

RFID's Creating A Tidal Wave Force In Logistics

The future of logistics, transportation, and supply chain management is being reassessed due to the potential of Radio Frequency Identification (RFID) technology.

The impact of this wave of RFID technology is being pushed onto the market place by the two largest consumers of American

(continued on page 4)

• AEDC Marketing Strategy **2**

• Platinum Investor: ML&P

• Newsletter Sponsor: Providence Alaska Medical Center **3**

• Success: Greatland Laser **4**

• WSF Marketing Column



Time To Say Goodbye

By Larry Crawford, President & CEO

After more than four years with AEDC, I will be leaving to focus more of my time on family, personal interests, and reestablishing my consulting practice. My position at AEDC has been both challenging and rewarding. At the same time, I feel this is a good time to turn over the reins to a new leader. AEDC is financially healthy, we have a knowledgeable staff, and we're engaged in an aggressive outreach program – all of which position AEDC and Anchorage to continue moving forward.

AEDC has a number of significant on-going initiatives. Included are the global marketing and PR campaign, the prospect qualification and development project, Ambassadors to the World Program, and the Global Logistics Project. AEDC is continuing to implement its part of the comprehensive economic development plan developed through the Vision Anchorage effort. AEDC also is continuing to foster those mutually beneficial relationships that have been established with a number of economic develop-

ment organizations in Anchorage and with the Mat-Su Valley.

I would like to thank the individuals that have made the successes of AEDC thus far a reality. The Board and the investors have played a crucial role in making this happen. It is only through the support of our investors, the local business community and the local government that AEDC can be successful in targeting and developing new economic opportunities in Anchorage. The state Legislature and our federal delegation have also been helpful, especially in furthering our global logistics effort.

As of April 19, the AEDC board hired Bob Poe as the new President and CEO of AEDC. I have confidence that Bob will continue to grow and enhance the positive impact that AEDC has brought to Anchorage and Alaska. While tactics may change, AEDC's focus will remain the same under the new leadership—diversify and expand Anchorage's economy through the retention and expansion of existing businesses and the attraction of new businesses.

I look forward to AEDC's future accomplishments.

VOTING MEMBERS

Larry Cash
AEDC Chair
President
RIM Architects

Ed Lamb
AEDC Vice Chair
CEO & President
Alaska Regional Hospital

Richard Strutz
AEDC Secretary/Treasurer
Regional President
Wells Fargo Bank N.A.

Mark Bambridge
Manager of Supply Chain Management
BP Exploration (Alaska), Inc.

Nancy Bear Usera
Sr. VP, Corporate Development
Alaska USA Federal Credit Union

Bill Behnke
Sr. VP, Business Development &
Strategic Initiatives
GCI

Steve Butterworth
VP, Finance, Planning & Control
ConocoPhillips Alaska, Inc.

Bill Fowler
President & COO
Northern Air Cargo

Joe Griffith
General Manager
Chugach Electric Association, Inc.

Jim Hatley
Managing Director for Alaska Operations
Federal Express

Tony Izzo
President & CEO
ENSTAR Natural Gas Company

Jim Kubitz
VP, Real Estate & Project Planning
Alaska Railroad Corporation

Tom Maloney
VP, Marketing & Business Development
VECO Alaska, Inc.

Sophie Minich
Chief Financial Officer
CIRI

Dale Morman
President
Anchorage Sand & Gravel Co., Inc.

Rick Morrison
President
Morrison Auto Group

Brian Nerland
District President
KeyBank National Association

John Parrott
VP/General Manager Alaska Division
Totem Ocean Trailer Express, Inc.

Mary Ann Pease
VP of Corporate Communications
ACS

Mark Pfeffer
President
Koonce Pfeffer Bettis

Kathy Porterfield
Managing Partner
KPMG

Diane Prier
President
Williams AK Petroleum, Inc.

Ken Privratsky
VP & General Manager
Horizon Lines Of Alaska, LLC

Royce Rock
Carpenters Union, Local 1281

Mark Vasconi
Business Planning Director
AT&T Alascom

Pat Walsh
President & CEO
Walsh Sheppard Flynn

AEDC's Marketing Strategy

by Kevin M. Pearson
Vice President, Business Development

The prospecting/outreach program of AEDC's 2004 strategic plan is an integral component of the marketing program developed over the last two years. Several initiatives are now in place to continue the growth and development of AEDC, giving decision makers the tools they need to make informed site selection decisions.

