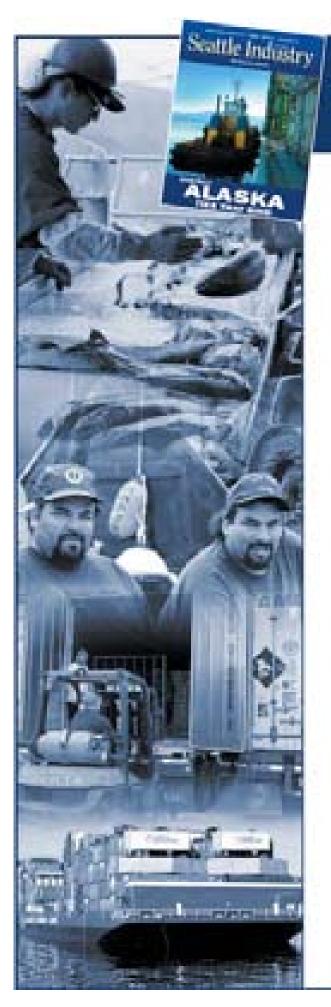
News From: South Park • SODO • Ballard • Georgetown

# Seattle Industry The Voice for Industry



**Special Report:** 

# ALASKA TIES THAT BIND



# ANCHORAGE/SEATTLE Ties That Bind

# SPECIAL EVENT



November 30, 2004 6:00 p.m. – 8:30 p.m. Edgewater Hotel

Guest Speaker Anchorage Mayor Mark Begich

The Mayors of Anchorage and Seattle are working on a plan to improve business and community relations between the two cities. Learn all about it November 30th at the annual membership banquet of the Manufacturing Industrial Council of Seattle.

The event is cosponsored by the Alaska Committee of the Seattle Chamber of Commerce in partnership with the Seattle Marine Business Coalition, the North Seattle Industrial Association, the SODO Business Association and the BINIMC Action Committee.

A new study estimates Alaska trade adds nearly \$4 billion per year to our regional economy. A copy of the report is available at www.seattlechamber.com. Alaska is also the subject of a special report in the next issue of Seattle Industry magazine.

No host bar opens at 6:00. Dinner is served at 7:00. Program concludes by 8:30. Individual tickets are \$65. Table purchases are also available.

> Please RSVP to: 206-762-2470



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Montage Photos by Stove Clark, Cover photo: The Western Toobool tog "Pacific Tilter" and the XML horge "Silke Provider" outside Juncas.

# Seattle Industry

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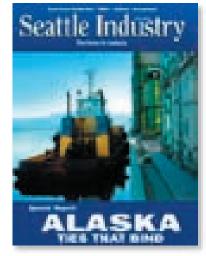
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# Contents

Volume 3, Number 3 Fall 2004



### ON THE COVER

The *Pacific Titan* tug and *Sitka Provider*. Photo by Steve Clark, graphic enhancement by Studio Pacific.

### FEATURES

### **21** Seattle First

A new program is helping Seattle industrial companies fix problems and save money. Twenty businesses have received assistance already. Find out how you can get help and tap into more than 60 free or low cost services.

### **25** Environmental Sleuth

Kane Environmental helps track down and resolve contamination issues.

### **26** Rebuilt and Growing

Capital Industries is considering an expansion after its remarkable recovery from a serious fire.

### **27** Charles Potts

SODO Business Association sponsors an evening with an expert on freight

### **28** Nucor Steel

A smart agreement is saving money for City Light and Nucor Steel.

### WHAT'S UP

### **4** In This Issue

Four billion reasons why Alaska matters and a few words about our slightly tawdry history with the  $49^{\rm th}$  state.

### **SPECIAL REPORT**



**6** Ties That Bind: Seattle & Alaska

When Alaska does well, we do good. It's time to pay more attention and enlighten ourselves about the neighbors to the north.



### **11** They Struck Gold, But We Got Rich!

How we stole the gold rush and other tales from the Club and Fang Wing of Seattle's Capitalist Hall of Fame.



### 32 Supply Chain

Our food, lumber and manufactured products move north. Their fish, crude oil and \$3.7 billion in cash move south. Reporter Steven Clark researches the regional supply chain while traveling with the *Sitka Provider* as it delivers consumer goods and business supplies throughout Southeast Alaska.



Seattle Industry was established with start-up support from the South Downtown Foundation.



# What's UP In This Issue

# **Ties That Bind**

She was rich and drop dead gorgeous, formidable too – dangerous even – but at the same time, extremely vulnerable and needy. He was wild and sometimes abusive, but he possessed a powerful ambition to succeed and he was a great provider. A gold ring bound them in a partnership that lasted for decades while they shared the rewards of a highly successful family business, settling into the routines and ruts of a long-running relationship. Now, their partnership faces major new challenges. To meet them, the couple must communicate and work together in brand new ways, but their history makes this hard to do, and a handsome old family friend is suddenly hanging around - a lot.

So, cue up the violins. It's time to ask: Can this marriage be saved?

We all better hope so because our little soap opera pretty well describes the highly lucrative and sometimes troubled relationship between Alaska and Seattle, and that's the focus of this issue of *Seattle Industry*.

## **Four Billion Reasons**

You probably don't think a lot about Alaska. Hardly anyone in Seattle seems to anymore. But the Seattle Chamber of Commerce can suggest four billion reasons why we all should. A new chamber study documents that trade between Alaska and Puget Sound is worth \$4 billion a year to our regional economy and directly and indirectly generates about 100,000 jobs. Not bad, but as in our soap opera, the news is not all good.

# **The Stevens Factor**

Much of Alaska's recent prosperity is tied to a single man, U.S. Senator Ted Stevens, who is the most senior member of the U.S. Senate and chairman of the Senate Appropriations Committee. Just as Warren Magnuson once turned open the federal spigots to make sure our state captured a prodigious share of the nation's wealth, Senator Stevens takes mighty good care of Alaska. But Senator Stevens is 81 and as we learned with Maggie, when the federal rainmaker moves on, the federal floodgates begin to narrow.

# **Growth Alternative**

Of course, Alaska possesses abundant resources to assure that our mutual prosperity continues, but there is one big rub. These resources are mostly natural ones and if you want to ruin your reputation with Seattle's power elite, just quietly suggest it may be time to ramp up ANWR oil exploration. Which leads us back to that sand in the hour glass – those passing Days of Our Lives.



U.S. Senator Ted Stevens



## **Canuck Hunk**

While Seattle and much of the tree-hugging world turns a deaf ear to Alaskan arguments for more ANWR exploration, Alaska is cozying up to an old family friend with some bright new economic prospects. This friend's name is "Canada" and the goodie bag includes a transcontinental pipeline project that could open up vast natural gas reserves in the Arctic. The US Congress just approved federal loan guarantees of \$18 billion to help support the project (thanks again Senator Stevens) and this project has the long-term potential to change just about everything.

## **Missing Link**

If approved, the pipeline could provide impetus to finally close a 1,200 mile gap in railroad connections between Alaska and Canada. Close the gap and Alaska would finally possess direct rail service to the lower 48 and a new degree of freedom from its traditional dependence on central Puget Sound. Just get on the train in Fairbanks and, clickety clack, the next thing you know you're in Chicago, the City of Big Shoulders and Boeing world corporate headquarters – a splendid place to contemplate what happens when Seattle takes one of its old business partners for granted.

## **Marriage Counseling**

Sounds like Seattle might need professional help in figuring out how to rekindle the flame so we called on a family therapist. After studying the characteristics described above, she suggested the following:

- 1) Seattle must acknowledge the past abuse. "If the old abuse isn't acknowledged, the underdog won't ever completely trust the other partner. Why should they?"
- 2) Take Stock. Both partners should assess all the good things they get out of the relationship. "That creates a framework in which the parties can determine if the relationship is worth continuing."
- Communicate. "The communication piece is primary. I mean communicating by really trying to understand each other, not just by speaking words."

After reading a draft of the prescription, the counselor asked that her name not be used because "I am a tree hugger myself and your article makes it sound like I am suggesting we do listen to the oil exploration arguments." Communication in this case doesn't work both ways.

## **Meet Mayor Begich**

Sounds like we have a whole lot of work to do. To do our part in building a new bridge, *Seattle Industry* and its partners are bringing Anchorage Mayor Mark Begich to the Edgewater Hotel on Nov. 30 to talk about how we might all begin anew. You should attend. Bring flowers – maybe even jewelry. Because when it comes to Alaska, Seattle is a bit like Lucy Ricardo: we have some explaining to do.



Anchorage Mayor Mark Begich

# **Special Report**

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# Alaska & Seattle Ties that Bind

Lafarge cement, Nucor steel, Prosser watermelons, Leavenworth timber and a thousand other Washington commodities and finished products create a multi-billion dollar bond between Washington and Alaska. With big changes just over the horizon, it's a good time to get smart again about the 49<sup>th</sup> State.

Our Special Report includes a first-person look at the Alaska supply chain based on a barge run last summer from Seattle to Southeast Alaska, where communities and businesses depend almost entirely on Seattle for their consumer goods, equipment and supplies. That story begins on page 32.

The Special Report begins here by examining the economic issues and tensions that entangle our two regions, along with a look back at the problematic history between Seattle and Alaska that continues to color the partnership today.

No two regions in the country better illustrate our nation's red state, blue state divide. No two regions have bigger self interests in finding some new shades of purple.

### THE QUIZ

Our journey begins with a simple question. Is the state motto of Alaska,

- A) The Last Frontier, or
- B) The Last Wilderness?

The question is part history lesson and part Rorschach test . Let's consider the Last Frontier first.

Throughout US history, the desired outcome for all frontiers was to become a Former Frontier. Frontiers were built-up as quickly as possible and if a resource like oil presented itself alongside the path of progress, so much the better.

A vision of Alaska as the "Last Frontier" was captured in a book called *Alaska USA* written by Herb and Miriam Hilscher, a couple from Anchorage who were advocates for Alaskan statehood. Looking into the future, the Hilschers in 1959 envisioned milestones of progress they felt many Alaskans might live to see.

Alaskan agriculture would finally bloom. Pulp and timber would finally mature to join mining and seafood as pillars of the traditional economy. The state would remain a bulwark on a very long frontline with the Soviet Union. A flood of future oil revenue would dramatically improve schools, roads and other public services. A rail connection with the Lower 48 would finally be achieved. The state population would reach one million. A string of new shipping basins would be created along the Arctic coast by very carefully timed atomic bomb explosions.

With the possible exception of the nuclear excavation idea, most people at the time would have probably found the Hilschers' scenarios perfectly plausible, even acceptable, both in Alaska and in the lower 48.

But a strange thing happened to the Last Frontier. On its way to former frontier status, it was transformed into the Last Wilderness.

This was a concept that emerged with the US environmental movement in the 1970s. It holds that Alaska is the last, best and biggest place left in the U.S. to save true, huge wilderness areas that should be forever off limits to development and, perhaps, all human contact. Some feel this is important to the well-being of the nation. Even if we never go there, even if no one ever goes there, a sense that wilderness remains somewhere in the US is, they say, vital to our collective mental health.

The future of Alaska is presently being debated at a national level almost solely within the conceptual confines of the Last Frontier and the Last Wilderness. No region outside Alaska has a bigger stake in this debate than ours, or a bigger need to strike some new balance.

Unfortunately, this is all taking place at a time when Seattle's collective Alaska IQ seems to languish somewhere between poor and absolutely abysmal.

### WAX & WANE

Economically speaking, Alaska functions for us like a giant moon. It may wax and wane, appearing and disappearing on the civic radar screen, but all the while it exerts a tide like pull on our regional economy and billfolds.

