

# Washington Manufacturing Alert

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## Manufacturers Help Employees Tackle Off-The Job Challenges

**BY BILL VIRGIN**  
**Publisher and Editor**

Manufacturers confronting the issues of hiring qualified individuals and keeping them as employees often find themselves dealing with three sets of issues when it comes to training and skills.

There are job-specific skills, such as the ability to run a computer numerical controlled machine on the shop floor. There are general job skills, such as literacy and the ability to handle basic math.

But employers are also finding one of the biggest challenges, both for them and employees, is in what might be called life skills – the ability to show up for work, ready to work, on a consistent basis.

A group of five Puget Sound-region manufacturers this month is launching an effort to help employees overcome the barriers that prevent them from landing, retaining and succeeding in jobs.

Connect for Success will offer employees a service through which they can consult with counselors, or “coaches,” to diagnose problems ranging from reliable transportation to day care and come up with solutions, including further connections to agencies and programs that can help with those specific challenges.

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## Organix: Turning Cow Manure Into Useful Products

A Walla Walla-based manufacturer has introduced an alternative for a product familiar to any gardener: Peat moss.

In doing so, it hopes to address one set of environmental issues – the harvesting and consumption of naturally occurring peat moss – by using a raw material that is in abundance but has environmental issues of its own: Cow manure.

Organix Inc.'s product, RePeet, is made from manure from dairy farms that is placed in an anaerobic digester for 45 days, producing a fiber-like material that is further refined to produce a peat-moss equivalent.

Organix said it hopes to ship 40,000 cubic yards of RePeet this year from the dairy farm in Yakima County where the digester is installed.

RePeet represents the second product line for Organix, founded in 2001. Its first product, PowerPlant compost, is made from the effluent produced from flushing barns, walkways and lots. The waste material is then separated from water, dried and cured. Organix currently manufactures PowerPlant at 13 dairies, representing 30,000 cows.

RePeet currently isn't available directly at the retail level. “We ship RePeet on a strictly wholesale basis to the horticultural market, specifically bagged soil providers,” says Organix President Russell Davis. “We are in discussion with nurseries and others about the pros-



**Organix has launched its first commercial-scale production of a peat-moss alternative at a Yakima County dairy farm. Photo courtesy of the company.**

pects of using RePeet, but bagged customers were the first to the table. Through our clients' bags, we end up serving the retail market.”

Currently Organix markets its products in Washington, Oregon and Idaho. Davis says the company is in the planning stages of expanding beyond the Northwest.

Peat moss is actually the decayed form of sphagnum moss; it's used extensively in horticulture, primarily because of its ability to hold water. Most of the peat moss used in the U.S. comes from Canada.

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## Connect For Success Will Help Employees Overcome Barriers To Work

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For employees, the potential benefits in Connect for Success include access to assistance they might not otherwise have known about, an opportunity to break the cycle of problems that leave them continually scrambling to catch up and a chance to stay in a job that will allow them to advance financially and professionally.

For employers, the benefits include greater retention and lower turnover, and increased motivation, all paying off in greater productivity, says Jon McQuiston, president of Auburn-based OmniFab and one of the organizers of Connect for Success.

It's a particularly attractive option for smaller employers who may have small human resource departments or none at all, and likely don't have the time or expertise to deal with outside-the-workplace issues that affect employees' inside-the-plant performance.

"It's not a natural role for us to be the coach," McQuiston says. "We're trying to communicate what it takes to do the job, not what it takes to run your life."

In addition to OmniFab, Connect for Success' initial participants are Tri-Tec Manufacturing in Kent, Precision Machine Works Inc. of Tacoma, Madden Industrial Craftsmen and Heatcon Inc. of Tukwila. Those five companies have 400 employees in all; three of the five, McQuiston notes, don't have a human-resources department. McQuiston, whose company has about 40 employees, says a program like Connect for Success will "get larger-company benefits to my population at an affordable rate."

With a \$50,000 grant from Burst for Prosperity, as well as financial contributions from the participants, the consortium has retained CARES of Washington to provide the coaching. CARES is a local non-profit agency with the aim of "helping people with disabilities and low incomes achieve long term self-sufficiency."

The specifics of how the program will be run are now being set up, and each company may customize how its services are provided to employees. Once the program is up and running, employees could be given direct phone links to the coach, who may also make

periodic visits to participating companies.

While employees face a host of issues that can disrupt their ability to get to work and perform on the job, McQuiston said a common thread that runs through most of them is money management – how to budget so as not to run short of cash, having enough money to keep a car running to get them to work, finding resources to help with the cost of housing. An employee without reliable daycare who has to stay home with a child will wind up getting even further behind financially.

