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Seattle Industry

Spring 2006

The Voice for Industry

Special Report - Manufacturing 2006

Alive & Kicking!



Special Issue

Manufacturing Appreciation Week

Plus, Alaska Report

INNOVATION & EVOLUTION • WORLDWIDE LOCAL • NATIONAL •



Fourth Annual Symposium

May 30 - June 9, 2006

Innovation & Evolution - two keys to success in manufacturing. At this Fourth Annual Symposium, leaders from throughout the state will come together to share experiences, analyze the past, debate on the future and discuss the importance of broadening the scope of manufacturing in the state of Washington. Come share in the experience of manufacturing innovation and evolution!

Legislative Reception

Tuesday, May 30 • 5:00 p.m. - 7:00 p.m.

Salty's on Alki (1936 Harbor Avenue. SW Seattle, WA)

Cost: \$25/member \$35/non-member

Keynote Luncheon

Tuesday, June 6 • 11:30 a.m. - 1:00 p.m.

Emerald Downs (2300 Emerald Downs Dr. Auburn, WA)

Cost: \$40/member \$50/non-member

Breakout Session

Tuesday, June 6 • 1:30 p.m. - 2:30 p.m. (immediately following Luncheon)

Emerald Downs (2300 Emerald Downs Dr. Auburn, WA)

Free admission

Career Showcase

Wednesday, June 7 • 5:00 p.m. - 9:00 p.m.

Museum of Flight - Skyline Room (9404 East Marginal Way S. Seattle, WA)

Free admission

AWB Roundtable

"How to Impact Legislators and Policies Important to Manufacturing"

Friday, June 9 • 10:00 a.m. - 1:00 p.m.

Association of Washington Businesses (1414 Cherry St SE Olympia, WA)

Cost: \$10/member \$12/member (lunch included)

Best Practice Tours

Cost: \$35/member \$50/non-member

5/30 - Nucor Steel (Seattle)

5/30 - Kvichak Marine / Western Towboat (Seattle)

6/1 - Electroimpact (Mukilteo)

6/8 - Boeing Wide-body Final Assembly Plant (Everett)

6/7 - BP Oil Refinery (Blaine)

6/9 - Aluminum Chambered Boat (Bellingham)

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What's UP

In This Issue



Welders? Future?

In 1994, who would have thought that the future face of manufacturing in our region might be sweating behind a welder's shield? Certainly not the experts who gazed into the future back then and saw biotech as a burgeoning force in manufacturing -- and goodness knows, biotech production was off to a sizzling start.

From 1994 through 2001, sales for pharmaceutical products made in our state soared by more than 600 percent to reach the billion dollar mark. But then, the bottom fell out and sales plummeted to \$394 million in 2004.

At the same time, jobs with metal fabricating companies in Washington state grew by a modest but steady 9 percent and sales grew by 79 percent. Growth rates were even higher for companies that make machines for construction, farming and other industrial uses. Jobs with machine manufacturers in Washington state grew by 12 percent and their sales climbed by more than 120 percent. Put these two metal-bending sectors together and they now account for nearly 30,000 jobs in Washington that generate more than \$6 billion per year in revenue.

Does their success mean the biotech production dream is not worth pursuing? Of course not; it is. But the contrasting experiences of the metal-benders and the pharmaceutical crowd shows it is time to tear down the black crepe paper, put away the hymnals and send back the casket because, once again, the rumored death of manufacturing was, and is, just a wee bit exaggerated.

What We Appreciate

In recognition of Manufacturing Appreciation Week, *Seattle Industry* conducted a new survey to gauge the health of manufacturing in our state. The findings suggest there are at least five things about it that are well worth appreciating:

- 1) Manufacturing still packs a mighty economic wallop. Manufacturers in our state reported gross business revenues in 2004 of \$95 billion. That was 20 percent of all business revenues reported to the state. In 1994, manufacturers accounted for 21 percent of all business revenues. Some might call that "decline." We say, "B.S." That's a whole lot of money.
- 2) Manufacturing sales grew faster than the rest of the economy in 2005, up 13 percent to 8 percent for businesses not in manufacturing and with Boeing sales on a dramatic upswing, manufacturing sales should continue to grow quite nicely.



Manufacturing Appreciation Week

- 3) Manufacturing jobs in our state fell by 16 percent from 1994 through 2004, but not all sectors lost jobs. In 10 of 21 manufacturing sectors defined by the North American Industrial Classification System, companies recorded job growth during the past decade.
- 4) Many manufacturing sectors face a long-term labor shortage for skilled people from engineers to craftsmen because of the advancing ages of their workers and the small number of young people entering the career pipelines for these fields.
- 5) We may live in an era where the “world is flat,” but our corner of the globe possesses real strategic advantages, starting with the width of the Pacific Ocean and our proximity to an abundant supply of natural resources. Timber, minerals, seafood, oil, and natural gas are all in high demand around the world, and our manufacturing base is tied into each and every one of them, to say nothing of airplanes, trucks, machines and other capital goods.

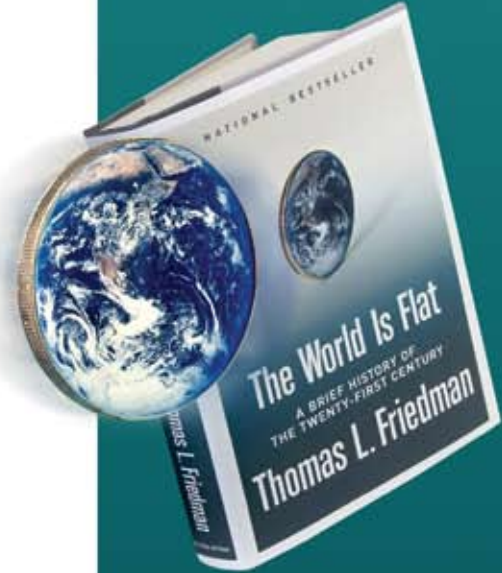
A Quarter Million Jobs

Yet, smart, well-educated, well-connected people in our region now use the past tense to refer to manufacturing, even though it still provides about 270,000 jobs in our state, many of them well paid and connected to some of the most successful manufacturing companies in the world.

Earlier this year, Mark Pigott, the CEO for PACCAR, visited the White House to receive the National Medal of Technology. The medal is awarded to individuals “for their outstanding contributions to the Nation’s economic, environmental and social well-being through the development and commercialization of technology products, processes and concepts; technological innovation; and development of the Nation’s technological manpower.”

PACCAR makes trucks, Kenworths and Peterbilts. Founded in Seattle in 1905, PACCAR celebrated its centennial year in 2005 by earning record net revenues of \$1 billion on \$14 billion in sales. It’s one of the biggest truck makers in the U.S. and the world. And PACCAR uses welders – lots and lots of welders.

Last year was the 67th year in a row that PACCAR turned a profit. Now there’s a record to appreciate and the biotech venture capitalists might want to keep it in mind as they try to get one of the few remaining seats at the keynote luncheon June 6th for Manufacturing Appreciation Week. (register at www.kentchamber.com.)



Manufacturing 2006

ALIVE and KICKING!

Manufacturers in other parts of the country are hurting, but in our state many sectors are healthy and some are going strong.

Perceptions Are Off – Way Off

The robust state of Washington state manufacturing is abundantly apparent on the shop floor of Capital Industries in Seattle. On a recent work day, Capital's team of 90 machine operators and welders formed, sheared, punched and welded thousands of metal shapes and parts that had been laser-cut by high-tech machines from hundreds of sheets of aluminum and steel.

Products ranged in size from one-ounce hinges for truck engine hoods to two-ton "roll-off" boxes – enormous, boxy steel containers that get deliveries to job sites by garbage trucks.

By the end of the day, Capital's employees had cranked out more than 50 completed job orders that were destined for customers in Hawaii, Alaska, Canada, Montana, California, Ohio and Mexico, as well as customers in our own region and state.

Between 2003 and 2005, business nearly doubled at the 53-year-old company – an increase that was remarkable for two reasons.

First, it took place during a period when Capital was recovering from a major fire that resulted in the loss of 40 percent of its production capacity for nine months.

Second, the increase took place while many national and local experts were pronouncing that American manufacturing is in its death throes. Which Capital obviously wasn't and isn't.

"One of our biggest challenges was finding enough machine operators to keep up with the growth," says Capital president Ron Taylor.

Manufacturing 06

Welcome to the State of Manufacturing in the State of Washington, circa 2006.

Many believe U.S. manufacturing is doomed and news stories seem to confirm the prognosis on a daily, if not hourly, basis. But look beyond the news cycle and the picture is not quite so gloomy. A survey of Washington state manufacturing by *Seattle Industry* reveals that in our corner of the global economy, manufacturing is not only alive and kicking -- in some sectors, it's kicking butt.



The survey examined all 21 manufacturing sectors defined by the North American Industrial Classification System. Business activity was reviewed by three factors:

- Gross business revenues reported by manufacturing companies to the Washington State Department of Revenue for tax purposes (principally, the B&O tax);
- Jobs recorded by the Washington State Department of Employment Security, and
- U.S. Department of Commerce export data

State data was reviewed for an 11-year period spanning 1994 through 2004; the period was picked because of the availability of state data for that time frame. Statistics were reviewed for 2005 to the extent they were available. Export figures were available for 2000 through 2005. Statistical research was augmented by interviews with eight companies engaged in boat building, metal fabricating, metal distribution, steel production, aerospace, and oil refining.

To gauge net manufacturing revenues, the survey also took into account the results of a highly complex input-output model for manufacturing that's calculated by the United States Census Bureau of Economic Analysis.

The results support a view of manufacturing that's much more positive than those that dominate the news media. These are among the findings:

JOBS

No doubt about it: the overall manufacturing job count is down. Jobs declined by 16 percent over the past decade, dropping from 309,607 to 259,280. The reductions caused major disruptions for tens of thousands of families and many communities and the losses hit high-tech firms as well as traditional ones. But a few bits of additional information help bring the figures into perspective.

- Eighty three percent of the job loss was concentrated in four sectors: aircraft manufacturing, food processing, paper products and wood products;
- Boeing accounted for nearly 60 percent of the entire job loss;
- While significant, the job losses in the other leading sectors were not as bad as those in aerospace – jobs in food processing dropped 12 percent, paper products was down 14 percent and wood products was down 20 percent.
- Boeing employment rebounded from its low point in the summer of 2004, growing from about 53,000 jobs to 64,000, an increase of 20 percent and adding 11,000 “family-wage” jobs back to the economy.

None of this diminishes the impact of the losses. Aerospace, food processing and the combined sectors of wood and paper products were the largest manufacturing employment sectors in our state at the state of the decade and they remain the largest sectors today. Any significant changes in these industries will exert major pulls on the overall manufacturing job base.

The recent Boeing upswing in hiring was the not only good news when it comes to jobs.

- Manufacturing jobs grew in 10 of 21 sectors during the decade, rising 12 percent from 67,576 to 76,050. Many of the growth sectors were ones with close ties to construction activity and the production of capital goods – trucks, boats, machines, equipment and other big-ticket items that are not subject to the Wal Mart discount retail phenomenon.



Jobs grew over the past decade in half the manufacturing sectors.

- Although the overall job numbers are down, business managers and owner interviewed for our survey feel they face a long-term challenge in finding enough skilled workers, from engineers to craftsmen, due to the advancing age of the manufacturing workforce and the low number of young people entering technical careers and high-skill trades.
- The topsy-turvy decade for aerospace included growth in one sub sector made up of aerospace companies not engaged in aircraft manufacturing. Jobs with those companies grew from 4,903 to 6,732 from 1994 through 2004, an increase of 37 percent.

GROSS BUSINESS REVENUES

By this state measure, manufacturing packs the same economic punch today that it did a decade ago and most manufacturing sectors showed pretty good revenue growth in the 1994-2004 period.

- In 2004, manufacturers reported \$94 billion in gross business revenues to the state. That represented 20 percent of all revenues reported by all businesses. In 1994, manufacturers reported revenues of \$63 billion, or 21 percent of all revenues.
- Manufacturing gross revenues grew 49 percent from 1994 through 2004. The growth rate was better for all manufacturers not engaged in aircraft manufacturing – 62 percent. That was just two percent less than the growth rate for all non-manufacturing businesses. Inflation grew 27 to 29 percent during the decade.
- Manufacturing revenues increased 13 percent during 2005, compared to 8 percent growth for all other businesses and with Boeing sales on the upswing, these numbers should continue to improve

REVENUES PLUS JOBS

In the 10 manufacturing sectors that provided job growth, the average growth in reported revenue was 133 percent, more than double the revenue growth for manufacturing as a whole.

NET IMPACTS

The U.S. Census Bureau of Economic Analysis maintains a highly complex input-output model that gauges the net impacts of all business sectors and governmental agencies on each

Business owners face a long-term challenge finding enough workers, from engineers to skilled craftsmen.



GROWTH SECTORS

Here are some of the good news stories about manufacturing that you probably never read about during the past decade. Activities are classified according to the North American Industrial Classification System. Comparisons are between 1994 and 2004 for jobs and sales figures are derived from gross business revenues reported to the state for tax purposes.

- Jobs and sales grew for companies that make “non-metallic mineral” products. That includes cement, glass, clay, gypsum board and “mineral wool,” such as insulation and fiberglass. Jobs rose by 14 percent, 7,892 to 9,009, and sales were up 69 percent, \$1.3 billion to \$2.2 billion.
- Jobs and sales were up for companies making machines for construction, agriculture, mining and other industrial activities. Jobs grew from 11,170 to 12,676, up 13 percent, while sales grew 124 percent, \$1.4 billion to \$3.3 billion.
- Jobs and sales increased for companies in metal fabricating, a sector engaged in the manipulation of metals, often to create parts for the machines described above. Jobs grew 9 percent, from 15,109 to 16,509. Sales were up 79 percent, \$1.7 billion to \$3.1 billion.
- Jobs and sales rose for companies making plastic and rubber products. Jobs climbed 8,397 to 9,402, an increase of 12 percent. Sales growth averaged 120 percent, \$836 million to \$1.8 billion.
- Jobs and sales grew for companies that make electrical equipment such as lights, lighting systems, marine equipment, appliances and electric motors. Jobs were up 56 percent, 2,625 to 4,100. Gross business revenues for the sector grew 244 percent, from \$212 million in 1994 to \$730 million.
- Boat building employment grew by 88 percent, 2,245 to 4,222, with 275 percent sales growth, \$289 million to \$1.1 billion.
- Furniture manufacturing experienced 94 percent growth in sales, \$647 million to \$1.2 billion, and jobs grew 6 percent, 7,440 to 7,878.
- Within furniture making, jobs with cabinet and countertop makers grew by 30 percent, 3,061 to 3,999; sales grew 102 percent, \$268 million to \$542 million.
- Sales and jobs were also up in “manufacturing miscellaneous” with revenues up 133 percent, \$1.3 billion to \$3 billion, and jobs up 12 percent, 9,476 to 10,626.
- Within “miscellaneous,” sign manufacturing experienced 46 percent job growth, 881 to 1,295, while revenues rose 136 percent sales growth, \$74 million to \$175 million.
- Jobs barely increased in oil refining, growing just three percent from 2,223 to 2,301, but high barrel prices for oil and retail gas prices triggered a 225 percent increase in revenues over the decade, \$4 billion to \$13 billion, surpassing the dollar value of our state’s entire agricultural output.
- While the job numbers for oil refining are relatively low, the “multiplier effect” of the industry is amazing, perhaps accounting for 20,000 additional jobs up and down the I-5 corridor. Average pay in the industry exceeds \$80,000 per year.
- Growth rates for many manufacturers are fairly closely aligned with sales and job growth in construction.
- Construction sales grew by 87 percent during the decade, \$16 billion to \$30.3 billion, while jobs grew by 34 percent, 122,600 to 164,000. ■

state's economy. Estimates are made through 2004. The model for manufacturing uses more than 485 factors to calculate net impact. According to the model, manufacturing contributed \$23 billion to our state's economy in 2004. Three additional pieces of information help to put that figure into context.

