry's traditional activities.

## Tourism drives retail trade, diversifies

Last year, growth in retail trade slowed from the heady pace it had sustained since 1988. Slower growth of 1.6% annually is predicted for this forecast period. Currently, tourism is the primary impetus pushing this sector. Timber and fishing communities that have lost jobs or income may find the local economics averse to retail expansion. On the other hand, some residents who deferred purchases while KPC's future was uncertain may now develop a stable niche in the changed economy and resume spending.

Regionally, growth in tourism should continue over the next two years, providing another strong push for the region's economy. For 1997, Ketchikan and Juneau are projecting a 10 percent increase in cruise ship passengers over 1996's record numbers. In anticipation, both communities are adding new retail stores, and a Ketchikan hotel is finishing a major expansion. However, changes in the industry will impact communities differently. For example, Sitka expects a 29 percent drop in cruise passengers as Holland America shifts some stops to Skagway.

Businesses continue to expand offerings for tourists, with new cultural tours, sightseeing cruises, trail walks, and other adventure expeditions on offer. Juneau's new tram will operate for its first full season. A restaurant and cultural area will also be part of the tram facilities this year. This forecast includes the opening in 1998 of at least one new hotel of the several under consideration.

Sport and charter fishing play an increasingly important role. In 1995, Southeast hosted almost three times the number of non-resident sport fishers as in 1984. Anecdotal reports suggest some commercial fishermen and displaced timber workers have shifted to tourist-related fishing activity as opportunities in their former industries grow scarcer.

## The rest of the story

Other growth in services is expected, in addition to the tourism-driven hotel and recreation sectors. Health care should continue to add jobs, with ongoing expansion projects at major hospitals and new health clinics planned. Education and social services may see some boost from new charter schools and job training programs for persons moving from welfare to work.

Finance, Insurance and Real Estate growth depends mainly on expansion at Native corporations, although strong residential construction and a proposed Alaska Housing Finance Corporation program of subsidized home loans may help.

New jobs in transportation will occur in the air sector and with the addition and expansion of private ferry services.

## The public sector: under pressure

Little boost is anticipated from government, the region's largest employer. Continued budget pressure at the federal and state levels will likely result in flat to downward employment trends in

Table • 1

## Southeast Alaska Nonagricultural Wage and Salary Employment Forecast 1997-1998

| | 1995 Annual Average BM 96 | 1996 Annual Average BM 96 | Percent Change 95-96 | 1997 Annual Average | Absolute Change 96-97 | Percent Change 96-97 | 1998 Annual Average | Absolute Change 97-98 | Percent Change 97-98 |
|---|---|---|---|---|---|---|---|---|---|
| Total Nonag. Wage & Salary | 35,700 | 35,900 | 0.6 | 36,100 | 200 | 0.6 | 36,550 | 450 | 1.2 |
| Goods-producing | 5,800 | 5,700 | -1.7 | 5,550 | -150 | -2.6 | 5,750 | 200 | 3.6 |
| Mining | 200 | 250 | 25.0 | 300 | 50 | 20.0 | 350 | 50 | 16.7 |
| Construction | 1,600 | 1,750 | 9.4 | 1,900 | 150 | 8.6 | 2,100 | 200 | 10.5 |
| Manufacturing | 4,000 | 3,650 | -8.8 | 3,350 | -300 | -8.2 | 3,300 | -50 | -1.5 |
| Seafood Processing | 1,600 | 1,450 | -9.4 | 1,450 | 0 | 0.0 | 1,450 | 0 | 0.0 |
| Forest Products 1/ | 2,050 | 1,750 | -14.6 | 1,450 | -300 | -17.1 | 1,400 | -50 | -3.4 |
| Service-producing | 29,900 | 30,200 | 1.0 | 30,550 | 350 | 1.2 | 30,800 | 250 | 0.8 |
| Transportation | 2,850 | 2,850 | 0.0 | 2,900 | 50 | 1.8 | 2,950 | 50 | 1.7 |
| Trade | 6,650 | 6,700 | 0.8 | 6,800 | 100 | 1.5 | 6,900 | 100 | 1.5 |
| Wholesale Trade | 500 | 500 | 0.0 | 500 | 0 | 0.0 | 500 | 0 | 0.0 |
| Retail Trade | 6,100 | 6,200 | 1.6 | 6,300 | 100 | 1.6 | 6,400 | 100 | 1.6 |
| Finance-Ins. & Real Estate | 1,400 | 1,450 | 3.6 | 1,500 | 50 | 3.4 | 1,500 | 0 | 0.0 |
| Services & Misc. | 6,700 | 6,750 | 0.7 | 6,850 | 100 | 1.5 | 6,950 | 100 | 1.5 |
| Government | 12,300 | 12,400 | 0.8 | 12,500 | 100 | 0.8 | 12,500 | 0 | 0.0 |
| Federal | 1,950 | 1,950 | 0.0 | 1,900 | -50 | -2.6 | 1,900 | 0 | 0.0 |
| State | 5,400 | 5,350 | -0.9 | 5,350 | 0 | 0.0 | 5,300 | -50 | -0.9 |
| Local | 5,000 | 5,150 | 3.0 | 5,250 | 100 | 1.9 | 5,300 | 50 | 1.0 |

these sectors. At the federal level, the Forest Service is expected to cut some positions in reflection of reduced Tongass timber harvest levels. Also, the state Department of Transportation and Public Facilities is struggling with the loss of some federal funds, and all state spending is under scrutiny both by the administration and the Alaska State Legislature.

Local government could provide this sector's only employment gains. For instance, the Metlakatla Indian Community will build and operate a water bottling plant that will initially employ about 30 people. In the near term, several Southeast communities are receiving federal money to help offset the loss of timber jobs.

However, after several years of growth, by the end of this forecast period, even local government employment may level off. Local budgets are pressured as federal and state pass-through dollars shrink. Communities losing jobs and population due to timber's decline may face reductions as a result of declining school enrollments or city budgets.

## Summary

Mining expansion provides a welcome cushion for an economy buffeted by changes in its mainstay industries. Health services employment will also stretch its recent growth trend. Seafood processing employment may break even, but timber employment will fall. Any government job gains will come from the local level.The construction industry, especially, will benefit. Tourism growth will continue to help the retail and service sectors.

1/ Includes Pulp Mills and Lumber and Wood Products.
, Totals m
y not add due to rounding.

Source: Alaska Department of Labor, Research and Analysis Section.