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Seattle Industry

Spring 2007

The Voice for Industry

**Oil, Gas, Gold,
Diamonds,
Prince Rupert
& the 2010
Winter Games**



Not bad, eh?

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Bonanza!**
(and how you might profit from it)



Alberta Oil Sands • 2010 Winter BC Games

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KEYNOTE BY JIM FOLEY
Director, Turner Center for Entrepreneurship, Bradley University

TRADE WEEK LOCATIONS AND DATES

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Detailed schedule available at: www.cted.wa.gov/site/112/default.aspx

Trade Week is conducted by the State of Washington Department of Community, Trade and Economic Development

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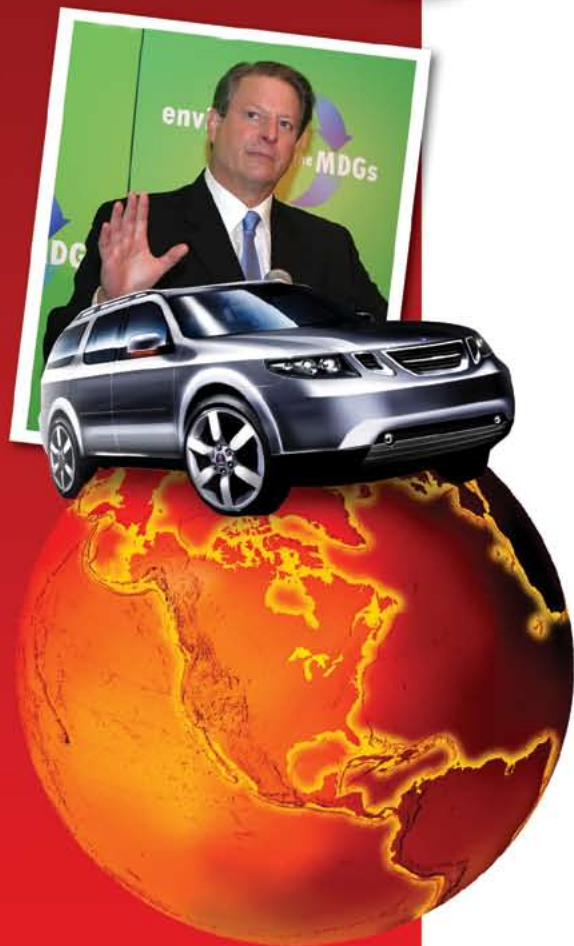
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What's UP

In This Issue



If this issue of *Seattle Industry* had a carbon footprint, it would probably be big enough to smash straight through whatever ice will be left in the Arctic Ocean by the time you get around to reading it.

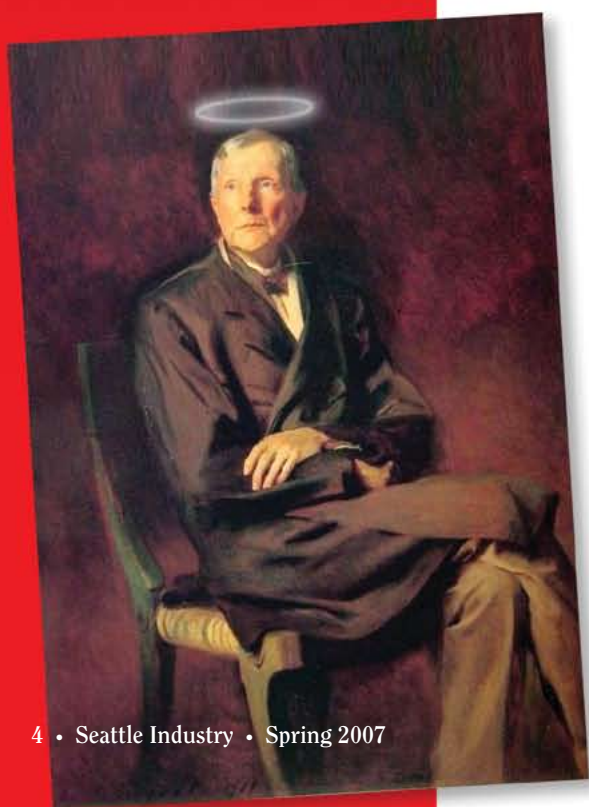
Enormous oil reserves in Alberta. Enormous oil reserves in Alaska. Enormous battles brewing over what to do about the thinning ice beneath Alaska's polar bears. Environmentalists and federal officials acting like complete nincompoops. It was all kind of fun and *then* along comes the new United Nations Report that there is a 90 percent chance Al Gore is right (boy, would that hurt). The earth is warming, scientists are 90 percent sure it is caused by human use of carbon-based fuels, and nobody knows if we can really do anything to cool things down or stop the trend, but just wait for the pressure to pull our collective rear ends over to the curb, stop, get out, and start the long, slow walk toward a kinder, gentler, slower, darker, grimmer future that will not be perked by up Jet Skis, snowmobiles, hydroplane races, the Blue Angels, NASCAR, joyrides, favorite car tunes, or vacations on Maui unless you sail or swim there. And, if all that isn't depressing enough, you can always turn to the Alaskan Way Viaduct.

We wish we could say we planned this lineup of stories to coincide with the public release of the UN Report. We didn't. But now that they are all here, we will take credit for spotting the three threads that tie this issue together.

The Next John D.

Try to relax because right now, somewhere in the world, a very bright person is finding the way we will fuel our vehicles in the future with a resource not derived from carbon. This person is working with the noblest intentions. He or she wants to save the world. She or he also wants to make a billion dollars. He or she also plans to give most of the money away, keeping just enough – maybe a hundred mill – to remain perfectly, splendidly, happy. And when she or he succeeds, it won't be the first time.

John D. Rockefeller did the exact same thing. He may be remembered as the penultimate pirate of capitalism, but in his own eyes he was a devout Christian on a mission from God to bring the world the life-transforming benefits of, first, kerosene, and, later, gasoline. These fuels made the world a vastly better place and Rockefeller pursued his dreams with the guts of a daylight burglar due to his unshakable faith that God wanted him to succeed because God knew that if John D. Rockefeller made a billion dollars, he would give most of it away to charity, and in the end, that's just what he did. It's true. Look it up.



Still Running

We are not yet at the end of the Oil Age. Hydrocarbon Man (or Woman) still has many more laps to run before bowing out of the human race, because no elected leader of any nation will want to be the guy or gal who decides that here it is, *this is it*, the point in time when we shut 'er down. This means it will still be better to be a nation with access to oil than to be one without it. Isn't there an old Arab adage along those lines? And was there any news since 9/11 that was more cheerful for Americans than the discovery that the Canadians may have almost more oil than they know what to do with? The Canadians, for crying out loud. Are there any two groups of people in the world that share more in common than we do? Is there any native Seattleite over the age of 50 who has not spent at least one wayward night drinking too much, too late, with a bunch of Canadians?

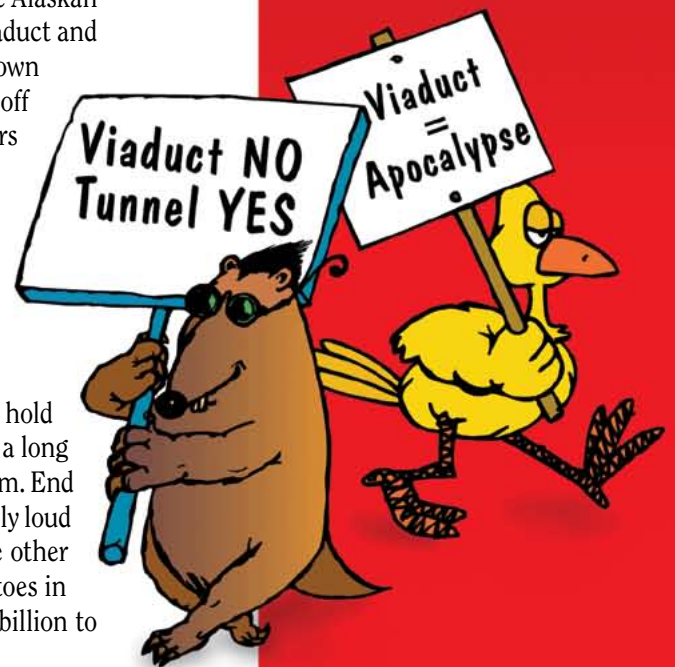
Major questions still swirl around the actual production that can be achieved from Alberta's oil sands, but so far, so good. Oil is flowing south even as you read this, and that is just one bit of the good news coming our way from the north side of the 48th Parallel. Oil, natural gas, gold, diamonds, the BC Games, and Neil Young still rocks pretty good. Is North America a great continent, or what?

Tunnelistas & Tunnelism

Watch out for people on missions from God. Sometimes, as with Rockefeller, it pans out. Sometimes, as with Tunnelistas, it doesn't. Tunnelistas adhere to a bizarre belief called "Tunnelism" that was apparently revealed to a handful of people who were knocked senseless in Seattle during the 2001 Nisqually Quake. Tunnelism holds that Seattle is a blighted, rundown, ugly, backward, shadowy, slum-infested, dime-a-dance kind of place that is staggering into the 21st century like a rum-dumb hobo weaving his way through Pioneer Square. Tunnelistas attribute all these civic ills to the existence of the Alaskan Way Viaduct. They believe the only way to save the city is to tear down the viaduct and replace it with a tunnel. A splinter sect believes the Viaduct should be torn down even if it can't be replaced because cars are evil, roads are bad, and we're better off converting now to foot or bicycle travel because of, yep, global warming. Members of this splinter sect are sometimes referred to as "Numbskulls."

No one really knows where the Tunnelistas came from. No proof of their existence can be found prior to the Nisqually Quake. In fact, prior to the Quake, Seattle won multiple awards for being America's Most Livable City. Now? Forget it. Fetid hellhole.

No one is quite sure what to do with these people because so many of them hold elected positions of authority at City Hall. Maybe they should be taken out for a long night on the town with a bunch of Canadians, to try to talk some sense into them. End the night with a wild, gas-guzzling drive with Neil singing "Southern Man" really loud on the CD player. Drive them to Golden Gardens, Seward Park, or any of the other 10,000 places along Seattle's 146 miles of shoreline where you can stick your toes in the water and enjoy the scenery without paying \$4 billion, \$6 billion, or \$10 billion to spruce up America's Most Livable City. Now, there's an idea to warm up to.





Alaskan Way Viaduct **DEBACLE**

What to Learn from It

Conflicted elected officials with no one holding clear authority. Government jurisdictions with overlapping responsibilities. A yawning gap between funding needs and available resources.

Sound like the high points of the Alaskan Way Viaduct controversy? Well, these same traits were cited nearly a decade ago as the systemic problems plaguing transportation governance in our state by the Washington State Transportation Blue Ribbon Commission.

In 1999, the bipartisan, high-profile commission was appointed by the Governor and the State Legislature to take an extended look at our collective system for planning, managing, and funding transportation. The commissioners looked, but couldn't really find a system. What they found instead was a circumstance they described as follows:

"While drivers may not notice it when they cross from one jurisdiction to another, Washington's transportation system is a patchwork created and maintained by more than 450 governmental entities through processes that have evolved slowly through the years. There isn't always adequate coordination, and processes that once served important functions have sometimes outlived their usefulness. In some areas, the complexity of the system and the number of players suggest needs for greater simplicity and accountability."

The situation was summed up more simply by Alan Mulally, then head of commercial airplane production for The Boeing Company and now CEO of The Ford Motor Company. Mulally let it slip to a newspaper reporter that he felt transportation in our state "Sucks."

Mulally's analysis wasn't meant for publication, but published it was, and the wisdom of his word was never more evident than in the political dust-up kicked up by the notion of an advisory vote regarding the preferred manner for replacing the Alaskan Way Viaduct.

It is hard to remember when a sitting Seattle Mayor and City Council majority stood farther beyond the pale of support from the editorial pages of the city's two daily newspapers on an issue of such potential import.

The *Seattle Post-Intelligencer* called City Hall's proposed ballot measure a "sham." The *Seattle Times* also ascribed Orwellian motives and urged that "Voters need to pay close attention because

“Our current system of transportation governance delivers inadequate results, and will need fundamental systemic change to meet our state’s transportation needs in the future. At this point there is not a single agency in the region with the ability to meet the overall transportation needs of the region. In order to address regional needs, the system has to be structurally ‘re-knit’ at the regional level.” – 2006 Blue Ribbon Commission

some fancy footwork is going on, beginning with the name of the tunnel option, the “Surface/Hybrid Tunnel.”

Times columnist Danny Westneat struck the deepest blow. He compared the sudden appearance of the much cheaper Surface/Hybrid Tunnel (“so-eco!”) option to the last, desperate attempts to save the Seattle Monorail. Westneat was a Monorail fan and felt betrayed when it fell apart in the hands of bungling elected officials and bureaucrats. He wrote, “This monorailian sales job on the tunnel is making me queasy all over again.”

Governor Christine Gregoire seemed to feel the same. She made the front page of the *P-I* above-the-fold on January 23 when she said she might not accept the outcome of Seattle’s advisory vote. “I refuse to end up with a Big Dig that starts out at \$2 billion and ends up at \$14 billion.” Then again, the main thrust of the article was that Gregoire was reversing her earlier position that the vote would be irrelevant, even though she had demanded that such a vote take place in the first place.

NOT making news on January 23, 2007, was the fact that this was also the release date for the final report of the Regional Transportation Blue Ribbon Commission.