- Only two other sectors, real estate and government, generated higher dollar amounts, \$39 billion and \$37 billion respectively. But those sums are based on revenues that come almost entirely from the pockets of people who live in Washington. The real estate figure is calculated based on what we all pay for housing and it assumes we are all paying rent, even if we own or are buying homes. Revenue for government comes from right where you think it does: taxpayers. Manufacturing, on the other hand, is driven largely by export sales to companies outside our region or nation, bringing in new money that makes our economic pie bigger.
- Manufacturing's net impact was higher than the entire retail sector. According to the federal input-out model, retail activity in our state in 2004 had a net impact of \$19 billion, based primarily on the value of the mark-up between wholesale and retail prices. As with government and real estate, retail is driven largely by money out of our own pockets.
- Manufacturing's contribution was also higher than the \$22 billion net figure attributed to "information," the category that includes Microsoft.

EXPORTS

It's an article of faith that Washington is the most trade-dependent state in the nation. Unfortunately, you can't document that assumption through the export figures that are widely reported to support it. That's because the reports are based on U.S. Customs records for the dollar value of exports leaving each state, not the dollar value of exported goods made in each state.

For example, the U.S. Department of Commerce reports that Washington state exported \$4 billion worth of crops in 2005 while crop producers in our state reported gross business revenues of just \$364 million. Other figures, such as those reflecting aircraft manufacturing, come closer to the mark, but export figures all require an asterisk.

Anecdotal evidence gathered in our survey suggests local manufacturers produce lots of exports. Too bad the federal figures can't help us prove it.

Bottom Line

What does it all mean? *Seattle Industry* discussed the findings with several people with national

perspectives on the state of U.S. manufacturing. They feel our regional manufacturing base is faring better than many others.

"Some states are benefiting from manufacturing, and some are hurting big time," said Joseph G. Carson, director of research for Alliance Bernstein, an economic consulting firm in New York City. "You appear to be in a sweet spot because manufacturing is still such a positive factor in your economy."

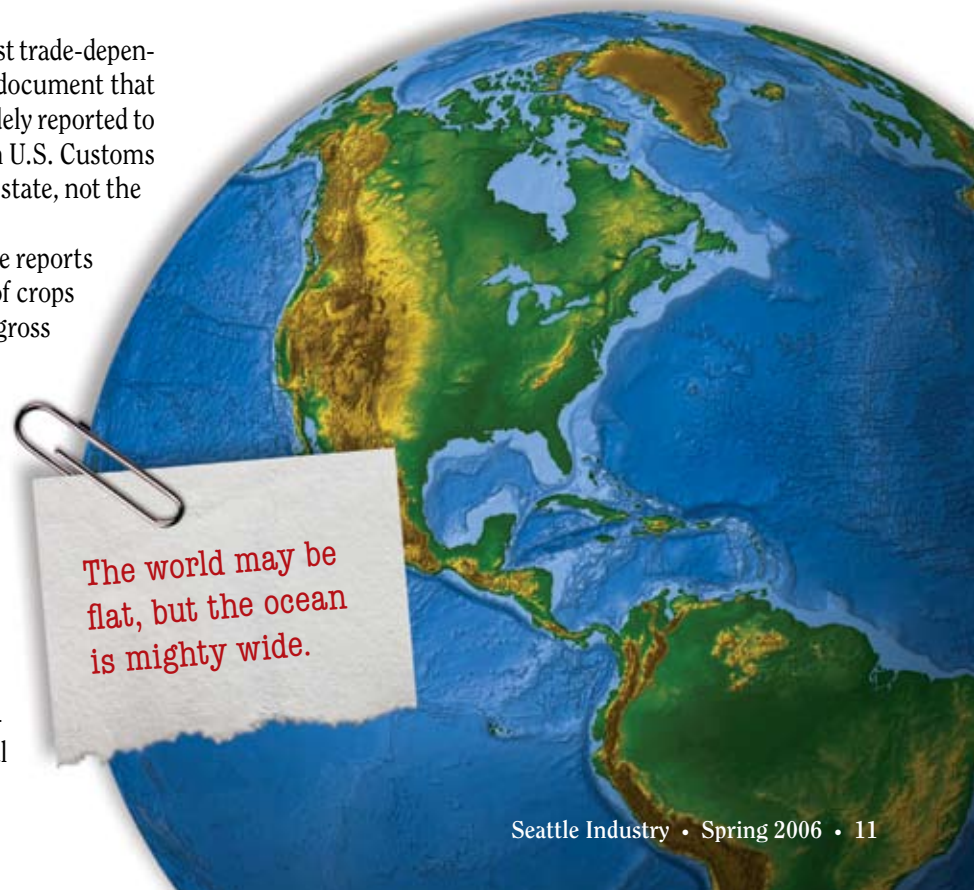
Carson attributed our positive condition to the fact our manufacturing base is so skewed to the production of capital goods – airplanes, trucks, boats and an amazing variety of industrial machinery and equipment. Regions that rely more strongly on the production of retail consumer goods are hurting and are much more subject to the "China price" and the Wal Mart phenomenon.

Our region enjoys also some key strategic advantages that help support local manufacturing.

Our Corner of the World

The world may be flat, as author Thomas Friedman states in his best-selling book, but the Pacific Ocean is still mighty, mighty wide and that's just one of the regional advantages that bolsters our place in the world economy. It takes about 11 days for a ship to cross the Pacific from Asia. That's a long period of time in the era of "just-in-time" production and companies in our region enjoy a big edge over foreign competitors through their location in the North American market.

We are also located in a corner of the world with good proximity to a wide array of abundant natural resources that are in high



demand today. These include timber – Washington and Oregon are still the two leading timber producing states in the nation -- and, thanks to our Alaskan and Canadian neighbors to the north, copious amounts of seafood, minerals, oil and natural gas.

Our manufacturing base also still enjoys the fruits of two huge booster shots. In World Wars I and II, our region emerged as one of the nation's largest defense production centers, creating everything from ships to coffins to trucks to B-17 bombers.

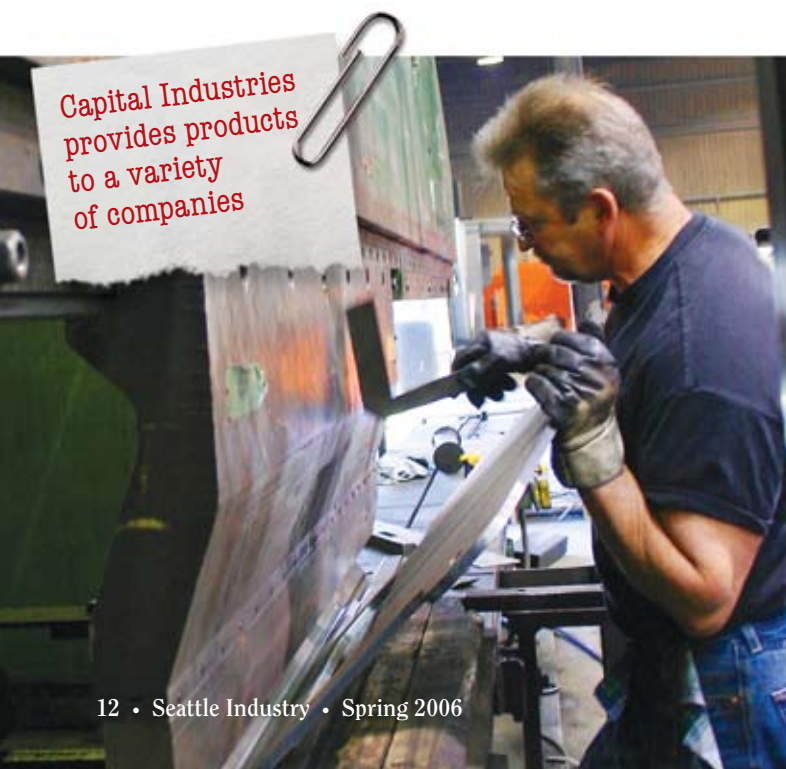
Because our region comprises the newest corner of the New World, it is also the site of significant construction activity that will continue for centuries to come.

Our survey suggests there are many close ties between construction and several manufacturing sectors. Construction sales and jobs grew over the decade and some manufacturing sectors grew right along with it. For instance, construction supported growth in companies that make cement and gypsum board (sales up 69 percent; jobs up 14 percent). Furniture was also a growth sector, pulled along strongly by companies that make kitchen cabinets and countertops. Those companies were up 30 percent for jobs, and 102 percent for sales.

Capital Production

Capital Industries grew up over the past 53 years by pursuing business opportunities connected with all these historic strands of our industrial economy. Regular customers include oil companies that purchase parts to support oil production on the North Slope of Alaska and in northwestern Canada. The company also makes parts for food processors, marine industries, and the general construction trade.

On the day *Seattle Industry* surveyed the company, its workers were turning out finished goods for a customer list that included:



PACCAR

Bellevue-based PACCAR delivered 148,000 trucks around the world in 2005, and thousands of them included parts made at Capital Industries. Founded in Seattle in 1905, PACCAR celebrated its centennial in 2005 while scoring its most profitable year in history, earning net revenues of more than \$1 billion on sales of \$14 billion. It was the 67th year in a row of profitability for the company, which is one of the largest truck makers in the United States and one of the largest in the world. On the day *Seattle Industry* visited, Capital's workers made, crated and shipped a wide assortment of steel shapes and brackets that were bound for PACCAR factories in nearby Renton and company plants in Ohio, Canada and Mexico. Some of the parts will be used to help bolt truck engines in place. Others will help form and support wheel wells. Thousands of hinges made at Capital make it easy to swing open the engine hoods of Kenworth and Peterbilt trucks.

GENIE INDUSTRIES

Genie makes hydraulic boom lifts that are moved around by a variety of self-powered industrial lift trucks. Founded by a Seattle man, Founded in 1966 by a Seattle man, Ben Bushnell, in the basement of his home, Genie has grown to become one of the largest manufacturing companies in the state with 3,000 employees, most of them located at a large production complex in Redmond with the remainder at a plant in Moses Lake. Genie is part of the machine manufacturing sector that posted sales growth of 136 percent in the decade, \$1.4 billion to \$3.3 billion, and job growth of 13 percent, 11,170 to 12,676. Genie is now owned by TEREX, a world-wide company based in Connecticut that makes construction and mining equipment. On the day of our visit, Capital workers turned out dozens of "hinge plates," large steel shapes that are placed inside lift trucks to strength the operating base for the hydraulic booms. Genie's international reach was demonstrated to Capital's sales manager Gary Johnson earlier this year when he attended the opening ceremony for the Winter Olympics in Italy. The person who lit the flame was elevated to the task by the boom of a Genie lift truck containing lots of parts from Capital Industries.

ALUMINUM CHAMBERED BOATS

Aluminum Chambered Boats (ACB) uses a unique hull design that consists of several hollow, airtight chambers. The chambers are formed at Capital Industries where workers bend each chamber into shape from a long length of aluminum, leaving each end open. At the ACB plant in Bellingham, welders seal the ends to make them watertight and several chambers are then welded together to make up the hull for each boat. Gross revenues for boat builders in Washington grew 280 percent in the past decade, from \$289 million to \$1 billion, and jobs in the sector grew by 88



Aluminum Chambered Boats (ACB) uses a unique hull design that consists of several hollow, airtight chambers. The chambers are formed at Capital Industries where workers bend each chamber into shape from a long length of aluminum, leaving each end open.

percent, from 2,245 to 4,222. ACB contributed to the growth as it went from a garage shop with three employees eight years ago to 100 workers in 90,000 square feet of production space today. CEO Larry Wieber said the company buys most of its supplies from Seattle, including engines, marine gear, paint and other aluminum parts and supplies. "We spend a lot of money down there," Wieber said. ACB's customer base is weighted to Alaskans and the U.S. military.

GILLIG INDUSTRIES

Founded in San Francisco in 1890 to build buggies and carriages, Gillig is today the second largest transit bus manufacturer in North America and its 700 employees in Hayward, California turn out 1,200 to 1,300 buses each year. Customers range from Florida to Alaska. Capital makes aluminum parts for Gillig Vehicles.

DISPOSAL COMPANIES

One portion of Capital's plant is also set up to support a production line that turns out two-ton "roll-off" boxes for garbage haulers. The products are made for garbage companies in Hawaii, Alaska, Oregon, Montana and Washington. Each one takes about 40 hours to make. Capital produces about 30 each week-year.

On the day of our visit, Capital workers were also wrapping up two custom orders. One, for a port authority in the Hawaiian Islands, was for aluminum frames to support boat bumpers on

piers. The other was a stainless steel kettle for a Seattle-based company that makes machines for frying donuts.

Capital History

Capital was founded in 1953 by David Taylor Sr. and although the firm makes parts for capital goods, that was not the reason for its name. The name was coined by Taylor's wife because at the time he launched the business he possessed plenty of "industry" but no "capital."

Taylor had worked as a procurer for a major military contractor during World War II. After the war he believed there would be an enduring market for replacement parts for military vehicles and equipment. Following his intuition, he opened a small parts making shop in a garage near his home in the Rainier Valley.

The company quickly grew by expanding from the military market to customers in the timber industry, ship building, commercial fishing and growing transportation industries. Taylor retired in the early 1980s, turning over the business to his two sons, Ron and David Taylor Jr. who run the company today. Ron, the president, is in charge of operations. David oversees sales.

The Taylors trace the development of the family business through four distinct phases, each lasting about a decade. First, the company focused on sales to companies in greater Seattle. Then the company expanded to a state-wide market. Next, its customer base became regional and national in scope and, in the 1980s, the customer base went international. At each step, Capital made the steps necessary to keep old customers and reach new ones.

That meant steadily increasing the speed and consistency with which it made parts. That meant investing in more sophisticated equipment including high-wattage laser and plasma cutting



David, Bryan, Ron and Lyle Taylor with a portrait of company founder, David Taylor Sr.

machines that reduced the need for dozens of tools and machines as well as lowering the number of labor hours required to perform repetitive tasks. Capital also adapted to the “just-in-time” flow of supplies and product distribution to reduce inventories and keep customers happy. The changes were essential to keep up with the trend in which customers seek quicker turnaround times between work orders and deliveries.

As the company became more productive, Capital was able to reduce its work force from a peak of about 120 to less than 100. Capital also watched many of its former competitors go out of business.

Looking to the future, Ron Taylor does not foresee much of a threat from foreign competitors because of Capital’s proximity to its customer base in North America and the turnaround times that can’t be met if a delivery must include a transoceanic cruise.

Ron’s sons Kyle and Bryan have joined him at Capital and Ron thinks the future of the business looks bright. “I think it’ll be more of the same,” he says – meaning more adaptations, more productivity, more changes in technology and, hopefully, more sales and profits.

Adds Capital’s business director, Ray Fitzgibbons:

“We can kick butt as long as we can keep turning around work orders faster than it takes for a ship to cross the Pacific Ocean.”

Boeingitis

Let’s see...a healthy, growing metal-fabricating company run by bright, committed people who see a solid future for their business.

Can community leaders today even conceive of such things?

