



Surge

Puts the “Sea” in Seattle

Maritime Industries Bring Billions to the Region

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

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

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



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

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

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

Bigger than Bio-tech

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

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

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

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

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

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

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

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

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

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

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

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

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

Extremely Prestigious: Introducing “Bio-maritech”

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

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

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

Benthic Bioform Uploading

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tow Flotation Dynamism

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

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

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

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

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

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

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

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

Ten years ago, no Seattle cruise ship industry existed.

Transnational Translocations

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

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

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

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

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

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

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

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

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

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

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

Port Prospects Up Too

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

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

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

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