This bipartisan, high-profile commission was appointed by the Governor and the State Legislature in 2006 to take an extended look at our system for planning, funding, and managing transportation in our corner of the state. Like the earlier Blue Ribbon Commission, it found more of a circumstance than a system, a situation it described as follows:

“Our current system of transportation governance delivers inadequate results, and will need fundamental systemic change to meet our state’s transportation needs in the future. At this point there is not a single agency in the region with the ability to meet the overall transportation needs of the region. In order to address regional needs, the system has to be structurally ‘re-knit’ at the regional level.”

Where’s Mulally when we need him? The analytic chore fell instead to *Seattle Times* editorial page editor Jim Vesley, who

wrote about the report in his column. The commission is calling for a complete overhaul of how we approach transportation, with a recommendation for a new agency that would plan, prioritize, and manage transportation projects and services throughout King, Snohomish, Pierce, and Kitsap Counties.

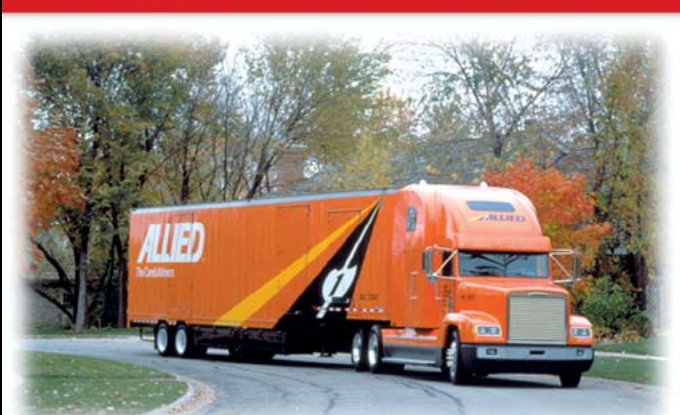
Vesley thinks this is a nice idea, but doubts it will ever happen because there is so much opposition to it. And where does the opposition come from? The grassroots? Nope. Vesley wrote that he put the question about the opposition to Blue Ribbon Commission co-chair Norm Rice, former mayor of Seattle.

“Rice said county executives won’t like it, mayors probably won’t like it, existing transit agencies and officials elected to them probably won’t like it. In other words, those who won’t like it are the same folks that have brought us to our current state of transportation planning.”

Vesley’s column appeared under the headline, “MELTDOWN: THE REGION HAS NO CLOTHES.”

It would be nice if a growing cadre of elected leaders saw it as their legacy to leave behind a transportation system that better serves the public. Right now, that’s not the road we’re heading down.

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How We Got Here **City Hall Groupthink &** **The Great Viaduct Dumb-Down**

Every governing system or community run by a single party or ideology runs the risk of falling victim to groupthink, a condition in which basic assumptions go unchallenged, debate is minimized, dissenters are marginalized, and all the knowing smiles and vigorous head-nodding create an impression everything is going just great – until it isn't.

The old Soviet Union is a great example. Another example was recently dished up by a group called “Not Another Elevated Viaduct” – NEAV for short.

NEAV bought space in the Seattle newspapers recently to publish an open letter to Governor Christine Gregoire urging her to NOT support construction of another elevated viaduct along the central waterfront. The letter was signed by 228 people described as “business, environmental, arts, civic, and political leaders,” and supporters included Seattle Mayor Greg Nickles, County Executive Ron Sims, former Governors Gary Locke and Dan Evans, former U.S. Senator Slade Gorton, a majority of City Council members, and a bunch of state legislators.

Assertions set forth in the letter are set out below in italic type, with direct extracts in quotes. These are the Articles of Faith that have been draped over the viaduct by the tunnel-or-else crowd. Responses follow in squared-up letters, stating points that were lost long ago in the viaduct debate that never really took place over at the Kremlin – er, sorry: City Hall.

ARTICLE OF FAITH ONE – *An elevated structure “Hurts Our Communities: The old Viaduct was a mistake...”*

The viaduct was a historic public improvement that helped to unite north and south Seattle, permitting motorists to “rise above it all” and soar over downtown – just like the Monorail,

except the viaduct was actually built and it really works. Seattle communities aided by the viaduct include West Seattle, Delridge, Georgetown, SODO, Ballard, Fremont, Queen Anne, Magnolia, the International District and – yes – Downtown, which is spared the presence of tens of thousands of cars, buses, and trucks that would otherwise search for north-south access along downtown streets. The viaduct benefit zone includes Interstate 5 and the hundreds of thousands of people who use the freeway without having to cope with the 110,000 people who use the viaduct.

ARTICLE TWO – *The Viaduct “seals off Seattle from its central waterfront.”*

Anyone is free to believe this if they choose to. The viaduct is loud, it casts long shadows, and it may very well seem like an enormous barrier to those whose sensibilities are offended by it. The issue is, how much do their sensibilities mean to everybody else? And what’s it worth to make them feel better? The reality is that the viaduct doesn’t stop anyone from reaching the central waterfront and while it blocks views from some buildings, the number of blocked views is minuscule compared to the tens of thousands of western-looking windows in office buildings downtown that provide breathtaking views of Elliott Bay. Looking east from West Seattle, you can barely even make out the viaduct that allegedly blights our urban landscape. It may be an Article of Faith for the True Believers, but it may be easier for a camel to pass through the eye of a needle than it is to see how the viaduct injures Seattle or “seals off” anyone from anything.

ARTICLE THREE – *“Seattle and our region can and should have a waterfront for people, not cars.”*

Seattle has more waterfront “people places” than most cities in the world thanks to the fact that the city is laced with 146 miles of shoreline. And thanks to the foresight of earlier city leaders, public access is provided along wide stretches of our shorelines. If they were laid end-to-end, Seattle’s shorelines would literally stretch from here to downtown Vancouver, B.C., and those with public access would extend from here to Mount Vernon. We not only have “people places” along the shoreline. We have an off-leash swim area for dogs at Magnuson Park on Lake Washington.

ARTICLE FOUR – *An elevated highway “Hurts the Environment: a new elevated highway will undermine cleanup of the Puget Sound.”*

The most serious threats to Puget Sound are contaminated stormwater runoff and the overuse of lawn fertilizers. Downtown Seattle has hundreds of acres of impervious streets, sidewalks, skyscrapers, and other buildings that cause more runoff than anything that is built – or isn’t built – to replace the Alaskan Way Viaduct.

ARTICLE FIVE – *An elevated highway “Hurts Businesses: Seattle is a world-class destination for business and trade. No other city in the world is building elevated freeways along their central waterfront.”*

If the existing viaduct is so harmful, how did Seattle grow into such a prosperous, world-class, most-livable-award-winning city? Other waterfront cities didn’t build elevated highways because they didn’t need to. Seattle did, and not because its past leaders were brutish or stupid, but because of the city’s challenging topography.

ARTICLE SIX – *“Opening the waterfront will improve our local and regional business, and produce substantial new revenue through increased taxes.”*

The number one tax revenue issue facing businesses, residents, our city, our region, and our state is how on earth we can afford to fix the viaduct *and* the Evergreen Point Floating Bridge, complete Sound Transit, expand Interstate 405, revamp the Spokane Street Viaduct, replace the South Park Bridge, complete State Route 509, construct two-way Mercer and all the others. This Article of Faith is the tip-off that the letter must have been written by a former government staffer or a present one. Who else would combine the terms, “increased taxes” in a sentence arguing for business benefits?

The letter makes no mention of those other pressing projects and needs, or how the viaduct “fits” when compared with other regional needs and priorities. Surprised? Don’t be. Tunnel vision is, by definition, impaired. ■



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Economic Geography 101

Prince Rupert

Today's lesson in economic geography starts with the northwestern curvature of North America.

In a nutshell, when you head up the Pacific Coast, the farther north you go, the farther west you get. Seattle is a few hundred miles west of Los Angeles, Anchorage is a thousand miles or so west of Seattle, and so it goes until you reach Big Diomed and Little Diomed in the Bering Strait and the narrow channel of seawater that divides North America and Asia.

Along this arc, in the northern mists and mountains of British Columbia, stands Prince Rupert, a town of just 13,000 people. But it is the scene of one of the more audacious development schemes in recent memory, a half-billion-dollar roll of the dice based on a pair of key geographic attributes.

Prince Rupert is blessed with an extraordinary deepwater harbor that is shielded from the full force and furies of the North Pacific by arms of land and a group of sheltering islands. More importantly, the harbor mouth is about 1,000 miles north of Seattle and 458 miles west of it. It is also nearly 700 miles west of the Port of Long Beach in southern California. That puts Prince Rupert one to two days closer to Asia than any other West Coast port in the U.S. or Canada, and the proximity is fueling a \$500 million plan to transform the tiny town into the next great container port in North America.

After the first phase of construction is completed next fall, Prince Rupert will possess the capacity to handle 500,000 containers per year. A second phase is planned to increase capacity to 2 million containers per year, equaling the container volumes now handled by either the Ports of Seattle or Tacoma.

Project sponsors contend Prince Rupert will become the gateway for a massive new transportation and trade corridor linking Asia and the huge markets of inland Canada and the U.S. Midwest.

Will it work? There are many reasons to wonder, and if you are engaged in any aspect of the container business in Puget Sound, you might find yourself worrying about the prospects too. Regardless, if all turns out as the sponsors hope, Prince Rupert will become Exhibit A for our three first rules of economic geography. These are (1) location, (2) location, and (3) location.

Edmonton

Our second lesson takes place at Edmonton International Airport in the western Canadian province of Alberta, where a recent flight from Sea-Tac arrived in just one hour and 42 minutes. The short duration of the flight was surprising. What makes it more than just a travel curiosity is the fact that Edmonton is the jumping off point for one of the biggest economic booms in the history of North America.

North of Edmonton, in an area the size of Florida, the ground beneath the trees of the boreal forest is covered by vast stretches of a smelly, black, sandy substance that literally extends farther than the human eye can see. Once referred to as Alberta's "tar sands," these deposits are now called Alberta's "oil sands." The technical term for the strange dirt is "bitumen."



Today, it is profitable to process bitumen into oil and then into gasoline. Alberta is home to one of the two largest bitumen deposits in the world, the other being in Venezuela.



Bitumen is found at the surface at many places on the earth and it has been put to good use by human beings ever since we first stood upright. Commercial applications literally predate the Bible, and a little bit of bitumen was probably used to waterproof the basket that bore the baby Moses on his fateful journey down the Nile.

Today, it is also possible to process bitumen into oil and then into gasoline. Alberta is home to one of the two largest bitumen deposits in the world, the other being in Venezuela. Oil companies in Alberta dabbled with bitumen processing for decades, but when the barrel price of oil began its dramatic climb a few years ago, the black-gold rush to Alberta was on.

Estimates vary about how much oil the sands hold – and each estimate is enormous. By one standard, there are 150 billion barrels. By another, 175 billion. With foreseeable technologies, it could be more than 300 billion and some otherwise sober-seeming types say the tally could reach a trillion. Even at the smallest number, the known reserves are second only to those possessed by Saudi Arabia.

There is a popular rule of thumb that the oil sands will remain profitable as long as the barrel price of oil remains in the range of \$40. However some grades can be processed for less, and there is a larger practical value to the resource that can be summed up in these three facts:

Christmas is legal in Canada, beheadings aren't, and when they sing the same carols we do, Canadians usually use the King's English.

While we often lose sight of it on our side of the border, the Canadians are more like us than any other people in the world. We share a merged cultural, legal, political, and commercial legacy that dates back to King Alfred the Great – if not before him – and in contrast to all the bad news that has inundated the United States since 9/11, there now comes the happy news that the Canadians might possess as much oil as the Arabs.

In part for this very reason, private investment in the oil sands has passed the \$100 billion mark and some believe it'll reach \$150 billion soon. This leads us to our next lesson in economic geography: it is seldom a bad idea to be 90 minutes by air from an infusion of \$100 billion and being that close to \$150 billion is even better.

Next stop on our journey of economic and geographic enlightenment, Vancouver, B.C., home base for the 2010 Winter Olympic Games.

Vancouver

For many in Seattle, Vancouver is our great urbane neighbor to the north, a city that is so big, so beautiful, so cosmopolitan,

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In the deep-freeze that envelops most of Canada every winter, Vancouver looms as a balmy la-la land. In the winter gloom, it can hold an allure like the one San Diego holds for some of us – as a nice, warm place you can picture yourself moving to.

and so vibrant that the bustle largely obscures a mystery. Economically, what exactly makes Vancouver tick? There is no Boeing in or near Vancouver, no Microsoft, no PACCAR, yet Vancouver bustles at least as much as Seattle does, if not more. For the solution to this puzzle, we will turn once more to geography and the related topic, climate.

Vancouver shares Seattle's climate. And while most of us would offer condolences to our neighbor for sharing this burden, Canadians see it much, much differently. Vancouver stands on the southern shore of Canada's Pacific Coast and it lacks the one thing all the other major Canadian cities have: a long, very cold winter.

Canadians joke about "cold" the way Seattleites joke about "rain," but there are two big differences between the two. They are called "snow" and "ice." The Canadian federal government offers visitors the following warning on the website for its national weather service.

"We may joke about winter, but winter weather is no joke. Bitter cold and winter storms kill more than 100 people in Canada every year. That is more than the number of Canadians killed by tornadoes, thunderstorms, lightning, floods, hurricanes and heat waves combined."

