

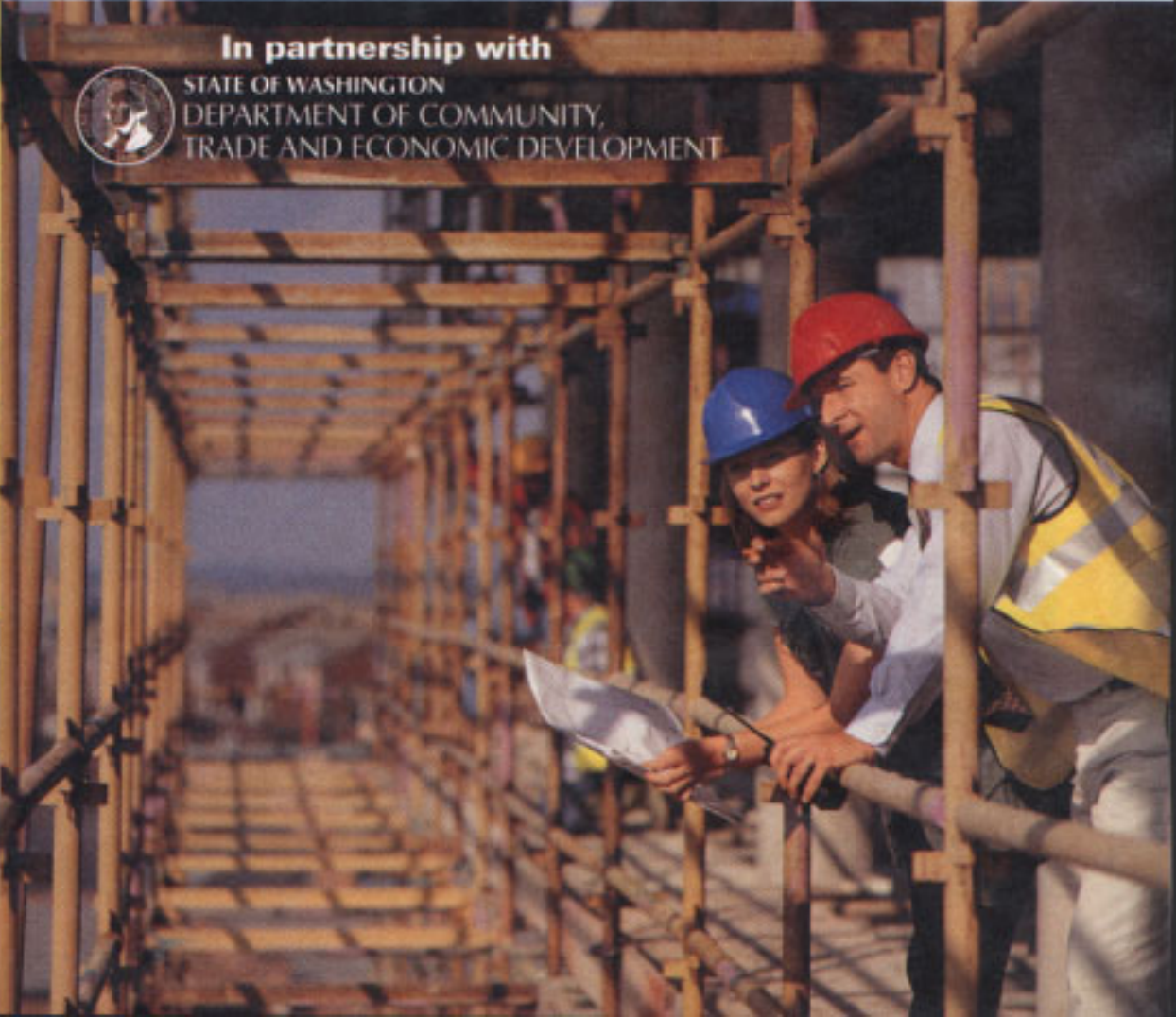
Special Advertising Section

Economic  
Development



# INNOVATION AT WORK

Washington state has it all: a wide range of industries, a skilled workforce, and economic incentives that help nurture business mavericks.



