

News From: South Park • SODO • Ballard • Georgetown

Seattle Industry

Summer 2005

The Voice for Industry

Pipe Dreams

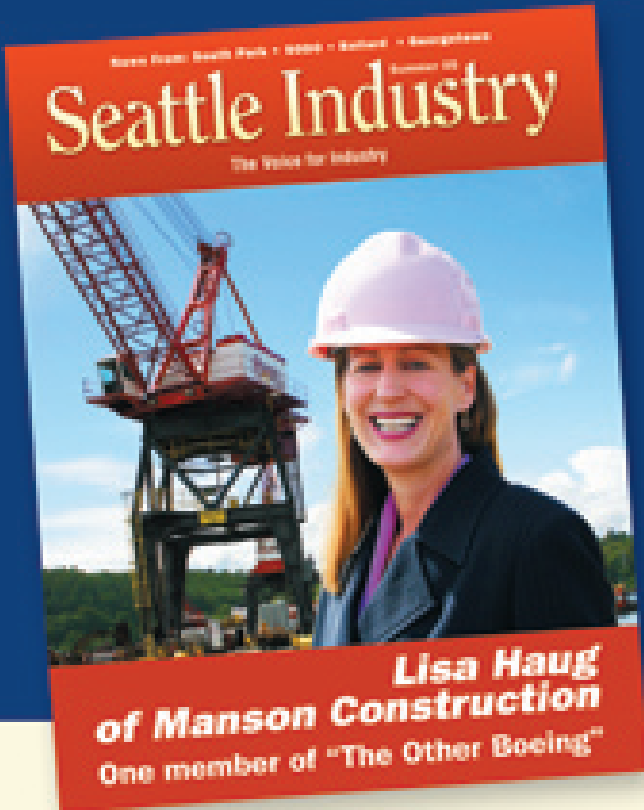


A New Alaska Energy Boom?
Plus, Monorail Mess – Our Solution

Next Issue:

The Seattle Industry Leadership Guide

“The Other Boeing”



In our fall issue *Seattle Industry* will present a few things that should be known about the city's industrial base by every candidate for Seattle Port Commission, Seattle City Council and Mayor of Seattle.

Let's start with this one simple question:

Around industrial Seattle who sells more products as measured by dollars, the Boeing Commercial Airplane Division or Everybody Else?

Answer: Everybody Else.

According to a recent study commissioned by the City of Seattle, traditional industries based in Seattle generate sales of about \$28.5 billion per year. That's more than the \$21 billion in world wide sales recorded in 2004 for Boeing commercial airplanes (Boeing was not included in the Seattle study).

Most regions would give their eyeteeth to have one Boeing. Our region is blessed with the benefits of having two, with the “other Boeing” encompassing of all the traditional industrial businesses that call Seattle home.

This will be Lesson 1 in our homework assignment for the candidates. If you want to nominate a study topic, e-mail it to seattleindustry@qwest.org or call the Manufacturing Industrial Council at 206-762-2470.



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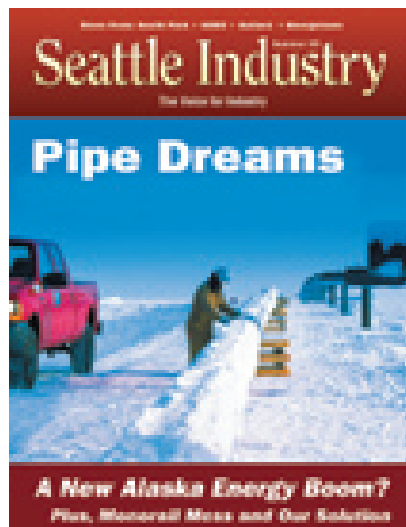
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Photo courtesy of ConocoPhillips

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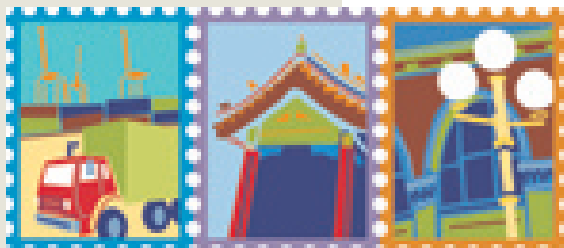
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Seattle Industry
was established
with start-up
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Foundation.



What's UP

In This Issue



Alaska Issue, Vol. II.

Oil for \$60 per barrel. Salmon for \$25 a pound.

These seemingly disparate news bits from the Summer of 2005 provide two good, thoroughly connected reasons to devote a major portion of another issue of Seattle Industry to our unique trade relationship with our neighbors to the north.



ANWR Chronicles

If you're waiting for the next Alaska energy boom, wait no more. It just happened. Extraordinary oil prices over the past 12 months provided a \$1 billion bonanza for the Alaska state budget even as North Slope oil flow continued to decline. But did the wind-fall mark the beginning of the end for the great Alaska energy era or the start of a new beginning? The questions provide excellent starting points for the "ANWR Chronicles," a series of articles that will explore the new prospects for Alaskan natural gas and the never-ending fight over Alaskan wilderness issues and the possibility of oil exploration in the Arctic National Wildlife Refuge (ANWR).

ANWR Chronciles - Web Version

The magazine series will be supported by complementary articles on the Seattle Industry web site at www.seattleindustry.org. ANWR may be a big deal to us but it barely registers in the international story of the Hydrocarbon Age and the uncertainty and controversy that have almost always surrounded it. John D. Rockefeller, Winston Churchill and Adolph Hitler are just a few of the people who shaped the tide of oil-or were carried away by it. Take a look at some of the broad strokes in the oil picture in the web version of the ANWR Chronicles.



Booming Seaport

One look at Elliot Bay shows that the Seattle waterfront is experiencing amazing growth in container cargo, but other maritime activity is also "up" and new research shows Seattle's maritime industries generate billion-dollar benefits. Yet few seem to appreciate it and a few years ago, all the "experts" said the maritime sector was as dead as Captain Vancouver. Hmmm. Here's an idea. What if we rename it "bio-maritech?" You know, get the extremely prestigious Master Consultor Institute to identify it as an extremely emergent new hybrid sector comprised of bio-benthic uploading, transnational translocation and tow-location-dynamism. Hey, break out the media kits and book the Grand Hyatt for a seminar! We feel a trend coming on!



Ballard Locks Stay Open

From Washington D.C., the traffic using the Hiram Chittenden Locks doesn't look like much. Just a lot of yacht traffic. Hardly any freight. A bunch of blue-state pleasure boaters bobbing in the wake of a red state world. So when it came time to cut the federal budget for the US Army Corps of Engineers, it seemed only logical that the axe would fall on old Hiram, and it almost did until a group of local community leaders helped a visiting US dignitary see what the budget writers couldn't.

Nucor Steel

The steel mill in West Seattle was the first in Washington state. Now it's the last. Sounds dreary, doesn't it? Just another rust-belt tale of another dinosaur industry staggering toward the slag heap of history. So why is Nucor Steel making so much money and why are Nucor employees so enthusiastic? Well, wrap your mind around this concept: Nucor employees are among the highest paid steel workers in the nation, but the company's labor costs are among the lowest. Or, consider that Nucor has never laid off a worker. Fired? You bet. Laid-off? Nope, not in more than 40 years. Learn more about the amazing imprint of a business legend named Ken Iverson as Nucor celebrates the 100th birthday of the West Seattle steel mill.

Why the Monorail Wheels Are Flying Off

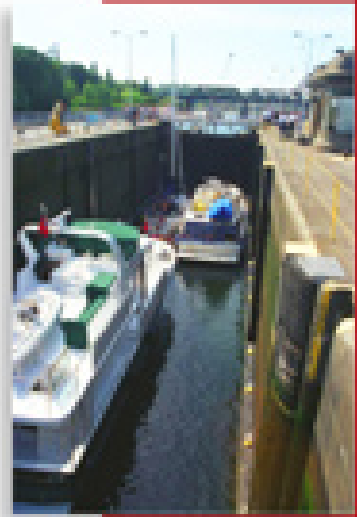
Know all that fine print that appears in the Voters' Guide? Ever read it? Of course not. Who would? Well, we went back and did it to try and understand why the wheels are beginning to spin free from the Seattle Monorail Project, and, lo and behold, it was all spelled out right there ahead of time, in black and white. The whole thing was doomed almost from the get-go. Inspired by the value of our Monorail reading, *Seattle Industry* explored some other fine print and learned we are at risk for similar meltdowns with the Alaskan Way Viaduct, the Evergreen Point Floating Bridge and just about every other "mega" transportation project in greater Seattle. You may not want to read this article any more than the Voter Guide fine print, but if you're worried about transportation, you probably should.

Seattle First

A unique partnership between the industrial business community and City Hall can help businesses solve problems and save money. Most of the time. In this issue learn how the program helped Cascade Design escape a permitting logjam – and find out what couldn't be done to help Carol Tovar avoid escalating business losses after her deli in SODO was closed to make way for a public construction project.

The 'Turbinator'

Tired of worrying about the big picture? Focus in on some good companies doing great things in our Neighborhood Report section, featuring Gearworks in South Park, BG Machine in Georgetown and ASKO Processing in Fremont.





The

ANWR Chronicles

More about the series on page 9



Part 1

PIPE DREAMS

Oil, Gas, and Our Stake in the Great Alaska Wilderness Debate



A \$1 billion windfall roared into the state coffers of Alaska over the past 12 months thanks to record high oil prices that swelled the state's oil royalties and tax payments.

This windfall may prove to be one of the last gasps of the economic bonanza provided by Alaska's mammoth North Slope oil fields.

Or that billion-dollar bonus could be an advance payment for a looming Alaskan energy boom of a magnitude not seen before, fueled by escalating world demand for natural gas and oil.

No region south of the 49th parallel has a bigger financial stake in the outcome of these issues than does central Puget Sound.

With this issue, Seattle Industry kicks off the "ANWR Chronicles," a five-part series that will explore the past, present, and future of the controversy over oil exploration in the Arctic Natural Wildlife Refuge and the prospects for a natural gas boom.

Got Oil? (Yep)

You might not know it given our collective predilections for Birkenstocks and our environmental sensibilities, but like the Saudis, the Bushes, the Rockefellers, the Iranians, the Iraqis, the Norwegians, and a host of other characters, Seattle and the rest of Puget Sound are in the oil "bid-ness" – and business is fabulous.

Our oil connection is forged at the mouth of Puget Sound where, off the beaten track and all tourist brochures, Washington state provides a home to four mammoth oil refineries owned by British Petroleum (BP), ConocoPhillips, Shell, and Tosoro. A fifth, much smaller refinery in the state is operated by U.S. Oil in Tacoma.

The refineries take in about 600,000 barrels of crude oil every day. Inside the refineries, the crude is cooked and converted into gasoline, jet fuel, diesel fuel, home heating oil, motor oil, and all the other oil-based fuels and lubricants that grease the wheels and skids of our modern age.

These consumer products are then transported by ships, barges, trucks, railroad cars, and pipelines to a wholesale and retail market that encompasses western Washington, western Oregon, northwestern California, and Alaska.

According to the Washington State Department of Revenue, in 2003 the refineries recorded sales of \$10 billion – just a billion shy of the \$11 billion in sales attributed to the state's entire agricultural output. In 2004, thanks to record high oil prices, the

value of refined oil products in Washington actually surpassed the farm sector, \$13 billion to \$12 billion.

Not all the oil billions stay in Washington of course. But some do. For instance, with virtually no press coverage, two of the refineries recently announced plans for remodels and upgrades valued at about \$700 million.

The refiners also employ about 2,000 people earning pay that averages about \$80,000 per year. Not bad, but the overall job benefit of oil refining is actually much, much better than those figures suggest. That's because oil refining comes with a tsunami-like "multiplier effect."

Multiplier effect refers to the additional jobs created in the economy by a single job in a particular business sector. Aerospace is considered an outstanding job generator because its multiplier is about 2.5. That means every Boeing jobs supports and spurs nearly three others.

The multiplier for oil refining is an astonishing 11.

So the 2,000 jobs in Anacortes, Blaine, and Ferndale create about 22,000 more jobs along the I-5 corridor. But as they say in both Nome and Econ 101, this is just the "tip of the iceberg" when it comes to calculating our regional oil payoff. We may suffer from the same high gas prices as the rest of the country, but we also enjoy a unique regional oil rebate that is worth billions.

The Delaney Factor

About 70% of all the crude oil that is refined in Washington comes from Alaska. This fact does not matter a whit to a Volvo or a 737, but for the Puget Sound economy, oil origin counts big-time. To explain how it works, let's consider the "Delaney Factor."

Delaney Walker is the infant daughter of Launa and David Walker. The Walkers live in Ketchikan, Alaska. On December 7, 2005, Delaney will have her first birthday. At that time she will become eligible to receive her first annual check from the State of Alaska for her "Permanent Fund Dividend." These checks are paid from the interest and investment returns earned on a fund of about \$30 billion that has been set aside from Alaska State royalties for mineral extraction. Most of the money in the fund is attributable to oil and most Alaskans often refer to these payments as their "oil checks."

Everyone who lives in Alaska for one year gets an oil check. Most years, the checks are for about a thousand bucks, and if you have a family the household impact adds up fast.

Oil checks are usually issued in October. After the checks arrive, the Walkers, like many of their neighbors in Ketchikan, often celebrate by hopping on an airplane and flying 90 minutes south for a shopping excursion to Seattle.

Launa Walker, Delaney's mom, calls Seattle her "second home." She has taken these trips throughout her life, often accompanied by her own mom, aunts, girlfriends, and now, her husband, and soon, Delaney.



DELANEY WALKER, NATIVE KETCHIKANIAN, IS A FUTURE SEATTLE VISITOR AND NORDSTROM SHOPPER.

Launa's favorite store in Seattle is any store named "Nordstrom." She spends a lot of time at the perfume and makeup counters. She enjoys facials. She has massages. She gets her hair styled. There isn't a Nordstrom store in Ketchikan – or one that even comes close – as far as Launa is concerned.

"It is so great to go down to Seattle to get pampered and made to feel beautiful," she says, "because we spend a lot of time up here living in our sweat clothes. You know what it is like when all you have is a Wal-Mart? And Ketchikan used to not even have a Wal-Mart."

Regional Rebate

Of course, not all Alaskans or even Ketchikanians come to Seattle to spend their oil checks. But the happy news is, Alaskans don't need to spend their money down here for Puget Sound to reap its own, unique regional rebate on Alaskan crude.

Washington and Alaska are tied together by a trade relationship unlike any that exists between any of the other 48 states. Because there is no railroad connection between Alaska and the Lower 48 – or Canada – and because Alaska is so far removed from any other state in the union, the 640,000 people who populate it rely on the maritime shipping industry of central Puget Sound to receive the majority of their consumer goods, business supplies, building materials, and industrial equipment. And in many cases these products and commodities are "Made in Washington" or distributed by companies based here.