In the deep-freeze that envelops most of Canada every winter, Vancouver looms as a balmy la-la land. In the winter gloom, it can hold an allure like the one San Diego holds for some of us – as a nice, warm place you can picture yourself moving to. Moreover, when Canadians make the trek it's often because they have enough money to do so – and they bring their money with them.

Most of us have heard that Vancouver also functions as a safe haven for wealthy Asian expatriates, and it does. But climate still offers a key to the city's vitality, a link that can be illustrated by a quick Internet check of regional weather conditions.

On a Saturday afternoon last January, it was unseasonably cold, both in Seattle and Vancouver, with temperature a chilly 28 degrees. At the same time, Calgary was 16 degrees above zero; Edmonton was at zero, and in Fort McMurray, the hub of the oil fields north of Edmonton, the temperature was 20 below zero. To give you an idea how cold Canada can be, on the same afternoon the town of Barrow on the Arctic Coast of Alaska's North Slope was 14 above zero – 34 degrees warmer than Fort McMurray.

The Winter Games will pump an estimated \$10 million to \$8 billion into British Columbia, with skiing in the nearby mountains, while at the same time sea-level Vancouver remains nice and toasty. As with the oil sands, the infusion will generate spin-off growth for years to come. And this is all taking place just past our northern doorstep.

Yellowknife

Canada is a great mining nation and the world demand for raw materials makes this a banner period for mineral prices. The value of Canada's mineral output grew to a record \$26.4 billion in 2005, up from \$24.3 billion in 2004, and while the final returns aren't in, it is believed 2006 was another record year. Canadians also play a major role in worldwide mineral production, with Canadian companies operating in more than 100 other nations. As it does with oil, Canada comes with a premium for mining thanks to its political stability. In 2006, 20 percent of all mineral



Canada is now the third largest gem diamond producer in the world, trailing only Russia and Botswana, and there is a chance it will soon become number two when another major new mine opens.



Like charity, trade is best when it begins near home. It is our great luck to share border crossings with one of the world's fastest-growing regional economies. And it's not a bad time to start brushing up on Canadian.

exploration in the world took place in Canada and it leads the world for mining investments.

None of that is probably too surprising, but this next factoid might be.

Canada is now the third largest gem diamond producer in the world, trailing only Russia and Botswana, and there is a chance it will soon become number two when another major new mine opens. No diamond mines existed in Canada until 1998, when the Ekati mine went into operation about 180 miles north of Yellowknife in Canada's Northwest Territories. Today, diamond mining accounts for about \$2 billion per year and for about 5,000 extremely well-paid jobs in a region that badly needs them.

The diamond mines have also added to the bottom line of Seattle-based B&G Machine, a company that rebuilds diesel engines. B&G did no business in Canada until 1998, when it set out to build a customer base in Vancouver. Today B&G schedules two truck trips per week to serve Canadian customers and its customer list extends to the diamond mines north of Yellowknife, 1,200 miles north of the company's home base in Seattle. "Our Canadian business is at capacity," said B&G's vice president, Johnny Bianchi. "We couldn't handle any more business than we're already doing."

The Bottom Line

So, hooray for B&G Machine and all the other businesses that may find a niche in one of Canada's booming marketplaces. What's in it for the rest of us? Well, this. When Canadians do well, no people in the world do better than Americans because Canada is, by far, our nation's largest trade partner.

It does not possess the cachet or potential consumer markets of China or Japan, but year in and year out Canada is the largest market for U.S. exports. It accounted for \$211 billion in U.S. exports in 2005, far surpassing Japan and China. Combine Canada's figures with Mexico's and the total brought in by our North American neighbors added up to \$331 billion. That was more than the combined total of \$321 billion for the next ten largest markets for U.S. goods (in order, Japan, China, the United Kingdom, Germany, South Korea, the Netherlands, France, Taiwan, Singapore, and Belgium).

Because Washington State exports are so heavily boosted by

airplane sales, Canada usually ranks as our state's second largest export market after Japan. But take airplanes out of the mix and Canada is invariably the number one for everything made in Washington that doesn't have wings, and the present Canada bonanza shows up dramatically in key manufacturing sectors for our state.

State exports to Canada grew overall by 22 percent between September of 2005 and 2006. That's double the rate of growth for state exports to other world markets, and the Canadian growth was strongest in key industrial sectors such as manufactured machines, up 32 percent, primary metals, up 26 percent, and fabricated metal products, up 26 percent.

Thomas Friedman makes a great case that today's economic world is flat, but the real world isn't. As Columbus discovered in 1492, the world is round, and unless you can conduct your business solely over the Internet proximity still matters, along with oceans, mountains, climate, and all the other geographic features of the real world.

Like charity, trade is best when it begins near home. It is our great luck to share border crossings with one of the world's fastest-growing regional economies. And it's not a bad time to start brushing up on Canadian.

Consider the case of Partners, a food processing company founded in Seattle to make high-end, low-fat crackers. In 2000, Partners rented a booth at a local food show sponsored by the National Association for the Specialty Food Trades. A Canadian food broker stopped by, liked the crackers, and suggested Partners should try to crack Canada. Partners did, and the rest is now company history. Fueled in part by its soon booming Canadian trade, Partners grew from 15 workers to 100 and it has doubled its sales in each of the last two years, necessitating a move to a larger production plant in Kent.

"Canada was a great first export market experience for us," says Cara Figgins, Partner's vice president for sales. "They speak the same language, they attend the same trade shows, and it's easy to ship across the border."

It may sound a bit like "coals to Newcastle," given Canada's own role as a food-processing powerhouse. But Washington exports of food products to Canada grew by 50 percent in the last five years, growing from sales of \$200 million to \$300 million.

Not bad, eh? ■



Fort McMurray – Center of the Universe

Brutal Cold and Shortages of Nearly Everything – Except Money, Oil & Controversy

Veteran Northwest journalist Morris Malakoff is a dual citizen of Ireland and the United States and a hopeless enthusiast for the sports of curling and ice hockey. This means he probably knows more about Canada than 99 percent of the rest us. Last summer *Seattle Industry* dispatched Malakoff to Fort McMurray to research the oil sands and also to bring back a cultural report that might help our readers better understand all things “Canadien.” His reports follow.

* * *

Fort McMurray is now North America’s most famous boomtown, and one of the biggest booms seems to be in the sale and distribution of “help wanted” signs. The signs hang in the windows of nearly every storefront throughout the town and the curbsides are crowded with portable readerboards with large movable letters in garish colors of green, yellow, and red. At midday, some stores and offices are closed owing to staffing shortages. The businesses that are open seem to be transplanted from Communist-era Moscow, with long lines of customers waiting for basic consumer goods that are often in short supply or missing altogether.

A taste of the problem is supplied by the simple act of trying to get a cup of coffee at the new Tim Hortons outlet in Fort McMurray. Tim Hortons is a coffee and donut chain that is a national institution in Canada. The new outlet resorted to offering iPods as a bonus to lure new employees, but the store still struggles to serve its customers. Pickup trucks and SUVs were lined up 20 at a time for service at the drive-through window. The line for in-store service snaked around the outside of the building and just to get a cup of coffee required a 40-minute wait.

One patron in the early morning queue was outfitted in the work boots and mud-stained pants that comprise the uniform of the working class in northern Alberta. “Well,” he said. “If you think this is bad, it’s better than the wait at Starbucks.”

He was proven right by a trip across town to the Starbucks outlet in a Safeway grocery store. A single employee behind the counter kept apologizing to customers about the wait, saying continually, “I had two people scheduled to work today, but they quit for other jobs.”

That is the mantra in a town where Burger King and McDonalds advertise a starting wage of \$14 an hour plus benefits but still suffer worker shortages.

Twenty years ago, Fort McMurray was a town of just 6,000 souls located at the junction of several roads that linked mining camps and villages scattered sparsely throughout the low, scrub-like, arctic boreal forest that extends for tens of thousands of square miles

across northern Alberta. Today, the town is occupied by 60,000 people and it stands at the center of a universe based on sea-like stretches of oily sand that tug at Canadian national politics and all the geopolitical considerations connected with the issue of global energy supplies.

As with any boom, there are very large asterisks that should be applied to just about every aspect of the oil sands. But there are also a few central facts that are beyond dispute. There are billions and billions of barrels of oil contained in the sands. There is enormous economic and political pressure to get as much oil out as quickly as possible, and a primary impediment to development is a shortage of human beings with the skills necessary to extract, process, and refine the black, sandy, smelly substance that north of Fort McMurray covers an area the size of Florida.

Fort McMurray may be one of the few places in the world where money is almost literally no object. Billions of dollars are available for investment and it’s estimated that somewhere around \$120 billion was invested in just the past three years. But dollars alone can’t do the work, and while the shortage of service workers in Fort McMurray may be a pain in a consumer’s backside, the shortage of skilled workers in the oil fields threatens the whole enterprise.

The Canadian national government predicts 35,000 more skilled industrial workers will be needed just to complete the projects already planned, and right now companies are failing to find them.

Combined with falling oil prices, which have receded to about \$50 a barrel, there are whispers that the bust side is already coming to an industry notorious in Alberta for previous booms and busts.

Not everyone agrees, and some big factors argue to the contrary.

The U.S. is, and will be, the primary market for Alberta’s oil, and the value of the resource can’t be calculated by near-term ups and downs in oil prices. The oil sands now produce about

500,000 barrels per day and production is projected to grow to 3 million barrels per day by 2015. To put it in perspective, that rate would equal about 1.1 billion barrels per year, to equal the amount imported to the U.S. in 2006 from Saudi Arabia, Venezuela, and Iraq combined.

The oil sands will never make the U.S. energy independent but the resource has the potential – at least on paper – to make the U.S. far less dependent on countries it doesn't want to depend on. None other than Vice President Dick Cheney has said that the oil sands are a “pillar of sustained North American energy and economic stability.”

Then again, the terms “North America” and “United States” are not synonymous.

A Chinese firm bought a share in a small oil-sands developer last year and the national Chinese oil company, PetroChina, is searching for a way to build a new \$2.5 billion oil pipeline between Edmonton and the Pacific Coast. It is not up to Washington, D.C., to determine what happens with the oil sands. It's up to the Canadians, and a growing in-house debate is well underway about how to proceed from the perspective of Canada's own self-interest.

“I don't see the geopolitical problems going away anytime soon,” Bart Melek, a senior economist with BMO Capital Markets, told *Canadian Business* magazine. “The only question is whether energy companies are going to make a lot of profit or an insane amount of profit.”

Watching with shock and awe as all of this occurs is virtually every environmental group on the planet. To better understand the environmentalist perspective, look at it like this:

If you fear the impacts of global warming and believe it is caused by burning fossil fuels ...

If you want to encourage greater use of alternative fuels, and feel that dwindling worldwide oil supplies and global warming are the best one-two punch in favor of converting to them...

If you like forests and other landscapes to remain as much as possible in their pristine states...

If you have a special place in your heart for animals that remain free in natural habitats...

If you believe and/or feel any of these things, there is absolutely



Photo: Global Forest Watch Canada

The scale of the surface mining just to scrape up the sands is now so gargantuan it can be seen by cameras on satellites in outer space.

nothing to like about the oil sands and their potential to extend the Oil Age and the reign of Hydrocarbon Man (and Woman).

The scale of the surface mining just to scrape up the sands is now so gargantuan it can be seen by cameras on satellites in outer space.

In a recent interview, Elizabeth May, the Leader of the Green Party of Canada and former Executive Director of the national Sierra Club of Canada, summed up her feelings this way:

“From a forests perspective, the Athabasca tar sands represents a complete removal – deforestation in a real sense – of thousands and thousands of hectares for every single mine, so it's got an immediate impact on forests... [It also has] an immediate impact on caribou habitat, an immediate impact on migratory bird habitat, and a very significant impact on the availability of water throughout the region as it's a very large consumer of water... [It is also] producing air pollution that's resulting in acid rain and acidification in northern Saskatchewan. It's producing toxic emissions which at this point some doctors believe are associated with the cancer spike of rare cancers in Fort Chipewyan. On top of all that, it's a major greenhouse gas producer.”

May's views are virtually unanimous among members of the Green Party, based in Ottawa. Then again, Ottawa is 3,500 miles to the east of Fort McMurray.

The official symbol of the province of Alberta is a cowboy on a horse, and that begins to tell you something about the distance between Alberta and Ottawa to the east or, for that matter, Vancouver to the west. Alberta is regarded as the Canadian province that is culturally most like the United States.

Calgary – home of the annual Calgary Stampede – hosts an official picnic every Fourth of July to honor the 20,000 or so U.S.



A brief etymology

Researched by Pam Romine

It may seem like the most quintessentially Canadian phrase, but many of the world's languages share some version of eh? In French, Italian, Dutch, Japanese, the Maori language of native New Zealanders – or even American – it is a way to ask “Huh?” or “What?” or to exclaim, “Hey!”

According to the Canadian Oxford Dictionary, the only use that seems exclusive to Canadians is the one that comes with the distinctive inflection for “ascertaining the comprehension, continued interest, agreement, etc., of the person or persons addressed.”

A couple of examples: “It's four kilometers away, eh, so I have to go by bike.” Or, “It's nine o'clock, eh?” meaning “You do know that it's nine o'clock?” Or it could also be taken as an actual question, such as “It's nine o'clock, right?”

U.S. usage often carries a malicious tone, as in “You want a piece of me, eh?” ■

citizens who work in the city. Most of the expatriots are from Texas, Oklahoma, and Louisiana, and they work in the corporate suites of the oil industry.