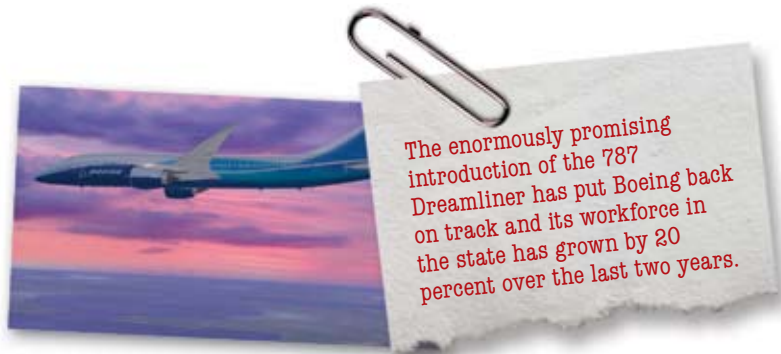
The answer seems to be in doubt. Throughout history, many in our region’s leadership have often suffered from a vision disease – call it “Boeingitis.” Symptoms include the inability to



look at manufacturing and see anything except for The Boeing Company – or, maybe Boeing and “all that other stuff.”

For those suffering from this condition, the past seven years must have appeared at times to signal the beginning of the end.

From 1999 to 2004, Boeing slashed its workforce from 104,000 to 53,000 during a roller coaster run for the company that was marked by declining sales, the move of corporate headquarters to Chicago, scandals, the rise of Airbus and plenty of reminders that a whole lot of Boeing manufacturing work once performed in this region has been exported to suppliers in other countries.



The enormously promising introduction of the 787 Dreamliner has put Boeing back on track and its workforce in the state has grown by 20 percent over the last two years, but good news is often no news and you have to wonder how many people still keep track?

Today, many community leaders and opinion leaders only talk of manufacturing in the past tense, as was demonstrated by a guest editorial printed by the Seattle Times on April 20, 2006. The editorial was written by four prominent civic leaders representing three important institutions in our region.

The guest editorial called for a new focus on “logistics” as the new source of the “good jobs with decent pay” that were once provided by manufacturing. In making their case the authors went on to note the following: “While many view the manufacturing sector as a race to the bottom – competition based on lower labor costs – the battle for the logistics ... will be a race to the top.”

Baby Got Back

The guest editorial brought to mind the old rap tune by Sir Mix A Lot, “Baby Got Back.”

Because if manufacturing is the “bottom,” in our region it is still pretty big and it is worth a second look.

According to the federal government, manufacturing in our state exerts a stronger economic impact than either the entire retail sector or the sector that includes Microsoft.

Total jobs are down, but business revenues are up and an ambitious young person looking for a good career opportunity in manufacturing will have no trouble finding one.

A record profit wasn’t the only accomplishment of note this year for truck manufacturer PACCAR. The company’s CEO Mark Pigott was also invited to the White House to receive the National Medal of Technology. The medal is awarded to individuals “for their outstanding contributions to the Nation’s economic, environmental and social well-being through the development and commercialization of technology products, processes and concepts; technological innovation; and development of the Nation’s technological manpower.”

It makes you wonder: Do you think the race to the bottom will be won by someone driving a Kenworth?

The surest way to lose our manufacturing base is to forget we still have one. ■

World Trends & THE CHINA “CARD”

The U.S. is not the only major economic power that's losing manufacturing jobs. Job losses in other countries were highlighted in a study released in 2003 by the consulting firm, Alliance Bernstein.

The company looked at manufacturing in the 20 countries with the largest economies in the world. It found these nations lost 22 million manufacturing jobs between 1995 and 2002. The U.S. was one of 10 nations that lost jobs. Others with significant losses included Japan, South Korea, Russia, Germany, Sweden and Brazil.

But no country lost more manufacturing jobs during the study period than China. China lost 15 million manufacturing jobs, suffering a higher loss rate – 17 percent – than the 12 percent loss for the US. The survey period coincided with a time when many China's manufacturers that had been owned by the government were privatized, resulting in layoffs for millions of workers.

The report was publicized in the *Wall Street Journal*/newspaper and the number of China's lost manufacturing jobs is often cited by "free traders" in defense of the existing trade relationship with China. If even China is losing jobs, they ask, why should we be surprised by U.S. job losses?

But China is a wild card, notes Joseph Carson, the economist who wrote the 2003 report for Alliance Bernstein.

China job losses stopped in 2000, the year before China was permitted to join the World Trade Organization, an event that provided the Chinese with greater access to the US and other foreign consumer markets. From 2000 to 2002, China added 2.6 million manufacturing jobs. After the report came out, Carson said, China changed its methodology for calculating and reporting job figures.

"I think they want to hide how many jobs they are creating," Carson said

Carson said his researchers believe China has added 10 million manufacturing jobs since 2000 while the U.S. lost three million after holding steady at about 17 million jobs from 1995 through 2000.

Carson argues that in the long run, manufacturing job losses are not necessarily bad, comparing it to the loss of farm employment in the early 20th century following the introduction of machines and vehicles to replace work that had been performed by people and animals. "It's a sign of progress," he said. "It shows we're increasing our productivity." ■



Still Running; Still Hungry



Some of our
best manufacturers
are open for tours
during Manufacturing
Appreciation Week

In the best selling book, *The World is Flat*, author Thomas Friedman quotes an African proverb to describe the global economy after China joined the World Trade Organization in 2001. The proverb holds that every morning, gazelles wake up in Africa knowing they must run faster than the fastest lion or they will be killed. At the same time, lions wake up knowing they must outrun the slowest gazelle or they will starve. Whether you are a gazelle or a lion, “when the sun comes up, you better start running.”

Metaphors like starving lions and eaten gazelles tend to dominate perceptions about U.S. manufacturing, but manufacturing winners continue to bound across the economic landscape. Successful companies and sectors in our region will be highlighted during Manufacturing Appreciation Week through a tour program enabling guests to see each business up close and personal.

One tour location – the Boeing wide-body production complex near Everett Field – might not have made such a list just two years ago as the company hit the low end of a dramatic, six-year slide. But with the 787 Dreamliner off to a highly successful launch, Boeing airplane orders are up dramatically and Boeing’s work force in Washington has grown by 20 percent since the summer of 2004.

But you can read about the Boeing turnaround nearly every day in the newspapers. What follows are looks at some of the other, less visible companies that are part of our manufacturing base and the tour program.

Tour Schedule

| | |
|---|---|
| Nucor Steel in Seattle..... | May 30, Noon |
| Kvichak Marine in Seattle | May 30, 1:30 pm |
| Western Towboat in Seattle..... | May 30, 2:30 pm (tugboat tour of Salmon Bay) |
| Electroimpact in Mukilteo..... | June 1 |
| BP Oil Refinery in Blaine..... | June 7 |
| Boeing Wide Body Plant in Everett..... | June 8 |
| Aluminum Chambered Boats in Bellingham .. | June 9 |

**To RSVP or learn more about the tours,
call 206-762-2470**

ELECTROIMPACT

Engineer Haven

It’s not your father’s aerospace industry—and if you want to learn how much it’s changed, take a visit to Electroimpact in Mukilteo.

The company employs a production team of 205 engineers who design and build almost everything the company makes. Some of the products are so advanced, it is almost impossible to describe them.

One enormous Electroimpact machine drills holes in the wing sections of the Airbus 380 jumbo jet. The machine is designed and built in Mukilteo, then broken down, crated and shipped to an Airbus assembly plant in England. Electroimpact has designed, built and shipped 14 of these machines to Airbus.

Another Electroimpact machine will soon be drilling holes in the fuselage of the Boeing 787. While the fuselage “barrel” remains open-ended like a pop can, it will be pulled into the machine then turned slowly. By the time the barrel stops turning a few days later, the machine will have drilled every hole necessary to bolt the graphite skin of the fuselage to its support frame.

Electroimpact President Peter Zieve holds a doctorate in engineering and his father was an engineering professor. Zieve



Electroimpact President Peter Zieve established the company in 1986 with an objective to develop a company with a corporate culture that would appeal to engineers.

established the company in 1986 and one of his objective was to develop a company with a corporate culture that would appeal to engineers. Today, Electroimpact has the look of a place where the engineering staff is firmly in charge.

On a recent visit, the landscaping outside the complex looked a little like Einstein's hair, shaggy around the edges. Inside, computer labs were surrounded by the kind of clutter often found in college dorm rooms. Production areas were much neater and were filled with the bustle of engineering teams tending to their assembly projects. As Zieve walked through, he seemed current on every project and appeared to know every engineer by first name.

He expressed concern that the demand for engineers is high while so many kids today grow up without garages to tinker in. "You've got to have garages," he joked with one group of workers. "The garage is a national treasure that has to be preserved."

NUCOR STEEL

Loyalty, Productivity, Profits – and China

Even on the brightest sunny day, passing motorists can look inside the dark interior of the West Seattle steel plant and see the orange glow of molten steel being formed into shapes while clouds of steam billow from the factory. But the antiquated look obscures a key point: the 100-year-old plant celebrated its centennial in 2005 with its most productive year in history.

Workers turned out 750,000 tons of steel rebar and other products for delivery to construction companies and projects from San Francisco to Alberta, Canada. That was up almost 30 percent from three years ago when the plant was purchased by Nucor Steel and the Pacific Northwest gained a new corporate neighbor that is both remarkable and somewhat controversial.

Based in North Carolina, Nucor is the largest steel maker in the United States and it well represents the enormous changes that have taken place since the U.S. steel industry hit its peak for production in 1969. Nucor is vastly smaller than its predecessors.

It is also profitable. Nucor earned net revenues of \$1.3 billion on \$12.7 billion in sales in 2005. After 2001, returns to Nucor shareholders grew by 387 percent. These and other accomplishments resulted in *Businessweek* magazine naming Nucor Steel the top US business of the year for 2005.

Nucor achieves such results with a corporate culture as remarkable in its way as the one at Electroimpact. It started in the early 1980s when the company was much smaller almost went broke during a national recession. Looking to cut costs, CEO Ken Iverson started by cutting his own salary from \$450,000 to \$100,000. He eliminated all "perks" for executives. He engaged Nucor employees to get their ideas to improve productivity. He made a pledge that no Nucor employee would lose his or her job until or unless its plants shut the doors.

The pledge was kept, the measures worked, the corporate culture stuck and Nucor's remarkable run was underway, fueled by an ambitious bonus system based on productivity. Pay averages more than \$70,000 per year and although Nucor employees are among the best paid workers in the steel industry, the company's operating costs remain low due to the high productivity of its workers. The changes endured following Iverson's retirement in 1999. He was replaced by current CEO Dan DiMicco, who has guided the company to higher profits and productivity than it enjoyed under Iverson.

Nucor's approach to productivity and safety is illustrated by the change in safety performance after Nucor took over the West Seattle steel plant in 2003. The year before, workers at the plant missed 406 work days due to shop injuries. The first two years under Nucor, the same exact group of workers missed only two days in each year.

So, how could Nucor be considered controversial? In a word, "China."

Nucor CEO Dan DiMicco says his company can win in the global economy unless its faces products subsidized by governments for other nations.



The present CEO Dan DiMicco is a leading spokesman for business groups lobbying the U.S. government to step up pressure on China to comply with trade requirements it agreed to when it was admitted to the WTO in 2001. It's a view point that may be shared by some in our region, especially concerning the issue of intellectual property rights. But such views are seldom given voice around here. In the meanwhile, Nucor is shouting its message from the rooftops.

While our region was preparing to host Chinese President Hu Jintao on his recent visit to Seattle, Nucor was hosting a rally at the Darlington Raceway in South Carolina concerning China trade issues. The rally was attended by nearly 4,000 people. Nucor is hosting other rallies in states where it has steel plants.

DiMicco warns that if the Chinese can continue to subsidize imports to our country, it could capture growing shares of higher value sectors for capital goods in the same way it captured major market shares in consumer sectors for clothes, toys and electronic goods. While countries like Japan have also competed successfully with U.S. firms for shares of the North American market, DiMicco says China presents a special challenge due to its size, the nature of its government and the actual and potential value of the Chinese consumer market to global companies like Boeing, Starbucks and Microsoft.

DiMicco says companies like his aren't worried about competing with China on labor costs or productivity. Nucor research shows it takes Chinese workers more than 12 hours of labor to produce a ton of steel while Nucor workers can produce a ton in less than an hour. But Nucor wouldn't be able to compete with a "China price" for steel if the Chinese government uses other means to cut the price of imported steel offered here.

BOAT BUILDERS

On the Water, In the Blood

Lots of kids in the Pacific Northwest grow up playing around with boats, so it's probably not too surprising that some people grow up to build them. Boating building grew dramatically over the past decade to become a billion dollar industry and drive new

Jim Meckley, Brian Thomas and Keith Whitmore started Kvichak Marine in 1983 in a two-car garage with the goal of making sails for racing boats.



Larry Wieber started Aluminum Chambered Boats with three employees in a tiny shop that has grown into one of the larger companies in the sector.

demand for welders and other craftsmen. A growing segment of the market is devoted to luxury yachts but aluminum work boats for private and government customers remain a staple. A few companies in our region also continue to turn out a tugboat or two.

CHAMBERED HULLS

Aluminum Chambered Boats was only an idea 10 years ago as entrepreneur Larry Wieber tried to think of ways to get into a business that would bring him closer to his love for the water.

He felt there was a growing niche for aluminum boats to replace boats of fiberglass and from his days as a kid attending a church summer camp outside Spokane, he remembered that the camp's aluminum runabout would always go faster than the wooden one. He started an aluminum boat building business with three employees in a tiny shop that has grown into one of the larger companies in the sector.

The "chambered" portion of the company name alludes to the fact its boat hulls are made up of hollow chambers of aluminum that are watertight and welded together. As a result, the boats are buoyant and hard to sink. Customers include the U.S. military and companies in Alaska.

"I wanted an office on the waterfront and I wanted a company on the water front, and I wound up with both," Wieber says of his production plant at the Port of Bellingham.

KVICHAK MARINE

Jim Meckley, Brian Thomas and Keith Whitmore met each other in high school while racing sailboats at yacht clubs in Seattle. Today they own Kvichak Marine, a company that they started in 1983 in a two-car garage with the goal of making sails for racing boats.

The company took off when it started making aluminum boats marketed to fishermen in Alaska's Bristol Bay. Now their company employs more than 100 production workers in a plant on the Lake Washington Ship Canal. The company turns out both small and large aluminum boats for a customer base that ranges from tour companies in the tropics to government agen-



Western Towboat, a tow company founded in Seattle by Bob Schrewsbury in 1948 with a single tug.

cies throughout the United States and to millionaires desiring yachts with aluminum hulls.

One of the partners, Brian Thomas, isn't so much concerned about off-shore competition from China or any other country. Instead he's worried about the future supply of skilled boat builders. "The industry is starting to lose some of the really seasoned people who have a lot of experience," he said. "They'll be hard to replace."

WESTERN TOWBOAT

Our maritime heritage on Puget Sound began during the sailing era. The Sound was an excellent home base because it is so sheltered from ocean storms and waves, it is also one of the most unpredictable places in the world for wind. In the sail era, that was bad. So, the region soon saw the birth of a thriving tugboat industry with a fleet of boats that would hook up with sailing vessels at Port Townsend then bring them south to Seattle, Tacoma and other ports.

The tradition continues today with companies like Western Towboat, a tow company founded in Seattle by Bob Schrewsbury in 1948 with a single tug. The company is owned today by his sons, Bob and Ric Shrewsbury. But they don't just operate a tow company, they build their own tugs, constructing their vessels at a location near Kvichak Marine on the Lake Washington Ship Canal.