So, nearly everything Alaskans buy with their oil checks, or any other money, winds up bearing shipping labels and fingerprints of businesses all up and down Puget Sound. The market forces that drive the relationship are so strong they even apply to Alaska's own crude oil.

Continued on page 10



ABOUT THE SERIES

The ANWR Chronicles is comprised of more than a dozen articles that will appear in Seattle Industry magazine and on the Seattle Industry web site during the year ahead. Why would a modest publication make such a major commitment to the question of oil exploration in the Arctic National Wildlife Refuge? Three reasons.

1. ANWR is one of the least understood, worst argued public-policy controversies in the contemporary political history of the United States. The dispute is about a part of the world of which most of us know absolutely nothing and our ignorance is compounded by the asymmetrical nature of the ANWR "debate." Proponents argue economics and national security. Opponents argue the environment and the spiritual value of wilderness. The result is not a debate but an intellectual train wreck with a few grains of truth scattered in the wreckage. Seattle Industry approaches the topic with its own biases but we will strive to accurately provide some badly needed context that might help readers of all opinions gain additional perspective on the issue.
2. Foes of oil exploration in ANWR are absolutely right about one thing: In terms of world oil supplies, ANWR is, at best, a drop in the bucket. But, in many ways, it is "our" bucket, and if the guesstimates prove true that 10 billion barrels of oil may be available, and oil is now selling for \$60 a barrel ... well, do the math. The drops could add up fast.
3. ANWR is part of a much bigger tale about the most useful, most pervasive and most dangerous product in the history of the world – oil. And that's a saga for which no one knows the end. Does it conclude with scarcity-induced global conflagrations? Does it end with consumption-induced environmental catastrophes? Or will we all muddle through somehow to whatever phase of human development comes after the "Oil Age"?

WHAT'S AHEAD

Seattle Industry magazine will include the following installments:

Part 1 – Pipe Dreams: Oil, Gas, and Our Stake in the Great Alaskan Wilderness Debate

Kick off the Birkenstocks, lower the green eyeshades, and take a closer look at our regional economic connections with oil and natural gas in Alaska. Starts on page 6 of this issue.

Part 2 – Bob Marshall: The Prophet in the Wilderness

Marshall was an amateur anthropologist from New York City who fell in love with Alaska in the 1930s. Some Alaskans still

haven't forgiven him for it and some never will. Seven decades ago, he foresaw the outlines of the ANWR dispute, and he helped lay the foundation for the present struggle.

Part 3 – Snow Job: The American Serengeti

Some claim ANWR is our version of the African plain lionized by both Disney Inc. and Ernest Hemingway. Watch the metaphor melt in the 50 Degree July Isotherm. The "American Serengeti" is the biggest political reach since McGovern ran for the White House.

Part 4 – Circle of Life

ANWR supports a unique, amazing food chain at the top of which humans ignobly stand, and what do we really need to be afraid of when it comes to the caribou and the polar bears? Well ... first of all, polar bears. The caribou, and all the other bears probably have more to fear from global warming than they do from oil rigs.

Part 5 – The Presbyterians Are Right About ANWR, But Which Ones?

God is invoked by both sides of the ANWR controversy. Why? And shouldn't Allah get a vote based on equity interest? And how on earth did religion get mixed up in this in the first place? Hint: it all goes back to Bob Marshall, Atheist Nature Worshipper Supreme.

Online updates and articles will be available at www.seattle-industry.net. Web coverage includes:

Oil Futures: Relax, We're Doomed – But Maybe Not. Up and down "Hubbert's Peak" in a search for perspective on the "Age of Oil." Now available online.

Supply Chain. From the archives of Seattle Industry magazine, an in-depth look at the nature and history of our unique trade relationship with Alaska.

Oil Hall of Fame and Shame. Churchill and Hitler lead the parade of heroes and villains who helped write key chapters in the history of oil, but no one looms larger than the industry's patron saint and penultimate pirate, John D. Rockefeller. ■



PUGET SOUND SENDS ALASKANS FOOD, CLOTHES, OTHER MANUFACTURED GOODS, LUMBER, AND OTHER COMMODITIES, WHILE THEY SEND US CRUDE OIL AND SEAFOOD, ALONG WITH NEARLY \$4 BILLION A YEAR IN CASH TO PURCHASE GOODS FROM WASHINGTON

Very little oil refining takes place in Alaska because its in-state consumer market isn't big enough to support it. As strange as it may sound, it makes more financial sense to ship the crude down here, refine it here, then ship the consumer products back to Alaska.

And while oil provides one of the clearest examples of how this all works, the same laws of supply and demand apply to most manufactured products that are consumed in Alaska.

The Chambers of Commerce for Seattle and Tacoma recently commissioned a study that documented the value to Puget Sound of Alaskan business. It showed that Puget Sound sends Alaskans food, clothes, other manufactured goods, lumber, and other commodities, while they send us crude oil and seafood, along with nearly \$4 billion a year in cash to purchase goods from Washington state.

Along the way, this activity directly and indirectly generates more than 100,000 jobs throughout Puget Sound, including 46,000 jobs with businesses directly engaged in Alaskan trade.

Put it all together and the picture is clear: Nearly anything that is financially good for Alaska is good for Puget Sound. And considering we usually provide the value-added activity, you might also find that what's good for Alaska is often even better for Puget Sound.

Good News, Bad News and, Maybe, Great News

Our Alaskan energy connection presently brings with it news that is bad, news that is good, and news that is potentially so great you literally may not be able to believe it.

The bad news is that the Prudhoe Bay oil fields on the North Slope are beginning to play out. At one point, the North Slope produced 2 million barrels per day, nearly one-quarter of all U.S. domestic oil production. By 2000, daily production dropped to 1 million barrels. It is expected to remain at that level for about the next five years and then it will probably drop again.

The good news is two-fold.

First, the oil that is left is worth way more by dollar value than it used to be and the high barrel prices are encouraging North Slope producers and others in other parts of Alaska to do just about everything they can to find and pump more oil.

Second, there may be a lot more oil left in Alaska.

The controversy aroused by the question of oil exploration in the Arctic National Wildlife Refuge often obscures the fact that nobody really knows how much oil may be located there. Some estimate the area could hold up to 10 billion barrels. If so, that amount would be comparable to the original estimates for Prudhoe Bay, which turned out to be the largest reservoir of oil ever found within the United States.

Or, there could be no oil. Alaska's history includes not only incredible oil bonanzas, but also oil busts.

In the early 1980s, many oil experts believed another Prudhoe Bay was in the offing in an area located on the ocean floor about 14 miles off the north coast of Alaska, less than 70 miles from the heart of the North Slope oil fields. The area was dubbed "Mukluk." After spending \$2 billion in the quest to tap the Mukluk reservoir, the effort was abandoned. It turned out Mukluk contained no oil.

But, even if ANWR proves a bust or remains off limits, there is a known energy resource that could spark the news so great you can't believe it.

Got Gas? (Yep & Nope)

It has been known for decades that the North Slope and other parts of Alaska contain significant amounts of natural gas. This is demonstrated every day on the North Slope as natural gas comes up with the crude. This coincidental gas production amounts to about 3 trillion cubic feet every year, about the same volume of natural gas that is consumed on an annual basis by the United Kingdom or Germany.

The problem was, and is, the North Slope gas is about 2,000 miles away from Alberta, Canada, the place that provides the nearest link with the North American pipeline system that could transport the gas to market. Historically, the price of gas has been so low it didn't pencil out to extend the pipeline network to the North Slope. As a result, the gas that comes up is routed back into the ground to help maintain oil pumping pressure on the North Slope.

It's believed that the North Slope and other parts of Alaska contain at least 200 trillion cubic feet of gas. Researchers are also working on ways to release hydrates from Alaska's permafrost. If

they succeed, that process could someday provide 600 trillion cubic feet of the stuff.

The potential value of Alaska's gas resources is rising along with the price of natural gas, and high oil costs are also making natural gas more competitive as a source for "clean" diesel fuel. Natural gas also burns cleaner than coal and it is being used in some places to replace coal as a fuel to generate electricity.

These developments have renewed interest in bringing Alaska's gas to market in one of two ways. It could be converted to Liquid Natural Gas (LNG) and then moved south by ship, or it could be moved via a transcontinental pipeline to Alberta.

The West Coast lacks the industrial facilities necessary to distribute LNG, so the pipeline emerged as a preferred alternative. The idea received a big boost last fall when the U.S. Congress approved an \$18 billion loan guarantee to encourage pipeline construction.

Alaska officials are still debating which route to pursue and a special session of the Alaska State Legislature will be convened next fall in the effort to sort it all out.

Pipeline or Pipe Dreams?

The estimated cost for building the pipeline is \$20 billion. Should the construction start but not reach completion, the \$18 billion loan guarantee would be tapped to pay the contractors and other project vendors.

If the Alaska-Canadian route is chosen the pipeline would be the largest private construction project in history. It would start at the North Slope and extend south along the existing Trans-Alaska oil pipeline until it reaches Fairbanks. There, the route would turn east, covering 1,000 miles before reaching Alberta.

Construction would require 20,000 workers. The project would consume more steel than can presently be produced by all North American steel mills. Construction of a support road would be required to bring in all the equipment, construction materials and supplies. For some, the pipeline also stirs a longtime Alaskan dream for a rail connection with the Lower 48. Right now there's a 900 mile gap between Alaska's instate rail system and the nearest

connection in Canada. Some believe the gas project could provide an impetus for closing this "missing link."

The gas would reach western Washington via an existing pipeline to Alberta that crosses western Canada. Gas would not pay off for Washington State in the same way oil does because no refineries would be necessary. However, the financial benefits of a pipeline construction project could be tremendous.

Because of our trade relationship, Washington benefits from virtually any Alaskan construction project, with the biggest project to date being was the Trans-Alaska oil pipeline built in the 1970s. According to a Seattle Times report, the oil pipeline cost about \$8 billion and almost half that amount wound up going to businesses in the State of Washington.

Because of the Canadian connections that would grow as the pipeline moved east, Washington State would not hold the same type of monopoly that it held on construction and support services for the oil pipeline, but the scale of the gas project would also be much larger. And that's before we start adding up future Permanent Fund Dividend checks and all the rest.

Will it really happen?

The challenges are so enormous that it's tempting to dismiss it all as a pipe dream.

The financial and political issues are now being negotiated by Alaskan state officials and the three companies that own the North Slope gas rights: British Petroleum, ConocoPhillips, and ExxonMobil. If or when the necessary approvals and signatures are obtained, it is estimated that the pipeline would take about four years to design and another six years or so to build.

That's a lot of "ifs." But for all its potential pitfalls, the gas project has one big thing going for it that can be summed up in just four words:

It is not ANWR.

Mainstream environmental groups so far do not oppose the gas project and there is a pretty good environmental argument in favor of it because Alaska may be able to provide enough natural gas to significantly reduce our national need to burn coal. The gas is also available in parts of the North Slope that are already





THE GAS WOULD REACH WESTERN WASHINGTON VIA AN EXISTING PIPELINE TO ALBERTA THAT CROSSES WESTERN CANADA. GAS WOULD NOT PAY OFF FOR WASHINGTON STATE IN THE SAME WAY OIL DOES BECAUSE NO REFINERIES WOULD BE NECESSARY. HOWEVER, THE FINANCIAL BENEFITS OF A PIPELINE CONSTRUCTION PROJECT COULD BE TREMENDOUS.

developed for oil production, so there's no argument about trampling areas considered pristine.

Then again, the pipeline issue lies perilously close to the same political black hole that has engulfed ANWR for the past 25 years. And that leads to the topic of Alaskan wilderness and its role in the contemporary religious life – yes, we said religious life – of the United States of America in this, the Year 2005 Of Our (Please Insert Your Preferred Deity, Natural Object or Idol here).

ANWR and Anwar

In a historic coincidence that turns out to be highly informative, the acronym “ANWR” is pronounced exactly the same way as the first name of the former Egyptian leader Anwar Sadat. You may recall that Sadat won the Nobel Prize in 1978 for his efforts to seek peace with Israel. He was then gunned down in 1980 by the “Egyptian Islamic Jihad,” also for seeking peace with Israel. That's why the coincidence is so informative. ANWR and Anwar both show how combustible it can be to mix politics and religion in a region of the globe that contains copious amounts of fossil fuels.

The Arctic National Wildlife Refuge was established in 1980 by President Jimmy Carter as a new, vastly expanded version of the old Arctic National Wildlife Range founded in 1960. The new ANWR more than doubled the size of the original range to a total of 19 million acres. Within the refuge, Carter set aside an area of about 1.5 million acres that had potential for oil production. Carter's action left it up to Congress to determine if the area set aside should be opened for oil exploration or preserved along with the rest of the refuge.

Headline writers often boil down the ANWR issue into labels such as “Arctic Drilling” or “Alaska Drilling.” This is accurate, but also misleading and the distinction matters because the political rhetoric so often equates ANWR with the Arctic or Alaska and it is, in fact, hardly either.

The Arctic covers about one-sixth of the surface of the globe. Alaska covers 656,425 square miles, more than the area covered by three next-largest states combined (Texas, California, and Montana). Areas within Alaska set aside for wilderness preservation are about equal to the size of Minnesota. ANWR is one such area, and it is about the same size as South Carolina, at about 30,000 square miles. It includes the eastern portions of Alaska's majestic northern mountain range and all the fauna, forests, and other wildlife that go along with them.

BUT ...the part of ANWR with the majestic mountains is not the part of ANWR that includes the potential oil exploration area. That area is located on a flat plain of tundra on the coast of the Beaufort Sea and it covers an area of about 2,200 square miles, almost exactly the same size as King County, Washington.

Development advocates claim the actual industrial “footprint” for oil development would be just 2,000 acres. That's about one-third the size of all municipal park land within the corporate limits of the City of Seattle.

So, the actual area of potential development is vastly, vastly smaller than the areas with which it is symbolically identified. Then again, Vatican City covers less than 200 acres in Rome and it has been a center for spiritual and symbolic controversies for nearly 2000 years.

For the last 25 years, the prospect of oil exploration in a tiny fraction of ANWR has festered in the political craw of our nation's elected leadership in much the same way that nose-bot flies clog up the throats of Porcupine caribou. More about the flies and the caribou later; for now, here are three things you need to know in case you haven't tracked the ANWR controversy closely.

1. It is an argument about a place that almost none of us has seen and about which most of us possess no first-hand knowledge or experience.

2. It is a debate that produces darn few kernels of truth and they are almost impossible to pick out from the rhetorical hogwash that surrounds them.