In the last elections, the Conservative Party in Alberta pulled an astonishing 65 percent of the vote. That was nearly triple the Conservative vote for the nation as a whole and it nearly doubled the 37 percent Conservative vote in neighboring British Columbia.

The Conservative landslide in Alberta in 2006 helped propel Canada's conservatives to national leadership for the first time in many years, and the post of Prime Minister went to Stephen Harper, a member of the House of Commons. Harper is from Calgary. For a region that has long felt neglected by the powers-that-be back east, the election and the oil sands combined to justify a very loud and proverbial "Yeehaw!"

The oil sands have turned Alberta into an economic powerhouse with a provincial budget surplus of around \$10 billion, and Alberta's riches are felt throughout the neighborhood.

According to Landcor, a land-assessment service based in British Columbia, Albertans purchased 2,219 properties in B.C. during the first six months of 2006, with a value of more than \$650 million. Albertans accounted for more real estate purchases in B.C. during that period than buyers from California, Washington, and Ontario combined.

On Vancouver Island, resort communities adjacent to the popular Gulf Islands have drawn so many vacationers and buyers from Alberta that the Canadian discount airline WestJet has begun service from Edmonton and Calgary to the small town of Comox, 60 miles north of Victoria, using newly purchased Boeing 737s.

Vancouver was already suffering from a serious labor shortage in meeting the construction needs related to the 2010 Winter Olympics that will take place in British Columbia. The Alberta boom has made the shortage worse.

To top it off, Alberta is not only "rich." It's also "young." Nearly 60 percent of Albertans are under the age of 40 and over 60 percent have a university degree. Internet usage is the highest in Canada. Calgary has more corporate headquarters per capita than Toronto, and the provincial tax rate is, on average, 45 percent below the rest of the country.

It won't last forever and it may not last for long, but Alberta has emerged as a center of national gravity in Canada – and Alberta turns around Fort McMurray.

In both the province and the town, the concerns about the oil sands are almost solely practical ones. The philosophical questions and many of the environmental ones went out the window about when the barrel price of oil rose above \$20 and the experts could see it would soon be profitable to wring oil from the sands on a massive scale.

In the summer, Fort McMurray looks a lot like Yakima or Wenatchee, but it is confronting challenges and opportunities on a scale most cities would find unimaginable. Over the past ten years, the town's population grew from 34,000 to 60,000 and the population is expected to double over the next five years. The resulting housing, utility, road, and school shortages are palpable



Most jobs in the oil fields come with subsistence allowances of up to \$135 a day. Put it together with signing bonuses and hourly rates and in many skilled workers around Fort McMurray are earning more than \$120,000 per year.

as you walk through town, and the civic drawing boards are full of new construction projects for all types of residential, commercial, and public purposes.

One project will construct a pair of towers with residential condominiums. At 36 and 31 stories, these towers will dwarf the current downtown where no existing building even approaches 10 stories. In fact, the towers will stand second only to a 52-story building in Oslo, Norway, as the tallest buildings in the world at such a northern latitude. When completed, the residential units will go for at least \$1 million each.

A facility is also planned that will be one of the world's largest indoor recreational centers. It will be built on an island in the Athabasca River on the edge of town. It will span 400,000 square feet and will include three full-sized ice rinks, 12 lanes for curling, a 300-meter track, gyms, meeting rooms, restaurants, and a public library.

The reason for the massive indoor center is the same one affecting the shortage of labor. Fort McMurray suffers winters that are brutally cold. All of the province lies south of Anchorage, but Albertans claim their province is colder than Alaska and it often is.

It's tough to draw workers, but the Canadians are trying and thousands of job openings are now approved for applicants from other countries. Most jobs in the oil fields come with subsistence allowances of up to \$135 a day. Put it together with signing bonuses and hourly rates and many skilled workers around Fort McMurray are earning more than \$120,000 per year.

To make the winters more tolerable, most workers are on split shifts, with extended stays back home for R&R. Many workers commute between the oil sands and Canada's Maritime Provinces, which are nearly 4,500 miles to the east. So many workers follow this route it has led to a joke that Fort McMurray is now the second largest city in Newfoundland.

Recruiting efforts aimed at workers have so far concentrated on Canada, Eastern Europe, Asia, and Venezuela. If the severe labor shortage continues, it's only a matter of time before recruiters begin looking on our side of the border, and by air, Fort McMurray is only a half-day away from Sea-Tac.

But if you want to get in on the boom, be forewarned.

Make sure you secure housing before you head north. About 450 people are homeless in Fort McMurray at any given time because they failed to line up housing prior to their arrival.

And, if you're a coffee drinker, pack a large thermos, because for most of the year it's brutally cold and the lines at Tom Hortons probably won't get shorter anytime soon. ■

Parlez-vous Canadian?

A Cultural Primer



On the surface the USA and Canada may seem like twins, but there are real differences between the two. Here are a few tips that will boost your ability to speak Canadian and/or Canadien – and yes, in Canada, at least on paper, they really must account for both languages.

GOVERNMENT. The people of Canada and the U.S. are both represented by national legislatures with two parts, a Senate and a House. But in Ottawa the Senate is appointed by the Governor General – more about that in a minute. Members of the House of Commons are all elected and the party with the most seats picks the House member who will serve as Prime Minister. When someone in Canada refers to “the government,” they usually mean the governing party of the moment, not the bureaucrats in Ottawa, the nation’s capital.

LIZ. The PM is the head of government, not the “head of state.” Canada’s head of state resides in London, England, and right now her name is Liz. The Queen or King of England is represented in Canada by a Governor General who appoints all members of the Senate subject to consultation with the PM. The Queen or King still packs a wallop when it comes to national tone, culture, and what’s considered “proper.” This is why royal scandals are such – well, royal scandals.

POLITICAL PARTIES. Conservatives are similar to Republicans down here, liberals are like Democrats, but the presence of other small parties, like the Greens, removes some of the extremists who are often part of the Democratic family down here. The “PQ” is the Parti Québécois, those who traditionally support a separation of the French and Canadian culture, if not the complete province of Quebec.

PROVINCES. Not exactly the “states” found in the U.S., the provinces of Canada are autonomous to a greater degree, each with its own government and legislature.

LAW AND ORDER. When someone mentions “the crown,” they mean the government, particularly in the law courts. Although Canadians share the U.S. tradition of English law, there are cultural differences about priorities. A common remark in Canada goes: “Canadian Customs officers want to know if you are carrying a firearm, and U.S. Customs officers want to know if you have ever smoked pot.”

MOUNTIES. They only wear the traditional red coats for ceremonial occasions. Those are also the times they ride black horses. Otherwise, it’s a blue uniform, four tires, and a ticket book. Drive too fast outside a large city in Canada and the law enforcement officer who pulls you over will often be a member of the Royal Canadian Mounted Police.

HOCKEY NIGHT IN CANADA. Yes, the game is the national obsession. Even the smallest crossroads towns in the middle of nowhere have rinks. Canadians still account for the majority of players in the National Hockey League, but the percentage is dropping, thanks to better U.S. players and more players from Eastern Europe and Russia.

LOONY CURRENCY. Even the business reporters on television will refer to it as the “Loony.” It is the Canadian dollar. It was given that name not because it’s crazy but because the bill is adorned with a waterfowl known as the loon. Much maligned over the past few decades due to its weakness, the loony is now rebounding to approach par with the U.S. dollar.

MAC & CHEESE. More than 100 million boxes of Kraft Dinners are sold in Canada every year and the dish is featured on television cooking programs and even in popular culture, with mentions in popular music. It’s not the healthiest dish around, but it is warm and hearty on a cold winter afternoon in the far north.

PARLEZ-VOUS FRANÇAIS? Every government record, decree, piece of merchandise, and label in the country is printed both in French and in English, yet less than a quarter of the population claim French as their mother tongue. Most who do live in Quebec, but they are a major voting bloc, so equal rights abound. ■



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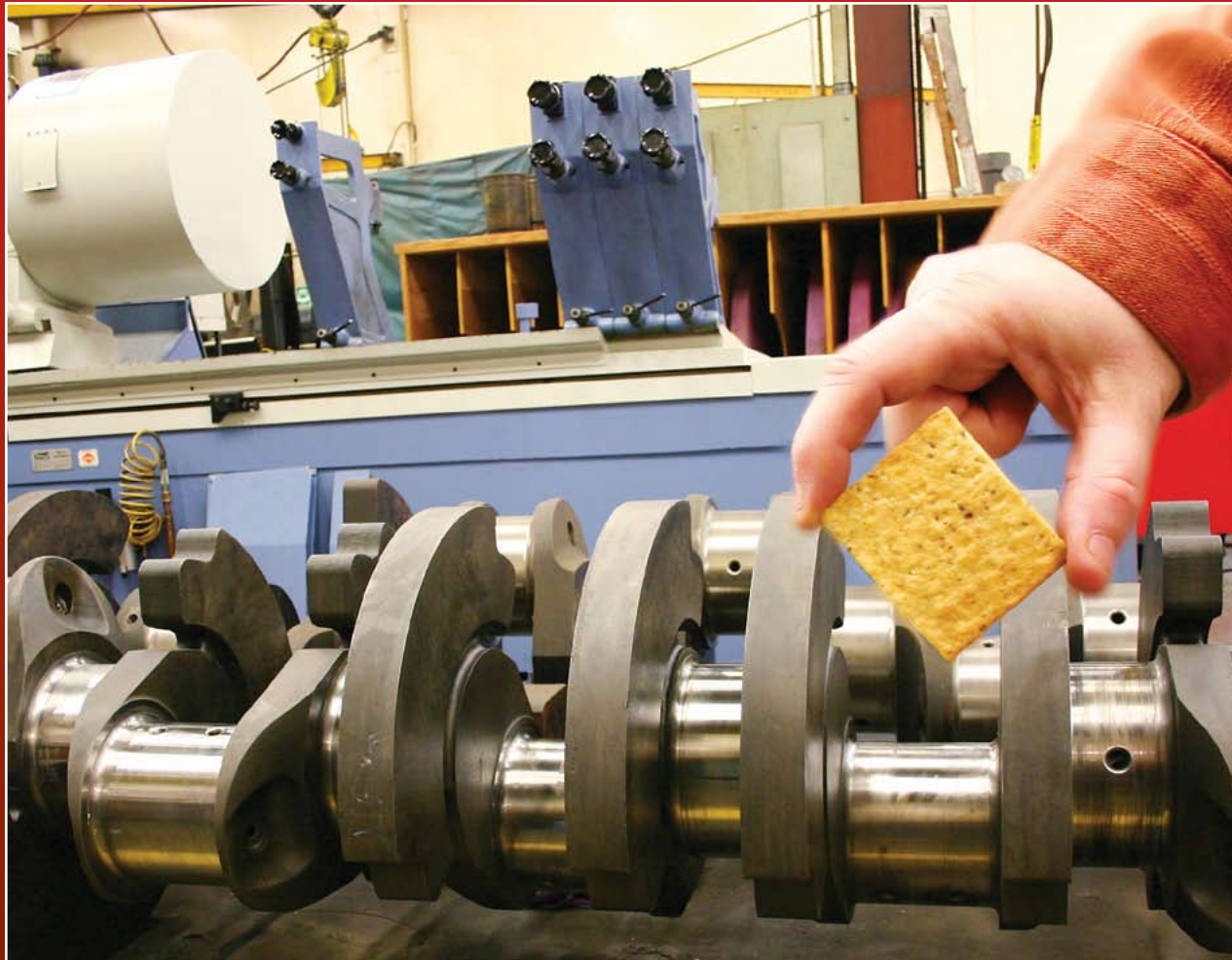
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**FROM CRANKSHAFTS TO CRACKERS, THE CANADIAN
MARKET CAN WORK FOR YOU IF YOU HAVE THE RIGHT PRODUCT**



Canada Bonanza

A retooled crankshaft for a Caterpillar 3612 diesel engine and a Blue Star Farms Stone Ground Multigrain Cracker don't have much in common. But they share at least two things.

- Canadians buy them, and
- They're made by family-owned businesses based in the State of Washington.

Canada is by far the easiest export market to penetrate for many Washington companies, and you don't have to be a big corporation to succeed there. Government agencies on both sides of the border will help make connections. You can enter the market in ways that are nearly innumerable. And right now Canadians are buying lots of everything thanks to the exceptional economic boom that's taking place in the western provinces of British Columbia and Alberta.

It all worked for B&G Machine, the company that rebuilt the crankshaft, and for Partners, the company that makes the cracker.

Turn the page to learn how it might work for you and your business.

"Canada Bonanza" was produced in March 2007 by Seattle Industry magazine in partnership with the Canadian Consulate General in Seattle, the International Trade Alliance of Spokane, the Manufacturing Industrial Council of Seattle, the U.S. Department of Commerce Export Assistance Service Centers of Seattle and Spokane, and the Washington State Department of Community, Trade and Economic Development.

TWO STORIES OF SUCCESS

B&G MACHINE

Like most Washingtonians, Johnny Bianchi is no stranger to Vancouver, British Columbia, and when he used to visit the city he was struck by the fact that it appeared to be home to so many companies that might be customers for the Bianchi family's business, B&G Machine in Seattle.

So he embarked on his own marketing plan, setting aside Wednesdays most weeks to drive up to Vancouver and call on prospective customers. It was 146 miles up and 146 miles back, with lots of frustration in between, but it worked. That was in 1998. Today, B&G Machine runs two trucks to Canada most weeks to serve a customer base ranging from the commercial hub of Vancouver to the oil sands of Alberta and the diamond mines north of Yellowknife in the Northwest Territories.