In partnership with



STATE OF WASHINGTON  
DEPARTMENT OF COMMUNITY,  
TRADE AND ECONOMIC DEVELOPMENT



When Lewis and Clark arrived in Washington 200 years ago, they created the state's first business plan, chronicling the evergreens, mountains, flatlands, and waterways that would define the Washington economy for much of the following two centuries. But times change. In recent years, Washington business has identified more with the pioneering, adventurous spirit of Lewis and Clark's journey itself. Tops in the creation of new companies, the state has conceived not only new-economy giants like Microsoft (which has its own Explorer), Amazon.com, Starbucks, and Costco, but also successful businesses of all sizes in biotechnology, food processing, distribution, and more.

Washington's diverse natural surroundings still play a part in business, but today you're just as likely to hear about an Orchard-Rite wind machine (which heats apple orchards) being shipped overseas as you are a crate of Red Delicious apples. The great outdoors—and Washingtonians' respect for it—is a flourishing economic-development tool. "It's a great place from a quality-of-life standpoint," says Targeted Genetics president and

CEO H. Stewart Parker. "That's important to people who work hard and want to play hard, too."

#### Focus on Economic Development

Washington placed No. 5 in the National Policy Research Council's recent "America's Best Cities and States" rankings, No. 4 in technology, No. 3 in economic dynamism, and No. 1 in government. It's no surprise, given Governor Gary Locke's focus on economic development. During his two terms in office, Locke has worked with public and private groups to make doing business in Washington faster and more effective, whether by championing a "digital government" or

\$1 billion in general tax cuts in a state where residents don't pay a state income tax. Washington also imposes no inventory or unitary taxes, and it offers breaks for manufacturing and semiconductor operations, among others.

A Seattle native, Gov. Locke will leave a diverse economy when he steps down in January—thanks in part to the Competitive Council he established, which in January 2002 presented 99 recommendations for improving business, including \$5 billion in transportation improvements. "Businesses have to be able to move their products and goods as well as their employees," Locke says.

### Washington boasts a great quality of life—and a business climate focused on incentives that help companies succeed.

organizing a growth-management plan that won an innovation award from Harvard University's John F. Kennedy School of Government.

Gov. Locke also cut more than \$1.5 billion in taxes and premiums, reformed unemployment insurance and workers' compensation, and signed more than