It's a consumer market with a population larger than Seattle's, consisting of more than 645,000 people who must be fed, clothed, housed, employed, transported, insured, doctored, lawyered, informed and entertained.

It is also a major industrial market with natural resources of epic proportions requiring all the machines, equipment, tools, supplies, fuel and people required to extract metals, fossil fuels and tremendous volumes of fish.

Nearly everything that is consumed by these two markets comes through central Puget Sound. An amazing amount of the finished goods and commodities are also made or processed here. The volume of this activity was measured in a recent study by the Seattle and Tacoma chambers of commerce called *Ties that Bind: The Enduring Economic Impact of Alaska on the Puget Sound Region.* 

The study estimates Alaskan trade brings nearly \$4 billion per year to the economy of Puget Sound. The study also found that over the past 10 years, the volume of trade has increased as Alaska's economy has continued to grow and mature, adding more people, more retail stores, more lawyers, doctors and marketing consultants, and more tourists on cruise ships.

Each and every one of these people results in more demand for goods that will be shipped north from Puget Sound. Alaska's growth over the past 10 years resulted in growth in our region equal to the addition every year of a new business with 1,000 employees.

The ties that bind us contain a thread that has remained constant over the past 100 years and is still true today: whatever is good for Alaska is good for us.

The number of jobs around Puget Sound directly or indirectly tied to all this activity was measured at more than 100,000.

The study points out, accurately, that the growth rate was highest in service industries, but this is one of those accurate findings that obscures a larger truth. The ties that bind are still largely industrial in nature.

Of the 103,000 regional jobs attributed to Alaska, more than 75,000 of them are in fishing, seafood processing, manufacturing, construction, water-borne transportation, trucking and wholesale trade of just about everything from Klondike bars to steel rebar. Which may explain why Alaska seems at the moment to have dropped so far off the radar screen. It is not glamorous, there is no big biotech factor in it, but as it has for a century, Alaska still lines the pockets of all of us and if we bothered to look out over the horizon, we would discover signs of big challenges and opportunities in the years ahead.

### \$18 BILLION AND COUNTING

In October, the US Congress approved loan guarantees of up to \$18 billion to help encourage construction of a new pipeline that may someday bring to market huge amounts of natural gas now beneath the Arctic reaches of both Alaska and Canada. Alaska's share of these reserves is estimated at 30 trillion cubic feet. That much gas would equal 5.3 billion barrels of oil worth more than \$260 billion if the price remains at \$50 per barrel.

No route has been chosen for the pipeline, but the most likely one would stretch for 3,500 miles, coming south along the existing trans-Alaska oil pipeline then veering east into Canada and ultimately bringing the gas to the upper Midwest then throughout the United States. The project would require 5 million tons of steel - so much it would tax the capacity of mills throughout North America.

If the Canadian route is chosen, the pipeline could be developed in tandem with a project that would finally close Alaska's "missing link" for rail service to Canada and the Lower 48. The gap presently extends for nearly 1,200 miles between "North Pole," a suburb near Fairbanks, and Fort Nelson in British Columbia, where Alaska could link up with the national Canadian rail system. Construction costs are estimated at \$4 to \$5 billion.

Close the gap and for the first time ever, you would be able to board a train in Fairbanks that could wind up in Chicago. Conversely, once the gap is closed, for the first time ever you would be able to load a shipment of goods on a rail car in Chicago and ship it north to Alaska.

If the past is any indication, if or when these projects happens, Tacoma and Seattle will cash in on them through the resulting demands for goods and labor. Yet, if these scenarios ever materialize

# Whatever is good for Alaska is good for us.



true, they would come with the potential for momentous change.

With every mile the pipeline and railroad would move east, the closer they would come to supply centers in Canada and US Midwest. The moment someone puts a shipment on a railcar in Chicago and sends it northwest to Alaska, it will end an era in which Puget Sound held a near monopoly on the shipment of consumer and industrial goods to Alaska.

It's all big stuff, but there are reasons to wonder how many of us are paying attention.

The day after a key Congressional vote took place to put up the \$18 billion in loan guarantees, there was no mention of it in one of Seattle's daily newspapers and in the other, it rated only a few lines.

Perhaps it's a good time to return to the quiz with which we began our journey to the north land.

### BACK TO SCHOOL

The state motto of Alaska is not A) Last Frontier, or B) Last Wilderness, but C) None of the Above.

Federal law does not require territories to have mottos and Alaska didn't have one when it entered the Union in 1959. Perhaps it was because the Alaskans were too exhausted from the statehood battle to expend energy on a motto. The battle was long and hard because of the fight against statehood waged by Seattle-based fishing and maritime shipping companies that preferred the territorial status quo.

When it comes to Seattle and Alaska, the ties that bind have sometimes rubbed raw. Our regions are rich in mutual history. Unfortunately, some of the history isn't very good.

The father of Alaskan statehood was also one of its leading historians, Ernest

The moment someone puts a shipment on a railcar in Chicago and sends it northwest to Alaska, it will end an era in which Puget Sound held a near monopoly on the shipment of consumer and industrial goods to Alaska.

Gruening, a New York City native who earned a medical degree from Harvard, then gave up medicine to become a reporter, editor and author. In 1939, he was appointed Alaska's territorial governor and he remained an Alaskan forever after that. After he led the crusade for statehood, he served as an Alaska US Senator for 10 years.

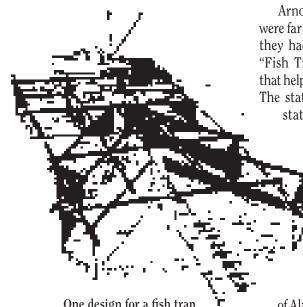
Gruening wrote a book about the statehood effort and in his version of Alaska's creation story, Seattle looms like a snake in an Alaskan Garden of Eden. In Gruening's view, the contest pitted good hearted, All-American Alaskans yearning to be free against businesses in Seattle concerned only with their own self-interests.

One villain was the Alaska Steamship Company. Contrary to its name, this was a Seattle-based maritime shipping business that flourished with the great Alaskan gold rush under the guidance of its CEO, a young up-and-comer named Joshua Green. Seattle shipping companies that served Alaska received a major boost in 1920 when the US Congress adopted a law known as the "Jones Act," which requires that maritime commerce between US ports must be conducted by US companies with US crews operating US-built ships. This law precluded Vancouver and Victoria from competing for Seattle-Alaska shipping business and in an era when the water was the only way to reach Alaska, the Alaska Steamship Company gained a near monopoly on the trade.

The other villain was Alaska Salmon Industry, Inc. Contrary to its name, this was a Seattle-based coalition of salmon canning companies infamous in Alaska for their use of "fish traps" to capture salmon runs in an extremely efficient and potentially devastating way. This collection of businesses was personified by its chief lobbyist, a Seattle lawyer named W. C. Arnold.



**Power Shake** W.C. Arnold (left) and Joshua Green (right) share a handshake and a laugh. The two men personified Seattle's political clout in Alaska. *Photo Courtesy of the Museum of History and Industry* 



#### One design for a fish trap.

### FOUR KEY WORDS

The statehood drive gathered steam in an economic boom induced by World War II and the Seattleites worked against it in both Alaska and in Washington DC. At a hearing in Anchorage, W.C. Arnold described their concerns as follows:

"The Alaska Salmon Industry is opposed to statehood. We're paying most of the cost of running the Territory now. We don't propose to pick up the check for the additional cost of statehood."

Opposing this sentiment at the Anchorage hearing and others around the state were hundreds of Alaskans. One was C. Howard Baltzo, a retired commercial fisherman from Wrangell in southeast Alaska where the science of "fish traps" was refined. In Gruening's book, Baltzo presents the plain-spoken local view.

"A lot of trouble (here) is caused by people who make important decisions who aren't (from) here. The people who make the most money and make the profits do not live in Alaska. They live in Seattle; they live there, their interests are there. The (local) fishermen never make enough money that they can get out of here. These fishermen do not have and employ lobbyists who can present their case."

Arnold and other statehood opponents were far outnumbered at the hearings, but they had clout and the "Jones Act" and "Fish Traps" became four magic words that helped drive the crusade for statehood. The statehood advocates did not have a state motto, but they had a handy slogan: Alaskans should run Alaska, not the Arctic Club in downtown Seattle.

Few Seattle children grow up knowing about any of this, but Mark Begich had a sense of it. He's the first native of Anchorage to serve the city as Mayor. He recalls growing upon with an awareness of Alaska's dependence on Seattle and a

sense that Seattle seemed to regard Alaska as its own private "storehouse."

"If you needed gold, you came here, took the gold and left. If you wanted fish, you came here, took the fish and left. If you wanted oil, you came here, took the oil and left."

True enough, but whatever their motives, the boys at the Arctic Club had a couple of valid reasons for their concerns about Alaska's capacity to support itself. They understood these issues extremely well because, to a point, the two state's shared them.

### TWO PROBLEMS. **BOTH BIG**

Alaska was, and is, dominated by two immutable, geographic factors. One is "area," which a dictionary defines as the space within lines. The other is "distance," which describes the space, time or line between two points.

Alaska's "area" is its popular claim to fame. Alaska is huge and there are almost endless ways to illustrate this. More than twice the size of Texas, Alaska is ten times the size of the state of Washington. Its areas with permafrost are large enough to equal three Californias. Its glaciers alone cover areas larger than 10 states.

But while Alaska's area makes it famous, it is "distance" that makes Alaska so ungainly and the combination of the two had a profound impact on Alaska's development.

Distance was an issue with which some members of the Arctic Club were intimately familiar.

Seattle is among a handful of American cities that are more than 2,000 miles removed from the nation's capital and Alaska is much farther still. Perhaps it is no coincidence that Washington and Alaska each languished for extremely long periods of time as territories before they were admitted to the nation as states. For Washington, the territorial period lasted 46 years. Alaska's wait was 47 years. Only three of the 50 states were territories longer.

By contrast, nice, polite, bountiful Oregon was admitted to the nation after just 11 years, and abundant, rich California joined the club after only two.

### **KIDS LIKE US**

But out here in the northwest corner of what became the lower 48, and up there in the most northwestern corner of the entire continent, Washington and Alaska were treated like a pair of wild teenagers whose parents keep putting off the fateful day when the kids are allowed to drive the family car.

Washington and Alaska were each allowed to continue as territories for nearly five decades while serving the nation as extraction centers for timber, salmon, fur, coal and gold, and no matter how the home folks felt about it or the tantrums that they tossed, few people in DC were in a hurry to change things.

Territorial Washingtonians and Alaskans also shared something else: a transportation-based villain in their creation story.

Farmers, merchants and industrialists in Washington relied on the railroads to get goods to and from their distant markets Right thinking, All-American

"If you needed gold, you came here, took the gold and left. If you wanted fish, you came here, took the fish and left. If you wanted oil, you came here, took the oil and left."

Washingtonians yearning to be free were positively convinced they were gouged by the railroads and their anger extended to the federal fathers who were forever failing to force the railroads to play fairly.

But the shared challenges posed to Washington and Alaska by distance only went so far before they turned sharply to Seattle's advantage.

Seattle was a long way from Washington D.C., but Anchorage was a lot farther – another 1,440 miles. That's just about the same distance that exists between Seattle and Des Moines, Iowa or Lubbock, Texas, half a continent away.

And once you reach Alaska, you are still a very long ways away from anywhere else inside Alaska and spread across this enormous area there were and are very few people. Anchorage and Fairbanks may seem like neighbors to us, but they are 260 miles apart, twice the distance between Seattle and Portland. The distance between Anchorage and Juneau is 568 miles by air.