B&G Machine retains the services of a broker to obtain the necessary permits for border crossings. Otherwise, serving Canada is not really any different for B&G than working with customers in the United States. Says Bianchi, "We're happy with the way it paid off and find the Canadians very easy and straightforward to do business with."



The Bianchis of B&G Machine.

PARTNERS

Marian Harris was a restaurant owner who grew tired of the restaurant business. So, in 1992 she started a small baking company called Partners to make the gourmet crackers that she had baked by hand for her restaurants. Just a few years ago Partners had a display at a trade show where a wholesale food broker from Canada saw and tasted some of the crackers. He offered to market them up north. Harris agreed.

Today, Canada accounts for about 20 percent of the company's sales and Partners has grown from 15 to 80 employees. Partners has doubled its sales figures in each of the past two years and the company just opened a brand-new production plant in Kent, where its bakers turn out crackers that are now sold coast to coast in the U.S. and Canada.

Marian's daughter Cara directs sales for the company. She says the Canadian experience helped Partners learn what it will take to approach markets such as Japan. "Canada was a great first export market experience," she said. "They speak the same language, attend the same trade shows, and it's convenient to ship across the border."



Marian Harris runs Partners with help from her daughter Cara and her son Greg.



**THEY ARE FROM THE GOVERNMENT.
THEY ARE HERE TO HELP. AND THEY REALLY CAN HELP YOU.**

How to Make It

To sell its products in Canada, Partners had to revamp all the wrappers for its exported merchandise to include French for all written material. To help pay for that process, the company tapped into a program available through the Market Access Program of the U.S. Department of Agriculture. The program provides cash matches for U.S. companies making investments to sell U.S. food products internationally, and the funds helped pay for translating for Partners' first batch of exports.

Joke as we may about the effectiveness of government "help," the Market Access Program shows that government will do what it can to help wealth-creating exports, and in some cases that means providing financial assistance. The following public agencies provide many services – for free – to help facilitate trade.

U.S. DEPARTMENT OF COMMERCE

The U.S. Commercial Service of the U.S. Department of Commerce is a federal agency dedicated to helping small- to medium-sized companies with their exporting strategies. Services are provided through regional U.S. Export Assistance Centers. Staff at the centers can also provide access to services available through the Small Business Administration, the Export Import Bank, Multilateral Development Banks, and other federal agencies and programs to support exports.

The U.S. Export Assistance Center in Spokane has zeroed in on opportunities arising from the oil sands. Learn more online at [**www.buyusa.gov/spokane/oilsands.html**](http://www.buyusa.gov/spokane/oilsands.html).

The U.S. Commercial Service also has on-the-ground staff available in Calgary and Alberta, and general services are available through the Export Assistance Center in Seattle. Learn more about all services at [**www.buyusa.gov/pnw/export_services.html**](http://www.buyusa.gov/pnw/export_services.html).



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WASHINGTON STATE RESOURCES FOR TRADE AND ECONOMIC DEVELOPMENT

The Washington State Department of Community, Trade and Economic Development (CTED) helps Washington businesses gain access to international markets. Mary Rose, 2010 Program Manager, is the point person for companies wanting to learn more about opportunities associated with the 2010 Winter Games in British Columbia. CTED's international trade program managers have expertise in aerospace and marine industries, building materials and wood products, industrial machinery, information and communications technology, and medical equipment and devices. CTED has representatives in Vancouver, B.C., to assist companies in making connections and developing business opportunities. The agency also maintains foreign offices in China, Japan, Taiwan, South Korea, Mexico, and Germany. To access these services, contact Mary Rose at [**maryr@cted.wa.gov**](mailto:maryr@cted.wa.gov). For more information about CTED export services, click "Trade and Economic Development" at [**www.cted.wa.gov/**](http://www.cted.wa.gov/).



INTERNATIONAL TRADE ALLIANCE

Karen Cooney, Trade Assistance Director for the International Trade Alliance, is the contact for companies east of the mountains. The International Trade Alliance, located in Spokane, Washington, is a nonprofit international business development organization. The ITA provides export services to businesses throughout Eastern Washington and Northern Idaho. In addition, the ITA offers educational and networking opportunities, including several exciting Canadian programs.

CTED and the U.S. Commercial Service are ITA partners. Contact Karen about Canadian opportunities at kcooney@intrade.org.

Communities and companies throughout western Canada are experiencing unprecedented growth due to the combined impacts of the Alberta oil sands, the 2010 Winter Games in British Columbia, and construction of a new mega port at Prince Rupert on the Pacific Coast. These activities are resulting in a growing list of opportunities for individuals and businesses in the United States that want to invest in Canada.

The opportunities are enhanced by the fact that Canada is one of the most stable nations in the world for outside investors. The provincial and national governments are also implementing a number of new measures to make Canada more business-friendly.

The Canadian Consul General office in Seattle is a good place to start to learn more about the opportunities. Consul General Peter Lloyd leads a diplomatic mission that includes a team of trade commissioners headed by Senior Consulate Trade Commissioner Michael Virr, who are available to help make introductions and connections.

Don't call if you want to sell products to Canadians or wish to open a restaurant or retail outlet in Canada that would compete with Canadian firms. Do call if your idea would help Canadian companies or communities. The Canadian government is especially interested in helping those who want to invest in Canadian manufacturing, research and development, information technology, and life sciences.

A good contact is John Pearce, the consulate's Trade Commissioner for Investment and Technology. He can be reached at John.Pearce@international.gc.ca. The general information line at the consul's office is 206-443-1777. The Canadian Consul General staff in Seattle serve the states of Washington, Alaska, Oregon, and Idaho.

Networking opportunities are also available through the Canada-America Society; visit them at www.canada-americasociety.org/contact.html.

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“Gut Shot” on Global Warming?



The Great Polar Bear Debate Begins

Harry Whittington...

That's the name of the guy who was shot by Dick Cheney during a quail hunt last year in Texas. The man and the episode were rapidly receding into the dusty realm of scandals past but they are both brought back to mind by a new Alaskan controversy that may pack a global wallop.

The U.S. Fish and Wildlife Service is proposing that the polar bear be classified as an endangered species. The proposal is based on the long-term threat posed to the bears by thinning sea ice in the Arctic. The proposal sets the stage for the first knock-down, drag-out battle over the impact of global warming on U.S. commerce, and it is unfolding in a political environment that could scarcely grow more heated.

Lined up on one side is the U.S. environmental movement and a world view that sees Alaska as a symbol for much that is evil and good in the world. Environmental advocates use worst-case scenarios in Alaska the way Napoleon used his cannon: massed up, firing often, and aiming for the maximum possible impact – and few things on earth provide more environmental ammo right now than the imperiled state of Alaska's magnificent polar bears.

Lined up on the other side are a good number of the people who live in a state that is more dependent on oil per capita than any other state in the union. Oil drives the Alaskan economy like no other industry can. Oil accounts for 90 percent of all private business revenue created in Alaska making it the largest generator of greenbacks in a land where thousands still get by mostly on food they obtain through hunting and fishing. Each and every Alaskan receives an “oil check” every year from the state government as their personal payout from the state's Permanent Fund of accumulated oil royalties, and those dollars loom especially large for those who subsist in the vast Alaskan bush.

In addition to oil checks, Alaska is also full of people who are fed up with being told what they can and cannot do by people who live thousands of miles away but possess

deep passions about the importance of preserving Alaskan wilderness.

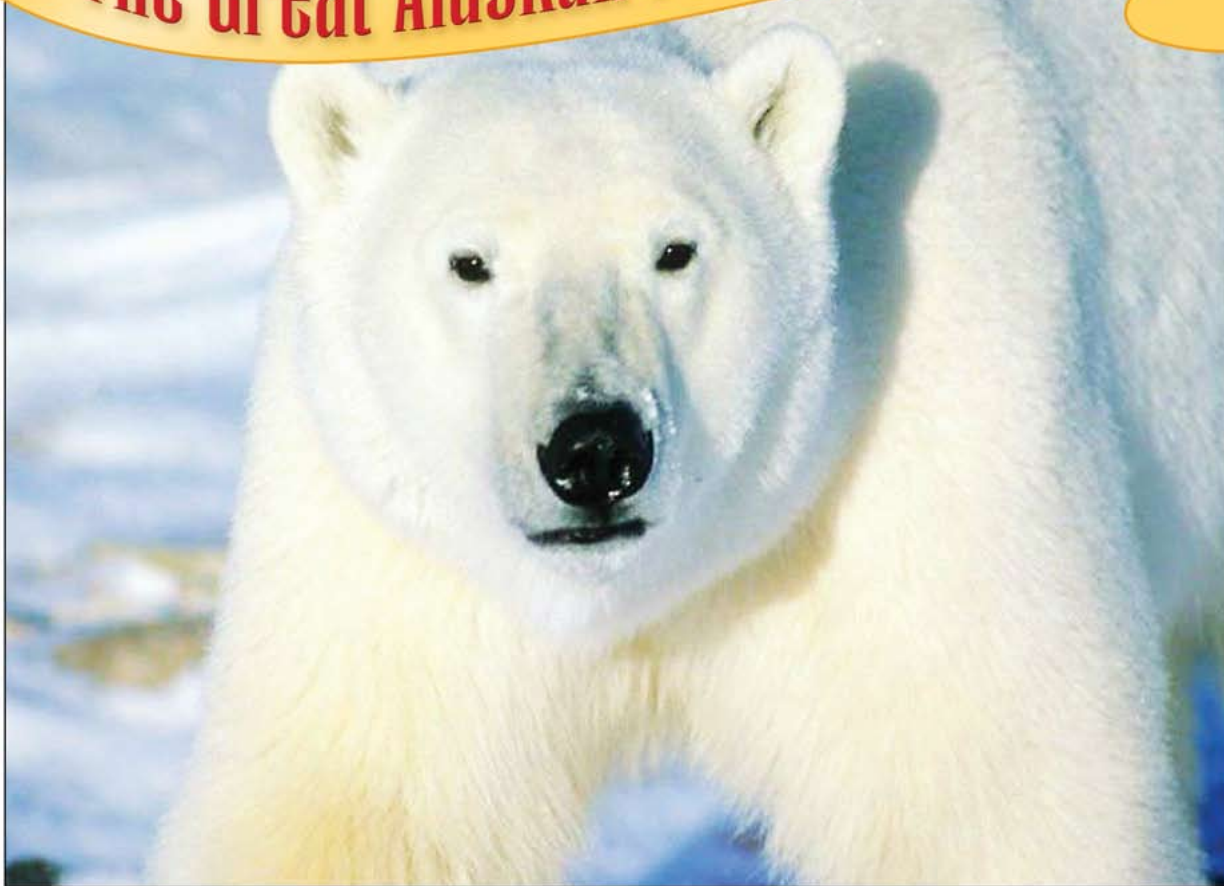
The crunch of publicity about the proposed listing obscured two other inconvenient truths.

First, endangered species status will not thicken up the Arctic ice that is thinning beneath the polar bears.

Second, it will bring a whole new level of government review to any development activity in any polar bear habitat, and polar bear habitat fits like a mukluk on the North Slope shorelines and offshore areas that contain Alaska's largest remaining oil pools.

Ironically, there is abundant evidence that oil exploration and production have had very little negative impact on polar bears, which makes sense if you think about it. No matter. Endangered species status would create a whole new arsenal

The Great Alaskan Polar Bear Debate



Lined up on one side is the U.S. environmental movement and a world view that sees Alaska as a symbol for much that is evil and good in the world. Lined up on the other side are a good number of the people who live in a state that is more dependent on oil per capita than any other state in the union.

for environmental groups to fight Alaskan oil and gas activity.

Standing in the middle of this mess? None other than President George W. Bush, the best friend Alaska oil ever had – until now.

The fact the new proposal came from the Bush administration left some in Alaska feeling a bit like Harry Whittington must have when he was shot by his hunting buddy at the Armstrong ranch: shocked, confused, trying to grasp the depth of the damage and the size of the wound.

U.S. Interior Secretary Dirk Kempthorne attempted to reassure Alaskan

officials and Native leaders that the listing is not intended to block oil and gas development on the North Slope nor to disrupt subsistence hunting. Just one problem.

Just as the listing won't thicken any sea ice, the Department of the Interior will possess no control over who opts to use the listing to pursue legal challenges to North Slope oil and gas development. New Alaska Governor Sarah Palin pointed this out in a letter to Kempthorne.

"We know listing polar bears as endangered or threatened will not impact polar bear numbers or cause sea ice to freeze," she wrote. "What we don't know

are all the unintended effects of listing. It is highly probable that among them will be third-party lawsuits from litigants with a variety of motivations to list large portions of Alaska's North Slope as critical habitat or to limit emissions of greenhouse gases throughout the United States."

Advocates for polar bear endangered-species status contend that they are thinking globally while acting locally. They argue that the listing is just one of many, many steps that must be taken by the government and the people of the United States to develop an effective response to global warming. And if the designation

happens to knock the stuffing out of the Alaska oil industry, well, let's be honest. If they even pretend to act sad, the crocodile tears would be large enough to fill swimming pools.

One group that pressed hardest for the endangered species proposal is the Center for Biological Diversity. The CBD website says the group's goal is to save endangered species around the world through "litigation, policy advocacy and an innovative strategic vision." The group is based in Tucson, Arizona. Tucson is a long way from the Arctic, but even from that distance the CBD's strategic vision was sharp enough to know an outstanding mobilizing issue when it saw one.