The company today operates a fleet of 18 tugs and five barges. No tug is presently under construction but as part of Manufacturing Appreciation Week, Western Towboat will provide a tug tour of Salmon Bay and Ballard, providing a water-level view of some of the boats that comprise the North Pacific fishing fleet.

OIL REFINING

The Regional Rebate

Think of it as a rebate.

Nobody likes high gas prices, but Washington consumers get at least some of their money back because Washington is home to

five oil refineries, including the British Petroleum refinery near Cherry Point that is hosting a tour.

The oil refineries in our state have the capacity to process about 600,000 barrels of crude oil per day and the refineries make the gasoline that supplies western Washington, Oregon and parts of northern California. The refineries employ close to 1,800 people and pay wages that average more than \$80,000 per year. But the true job impact is much bigger. Oil refining has a "multiplier" job effect that some economists estimate at 11 to one. That means every refinery job creates 11 other jobs throughout our region.

More than two thirds of the oil refined in our state comes from Alaska. The remainder is imported from other nations. Production from existing fields on Alaska's North Slope is declining and while controversy stymies exploration in the Arctic National Wildlife Refuge, other oil resources are available up north. More than 10 billion barrels of known oil reserves are located in the National Petroleum Reserve on the North Slope west of Prudhoe Bay, where drilling is permitted, and western Canada has vast stretches of "oil sands" that are now commercially viable and provide Canada with oil reserves that are second only to those of Saudi Arabia.

The Washington State Research Council conducted a study in 2004 to document the overall impact of oil refining on our state. The report looked at 2003 and found the refineries processed 576,800 barrels of crude oil per day, producing 256,600 barrels of gasoline. Direct and indirect jobs were estimated at 20,148 people receiving \$930 million in pay. The industry also contributed \$36 million in retail and use taxes and \$53 million in state Business and Occupation tax revenues.

That adds up to more than \$1 billion per year in financial benefit. Retail gas stations in our state reported gross revenues in 2003 of \$5.7 billion, reflecting the big – and growing -- gap between what we pay and what gets recycled back into our regional economy. But look at it this way. People in Oregon pay a lot for gasoline, too, but Oregon has no oil refineries for gasoline production and no billion-dollar rebate. ■

Washington consumers get at least some of their money from the pump back in the form of wages from the state's five oil refineries, including the British Petroleum refinery near Cherry Point that is hosting a tour.



HIGH-TECH ANGST

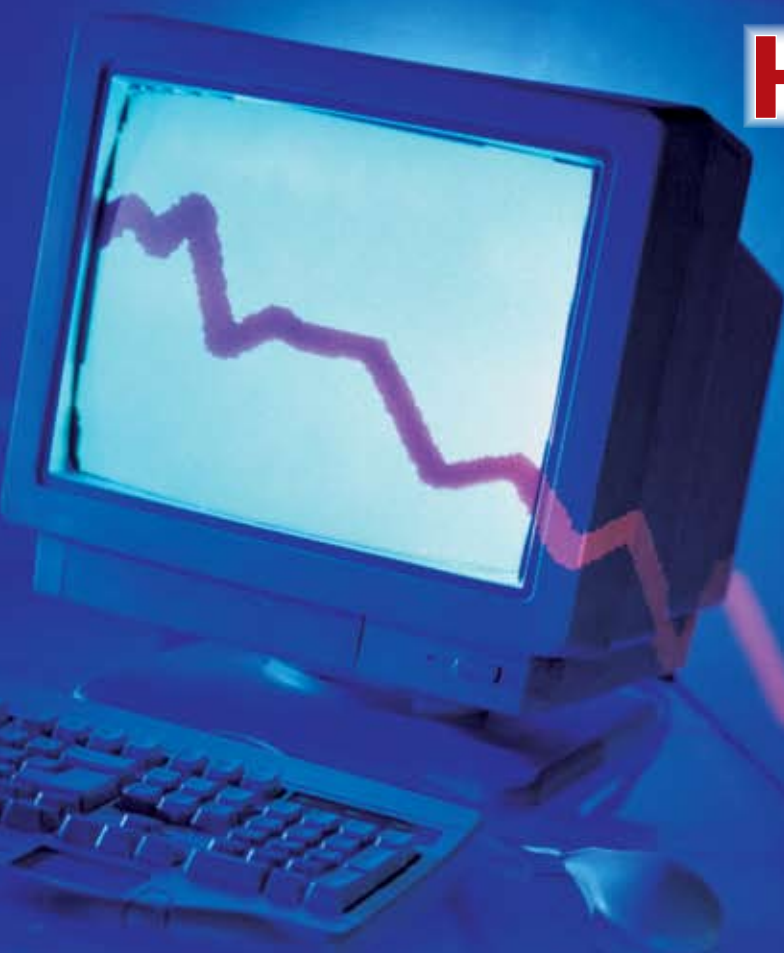
Who had a brighter future in manufacturing in 1994 than people engaged in the production of computers and computer-related products? Well, lots of folk, as things turned out.

The sector that includes computers had reported revenues of \$7.1 billion in 2004, up 45 percent from \$4.9 billion in 1994. But jobs in the sector dropped by 16 percent during that period, 25,971 to 21,947, and the decline included a 30 percent plunge from peak employment in 1999.

Chris Thomas, an economic analyst for the Washington State Employment Security Department, researched the sector for a report published by the state in 2003. He said the job side of the sector was hit hard by outsourcing to cheaper labor markets and increased productivity at home.

It remains an important sector because of the number of jobs it still provides and wages are high. In 2003, he said, payroll for the sector averaged \$62,654 per worker. But job security is not what it seemed back in 1994.

"There were a lot of improvements in technology," Thomas said. "It is a sector where you can really increase your output while lowering employment." ■



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Washington State's Manufacturer's Machinery & Equipment Sales / Use Tax Exemption is a significant incentive and familiar "friend" to most manufacturers. This exemption applies to purchases of machinery and equipment that are used directly in the manufacturing process.

But how well do you really know this tax exemption? We find that many companies eligible for this exemption and other tax incentives either inadvertently do not claim them to the fullest extent or miss them entirely.

Many manufacturers believe they are exempting most of their machinery and equipment from taxation. Yet we frequently find in our review of their purchases significant amounts of overpaid sales or use tax on the peripheral, but related items that qualify for the exemption. Tax law allows refunds for overpayments and missed deductions going back four years. When these overpayments accumulate over several years, the total refund can be significant.

CASE STUDY: A metal manufacturer was claiming the exemption and was audited by the Department of Revenue. The DOR reported that the company was paying its taxes "just about right." After a review of their purchases, the manufacturer received a refund of hundreds of thousands of dollars.

Are you eligible? Are you underutilizing? Are you missing deductions? Overpaying?

Let's determine if there might be a refund opportunity for your company. ■



Cash In On Your Inventory – *Managing Your Most Important Investment*

Inventory is the most important asset for manufacturers and distributors because it is the key component in maintaining customer satisfaction as well as your company's bottom line. If inventory levels are inaccurate, customers will buy elsewhere if you don't have stock that you thought you had, or your business will incur additional costs to carry extra stock on hand. There is a happy balance that can be reached.

The "annual" physical inventory count is crucial to inventory accuracy. However, if you measure inventory just once per year, how truly accurate is your inventory? To better understand the importance of inventory accuracy, think of **inventory as cash**. Would you be more diligent about measuring your inventory if the dollar amount of inventory on your balance sheet was literally cash sitting in the warehouse? Most people know exactly how much cash is in their checking account – shouldn't inventory be viewed the same way? Inventory accuracy will improve substantially by implementing a cycle counting system. Once the groundwork is completed, a **cycle counting system** is easy to follow, maintain and analyze. Reliable and accurate inventory levels allow for more thorough analysis and better decision-making by management. This is because there is a better picture of what is available for the manufacturing process, or to sell to a customer as well as to forecast future purchasing needs.

Change your mindset. Focus on inventory as cash and strive for accuracy – your customer service level and bottom line will improve. ■

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**For more inventory management
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Longer stories about each featured business can be found on the Seattle Industry website at www.seattleindustry.org.

Industrial

Geomatrix Helps with Environmental Barriers

Long gone are the days when the redevelopment of an industrial site was simply a matter of making sure a planned facility met local zoning codes. Modern construction often means environmental impact studies, sensitivity to waterways, wetlands, and wildlife, and cleaning up hazardous waste left by a company that previously occupied the construction site.

Geomatrix Consultants, Inc. specializes in a one-stop approach to mitigating the barriers that can add time costs to a project. Geomatrix recently managed the clean-up of the former Rhone-Poulenc site along the Lower Duwamish Waterway. The project required the use of vibrating beam technology to install a slurry wall to a depth of 80 feet below ground to isolate soil contaminants. Read how the project moved ahead at www.seattleindustry.org.

Many of Geomatrix's clients are private businesses, but the Port of Seattle, King County and Sound Transit are among the public agencies that have worked with the firm.



North Star Casteel uses traditional casting methods to make parts for heavy industrial companies.

Seattle Foundry Uses An Ancient Process

North Star Casteel uses an ancient process for casting some parts from steel. At its plant off Airport Way in south Seattle, molten steel is poured into a special mixture of olivine sand that's mined near Arlington, Washington. Workers who perform the task receive special training.

"It isn't like pouring wax into a mold," said company manager and CFO, Kurt Gray. "The steel reacts with the sand. The worker has to have an understanding of that reaction as well as the properties of the molten steel as it pours around and into hollows and other spaces."

North Star makes parts for heavy industrial companies including firms engaged in mining, cement making and the production of transportation equipment. The company weathered the recession that followed the 9/11 terrorist events but it has taken three years of good sales growth for the company to regain the sales level of 2001.



Senior management team for Geomatrix in Seattle.

Spotlight

by Morris Malakoff

Mechanical Sales

Mechanical Sales, Inc. (MSI) is a company that few know of by name but from whom many benefit.

"Everybody needs heat and nobody wants to go without hot water," says company president Chris Jostol, referring to the end products that result from many of the systems that are designed and marketed by the family-owned supplier of residential, commercial, and industrial pumping, heating and cooling systems.

MSI adds self-designed and assembled intelligent control systems to make the basic equipment that they integrate into projects operate smarter and more efficiently.

Founded in 1971 by Ronald Jostol, MSI is now operated by his sons, Chris and Barry. Headquartered in Georgetown with offices in Spokane, Portland, and Anchorage, MSI employs about 30 people who work with mechanical engineers, contractors, and builders to design appropriate climate-control systems for a variety of projects in the region.



Chris Jostol shows a Mechanical Sales control system.



Western Ports team in South Park.

50 Years of Containers

Steve Tyner, founder and president of Western Ports Transportation, points out that 2006 is the 50th anniversary of the birth of containers – the rectangular steel shipping boxes that revolutionized maritime and overland transport of cargo.

"It was revolutionary," he said. "Everyday we see not only more container traffic, but a greater variety of goods that are shipped in containers to make use of the intermodal system."

The world of intermodal transfers is competitive and Western Ports is in the thick of it. Based in Seattle's South Park neighborhood, the company is a freight shipment facility. Say a company in Marysville wanted to buy a container load of manhole covers from a company in Texas. They might call Western and Western would act like an intermodal travel agent who would line up all the details for the rail and truck portions of the trek from Texas to Marysville.

Western Port was founded in 1990 and like everything else involving containers, business has just kept on expanding. "We've seen growth every year since," Tyner said. ■

The Heart of Product Development

In the world of manufacturing, the lifeblood of any product development cycle is design – a well defined process that combines consumer research and prototyping.

Whether you're developing a life-saving medical device or the latest tech gadget, applying data from the first phase of development to the design focus of the next results in product refinement, customer loyalty and a competitive advantage in today's marketplace.

The Philips HeartStart is a perfect example. Ten years ago Philips contacted Moeller to prototype a revolutionary new product. Moeller delivered high-accuracy parts, replicating the intended new product. And ever since has delivered multiple iterations from one development cycle to another.

It is award-winning product development at its finest and Philips has earned many accolades, most recently the Frost & Sullivan award for product leadership.

For years Moeller's state-of-the-art facility has been the pulse of rapid product development. In the hands of experts ideas don't just take shape and form, they come to life:

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Ground Up

Imagine a ground-up opportunity for business managers and owners to help design a brand new work-oriented education facility and service institution. That opportunity is now available as the South Seattle Community College (SSCC) continues its initiative to design and build the new Puget Sound Industrial Excellence Center in Georgetown.

SSCC already offers well-regarded training programs for welders, aircraft mechanics, heavy equipment truck drivers and mechanics. It is also home base for the Duwamish Apprentice and Education Training Center where 2,000 students per year learn professional skills as boiler makers, cement masons, electricians, glaziers, iron-workers and painters.

With the new Puget Sound Industrial Excellence Center, SSCC President Jill Wakefield is building on the college's existing strengths. Her goal is to add new services that directly benefit businesses and employees, including new customized training programs. She is also incorporating economic development services offered by organizations that specialize in helping industrial businesses.

She has the instructors, the professional service providers, a building site, conceptual drawings and about \$10 million in state funding to build the new center. All that's missing is you – if you are a business owner or manager who would like to help invent a local service center designed to meet your workforce needs.

The college is hosting a ground breaking ceremony, open house and lunch on Friday, June 2, 11:30 to 1:30, to help kick off the Puget Sound Industrial Excellence Center initiative and to provide an opportunity for business people to see the site and learn more about the plans. The location for the event is the existing Duwamish apprentice center at 6770 East Marginal Way. To RSVP for the open house, call the Manufacturing Industrial Council of Seattle at 206-762-2470. To learn more, show up at the event – and turn the page.



Ground breaking June 2: SSCC President Jill Wakefield is ready to build the Puget Sound Industrial Excellence Center.

Businesses interested in SSCC customized training programs, work-based English instruction for employees and other instructional programs should call Mike Porter at 206-459-3859.

"Ground Up" is a special supplement to Seattle Industry magazine.

Start Here, Go Anywhere

By day, Pamela Ho works as a production control technician, developing and tracking work orders for Capital Industries, a metal fabricating company in Georgetown. At night, she takes community college classes, and next fall she plans to enroll in the engineering program at South Seattle Community College. After getting her community college degree she plans to transfer to the University of Washington to pursue a four-year degree in engineering and, maybe, a career in manufacturing.

The motto for SSCC is “Start Here, Go Anywhere” and every year and season, hundreds of students like Pamela Ho do. Some, like Pamela, are pursuing college programs that lead to four-year institutions and advanced degrees. Others are in two-year and other near-term programs aimed at career paths in technical fields.

The college’s success in helping such students is the root of the new Puget Sound Industrial Excellence Center that is under development at the college’s Duwamish campus. The idea is to build on the good things the college does and make them better by forging stronger ties with the neighboring business community and creating new services desired by businesses, employees and students.

And at SSCC, there is never a shortage of good students, teachers and businesses that are striving to accomplish great things.



Pamela Ho works as a production control technician at metal fabricating company Capital Industries.



West Seattle Huling Brothers employer Lloyd Light and technician Souphy Phousouvanh.

A RUNNING START

Souphy Phousouvanh started at SSCC in 1998 while he was still a senior at Rainier Beach High School. Phousouvanh began earning college credits while still in high school through the “Running Start” program, taking a class in the SSCC automotive program. After high school, he enrolled in the SSCC Automotive Collision program. With his “running start” he was able to jump ahead of the introduction classes and started learning to weld immediately.