In Alaska, distance, area and topography were such huge considerations railroad companies never had a chance to play a role, villainous or otherwise. A railroad connection between Alaska and the US – or even Canada -- was not even a remote possibility in the 20<sup>th</sup> Century and there is still a long way to go before it becomes a possibility in the 21<sup>st</sup> Century. This was the reason the Jones Act was such a potent factor and symbol in the statehood drive for independence.

It took World War II and an enemy invasion of the Aleutian Islands to create a crude highway link between Alaska and the US. The highway was improved and opened to the public after the war. Only then did Alaska acquire an overland transportation route and a meaningful transportation alternative to the Alaska Steamship Company.

The opening of the highway was the beginning of the end for the monopoly and today Alaska is served by about a dozen water transportation companies and the availability of land and air competition has helped to significantly reduce Alaska's once notorious consumer costs. Anchorage and Fairbanks may seem like neighbors to us, but they are 260 miles apart, twice the distance between Seattle and Portland. The distance between Anchorage and Juneau is 568 miles by air.



But the combination of distance and area limited Alaska's growth in another way that increased its reliance on the cities of central Puget Sound.

### NOT MADE IN ALASKA

Alaska is a wonderful, lucrative, invisible, totally undemanding addition to the consumer markets of central Puget Sound, but in isolation, Alaskans comprise such a small consumer market they can't support much local manufacturing. On top of that, it is hard and expensive for Alaskan manufacturers to tap into any outside markets.

Add it up and it equals great news for producers down here.

None of this rules out Alaskan products heading south as exports, it just restricts them to commodities of high financial value relative to their weight. Alaskan products must also be able to compete for price or quality against products that may be available from markets throughout the world.

Gold was, and is, an ideal Alaskan export. Seafood and seal furs are, and were, also good. Crude oil works if you have a pipeline to overcome the Alaskan "area"

challenge and if the retail price for oil is high enough to justify the trip.

Put it all together and it helps to explain why the expectations expressed by the Hilschers in *Alaska USA* seemed so reasonable, but proved so hard to achieve.

Take food. Alaska has very limited amounts of arable land available and a challenging climate, and it is hard if not impossible for local farmers to compete with products that can be imported from outside. This fact of economic life was documented in the "Ties that Bind" study.

Of all the goods heading Alaska's way by water during the study period, the largest single group by dollar value was food products, with an estimated worth of \$163 million.

Next largest was petroleum products.

On its face, this doesn't seem to make sense, since Alaska is one of the nation's most important energy suppliers. But Alaska possesses no significant refining facilities. Much of Alaska's crude is shipped south to refineries in northwestern Washington where it is transformed into gasoline, diesel and other products that are then transported and sold throughout the northwestern US including parts of northern California and – yep – Alaska.

In Alaska, distance, area and topography are such huge considerations a rail connection with the lower 48 remains a remote possibility. Alaskan products must also be able to compete for price or quality against products that may available from markets throughout the world.



According to the chamber study, the other leading commodities shipped to Alaska from central Puget Sound were industrial machinery; cars, boats and other transportation vehicles; fabricated metal products and lumber.

Lumber helps illustrate that Alaska's economy is shaped not only by market forces, but public policies. Alaska's timber and pulp industries were viable when they had access to trees sold at healthy discounts by the government. When chronic pollution problems at the pulp mills drew the ire of environmentalists and regulators in the 1990s, the government subsidies were sharply criticized. Alaska's pulp mills shut down and to a great extent, so did the larger timber industry.

Timber, as a rule, scores poorly on a scale that balances dollar value versus weight.

### SILVER LINING

For all the problems created by its vast distances, Alaska holds one tremendous distance advantage.

This advantage is best illustrated if you have a world globe handy. Pick it up and look at the North Pole. From this perspective, you can see England, France, Germany, Switzerland, Poland, Russia, Siberia, most of China, some of India, all of Japan and nearly every last inch of the United States. By most measures, this half of the world represents 95 percent of the world's industrial capacity.

Now locate Alaska.

The Ted Stevens Anchorage International Airport is less than 9 hours flying time from all the countries listed above and Anchorage is now a leading air cargo hub in the United States, receiving and transferring more than 2 million metric tons of cargo each year. Sea-Tac, by comparison, receives about 400,000 tons. Alaskans expect their air cargo traffic to grow and it probably will.

Alaska's air cargo boom is also supported by liberalized FAA cargo rules. These rules permit foreign and domestic air carriers to create business partnerships to use the Anchorage airport like a large staging area to mix, match and transfer cargoes among themselves to create the most cost-effective shipments possible for deliveries at airports throughout the United States.

Only two airports in the entire US benefit from these rules. One is Anchorage, the other is Fairbanks. In a sweet, modern day, aviation rendition of the Jones Act, this bonus was awarded to Alaska by the Federal Aviation Administration with a helpful push from Alaska's congressional delegation. The delegation includes the person for whom Anchorage airport is now named. That's US Senator Ted Stevens, a Republican politician of such cantankerous repute it is difficult to divine when stories about him may be based in legend or fact.

### THE STEVENS FACTOR

As a prosecutor long ago in Fairbanks, Stevens allegedly use to sometimes pack a pistol on his hip. In the U.S. Capitol, he sometimes wears a tie with a Tasmanian devil on it to signal when he's feeling ornery. He was also a World War II medal winner, earning two Distinguished Flying Crosses while serving as a pilot with the "Flying Tigers" in China, Burma and India.

Along with all this, he somehow calmed down enough to get a law degree from

UCLA and make enough allies to become one of the most powerful Senators in Washington D.C. He is the senior member of the Senate and is chairman of the U.S. Senate Appropriations Committee, which puts its fingerprints on just about every dollar that goes through the federal government.

A writer for the UCLA alumni magazine wrote in a recent profile that Stevens described himself as "one mean, miserable SOB." He also explained the Tasmanian devil tie: 'When I wear ties like this on the floor, people understand I really mean business."

And what Stevens has meant for Alaskan business is now sometimes described as the "Stevens Factor."

A significant amount of Alaska's growth in the past decade was driven by federal spending. By one measure, Alaskans now receives \$2 in federal spending for every dollar they pay in taxes. Looked at another way, in 1997, per capita federal spending in Alaska was 20 to 50 percent higher than the

Anchorage is one of the busiest air cargo hubs in the United States, receiving and transferring more than 2 million metric tons of cargo each year.



U.S. Senator Ted Stevens

"When I wear ties like this on the floor, people understand I really mean business."

average throughout the nation. By 2002, it was 70 percent higher.

The increases corresponded with a five year period in which Stevens chaired the appropriations committee for three years.

The "Stevens Factor" also brings us to the point where the ties that bind us with Alaska pull both ways.

If Seattle had an elected position for dog catcher, Stevens might be among the last people elected to it. Yet, our economy benefits from all the bounty he brings home and under Congressional rules, Stevens must give up the chairmanship of the appropriations committee in 2005. He'll still have clout, but he's 81 and as Washingtonians learned with our own federal rainmaker, Warren G. Magnuson, Alaska is so new and so big, and the world around it is changing so fast, it seems likely that two centuries from now, people may still be debating the future of Alaska and its national and international roles.



when the rainmaker leaves the federal spigot starts to close.

### WHAT'S AHEAD?

So, what about the future? For Alaska, the question brings to mind a famous quote by a former prime minister of China, Chou En-Lai. Asked his opinion once about the impact of the French Revolution, his answer was "too soon to tell." He offered that judgment 200 years after the revolution occurred.

Alaska is so new and so big, and the world around it is changing so fast, it seems likely that two centuries from now, people may still be debating the future of Alaska and its national and international roles.

For now, the mammoth natural gas project enjoys bipartisan support in Congress and support from significant environmental groups. That's good, because even with broad based support, the project faces enormous challenges.

Further oil exploration and production in the Alaska Natural Wildlife Reserve (ANWR) was such a hot political potato for so long, it was considered a political non-starter and some insist it must remain forever off limits. But with oil going for \$50 a barrel, "forever" starts to sound like an awfully long time, especially following the Nov. 2 national elections in which Republicans gained control of the US Congress to go along with the presidency. The prospect for a renewed ANWR push was bemoaned after the election by lower 48 commentators such as Seattle *Post-Intelligencer* columnist Joel Connolley. Connolley warned his readers to also be on guard for new efforts to harvest the Tongass forest, blaming this on Alaska "governor and primitives in its congressional delegation."

Now, congressional delegations are sometimes quite large. The California US Congressional delegation numbers more than 50. New York has 26. Even a middling sized state like Washington has 11.

Alaska's delegation includes just three people, so when you throw around a term like "primitive," your aim is pretty clear. This type of rhetoric may be fun for Mr. Connelley but it is not necessarily a good thing for the rest of us.

Stevens will give up the appropriations chair, but Alaska's lone U.S. Representative, Don Young, happens to chair the House Transportation Committee, a group that draws lots of attention from Seattle these days because of its potential value in funneling federal funds toward the Alaskan Way Viaduct. The third member of Alaska's delegation is Senator Lisa Murkowski, who is the daughter of the Alaska governor, Frank Murkowski.

Connolley's piece illustrates that there is a wide gulf these days between the political cultures of Alaska and the urban centers of central Puget Sound, most notably Seattle.

Once it was steamship companies and salmon canners who played villains in Alaska. Now the villains are pundits and political leaders with knees that jerk whenever anyone mentions "ANWR," and on a topic like this, Seattle knees are among the jerkiest of all.

This split runs deeper than the usual partisan issues because in Alaska, ANWR is non partisan. Most Democrats agree with their Republican colleagues that ANWR oil production can be safely increased.

### "NORTH TO THE FUTURE"

Maybe it's best to end with the question that was posed at the beginning.

Alaska has a state motto. It was chosen in 1968 and was suggested by a Juneau newspaper reporter. The motto is, "North to the Future." They probably should have hired a professional marketing person. Pizzazz-wise, North to the Future seems hopelessly lame. It evokes none of the adventure of the "Last Frontier," and none of the passion of the" Last Wilderness."

Then again, maybe that's what the two old trading partners need. A nice, bland, safe way to initiate a discussion that's long overdue about the nature of our relationship, a discussion with mutual respect for both sides where you aren't called a "primitive" for possessing a different point of view, a chance to figure out what mutual benefits might derive from working together in ways we've not tried or even thought about before.

Anchorage Mayor Mark Begich is all for it and he'll make his case in Seattle Nov. 30 during a banquet at the Edgewater Hotel. Seattle Mayor Greg Nickels will introduce him. The two are working on an action plan to improve business and community relations between their two cities, and who knows? Maybe that's a new starting point that the trade relationship needs.

The ties that bind tells us the future is one our two regions share.

<sup>&</sup>quot;Ties that Bind" is an excellent phrase to describe the trade relationship between Alaska and central Puget Sound and it is used throughout this Special Report to describe different aspects of the relationship. Seattle Industry magazine is solely responsible for the ways in which the term is used in this presentation. "Ties that Bind" is also the title of a study about the economic iinpact of Alaska published by the chambers of commerce of Seattle and Tacoma. It is available at www.seattlechamber.com.

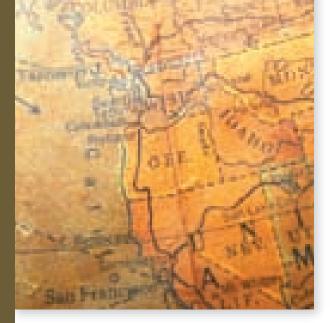




# They Struck Gold, But We Got Rich!

### How we stole the Gold Rush and other stories from the Club and Fang Wing of Seattle's Capitalist Hall of Fame.

Seattle may be known today as a town so tame many of its citizens will not cross an empty street until a traffic signal tells them it is their turn to do so. It wasn't always thus. Seattle was once a bastion of knock-your-head-off, club-and-fang capitalism, a reputation cemented when our city cashed in on the Great Alaskan Gold Rush. But first, we had to steal it. Here's how it all worked.