A spokeswoman for the CBD provided the following explanation for the polar bear initiative, according to the Associated Press. "It's such [a] canary in the coal mine. If you want to know what's going to be happening in the rest of the world in 25 years, all you have to know is what's happening in the Arctic. Everything is changing and not for the better."

An editorial in the Portland *Oregonian* reflected much of the commentary about Bush. Hopefully, Team Bush did not support the proposal believing it might bring them credit for finally acknowledging the issue of global warming.

Sayeth the *Oregonian*, "Not even the Bush administration can ignore the melting of the Arctic sea ice, or stomach the awful image of polar bears drowning in the open ocean, far from the nearest pack ice. Polar bears are clearly in trouble, and so are other species, such as penguins, that depend on the same habitat. Experts on polar bears say that the adults they see are noticeably thinner, the mortality of cubs is much higher, and a few starving bears have even resorted to killing and eating other bears."

Which brings us to a pretty good place to pull over, roll down the window, and let some of the odious gases escape. During this pit stop, we will attempt to add some perspective that will usually be lacking in the Great Alaskan Polar Bear Debate.

For the record, regarding the canary metaphor, virtually all reputable scientists who have examined the evidence say that global warming will impact different parts of the world in different ways, and many believe there will even be some good impacts along with the bad ones. If you really want to know what might be happening in the rest of the world 25 years from now, the *last* place to look is the Arctic, because its environment and vulnerabilities are so unlike the places where 99.9999 percent of the world's humans, animals, and plants live.

Over the past two decades, Arctic temperatures have risen three times faster than those in the rest of the world, and the impacts have been much more severe because of the special vulnerabilities to warming of permafrost and sea ice, the two pillars of "normal" life for humans and many animals in the Arctic. Scientists believe the exceptional warming rate is caused by a phenomenon called "ice-albedo feedback." As ice and snow retreat, their capacity to reflect sunlight is reduced and the exposed earth and sea absorb more heat from the sun. As the cycle

is repeated, more earth and sea areas are exposed, and the temperature continues to rise.

So while Alaska provides incredible examples of global warming, it's not too credible to claim that it shows us what our world will look like if global warming continues.

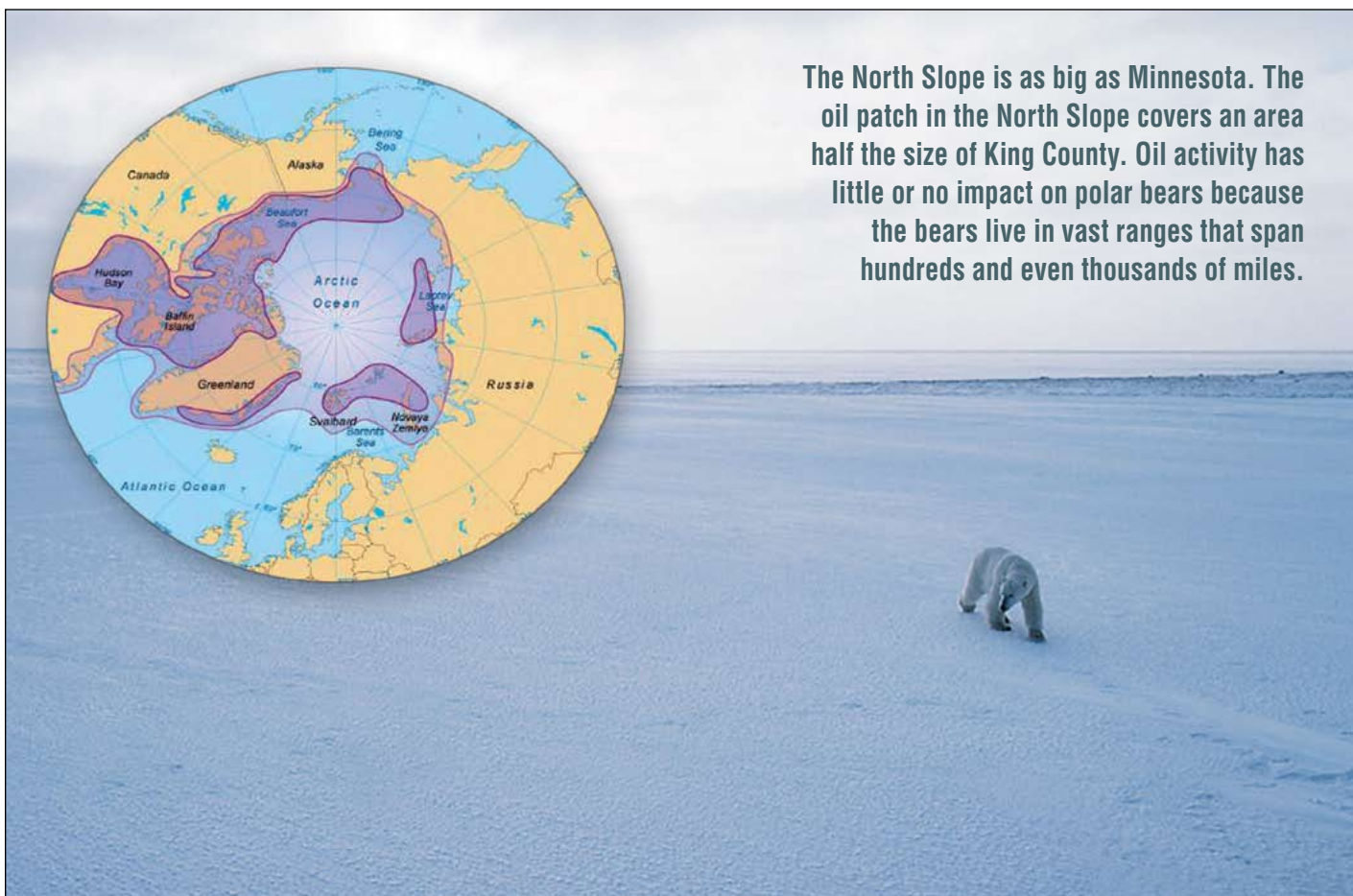
As for the *Oregonian*, three points require clarification.

First, penguins and the polar bear occupy similar habitats, but they do not live in the same habitat except in Coca-Cola commercials and, apparently, the editorial page of the *Oregonian*. Polar bears and penguins literally live *polar* worlds apart (and, trust us: this is extremely good news for penguins).

Second, while North Slope polar bears may be in trouble, they are not yet suffering from a detectable population decline. In fact, after 20 years of rising temperatures it appears the Alaskan polar population remains relatively stable. Worldwide, it is believed that polar bears have rebounded strongly from a low point in the 1960s when they suffered from overhunting. Some quote numbers to document or debate this point. We choose not to because virtually all reputable scientists who have examined the available evidence have concluded that until very recently nobody really



While North Slope polar bears may be in trouble, they are not yet suffering from a detectable population decline. In fact, after 20 years of rising temperatures it appears the Alaskan polar population remains relatively stable.



The North Slope is as big as Minnesota. The oil patch in the North Slope covers an area half the size of King County. Oil activity has little or no impact on polar bears because the bears live in vast ranges that span hundreds and even thousands of miles.

spent enough time or money to study polar bears, and that means there's a large lack of verifiable baseline data about them.

Critics of the proposed listing contend that this would be the first time an animal has made the endangered species list without first starting to suffer from population declines.

Third, news reports about polar bear drownings, cannibalism, malnourishment, and high rates of cub mortality are gut-wrenching, just as the *Oregonian* says, and the reports are growing in frequency. But these horrible things are also among the facts of life that have been chasing polar bears across the Arctic for as long as polar bears have been chasing ringed seals. Polar bears live in an extremely dangerous part of the world with extremely thin margins for error. Thinner ice makes the margins even thinner. But much of the reporting makes these hazards seem new. They aren't.

And forget the frolicking polar bear families in the Coca-Cola commercials. Actual polar bear family life is more suited to the Jerry Springer show than the Disney Channel.

Males and females hook up during mating season. After that, females and cubs live separate from males because males will eat cubs if they get hungry enough.

It is also worth noting that virtually all credible scientists who have appraised the available evidence have concluded that polar bears evolved from brown bears about 200,000 years ago. During that epoch the earth warmed up at least a few times. Presumably, the Arctic ice cap shrank during those warming periods too. Somehow, polar bears survived. So, the present situation may not be hopeless after all.

Compared to the ice-related dangers, the impacts of North Slope industrial activity on the polar bear are a lot like a can of dye: easy to dispose of.

The dye can example comes directly from a 2002 report by the prestigious National Research Council, which is affiliated with the National Academy of Science. The National Research Council was asked by the U.S. Congress in 1999 to conduct an in-depth study of the cumulative impacts of oil and gas activities on North Slope people, plants, soils, marine environments, and wildlife, including polar bears.

The study predicted the existing warming trend with amazing accuracy, and concluded that if it continued the sea ice might disappear entirely during summer months within 50 years. This would be a terrible outcome, but there is a potential qualifier involving the key word "summer." Summers in the Arctic last for about two months, while winters last for eight to nine months, including prolonged periods of complete darkness and astonishing cold. Presumably, some ice – maybe a lot of ice – would return in the winter.

The study also warned of the potential dangers to polar bears and other marine animals should an oil spill ever occur in the Arctic Ocean (so far, one hasn't).

But, on land, the impacts of industrial activity were negligible. The report noted that in three decades of oil activity, one polar bear had died after eating a can full of dye used for marking a temporary airstrip.

The low impact on polar bears makes sense if you put it in spatial perspective. The North Slope is huge, about the size of Minnesota, and it is amazingly flat, one of the largest flat stretches on the face of the planet. It is also barren of trees. In fact, there are no plants capable of creating firewood, just an ocean of land that in the summer gently slopes down to the Arctic coast from the Brooks Range of mountains that divide the North Slope of Alaska from the rest of the state. In the winter, the snow makes the landscape blend in with the Arctic Ocean, which extends past the horizon to the north.

Oil activity takes place on the North Slope within an area about the size of Rhode Island. Rhode Island is vastly smaller than Minnesota. In fact, it's only half as big as King County, Washington. By contrast, the range of polar bears is enormous. A female was tagged at Prudhoe Bay and tracked by satellite. The satellite tracked her as she headed north over the top of the world to Greenland, then to Hudson Bay in Canada, then back again to Greenland.

It shouldn't be surprising that oil activity has little impact on polar bears; it's probably more surprising polar bears even come across the oil patch. When they do, according to the National Research Council, the bears are often lured by garbage, which, to them, means food. This was a problem both for polar bears and grizzlies and bear/human interactions tend to end poorly for bears if the humans have guns, and on the North Slope, people tend to keep rifles handy because of the bears.

A few grizzlies and polar bears were shot by workers defending themselves, the report noted, but workers got better at

garbage disposal, which helped to reduce interactions between bears and humans, although there continues to be occasional intermingling.

A few years ago, a grizzly entered the Prudhoe Bay Hotel in Deadhorse. The bear made it through two doors that could be opened with push-bars before reaching the second floor, where it was stopped by a doorknob and a rifle shot. Bad for the bear and a reminder that endangered species on the North Slope can also include humans.

If the endangered species proposal is accepted, the biggest impact would probably be felt through challenges to development in the National Petroleum Reserve west of Prudhoe Bay and in offshore portions of the Beaufort and Chukchi Seas. It is believed that the petroleum reserve holds more than 10 billion barrels of oil and both exploration and production are permitted there. The offshore areas are believed to hold about 20 billion barrels of oil and vast amounts of natural gas. To put the amounts in perspective, it is estimated that Prudhoe Bay held about 15 billion barrels prior to development and it was the largest oil field ever discovered in the United States.

Does this much oil matter when it comes to the bigger issue of global warming? Symbolically, many environmentalists might argue yes. But practically speaking? No. It represents 2 or 3 percent of all known oil reserves in the world, not enough to make a dent in the grand scheme of things.

But, if it's a drop in the bucket, it is Alaska's bucket that it falls into. Ours too. Oil is one of the industries that is essentially shared by the states of Alaska and Washington. Alaska produces oil and Washington refines it. Washington oil refineries turned out products valued at \$18 billion last year and two-thirds of the oil refined here comes from Alaska.

If 10 billion barrels can be recovered in the petroleum reserve, it would keep Washington refineries supplied with oil for three decades at present production rates.

The U.S. Fish and Wildlife Service is

now collecting feedback on the proposed endangered species listing. People predict it will take about one year before a decision is made.

Whatever the outcome, the polar bear debate has already produced one positive outcome by causing a major upgrade in the animal "poster child" that will be used in the crusade to curb oil development on the North Slope.

The polar bear perfectly represents the dangerous beauty of its extreme habitat. It stands at the top of the Arctic food chain, and when they are up on their hind legs male polar bears typically stand 10 to 11 feet tall – taller than a legal height basketball hoop – while females stand about 8 feet tall.

Polar bears weigh anywhere from 500 to 1,500 pounds, but they can run faster than horses over short distances and they are nimble enough to catch seals underwater. But they usually catch seals instead by waiting beside holes in the ice where they can nab the seals as they come up for air. This is not because polar bears are lazy. It is because polar bears are smart. You only have so many calories to burn in the Arctic and it burns up many fewer calories to bushwhack seals at air holes than it does to chase them across the pack ice or underwater.