3. The controversy is not really about ANWR or oil. It is about humanity's role in the Universe.

A New York Times account of the recent Senate debate about ANWR conveyed surprise at the spiritual tone of the proceeding. According to the *Times*, “Some cast their opposition in moral, even religious terms. Senator Barbara Boxer, Democrat of California, showed pictures of caribou and a polar bear, its reflection shimmering on the ice. ‘To me this is a God-given environment,’ ” she said.

The truth is, ANWR figuratively moved to the “church beat” years ago. The debate raises questions about humanity’s relationship with nature that can only be answered by someone or something more divine than we are, and since no divine authority has made Himself or Herself available to act as scorekeeper, the moral and spiritual questions must be resolved instead by members of the US Congress.

Perhaps you can remember the last time someone referred to Congress as “divine.” We can’t.

Church of ANWR

How on earth did religion and/or spirituality wind up playing such a major role in a debate about oil exploration?

Well, it all started back in 1931 and 1932 when a man named Bob Marshall spent 12 months living among 100 Eskimos and sourdoughs who populated the tiny town of Wiseman deep in the majestic mountains of Alaska’s Brooks Range.

Marshall left Wiseman convinced that Alaska was a frontier paradise that had to be saved from the ravages of capitalism. He believed it could serve as a wilderness balm to assuage the pioneer spirit of the United States which was sagging badly at the time under the weight of the Great Depression. No mere visionary, Marshall developed a strategy to achieve his goals: he wanted to ban road construction and motorized vehicles in the enormous stretches of Alaska north of the Yukon River.

If Marshall was a mortal more like most of us, his ideas would have died with him. But Marshall was a truly remarkable person of rare drive and energy.

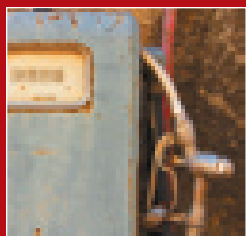
He recorded his Wiseman experiences in a landmark book named *Arctic Village*. He also went on to become an influential official inside the New Deal administration of President Franklin



Roosevelt where he helped lay the groundwork for the nation’s system for preserving wilderness lands. Later, he founded The Wilderness Society and became a driving force in forging the U.S. environmental movement.

Is Alaska the “Last Frontier” or the “Last Wilderness”? Should its resources be developed for the good of the people who live there and the collective wealth of the United States? Or does the spiritual value of its wilderness areas require that some of its treasures be left forever in the ground?

These questions are at the root of the ANWR debate and they grew from seeds that Bob Marshall planted seven decades ago. We will follow him to church in Part II of *The ANWR Chronicles*, **“Bob Marshall: The Prophet and the Wilderness.”** ■



FIRST GAS STATION

The Emerald City’s unlikely role as a petroleum hub started in 1907 when John McLean, the manager of a Standard Oil sales plant in Seattle, opened what may have been the nation’s first gas station.

Automobiles were still a novelty at the time and the few people who owned cars picked up their fuel in cans from a variety of merchants, including oil companies, grocery stores and even drug stores.

McLean is credited with inventing curb-side “filling” at the Standard Oil outlet that was once located in SODO at the intersection of Alaskan Way and Holgate Street.

McLean’s system was gravity driven. He put a used 30-gallon water heater up on a platform. He attached a garden hose with a valve control. He added a glass gauge to keep track of how much fuel flowed through the hose. Cars pulled up. The garden hose was deployed and, presto, “fill ‘er up” was born.

The only cloud on McLean’s claim to fame is the fact a similar operation opened during the same year in St. Louis but it is unclear which came first. ■

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Would More People Care More If It Was Called “Bio-maritech?”

In 2004, Walter Seay began searching for property to expand his tug-and-barge business in Tacoma, an effort that soon lead him to – Seattle?

Yep. Tacoma real estate prices and operating costs are lower, but Seay found no property available in Tacoma that offered a better value than a 13-acre marine terminal that was up for sale in Seattle.



Newspapers devoted no space to the “man-bites-dog” story of Seay’s move to Seattle from Tacoma and there was little or no coverage accorded to the new studies documenting the billion-dollar impacts of maritime businesses.

The Seattle site is on the banks of the Duwamish River just south of the First Avenue South Bridge. It has access to a rail spur. It is centrally located to many of Seay’s customers and suppliers. The price tag reflected Seattle’s high land costs, but it was a chance to buy instead of lease, and as Seay concluded “An opportunity like this doesn’t come up very often.”

So, Seay bought the property and moved his firm, Sea-Tac Marine Services, to Seattle, where the firm is now operating at full tilt, barging building materials for the summer construction season in Anchorage and south central Alaska.

Looking back, Seay feels the investment was a good one. He brings in extra income leasing moorage space to Seattle-based factory trawlers and barges. His largest building-supply customer is just down the street. “I could almost hit them if I threw a baseball at them,” he says.

Bigger than Bio-tech

The dramatic growth in container-cargo activity has dominated the recent maritime news, but it’s just one aspect of a broader surge that is bubbling around three of the oldest pillars of Seattle’s regional economy: seafood, Alaska trade and Asian trade.

The upswings coincide with three new studies that document the billion-dollar benefits of maritime activity to the local, regional and state economies.

One study, conducted for the City of Seattle last year by researchers from the University of Washington, found 470 maritime businesses inside the city providing 22,000 jobs that pay an average wage of almost \$70,000 per year while generating regional benefits of more than \$4 billion per year.

Another study, commissioned by the Port of Seattle, included interviews with more than 1,000 businesses that operate on, or are connected with, port-owned seaport and airport facilities. The port study projected that in 2003 port-related maritime activity generates wages, private business revenues, business purchases and public tax revenues that total \$2.7 billion per year.

The port study included a highly valuable wrinkle. It identified the hometowns of 9,681 people who are directly employed in moving marine cargo at port terminals.

Only 14% of these workers lived in Seattle. The rest took their paychecks home to the following communities at the following rates:

- unincorporated King County, 18%,
- unincorporated Pierce County, 11%,
- Tacoma, seven percent, and
- some place outside King, Pierce or Snohomish Counties, 18%.

A third study assessed the value to Puget Sound of our regional trade with Alaska. Conducted by the chambers of commerce for Seattle and Tacoma, it found that business with Alaska directly creates 45,000 jobs throughout Puget Sound while indirectly supporting 60,000 more jobs. That study also estimated that Alaskans purchase about \$3.7 billion per year in goods from businesses in and around Puget Sound.

\$4 billion. \$2.7 billion. \$3.7 billion. So many billions, so little time. It’s hard to put such figures into context.

One frame of reference is available from the prestigious Brookings Institute. The institute recently estimated that the bio-tech sector of greater Seattle generates about \$692 million in annual business activity while providing about 1,800 jobs for “life science” professionals. According to the institute, that puts our region among the top five bio-tech centers in the nation.

This contextual information is extremely helpful because it does more than demonstrate the scope and health of local maritime industries. It also helps show that maritime remains a Rodney Dangerfield of the regional economy. It gets no respect. Civic leaders and the news media fall all over themselves to introduce the latest bio-tech firm or coming trend, but nobody mentions maritime sector except to pronounce it’s deadlier than Peter Puget.

For instance, Seattle newspapers devoted significant space in the past few months to feature stories about the demise of the Marco Shipyard and the Western Pioneer shipping company on the Lake Washington Ship Canal. Fine companies? Yes. Sad news? Yes. Trendsetters? No.

The same newspapers devoted no space to the “man-bites-dog” story of Seay’s move to Seattle from Tacoma and there was little or no coverage accorded to the new studies documenting the billion-dollar impacts of maritime businesses.

Perhaps it is time to go with the flow, bend with the trends and simply accept that many of our opinion leaders simply are not ready or able to grasp the concept of healthy maritime businesses flourishing in Seattle in the year 2005. Which brings us to a modest proposal.

Extremely Prestigious: Introducing “Bio-maritech”

What if we rename the sector “bio-maritech?” Think about it.

Thousands of people are employed in the sector. They supply the “bio.” “Mari” abbreviates the combination of the old middle English and French words that gave us the term “marine,” meaning “of the sea,” and “tech” works because, well, “tech” always makes everything sound better.

Let’s try it out. Bio-maritech. It’s big. It’s growing. It pays

After suffering nearly two decades of bad times as result of competition from farm-raised salmon, Alaska's salmon industry appears to finally be rebounding and its overall seafood industry is growing.



high wages while offering good career opportunities for people from all walks of life. Any city would be better off if it had a healthy bio-maritech sector, but unfortunately not every city has what it takes. Seattle does. In fact, it possesses natural strategic advantages that give it one of the best bio-maritech clusters in the nation and while many other regions are being left in the bio-maritech dust we are spending a splendid summer surrounded by blossoming signs of promise in all of our major bio-maritech sub clusters. Such as:

Benthic Bioform Uploading

Remember the fears that farmed salmon would wipe out Alaska's wild salmon industry? Well, if you were worried then you should probably keep worrying because aquaculture remains the Wal-Mart of seafood, a market reality you can't beat when it comes to price.

Now some promising evidence is emerging of a growing international market comprised of people willing to pay more – sometimes a lot more — for the chance to chow down on wild, fresh Alaskan seafood.

After suffering nearly two decades of bad times as result of competition from farm-raised salmon, Alaska's salmon industry appears to finally be rebounding and its overall seafood industry is growing.

Alaskan seafood exports increased by 21% in 2004; seafood processing jobs in Alaska increased from 7,600 in 2002 to 8,125 in 2004, and this summer, the first Copper River salmon of the season arrived at Seattle retail outlets selling for a staggering \$24.99 per pound, the highest price anyone can recall.

The Seattle connection with all this activity goes beyond the fact some of us are willing to pay caviar-style prices for great, fresh seafood. Seafood is an industry that's shared by Alaska and Seattle (see "Ballard Locks" on page 19.) And the partnership pays off handsomely for regional jobs and wages.

Not all Seattle fishing boats or companies are located on Port of Seattle properties, but in 2003 those that were accounted for 5,877 direct jobs with average annual pay of \$67,000. The Port focal points for these jobs were Fishermen's Terminal in Salmon Bay and Terminal 91 on Elliot Bay at Interbay.

Seattle-based Trident Seafoods, one of the largest seafood businesses in North America, last year purchased Norquest, a major Alaskan salmon company, and Trident is now planning an expansion of its processing plant at Interbay. Two other seafood-related businesses are also presently planning to invest in new Seattle locations.

Carnitech, a company based in Denmark that makes processing equipment for factory trawlers, is moving from several

locations in Ballard to a new 50,000 square foot manufacturing plant on port property in Interbay. Another firm, Seattle Cold Storage, has announced plans to move to a new 16-acre site with 200,000 to 300,000 square feet of space on Port property that was the former site for Rainier Cold Storage, near the east waterway of Harbor Island.

K.C. Dochtermann, International Program Director for the Alaska Seafood Marketing Institute (ASMI), warns that it's way too early to declare success in the competition with farm-raised fish. "We are not out of the woods yet," he said, "but it's the most optimistic that people have been in the past decade."

Dochtermann said fresh-fish exporters are getting better at handling and transporting the fish, and their success results in higher prices. Last summer, ASMI achieved a milestone while conducting promotion campaigns at grocery stores in Japan and the United Kingdom. The UK effort sold 72 tons. The campaign in Japan sold 71 tons.

"That's the first time we've sold more fresh salmon in the UK than in Japan," he said.

The "ex vessel" or dockside value of the Alaskan catch is also inching back up. The inflation-adjusted ex vessel dollar value of the state's salmon harvest in 2004 was \$272 million, up from \$199 in 2003 and the all-time low of \$145 in 2001. Those figures compare with the all-time high of \$780 million in 1988 before farm-raised fish competition triggered a 15-year period of depressed salmon prices.

The price trends also reflect how far salmon would have to go to return to the previous glory days as Alaska's biggest catch. In 1988, salmon accounted for 43% of the value of Alaska's seafood harvest. Today it is about 22%. Groundfish, including cod and Pollock, was only 36% of the catch in 1988. Now, groundfish often exceeds 50% of the market, with most groundfish sold for fast-food and home markets for breaded fillets.

Halibut's share of the harvest has also grown in the past 15 years from just 4% of the catch to 16%.

Tow Flotation Dynamism

A funny thing happened to the Alaskan economy during 15 years of reduced salmon prices: as a whole it just kept growing, fueled by oil revenues, federal spending for defense and construction, and tourism. The trend was capped over the past 12 months by a \$1 billion windfall in state oil royalties caused by record oil prices that kept rising even as North Slope oil production declined.

As Alaska grew, our trade with Alaska kept pace. This was recorded by the chamber of commerce study that compared activity during the 10 years from 1994 through 2003. The value of goods exported to Alaska from Puget Sound was valued at \$3.7 billion in

The upswing in maritime activity is most visible in the dramatic increase in international container traffic, driven primarily by the tremendous growth of Chinese exports to the US.

2003, up 53% from 1994. Alaska-related jobs around Puget Sound also grew by 10,000, or at the rate of 1,000 new jobs every year.

The major share of the \$1 billion windfall was budgeted for school construction and other public works. According to a study for the Associated General Contractors of Alaska, nearly \$6 billion in new construction will take place in Alaska this year, one of the industry's best years ever.

That's great news for barge operators like Walter Seay who specialize in transporting building supplies. When accounted for by weight, 97% of the goods shipped to Alaska travel by ships based in Tacoma, or via tug and barge operators, most of whom are based in Seattle.

Fourteen percent of the waterborne traffic is comprised of building supplies. Food is the largest single item shipped north by water, accounting for 26% of the volume.

Seattle-based cruise operations bound for Alaska have also increased dramatically.

The cruise ship industry had 150 departures from Seattle in 2004, up from 100 in 2003 and just six in 1999. The Port study found that cruise ship trips and related air travel to Seattle generated \$124 million in business revenue in 2003.

Ten years ago, no Seattle cruise ship industry existed.

Transnational Translocations

The upswing in maritime activity is most visible in the dramatic increase in international container traffic, driven primarily by the tremendous growth of Chinese exports to the US.

Overall container volumes for the Port of Seattle grew by about 40% between 2003 and 2004 with 1,775,000 containers moving through port terminals last year, compared to a deep low point in 2001 of just 1,315,000. Container traffic is expected to continue growing for the next five years.

In the national context, of course, the container news is not all good since it's evidence of a worsening shift in the ratio between US exports and imports.

As recently as 1997, more containers left Port of Seattle facilities than came in, 498,349 to 462,981. In 1998, the numbers flipped dramatically. Imports led exports that year 571,307 to 420,689. Imports have dominated exports ever since and 2004 was the most lopsided year yet, with 704,000 to 387,000.

But while that's bad news for the nation's trade balance it's not so bad if your job is based on container traffic.

The Port study that identified 9,681 jobs in marine cargo was based on figures from 2003, just as the container business was beginning to take off. In the past 12 months alone, Local 19 of the International Longshore and Warehouse Union increased its workforce by 33%, growing from 940 workers to 1,385.