### The Other Contenders

Seattle was not naturally destined to capture the gold rush. When the rush began in July 1897, San Francisco was a world renowned metropolis with a population of 300,000 people. The city also dominated maritime trade with Alaska and was home to many businesses with experience supplying mining companies and outfitting prospectors dating back to the California Gold Rush.

Seattle, on the other hand, was a city of just 80,000 people with a reputation for ... well, what exactly? Surviving the 1889 fire? Losing the race with Tacoma to become the western terminus for the Northern Pacific Railroad?

And if San Francisco wasn't the best bet, how about Vancouver, BC? The gold rush is often recalled as an Alaskan event but it started along the Klondike River in the Yukon Territory of Canada. Vancouver was closer than Seattle and the All-Canadian option presented fewer hassles with customs.

Yet, Seattle won the sweepstakes hands down and some historians attribute this to the fact Seattle was the adopted hometown of one Erastus Brainerd, a pioneer spin doctor supreme.

#### THE PR GUY

Brainerd was an old-money guy from Connecticut who graduated from Harvard at age 19. After college, he hooked up with a touring group in Europe where he was billed as a "lecturing showman," a job description whose meaning is now lost to us, but which some believe was a 19<sup>th</sup> century term for "BS artist."

Returning to the US, Brainerd worked as a newspaper reporter and editor, landing in Seattle in 1890. On August 30, 1897, a month after gold was discovered, the chamber organized a new Bureau of Information to capture as much gold rush trade as possible. Brainerd chaired the effort and he quickly kicked the PR push into high gear. Almost immediately Brainerd placed ads in newspapers across the nation that proclaimed Seattle the "Gateway to the Yukon." He then convinced the Seattle *Post-Intelligencer* to print a special edition amplifying his theme.

The paper produced 212,000 copies of the special edition. The chamber mailed 70,000 of them to postmasters across the US for distribution at local post offices. Twenty thousand were mailed to newspaper editors and business organizations in the United States and Europe. Ten thousand were mailed to mayors, town councils and librarians. Fifteen thousand were distributed through the Great Northern and Northern Pacific railroad companies.

### Kaiser Bill

Next came a promotional circular designed to look like official correspondence from the State of Washington. To further the deception, Brainerd convinced the real Washington Secretary of State to provide his signature at the bottom. Officials in France, Belgium, Italy and Switzerland were so impressed with the circular they reprinted it and distributed it. Brainerd's European outreach culminated in December 1897 when he sent Seattle-Klondike Christmas gift packages to European heads of state.

This effort paid off royally when Kaiser Wilhelm II refused to open his gift, believing it might be a bomb. The Kaiser's reaction was used by Brainerd to generate more publicity.

In March, 1898, the Bureau of Information closed. By that point, Brainerd had spent \$9,546.50 while successfully branding Seattle throughout the industrialized world as the Gateway to the Yukon.

Other cities tried to get into the act, but it was too little too late. San Francisco mounted a campaign, but in December, 1897, a writer for a national magazine called the San Francisco effort a "torpid" affair that paled beside the "git-up-and-git kind" of spirit displayed by Seattle. Tacoma initiated a campaign while the Tacoma *Daily News* dismissed Seattle's effort as "hoggish and snarling."

Vancouver, BC and Victoria also promoted their advantages, but their efforts were shackled by a serious flaw: honesty. The Canadians warned prospective prospectors about the physical dangers of the adventure and the high probability of finding no gold. Just for the record, Seattle efforts also acknowledged the risks – and urged travelers to guard against them by purchasing plenty of supplies in Seattle!



Brainerd toured Europe as a "lecturing showman," an early term for "BS artist." In the end, the competition wasn't even close. An estimated 100,000 prospectors headed north. About 70,000 of them shipped through Seattle to Alaska and then onto the Yukon while cash registers rang and sang throughout our booming city. The other cities shared the other 30,000.

### **Stocking Up**

The Canadian concern about safety became manifest at the Yukon Border where Mounties demanded proof that each prospector had enough supplies to last a year. If you didn't, you were turned back. It became known as the "one ton" rule, since most prospectors bought about 2,000 pounds of provisions, with many investing up to \$1,000 in food, tools, and clothing.



Do the math and the one-ton rule quickly illustrates the impact on Seattle. Seventy thousand prospectors equaled 70,000 tons. At \$1,000 per ton, that translates into \$70 million.

The European flavor of Brainerd's effort was matched by the international character of the Seattle boom. One new retailer who cashed in was a German immigrant named Edward Norhoff. He opened a department store called The Bon Marche – that's French for "Good Bargain." A Swedish immigrant, John Nordstrom, was among the minority of prospectors who found gold. He gathered up \$13,000 worth then settled in Seattle where he used \$4,000 to establish a shoe store.

### Go Dawgs!

Prospectors also needed to transport their ton, and many opted to do so with dog sleds. Seattle was soon among the canine capitals of the universe, with the Seattle-Yukon Dog Company and other retail dog yards holding up to 400 dogs at a time.

### Shipping

In the entire decade between 1880 and 1890, shipyards in Seattle produced 75 ships, or less than eight ships per year. In 1898 alone, Seattle turned out 57 steamships, 17 steam barges and 13 tug boats as the maritime center for Alaska moved north from San Francisco to Seattle. One start-up company that thrived in this period was the Alaska Steamship Company, guided by its president, a smart, young up and comer from Mississippi named Joshua Green.

Green earned a fortune with the steamship company and in 1925, he used \$200,000 of it to establish Peoples' Bank in Seattle. He went on to become one of the city's best known business leaders. In 1969, at age 100, he was proclaimed Seattle's "Man of the Century" during the city's 100<sup>th</sup> birthday celebration.

The Alaska Steamship Company fared well too, controlling much of Alaska's maritime shipping in the era when no alternatives were available for transporting goods and people. Like the competitors it eventually absorbed or dominated, Alaska Steamship received an added boost in the Alaska trade from the federal government and a highly responsive public servant.

### **Senator Jones**

In 1920, the US Congress adopted a new law called the "Jones Act" to help maintain the nation's merchant marine fleet. The Act required that trade between US ports must be conducted by US crews on US-built ships owned by US businesses.

This law applied equally throughout the country but it had an impact in Alaska that was unique. In North America, no other major region of the US lacked rail or land transportation services to compete with maritime companies. The Jones Act eliminated Vancouver and Victoria as potential competitors In the end, the competition wasn't even close. An estimated 100,000 prospectors headed north. About 70,000 of them shipwped through Seattle to Alaska and then onto the Yukon while cash registers rang and sang throughout our booming city.



Seattle's Senator Jones

> for shipping to Alaska, and that helped lock up the traffic for shippers based in Puget Sound.

The sponsor of the Jones Act was Wesley L. Jones, a US Senator from the state of Washington for 23 years. Jones lived in Seattle. After he passed away, the *Seattle* 

*Times* took note of his many accomplishments, including the fact he was "active especially in all problems affecting the development of Alaska."

To which Alaskans would have replied: no kidding. Then again, few Alaskans subscribed to the *Times* since it would have cost so much to have it shipped north via the Alaska Steamship Company.

### The "Other" Gold Rush

Thanks to their genetic makeup, there is no rational reason to chase salmon in fishing boats. You can just wait beside the river where they are born and sooner or later they will dutifully swim back to you. This was the operating principal behind "fish traps," elaborate, highly effective devices erected across rivers to guide spawning salmon into pens and nets where they could be harvested easily.

Starting in about 1900, Seattle-based salmon canning companies began erecting fish traps to harvest Alaskan salmon, especially in southeast Alaska. Alaskans complained bitterly about the traps for environmental and economic reasons, but the territorial government couldn't ban them, and the federal government refused to do so.

Salmon canning was soon the dominant industry in the state. More than 100 canneries were operating in Alaska by 1920 and the banner year for production was 1939, when more than 120 million salmon were trapped, caught and canned.

The political clout of the canning industry was personified by a Seattle lawyer, W.C. Arnold, who moved to Alaska and became a spokesman in the fight against statehood. When the new state constitution took effect in Alaska in 1959, it immediately, effectively banned fish traps. It's believed 4 billion salmon were harvested in Alaska between 1896 and 1959 and most of them were trapped, not hooked.

One positive outcome of the 1959 ban was a dramatic jump in Alaska fishing jobs. That's because "fish traps" required relatively few employees to operate compared to the yield. The traps were capital intensive, not labor intensive. Which was one more thing the Seattle financiers liked, but the Alaskans hated.

In recent years, the Alaska salmon catch returned to similar volumes as were recorded at the peak of the canning industry.

#### **The Founder**

Seattle population growth is one of best ways to measure the value of Brainerd's PR campaign. When the gold rush began, Seattle and Tacoma were close to the same size, but between 1897 and 1910, Seattle's population tripled, growing to 240,000. Its regional rivals grew too, but not nearly as much. In 1910, Seattle was twice the size of Tacoma and more than twice as big as Vancouver. But Brainerd's efforts paid off much better for his adopted city than for himself.

He succumbed to his own salesmanship and tried to strike it rich in the Yukon. Like most prospectors, he failed. Returning to Seattle he worked as an editor at the *Post Intelligencer*. In 1920 he became mentally ill. In 1922 he died in the state mental hospital.

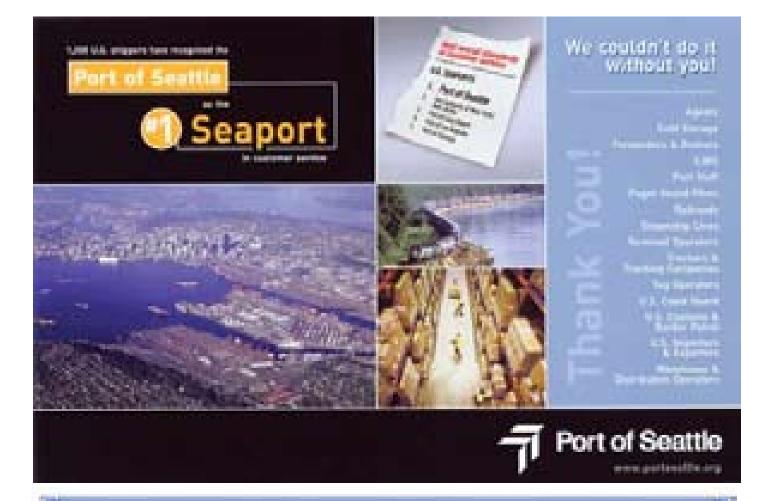
He probably received no consideration for Seattle's "Man of the Century" award. Too bad. A pretty good case can be made that he should have won the darn thing.

Fish traps were elaborate, highly effective ways to harvest enormous volumes of spawning salmon.



This article is drawn primarily from the book, Hard Drive to the Klondike: Promoting Seattle During the Gold Rush, by Lisa Mighetto and Marcia Montgomery, 2002, published by the Northwest Interpretive Association in association with the University of Washington Press. The book is available at the Seattle branch of Klondike Gold Rush National Historical Park in Pioneer Square at 117 South Main Street.

Other sources include The Battle for Alaska Statehood by Ernest Gruening, University of Alaska Press, 1967 and Frozen Embrace: Politics, Economics and Environment in Alaska, by Stephen Haycox, 2002, Oregon State University Press.



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# First to cut through the red tape with Seattle First!

When seeding Beatlie metal latercale: Capital Industries lost one of its manufacturing facitives to a catastropric fire. Mulwaney/22 Architecture stopped in to help cut thesagt the red tape of the permitting process. By pactnering with the Manufacturing Industrial Council and the Seattle First learn, Capital Industrial Council and the Seattle First learn, Capital Industrial Install in record time. This partnership between the Seattle First team, an owner and their architect was the first of its kind.

