ANCHORAGE AND THE PIPELINE

By all indications, Anchorage is enjoying an economic boom. New commercial buildings are mushrooming, and most of these not completed are enclosed in plastic to allow work to continue through the winter. Increased automobile traffic has resulted in the installation of new parking meters and signal lights. "For Rent" signs have disappeared, and houses for sale turn over rapidly. Plans are in the offing for a new hotel downtown and a twin tower apartment complex adjacent to City Center. A new borough is being organized, and Anchorage will finally boast of a brewery. Construction will start next year on the new $71 million federal office building, and the Teamsters' Mall recently opened. If plans are finalized for a new downtown location, Anchorage will become a four-McDonald town.

In this article we will cover some of the available hard data that reflects the change in economic activity in the Anchorage area. It can be assumed that the pipeline is not the only new factor effecting any change in these trends, but it is probably one of the major ones. We will confine our discussion to the areas of population, employment, building construction, and inflation. All these areas show changes from which a variety of conclusions can be drawn. We will leave most of the conclusions to the reader, but try to point out some pipeline related ones.

Population: It is difficult to assess the population of the Anchorage Standard Metropolitan Statistical Area (SMSA) in 1974. The last actual count of the SMSA was the Census in 1970 when the population was 126,233.

By using the information from the 1970 Census pertaining to family size in conjunction with the net gain in housing, the Greater Anchorage Area Borough (GAAB) estimates its July 1, 1974 population to be 162,499, an increase of 5.2% over 1973 and less than the average yearly gain of 7.2% since the 1970 Census.

Average family size has also changed particularly among the people who have come north seeking pipeline related employment. Tabulations of passengers and vehicles at Tok Customs bear out this characteristic of the in-migrant. Assuming that the changes in the numbers of people entering Alaska are due to job seekers rather than tourists, it appears that the workers are coming without their families. Since 1970 the number of passengers per vehicle has been 2.8 or 2.9, but in 1974 the rate so far has been 2.6. The tabulation at Tok also shows the highest number of passengers and vehicles in this decade. The count this year surpasses that of 1970, the previous high year, by 2.5% for passengers and by 9.8% for vehicles. Another indicator that family characteristics may have changed is the school enrollment. Even though rental vacancies have decreased and population has increased, GAAB School District enrollment has increased only 1.5%. Most of this increase was in kindergarten, which could either indicate a natural population increase or increased utilization of kindergarten. This latter reason is more likely since attendance is not required in kindergarten.

Employment: If population is difficult to establish without an actual count, employment is somewhat easier. The Current Employment Statistics program of the Department of Labor comprises an actual count of employees at establishments which are part of a sample. The CES program relies on accurate and timely counts from employers included in the sample. From these counts employment by industry is derived and total employment, civilian labor force, and unemployment are estimated. Overall, the mining industry was the biggest gainer, increasing 33% over last year, reflecting increases in office personnel of the oil companies in Anchorage. Other industries that were big gainers were contract construction, transportation, communication and public utilities, and finance, insurance, and real estate. (See Table 1.)

From the standpoint of employment, the gain in the mining industry is not as significant as it would appear since it is one of the smaller sectors of the economy. Further information on the relative size of these industries and monthly and yearly changes can be gained from the table on "Civilian Labor Force in Anchorage Area" in the back of this publication.

From Table 2 it can be seen that the growth

percentage increase rate of the civilian labor force has increased in 1974 as has the rate for employment. The fast pace of the increased employment has equalled the growth in the civilian labor force, which translates into a smaller growth in the number of people unemployed and a lowering of the unemployment rate. The trend toward lowering the number of people unemployed did not start until April of 1974, and the carry-over of high unemployment in the first three months of the year will keep the annual average of the unemployment rate fairly high. The growth rate of the civilian labor force in Anchorage next year will depend upon the unemployment rate in the lower 48 states, the availability of gasoline, and the effectiveness of a program to discourage job seekers from coming to Alaska. Even though employment is expected to grow at a high rate next year, the civilian labor force will probably grow at an even greater rate and maintain Anchorage's high unemployment rate. The annual average unemployment rate for Anchorage has risen in a step-like pattern from a low of 6.7 in 1970 to a high of 9.6 in 1973.