Just before Souphy’s graduation in 2001, SSCC instructor Steve Ford helped him get a job as a painter’s assistant at Huling Brothers Auto Body Shop in West Seattle. “It wasn’t bad,” Souphy said, “I went from a minimum wage job at Hollywood Video to double the wage plus benefits.” Now a full-time Technician, Souphy averaged over \$24 per hour in wage and commissions in 2005.

Souphy’s boss at Huling, Lloyd Light, gives guest lectures in at SSCC a couple of times a year. His goal is to give the students insight into the difference between the classroom and the work place. As a former vocational teacher, Light likes working with young people. “Today’s technicians are much smarter,” he said. “They have better training and background in computers then even a decade ago,” Light reports.



Alaskan Copper Works welding superintendent Charlie Herberg with employee Ranbir Singh.

A JOB WITH A FUTURE

Ranbir Singh came to SSCC through a customized program to teach basic manufacturing skills. The program was developed by SSCC instructors for the Seattle Jobs Initiative, a program serving people with low incomes who want to get ahead, like Singh. He came to the US from India in 1999. After working in a restaurant for four years, Singh wanted to get back to his roots. In India, his family had a business that manufactured knitting machines. He signed up for the SJI manufacturing program offered at SSCC. "The metal industry was in my blood," says Singh, "I had to get back to that. I needed a job with a future."

The three month program enabled Singh to get an entry-level job as a helper at Alaskan Copper Works, a metal fabricating firm in Seattle. Singh started out earning less than he did at the restaurant, but he said he knows he has a chance to better establish himself in the US while he progresses toward a good journeyman wage. "With my training from SSCC, I can work anywhere in the world."

ADVISORY COMMITTEE

Singh's boss at Alaskan Copper Works is Charlie Herberg, the welding superintendent. Herberg graduated from a community college in 1973. Today he serves on the SSCC Advisory Committee for the welding program. The committee meets three to four times a year to help keep instructors up on industry trends. "Our job is to let the college know what

we're doing in today's workplace, what processes we use and what equipment we're relying on," Herberg says. Shop tours of Alaskan's 6th Ave S facilities are part of the relationship, as well.

Herberg says it only makes sense to keep up close ties with the instructors. "We're always looking for welders. Those guys know our shop and know which students to direct our way."

TAKING STOCK

So, let's take stock. SSCC has a good, creative faculty capable of adapting to custom needs and responding to eager students. The student body is full of energetic, ambitious students of the type that have moved the wheels of commerce since time immemorial. Business people are involved with the college as advisers and guest speakers because it's a "good" thing to do. It's a smart one, too, because they meet influential instructors and ambitious people on the cusp of entering the workforce.

And instead of resting on its laurels, the college is attempting to get better at what it does through the establishment of the Puget Sound Industrial Excellence Center (PSIEC).



The new Puget Sound Industrial Excellence Center will expand training programs at SSCC.



WHAT WOULD YOU LIKE THE COLLEGE TO DO?

The PSIEC will provide replacement buildings for some existing apprenticeship programs and it will eventually include a new building at the old Hat and Boots site off of East Marginal Way. Construction for phase one will get underway this summer.

SSCC President Jill Wakefield is working with an advisory committee to plan what the PSIEC should be. They see it as a one-stop center where local businesses can get connected with specialized training programs for their workers. They see it as a place where businesses can receive direct help and economic services. President Wakefield wants more advice from the business community before she firms up the plans. "We would like to use the PSIEC as an opportunity to build up our relationship with the local business community," she says.

If you would like to help, contact the Manufacturing Industrial Council of Seattle at 206-762-2470. The college is one of our best community resources and it wants business input to learn how it can become an even better one. ■

New Business Services Through SSCC

With its growing partnerships to support the Puget Sound Industrial Excellence Center, SSCC is gaining new partners who can help businesses. Two of the partners are Washington Manufacturing Services and Evergreen Community Development.

WASHINGTON MANUFACTURING SERVICES

The only goal for this non-profit group is to help Washington manufacturers become more competitive. Since its inception in 1997, WMS has served 1,000 manufacturers around the state.

Washington Manufacturing Services (WMS) can link local companies with expertise and hard-to-access national resources through its affiliation with the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership,

A recent beneficiary was North Star Ice Equipment, a 58-year-old company in Seattle that manufactures flake ice makers and ice conveying systems. North Star wanted to export component parts to customers in the European Union, but was worried about added costs of possible EU certification requirements. Consultants offered to get the answers for North Star for fees of around \$10,000. WMS was able to find a specialized office in the U.S. Department of Commerce that was able to provide all the information that North Star needed. The commerce department only charged North Star for document copying costs. North Star president, Alan H. Smyth, offers the following testimonial: "WMS saved us time and money by providing accurate trade resources. We didn't need to spend money on costly trade certifications, thanks to WMS findings"

You can learn more at the WMS website, www.wamf.org or call 1-425-1146.

EVERGREEN COMMUNITY DEVELOPMENT

Founded in 1980 Evergreen Community Development (ECD) is a non-profit organization that has helped 1,300 small businesses to receive \$550 million in long term, fixed rate loans, resulting in the addition of 13,000 jobs and retention of 15,000 more. ECD is a Certified Development Company regulated by the U.S. Small Business Administration and it is the largest lender of its type in the Pacific Northwest.

Evergreen's loans can be used for land or building purchases, construction or remodeling costs, equipment purchases and leasehold improvements. Loans are available to small businesses with net worth of less than \$7,500,000 and net earnings of less than \$2,500,000 (after taxes) on average for the last two years. Projects must create or retain employment or provide other benefits to its community.

Moeller Design and Development used Evergreen to help secure financing for its 30,000 square foot building on South Industrial Way in the Duwamish business area. Terms of the loan allowed Moeller to save money on the down payment, freeing up funds for working capital and moving costs.

For more information about ECD, call 206 622-3731 or visit the EDC web site at www.ecda.com. ■

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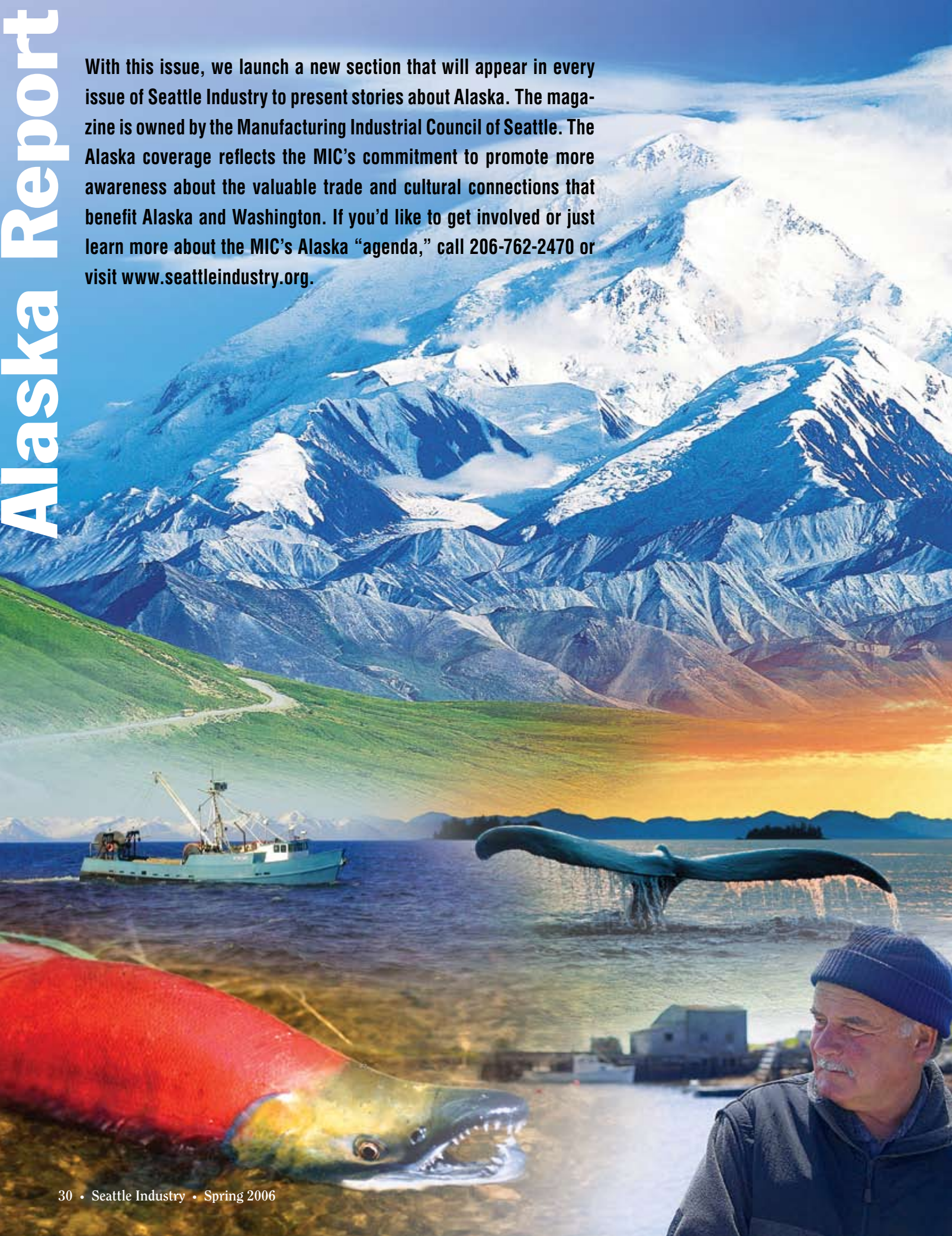


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Alaska Report

With this issue, we launch a new section that will appear in every issue of Seattle Industry to present stories about Alaska. The magazine is owned by the Manufacturing Industrial Council of Seattle. The Alaska coverage reflects the MIC's commitment to promote more awareness about the valuable trade and cultural connections that benefit Alaska and Washington. If you'd like to get involved or just learn more about the MIC's Alaska "agenda," call 206-762-2470 or visit www.seattleindustry.org.





Alaskans Bank on High Salmon Prices

Where's the next Copper River?

By Nadra Angerman

Tourists pay top dollar to enjoy Wrangell, Alaska – and no wonder. Wrangell stands next to the Tongass National Forest, an area that teems with bears, bald eagles, sea lions, whales, and all the other wildlife and scenery that make Alaska's Inside Passage an upscale tourist mecca. But when the travel bug bites, it flies the other way for Kayla Hay and many other kids who live in Wrangell. Kayla, age 5, likes going on family excursions to Seattle where she can go up and down the Space Needle, eat Krispey Kreme donuts, drink hot chocolate at Starbucks, and shop at Toys R Us.

Like vacations in Wrangell, excursions to Seattle don't come cheap, so Kayla's dad Chuck Hay and other commercial fisherman throughout Southeast Alaska are preparing for the coming salmon season with hopes it will bring prices like those of last year.

"Every year that the price of fish rises, I get a little more optimistic," says Chuck, who started fishing with his father back in the '80s. Since then, he's seen the good times and the bad.

Swamped in the 1980s by competition from cheap, farm-reared salmon, Alaska's salmon fishing industry went into a depression for 15 years. Fish prices hit rock bottom in 2001. Since then Alaska salmon prices have rebounded, thanks to successful marketing and rising international demand from high-end consumers who want seafood grown and caught in the wild.

Big fish and high salmon prices add up to more fun in Seattle for Wrangell, Alaska's Kayla Hay, age 5.

International Markets

Combined with growing harvests and sales of Pollock, the rising salmon prices have contributed to a dramatic increase in Alaskan seafood exports. Over the past five years, the dollar value of the exports doubled, reaching sales of almost \$2 billion.

Asia remains Alaska's largest export market, with sales up 56 percent over five years to reach nearly \$1.5 billion. The growth rate in Europe was even higher, growing by 557 percent, to surpass \$415 million in sales.

Salmon remains Alaska's most visible seafood product, but the biggest portion of the state's annual seafood harvest is now comprised of Pollock, a ground fish caught by enormous oceangoing trawlers that operate in the Bering Sea and near the Aleutian Islands.

Pollock is a mild-tasting white fish that is highly versatile. It can





Pollock is now the biggest seafood cash crop, but salmon is still king for the Alaskans who live in coastal towns like Wrangell.

be processed into surimi or cut into fillets and fish sticks. Pollock roe – the eggs – are pound for pound the most valuable part of the catch.

Pollock roe is sold at auctions in Seattle. An auction earlier this year pulled in about \$250 million. Puget Sound provides the home base for most of the Pollock trawlers, processors, and fishermen who work Alaskan waters.

Salmon Still King

But while Pollock has become a major cash product for the Washington-based fishing fleet, salmon remains the “king” in dozens of Alaskan villages and towns where salmon fishing is a key source of much-needed jobs and cash.

According to the State of Alaska, salmon accounts for about one quarter of the total seafood harvest, but it provides one half of all seafood jobs. Peak salmon harvest employment reached about 15,000 jobs in 2005, up from 13,000 in 2002. Salmon-related employment is particularly important in remote communities that have few job opportunities.

Because of salmon’s contribution to local communities, the State of Alaska helps seafood companies market salmon around the world.

China is a primary target for this year’s sales campaign, according to Heidi Bundy, a marketing specialist at the Alaska Seafood Marketing Institute (ASMI), a trade association jointly funded by private firms and the state.

Coastal towns in Alaska are hoping there is a way to replicate the “Copper River” branding effort conducted by fishermen in Cordova.

ASMI has secured premium ad placement for wild Alaskan salmon in *Betty’s Kitchen*, a popular cooking magazine in China that some liken to Martha Stewart’s *Living*. Salmon is also being added to the menu of Greenery Café, a Western-inspired casual dining chain in China similar to casual dining spots like Red Robin or Applebee’s.

Japan is still Alaska’s biggest export market in Asia, with sales over \$800 million, closely followed by South Korea. But China is catching up fast with 2005 sales of \$262 million, up 200 percent since the year 2000.

Copper River

The State of Alaska is now encouraging local communities to undertake their own marketing efforts for local products through the formation of Regional Seafood Development Associations. The associations give local

fishermen the authority to assess fees and impose taxes on local fish harvests to support collective marketing efforts and construction projects to support their local fishing communities.

The gold standard for such efforts was established in Cordova, several hundred miles north of Wrangell. Twenty-five years ago the Cordova District Fisherman’s Union established a coordinated effort to market the high-fat-content salmon that spawn in the nearby Copper River. Their efforts paid off in prices that even a few years ago were unthinkable.

The first batch of Copper River salmon delivered last year to the Pike Place Market in Seattle commanded a retail price of \$25 per pound and helped set the tone for a 2005 Alaskan salmon harvest that, by dollar volume, was the third best in state history.

Many Alaskan communities, including Wrangell, believe their local runs of salmon are just as good as those that spawn in Copper River and they would love to replicate Cordova’s success. But according to Chris McDowell it’s not just about marketing.



McDowell owns an Alaska-based marketing company that tracks the fishing industry and he also serves on the Bristol Bay Regional Seafood Development Association, which represents Alaska's largest regional salmon fishery.

McDowell said marketing is not yet the top priority for Bristol Bay. Local fishermen are working instead to improve their equipment and techniques for handling fish to avoid bruising them as the salmon are transferred from boats to the docks. They are also experimenting with ways to cool the fish down more quickly after they are caught.

It is not as easy to provide quick cooling as it might seem. Some boats are simply too small to provide for high-tech cooling systems. Fish, fridge, or engine? Sometimes there's only room aboard for two of them. But as McDowell says, "I haven't heard of anyone wanting to buy warm fish."