"There are so many issues outside of work, and employers deal with the outcome of those issues," McQuiston says.

The inspiration for Connect for Success comes from an eight-year-old organization in Grand Rapids, Mich., called The Source, which provides a connection between member companies, their employees and government and non-profit agencies to provide help with problems and training.

The Source was introduced to this region through a presentation to the Center for Advanced Manufacturing Puget Sound (CAMPS) in Kent, which has helped organize the local Connect for Success consortium.

Mark Peters, chief executive of Butterball Farms, a Grand Rapids dairy producer, told CAMPS The Source was a way for small and medium-sized companies to mimic a large company in the services and assistance they provide to employees, thus providing a way to compete against those large companies that have internal human-resource departments.

"We outsource legal, accounting, IT – why wouldn't we outsource great HR practices," especially when it can be done with an organization the employers control, Peters said.

While those large employers often offer employee-assistance programs, Connect for Success' overview document says its service goes beyond EAPs.

"EAPs are designed and staffed to handle acute issues on a short term basis, often by referring the employee to outside resources," the overview says. "A given EAP is contracted by many, many employers to

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## Organix: Making An Alternative To Peat Moss

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Peat moss isn't in short supply, and it can be regenerated, albeit over years.

But Organix contends there are other issues that make having an alternative attractive. Those include the wetlands lost when peat bogs are drained to dig out peat moss; supply constraints when heavy rains delay peat-moss mining; fuel costs and consumption for trucking peat moss; and importation of the material.

RePeet, the company says, is virtually indistinguishable from peat moss and is competitively priced, since production costs are lower.

Organix has produced RePeet before, at pilot projects in Rupert, Idaho, and Stephenville, Texas. In 2008 Organix announced an agreement with Environmental Power Corp., whose subsidiary Microgy Inc. makes anaerobic digesters that produce biogas from livestock waste and other sources. The companies said they would combine Organix's patented FibeRite process for using residuals from Microgy's digesters to make the peat-moss alternative.

Davis says those pilot projects were shut down due to the recession before they reached commercial-scale

output. The latest announcement represents Organix's first ongoing commercial production. The Yakima County digester and processing site, owned by a local dairy farmer, is separate from the Environmental Power agreement.

Davis believes there are no large-scale competitors producing a similar product to RePeet. An alternative to peat moss, coconut coir, is also an import.

Davis was the co-founder of Metro One Telecommunications in Oregon; after that venture he bought a Wilsonville, Ore., organic materials recycler, renamed it Oregon Bark and expanded the business. Eventually he sold that company and, with business partner Del McGill, launched Organix in 2001.

Organix says its long-range goals are to develop products for such target markets as landscape supply, nursery, erosion control, animal bedding, agricultural amendments, soil remediation, streamside restoration, golf courses, organic growers and methane production. Davis says the company is working on several new products but they're in the early stages of development.

The privately held company, which has six full- and part-time employees, doesn't disclose financial data.

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## Legislature Gives Employers A Break On Unemployment Compensation

The legislative session is still in its early weeks, but it has at least delivered one financial break to employers in general and manufacturers in particular, putting a stop to an average 36-percent increase in premiums for unemployment insurance this year.

Gov. Chris Gregoire, who signed the measures providing both temporary and long-term relief Friday, had warned that the measure needed to reach her by Feb. 8, in order for notices to be sent out for businesses to pay first-quarter taxes. Employers will receive new tax-rate notices in March.

The measure will mean a lower rate than under current law for 90 percent of employers, a legislative summary said, and a lower rate than 2010 for about half. Without the adjustment, average rates would have gone from 2.39 percent of the first \$37,300 of earnings for each worker to 3.26 percent. Those, however, are averages, and in public testimony on the bill some businesses reported facing increases of 200 percent to 400 percent.

The temporary reduction will save employers about \$300 million this year and \$352 million from 2011 to 2017.

The measures also include provisions for a temporary increase in weekly benefits, an extension of benefits for those in retraining programs and making changes in the state unemployment compensation system to qualify for federal funding.

Unlike the state workers' compensation fund, the

unemployment insurance fund is in good financial health, but rate increases are automatically triggered by formulas set in state law.

No such relief is coming, however, on workers' compensation bills. The Department of Labor & Industries announced its final decision on an average 12 percent increase, or 6.5 cents per hour worked, effective Jan. 1.

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## Connect For Success

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work with their employees, often at the job jeopardy stage, and may not be available to follow-up on the referrals provided. Connect for Success, on the other hand, works with a few specific employers and customizes services to meet the needs of their employees. Our services are designed to be high-touch and long term – we address the issue at hand and then work with the employee to align resources and build assets so that the issue does not repeat.”