We are proud to say it was a success.





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Capital Industries, Charlie's Produce and more than 20 other Seattle businesses have already received help through Seattle First

# Your Money or Your Life!



## Seattle First can help you save both.

Seattle First is a business retention program designed to help Seattle industrial business owners and managers solve problems, save money and stay in Seattle. Can the program work miracles? No. Can it help? Maybe.

In its first three months of operation, Seattle First identified 46 local businesses experiencing a specific problem or issue. Help could be found for more than 20 of them. In some cases, the results were dramatic.

Inside you'll learn how the program can help your business.

For more information, call 206-762-2470.



# Somebody Cares

In 2003, Seattle's business press reported that GM Nameplate was putting its home plant up for sale and was considering a move to the suburbs along with its 400 local employees. Today, GM Nameplate is still considering a move, but CEO Don Root is now considering a new location inside the City of Seattle or the option of remodeling the existing plant in Interbay.

Root's attitude about remaining in the city changed. "Definitely," he says. "The difference is I found out somebody cares whether we leave or stay."

The sentiment was expressed to Root through telephone calls from the Mayor, follow up by city staff and tangible proof of what can be accomplished through a new partnership between the city and the industrial business community called "Seattle First."

The goal is simple: encourage industrial businesses to stay in Seattle. To do that, Seattle First can connect you with public servants who will try to help you resolve issues with government agencies. Seattle First can also get you in touch with private professionals with advice on relocation and remodeling. It can also help you gain access to more than 60 free and low-cost services that are available to help industrial businesses in Seattle.

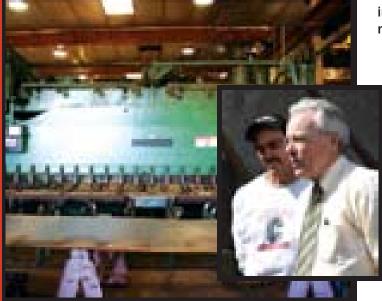
# Exclamation Points

While GM Nameplate is still weighing its options, other businesses are making major decisions and moves with the support of Seattle First. The program proved so helpful to Capital Industries in its recovery from a fire last January, the metal fabricating business is now considering an expansion of its plant in Georgetown because the owners are confident they can gain the necessary permits in a timely manner. "Without Seattle First, we'd still be in the throes of fire recovery instead of being nearly complete with construction," says Capital coowner Ron Taylor.

Another business, Charlie's Produce, is presently moving to a new location inside a 411,000 square foot warehouse along East Marginal Way. The move was facilitated by advance work performed by the city's new industrial permit coordinator who is part of the Seattle First team. "We received excellent service with lots of exclamation points," says Bob Viggers, the general manager of Charlie's. "Our architect said he never saw anything like it."

These successes encourage Root to believe GM Nameplate can also get permits in a reasonable timeframe if it chooses to revamp its existing facilities in Interbay. Root says his past experiences with permits in Seattle were so poor he did not previously consider the option of remodeling the existing plant.

The city is trying to improve several aspects of the permitting processes to make it easier for industrial businesses to expand and relocate inside the city. New approaches are also being considered for development along Seattle's extensive industrial shorelines as a way to better support expansions by maritime businesses.



"Without Seattle First, we'd still be in the throes of fire recovery instead of being nearly complete with construction," says Capital co-owner Ron Taylor.





Seattle First can help you with more than 60 free or low cost services. These include a program from the American Red Cross that once helped Chuck Shaw (left) save the life of a coworker at Todd Shipyard.

# **Life Saver**

Seattle First can also help businesses tap into support services and programs that are already available, but not widely known throughout the industrial community. These include free and low cost programs available through the city, King County, the State of Washington, the Small Business Administration, other federal programs and private agencies such as the American Red Cross.

These services can show you how to save money on electricity and water use, prepare for an earthquake, gain access to training programs for new and existing workers, tap into free resources to support regional or international trade, and better manage hazardous wastes. These services will help you save money – maybe even lives.

Two years ago, an employee at Todd Shipyard went into cardiac arrest. Chuck Shaw, the Shipyard Fire Marshal and Safety Supervisor, responded to the scene with an AED – Automated External Defibrillator – and applied three electric shocks that helped restart the heartbeat of the victim. Three weeks later, the afflicted employee was back at work.

Companies can buy AED units and get the necessary training through the American Red Cross. Shaw points out it is hard to calculate the return on Todd's investment in the AED equipment and training. "What would you rather do? Lose an employee? It's an insurance policy you hope you never have to use."

More than 60 programs and services are in the Seattle First databank and Seattle First can show you how to reach each and every one of them.

# **Easy Rider**

Seattle First can also help you and your employees collect financial incentives for commuting by some means other than a single-occupant automobile. The incentives are available through a partnership between Seattle First, Metro and the non-profit Duwamish Transportation Management Association.

Up to \$300 is available to businesses that distribute and collect a one-page survey that identifies how their employees get to work. Up to \$150 is available to employees who try the bus, Sound Transit, car pools, van pools, or some any other alternative to drive-alone commuting. Metro and the TMA will provide the leg work to help make this program work at your company.

The commute alternatives can save your employees thousands of dollars in annual transportation costs while freeing up parking space at your business and reducing the number of cars on the road.



# **How Does It All Work?**

Seattle First addresses the practical needs of real-life business owners and managers because it was designed from the ground up by real-life business owners and managers.

The program outline was put together by industrial businesses that belong to the Manufacturing Industrial Council of Seattle (MIC), a non-profit advocacy group that sticks up for traditional industrial companies. The City of Seattle supports the program as part of a new Action Agenda to improve services to the city's "family-wage" job base. The city and the Washington State Department of Labor and Industries provide staff to investigate problems. Financial support is provided by the city, the MIC and Viking Bank with contributions by the Port of Seattle, Kane Environmental, MulvannyG2 Architecture and Puget Sound Properties.

As a result of the unique partnership, there is no charge for tapping into the services and programs that can be found through Seattle First. ■

# How Do I Get Help?

Call the MIC at 206-762-2470, or call a member of the Seattle First team.

An outreach campaign is now underway that will attempt to reach about 1,200 industrial businesses throughout the city by September 2005. Odds are good you'll eventually hear from the program if you haven't already.

### **Seattle First Team**

The Seattle First team combines government staff and private professionals. Team members include:



Kris Effertz and Roque Deherrera City of Seattle.

Kris is the city's Business Advocate and she can help address a variety of problems. She can be reached at 206-684-BIZZ. Roque (pronounced Rocky) is the Industrial Permit Liaison for the City of Seattle. He can help with issues involving permits. His number is 206-615-0743.



#### Chris Bowe Labor and Industries

Chris is the L&I regional administrator for King County. L&I disputes can be challenging. Chris will do what he can to help. L&I also offers some services that can help prevent problems. Chris can be reached at 206-835-1013.



#### Charlie Cunniff ECOSS

Charlie is the Executive Director of ECOSS, a non-profit organization that provides environmental services and helps businesses figure out the best ways to work with public agencies to resolve environmental issues. ECOSS can be reached at 206-767-0432. Seattle First is also supported by professionals who will provide with you with a free consultation on topics involving their areas of expertise. These team members include:



#### John Kane Kane Environmental

Kane Environmental helps property owners, businesses and banks address contamination issues in the course of real estate transactions. John Kane's phone number is 206-691-0476.



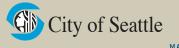


**Bob Swain** Puget Sound Properties

Bob is an expert in the close-in north and south Seattle submarkets, specializing in industrial property sales and acquisitions and in landlord/tenant representation. You can get him at 425-586-5622.

Jason Dardis MulvannyG2

Architect Jason handles permitting and other issues for Seattle businesses served by MulvannyG2, a national architectural firm based in Bellevue. Jason can be reached at 425-463-1532.





For more information about Seattle First, call 206-762-2470. Seattle First is cosponsored by the City of Seattle and the Manufacturing Industrial Council of Seattle.

# Kane Environmental, Inc.

# Solving Environmental Problems

When a tenant at Sagstad Marina on Salmon Bay attempted to vacate with short notice, manager Al Feige grew suspicious. He called in Kane Environmental to perform an environmental assessment. Tests showed contamination that was traced to the tenant. Sagstad succeeded in getting the tenant to pay for the clean up.

"Kane Environmental responded quickly and we were able to recover the clean up costs," said Feige.

Kane Environmental's business involves characterization of soil. groundwater, surface water, and marine sediment contamination and cleanup issues that arise in the course of real estate transactions. The firm specializes in environmental investigations and in designing and managing clean up operations for the redevelopment of contaminated property, especially Brownfields Redevelopment projects. "The work we conducted at Sagstad is typical of our fast responsiveness, quick turnaround and thorough work that helped Mr. Feige win his claim against the tenant," said John Kane, President of Kane Environmental. Inc.

#### Kane Environmental offers a Pre-Development Package for commercial and industrial properties. The package includes:

- Phase I environmental site assessment
- Asbestos and lead paint surveys, permitting and abatement contractor selection
- Wetlands delineation
- Environmental permitting (Spill Prevention, Stormwater and NPDES permits)
- Phase II environmental investigations (uplands and marine sediment)

- Geotechnical surveys
- Soil and groundwater remediation including interaction with local and state agencies to obtain site closure

### **Other Kane services include:**

- Brownfields Redevelopment Projects (Uplands and Waterway)
- Environmental Insurance Acquisition Support and Remediation Projects
- Human Health and Ecological Risk Assessment
- Third-party Technical Reviews, Investigations and Remediation Cost Estimating.

Based in Fremont, the four-yearold firm was founded by Kane, a hydrogeologist with an MBA who has worked as an environmental consultant for the past 18 years.

South Seattle clients include Jorgenson Forge, Washington Liftruck and the former Remedco soil remediation site. In North Seattle, Kane Environmental has worked on the former Ernst Hardware store soil remediation site, a former solid waste landfill along Leary Way, and a soil and groundwater remediation project in Interbay at a former truck maintenance yard.

In addition to his business practice, Kane is active in the north end business community. He is a past president of the North Seattle Industrial Association and he currently serves as chairman for the BINMIC Action Committee, a citizen stakeholder group that acts as the community steward organization for the city's designated industrial area in Ballard and Interbay.



"The work we conducted at Sagstad is typical of our fast responsiveness, quick turnaround and thorough work that helped Mr. Feige win his claim against the tenant," said John Kane, President of Kane Environmental, Inc.

### **Capital Industries:**



Capital Industries in Georgetown was reeling from a fire, wiping out the administrative offices and leaving a third of the 110,000 square foot building in charred ruins.



### No sign of the devastating fire remains on the outside of the building or the freshly painted walls inside.

# Rebuilt & Growing

Last January, Capital Industries in Georgetown was reeling from a fire that gutted its Building 2, wiping out the administrative offices and leaving a third of the 110,000 square foot building in charred ruins. Today the same space is taking the shape of a 21<sup>st</sup> century industrial showroom.

"We're going to wind up with one of the finest and most diverse fabrication plants in the Northwest," says Gary Johnson, Capital's sales manager.

No sign of the devastating fire remains on the outside of the building or the freshly painted walls inside of it where an automated laser/punch cell hums along, sometimes unattended, moving sheets of metal from two 10-shelf towers into position for punching and profiling. The completed shapes, ranging in thickness from 1/16" to 1/2", are then transferred from the machine center to motorized carts to be staged for off-loading.

Across the aisle, three brand new Cincinnati press brakes are all equipped with CNC controls that enhance productivity and piece consistency. Ray Carr, Capital's manufacturing manager, says the goal is to maintain an environment that emphasizes quality and creativity. "We're going to maximize value added time and reduce material handling time."