While Bristol Bay felt some of the sharpest pains from the low prices brought on by farm-raised fish, McDowell said the cheaper fish had a positive impact, too. "It ultimately created consumer awareness for the superiority of wild Alaskan salmon," he said. "And there is only one place in the world where you can get it."

White Kings and Wrangell Spots

Fishing is a key source of cash for the 2,200 people who live in Wrangell. Once supported by the timber industry, Wrangell was hit hard when federal government actions restricted timber production from the nearby Tongass National Forest. Tourism helps ease some of the sting, but fishing remains essential to the town's economic health. "PAF" is an acronym heard often around the town. It stands for "Pay After Fishing" and it reflects the reality that some bills can't be paid in Wrangell until after fish are caught and sold.

Wrangell fishermen have formed their own seafood development association and will vote this spring whether to impose a small fee on themselves to provide additional funding for the new cooperative, known as Southeast Alaska Rainforest Wild.

The fishing grounds around their gorgeous homeport provides plenty of fine seafood products to crow about.

Wrangell is located near the mouth of the Stikine River, the



A Pollock roe auction earlier this year in Seattle took in sales of about \$250 million.

fastest, free-flowing navigable river in North American. The Stikine provides spawning grounds for all five varieties of salmon and produces fish comparable to those from the Copper River. White king salmon from the Stikine is a product that is little known outside the region but its high oil content and rich taste make it a local favorite and a good candidate to fetch sky-high prices at high-end restaurants in the Lower 48.

Wrangell's saltwater coastline also produces exceptional prawns that often grow as long as 12 inches. The locals refer to them as "Wrangell Spots."

Kayla's dad, Chuck Hay, does his fishing out of Wrangell in the F/V *Denali*, a 40-foot gillnetter. He works the boat alone to avoid the cost of taking on a deck hand – one lingering impact of low fish prices and rising operating costs.

In the past, his wife Ada would accompany him on fishing trips but she now stays home to tend their 5-year-old daughter Kayla and 2-year old son, Jacen. The family plans for Jacen to join dad as a deckhand when he is old enough.

While fishing is always unpredictable, Alaska's fisheries are in excellent health for the long term. Both the Pollock and salmon fisheries in Alaska are rated "sustainable" by the international Marine Stewardship Council, based in England. Only 12 fisheries in the world are rated sustainable by the MSC, and the Alaska fisheries are among the largest on the list. So, if Jacen wants to fish as he grows up, there will still be plenty of salmon to go around.

This year's fees for Alaskan salmon and gillnet permits were the highest since 2002. The permits are required for all commercial fishermen and the higher fees reflect improved fish prices.

"It's always good news when permit values are better than they were last year," said Chuck.

For Chuck, it's one more good reason to anticipate more cash for Kayla and the family trips to Seattle. ■



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Trade Mission to Anchorage June 28-30



Seattle Mayor Travels Can the Mayors of Anchorage and Seattle Help Ease the Regional Rift? **NORTH**

➤ Plus, Our Proposal for A Good First Step

Japan, Canada, China, and Taiwan rank as Washington's four biggest trading partners. But take airplane sales out of the export mix and our number two trade partner becomes Alaska, a state that generates about \$4 billion in sales for the meat-and-potato sectors of the Washington state economy.

But although our state government maintains full-time trade offices in six countries, it has no office in Alaska. And while Seattle elected officials have circled the globe for decades in pursuit of world peace and Sister City relationships, it appears that no official city government delegation has paid a formal courtesy call on our neighbors to the north for the last two decades.

That will change on June 28 when Mayor Greg Nickels will lead a Seattle trade mission to Anchorage as part of a new effort to promote better business and cultural relations between the two regions. The trip was organized under the auspices of a new Anchorage Seattle Economic Cooperation Council formed in 2004 by Nickels and Anchorage Mayor Mark Begich.

"The economic and cultural ties between our two cities stretch back for decades," Nickels said. "I'm looking forward to working with Mayor Begich to forge a new era of cooperation that will create jobs and opportunities for Seattle and Anchorage."



Can the two mayors make a difference? They think so. They struck up a friendship at a mayors' conference a few years ago and their regional initiative grew from there. In spite of the 2,000 miles of stunning topography that separates Anchorage and Seattle, the two cities share much common ground.

Radioactive

The timing couldn't be more challenging -- or more opportune.

U.S. Senators Maria Cantwell and Ted Stevens are engaged in an acrimonious battle over possible oil exploration in Alaska's Arctic National Wildlife Refuge. Fallout from the battle seems to grow deeper by the day and now envelopes Cantwell's bid for re-election and her Republican challenger, Mike McGavick.

Many leading Alaskans are infuriated by their perception that "Seattle" no longer cares about Alaska and they are contributing to McGavick. Meanwhile, many in Seattle are infuriated by Alaska's senior leadership. Seattle's ANWR angst is so high, McGavick's candidacy may already be doomed.

Seattle newspaper cartoonists and columnists are having field days with the controversy, led by Seattle *Post-Intelligencer* columnist Joel Connelly, a long-time Stevens-hater whose zeal for Alaskan wilderness preservation may be matched only by his contempt for anyone who disagrees with him.

The belligerent background noise aroused by ANWR in Seattle is amplified by the almost utter failure of the Seattle press to cover anything about Alaska other than ANWR. Alaska is an enormous state with all kinds of connections to our own, but if you want to read or learn anything about it, you better subscribe to one of the papers up north.

Common Ground

Can the two mayors make a difference? They think so. They struck up a friendship

at a mayors' conference a few years ago and their regional initiative grew from there. In spite of the 2,000 miles of stunning topography that separates Anchorage and Seattle, the two cities share much common ground.

"At the end of the day, politics is all about local issues," Begich said. "There are many opportunities for our two communities to work together. We're not separate communities really. We're connected in many ways. We can learn from each other. As mayors, we have the capacity to bring people together."

Common municipal challenges include the need to respond to seismic hazards that are much worse than those faced by most cities. Homeland Security is another common challenge. Nickels is a national leader on the issue of climate change and Alaskan scientists are at the forefront of that issue due to rapid warming in the Arctic.

The mayors also want to encourage better communication and potential new programs between educational institutions in their states. Research for their initiative reveals extensive interaction between college faculty members from both states on shared subjects such as seismology, climate change, volcanoes and fisheries. Greater visibility might lead to more support for these interactions and better information for public decision-makers.

The mayors are also cosponsoring an experimental intern program this year that placed four college students from Alaska and Washington in summer jobs with two Seattle-based companies that do business in both states, Manson Construction and Lynden Transport. The hope is the program might be expanded

to create an ongoing stream of future business and government leaders who possess first-hand knowledge about the trade relationship and other connections that bind our two regions.

Nickels has also formed a citizen task force in Seattle to plan a 2009 centennial celebration for the Alaska Yukon Exposition that was held in 1909 at the University of Washington. The same year will mark the 50th anniversary of Alaskan statehood. The two events present a three-year period to work on event planning and building relationships.

To help establish more specific near-term objectives, the mayors formed a new Anchorage Seattle Economic Opportunity Council comprised of business and community representatives from each region. The council held its first meeting in January and its first act was to recommend the trade mission to Anchorage that will take place at the end of June.

Low Point?

It's easy to assume the present marks the low point in the historic relationship between Alaska and Washington. But the true nadir probably was reached after World War II when Alaska citizens mounted a drive for statehood. The effort was chronicled by Ernest Gruening, an Alaskan territorial governor who became one of Alaska's first US Senators. According to Gruening, the statehood drive hit a major roadblock that was erected by Seattle-based seafood and shipping companies that were worried statehood might reduce their clout in the Alaska territory.

Gruening gave much credit to Henry Jackson for helping to open the way to



Scoop and Maggie



Why did our two most famous U.S. Senators share such an affinity for Alaskan issues and Alaskans? The answer is perfectly clear. Henry Jackson and Warren Magnuson were both raised in Norwegian households at a time when newly minted Norwegian-Americans and Norwegian immigrants were playing key roles in the economic development of the Pacific Northwest.

From the days of the Vikings to the present, Norwegians have exerted an influence on commercial maritime activities that is totally disproportionate to their very small numbers. When Norwegians started arriving in the U.S. in the 1800s, Puget Sound was a powerful draw because it was so similar to the fjords back home – but much, much warmer – and their impact was almost immediate on some of the industries that became linchpins in commerce between Washington and Alaska.

Thea Foss helped pioneer the Puget Sound tugboat industry while becoming the model for the Hollywood movie series, “Tugboat Annie.” Even today, most Alaskan coastal communities still rely on Puget Sound tugs and barges to bring them their necessities and many of the tugs are from the Foss tug company. Used to icy fishing conditions back home, Norwegians also helped pioneer Alaska’s halibut fishery.

Jackson’s parents were named Gresseth before they anglicized it. Nobody knows who Magnuson’s parents were. It’s believed he was the son of an unmarried café waitress. He was raised by a Norwegian-American woman named Emma Magnuson, who single-handedly owned and ran the Nickelplate Saloon in Moorehead, Minnesota.

Jackson was a frequent participant at Norwegian community events throughout his life and he regularly attended the blessing of the fleet in Ballard. Magnuson wasn’t much for community events and his personal tastes were a little more exotic than those usually associated with hardworking Norwegians. But he cherished his adopted mother who regularly cooked him a favorite dish, “klob,” a Norwegian dumpling of flour filled with potatoes and pork or herring.

To which we can only say, as Maggie no doubt did, “SKOLI!” ■

statehood after Jackson was elected a U.S. Senator from Washington in 1952. After statehood was achieved in 1959, Jackson and Washington’s senior senator, Warren Magnuson, forged a successful partnership with the Alaskan Congressional delegation.

The partnership included Ted Stevens when he was appointed to fill a U.S. Senator vacancy for Alaska in 1969 and over the ensuing decade, Magnuson, Jackson and Stevens formed a trio that was highly successful in winning federal legislation and aid that was extremely beneficial to both Washington and Alaska.

But Magnuson left office in 1980 and Jackson died in office in 1983. Relations between the two Congressional delegations haven’t been the same since and in the fight over ANWR, Stevens often laments the loss of his old pals, “Maggie” and “Scoop.”

Yet, politics, Seattle and the state of Washington have all changed a lot since those days. Cantwell may drive many Alaskans nuts with her religious-like crusade on ANWR, but she’s singing from a hymnal that in Seattle is very widely shared.

Magnuson and Jackson are revered in Washington as Democratic icons, but the truth is neither could probably win election today to the Seattle City Council. Maggie’s robust but politically incorrect social life would have hit the front pages faster than a hurricane howling down First Avenue and Scoop’s hawkish views on defense would get him heckled from Beacon Hill to Phinney Ridge and probably barred from the City Council chamber.

Connections

Yet, the many accomplishments of Magnuson and Jackson still possess a magic glow for many who knew them and Nickels and Begich both possess ties to the “good old days” that could prove helpful to their endeavor.

Nickels worked as a Washington DC intern for Magnuson while in college. It was a life-changing experience that inspired him to leave school early and devote himself fulltime to a career in public service and



In almost every way that counts, Washington and Alaska function like foreign markets that both profit from the exchange of exports.

politics. His admiration for Magnuson and lack of personal pretense should put him on firm footing among community leaders up north.

Alaska is a place state where many put a premium on local history and in his own way, Begich is historic. He is the first person who grew up in Anchorage to become the city's mayor. Because Alaska is so new, all previous Anchorage mayors and many other leaders for the state were born somewhere else (Stevens was a native of Indiana).

Begich is a son of Nick Begich, an Alaskan congressman who died in an airplane crash in 1972. His father was succeeded by Don Young, who has held the Alaskan Congressional post for more than 30 years.

So, in spite of his relative youth, Begich has deep roots in Alaska and although he is a Democrat, Begich is well regarded by both Young and Stevens.

A Successful Beginning

So, where does this leave us? We have some good intentions and some hopeful connections, but where and how can the healing best begin? The moment brings to mind a comment made by Chinese President Hu Jintao during his recent trip to the Emerald City. Ju told one gathering that "a good beginning is already half the way to success."

And what better way to jump start the process than to correct the odd anomaly that obscures the regional trade relationship?

In almost every way that counts, Washington and Alaska function like foreign markets that both profit from the exchange of exports. According to a private study conducted in 2003 by the chambers of commerce for Seattle and Tacoma, Alaskans purchase about \$4 billion per year in goods from businesses in Washington.

In turn, Alaskans send us most of the oil that fuels our cars, nearly all the fish that supply our multi-billion dollar seafood sector and their state is a primary destination for the Washington tourism industry.

Because of Washington's strategic location as the primary shipper and supplier for Alaska, we not only enjoy the fruits of these Alaska contributions to our pocket-books and lifestyles – we also profit from Alaskan payrolls. Oil production, seafood and tourism are the leading sources of private employment in Alaska and whether Alaskans work for the public or the private sectors, when they buy food, clothes, equipment or almost anything else, the vast majority of the products arrive on ships and barges from Puget Sound, and many of the goods themselves are made in the State of Washington.

Add it all up and, according to the chambers of commerce, Alaska generates nearly \$4 billion per year in financial benefit to our state – and that figure would be higher if you did the same study today. Oil and seafood prices are up since 2003 and the Alaskan economy has acquired added zip thanks to world demand for Alaskan zinc, silver and gold.

But why is it left to the chambers to keep track? If this exchange was between nations instead of states, the federal government would measure it, monitor it and

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a cash stream of \$4 billion would no doubt generate lots and lots of additional research and analysis to figure out what makes it tick, and how it can best be maintained or improved.

But since the trade is between states, the federal government pays no attention to it and for reasons *Seattle Industry* can neither fathom nor divine, the state government of Washington pays no attention either. Which leaves it up to the chambers of commerce and whatever resources they can raise from their members to study a financial phenomenon that is essential to the economic health of two states.

So, here's a modest proposal for a nice, safe way for our Congressional leaders to "make nice" while providing added value to all the people they represent.

Create an on-going, well-funded program to track the trade between Alaska and Washington.

Document everything and disseminate the results so we can all learn how the whole thing works. As the data piles up and the word gets out, it may well identify new economic opportunities that would benefit both Alaskans and Washingtonians. But even if it doesn't do that, it is guaranteed that the data will provide the Emerald City with two extremely valuable lessons:

- 1) When Alaska does good, we do well, and
- 2) We shouldn't wait another 20 years for the next Alaskan trade mission. ■

Anchorage Seattle Economic Council

Anchorage representatives to the economic council are Randy Becker, president of Renown Charters and Tours; Ric Davidge, an Alaska-based business entrepreneur; Betsy Lawer, chief operating officer for First National Bank of Alaska; John Parrott, vice president and general manager in Alaska for Totem Ocean Trailer Express (TOTE); Robert Poe, CEO of the Anchorage Economic Development Corporation, and Melinda Taylor, communications director for Alaska Communication Systems.

Seattle representatives are Everett Billingslea, chief legal officer for Lynden Inc.; Dave Gering, executive director of the Manufacturing Industrial Council; David Glessing, vice-president for GE Commercial Equipment Financing; John Iani, a partner in the law firm Van Ness Feldman; Suzanne Lagoni, a partner in Nexus Northwest, and Eric Redmond, an attorney with the law firm, Heller Ehrman. ■

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| Air passengers to Alaska | 1.94 million |
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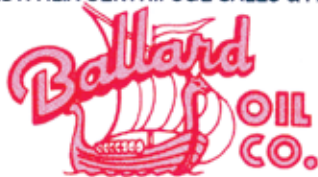
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When One Door Closed, A Window Opened

By Nadra Angerman



Rob and Kathy Adamson, owners of Evergreen Textiles and Salvin Manufacturing

When one door closes, another one opens. For Rob and Kathy Adamson, this old saying couldn't come closer to the truth.