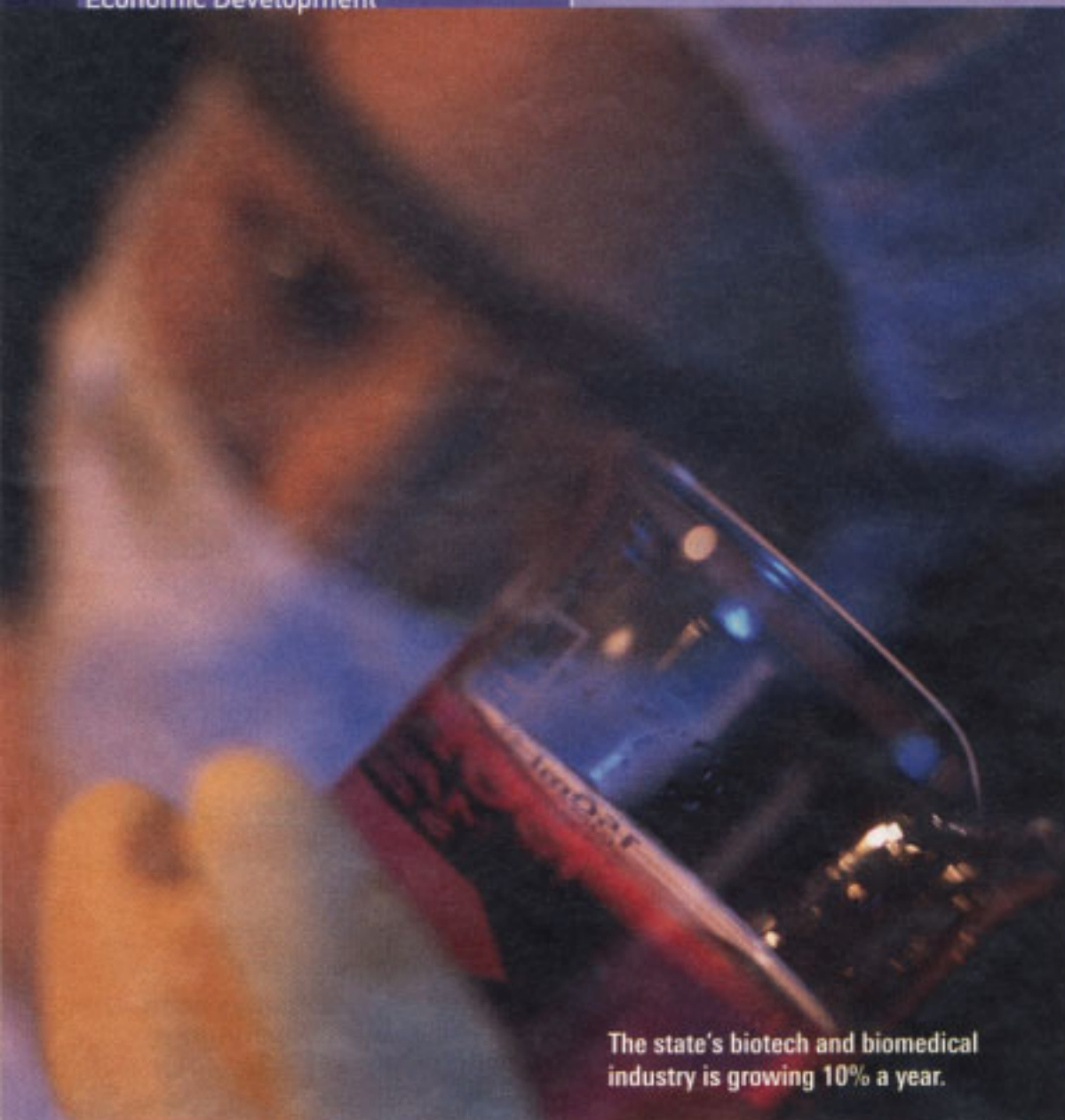
#### Landing the Boeing 7E7

Boeing, which has always been synonymous with Washington, selected the state in December 2003 as home to the final assembly of its Boeing 7E7 Dreamliner after an extensive review process. To land the jet, the state created a team called Action Washington,

Agriculture and food processing are staples of Washington's economy.







The state's biotech and biomedical industry is growing 10% a year.

"recognizing that wherever the 7E7 went, future Boeing business might follow," says Robin Pollard, manager for the governor's 7E7 project coordination team.

Action Washington produced a comprehensive, creative package that included sales-tax exemptions for computers, business and occupation credits, a state-of-the-art workforce-development program, and improvements at the port of Everett. "If Boeing had decided to build in another state," says Gov. Locke, "in 10 to 15 years, we believe the rest of the company would have moved. Between Boeing and its suppliers, plus the businesses that depend on them, we would have lost more than 150,000 jobs."

But the announcement cemented Washington's global position as a prime aerospace location. Everett, the city north of Seattle where Boeing has long constructed wide-body jets, will be the final assembly site. Moses Lake is also likely to see some business. The town of 16,000 is

home to half a dozen aerospace companies, thanks to the largest civilian runway in the western U.S. (13,500 feet), 24-hour U.S. customs, a highly advanced fiber-optic network, low electric power rates, and reasonable price tags for large parcels of industrial land, says Kim Foster, corporate counsel for Aerospace Port International Group. Companies and their employees love Moses Lake's highs (quality of life) and lows (cost of housing).

#### Stoking the Biotech Engine

Washington's biotechnology and biomedical industry, with 200 or so companies, is growing nearly 10% a year. In February, Gov. Locke got the biotech engines revving when he visited the converted used-car dealership in Seattle where Targeted Genetics now conducts research on cystic fibrosis, rheumatoid arthritis, and an HIV/AIDS vaccine. While there, he signed a bill that extended the industry's R&D incentives.

Western Washington is especially good for biotech because of the opportunity for intellectual collaboration. The Fred Hutchinson Cancer Research Center recently expanded its presence in South Lake Union in downtown Seattle, a neighborhood undergoing a multiuse renaissance led by Mayor Greg Nickels and Paul Allen's Vulcan real estate venture. It's the new home of biotech and research in the west—which includes the University of Washington, whose \$933 million in research grants and contracts make it No. 1 among public universities.

In the east, Spokane, with the largest hospital system between Seattle and Minneapolis, is also big on medicine. "The growing focus around higher-education research and medical tech and the convergence with broad-based computer companies are going to drive Spokane's economy in the next five to 10 years," says Jon Eliassen, president and CEO of the Spokane Area Economic Development Council.