The shiny new Amada automation cell is the centerpiece of Capital's rebuilding and is the first phase of the company's plan to repair itself and expand. Consideration is being given to constructing a new 12,000 square foot building to house two new, large press brakes capable of exerting 2,500 tons of cold forming pressure to bend metal shape 56-feet-long. These "tandem" machines are so named because they sit endto-end and can be operated independently as two 28-foot press brakes, or in tandem as one 56-foot forming tool.

In metal fabrication, companies like Capital are driven to "lean" their operations – eliminate wasted space and materials and other inefficiencies. Suppliers are expected to be agile, flexible, responsive and competitively priced. These needs are driving Capital in its equipment selection and plant layout as it moves forward from the fire.

The Taylor family founded Capital Industries more than 50 years ago and moved to Georgetown in the 1960s. Today, the company employs over 100 people. The speed with which it has recovered from the fire has allowed the company to continue to serve its customers and avoid layoffs.

The response after the tragedy from Capital's employees, customers and friends in the industry has been overwhelming and helped motivate the Taylor family to rebuild and reshape the company for future generations.

# An Evening of Insights & Ideas on Moving Freight, Commuters & Other Valuable Cargo

Making Our Interstate Highways & Roads World

An Evening with Charles Potts Monday, Nov. 22, 2004

6:00 to 8:30 p.m.

Dinner at the Doubletree Inn 16500 Southcenter Parkway Takwila, IKA 98174

Guest Speaker: Charles Potts, P.E. Chairman of the Board, NAPA CEO, Heritage Construction and Materials

\$35.00 registration fee includes dinner. The event will after a no-bast bar.





Join the SODO Business Association, the Washington Trucking Associations and the Washington Asphalt Pavement Association for an engaging-evening with Charles Potts, a recognized industry expert on road use and construction.

Charles will provide a competing portrait of how we can use our existing 95,000 miles of interstate highway and adjoining roads to improve freight mobility, commuting and generally getting from here to there.

Chairman of the Board, National Asphalt Pavement Association and CEO of Heritage Construction and Materials, Charles is an emiment authority on transportation issues and a powerful speaker offering a provocative look at the alternatives. Auding thought and inspiration to improve mobility with the roads we have.

Ovarles has a bachelor's degree in civil engineering from The Obadel, a master's in civil engineering from West Veginia University, and he praduated from Harvard's Advanced Management Program. He is also active in The Obadel's engineering alumni programs.



Charles spent much of his career at APRC, Inc. the world's largest highway paving-contractor, and 16 years at the Florida Department of Transportation. He is a longtime member of Transportation Research Board, Pederal Highway Adminhitration and trade association work groups. He is author or co-author of over 103 published technical reports and articles related to the highway construction industry.

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### **Surge Protector**



Nucor is by far City Light's biggest customer.



When demand for electricity is highest, usually in summer or winter, City Light must secure extra electrical capacity on the open market.



"They've gotten more revenue from the agreement and we've saved money, " says Nucor General Manager Doug Jellison.

# Nucor Agreement Pays Dividends

### By Steven Clark

When the City Council approved a new rate agreement last spring between Nucor Steel and Seattle City Light, critics claimed it would be subsidized by other ratepayers and could wind up costing the city money.

Six months later, neither criticism has proven true and Nucor's general manager says they won't. In fact, through August, according to City Light reports to the City Council, the agreement saved Seattle City Light ratepayers \$700,000.

Nucor is by far City Light's biggest customer, and the new rate agreement provides the city and Nucor with new tools to work together for the benefit of the company and other Seattle City Light ratepayers.

"They've gotten more revenue from the agreement and we've saved money, " says Nucor General Manager Doug Jellison.

The savings derive from an "interruption" clause in the contract. Here's how it works:

When demand for electricity is highest, usually in summer or winter, City Light must secure extra electrical capacity on the open market or by firing up the utility's expensive coal and natural gas generating plants. When spikes occur, costs usually go up and City Light passes these anticipated costs on to its customers through higher average rates, or if the costs are higher than anticipated, City Light incurs unexpected losses.

But if Nucor interrupts its power needs, even for a few hours, it can reduce the demand spike significantly. That's because Nucor uses as much as five percent of City Light's entire electrical load. So when the company temporarily shuts down, it frees up lots of electricity which City Light can use to avoid paying more for extra power.

The agreement was hammered out last spring to permit Nucor to use an accelerated schedule to pay off debts incurred by Birmingham Steel. Nucor bought the Seattle plant from Birmingham. The agreement allows Nucor to save millions by paying off the city debt sooner while improving City Light's cash position. In exchange, Nucor agreed to an interruption clause in the contract.

The agreement contributed to a highly successful year for Nucor where production is up by 20 percent. The company employs 285 workers who on average earn more than \$70,000 per year.

City Light used to offer some of the most competitive rates in the country for large industrial customers, but not any more. Of the 16 Nucor Steel mills located throughout the US, the West Seattle plant pays the highest electric rates.

Earlier this year, the Seattle City Council directed City Light to investigate if power interruption agreements could work with other big industrial users.

Next spring Seattle City Light will decide on new rates that will affect all customers. That decision will define a fundamental aspect of Seattle's competitive landscape for years to come. The City Council has agreed to consider the impact of rates on the economic development of the city.

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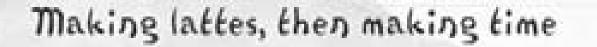






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# Call Patsy Cadwell @ 206-762-2470 to learn more or to sign up.



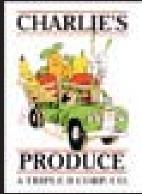
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# Alaska & Seattle Ties that Bind

# The Supply Chain

Alaska's supply chain is anchored to two ports in Puget Sound.

One is Tacoma, dominated by the ocean freighters operated by TOTE and Horizon Lines. The other is Seattle, where a tug and barge fleet is based along the Duwamish River. When it comes to cargo volumes measured by weight, these fleets carry 97 percent of the goods that are shipped to Alaska.

To gain a better understanding of our trade link with Alaska, *Seattle Industry* sent reporter Steven Clark along for the ride as an Alaska Marine Lines barge departed Seattle on July 22, towed by a Western Towboat tug boat bound for a delivery run to Southeast Alaska. As the tug and barge moved through the winding waterways of Alaska's "panhandle," Clark tracked deliveries to a grocery store in Ketchikan, seafood companies in Petersburg, the Greens Creek Mine outside Juneau, a lumber yard in Haines, and the Red Onion Saloon in Skagway. Then he traced the deliveries back through the supply chain, documenting the amazing ways in which the Alaskan economy is woven into our own.

## **Loading Process**

### By Steven Clark

Appropriate to most things involving Alaska, almost everything is outsized at the Alaska Marine Lines loading yard on the Duwamish River.

The *Sitka Provider*, docked at the river's edge, is 350 feet long and 100 feet wide. Empty it weighs 6,500 tons. Loaded, it will weigh up to 13,000 tons. The barge will be towed on this trip by a 100-foot-long ocean tug, the *Pacific Titan*. The *Titan* is powered by engines that can generate 4,500 horsepower, consuming about 30,000 gallons of diesel while towing the *Provider* on a trip that will span 2,000 miles over 10 days.

Cargo is loaded onto the barge by seven 50-ton lift trucks that are 12 feet high and 15 feet wide. The lift trucks can lift containers with goods weighing 10,000 to 80,000 pounds, or special loads like a school bus, tipping the scales at 18,500 lbs. The heaviest containers, filled with cement, steel and limestone, are so heavy they literally sink into the asphalt where they are kept in the yard while waiting to be loaded.

On a beautiful summer morning last July, the yard began to hum as the loading process kicked into gear. About 1,200 individual shipments had to be

placed on the barge and the loading process is designed to maintain the seaworthiness of the barge and to facilitate unloading in Alaska.

PACIFIC TITAL

The Titan is powered by engines that can generate 4,500 horsepower. The Titan will consume about 30,000 gallons of diesel while towing the Provider on a trip that will span 2,000 miles over 10 days.

Freight for Skagway and Haines, at the end of the route, are loaded first and stowed at the bow and stern. Cargo for Ketchikan, the first stop, is loaded in the middle. Refrigerated containers with perishable goods are loaded near the stern where they are plugged into generators. Heavier loads go on the deck. Lighter containers are stacked above the deck as many as four containers high. Cargo such as school buses and other large machines that can't fit inside containers are put on top of the containers.

The loading process ended at about 5:30 p.m. when the only empty space left on the barge was the area known as the "key." The key is a relatively small space at the center of the barge just big enough to stow a loading ramp that travels with the barge for unloading up north.

### The Voyage

The *Pacific Titan* arrived at 4 p.m. and its crew began to secure the tugboat's tow lines with the *Sitka Provider*. A tow wire, 2 inches thick, extends from the tug and connects with two mythic-looking chains that extend from either end of the barge bow. The chains are so heavy it takes two strong men to lift a link.

For the better part of the next two weeks, the barge and tugboat were bound by these lines. The barge has no propulsion system, no anchor and no way to stop on short notice. The tow relationship between the barge and tug is analogous to using a sports car to tow a loaded semi with no brakes. Once you get up to speed, everything will be fine as long as no one gets in your way.

It was nearly 8 pm when the tug and barge left the dock, heading for the first stop in Ketchikan, 750 miles away.

The *Titan* had a crew of five: Captain Brett Spencer, first mate Eric Bevins, second mate Tyler Peterson, and deck hands Chad Wallin and Derrick Webster. While at sea, the captain and the two mates take turns piloting while the deck hands perform maintenance tasks. All know how to make basic repairs to the engines.

Wallin doubled as the cook and as the tug moved across Elliott Bay with the *Provider* in tow, he prepared a dinner consisting of grilled cheese sandwiches with potatoes, salad, vegetables and cottage cheese. The galley serves as a de facto living room, rec room and conference room for the crew. The TV facing the dining table is equipped with a DVD player and a video game console.

Over dinner, the chief topic of conversation was deckhand Derrick Webster's shoes, a pair of very fancy, baby blue basketball sneakers. They seemed out of place on Webster's feet. He is 6'4" and built like a mountain. The contrast between his hulking body and the baby blue shoes became the source of dozens of jokes.

After dinner it was the first mate's watch. Eric Bevins headed for the pilot house where he remained on watch and steered while the rest of the crew went to bed. The rooms on the *Titan* have



Refrigerated containers with perishable goods are loaded near the stern where they are plugged into generators. Heavier loads go on the deck. Lighter containers are stacked above the deck as many as four containers high. Cargo such as school buses and other large machines that can't fit inside containers are put on top of the containers.



double bunks and closets and drawer space for storage. The rooms have no windows but are comfortable for sleeping.

By daylight the following morning, the tug and barge were cruising between Vancouver Island and the British Columbia mainland, the first stretch of the Inside Passage, a waterway that leads from Puget Sound to southeast Alaska, for the most part following channels between the mainland and the forested islands that line much of the coast.

The farther north the tug traveled, the more mountainous the terrain became.

The weather was sunny and warm until just before Ketchikan where the sky turned cloudy and the temperature grew colder. The weather would remain that way with frequent rains during the entire cruise throughout Southeast Alaska.



Charlie Seckinger is the assistant store manager. Of the delivery, he said, "In Ketchikan, we have muskeg and rain. Everything else comes from Seattle."

34 • Seattle Industry • Fall 2004

### First Stop: Ketchikan Yakima Connection

Ketchikan is called Alaska's First City because it is the first one encountered on a journey up the Inside Passage. As the *Provider* and *Titan* arrived, the harbor was busy and seemed exceptionally noisy following three quiet days at sea. Float planes buzzed overhead. An Alaskan Airlines jet came flying in low. Commercial fishing boats were scattered here and there and a tourist paddle boat, the *Empress of the North*, was heading for the dock.