And, in spite of the trade imbalance, containers and other goods still go both ways.

The Port of Seattle grain terminal moved 3.8 million metric tons in 2004, more than double the volume of 2001 and making 2004 its highest volume year since 1995, thanks to increased Asian demand for food grains and animal feed. And a growing number of local companies, including Gear Works in South Park and Ederer Crane in SODO, are selling sophisticated machined products and other equipment that is helping to support the Chinese boom in manufacturing.

According to a recent report in the Wall Street Journal, the container surge is contributing to a major increase in industrial land transactions in many parts of the nation. The *Journal* reported that investors spent just under \$11 billion on industrial real estate through the first six months of 2005, 45% more than they did during the same period in 2004. Industrial real estate sales set a national record in 2004 with a sales volume estimated at almost \$21 billion.

The growth in container activity has also impacted real estate in Seattle, both on land and on the water. Stevedoring Services of America secured a seven-year lease for the 13-acre site once owned by Consolidated Freightways near the intersection of First Avenue South and Michigan. SSA is using the property for container, trailer and truck storage.

Continued demand for cargo space is also prompting consideration of moving the Port's present temporary cruise ship terminal now located at Terminal 30. Some believe the terminal should be returned to cargo operations with the cruise ships that now use the terminal relocating to Terminal 91 at Interbay.

Port Prospects Up Too

Another beneficiary of the maritime surge is the bottom line for the Port of Seattle and King County taxpayers. According to a Port formula for tracking seaport cash flow, the Port lost nearly \$20 million in 2002 on its seaport operations owing to a variety of factors, including increased land vacancies, lower levels of business activity, damage from the Nisqually Quake, environmental costs and increased security costs following 9-11.

In 2004, the negative operating income (after depreciation for capital investments) cash flow was down to \$4.5 million. Now the projection for 2005 is for a loss of just \$250,000. Not bad for public facilities responsible for generating nearly \$3 billion in economic value for the region.

Herald Ugles president of Local 19 for the longshore union, said jobs are expected to keep growing for the next several years, and that will mean more Seattle-based paychecks following workers home to King, Pierce and Snohomish Counties, and beyond. Local 19 is stepping up its training programs for truck drivers, forklift operators, crane operators and cargo lashers.

"The shipping lines don't see this as a burp," Ugles said. "It's a long term trend." ■

Ballard Locks ULTIMATE FISH LADDER

The status of the Alaska Seattle seafood connection is illustrated by two facts available through the Alaska State Commercial Fisheries Entry Commission.

1. Of the 9,000 boats permitted to fish in Alaska, 1,000 are based in Washington.
2. While accounting for just over 10% of the boats, Washington vessels account for 60% of the Alaska catch.

These related facts are of national significance when it comes to the entire US seafood industry because the Alaska catch accounts for almost 60% of all US seafood exports, and 60% of that 60% is accounted for by people who root for the Huskies or the Cougars.

This point was one of many driven home in June during a tugboat cruise of the Lake Washington Ship Canal for John Paul Woodley, Jr., a President Bush appointee to the post of Assistant Secretary of the U.S. Army for Civil Works.

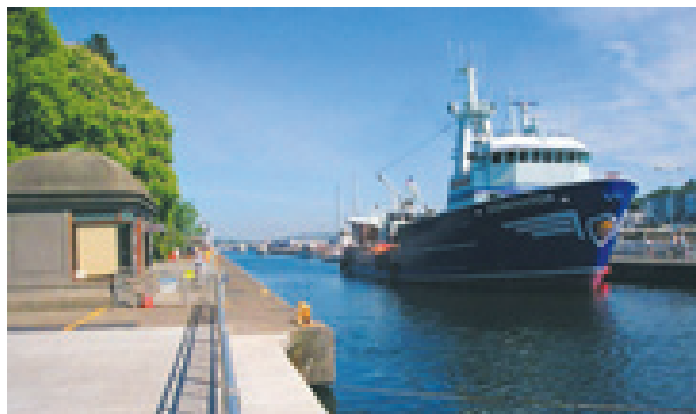
Woodley came to Seattle in response to concerns about proposed cuts in the operating budget for the US Army Corps of Engineers. The proposed cuts could take \$2 million from the budget for the Hiram M. Chittenden Locks, leading to a steep reduction in lock operating hours.

The proposed cuts were based on a federal formula for determining the national economic significance of some 300 locks that are operated around the country by the Corps of Engineers. The formula is based almost solely on the amount of cargo ton-

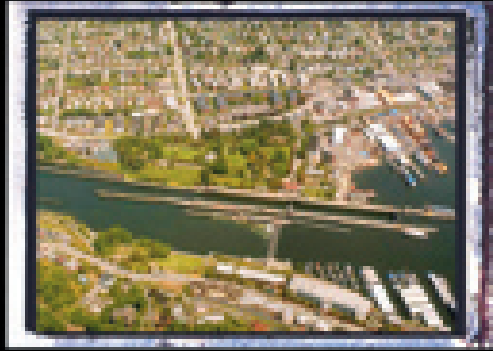
nage that moves through a lock. On that score, the Ballard locks don't rank highly.

The purpose of the tugboat tour was to show Woodley, along with staff for the Washington State Congressional delegation, that the economic value of the Ballard Locks needs to be measured based on their support role for the US seafood industry and interstate commerce between Washington and Alaska.

Nobody keeps track of which towns or cities Washington fishing boats are based in, but you can make a pretty good case that the largest single group of those boats is moored on the freshwater side of the Ballard Locks, where the balmy weather,



(Bush appointee) Woodley came to Seattle in response to concerns about proposed cuts in the operating budget for the US Army Corps of Engineers. The proposed cuts could take \$2 million from the budget for the Hiram M. Chittenden Locks, leading to a steep reduction in lock operating hours.



After seeing it all in person, Woodley left with a pledge he would try to amend the federal formula so the economic value of the Ballard Locks will be recognized, a change that might help ward off future budget cut proposals.

calm water, and abundant business support services provide a home port for a significant portion of the Alaskan fishing fleet. Even if the southern tip of Alaska is 900 miles to the north, the locks are sort of a giant fish ladder that permits boats to repair to one of the kindest, gentlest moorages on the West Coast between fishing runs, escaping the severe weather of the Alaskan fishing grounds.

The freshwater side of the locks also includes the home base for a number of major tugboat companies that serve Alaska. The locks also provide access for emergency fire boats and Coast Guard vessels that need to move between Lake Washington and Puget Sound.

After seeing it all in person, Woodley left with a pledge that he would try to amend the federal formula so the economic value of the Ballard Locks will be recognized, a change that might help

ward off future budget cut proposals. Woodley said he knew of no other lock in the nation that provides similar functions. "The Lake Washington Ship Canal is entirely different," he told the *Seattle Times*.

A few days after the tour, US Senator Patty Murray announced that she's lined up the votes necessary to restore the cuts and at least for now it appears the locks will remain open for business around the clock.

The tour was conducted on the Pacific Titan, an oceangoing tug owned by Western Towboat. The Titan is one of 15 tugboats built by Western Towboat at its base on the ship canal.

The tour was narrated by Warren Aakervik, president of the Ballard District Council, Peter Phillips, president of the Seattle Marine Business Coalition and Seattle Port Commissioner Alec Fiskien. ■

A few days after the tour, US Senator Patty Murray announced that she's lined up the votes necessary to restore the cuts and at least for now it appears that the locks will remain open for business around the clock.

Assistant Secretary of the U.S. Army for Civil Works John Paul Woodley, Jr. and Warren Aakervik, president of the Ballard District Council aboard the Pacific Titan, an oceangoing tug owned by Western Towboat.



NUCOR CELEBRATES CENTENNIAL YEAR
FOR WEST SEATTLE STEEL MILL

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A Proud History A Strong Future

"May 6, 1905, will some day be held in memory as one of the great days in the history of Seattle."

So noted the *Seattle Times* in an article that marked the formal opening of the Seattle Steel Company founded by E.M. Wilson and William Pigott. Wilson and Pigott believed that the mill would become the nucleus around which a great and powerful industry would be built. The opening of the mill allowed Seattle to claim the position of one of the great manufacturing cities of the Pacific coast. The mill had 140 employees, produced 50 tons per day, and sold its product from San Francisco to Alaska.

Today Nucor Steel Seattle Inc. celebrates the centennial of steel making at its West Seattle location. Our second century starts with promises fulfilled and visions of the future renewed. The steel produced at the mill for the last 100 years has been a key ingredient in the construction and growth of the northwest. Today hardly a road, bridge, or building can be built without having Nucor steel in the project somewhere. Although the site is 100 years old the technology and management philosophies are state-of-the-art. Today 285 employees produce over 2,100 tons per day and ship products from San Francisco to Alaska.

Continues on following page

A Proud History

The Pigott family opened a railroad car manufacturing plant next to the steel mill the same year the mill opened. The guiding force in both businesses was William Pigott, who later relocated the Seattle car works to a plant in Renton where it grew into PAC-CAR, a multinational truck manufacturer famous as the builder of Kenworth and Peterbilt trucks. Pigott became famous too as one of Seattle's leading philanthropists and civic leaders.

The Pigotts sold the steel mill in 1929 to the Bethlehem Steel Company after the death of William Pigott. The Seattle steel plant then became a member of the second largest steel producing family in the world and it operated right through the Great Depression, although at a pathetically low rate much of the time.

Bethlehem sold the mill in 1985 to a local investor. The mill continued to operate until 1991. When the mill was closed for a few months. Then the facility was purchased by Birmingham Steel. Birmingham consolidated several operations from Ballard, Kent, San Francisco, and Norfolk Virginia in the current facility. Major upgrades were installed in both the melt shop and rolling mill. Nucor purchased the assets of the mill on December 9, 2002.

The Maverick

Nucor traces its origins to auto manufacturer Ransom E. Olds, who founded Oldsmobile and then in 1905, the REO Motor Car Co. The new company was an innovator, producing the first commercial cars that had electric lights, an electric starter and pneumatic tires.

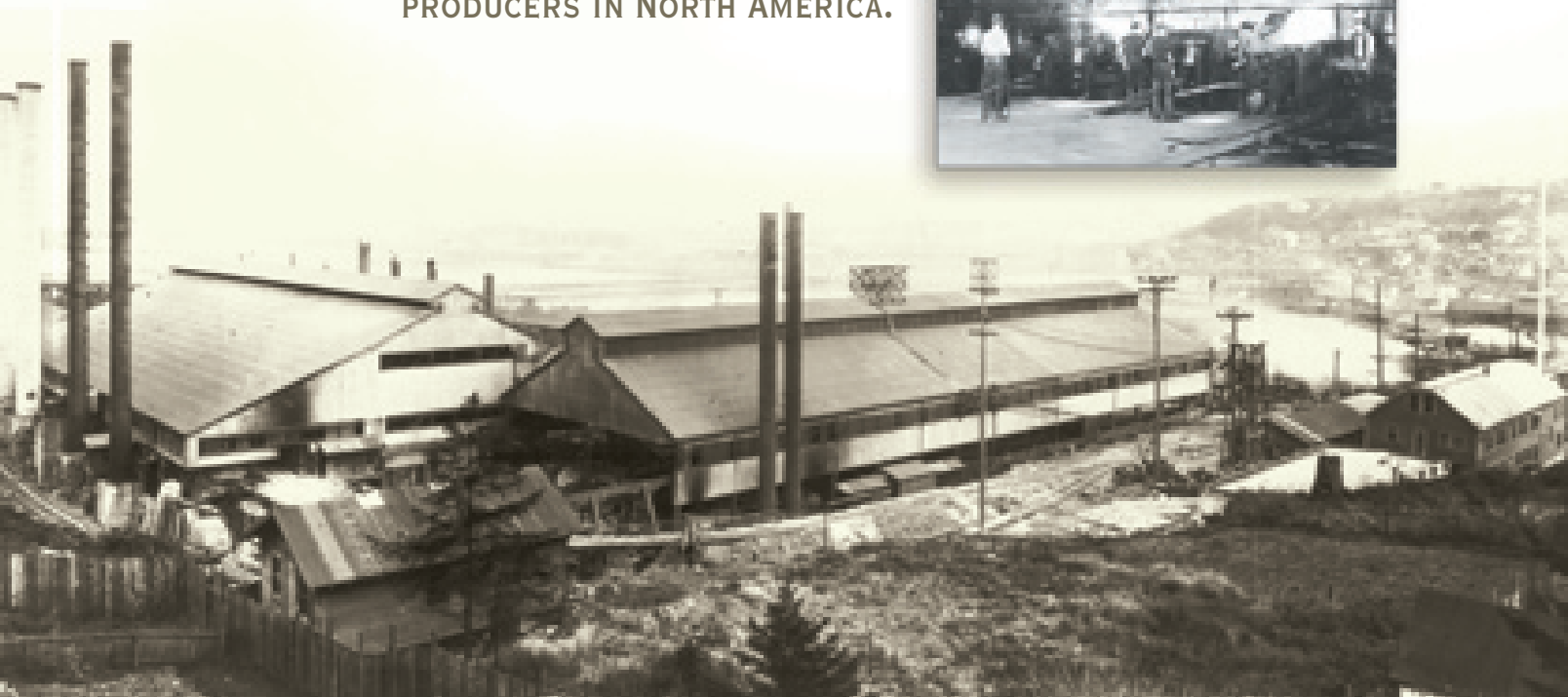
Through a series of transactions, the company Olds founded eventually became, in 1955, the Nuclear Corporation of America. The company suffered through several money-losing years and in 1965 was facing bankruptcy when it installed Ken Iverson as president. The new management quickly sold many of the company's wide-ranging operations to focus on its profitable joist business and changed the name of the company too. Nucor opened it's first steel mill in Darlington, South Carolina, in 1969. Today Nucor is one of the largest steel producers in North America.

Iverson, Nucor's longtime CEO, drew national attention in 1982 when the nation was suffering from a recession that pounded the steel sector hard. Nucor was already recognized for its pioneering role in developing steel "mini-mills" but the company was suffering along with everybody else and Iverson decided to do something highly unusual to help boost worker morale.

He took a pay cut, reducing his salary from \$450,000 to \$100,000. He believed the CEO should shoulder the burden of a downturn along with everyone else. The action acquired extra notoriety when it was learned that at the same time, the CEO for Bethlehem Steel received a pay raise of 37% even though his company lost \$309 million.

It was among the first of many signs that Iverson and Nucor were anything but US steel "business as usual." Of his decision, Iverson later said, "When a friend showed me an article that listed me as the lowest paid Fortune 500 CEO that year, I wasn't ashamed. The company was not performing. I'd have been ashamed to earn more."