McQuiston says Connect for Success is looking for more participants, to allow for companies that decide not to stay with it long-term. While they aren't asked to sign a contract, they are asked to sign a memorandum of understanding that includes a 90-day written notice of withdrawal “so we can manage the resources and the people.”

The goal is to have about 10 to a dozen companies representing 1,000 to 1,500 employees in Connect for Success, McQuiston says.

## Newsire: The Latest In Washington Manufacturing

**SEATTLE:** Kvichak Marine Industries Inc. said it launched and completed sea trials for M/V Defender V, a 58-foot aluminum foil-assisted catamaran to be used as a fast-response patrol, survey, crew or general work boat. Kvichak said the vessel is available for sale or lease.

Kvichak also reported that Long Beach Transit has ordered a second catamaran ferry. It took delivery of its first Aqualink boat in 2001. Delivery of the second, which will be 65 feet in length and have capacity for 74 passengers, is scheduled for May of this year.

**BELLEVUE:** Local purchasing managers increased their readings for current economic conditions in January but reduced slightly their still positive outlook for the next 90 days, according to a survey released by the National Association of Purchasing Management's Western Washington chapter. The current-conditions index was 70.6, up 5.9 points from December, while the forecast was 69.5, down 1.6 points from December. Both remained well above the score of 50, the dividing line between an expanding and a contracting economy.

Purchasing managers said electrical components, hydraulic pumps, MELF resistors and JANTX diodes are in short supply, while copper, steel (including stainless), hydraulic cylinders, aluminum, gear boxes, motors, sheaves, bearings, V-belts, pulleys, clear tape and electrical components have increased in price.

**SPOKANE VALLEY:** Key Tronic Corp., the contract electronics manufacturer, reported strong revenue growth in the fiscal second quarter ending Jan. 1, as it introduced new product lines, but it also cautioned that some new customers "have delayed their anticipated production ramps from the third quarter to the fourth quarter," according to Chief Executive Craig Gates.

Key Tronic's second-quarter revenues were \$61 million, up 36 percent from a year ago. Net income was flat at \$1.7 million, due to the cost of its new product lines, including industrial motor controls, fire safety devices and power supply equipment for U.S. military applications. Gates said the company is "also seeing some gradual improvement in the global supply chain for certain electronic components."

Revenue was off slightly from the fiscal first quarter, and Gates said Key Tronic trimmed its forecasts for full-year revenue and earnings, and it now expects "to see sequential growth get underway in the fourth quarter of fiscal 2011."

**BOTHELL:** Cardiac Science Corp. has been awarded a contract by Tyco Flow Control to deploy its Power-heart automatic external defibrillators at the company's 350 facilities worldwide. Other details of the contract

weren't disclosed. The company also received a contract from the U.S. Postal Inspection Service for Power-heart defibrillators.

**MOSES LAKE:** The Department of Ecology has fined Renewable Energy Corp.'s solar-grade silicon plant \$10,000 for not meeting emission limits on nitrogen oxide. The department said the violation occurred last June in testing of a piece of pollution-control equipment known as an acid etch scrubber; due to improper maintenance, materials and liquids passing through the scrubber had turned into a solid, rendering it ineffective. REC has 90 days to appeal the fine.

**MILTON:** Harland Clarke Holdings Corp. plans to lay off 53 employees in its check-printing operation effective April 9. A spokeswoman said the company is consolidating operations at other locations. The Milton plant will have 107 remaining employees in other business lines.

**SEATTLE:** The Puget Sound industrial property market showed continued improvement in the fourth quarter of 2010, with an increase in leasing activity and dropping vacancy rates, according to a report from the real estate services firm Colliers International.

The regional vacancy rate dropped below 8 percent, Colliers reported. That trend is expected to continue through 2011.

Colliers also said asking rates for rented space has seen little change since the fourth quarter of 2009. "Landlords are continuing to offer well-heeled tenants favorable concessions and tenant improvements," the report noted. "However, compared to Q4 2009, tenants are now noticeably more prudent. Many are renewing early, often through blend-and-extend leases, and hope to capitalize on favorable terms in a true 'tenants' market."

The report said new construction in the industrial market "remains at a standstill." Although projects have been proposed, "developers are hesitant to discuss speculative development, because market fundamentals have shifted dramatically. The road to economic recovery is still very long and it is difficult to secure inexpensive construction financing."

In the Kent Valley, vacancy rates increased during the year as major tenants such as Bumstead Manufacturing gave back space. But they began to decline from the third to the fourth quarter with tenants including Clarisonic committing to space. The Pierce County market saw its third consecutive quarter of decline in vacancy rates. One notable deal was Pacific Crest Cabinets selling and leasing back its building to DCT Industrial for \$13.25 million.