Some researchers believe polar bears are the smartest bears. Some believe they are as smart as apes. Native people who know the bears best believe they may be smarter still. In some native legends, it was said that polar bears weren't bears at all, but a race of super human beings who roamed the Arctic disguised in bear outfits.

In the poster animal role, polar bears replace the pretty, but utterly undependable, caribou.

In the late 1960s, when the battle over Arctic development was first joined, the caribou seemed to have a lot to offer as the poster animal for preserving the North Slope. Caribou are a variety of reindeer, and if you are looking for an animal cause celeb you can hardly do better than the one that pulls Santa's sled.

Caribou are also vegetarians, which makes them not only beautiful and Santa-sanctioned, but nonthreatening and even politically correct. Caribou would no doubt rule like a Queen of the Animal Kingdom – if the Animal Kingdom was in the 90210 zip code of Beverly Hills. But, as sometimes happens in that zip code, caribou turned out to be overly herd-oriented, their brain power is dubious and, by human standards at least, they are completely unreliable.

Leading environmental advocates and virtually every reputable scientist who supported them claimed that oil development on the North Slope would devastate Alaska's great caribou herds. But the opposite proved true. Of the four main herds, one is stable and three grew dramatically, while the one that spends its summers in Prudhoe Bay – the Central Arctic Herd – grew by a factor of FIVE, increasing from 5,000 animals to more than 27,000 during the time the Prudhoe Bay oil complex was being developed.

Go figure.

It was a major embarrassment for the worst-case scenario crowd, and no credible scientist who has examined the evidence can claim the increase did not occur. Some believe that the elevated roads, outbuildings, drill rigs, and well pads did not drive the caribou away but instead drew them in, providing them with a level of protection from the mosquitoes and other insects of the tundra that can drive caribou literally crazy. Environmentalists don't spend a lot of time talking about it.

The advocacy groups might have seen this coming if they had paid more attention to the work of the man who helped build the cornerstone of their movement, Bob Marshall.

Marshall was the leading founder of the U.S. wilderness movement, a high-ranking official of the New Deal administration of Franklin Roosevelt, and helped establish the basis for the same federal programs and policies that are used today to protect wilderness areas and national forests.

Marshall loved Alaska and he believed it should be preserved as a giant wilder-

ness area as a way to preserve what was left of America's pioneer soul. He came to public attention through a book he wrote about frontier Alaska called *Arctic Village*. Marshall researched the book during 1931 and 1932 while living in Wiseman, a small village in the Koyukuk River valley deep in the Brooks Range, the chain of massive mountains that divides the North Slope from the rest of Alaska.

Wiseman was populated by about 120 Americans, Europeans, and Eskimos who supported themselves as gold prospectors and hunters. Caribou was the biggest source of meat for the locals, as massive herds come through the Wiseman area while heading to or from the North Slope.

But, Marshall wrote, the beasts were unreliable. Old timers told him that in 1902 the caribou "changed their route of migration and disappeared from the country. For years, only an occasional straggler was ever seen. Then, without any advance indications, they suddenly thronged into the Koyukuk [region] in unprecedented numbers in 1919 and have returned every year since."

The caribou return was heralded because caribou were so easy to kill, per-

haps the reason why so many Arctic and subarctic religions provide a special place for caribou. Who wouldn't be thankful for such a compliant food source in such a dangerous world? As Marshall explained to his readers:

"This American species of the reindeer travels in great bunches, often with tens of thousands of animals in a single herd. In such a crowd, even a poor hunter can readily shoot all the meat he requires... Good caribou hunters, by dropping certain key animals, stampede the herd in just the right way for it to keep milling back and forth instead of running straight away. Consequently, one successful hunt sometimes yields an Eskimo a winter's food supply for himself, his family and his dogs."

Yep, caribou are so dumb they will form themselves into reindeer shooting galleries for the convenience of hunters who know the knack for getting them to do it.

Polar bears, on the other hand... Well, if you go hunting in polar bear country, there is always a chance that polar bear might be hunting you.

For all of its recent, well-publicized hazards, quail hunting is much, much safer. ■



Environmentalists argued in the 1960s that oil development would doom the North Slope caribou herds. The population of the main herd instead increased by a factor of 5.

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Tales of Three Cities

Seattle planners are taking a new look at industrial zoning. Part of that review will examine experiences in other cities. Seattle writer Dan Catchpole recently conducted his own research, taking a look at the different experiences of Chicago, Portland, and San Francisco.

CHICAGO: THE MODEL

General Iron Industries is a scrap metal and recycling plant located just a few blocks west of Chicago's upscale Lincoln Park neighborhood. Small mountains of junk metal and crushed cars, patiently waiting to be recycled, recast and resold, dominate the facility. It is a loud, bare-knuckle industrial site and the bright red engines of the Chicago Terminal Railroad run through the property and the neighborhood, hauling heaping metal loads for General Iron and other industrial companies. Businesses like A. Finkl & Sons, one of Chicago's last steel companies.

Howard Labkon (a part owner of General Iron) loves the noise and the setting. His great-grandfather, Nathan Rosenmutter founded General Iron in 1910, and he doesn't see any reason to move. "I have a nephew. He's two years old now," Labkon said. "He's gonna be running the company someday."

Developers covet the land occupied by General Industries and the other industrial businesses in the neighborhood. Located between the North River and Lincoln Park, the land is worth two or three times as much to a residential developer than to industry, but the zoning is all but ironclad. General Iron sits in the Clybourn Corridor Planned Manufacturing District (PMD).

Created in 1988, the Clybourn Corridor PMD was a desperate attempt to stop the flight of manufacturing companies from Chicago. Today, 13 manufacturing districts exist in Chicago, with another one potentially on the way. They come with some of the strictest industrial zoning protections in the country. Single parcels within the district can't be rezoned. The districts account for about 7 percent of all land in Chicago, or 10,000 acres.



Created in 1988, Chicago's Clybourn Corridor Planned Manufacturing District was a successful attempt to stop the flight of manufacturing companies from the city.

PMDs were a radical new approach when they were first implemented. Without the the new zoning protections, Labkon doubts General Iron could have stayed. "We suffered some difficult times in the '80s," Labkon said. "Due to the assurances of the Clybourn Corridor PMD, we were able to go to the bank, and put all our money into investment. ... Without PMDs there'd be no Finkls, no General Iron."

Finkl & Sons is located next door to General Iron. It is a world-leader in its field, producing high-grade steel for specialized industrial uses. Finkl was founded more than a hundred years ago and, like General Iron, it has only existed at its present

location. When the manufacturing districts were first being established, Finkl was cited as an example of the type of company that Chicago wanted to keep.

"Finkl was the poster child for PMDs back in '88," said Mike Holzer, Economic Director for the Local Economic and Employment Development Council, which helped spearhead the drive for PMDs.

Today, Finkl illustrates both the strengths and the limitations of Chicago's manufacturing districts. After the PMD was created, Finkl's sales grew from \$40 million to \$260 million and its 350 employees outgrew its 22-acre site. The company found and bought a bigger location in Chicago but in December Finkl was bought by Schmolz + Bickenback, a German company with headquarters in Düsseldorf, which has announced the company will be relocated either to a new site in Chicago or Montreal or Quebec.

Companies are lining up to occupy Finkl's space, according to Holzer, but critics, such as *Crain's Chicago Business*, are asking what kind of companies will they be? The publication supports developers who argue the industrial land should be put to more lucrative residential and commercial uses. In the industrial buffer areas adjacent to the PMD, light industrial uses are giving way to retail businesses such as Crate & Barrel, Whole Foods, Bed, Bath & Beyond, Circuit City, and Old Navy.

Yet the PMD remains healthy. Jobs dropped in the 1990s but the district experienced manufacturing job growth between 2000 and 2004, according to a study by the University of Wisconsin-Milwaukee. "It should be a cause for a certain amount of optimism," said Joel Rast, the UW-Milwaukee economist who conducted the study. Rast warns that gentrification in the buffer zone shows the land use fight is far from over. "The buffer zones are big question marks for the PMDs," Rast added. "More thought needs to be given as to what is an appropriate use for the buffer zones."

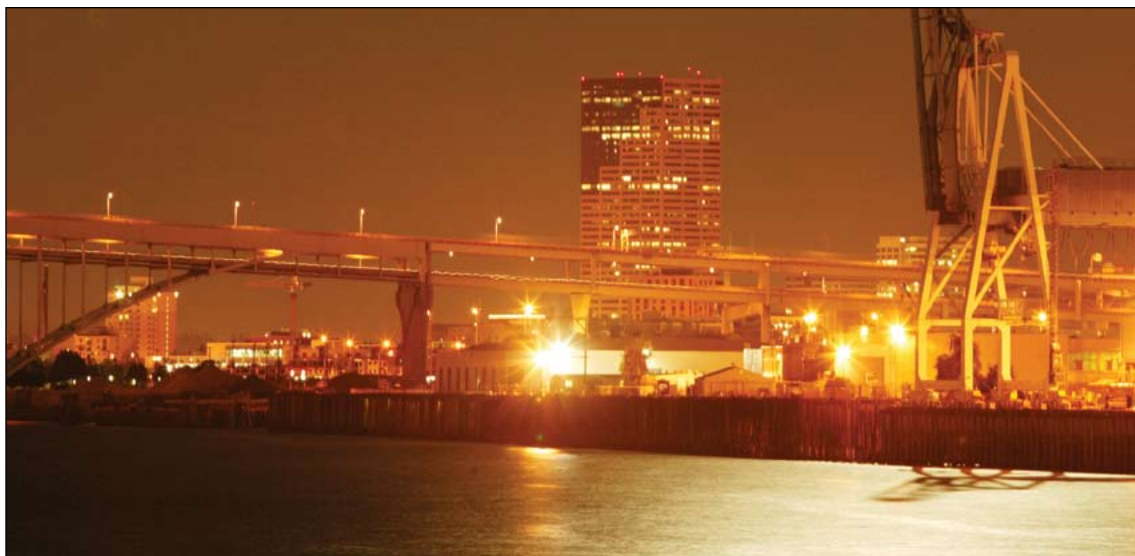
PORTLAND: INDUSTRIAL SANCTUARY

In Portland last summer, industrial organizations and residents of one neighborhood were at loggerheads over the future of a 35-acre site along the Willamette River. Overlooking the river and city harbor, the site was an ideal addition to the upland neighborhood, Linnton Village. Residents had a clear vision of the acreage blossoming with inviting shops, beautiful housing, and a sprawling park along the river's edge. Their vision dated to 2001 when the former occupants, Linnton Plywood, moved out.

But the property also looks across the Willamette River to shipping operations that operate 24/7. The site is wedged between massive petroleum holding tanks, while the waterfront is crossed by the Olympic Pipeline that originates in Washington State and delivers 65 percent of the petroleum products used in Oregon. The site also sits inside a designated Industrial Sanctuary. Rezones are permitted in sanctuaries, but only with special permits that must be approved by the Portland City Council.

When debate hit the council, the rezone failed for a variety of reasons, chief among them safety. In a memo sent to the city council prior to the vote, the Bureau of Planning stated, "Major residential development of the site would expose residents to significant and complex risk factors... avoiding or significantly limiting residential development where conflicts with industrial uses are inevitable is sound public policy."

Portland adopted its Industrial Sanctuary policy in 1980 and maintains around 14,000 acres of land zoned for industrial uses. The possibility of rezones by permit provides constant potential for land-use changes, but an inventory conducted in 2004 showed that nonindustrial users account for only 5 percent of the industrially zoned land, said Steve Kountz, Economic Development Planner in the city's Bureau of Planning.



Portland adopted its Industrial Sanctuary policy in 1980 and maintains around 14,000 acres of land zoned for industrial uses.

"The policy encourages industrial growth in the city, reinforces a century of freight-hub infrastructure investments, and supports social diversity by wider access to middle-income jobs," said Kountz.

Topography creates an important buffer between most of the city's industrial land and nearby neighborhoods, according to Kountz, because industry is situated on the river plateau, with residents on the bluffs and wooded slopes above.

"Portland is nearing build out in the industrial areas, and there are not many places to go," said Kountz. The city's expected to use up its surplus land in the next 20 years.

As in Seattle, infrastructure improvements are a concern. Portland is a major distribution hub with a deep-water port, the Columbia River, railroads and highways, but the system is struggling more and more intensively to keep up with demand. Right now the interstate system is prone to congestion, especially at the bridges spanning the Columbia.

"It's vital for us to fix that bottleneck," said Kountz. But "rail capacity is probably the more significant competitive concern for local industry."

SAN FRANCISCO: NEW ECONOMY, LACK OF PLANNING

San Francisco is known more for its exorbitant property values than its manufacturing base. Most of the manufacturing and industry moved inland after World War II, and shipping went across the bay to Oakland when containers were introduced. In many ways San Francisco represents what many fear Seattle could become, a city of rich and poor.

The city has no comprehensive plan, and has never had any zoning protection for manufacturing and industry. A broad co-

alition of residents, community activists, businesses, and city officials is fighting to introduce some sort of zoning protection for the Eastern Neighborhoods, the last redoubt of manufacturing and industry in the city.

Over the last 15 years, San Francisco pursued the New Economy at the expense of its traditional industry. The dot.com bust hit the city hard. Today, the city is courting biotech businesses. "Initially the action was inaction," said Nick Pagoulatas, coordinator for the Mission Anti-Displacement Coalition (MAC). "There was nothing done by the city to protect existing business, and at the same time there was action to allow certain businesses to circumvent restrictions."