Today they own Evergreen Textiles and Salvin Manufacturing on 1st Avenue South in Georgetown. Their businesses feature a textile showroom frequented by leading interior designers, a 27,000 sq. ft. manufacturing facility and a place of work for 25 dedicated professionals. It all grew out of the fact that in 1992, Rob suddenly found himself out of a job.

By age 45, Rob had worked his way up through a succession of management and finance jobs, each one better than the last, until he wound up out of work when the family-owned businesses that employed him decided to make a family-related change in its management structure. At that point, Rob had a wife, four kids, a home and all the responsibilities that go with them – and no job or employment prospects.

"I suddenly found myself looking for a job that needed to pay me \$50,000 or more," he said, "and I found myself competing with people who were half my age with twice as

much education. The only way I could go forward was to essentially buy myself a job by starting my own business."

Fortunately, Rob and Kathy had been able to save a little money for emergencies. They used it to purchase Salvin Manufacturing, a custom drapery fabrication business founded in 1955. The company had five employees, a loyal customer base, and a new owner who didn't know much of anything about drapes. "I didn't know drapery from doorways," said Rob.

But his strong financial background helped him analyze what he had to work with. More importantly, he knew how to build a team – a skill he acquired when he worked as a general operations manager for Safeco Insurance. Rob spent the first six months at Salvin learning the drapery business from his employees.

The company thrived and in 1998, Rob and Kathy purchased Evergreen Textiles, the largest fabric distributorship in the Pacific Northwest. In addition, Evergreen Textiles represented Kirsch, a company that invented the first flat curtain rod and a leading supplier of designer window décor and drapery hardware collections.

In the year 2000, Rob and Kathy added Ship and Shore Bedding to their line, a small retail fabricator for boat interiors.

Today, their companies represent textile, trimming and decorative hardware from Conso, Kirsch, Trimland, KS System and Rollease, to name just a few. Evergreen Textiles and Salvin Manufacturing have earned recognition as a one-stop source for trend-setting interior designers.

All because Rob was able to rebound from what seemed like a career setback. A door shut. A window opened. A successful business person persevered. ■



Moeller Design & Development Rapid Prototype Specialists



Dave Moeller started Moeller Design and Development in 1989 with himself and one employee. Today, the company has 50 employees who work at a 30,000 square foot building on Industrial Way in Georgetown and the firm is an industry leader in “rapid prototyping.”

That’s the common name for a host of related technologies that allow the fabrication of physical objects directly from CAD data sources and Moeller uses these applications to help manufacturers develop product prototypes.

The prototypes make the turn from computerized concepts to physical reality using a variety of technologies, particularly Stereolithography (SLA). SLA has a reputation as being the technology of choice for delivering intricate and accurate models of complex inventions.

Rapid prototypes are designed by computers and built layer-by-layer from a photosensitive polymer resin that is shaped by lasers rather than by the traditional method of sculpting a prototype from a material like wood or clay.

The prototypes can be put to work as engineering “check-fit” models that are used for form and design evaluation. Or, they can be used for marketing purposes as “appearance models” that are suitable for presenting concepts at trade shows or through photographs. But prototypes aren’t the only thing that Moeller delivers. With the same process, Moeller also makes stereolithography patterns which are used by local metal foundries for casting everything from designer flatware to swing-arm assemblies to aircraft engine casings.

Moeller also uses other rapid technologies, such as CNC and other 3-D printing technologies along with cast polyurethane RTV silicone-mold tooling. Cast urethanes deliver prototypes with material properties similar to production-like plastics. It’s a choice often used for developing a marketing sample or test prototype.



Founder and owner Dave Moeller employs experienced SLA technicians, mold-makers, urethane casters and finishing experts who use a variety of technologies help manufacturers develop product prototypes.

It can also be a high-value, low-volume production solution when fewer than 100 pieces are required and the manufacturer's time and budget doesn't allow for injection molding.

Moeller employees include experienced SLA technicians, mold-makers, urethane casters and finishing experts who use a variety of rapid-prototype technologies. Many of the employees have worked for Moeller for a decade or more.

Customers include companies that make medical devices, aircraft parts, cell phones, computer keyboards, stereo speakers and video game controllers. The one commonality is that they are products developed by market-leading designers and manufacturers. The very things people use every day. One of the products that Moeller prototyped became a famous lifesaver.

More than a decade ago HeartStream, now Philips Medical Systems North, contacted Moeller to discuss concepts for their latest product development project, the HeartStart defibrillator. The Philips design team knew that a revolutionary new product

could only be achieved through a series of multiple and refined prototypes that would let them thoroughly evaluate form, function, and design while allowing them time to gain approval from market researchers, physician groups, and consumers.

With Philips' digital files in hand, Moeller built the first run of SLA appearance models, closely replicating the performance parameters intended for the new Philips product. The prototype was textured, painted, silk-screened, and pad-printed. It looked enough like the real HeartStart device that the prototype became a prop on the hit television series ER. Today, Moeller continues to prototype next-generation medical devices for Philips, as well as for numerous other manufacturers.

"When it comes to rapid prototyping, we are fully aware that today's manufacturers and product designers have many technologies to choose from," says Moeller. "The advantage we can offer manufacturers is our talented staff and our ability to use the right technology for the right application consistently and expeditiously." ■

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SODO Resource Guide Now Available!

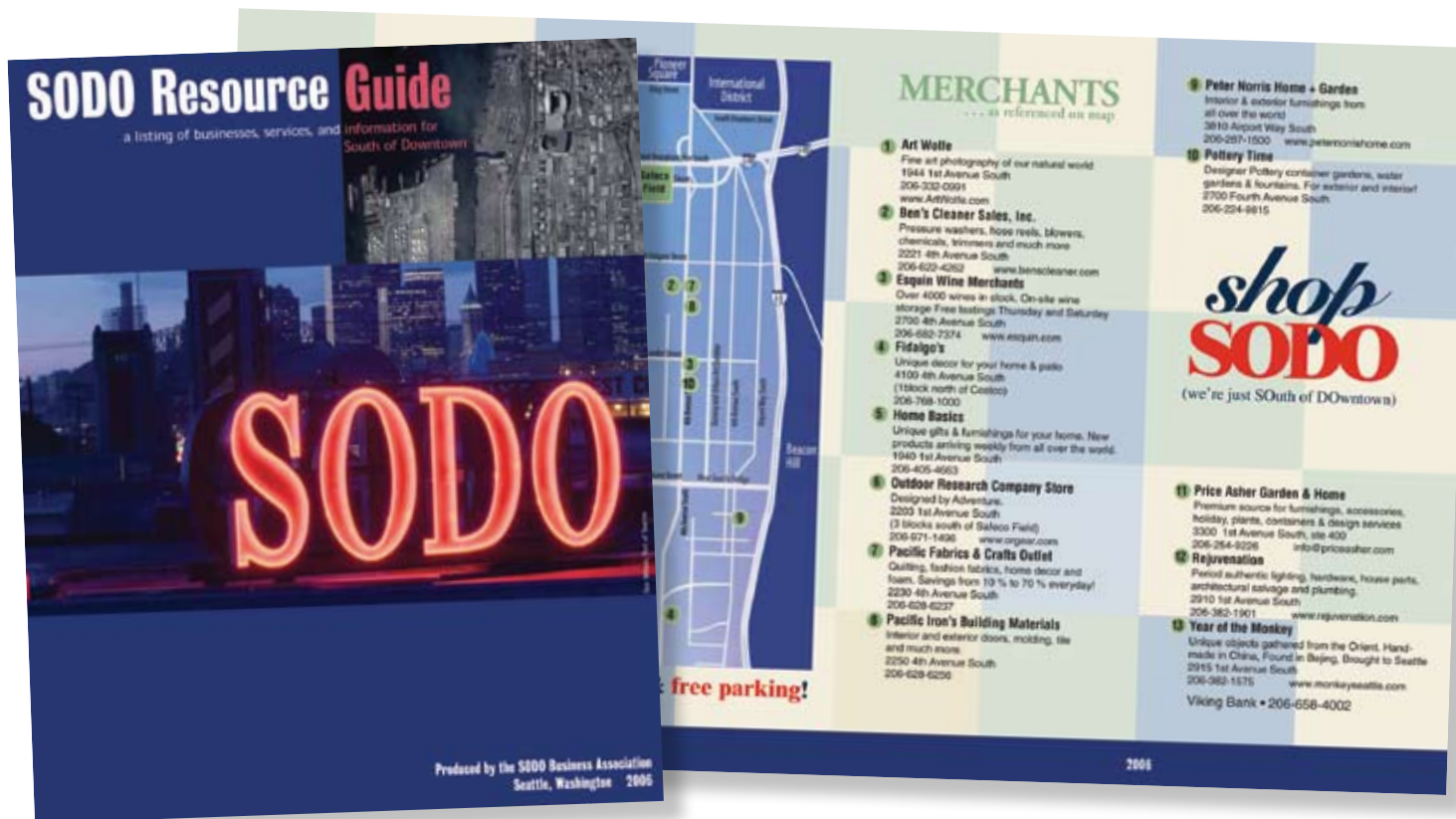
SODO's 42-page 2006 Resource Guide is off the press and is now being distributed throughout the Greater Duwamish.

The full-color booklet is a quick guide to a myriad of commercial and industrial businesses. It lists businesses by type and products and includes restaurants and interesting places to shop.

It also offers a primer for new businesses coming to SODO and provides lists of the most used public agency numbers and services

including transportation, public safety and business resources. It also describes SODO's closest neighbors including Pioneer Square, the International District, Downtown Seattle, South Park and Georgetown. Many businesses are keeping it on hand for employees and also offering it to clients and customers.

The guide takes a look back at Duwamish history from the late 1800s and highlights many of the interesting events and that shaped the region's largest industrial center. ■



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Heavy Lifting for Nancy Smith at Washington Liftruck

By Nadra Angerman



Washington Liftruck owner and operator Nancy Smith.

For 12 years, Nancy Smith taught school and raised the kids while husband Mel ran the company, Washington Liftruck, a distributor of material handling vehicles, products and services. To Nancy, heavy lifting at that time was moving the groceries from the garage to the kitchen, taking the clothes from the hamper to the laundry room or sending an unruly student to the principal's office.

That all changed abruptly when Mel died of a heart attack one Saturday morning in 1985. Nancy quit her teaching job and started running Washington Liftruck the following Monday morning. It wasn't easy. She was thrust full throttle into a situation where she not only had to deal with the death of her husband, but help her children deal with losing their dad. Plus she had to juggle extended work hours and business trips with housecleaning and yard work, making meals for three kids, and transporting them to and from their schools and extra curricular activities. Every single day.

Her home was like a shipping yard, her car was like a container, and everything else became cargo. Had she been a member of the Port Association, she might have won an award.

It was a challenge to own and operate a material handling equipment company in a male dominated industry. The forks could lift between

16,000 and 120,000 pounds, but Nancy had the weight of the world on her shoulders. "I needed to learn the intricacies of the business, and I wanted to understand the needs of my customers," she remembers.

She made a break through when her business manager advised her to use her teaching skills in working with an important customer: "Think of him as a 7th grader."

Nancy went from not knowing what side of the forklift was "up" to Forklift Instruction 401.

She worked hard to enhance the company's associations with the stevedoring and railroad companies. She established a partnership with Forklift Services of Oregon, now Washington Liftruck's sister company.

With Nancy at the controls, Washington Liftruck earned other milestones when it was appointed as an Ottawa/Kalmar Trucks dealer for the State of Washington and later the Mitsubishi Caterpillar Forklift dealer in Western Oregon, Southern Washington and Northern California. Today, Washington Liftruck is a one-stop shop for everything from forklifts to yard tractors to power systems to pallet jacks and safety equipment.

Nancy's success shouldn't be surprising in some ways. She was in on Washington Liftruck from its birth. Her husband Mel was working for another company as a sales manager when he woke up one night at 1 a.m. and told a groggy Nancy he wanted to start his own forklift business. It took a while, but he convinced her it was a good idea.

She borrowed money against every penny of equity in their home to help him launch the business. She never dreamed she would someday run it. ■



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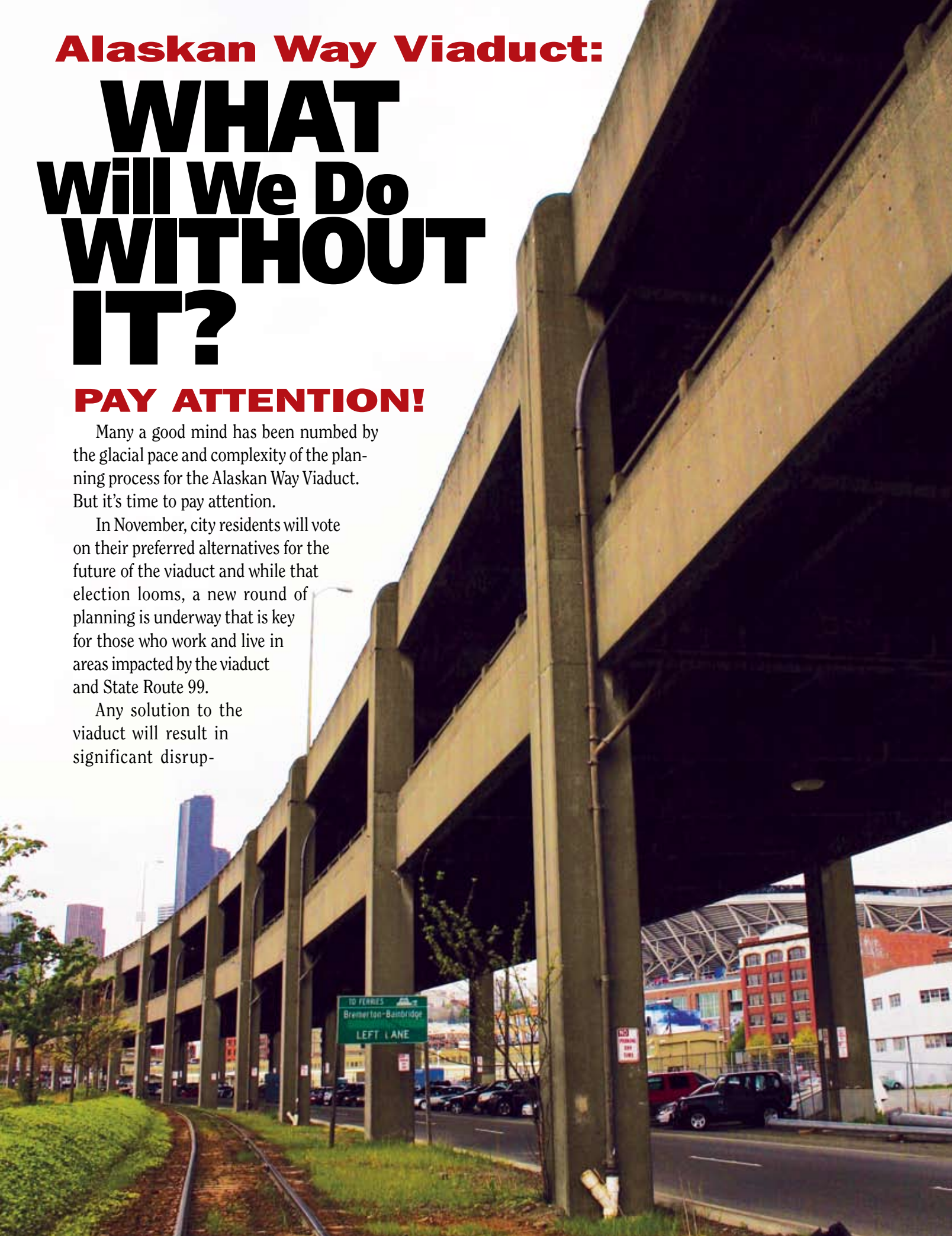
WHAT Will We Do WITHOUT IT?