**NUCOR OPENED IT'S FIRST STEEL MILL IN
DARLINGTON, SOUTH CAROLINA, IN 1969.
TODAY NUCOR IS ONE OF THE LARGEST STEEL
PRODUCERS IN NORTH AMERICA.**





“AT NUCOR WE START WITH GREAT PEOPLE, SET CLEAR GOALS, PROVIDE THE TRAINING AND RESOURCES TO REACH THE GOALS, THEN LET PEOPLE DO THEIR JOB. THE RESULTS ARE ALWAYS AMAZING.”

Hallmarks

Iverson passed away in 2002, the year after Nucor became the largest steel maker in the nation. That was also the year Nucor purchased the West Seattle mill from Birmingham Steel. The transfer infused the old mill with an unusual corporate culture that still bears Iverson's unmistakable stamp.

- **No layoffs.** Except for the plant's general manager, no Birmingham employee lost his or her job when Nucor took over. In fact, Nucor has never laid off an employee in its 40 year history. Hours and work days were sometimes reduced in bad times, but there were and are no layoffs. Iverson didn't believe in them. Of layoffs he said: "Can we expect employees to be loyal and motivated if we lay them off at every dip of the economy?"

- **No perks for managers.** Iverson believed extra privileges harmed morale. "Ivory tower office suites. Executive parking spaces. Employment contracts. Corporate jets ... The people at the top of the corporate hierarchy grant themselves privilege after privilege, then flaunt these privileges before the men and women who do the real work, then they wonder why employees are unmoved by management's invocations to cut costs and boost profitability."

- **Safety.** Safety is always an issue in a steel mill. At Nucor, it's nearly an obsession. The goal is to maintain an accident rate that is one third the industry average. Managers are continually reminded to hit the mark. Safety policies are enforced by coworkers on the shop floor. The very first headline on the company's web site states. "Safety first. No one gets hurt on our shift today."

406 to 2

Does it all sound a little too good to be true? Probably. But the funny thing is, Iverson's principles consistently bore fruit and they still do. The year before Nucor bought the West Seattle plant, the Birmingham employees missed 406 work days due to shop injuries. In both 2003 and 2004, they missed two work days in each year. Two. And the record was achieved with almost the exact same people who missed more than 400 days in 2000.

"At Nucor we start with great people, set clear goals, provide the training and resources to reach the goals, then let people do their job. The results are always amazing," says the plant general manager, Doug Jellison.

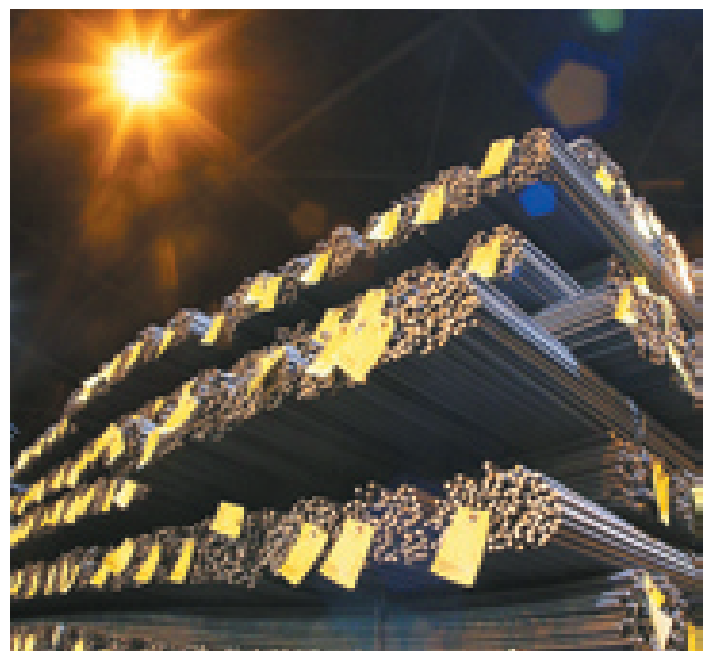
Bottom Line

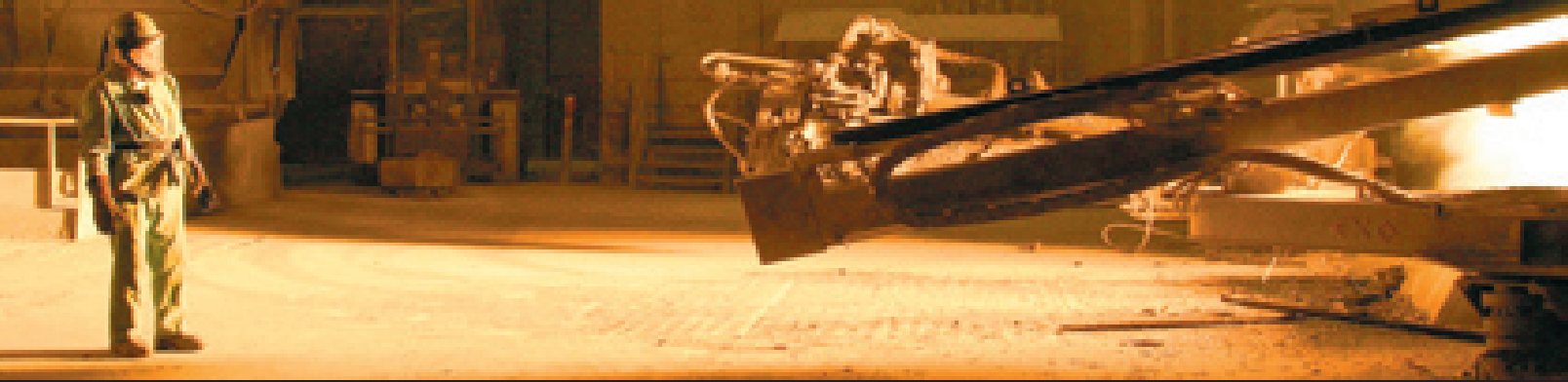
Of course, a great safety record is not enough to keep a company healthy. Profitably is the bottom line. Yet strangely enough, this is where Iverson's egalitarian principles seem to be the most successful. Nucor's wages are always among the highest in the steel industry and its labor costs are always among the lowest. That's because Nucor workers are so productive. Guaranteed pay is relatively low but workers can triple their base pay through performance bonuses and they invariably do. Pay for the 285 employees in West Seattle averages \$72,000 per year.

Put it all together and Nucor was positioned to profit like nobody else from the soaring steel prices of the last two years. The company earned profits of \$1.1 billion in 2004, up from \$62.8 million in 2003, earning Nucor the top spot in Business Week's Top 50 for the most successful businesses in the S & P 500.

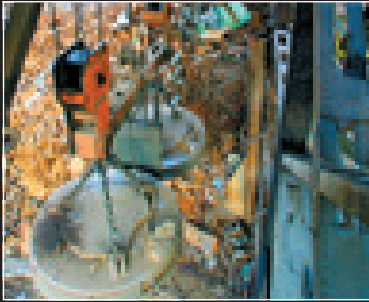
In its announcement, the magazine quoted a leading steel industry stock analyst who said:

“NUCOR HAS DONE A BETTER JOB OF NAVIGATING THROUGH AN EXTRAORDINARILY DIFFICULT TIME THAN ANY OTHER CYCLICAL COMPANY I’VE EVER SEEN.”





THE MOST RENEWABLE RESOURCE



With the melt shops, electric arc furnaces and geysers of molten metal sparks that are part and parcel of its production process, it's easy to overlook one amazing characteristic of steel. It is the ultimate recyclable product—the most valuable, most renewable resource around. Once melted and shaped for one use, steel can always be melted again and shaped to do something else. Even the scrap is useful with prices usually strong enough to support aggressive commercial recycling efforts.

In 2004, about 800,000 tons of scrap metal were delivered to the Nucor plant in West Seattle where the used metal was transformed into 740,000 tons of new steel products, including 215,000 miles of steel rebar for the construction industry. Nucor's production tonnage roughly equals the amount of steel that can be recycled from 740,000 cars.

Nucor's scrap supply comes from throughout the Pacific Northwest, including Canada and Alaska, and it arrives in one of three ways: by truck, railroad car or barge with water-borne deliveries taking place at the company's store yard on the Duwamish River. The multiple modes allow Nucor to constantly shop for the best freight rates.

The Nucor mill is capable of turning out 16 different grades of steel, in 150 versions of five steel products. In addition to rebar, the plant turns out steel rounds, angles, channels and flats.

Nucor's products are usually sold in one of three regional markets: California, Canada, and the Pacific Northwest of the U.S., including Alaska, Hawaii and Guam.

Because of the cost to transport steel, the best markets for the West Seattle products are those closest to home. Nucor steel is presently being used to help build the new Narrows Bridge in Tacoma, and steel from the 100-year-old West Seattle plant can be found in virtually every bridge, road, school and municipal building in the State of Washington, as well as countless commercial buildings.

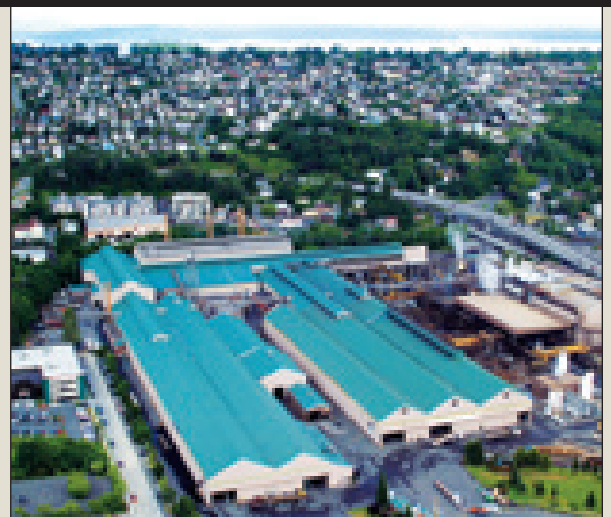
Steel is also being used increasingly in residential construction. The steel from eight old cars can equal the lumber from about one dozen trees.

Nation-wide, steel recycling hit a 25-year high in 2004, accounting for 76 million tons. ■

Nucor Thanks the Neighborhood

Nucor Steel supports the following organizations and projects for their valuable contributions to the communities of Delridge and West Seattle:

- Delridge Community Center After-School Program
- West Seattle Senior Center
- Longfellow Creek Restoration and Trail
- West Seattle YMCA
- Three-Projects One-Community
- Chief Sealth High School Negro League Baseball Project
- West Seattle Food Bank



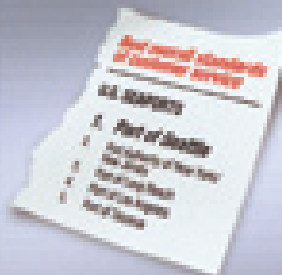
1,200 U.S. shippers have recognized the

Port of Seattle

as the

#1 Seaport

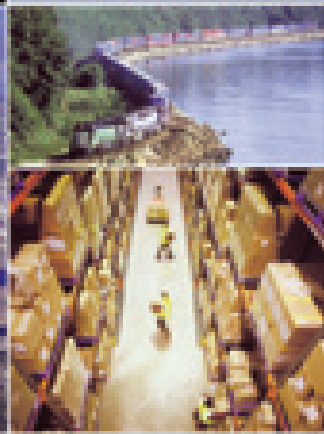
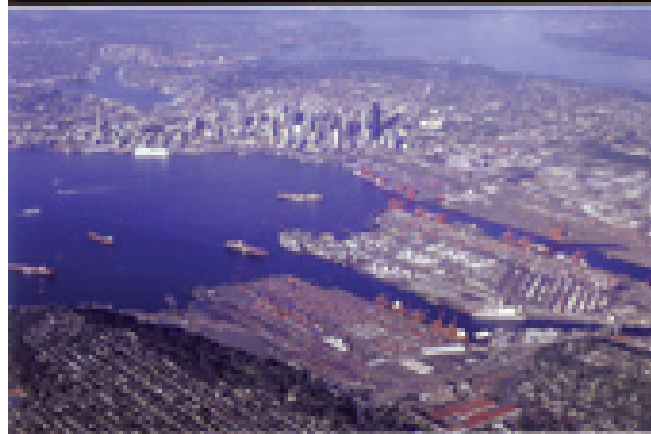
in customer service



We couldn't do it
without you!

Thank You!

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Forwarders & Brokers
ILW
Port Staff
Puget Sound Pilots
Railroads
Steamship Lines
Terminal Operators
Truckers &
Trucking Companies
Tug Operators
U.S. Coast Guard
U.S. Customs &
Border Patrol
U.S. Importers
& Exporters
Warehouse &
Distribution Operators



Port of Seattle

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Our Baristas passionately give back to the communities where they live and work – and we follow their lead. Each year the Starbucks “Make Your Mark” program matches up to 100 hours a Barista volunteers for a nonprofit organization with a financial contribution. Last year alone they spent over 12,700 hours making their mark to improve community life. Visit our stores or Starbucks.com and see how we’re always

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***How We Got
Into This Mess
and How
To Get Out***

The Monorail Debacle

Wheels Fall Off

Warning: *The following article contains graphic references to regional finance and governance. Reading it may induce extreme drowsiness and/or fits of frustration. Do not attempt to operate machinery after reading this article. Helpful reading aids may include a good stiff drink, a copy of the State Constitution, another stiff drink, the bill for your vehicle license fees and, if you live in the City of Seattle, even more stiff drinks to forget that you're now paying so much money for a Monorail that may never get off the drawing board.*

Ready to throw out the bums responsible for the Seattle Monorail Project?

Well, here's one more surprise from an agency that is suddenly bursting with them.

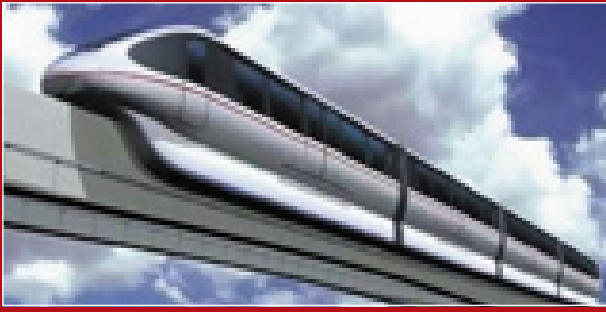
You can't. At least not yet – and maybe not until 2009.

Two positions for the nine-member governing board will be up for election this fall, but the other seven are all appointees, two by the Mayor, two by the City Council, and three by the Monorail board itself. And – surprise – two of the three people

chosen by the existing board were already members of the board to begin with.

The governing board is required by the Monorail's enabling legislation to develop a plan for making a majority of the board members subject to popular election, but the board has the leeway to pick any time it chooses between November 2005 and November 2009 to put the election plan forward.

In the meantime, the appointed board has the capacity to go right on collecting motor vehicle license fees and \$73 million



The Monorail has now done something that would have once seemed impossible. It makes Sound Transit seem like a spectacular bargain.

had been raised through May of this year. With voter approval, it could also pursue three sources of additional revenue from Seattle residents: a special property tax levy, an increase in the sales tax, and even higher vehicle license fees, and while it may seem inconceivable voters would ever do such thing, just remember that many of our neighbors in Seattle have yet to meet a tax hike they didn't like.