The city is in the process of creating Production, Distribution, and Repair (PDR) Districts to protect what businesses remain. Last year all new housing construction in the Eastern Neighborhoods was halted after an appeal was filed by one of the groups fighting for zoning. A 2002 report by the city's Planning Department cautioned about effects of pursuing a homogenized economy:

"During peaks of economic cycles that center on one particular activity – the demand for office space generated by the dot-com boom, for example – the balance between land uses is altered and certain activities are temporarily favored. Though such cycles may be short-lived, they can have a permanent effect on other sectors of the economy not favored in the particular cycle."

Zoning laws are subject to politics, of course. San Francisco's Board of Supervisors came to the aid of community groups. The city's mayor is pro market-rate housing, and has pushed for the Eastern Neighborhoods to be used to entice biotech companies. The Planning Department came around "reluctantly," according to Pagoulatas. Since the ban, it has backed PDRs. "What it took for us is having a crisis on our hands," said Pagoulatas, "where everyone was afraid they might be evicted at any moment." ■

Over the last 15 years, San Francisco pursued the New Economy at the expense of its traditional industry.



JOBS AND ECONOMIC DEVELOPMENT



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Score One for Wild Salmon, Alaska, and Ballard

By Laine Welch

You don't usually think of Prince Charles when you think of the north Seattle community once known as "Snoose Junction." But Ballard owes a toast to the future King of England.

Last fall, Duchy Originals, a food company owned by the prince, started a new line of smoked salmon, proudly advertising that the fish were wild ones caught in "icy clear Alaskan waters."

That brought a protest from Scotland's sizable salmon farming industry, which claimed the prince should have opted instead for salmon reared in the murkier waters of local fish pens.

No matter. A spokesman for the prince said he preferred to use wild fish that come from a fishery that's rated "sustainable" by the international Marine Stewardship Council, or MSC. Alaska salmon does, and the Duchy's smoked salmon from Alaska is now available in supermarkets across the United Kingdom.

It's been that kind of year for the Alaska seafood industry, according to Laine Welch, a longtime seafood journalist based in Kodiak. Lots of deckhands in the crab fleet lost jobs due to "rationalization" – but otherwise things continue to look up. "I think the industry is better than ever all across the board," Welch said, citing the following examples:

- The 2006 salmon harvest was valued at more than \$309 million at the dock, the third year in a row the raw value of the harvest surpassed \$300 million.
- Halibut prices topped \$4 a pound and prices are expected to hold up in 2007.
- Pacific halibut and sablefish joined salmon and pollock on the list of Alaskan fisheries rated "sustainable" by the Marine Stewardship Council; and
- Wal-Mart, the world's largest retailer, joined Prince Charles in opting for "sustainable" fish, pledging it will only sell fish from sustainable fisheries. The same changes were announced by Compass Group, one of the world's largest contract food-service companies, and Europe's Metro Group, the world's second largest retailer after Wal-Mart.

The move to "sustainable" fisheries is great news for Alaska. Only 22 fisheries in the world are rated "sustainable" for effective management practices by the London-based Marine Stewardship Council. Of the 22, 4 are in Alaska, and no other U.S. fisheries are so listed.

Was it just a few years ago that it seemed like less-expensive farmed fish were an irresistible market force? Yep. And the market for farmed fish continues to grow. But market share is also growing for wild seafood. Just ask the Scottish Salmon Producers' Organization: few wild fish appeal to consumers more than those from "icy clear Alaskan waters."

Seafood processing and harvesting continue to be leading employment sectors in both Alaska and in Ballard. A study by the Port of Seattle released last year showed that fishing companies located on port properties in Ballard and Interbay accounted for 12,000 jobs, directly and indirectly, and for nearly \$850 million in payroll. If the payroll was divided up equally, it would work out to \$77,000 per worker – meaning just about every one of them can afford a toast to the Prince of Wales. ■




DUCHY ORIGINALS

Last fall, Duchy Originals, a food company owned by the prince, started a new line of smoked salmon, proudly advertising that the fish were wild ones caught in "icy clear Alaskan waters."



Start Planning now for Major I-5 Rehab in August

Georgetown, SODO, the Rainier Valley, and Beacon Hill will be high-impact areas when several northbound lanes of Interstate 5 will be closed for major repair work August 10 to 19. The Washington State Department of Transportation is offering this advice to drivers, businesses, and communities: Start planning now.

The closures will enable work crews to compete major repairs to I-5 between Spokane Street and the I-90 interchange. This construction will significantly affect traffic near downtown Seattle, particularly during 19 continuous days of intense construction in August, when crews must close several northbound lanes at all times, including workdays, leaving only two or three lanes open to traffic.

The northbound I-5 lane closures will push traffic onto other routes, including city streets in Georgetown, SODO, Rainier Valley, and Beacon Hill. WSDOT anticipates I-405 and State Route 99 will be popular freeway alternatives. Trucks will be encouraged to use I-405, East Marginal Way South, and Airport Way South. Lengthy backups and significant delays are expected.

I-5 south of downtown Seattle is an elevated bridge that was built more than 40 years ago. The worn freeway surface exposes steel rebar in some areas. Drivers hydroplane when rain collects in deep ruts in the roadway. Most importantly, the expansion joints connecting the concrete slabs that make up the freeway are failing and potentially pose a serious risk to drivers. Collisions and major traffic backups are a growing risk as the top steel plates of these joints detach more and more frequently.

"We've been patching together repairs on this stretch of freeway for years to keep it safe," said Archie Allen, WSDOT Bridge Maintenance Superintendent. "I dread the day when one of the expansion joints fails during rush-hour traffic. Short-term fixes aren't enough anymore."

Ongoing minor repairs to the bridge require constant maintenance. These repairs are costly, disruptive, and put both drivers and repair crews in jeopardy.

WSDOT crews will implement a long-term solution this summer by replacing the expansion joints on the northbound lanes of the bridge and resurfacing this section of I-5. This intensive work mandates 19 long, labor-intensive days of lane closures, currently scheduled between Friday, August 10, and Wednesday, August 29. The closure allows crews to complete the job as efficiently and safely as possible with the least effect on drivers and businesses.

"We examined dozens of ways to complete this construction work while keeping traffic moving," said Bruce Nebbitt, WSDOT

Project Engineer. "The 19-day August closure will allow us to get in, get the work done, and get out of drivers' way as quickly and safely as possible."

Drivers who rely on I-5 and alternate routes should start considering their options now. WSDOT is starting outreach to encourage drivers to:

- Take a vacation during the August 10–29 construction
- Carpool, vanpool, take the bus or train
- Work from home
- Adjust work schedules to avoid busiest times
- Avoid the area or use alternate routes where possible
- Delay or reschedule discretionary trips

Crews will need to close northbound lanes and ramps for several nights and weekends before and after the 19-day window of intense 24-hour construction, but this work is expected to have far less effect on traffic in the area.

Work crews will also repair expansion joints on the southbound lanes of the bridge. WSDOT will conduct this work before and after construction on the northbound lanes and primarily at night in order to minimize disruptions to drivers.

WSDOT is working closely with the Georgetown Merchants Association, the Duwamish Transportation Management Association, the City of Seattle, transit authorities, employer groups, and numerous other organizations in the planning process for this project.

For more information about the project, including information about upcoming community presentations, visit WSDOT's Web site at:

www.wsdot.wa.gov/projects/i5/SpokaneStreetBridgeRepair. ■





100 Year Mark Passed by Seidelhuber Iron and Bronze Works By Dan Catchpole



**Hank and
Heidi
Seidelhuber**

Henry Seidelhuber's eyesight is going and his skin is wrinkled like tinfoil, but the 90-year-old still has the firmest handshake in Seattle. It comes from a lifetime spent in the steel industry working for his family's company, Seidelhuber Iron and Bronze Works, Inc. Founded by his father in 1906, the business has thrived by adapting to the changing business world around it.

"We've had to be very adaptable. Whatever else is happening in town, we need to adapt, so that we're providing something we can sell," said Heidi Seidelhuber, Henry's daughter and the company's current president.

This company of 22 employees has created a legacy of steel across the Pacific Northwest far exceeding its size.

In the early part of the 20th century, it dominated the manufacture of ornamental metalwork used in local construction. Lobby entrances, staircases, fire escapes, marquees – Seidelhuber supplied them all for Seattle. Many examples of the company's work still exist, including the canopy at the Pike Place Market, the Asian Art Museum's main entrance, and the Smith Tower's elevators (built under license from Otis).

The company had evolved toward structural steel products by World War II. At the war's end, Seidelhuber was producing anti-aircraft gun platforms for aircraft carriers. After VJ Day, it had a surplus of thick steel plates. In an unlikely partnership, Seidelhuber and Seattle City Light went into the water-heater business. More than 50 years later, the company still receives phone calls from people across the country looking for replacement parts.

Henry Seidelhuber took over the company in 1962. Boeing's rapid expansion at that time meant that the company was in the right place to capture a great volume of work, ranging from standard construction to highly specialized wind tunnels. In the 1970s, Seidelhuber turned its attention to Alaska. Nearly every port of call in that state now has marinas or ferry-boat landings made with Seidelhuber steel. With its location close to the Duwamish, the company can ship finished single-weld products

north by barge, greatly reducing construction time and labor cost for contractors.

In 1988 Seidelhuber completed its largest single delivery: a single-weld ramp for the main ferry landing in Ketchikan. The ramp had to handle heavy vehicle traffic each day, and was built to match. House-movers conveyed the massive piece down to the Duwamish, inch by inch. Despite several close calls and a limited tide window, the ramp made it to Ketchikan.

Seidelhuber Iron and Bronze Works has continued to evolve since Heidi Seidelhuber and her husband, Terry Seaman, took over the company. They have found a niche as high-quality specialists who can do the jobs larger, production-oriented companies cannot.

Currently they are working on an aluminum dock going in on South Lake Washington. Aluminum is a very demanding material to work with, and requires "almost operating-room conditions," according to Terry. But Seidelhuber's highly skilled workforce is up to the task.

Since its birth more than a century ago on Beacon Hill's Sturgis Avenue, Seidelhuber has moved further and further away from downtown, and the family worries about rising conflicts between industry and noncompatible land uses, such as residential. Seidelhuber is located near the former site of Long Painting, which was forced to relocate several years ago due to conflicts with residents.

"Just because they haven't rezoned this area doesn't mean they aren't starting to put us out of business in certain ways," said Terry. "Because every time we lose competitors, suppliers, and customers to all these rezones, you don't have that pool of industry to work together anymore."

Echoed Heidi, "We need our tools, our materials, our machine shops. There are a bunch of interrelated businesses, and when businesses leave it hurts that web." ■



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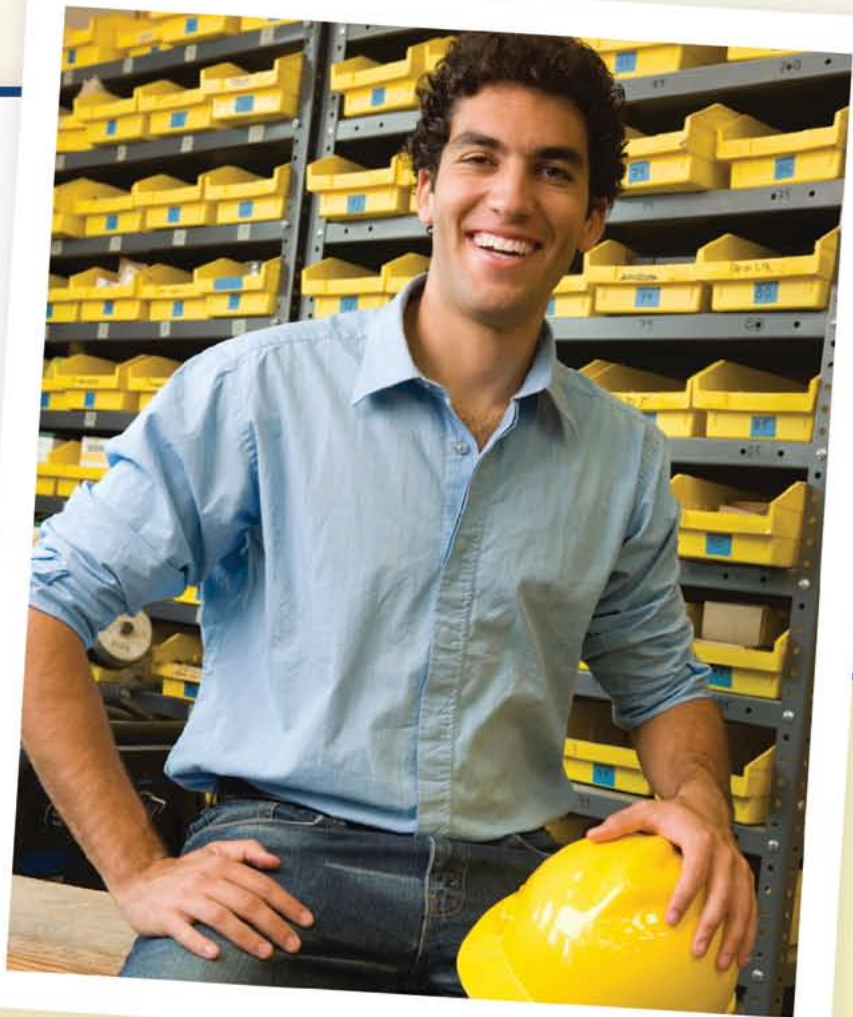
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