A mile off shore, the *Titan* and the *Provider* were configured into the "hip tow" position that's used to dock the barge. In this position, the Titan pulls up parallel to the barge and the two vessels are tied together. The Titan's propellers can turn 360 degrees beneath the boat. Captain Spencer turns the props 90 degrees away from the barge toward the dock. Because his view is blocked by the stacks of containers on the barge, the captain is guided to the dock by a mate who stands on the shore side of the barge and uses a radio to give directions.

After the crew tied up to the dock and the ramp came down, the *Provider* started unloading cargo: a 4x4 Jeep, a cargo container of copper pipes, a trampoline and 15,000 pounds of frozen goods and produce for the Ketchikan A&P, a member of the "Alaskan and Proud" supermarket chain.

Charlie Seckinger is the assistant store manager. Of the delivery, he said, "In Ketchikan, we have muskeg and rain. Everything else comes from Seattle."

Asked to name local products in the store, Seckinger pointed out two: canned fish and Raven's Brew Coffee. Everything else, he said, "We get from that barge."

This delivery is comprised solely of goods distributed by Charlie's Produce in Seattle and its Alaskan subsidiary, the Rogge company. The delivery includes watermelons from Fewell Farms near Prosser in eastern Washington's Yakima County.

The farm covers 1,200 acres and operates with about 200 employees. The farm produces melons and apples that flourish in the high desert climate with warm summers and plenty of sunshine. Sharon Heer, sales manager for the farm, says Fewell has been shipping melons and other products to Alaska for about 20 years through wholesalers such as Charlie's and Associated Grocers, also based in Seattle.

Alaska's agricultural center is the Matanuska-Sustina Valley in South Central Alaska near Anchorage. That region accounts for about half of all farm production in the state. It has good soil and a relatively mild climate (by Alaskan standards) that affords a decent summer growing season. Cash crops include nursery plants, hay, dairy products and beef. But the lack of much arable land and the climate challenges combine to keep Alaska's agricultural base very small.

Alaska entire agricultural output is valued at about \$50 million per year. In Washington, Yakima County alone generates sales of about \$800 million.

The gap between these two figure illustrates why, by dollar value, food is the biggest export shipped to Alaska from Puget Sound. Food also dominated the cargo mix on the *Provider*. The barge carried chilled, frozen and dry food products, tons and tons of meat, milk, cheese, rice, pasta, potatoes, baked goods, beer, wine, bananas, tomatoes, and other vegetables and fruits -- even 700 pounds of Eskimo Pie ice cream bars bound for delivery to the A& P market in Juneau.

However, the extended daylight of Alaska's summers produces some of the biggest vegetables you'll ever see. The prize winning pumpkin at this year's Alaska State Fair was nicknamed "Thunderhorse." It weighed 707 pounds and was taken on a tour of grocery stores throughout the Kenai Peninsula. It was then carved into a giant Jack O' Lantern for Halloween.



Alaska's entire farm output is estimated at \$50 million per year. Yakima County alone generates \$800 million. Petersburg is a town of 2,000 people about half way between Ketchikan and Juneau at the north end of Mitkof Island. To get there, it's necessary to navigate the Wrangell Narrows, a 20 mile passage so skinny in some spots it is only slightly wider than the *Sitka Provider*.



### Next Stop: Petersburg Ballard With Mountains

After crude oil, seafood is Alaska's biggest export. In 2002, the waters off Alaska produced more than 5 billion pounds of fish, more than half the entire US catch. The value of the catch to the fishermen who catch the fish is estimated at \$1.3 billion per year. The dollar value of the catch grows dramatically as it moves to all of its various markets.

Sixty percent of the boats that harvest Alaska fish are licensed in the State of Washington and Seattle remains the primary link between Alaska's seafood products and markets all around the world.

This connection was made vivid in the town of Petersburg which with its Norwegian flags, fishing boats and seagulls, looks like Ballard with mountains.

Petersburg is a town of 2,000 people about half way between Ketchikan and Juneau at the north end of Mitkof Island. To get there, it's necessary to navigate the Wrangell Narrows, a 20 mile passage so skinny in some spots it is only slightly wider than the *Sitka Provider*. Once beyond the narrows, Petersburg's harbor appears on the right as a jumble of fishing boats and canneries, with huge flocks of seagulls, looking for a floating hand out.

Petersburg was founded by a Norwegian looking for a site for a cannery. Peter Buschmann, who gave the town its name, came here in 1897 and managed the town's first cannery, Icy Straights Packing Company. Some of the original buildings from that operation still exist at the site of its successor company, Icicle Seafoods.

Icicle is based in Seattle as are two other companies with processing plants in Petersburg, Ocean Beauty and Norquest, a subsidiary of Trident Seafoods. These companies, along with American Seafoods, also based in Seattle, generate sales estimated at \$2 billion per year.

The *Provider* deliveries in Petersburg reflect the scale of Alaska's seafood industry.

One delivery is for 40,000 pounds of salt. One is for more than seven tons of cardboard boxes. That load of boxes was made at the Longview Fiber plant on the Duwamish River near the AML yard where the *Provider* was loaded. The Longview boxes were made from cardboard made from trees harvested in a forest outside Leavenworth on the east slope of the Cascades.

Boxes are a major element in the seafood supply chain. A manager for one of the Petersburg processing plants said his operation goes through about nine million pounds of salmon each year. Each 50 pound batch requires a corrugated box. That equals 200,000 boxes just for one of the Petersburg plants.

"It's a significant part of our cost," the manager said.

One of the biggest box suppliers is the Weyerhaeuser Company. It makes six million tons of boxes every year, a good share of them tailored to hold Alaskan fish.

Weyerhauser makes the boxes at its production plant in Bellevue. Conducting



After crude oil, seafood is Alaska's biggest export. The waters off Alaska produced more than 5 billion pounds of fish, more than half the entire US catch and the value of the catch is estimated at \$1.3 billion per year. The value increases dramatically as the fish move through the processing chain.

a tour of the plant, assistant sales manager Jeff Asch promises the visit will "knock your socks off, what's involved in all this."

The plant is a 175,000 square foot facility hidden behind rows of trees near Interstate 405. It is a combination factory, warehouse, printing press and design firm, all under one roof. One hundred and twenty employees at the plant turn two-ton rolls of paper into corrugated containers of all shapes and sizes. They design custom boxes. They print multicolor artwork for the sides of boxes. For the fishing industry, they make wax boxes for fresh fish and heavy duty boxes for frozen fish. They make boxes with eye catching colors for retail shelves, and a special corrugated box that can hold water.

Weyerhaeuser ships boxes north virtually year round to support the cycle of Alaska's various fishing seasons.

Once the fish are chopped and packed into the boxes, they return by barge to Seattle where they are sorted for distribution at facilities such as SeaFreeze, a cold storage plant on the Duwamish River. From Seafreeze, the boxes of fish are distributed throughout the world.

One recent pallet at Seafreeze contained Petersburg fish in Washington-made boxes that were bound for processors, supermarkets and restaurants in Chicago. Los Angeles. Dallas, Houston, New York and Boston along with cities in England, France and Germany.

The *Provider* also unloaded hardware in Petersburg from Tacoma Screw and Ballard Hardware, along with supplies from Kaman Bearings and Pacific Rubber in Seattle's Georgetown neighborhood.

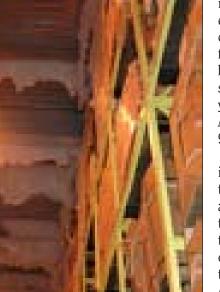
Pacific Rubber supplies the industrial hoses, clamps and hydraulic fittings that are used to suck salmon from the holds of fishing ships. Pacific Rubber Sales Manager Bob Oglive says the company provides the hoses throughout the Alaskan market and estimates this activity accounts for about 25 percent of the company's total sales.

Like Weyerhaeuser, Pacific Rubber ships goods north with AML nearly every week.

Oglive used to live and work in Alaska and he knows the value of timely service. "You hold these guys up and they'll go some place else. When I get a purchase order I move it fast because I know what it's like to be up there without a part."



The Weyerhaeuser box factory



Alaska fish stacked high at Seafreeze



Suction hoses at Pacific Rubber

### Next Stop: Juneau Can't Get There From Here

Thirty eight cars, trucks and vans and two school buses were onboard the *Provider* for the simple reason that no land road connects Southeast Alaska to the rest of the world. Twenty two of these vehicles were unloaded in Juneau. With 31,000 people, Juneau is by far the largest city in Southeast Alaska. It is also a city that occupies one of the most beautiful settings and worst locations of any state capital in the United States.

On a map it appears a thin line separates southeast Alaska from Canada to the east. In fact, it is isolated from Canada by a coastal mountain range and glaciers. These features are not crossed by a road and won't be anytime soon. So, you get to Juneau by sea or air, or you don't go, and once there, you are a long way from anywhere else. Anchorage is about 530 miles away. It is 931 air miles from Juneau to Seattle.

Anchorage is a much bigger city, but it didn't even exist when Alaska became a territory in 1912. At that time, Juneau was already considered Alaska's capital and it traced its roots to 1880 when two prospectors, Bob Harris and Joe Juneau, found gold on nearby Douglas Island. Their discovery turned into the first major gold mine in Alaska, the Treadwell Mines.

The mine flourished until one shaft hit seawater, resulting in a flood that ruined the mine. By then, Juneau was well established. Juneau's role as the commercial center of the region was reflected in the variety of goods unloaded there by the *Provider*.

The deliveries included car transmissions, tables, chairs, nuts, bolts, nails, lumber, beer, wine, liquor, toilets, automobile batteries, boat batteries, lighting fixtures, light bulbs, linoleum, airplane floats, office machines, office supplies, paper, display racks, grout, rubber matting, a pressure washer, repair clamps, books, magazines, aluminum coil, paint, water heaters, fire sprinklers, clothing, wood trusses, pharmaceuticals and medicines – almost everything imaginable between aluminum windows and wiring. While Juneau is dominated by government – the State Office Building is sometimes referred to as the "SOB" building – its commercial roots still extend into the ground. The area's largest private employer is the Greens Creek mine located 20 miles outside Juneau.

### Next Stop: Greens Creek Mine Money From Rock

It isn't easy making money from rock, but Brad Maynard does. He's a project manager at the Greens Creek and his daily commute begins with a ferry ride from his home near Juneau to Admiralty Island, about 20 miles east of Juneau. At the Hawk Inlet ferry terminal on the island, he gets on a bus and joins the miners as they begin another 12 hour work day.

At the mine, Maynard travels around the interior roads in a pick up truck, radioing his position every few hundred yards so the dispatcher can warn him if any ore trucks are coming from the other direction. The ore trucks carry more than a quarter million pounds of material. They don't stop quickly and the road is too narrow to get out of their way. The hazard is high when it rains, as it does on so many days in Southeast Alaska, including this one.

Alaska ranks 12<sup>th</sup> in the nation for overall mineral output. Greens Creek is the

most productive silver mine in the nation but it also produces lead, gold and zinc. The mine is one of the Big Three players in Alaskan mining, which generates about \$1 billion per year.

The other two are Fort Knox mine, near Fairbanks, which produces 75% of Alaska's gold, and Red Dog mine in northern Alaska. Red Dog produces the most lead and zinc of any mine in the nation. It is the second most productive silver mine, trailing Greens Creek.

Zinc is used primarily to make galvanized steel. Auto makers are the largest consumers of zinc in the world.

Greens Creek is a "cut and fill" mine with a main shaft that spirals deep into the earth, with smaller shafts extending out from the spiral, following veins of minerals. And the deeper one goes in understanding operations at Greens Creek, the more one finds Alaska's mining industries tied into the industrial economy of the Pacific Northwest.