And in spite of – or because of – its stunning meltdown during the first week in July, the Monorail has now done something that would have once seemed impossible. It makes Sound Transit seem like a spectacular bargain. Just check your vehicle license fee if you happen to live in Seattle. A bill just paid for a 2004 Toyota Camry included a charge of \$337 to support the Monorail and just \$72 for Sound Transit.

The Monorail/Sound Transit comparison is not fair, of course, because license fees are the only funding source for the Monorail while Sound Transit has multiple sources. Then again, life itself is often unfair. Sound Transit is at least finally building facilities and providing services while the Monorail seems incapable of producing anything other than municipal migraines, rising public debt and dozens of employees earning more than 100K per year.

Is this any way to run an elevated railroad?

Of course not, but after all, this is King County, Washington, home to some of the worst government architecture in the nation. If there is a silver lining in the Monorail storm clouds it is the possibility that the debacle will finally goad state government and civic leaders to demand the creation of local and regional leadership structures that will finally make:

- (1) sense, and
- (2) productive use of tax dollars to meet our common needs.

The Monorail would serve as an expensive object lesson to be sure. In addition to the fees collected so far, the agency owes \$110 million for a bank loan that keeps the agency rolling. But

if this is our Monorail tuition fee, it could look cheap if we can learn enough from it to avoid the drastically higher costs of losing either the Alaskan Way Viaduct or the Evergreen Point Floating Bridge.

Both are in danger of structural failure. The loss of either would plunge the region into economic chaos. Local, regional and state officials know all this and have so far proven to be mostly incapable of finding the money to replace them. The most promising prospect so far, made possible by the State Legislature's new gas tax package, will be subject to a statewide election next fall and it appears that tax package could be in serious political jeopardy.

How did we get into this mess? And how do we get out? The saga begins with the circumstances surrounding the Washington State Constitution adopted in 1889, and...we know, we know, we know. History is a big time snooze inducer, but in a representative democracy, you some times have to read the "fine print" and the boring parts to understand what's up, and if enough of us had done that with the Monorail, we might all be saving up our dollars for Green Line tickets right now.

The Curse

The primary source for the history lesson that follows is a 1988 report prepared by a blue ribbon panel for the Washington State Legislature. The report was called "The Quiet Crisis of Local Governance in Washington" and it did a great job articulating the problems that hinder these public institutions. Nothing has much changed since the report came out except that many of our problems have grown worse. Other sources for the following history lesson include King County archives, Metro archives and the National Association of Counties.

Local, regional and state government in Washington were from the beginning all shaped by the fact that Washington was a territory for 35 years, the third longest period of time for any territory that eventually became a state. Territories were subject to rule by federal appointees and ultimately the US Congress. The top-down nature of the federal process bred widespread resentment in Washington. By the time statehood was finally achieved, our founders wanted a state constitution that provided for whopping amounts of local control.

Cities in Washington state were given wide latitude to adopt their own laws and authority use to multiple revenue sources for local services. Counties were established as administrative arms of the state with regional authority for courts, records and social services as well as roads, bridges and other types of infrastructure. In King County, county government built both the "Boeing Field" airport and the Lake Washington Ship Canal.

In keeping with the populist mood, the regional leadership structure for county government in Washington was constrained in several ways. First, nearly every significant manager or administrator was made an elected official who could be voted out of office and most were given elected terms of just two years. Second,

since all people including city residents had the right to vote for county officials, it was difficult for county officials to lord it over the cities without suffering heat for it since the cities were, almost by definition, significant population centers with relatively large clusters of votes.

Washington's grassroots were farther strengthened by state government in 1912, when Washington became one of the first states in the nation to grant its citizens rights of initiative and referendum – basically the power to enact laws on their own or to overturn laws passed by the State Legislature if they could convince a majority of voters to go along with them. Using its local authority, Seattle had granted referendum and initiative powers to its residents in 1908.

The Present

Now, fast forward to the present and what do we find?

First of all, an enormous blob of local government in King County that may be unrivaled in the nation for sheer and utter redundancy. You want local control? You got it along along with governments galore.

Thanks to our state legacy and growth pattern, King County is now home to more than 500 independently elected government officials with some type of access to the tax base.

They preside over 40 some cities and dozens of taxing districts for fire, sewer, water and school services. We also have two rail-based transit systems – Sound Transit and the Monorail – that have governing systems so opaque it is nearly impossible to see through them. And one of these, the Monorail, was brought into being by our own cherished, grassroots-up initiative/referendum process, that was famously used by a cab driver, Dick Falkenbury, to get the Monorail concept on the table.

Then we have two countywide government systems, King County and the Port of Seattle, both of which have access to the countywide tax base. Each is also often at odds with the city governments and the hundreds of elected city officials who surround them. King County also possesses the additional responsibility of providing local government services to some 350,000 people who live in unincorporated areas.

Then we have state government and the state initiative/referendum process that has made Tim Eyman and talk show radio hosts rivals to our elected leaders.

Consider that in 2000, talk show host John Carlson lost a lopsided race to incumbent Governor Gary Locke. Yet in our

state, this was probably a good thing at least for Carlson's political career, because it permitted him to hang on to his broadcast studio, and these days that seems a much firmer powerbase than the governor's mansion.

Not a pretty picture.

But sometimes, our complex government structures can be made to work. In the early 1990s, in spite of all the structural problems, historical issues and reasons for pessimism, hundreds of local city and county officials in King County accomplished two very important, even extraordinary things.

First, in spite of years of bickering over turf issues, they debated, argued and developed a shared vision for the future. This was accomplished under orders from the state, which had adopted the State Growth Management Act. Local officials were required to implement the act in King County.

Now, the GMA vision for King County may not be your favorite vision and it may not be mine but it was a vision that hundreds of elected officials were able to buy into as the plan was ratified by governments throughout the county. The vision called for a new land use pattern that would deliberately steer growth into existing urban areas and away from rural areas and natural spaces – called “in-fill” for short.

And in adopting this vision, the elected officials confessed that they could not make the plan work.

The Asterisk

The GMA plan for King County came with a very large asterisk that appeared on pages 48 and 49 of the plan under the formal name of Countywide Planning Policy Number 10, Regional Finance and Governance.

In that policy, the elected officials required themselves to develop Regional Finance and Governance Plans that would determine how they could pay for and implement the in-fill strategy.

In-fill is expensive. It may help curb growth in undeveloped areas, but it also carries high costs for real estate, construction, permitting, you name it, and local and regional governments in the State of Washington are simply not set up to focus regional resources in specific geographic areas that the region may choose to attract growth to.

Faced with this difficulty, the elected leaders required the creation of a finance plan that would identify resources and priorities for investments and new tools to focus regional investments.



Hardly anyone outside the League of Women Voters knows who runs the Monorail or how they were chosen or how they can be gotten rid of.



Even if the gas tax plan is upheld by the voters, it will not provide all the money necessary to complete these projects, and if the gas tax goes, all the governments face big, big problems.

The plan was supposed to account for transportation facilities, utilities and all the rest.

They also required themselves to get together and adopt a regional governance plan to account for the modifications that might be required in the status quo to really make GMA work.

Then, after doing these two extraordinary things, they went back to more typical human behavior: they basically forgot all about them.

There was one half hearted effort to start putting together the finance and governance plans, but the effort stalled. That left the system we have today, one in which it was possible for something like the Monorail to pop up with all of the inherent structural leadership flaws that are now on display.

Hardly anyone outside the League of Women Voters knows who runs the Monorail or how they were chosen or how they can be gotten rid of. And now that its time for the Monorail buck to stop on somebody's desk, it's impossible to figure out exactly where that desk might be.

The Monorail board seems determined to press on in spite of the growing difficulties. If we disagree and feel it is necessary to replace them, to whom or what do we turn? The City Council who appointed two of the board members? The Mayor who appointed two? The board members who essentially appointed themselves? Or, the two whose positions are up for re election this fall? Or, the majority of the board that may or may not be up for election at some point in the future if or when the existing board ever gets around to drafting the Monorail board election plan? And if a majority of the board should be elected, why not elect each and every one of them?

None of this might have happened if we had the regional governance and finance plan that was supposed to be part of GMA. Since a regional framework did not exist, there was no plan that Monorail was required to fit into. Without a regional guide, the organizing principles were those of the state, which pretty much leaves it up to local communities to do what they want to do.

The Fix

So, okay. It is pretty easy to understand that it was hard for our local elected leaders to develop a regional finance plan. The problem is, it is proving even harder for the rest of us to live without one.

The Monorail may be Exhibit A, but you also have to include the consensus failures to date, beginning with the stalemate over on the best way to replace the Floating Bridge, the continued bickering over the potential shape of a potential regional transportation funding ballot measure. And that's not to mention the strike-outs so far on funding for the Viaduct.

Well, time's up. Here's what we do.

City and county governments are creatures of the state that are shaped and formed by state laws. It is obviously hopeless to expect city and county officials to overhaul a status quo that is the source of their status. It's time for state officials to intervene, gently, starting after the November 2005 election.

Regardless if the gas tax passes or fails, the governor and the leaders of the State Legislature should convene a meeting with elected city and county leaders from King County for an update on GMA implementation in the state's largest county.

Obviously, there will be accomplishments the locals should take credit for. But, it's just as obvious that the locals are miles apart on the road and bridge transportation projects that are essential to our families, homes, jobs and lifestyles. The list includes not just the Viaduct and the Floating Bridge, but Interstate 405, SR 167 and SR 509.

Even if the gas tax plan is upheld by the voters, it will not provide all the money necessary to complete these projects, and if the gas tax goes, all the governments face big, *big* problems.

In either case, the state officials should ask the local officials to please complete the regional finance and governance plan that they agreed to complete 10 years ago, starting with the "mega" transportation projects that will require local, regional, state and federal funding. If the Monorail is still hanging around at that point, it should be included. If some governance wrinkles get in the way, the plan should spell them out so the state can fix them.

No plan?

Then no state funding and no state concurrence if or when the locals seek federal funds. Not one penny until the plan is done.

Local control and citizen initiatives are great, and our historic traditions are grand, and it is really cool that a cab driver was a driving force behind the Monorail, but these don't sound like the best approaches for meeting major regional needs that transcend local government boundary lines.

It's a wonderful part of our civic life that a half thousand of our neighbors in King County are willing to suffer the slings and arrows of serving as our elected servants, but at the end of the day, somebody has to be in charge. Given our history, it can't be the locals. It has to be the State. Otherwise, it's all left up to cab drivers and the guys behind the microphones and their influence only grows the longer we don't have a credible public finance and governance plan. ■



More than 50 of your colleagues and competitors received help this year through Seattle First, a unique partnership between the Manufacturing Industrial Council of Seattle, the City of Seattle, and a growing list of partner businesses and government agencies.

The partnership can help industrial businesses get help dealing with problems involving government. It can also help businesses gain access to 60 free or low-cost services that can help save money.

This section of Seattle Industry highlights Seattle First activities, including two success stories and a failure that points up the hazards of our state program to aid businesses dislocated by state projects.

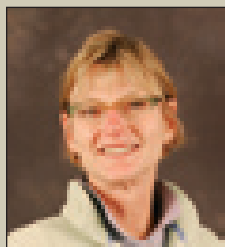
How Do I Get Help?

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 who are willing to give you a free consultation about your problem or concern. Team members include:



**Kris Effertz and
Bryan Stevens**
City of Seattle

Kris is the Mayor's Business Advocate and she can help address a variety of problems. She can be reached at 206-684-BIZZ. Bryan 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 nonprofit 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.



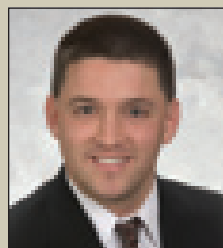
Bob Swain
Puget Sound Properties

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

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.



Jason Filippini

Jason is a CPA with Abramson Pendergast & Company, an accounting firm with expertise in serving industrial clients. Jason can be reached at 425-828-9420



MANUFACTURING INDUSTRIAL COUNCIL



City of Seattle



Port of Seattle



VIKING BANK



Cascade Designs If the Snowshoe Fits...

You might not know it but if you hike the backcountry, you're probably a customer of Cascade Designs. Based in Seattle, the company owns iconic outdoor brands like Therm-A-Rest and MSR, and its 330 employees turn out products at facilities in SODO and Georgetown.

The company recently set out to build a cutting-edge snowshoe based on an aluminum frame.

To produce the frame, Cascade acquired a 400-ton machine press. To install the press, the company had to get a permit from the city Department of Planning and Development. Sounds simple enough. Mitch Cameron, Cascade's facility manager, filled out an application and turned it in. A few weeks later he received a letter saying he needed to correct a problem in the application.

Following directions in the letter, Cameron went downtown to DPD and waited in line for more than three hours only to discover the letter had directed him to the wrong office. He was then directed to a different office. Leery of repeating his previous experience, Cameron called that office to make sure he had the right place. He reached a recording

and left a message. His call was returned one week later but the person told him the office only dealt with the public via e-mail.

By that point, Cascade had spent nearly three months trying to get the permit and it was forced to go to an offshore plant that could begin producing the snowshoe frame. Then Cameron heard about "Seattle First" and called for help. The city's industrial permit coordinator investigated the episode and was able to get the permit for Cameron in less than two weeks.

"The permit coordinator corrected the process and he took it through the red tape that was holding us up" Cameron said.

The frames and snowshoes are now being made by Cascade in Seattle.

Cascade Designs was the brainchild of two ex Boeing employees, Jim Lea and John Burroughs, outdoor enthusiasts who got tired of sleeping on rocks. Calling on their Boeing experience with fabrication techniques, they came up with Therm-A-Rest, a product now so popular it has become backpacker shorthand for sleeping pad.

Cascade prefers to make its products here so the company can take advantage of its specialized manufacturing expertise.

"There's an incredible amount of pressure to go offshore. But we hang our hats on innovation and brand, not price," said public relations manager Carey Lee. She said Seattle is a major center for our outdoor design, along with places like Boulder, Colorado, and Vermont. ■



Cascade Designs recently set out to build a cutting-edge snowshoe based on an aluminum frame.

City Modifies Rules to Avoid Crazy Landscape Requirements

Western Towboat is based on the Lake Washington Ship Canal in Ballard. It tows barges all over the Pacific. It also builds its own tugboats and has turned out 15 of them along the ship canal. To get a permit for a new storage shed, Western Towboat was required to install a large section of landscaping in its storage yard to offset the environmental impact of the new storage building. The requirement made little sense. Its environmental value would be minimal. It also couldn't have been seen or accessed by the public, and it would have been a pain to work around for Western Towboat.