Building Construction: Building construction is another indicator of economic activity for which there is data for the Anchorage SMSA. The total valuation of all building permits issued by the City of Anchorage and the GAAB is up 31% from October of 1973, but down 14% from October 1972. Of more interest for this discussion are the changes in housing construction that have taken place. The number of permits for new residences in the Anchorage SMSA increased 31% over October of last year, while the number of units in multi-family buildings increased 65%. Permits were issued for a total of 2,350 housing units through October of this year for an increase of 43% over last year. Inflation has had the effect of raising the average valuation of these units over last year's valuation by 17%. The shift to multi-family dwellings is more pronounced within the City of Anchorage, but can also be noted in the totals for the Anchorage SMSA. The pressures of diminishing usable land with accompanying higher prices, along with the increased actual cost of residential home building, are among the factors causing this shift. The availability of loans is also a factor, but this can change while the availability of land in the Anchorage SMSA will continue to decrease.

Inflation: Anchorage is now moving into a period when a new and unique factor is being applied to the inflation rate – unique because of its size – the $6 billion trans-Alaska Oil Pipeline.

The pipeline increases the demand for goods and services and is already being reflected in the Consumer Price Index (CPI) published by the Bureau of Labor Statistics. The inflation rate in the United States as a whole has been consistently higher than for Anchorage in the 1970's, which has had the effect of narrowing the gap between their respective costs of living. This circumstance turned around in the first half of 1974, and since this increased demand reflects only the construction and employment occurring in anticipation of the pipeline, a larger effect is still at hand. (See Table 3.) Additional data from July to September is even more significant. Anchorage "Food at Home" has risen at an annual rate of 38.7% during these two months while the U. S. "All Items" has risen at an annual rate of 14.6% and the U. S. "Food at Home" has risen at an annual rate of 18.3%.

A major portion of the effects of the pipeline are secondary and tertiary because Anchorage lies about 200 miles west of the pipeline route. The main impact will come later and probably will be spread over all sectors of the economy. Increases in business activity have already been noted. Hotels and motels were booked full through most of the summer and passenger arrivals at Anchorage International Airport have increased significantly.

All of the areas discussed in this article show changes partially caused by the pipeline. Most areas are just beginning to show an effect, and it will be a year from now before the magnitude or strength of any changes can be estimated. Building construction is anticipating the increases; inflation is reflecting the demand; population will mainly come later; and employment by industry shows the primary effects of the pipeline already present in Anchorage.

TABLE 1 ANNUAL GROWTH RATE (Percent)
Employment by Industry

	1971[1/]	1972[1/]	1973[1/]	1974[2/]
All Industries	8.2	6.2	4.9	6.3
Mining	–4.4	–12.0	–4.7	33.3
Contract Construction	11.7	8.9	–2.2	14.0
Manufacturing	9.7	8.8	5.8	3.6
Transportation-Communication & Real Estate	17.5	–1.5	2.3	13.2
Trade	8.3	6.6	7.2	6.7
Finance Insurance & Real Estate	5.4	15.8	16.1	11.6
Service & Miscellaneous	9.8	10.0	7.7	2.4
Government	5.5	5.4	3.7	3.1
Federal	0.2	–1.0	1.3	1.2
State & Local	13.7	14.2	6.5	5.4

1/ Percent changes of annual averages.

2/ Average of monthly over-the-year changes through August, 1974 based on preliminary estimates subject to change.

TABLE 2 ANNUAL GROWTH RATE (Percent)
Civilian Labor Force, Employment, Unemployment

	1971[1/]	1972[1/]	1973[1/]	1974[2/]
Civilian Labor Force	8.3	6.7	4.4	11.2
Employment	6.7	5.7	3.6	11.1
Unemployment	31.9	17.6	12.3	11.7

1/ Percent changes of annual averages.

2/ Average of monthly over-the-year changes through August, 1974 based on preliminary estimates subject to change.

TABLE 3 ANNUALIZED INFLATION RATES FROM THE CPI (Percent)
Anchorage, United States, Seattle

	1971[1/]	1972[1/]	1973[1/]	1974[2/]
Anchorage, All Items	2.3	1.9	7.9	13.7
Anchorage, Food at Home	3.7	4.7	21 .1	13.6
United States, All Items	3.4	3.7	9.4	12.5
Seattle, All Items	3.8	3.4	10.3	10.9

1/ Percent change on a January-to-January or February-to-February basis.

2/ Percent change based on the data through July 1974 and annualized.