In the central plains city of Richland, almost 4,000 people—including about 750 Ph.Ds—work at Pacific Northwest National Laboratory (PNNL), one of 17 labs operated for the Department of Energy. Its HP Linux-based supercomputer is the ninth fastest anywhere, a major draw for researchers worldwide. To market its array of resources, PNNL is encouraging an R&D campus on land where alfalfa now grows.

#### Value-Added Industries

Although the lab isn't into alfalfa for profit, agriculture is a big reason for economic expansion in the fast-growing Tri-Cities region. Besides the federal presence at PNNL, the Hanford nuclear site, and Hammer (where homeland-security officers are trained), value-added food industries such as vegetable processing are on the rise.

Last year food and other sectors added 2,000 jobs to this community of 208,000. Ferguson Enterprises, which opened a 340,000-square-foot warehouse and distribution facility in Richland, is one of seven



national retail chains to locate in Washington since 2002. Other distribution facilities are operated by Dollar Tree Stores, Home Depot, Safeway, Target, Vanity Fair, and Wal-Mart.

Winemaking, which generates \$2.4 billion of business a year, is especially hot in this southeastern section of the state. More than 90 buyers from 21 countries from China to Latvia attended the Columbia River Wine Expo in May. Washington, the fifth largest state in terms of exports, boasts 18 ports, including 12 deep-sea ports that are closer to Asia Pacific markets than California's by one or two days; a major international airport; and a well-maintained highway infrastructure (traveled by thousands of trucks made by Paccar in Bellevue, No. 250 on the FORTUNE 500).

Vancouver understands the importance of good transportation. After building the I-205 Jackson Bridge across the Columbia River, this city of 152,000 became a true partner in Metropolitan Portland/Vancouver. "Now we're recognized as a major force in the state," says Steve Burdick, the city's economic-development director. So far this year eight companies have committed to relocating to Vancouver, bringing \$53 million and 526 jobs.

A big plus for Washington exports is the fact that the state is

## BOEING

The Boeing Company, the world's leading aerospace company, was founded in Seattle in 1916. Today, with more than 52,000 employees in the Puget Sound region, it is the largest private employer and high-tech firm in the Evergreen State. Four of Boeing's major operating groups—Commercial Airplanes, Connexion by Boeing<sup>SM</sup>, Boeing Capital Corporation, and Shared Services Group—are headquartered in the region. Boeing business units such as Integrated Defense Systems, Phantom Works, and Boeing Ventures also have major operations in Washington State.



Boeing designs future of flight with 7E7 Dreamliner. See [www.newairplane.com](http://www.newairplane.com)

equidistant from Europe and Asia, which is heavily represented in the top 10 for Washington exports. Gov. Locke, the first Chinese-American governor in U.S. history, has championed state products throughout the world. As a result of the work of his trade missions, Washington sent its first-ever shipments of fresh potatoes to Mexico and South Korea last year.

### Hooked on Nature and Tourism

Washington pride starts with diversity. The state is home to glassmaker Dale Chihuly, a wide-ranging indie music business, a new high-tech Rem Koolhaas library in Seattle, and a bridge designed by Maya Lin for the Lewis and Clark

bicentennial celebrations, to name only a few.

The state also prides itself on values, whether in business, the community, or a combination of both. Starbucks, for example, which was founded in Seattle's Pike Place Market in 1971, recognizes that profitability and being a responsible corporate citizen are essential to the success of its coffeehouses worldwide. Starbucks, No. 425 on the FORTUNE 500, champions business practices such as improving social and economic conditions and helping to ensure sustainability for coffee farmers.

When all is said and done, Washington remains hooked on nature—all 40,000 miles of rivers, 100 state parks, and 520 miles of coastline of it. Many businesses have happy employees because of the great outdoors. With a renewed focus on incentives to help companies succeed, a diverse quality of life that is hard to match, and a competitive knack for getting top-dollar industry bids, Washington is now open for even more new adventures.

—Heidi Ernst

## PACCAR Inc

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solutions to its customers. Today, PACCAR consistently sets the highest standards for technical innovation, product quality, customer service, and shareholder value in the industry. From the first factory-installed diesel engines to today's modern, aerodynamic trucks, PACCAR has shaped the industry.

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