Start with electricity.

Greens Creek is far removed from Alaska's electrical grid so it has to generate its own electricity. Doing so consumes about 10,000 gallons of fuel per day. The fuel is barged to Greens Creek from Seattle by Delta Western and its sister company, Sea Coast towing. As with nearly all fuel consumed in Alaska, the fuel is made from Alaskan crude that's shipped by tanker from Valdez, Alaska to refineries in Anacortes and Ferndale, Washington.

From the refineries, the fuel is shipped south via the Olympia Pipeline, which delivers fuel to Seattle's Harbor Island. Depending on prevailing prices, Delta Western picks up fuel at Harbor Island or at Cherry Point near Ferndale before hauling it back north for delivery at Greens Creek.

Greens Creek also imports thousands of tons of cement to support its "cut and fill" mine. The small shafts that extend from the larger spiral shaft at the center of the mine are called "stopes." When the stopes play out, they are filled with a cement mixture to maintain the mine's structural integrity so miners can start a new stope next to the old one.

Greens Creek uses 15,000 tons of cement each year that comes from Lafarge Cement on West Marginal Way next to the AML yard on the Duwamish River. The Lafarge cement plant employs about 65 people and is on pace this year to make 400,000 tons of cement.

Greens Creek is the most productive silver mine in the nation but it also produces lead, gold and zinc. The mine is one of the Big Three players in Alaskan mining, which generates about \$1 billion per year. Greens Creek purchases rebar for construction projects from Harris Steel, a steel distributor in Tacoma. Lyle Hadden, the general manager for Harris, estimates that Alaska accounts for about 25% of the company's business. Harris is owned by Nucor Steel which makes the rebar at its plant in West Seattle.

Greens Creek connections with the regional economy are illustrated along the voyage of the *Sitka Provider* and its tug, the *Pacific Titan*.

The cement at Lafarge is produced from limestone that is quarried on Texada Island in British Columbia. The *Provider* and other AML barges carrying Lafarge cement pass Texada Island on every voyage to the Greens Creek mine.

Western Towboat builds its own tugboats at its base on the Lake Washington Ship Canal. It equips its tugboats with batteries made by Dyno Batteries in Ballard. Dyno buys the lead for its batteries from recycled car batteries, most of them made originally by AC Delco. One of AC Delco's primary lead suppliers is the Teck Cominco Trail Smelter in British Columbia.

Teck Cominco buys lead from Greens Creek mine, so as Western Tow tugs like the Titan tow barges north to Greens Creek, they are most likely powered in part by lead from Greens Creek.

### Next Stop: Haines Forests for the Trees

From the parking lot of Lutak Lumber in the town of Haines, you can look across the Lynn Canal and see rising up the mountains and stretching to the horizon a forest of trees that comprise the western edge of the Tongass National Forest. The Tongass is the largest national forest in the United States. It covers 26,000 square miles and is about half the size of the entire State of Washington.

Yet, the AML barge carried six tons of lumber for delivery to Lutak and not one sliver of it came from the forest across the channel. Nearly all of it came instead from state of Washington.

Welcome to the curious world of lumber in Alaska, a state with enormous timber resources where, thanks mostly to politics, we are now literally saving forests for the trees. The timber market was always a tough one in Alaska because local consumer markets weren't big enough to support much timber production, and the distances to export markets were so vast. Yet, Alaska has the greatest potential timber resources of any state in the Union and there have been many, many efforts to make all that wood work. Many of these enterprises have taken place in southeast Alaska because of the availability of Tongass timber.

From the 1950s through 1990s, pulp mills operated in southeast Alaska, supplying mostly Asian markets while producing historic highs in demand for local timber and logging. But the pulp market was hurt by the Japanese recession and eventually killed by chronic pollution violations, rising environmental protests and criticisms that the government was selling timber to the pulp mills too cheap.

The pulp mills closed and Alaskan timber industries wound up on the endangered species list. There is no shortage of debate about the future of the industry, with some insisting it can bounce back if environmental and political barriers are reduced. But for now, the present state of Alaskan timber is illustrated by cargoes aboard the *Provider*.

Lutak received more than 13 tons of lumber, about half of which was plywood from a plant in Washington. Chip Lende, who owns Lutak Lumber, says he has no choice but to buy from outside suppliers.

"We buy our plywood and hardwood in Seattle. There's just not a big enough market for a plywood mill in Alaska. How much plywood could a mill up here sell?"

The view is a bit brighter at Gascoigne Lumber, a wholesale lumber business located on the south side of the Lake Washington Ship Canal. The barge delivered about 500 pounds of door and window frames to Lutak from Gascoigne.

Company owner Rob Gascoigne explains Alaska's timber predicament with a story about the building of the Kingdome stadium. A South Korean firm won the bid to provide cement because, even after shipping costs, the South Korean firm could provide the product more cheaply than companies here.

"Alaskans aren't going to spend \$5 a board for local boards when they can buy \$3 boards somewhere else. It's globalization but on a micro scale."





Another illustration is provided in the contrast between Washington's timber production and Alaska's. Alaska produces about 50 million board feet of timber a year. Washington produces nearly five billion. Washington is still the second leading timber producing state in the country, trailing Oregon which turns out nearly seven billion board feet.

### Last Stop: Skagway Gold Rush circa 2004

Skagway was once the gateway to the Klondike, the Alaskan departure point for the dangerous trek across White Pass or Chilkoot Pass and the gold fields of the Yukon.

Prospectors from around the world came to this lawless boomtown in its Gold Rush heyday. The town was ruled by an outlaw gambler, Soapy Smith, who served up justice with hot lead. The Red Onion Saloon was a popular bordello.

But all things change and so did Skagway. The gold played out. Soapy was shot dead. The Red Onion is still there, though, with scantily clad mannequins visible in the upstairs windows above the parades of tourists passing by below on wooden sidewalks.

Tourism is now Alaska's fourth leading industry and Skagway is a major center for the trade. The town's permanent population is about 900, but on the day the *Provider* ar-

"We buy our plywood and hardwood in Seattle. There's just not a big enough market for a plywood mill in Alaska. How much plywood could a mill up here sell?"

rived, two cruise ships were in the harbor, looking like shining casinos rising up from the water. Skagway's harbor can accommodate as many as four of these massive ships and when it does, the town's population can swell tenfold, rising to 9000 and making Skagway, briefly, the fifth largest city in the state.

Just as in the real Gold Rush, mountains of provisions follow the tourist trail, and in Skagway the *Provider* delivered essentials to the tourist trade including more than eight tons of booze and nearly 50 tons of frozen, chilled and dry food products.

Deliveries include 840 pounds of Alder roasting planks for a gourmet food and gift store in Skagway. The planks are sold for roasting salmon the way Pacific Northwest natives used to. The planks are purchased from a company called Nature's Cuisine in Seattle.

Sharon Parker, who owns Nature's Cuisine, says she sells about 5,000 planks a year in Alaska. She would like to someday



Sharon Parker of Nature's Cuisine with one of her cedar roasting planks.

use Alaska red cedar for the planks, but for now, it is too expensive and she buys the wood down here.

The week before, the Red Onion Tavern received a shipment of nearly 600 pounds of tee-shirts from Polar Graphics in Kent.

Polar Graphics is the largest seller of tourist apparel and souvenirs in Alaska and business is booming, with operations in Kent going 24 hours per day, six days a week. More than 100 people work at the Kent facility. Polar Graphics is based in Anchorage and it has another production facility there with 85 employees.

The company is a subsidiary of Arctic Circle Enterprises, founded in Anchorage in 1953 by Henry Godfred, a sales representative who lived in Los Angeles and worked the entire Alaskan market. After creating the business, Godfred resettled his family in Anchorage. The company is owned and operated today by his two sons, Gordon and Mitchell Godfred.

Gordon Godfred says Kent's proximity to Alaska gives Polar Graphics a leg up on competitors in other states. "A lot of this is a freight game," he said. "Especially when you have 50-dollar barrels of oil."

Polar Graphics rode the Alaskan tourism boom to become a business with a worldwide market for its custom-labeled mugs, hats, socks, tee shirts, and other products.

Just as in the olden days, the Red Onion is a focal point for entertainment. It features a salmon bake and fake dancehall



Polar Graphics is the largest seller of apparel and souvenirs in Alaska and business is booming, with operations in Kent going 24 hours per day, six days a week.

girls. It also transports tourists to a stream where they can pan for gold and, unlike the prospectors of old, the tourists get a guarantee they'll find some.

"We put flecks in the gold pans – otherwise it couldn't be guaranteed," says Red Onion manager Christy O' Shaugnessy.

As result of this attraction, Skagway still needs gold pans and many of them come from a metal fabricator in South Seattle called Quality Spinning Metal.

Doug Vincent's father started the business in 1952 and Doug runs it today.

He turns out lots of custom jobs in his shop – kitchen wares, car parts, and garbage can lids ("very fancy garbage can lids"). He started making the gold pans in the 1970s. He machines 8", 12" and 14" pans on a lathe and has a few stacks of inventory in the warehouse, in case there's a rush.

In 1980, gold prices shot up to over \$800 an ounce and Doug was doing brisk trade providing pans for would-be miners prospecting in the Cascades.

"I've sold thousands of pans over the years," Doug says. He doesn't know exactly how many pans he's sold, or, in fact, how his company became so well known to Alaskan gold pan buyers. "I tried one of those new (phonebook) ads – the ones after Ma Bell broke up," he says.

Red Onion manager O' Shaughnessey says the gold pans were sold by the power of word-of-mouth and the phone book. "Word of mouth is pretty big all over Southeast [Alaska]," she said. "And the Seattle phone book is a pretty big tool for us."

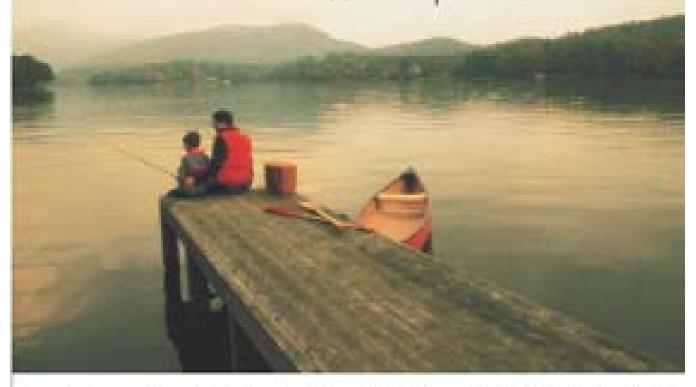
Beats trekking over Chilkoot Pass any day. Just let your fingers do the walking and put the stuff on a north-bound barge.



Tourists pan for gold in Skagway with pretend dancehall queens.

Gold plans for tourists are made in Seattle.

It's not just because of the jobs we provide that communities think of Nucor as quite a catch.



In turns and country, arrange the country, we affer more than employment and the excellent increators for which

un're known. We help provide everything from schoolbooks to fire trucks. Meanwhile, our people huild parks, buy

computers for kids, and, of course, support local charities. But that's just the start of hour an exhance life near our more

than 20 manufacturing facilities. As the largest recycler in the nation, and



a producer of steel and steel products, we also sufequard the recomment, protect natural weldlife habitats and

reen improve waters far good fishing. Because that kind of concern for our communities is just our nature.

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- Manufacturing Industrial Council. The "MIC" is a non-profit advocacy group that sticks up for the industrial community. The Seattle Industry web site will keep you current on MIC activities and will keep you linked with information about other organizations that share MIC goals and objectives such as the "BINMIC Action Committee" and the Seattle Marine Business Coalition.
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