The case was brought to the attention of city leadership and became a "poster child" for the need to amend city mitigation practices in industrial shoreline areas. The practice has now been changed. Companies like Western Towboat are still required to mitigate construction impacts but they can now do so by contributing to a fund that will be used to support shoreline habitat, probably in nonindustrial areas. Western opted to make such a payment instead of doing the landscape project in its storage yard.

The required payment was \$10,000. Such is the state of government in the 21st century that the outcome of the Western Towboat case can be considered "progress." But it was. ■



Cash for Carpooling



Eleacie Carter-Webb's computer just crashed, and when she replaces it she plans to use \$600 she earned in incentives for participating in the "Easy Rewards" program sponsored by the Duwamish Transportation Management Association, Metro, the Washington State Department of Transportation and the South Downtown Foundation.

Carter-Webb earned the incentives for driving a 12-passenger van for three months for her commute from Tacoma to her job with the US Army Corps of Engineers at the Federal Center South along the Duwamish River. She received a bonus for convincing 11 coworkers to ride in the van with her.

They were among 551 employees in the Duwamish who were paid a total of \$73,000 in financial incentives to commute for at least three months by some means other than a single-occupant car. The financial incentives were available through the Seattle First program by grants from the state and the Southdown Foundation. More than 20 businesses and government agencies participated. ■



Perils of Carol

It was lunch hour in SODO one day in June and at the Il Viro Deli at First Avenue South and Hanford, a long line of guys in work boots and overalls were waiting at the counter, most of them wanting to order Il Viro's famous French dip sandwich. The workers had been waiting for the French dips for nine months because that's how long it took for the deli to relocate from its old location a few blocks south on Spokane Street.

The delay nearly drove deli owner Carol Tover out of business, and her plight is a cautionary tale about what can happen if your business is forced to move by a government construction project. It's also timely given the fact construction is coming soon for the Sound Transit light-rail line, the Monorail (don't hold your breath) and the Alaskan Way Viaduct (someday).

Tover was forced to move from her old location when her landlord sold the building to the state to help house the new sex-offender facility along Spokane Street. State government picked up the tab for her to move her business, but when a business has to relocate, there are more costs than just for movers and their vans.

Tover shut down her old deli last September and prepared to move to the new location. The relocation was delayed for weeks, then months, as the construction company became bogged down in the project and the city hit snags trying to install utilities. Tover wound up laying off a longtime employee and had to take a job with a different business to keep herself afloat.

Tover was helped in her move by Seacon, a general contractor that specializes in relocating businesses. Eric Reese of Seacon said government rules for permitted relocation reimbursements forbid public payments to cover lost goodwill, lost profits, or loss of employees. He said state and city workers went out of their way to help Tover but that there was no way to overcome the guidelines.

Tover's frustration was compounded by the fact she had been forced to close her previous location for six months in 2002 during construction activity on Spo-



Carol takes another French dip order – finally

State government picked up the tab for her to move her business, but when a business has to relocate, there are more costs than just for movers and their vans.

kane Street. She also wasn't too pleased that she lost her old location because the city planned a new sex-offender facility.

Tover says government should do more to help businesses to move by public projects.

"If they find a way to protect sex offenders, I think they can figure out how to protect small businesses too," Tover says. ■



Swain, Ohayon, and Fouts decided that together they could offer industrial businesses a truly comprehensive perspective of the real estate market that would give businesses the essential knowledge and advice they need in the increasingly competitive marketplace.

PUGET SOUND PROPERTIES **Seattle Industrial** **Advisory Group** **forms to assist** **Seattle Industry**

By Robert V. Swain

In early 2004 three seasoned real estate brokers at Puget Sound Properties Commercial Real Estate Services decided to put together the Seattle Industrial Advisory Group.

The Seattle Industrial Advisory Group is made up of brokers Tamir Ohayon, Gordon Fouts, and Bob Swain. Between the three of them, they have more than 40 years of real estate experience in the greater Puget Sound area industrial real estate market. Although they are active with investors and companies that have office and industrial needs outside of Seattle proper, the bulk of their experience has been right in the city of Seattle's industrial market; both north and south of downtown.

Swain, Ohayon, and Fouts decided that together they could offer industrial businesses a truly comprehensive perspective of the real estate market that would give businesses the essential knowledge and advice they need in the increasingly competitive marketplace. They have based their team approach model on the same business philosophy that Puget Sound Properties was founded on. To bring together seasoned brokers from different backgrounds who can offer clients the absolute best commercial real estate talent that can be offered."

Puget Sound Properties Commercial Real Estate Services was founded by broker Richard Peterson in 1995. Peterson started the company after leaving Kidder, Mathews & Segner, where he began his career in 1978. He eventually became a partner and started the Eastside Kidder office. His vision was to create a firm with very experienced, creative, and driven professionals who shared his commitment to providing excellent service to their clients and for operating with the highest ethical principles. You can get more information on Puget Sound Properties at www.pugetsoundproperties.com

The stated mission of the Seattle Industrial Advisory Group is "to provide our clients with the candid and comprehensive real estate knowledge, analysis, and expertise that they need to ensure their long-term success."

The advisory group provides quality real estate services to clients with a wide variety of needs, goals, and challenges regardless of size. "We provide the same level of service whether the client needs 4,000 square feet or 100,000 sf. Regardless of size or industry, all business owners are working to make a living for themselves and their employees. All of our clients get our full attention and service. They deserve nothing less," said Bob Swain.

Ohayon, Fouts, and Swain have varied backgrounds and experience both individually in the past and collectively as a group since they formed last year.

Tamir Ohayon was with Hallwood Commercial Real Estate and Norris, Beggs, & Simpson before coming to Puget Sound Properties in 1999. Some of Tamir's more recent transaction involvement includes: representing the buyers of the former Rainier Brewery, representing Pacific Rim Imports in their lease and subsequent acquisition of the former Golden Grain warehouse on Fourth Avenue South, representing Pental Granite & Marble for their lease at the former Owl Transportation warehouse on Sixth Avenue South, and representing Sur La Table both in the relocation of their corporate headquarters to the Seattle Design Center and their warehousing from Seattle to a centralized distribution warehouse in the Midwest.

Gordon Fouts was with Colliers International for over 20 years before coming over to Puget Sound in late 2003. Some of his more recent transactions include: representing Seattle Lighting Fixtures in their acquisition of the former Odom Distribution Warehouse on South Hanford Street, the disposition of the Neuvant Aerospace Facility in Ballard and the lease of the former Shurgard-To-Go warehouse to Hanson Bros. Moving in North Seattle.

Bob Swain came to Puget Sound Properties in the spring of 2004 after beginning his real estate career with CB Richard Ellis. Some of Swain's more recent transactions have included representing Pendleton Mills in the sale of the former Fisher Flour Mill on Harbor Island to King County, representing Messenger Sign in their acquisition of the former Carr & Sons manufacturing facility on South Hudson Street, and representing Owen-Sullivan Winery for their newly leased wine production facility at Sea King Industrial Park in South Park.

If you would like to contact the Seattle Industrial Advisory Group at Puget Sound Properties, please direct your inquiries to Bob Swain at 425-586-5522 or at bswain@pugetsoundproperties.com. ■

Tax Rules Affecting Washington Manufacturers

By Jason Filippini of Abramson Pendergast & Company



Jason Filippini

A variety of specific state and federal tax provisions apply to manufacturers in the State of Washington. These provisions are generally well known to the management of these companies. However, a recap may be useful as a means of ensuring that all potential tax advantages are being utilized.

Purchases of equipment used directly in the manufacturing process are not subject to state sales and use taxes. Other costs relating to this equipment, such as installation, cleaning, overhauling, and long-term repairs, are also exempt from these taxes. Purchasers of manufacturing equipment or related costs must provide an exemption certificate to the seller. The exemption does not apply to consumable items, hand-powered tools, items with a life of less than one year, or to building fixtures.

Manufacturing in Washington is defined by RCW 82.04.120, and includes the process of applying labor or skill, by hand or machinery, to materials so that something new, different, or useful in the form of tangible personal property is produced for sale. Repairing or reconditioning tangible personal property is not considered a manufacturing process. Activities that have only some of the characteristics of manufacturing require analysis on a case-by-case basis.

Washington excise tax laws allow a multiple-activities tax credit to manufacturers who sell manufactured goods within the State of Washington. The credit is computed and reported on a separate form to be attached to the monthly or quarterly excise tax return.

At the federal level, Congress has historically attempted to assist domestic manufacturing companies through a variety of tax measures. The extraterritorial income



exclusion (ETI) was designed to provide a more level playing field for U.S. companies that were subject to higher and more comprehensive taxes than their foreign counterparts. However, ETI was contested by the World Trade Organization, as constituting a trade subsidy. The full ETI rules end in 2004, but manufacturers are allowed reduced deductions during a transition period ending in 2006.

In response to the phaseout of ETI, the Qualified Production Activities Deduction (QPAD) was enacted as part of the American Jobs Creation Act of 2004. To avoid trade discrimination problems, QPAD was made available to companies doing business both inside and outside the


United States. For 2005, QPAD equals 3 percent of the lesser of taxable income or qualified production activities income. This increases to 9 percent by 2010. QPAD is limited to 50 percent of W-2 wages paid during a company's fiscal year.

The new law has a very broad scope in its definition of qualified activities. Some of these activities go well beyond what has traditionally been considered as manufacturing. For example, QPAD applies to software development, music and film production, farming, construction activities (and engineering and architectural services performed related to construction activities), and energy production. The IRS will be developing regulations to clarify what other types of activities will be able to take advantage of QPAD.

Federal tax laws that provide incentives for the purchase of property and equipment are also generally favorable to manufacturers. Although the bonus depreciation provisions enacted after September 11, 2001, expired at the end of 2004, the higher levels allowed for direct expensing of equipment purchases (Section 179) continue, as do accelerated depreciation methods and relatively short statutory lives.

Finally, just as taxes are inevitable, so are changes in tax laws. Manufacturers have a special stake in the intense tax studies that are currently being conducted at both the state and federal levels. Organizations that seek to support the manufacturing industry can work to (hopefully) prevent changes in tax rules that will have unintended negative consequences for manufacturers.

Abramson Pendergast & Company is a locally owned CPA firm with an emphasis in manufacturing and distribution. For more information contact Jason R. Filippini, CPA, at 425-828-9420 or via e-mail jfilippini@apccpa.com. ■




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Finishing Touches At ASKO

By Steven Clark

Industry remains in Fremont, camouflaged behind coffee bars and bike shops. Walk inside ASKO Processing and you know their customers don't wear spandex.

ASKO is in the classic sense a true industrial plant that encompasses three buildings on the block. The main plating facility has numerous metal and plastic type tanks filled with all sorts of chemistry as well as lots of rinse water to process the hardware sent by ASKO's customers. Many of the tanks have large exhaust systems and lots of electrical wiring to handle the power requirements. There's a periodic table of the elements on one wall, and a poster of the Boeing C-17 Globemaster cargo plane on another. A lot of ASKO's work goes into airplanes.

"We are proud of the work we do to pursue environmental excellence as well as practicing good environmental stewardship, and this is evident by the awards we have received," says Mike Kelly, ASKO's Vice President and general manager

ASKO specializes in plating materials needed for sophisticated machines. They use precious metal alloys like gold and silver, and many other alloys such as chrome cadmium, copper, tin



Mike Kelly

and nickel. They coat enclosures and switches for electronics, apply corrosion resistant materials like anodizing for saltwater ships, and chrome plating for aerospace parts including landing gear.

The company's customer list includes many leaders in the aerospace industry. Lockheed Martin, Bell, Sikorsky, Gulfstream, Martin Marietta and Bombardier. Then there's Boeing. Not just C-17 cargo planes but stealth bombers and most of the fighters. There's also Boeing's commercial fleet; 737s, 777s, 747s, and most of the rest. Mike knows a lot about them.

For Mike, the aerospace connection goes back to the armed services. He performed aviation maintenance support in the US Navy on the USS Midway during the Vietnam War. After the war he was stationed at Whidbey Island, working on A-6 Intruders. He has a hand carved F-14 on his desk, and pictures of Boeing jets on the wall.

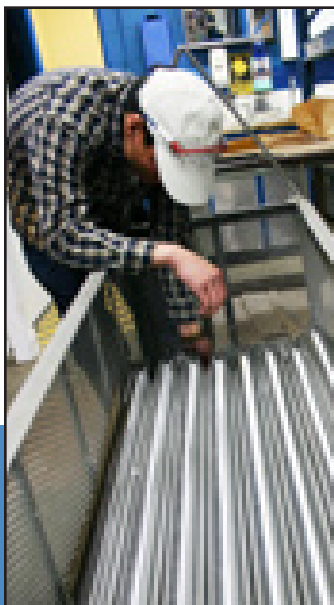
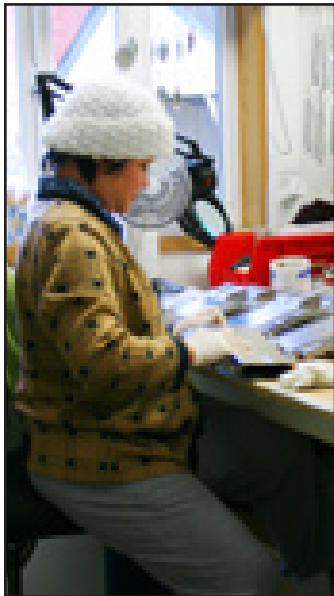
But ASKO does more for aerospace than chemical plating. The company is certified as an FAA repair station so they have the expertise to recondition, repair and inspect aircraft parts. At the plant today there's a basket of flight connecting rods, aircraft actuators and the pitch housing for a CH-47 helicopter.

Yet, ASKO isn't just aerospace. There's a Wheelabrator in another area of the plant, hurling tiny pellets at suspension springs from a NASCAR, compressively stressing them to add strength. Some jobs are very precise with measurements accurate up to a millionth of an inch. Other materials need to be baked in big industrial ovens. There's an X-Ray machine to measure plated thickness for quality assurance.

On a typical day, there might be 1200 open orders at ASKO Processing, in various states of completion. Some projects take a few days to finish. The more complicated ones can take two to three weeks depending on the number of process steps.

ASKO Processing itself is just one division of the ASKO Group, a company with 170 employees, specializing in metal finishing in Fremont, aerospace machining in Arlington, an industrial painting company in Ballard and a selective plating company in Interbay.

It all started with Dave Kelly, Mike's father, who founded the company in 1967 after deciding that he could do better than the metal finishing business where he worked. Dave has spent his entire career in the metal finishing industry and his expertise is as distinguished as one would expect. Mike has followed in his fathers' footsteps in more than just the business; both are Past Presidents of the industry's national trade association, the NAMF. ■



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Engine of Growth

B&G Machine Revs Up

By Steven Clark



The Bianchis of B&G Machine

'Get your motor running,' the song says, and B&G machine specializes in doing just that. The Georgetown engine remanufacturing company has been running, building, load testing, and retooling engines for more than 50 years and now they're throttling up production and opening up a new facility.