PAY ATTENTION!

Many a good mind has been numbed by the glacial pace and complexity of the planning process for the Alaskan Way Viaduct. But it's time to pay attention.

In November, city residents will vote on their preferred alternatives for the future of the viaduct and while that election looms, a new round of planning is underway that is key for those who work and live in areas impacted by the viaduct and State Route 99.

Any solution to the viaduct will result in significant disrupt-



tions during construction to existing traffic patterns and over the next few months, transportation planners are seeking public input to create the best plan possible for managing viaduct-related traffic impacts.

At the same time, community organizations in SODO, Pioneer Square, the International District and Georgetown are developing neighborhood strategies for how they can best adapt to a viaduct closure, whether it occurs as part of a planned construction project or due to an act of nature. Five years have passed since the Nisqually Quake temporarily closed the viaduct and the seismic clock never stops ticking.

As all these things sort themselves out, one question starts to grow larger concerning the future of the viaduct: What will we do without it?

New services and programs are available to help you, your business or your neighborhood begin finding answers to that question. To learn more, turn the page.

Essentials

Three facts are essential to any personal business or community efforts to plan for the future of the Alaskan Way Viaduct and its concrete companion, State Route 99.

1) *SR 99 and Interstate 5 are the only two roadways that traverse Seattle north-to-south.*

Restrict or close SR 99 and at least some of the 100,000 commuters and 4,000 truck drivers who now use SR 99 every work day will switch to the freeway. But SR 99 also loses its capacity as an alternative route to I-5 when the freeway is jammed. That's significant given how often I-5 is already clogged. In 2005, I-5 in Seattle experienced traffic-clogging car wrecks at the rate of 6.4 per day.

2) *Seattle is completely bisected east-to-west by the Lake Washington ship canal.*

Travelers between north and south Seattle must cross one of three drawbridges if they are avoiding or are unable to



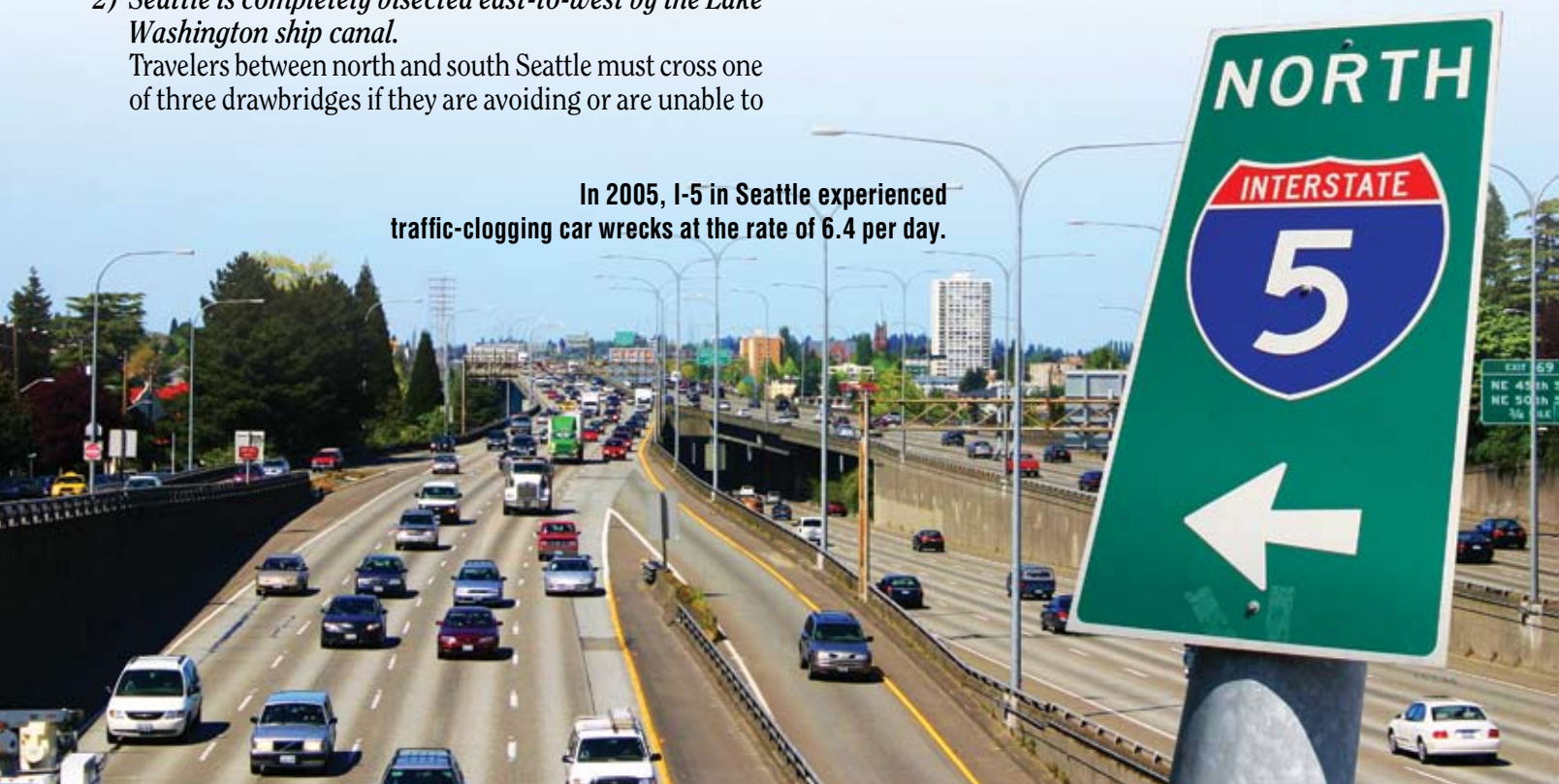
The Seattle Fault lies directly beneath the Spokane Street Viaduct and the West Seattle Bridge.

use SR 99 or I-5. And the drawbridges are often up. The Ballard, Fremont and University District bridges open for water traffic, on average, 56 times each week day in July and 25 times each week day in November.

3) *The south end of the viaduct begins to rise at a spot almost exactly one mile north of the "Seattle Fault."*

Seismologists believe the Seattle Fault is the worst earthquake hazard in the state. And that's saying something because Washington ranks fifth among the 50 states for earthquake frequency and second only to California for projected loss of life and property due to expected earthquakes. That second claim to fame derives mostly from the existence of the Seattle Fault. It lies directly beneath the Spokane Street Viaduct and the West Seattle Bridge. A study in 2003 estimated that a modern quake similar to historic ones along the fault would now claim 1,600 lives, cause 24,000 injuries and result in economic losses of about \$33 billion.

In 2005, I-5 in Seattle experienced traffic-clogging car wrecks at the rate of 6.4 per day.



BOTTOM LINE

You shouldn't plan for viaduct transportation challenges without accounting for the possibility of collateral earthquake damage. But the planning challenges don't stop there. Throw into the mix that Ballard depends on SR 99 and the viaduct as major routes for commuters and truck access and that the Duwamish is also a major hub for international marine traffic, a regional center for railroad operations and the home base for companies that transport all the food, medicines and other consumer goods to Southeast Alaska. Now you know why they called it "Alaskan" Way as well as the extent of viaduct-related planning challenges.

COMMUNITY RESPONSE

A Growing Tool Kit

A number of public agencies and a private foundations are providing new services to help SODO, Georgetown, the International District, Pioneer Square and Ballard to begin preparing for a viaduct closure. These activities are being coordinated through the Duwamish Transportation Management Association (DTMA). For more information about the services below, call the DTMA office at 206-762-2470.

- *Earthquake planning with American Red Cross*
The Red Cross will help businesses prepare earthquake preparation plans. The service is free to businesses with fewer than 20 employees. The service is available to larger businesses for \$250. The free service is available for up to 20 businesses in Pioneer Square, the International District, SODO and Georgetown. The free service is made for with a South Downtown Foundation grant. Learn more about Red Cross services at www.redcross.org.
- *Financial incentives to reduce drive-alone commuting*
Employees in the Duwamish and Ballard industrial areas

can earn financial incentives of up to \$225 for trying carpools, vanpools, public transit or some other form of commuting other than a single-occupant vehicle. Businesses can also earn incentives for starting new "commute trip reduction" programs for their employees. This project is part of an on-going effort to reduce single-occupant cars in the industrial viaduct-impact areas to preserve more street space for trucks and freight mobility. The incentives are funded by grants from the Washington State Department of Transportation "TRPPS" and Metro.

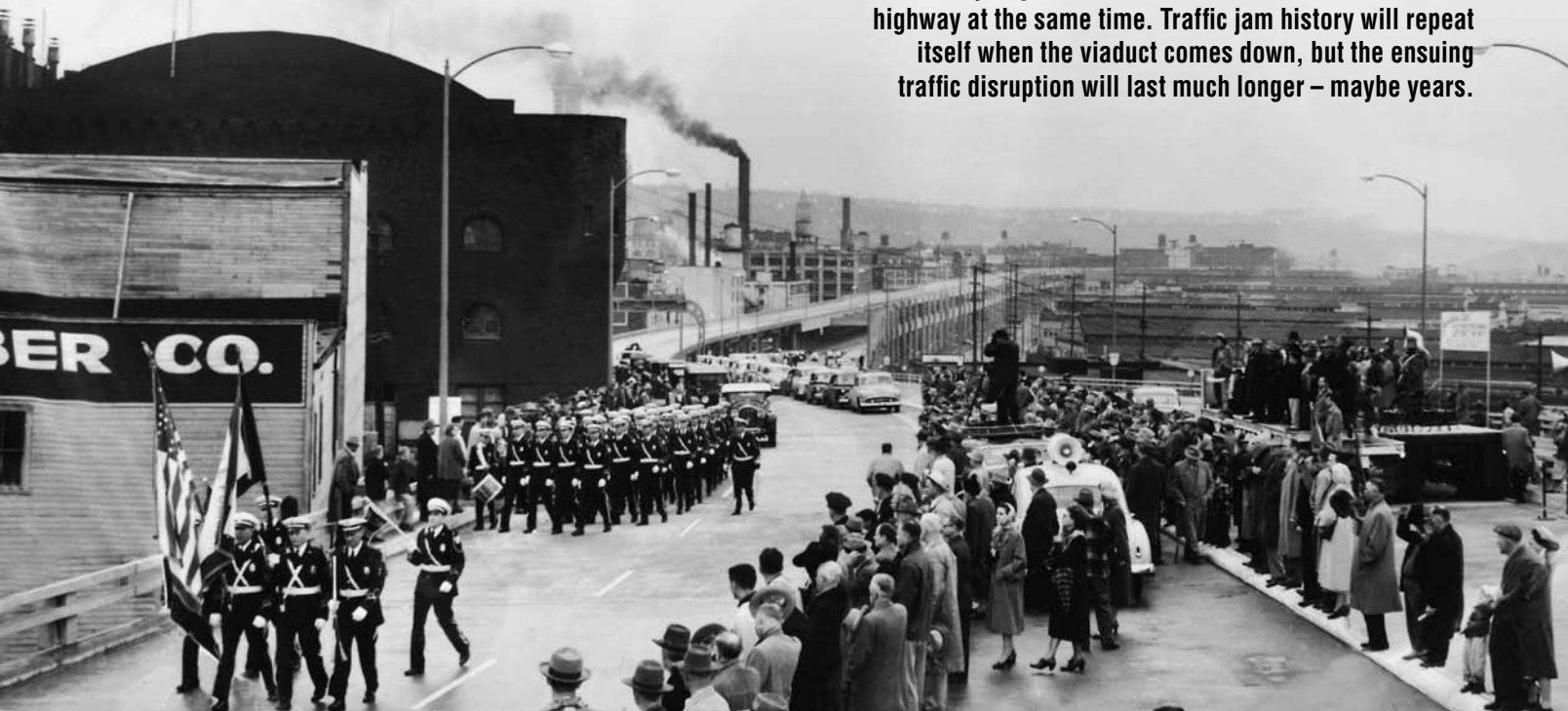
- *Neighborhood Viaduct Plan.*

SODO, Georgetown, Pioneer Square and the International District are now engaged in a process to identify their best community strategies for responding to a viaduct closure due to reconstruction or an earthquake. Preliminary findings will be circulated for community feedback in January 2007. The planning effort is made possible by a grant from the South Downtown Foundation and volunteer help from the Cascade Region Earthquake Workshop, a non-profit association of seismologists, engineers and professional emergency planners. For more information about services available from "CREW," visit their website at www.crew.org.

OUTCOMES

Lessons learned through these and other community activities will help to define continued efforts to help businesses and neighborhoods prepare for the full range of viaduct-impact scenarios. ■

The 1953 opening ceremony for the Alaskan Way Viaduct was immediately followed by a huge traffic jam as too many eager motorists tried to use the new elevated highway at the same time. Traffic jam history will repeat itself when the viaduct comes down, but the ensuing traffic disruption will last much longer – maybe years.



Viaduct Traffic Mitigation Plan:

While viaduct design issues are being sorted out, transportation planners for the City of Seattle and the State of Washington are crafting a plan for how they will attempt to manage traffic in the event of a viaduct closure or severe restrictions on the existing through capacity of the viaduct-SR 99 corridor.

Business Survey

The city and state recently surveyed 40 of the largest industrial companies in north and south Seattle to ask how they plan to adapt to a possible closure. The survey showed that for most of the companies, SR 99 is the primary truck route through the city. If it were closed, most said they would reroute their trucks to alternatives such as the Mercer-Westlake Avenue between I-5 and Ballard, or through downtown Seattle.

Most felt it would not be feasible to switch to night operations as an alternative because of scheduling issues with suppliers, customers and workers. The vast majority of the firms rely on trucks for freight shipments and deliveries because they are usually so much faster than alternatives such as railroads, barges or ships.

Out-of-town companies that make freight deliveries predicted they would have to double the number of trucks used to serve customers in Seattle because each truck would make fewer deliveries due to traffic congestion.

Companies in the south end identified more alternative routes for receiving freight than companies in the north end. Almost all companies expressed concerns about how their employees could get to work through traffic congestion.

- **COMPLETE CLOSURE OR PARTIAL SHUTDOWN?**

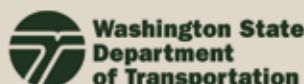
A complete closure of the SR 99 corridor along the waterfront would speed up construction, but it would shut down a key transportation artery. On the other hand, a partial closure could only provide 20 to 30 percent of the existing through traffic capacity depending on construction phases and detours. So it wouldn't relieve much traffic congestion but it would extend the construction phase and related disruptions by several years.

- **TRANSIT SERVICE**

Most Metro bus service uses downtown Seattle as a hub. What changes will be necessary to accommodate downtown traffic disruptions? The loss of the monorail was a major blow to viaduct traffic mitigation plans. Buses, car pools, van pools, commuter rail service, bicycling and walking will all be encouraged as ways to reduce the congestion impacts of drive-alone commuting.

Input on these and other issues will be gathered at a series of work shops. For updates and further information, check www.wsdot.wa.gov/projects/viaduct. ■

*"What Will We Do Without It?" was published through a partnership that includes the Duwamish Transportation Management Association, the SODO Business Association, the Pioneer Square Community Association, the Inter*Im association in the International District, the City of Seattle and the Washington State Department of Transportation.*



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