The Bianchi family has owned B&G since 1986 when John Bianchi Sr. bought out his partner. He's lived and worked in Georgetown for a long time, and from his office he can see his house on the side of Beacon Hill.

The elder Bianchi has been working on engines all his life. He cut his teeth building engines for the world champion *Miss Budweiser* team. One of *Miss Bud's* most famous engines was the Rolls Royce Merlin. Today in his shop he's handling camshafts from those engines for P-51 Mustangs, the quintessential World War Two American fighter planes, soon to be flying in the Reno Air Show with B&G remanufactured parts. Bianchi's name is well known in the world of engines.

These days John's two sons help him run the business. Johnny Bianchai is the operations manager while his brother David heads up sales. The family business mentality isn't just confined to the board room. Out on the shop floor, the three Bianchis mix easily with their crew. The senior Bianchi and one of his mechanics trade wisecracks over an engine block. A few feet away, both sons casually talk shop with other employees over doughnuts.

"We all do machine work," says son Johnny, who joined the business in 1991. He manages to juggle his work in the office and shop floor with trips to customer sites, staying up late with his newborn and pursuing an MBA at Seattle U.

The machines in B&G's Corson Avenue shop come from all over. So it makes sense that the company has customers as close as the Duwamish River and as far away as South American and the Middle East.

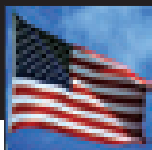
The scale of B&G's work is obvious when you step in the door of the company's Corson Avenue shop. There are camshafts you can't get both hands around, crankshafts longer than small cars, and engine blocks taller than people. These are special kinds of engines for companies with names instantly familiar as builders of big machines: Cummins, Caterpillar, MTU, and Detroit Diesel.

When an engine needs a complete overhaul, B&G has the craftsmen available to do all the required work -- experts in crankshafts, camshafts, blocks, cylinder heads and connecting rods. Diesel engines can often be rebuilt several times and when they are rebuilt right, it helps owners get the most out of their investment.

"It's really the ultimate form of recycling," Johnny says.

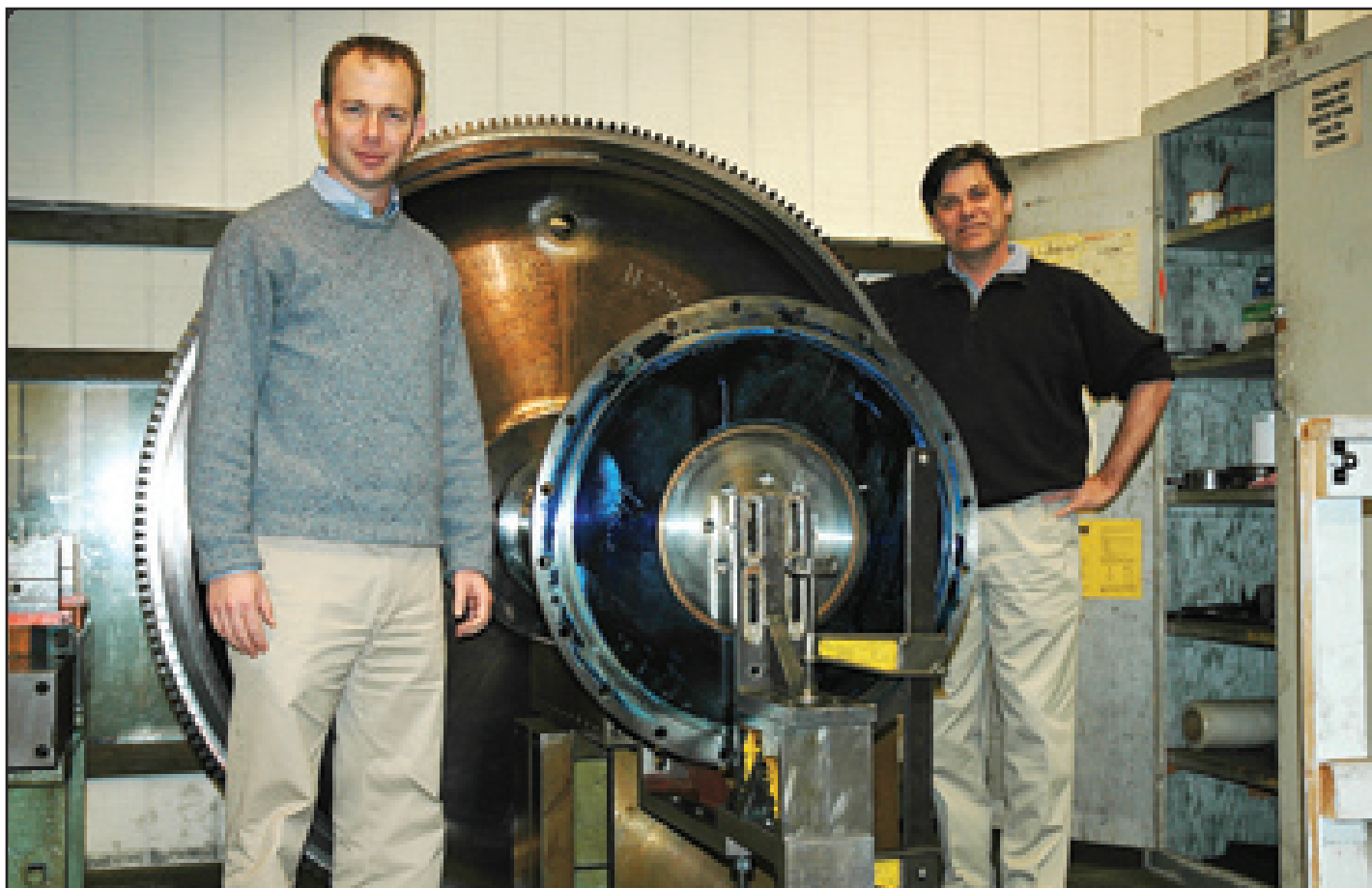
The Bianchis plan to open a second shop in the SODO area. Their shop enjoys a national reputation and the family is bullish on the future. "We're carving out a larger niche for ourselves," says Bianchi. ■





World-Class Company Builds World-Class Gears

By Steven Clark



Sterling and Roland Ramberg of The Gear Works in South Park

The Turbinator looks like a missile on wheels. Thirty-one feet long, three feet wide and less than three feet high, it screamed down the Bonneville Salt Flats in 2001 at 458 mph, setting a world land speed record that still stands for wheel-driven automobiles (cars not powered by jet propulsion).

The car was built from scratch in Utah by the famed speed race team of Don and Rick Vesco. For the power source, the Vescos installed a 3,750 hp Avco Lycoming helicopter engine with an output shaft that spins at 16,000 rpm. At rpms like that rubber tires melt, so the Vescos had to find gears that would reduce the power down to a more manageable 8,000 rpm. Only a handful of machine shops in the U.S. are capable of building those kinds of specialized gears, and of those the Vescos selected The Gear

Works, a low-profile business with an international reputation tucked away in Seattle's South Park neighborhood.

A member of the Vesco team, Louise Ann Noeth, remembers what happened the first time the Vescos cranked up the engine to see how the gear box worked. It didn't. "The gearbox was turned to cottage cheese," she says. The staff at Gear Works made some changes and the second gear box they produced held up perfectly as confirmed by Don Vesco when he drove the Turbinator for the record run.

"The work that Gear Works did made all the difference in the world in setting the record," says Noeth. "They really helped us when the chips were down. They were very generous. They were willing to work with us when we were working mostly with just a hope and a dream."

The Gear Works was founded in 1946 by Ingwald Ramberg whose two sons, Roland and Sterling, run the company today. The company has 100 employees and the Rambergs think of the employees as part of an extended family. That notion may seem outdated but the Rambergs like to keep some elements of the business "old school."

"We've always tried to put food on the table," Sterling said. "I think that loyalty is returned."

The old-school, high-tech mix is reflected in both The Gear Works shop and its exceptional range of customers. The shop combines high technology and industrial muscle. There are gear-cutting machines grinding away at steel, cooled with oil. There are piles of metal shavings and gleaming alloy blanks yet to be cut. There is also a testing facility and a metrology lab. That's where gear tolerances are measured down to microns, a unit of measure so small there are about 25,000 in an inch.

That exactitude is essential to make the gears as smooth and geometrically accurate as possible. The more accurate the gear teeth are, the less subject they are to stress. To the naked eye and finger touch, most gear teeth feel reasonably smooth. Under a microscope, they can look as jagged as the Cascade Range. Gear Works and its competitors are continually raising the technological ante to smooth steel gear-teeth as much as possible.

The range of specialized gears that the company turns out is amazing. In addition to the gearbox for the Turbinator, Gear Works created gears for the *Ms. Budweiser* hydroplane and the *Gentry Eagle*, a yacht that holds the fastest trans-Atlantic crossing time.

The section of a bridge that rises is called its "leaf." Each leaf of the Ballard Bridge weighs a million-pounds and it is offset by a million pound counterweight --as the leaf goes up, the counterweight goes down. The two structures are linked by gears from Gear Works and they had to be built to last for 50 years.

Gear Works also builds gears precise enough to help operate radio telescopes, providing movements by the millimeter for huge dishes that can weigh dozens of tons.



The old-school, high-tech mix is reflected in both The Gear Works shop and its exceptional range of customers. The shop combines high technology and industrial muscle.

Local customers include familiar Seattle firms such as Crowley Marine, Ederer Crane and Manson Construction.

The diversity of the business probably could not have been imagined back in the 1940s when the company was founded by Ingwald Ramberg. Ramberg was the son of a Norwegian immigrant to Seattle who raised dairy cows on Beacon Hill. Ingwald delivered milk for his father until he enrolled at the University of Washington, where he received a degree in journalism. After graduation, he gave up journalism to go to work for a large gear manufacturer.

After World War II, he and a partner teamed up to found the company that grew into The Gear Works. He later bought out the partner, and in 1968, when the company was displaced by construction of Interstate 5, Ingwald designed the new facility and moved it to where The Gear Works is located today.

Ingwald passed away in 1982 while Sterling was still in high school. Brother Roland ran the company solo until Sterling came on board. Now the two split management duties – sales for Sterling, and operations for Roland.

These days, a major part of the sales effort is aimed at the booming industrial market in China. "It's going gangbusters over there," Sterling says. "It's like nothing you've ever seen."

China's demand for energy is driving a surge in its coal-mining sector, requiring the type of giant equipment that is tailor-made to match Gear Works's expertise. Their China customers include businesses that operate cranes with buckets that can lift 70 tons at the switch of a lever and dump trucks that can carry 200 tons. The Rambergs estimate that about 25% of their production is now China bound.

Gear Works has also developed gears for windmills that are being used to generate electricity. Wind power was always environmentally friendly, but rising energy costs are making it economically more viable, too. Getting electricity from wind involves complex gearing and Gear Works is an expert at making gears that perform.

As with the Turbinator, when it comes to wind Gear Works got in on the ground floor. "Wind power is only going to grow," Roland Ramberg says. "We want to make sure we're breathing some of the oxygen in the room." ■



Artist Amid SODO's Industry

Everyone agrees--SODO is an interesting place with a variety of activities, companies and people. David Huchthausen, resident artist, President of The Somerset Corporation, and owner of the Bemis Building, is one of the most fascinating.

The Bemis is an historic building just west of SAFECO Field next to the Viaduct on South Atlantic Street, originally home to the old Bemis Bros. Bag Company. David renovated the building in 1996, creating a combination of industrial, office, and warehouse spaces as well as studios for working artists. Trained as an architect, he now works and lives in a large studio on the top floor of the 150,000 square foot building.

A Fulbright Scholar and former university professor renowned for his glass sculpture, David has examples of his work in the collections of New York's Metropolitan Museum of Art, the Smithsonian in Washington, D.C. and 60 other museums worldwide. When not working in his Bemis studio, David is busy with his crew creating intricate, high-tech glass sculptures in his other studio on Airport Way South.

Each piece can take more than 200 man-hours to complete, starting with large 60 to 80 pound blocks of glass that are cut, chiseled, and polished into dramatic geometric shapes. Translucent and transparent pieces of colored glass are laminated onto the sculptures, creating intricate combinations of projected light and shadow through the center of the glass.

The work, full of light, color and illusion, includes forms with hard outside edges that descend into dramatic and "mystical" centers, according to one reviewer. David's work, which is

placed in private collections across the country, can be viewed at the William Traver Gallery in Seattle.

His work can also be viewed at the website, www.huchthausen.com.



David Huchthausen "Disc #2" 2003 Profile View

Fortunately for SODO, in addition to being a noted and successful artist, David is a community activist with a vision to shape the district's character into one that remains viable for everyone. He is a strong proponent of public art and has been involved in many local and national efforts to create positive urban environments. David has long chaired the Greater Duwamish Planning Committee and is an Executive Member of the Manufacturing Industrial Council. He is also involved with transportation planning, ArtWorks, and public art projects in SODO.

Most interesting are the many vintage collections that David displays in his Bemis studio. The space, with its 17-foot ceilings, is a combined live-work area filled with collections of 1940s advertising signs, salt and pepper shakers, 1920s French posters, tropical motifs, 1950s lamps, and much more. David says that his collections are an important inspiration for his work.

The studio feels like a museum and it takes hours to comprehend everything that is here. With views of downtown, the surrounding industrial landscape and the waterfront, and with exposed beams and refinished wood floors inside, David's space is open and lively. For a closer look, visit the Seattle Times at <http://seattletimes.nwsources.com/pacificnw/2001/0617/living.html> for a *Pacific Magazine* piece about David by Jennifer Dirks. ■

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Why Seattle Industry?



Every few months we scrape together the dollars required to crank out the latest issue of *Seattle Industry* magazine. Which would prompt most sober people to pose the perfectly reasonable question: Why?

Fair enough. *Seattle Industry* is owned, produced and distributed by the Manufacturing Industrial Council of Seattle, a nonprofit advocacy group that sticks up for the traditional industrial firms that do business in the City of Seattle.


The magazine provides our perspective on selected topics, issues and events of the day. The magazine is supported through advertising and other ways we'd rather not even talk about. It is distributed by mail to about 3,000 businesses in Seattle, King County and around the state. It is also delivered directly to several hundred of our closest friends and all the elected officials we can find in the phone book.

If you are an industrial supplier or professional firm that wants to make a sinful amount of money in the industrial marketplace, *Seattle Industry* is a good advertising buy because it is actually read by industrial business owners and managers. We know. We are ones. Like Mr. Reagan said about his microphone, we paid for this thing and we wouldn't go to the trouble of producing a magazine if we didn't find it worth reading.



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