To meet AEDC's mission to encourage growth and diversity in the Anchorage economy for businesses and residents, several key components will be incorporated into the marketing strategy. Aggressive marketing will take place to the three most likely industries to create new jobs and investment in Anchorage – medical devices, electronic, and avionics manufacturers.

Secondly, continued marketing to site selection consultants that drive over 50% of corporate relocations and expansions each year will increase AEDC's probability of attracting new jobs and investments to Anchorage. Plans to host

(continued on page 4)

It's not only love that makes the world go round. It's also electricity. We can talk all we want about attracting new industries and business to Alaska, but it won't happen unless we can deliver reliable electric power at competitive prices.

Since natural gas fuels 90% of the electricity used in the Anchorage bowl, it's natural gas that will fuel our future.

Gas Supplies

A recent study on natural gas in Cook Inlet raises issues important to any business or industry looking to Anchorage as a possible home. The study, conducted for the U.S. Department of Energy, notes the imminent decline in known reserves and analyzes the potential for new sources of natural gas.

Currently, 61% of Cook Inlet natural gas is used for industrial purposes (ammonia/urea and LNG production). Gas utilities use 14% and power generation accounts for 16%. The two industrial users are expected to cease operations in 2005 and 2009. The remaining known reserves in Cook Inlet should be sufficient to meet the commercial and residential needs for gas and gas-fueled electricity until 2015.

ML&P relies on natural gas for 80% of the power we provide; all our gas comes from the Beluga River Unit in Cook Inlet. ML&P owns one-third of the field, but under long-term contracts, we purchase two-thirds of our supply from the other two owners. When the contracts expire at the end of 2005, our own share of the field will meet all of our supply needs, at least until 2015. Between 2015 and 2020, we will need to start augmenting Beluga with gas from other sources.

Natural Gas Development Essential For Economic Growth

By Jim Posey, General Manager, Municipal Light & Power

What other sources? The Department of Energy study presents weighty evidence that there is still plenty more recoverable natural gas in Cook Inlet, perhaps twice the amount produced so far. The hitch will be cost.

End of an Era

Say goodbye to cheap gas. For roughly 35 years, we have benefited from an abundant supply of stranded natural gas found mostly as a by-product of oil exploration. Because the gas was incidental to oil production and there weren't huge demands for it, it was cheap. In fact, the two large industrial plants were set up in Nikiski to "monetize" the stranded gas.

We have been largely protected from high prices and volatility of the Lower 48. Consider this: In January 2004, the Henry Hub price, a Lower 48 benchmark, was about \$7 per thousand cubic feet (mcf) while the Cook Inlet prevailing value was less than half that, at about \$2.40/mcf. In the future, we can expect to pay rates more in line with Henry Hub.

Future supplies of natural gas will come from calculated investments by producers expecting decent returns on those investments. That means users and consumers will pay significantly more.

Apart from the decline in known reserves, gas prices have been rising. The reason is that many of the long-term contracts under which natural gas is bought and sold here are linked to Lower 48 benchmarks for oil or gas. As Lower 48 prices rise, so do ours, albeit usually on a lagging basis.

Still Competitive

The prospect of higher prices for natural gas is not cause for hand-wringing. Operational

and technical efficiencies now in the works will mitigate higher fuel costs. ML&P is working closely with Chugach Electric Association to merge some of our operations. Within two years, we hope to have a joint dispatch center and be well on our way toward a merged distribution system.

We also will be replacing aging generation with units that are 20 to 30% more efficient.

It's important to note that over the past 10 years, ML&P rates have risen less than the rate of inflation, despite recent increases in base rates and cost of gas.

For the next several years, ML&P rates should remain fairly flat, thanks to our ownership interest in Beluga. As natural gas prices do rise in later years, our operational efficiencies will help us stay reliable and competitive in the long run. And that's all good for attracting new players to the neighborhood.



Technology Advances Health Care In Alaska

Each year, technological advances enhance the health care industry and provide conditions optimal for increased excellence in patient care. As such, the science of medicine is rapidly progressing. Hospitals are seeing advancements in many areas, including automation, which virtually eliminates human error; robotics, which performs repetitive tasks and increases employee safety; patient tracking systems for optimal patient flow; and automated medication dispensing systems, which accurately match medications to patients and add patient safety measures like bar code identification.

Providence Alaska Medical Center has been at the forefront of bringing to Alaska the country's most advanced technology available in health care today with

focus on diagnostic services such as imaging and the laboratory.

"Anticipating future growth of services allows us to give the best care possible," said Vince Huntington, Providence Alaska Medical Center Administrator. "Keeping a close eye on trends in health care enables us to deliver the best to our

patients and the community."

Some of the newest additions of technology to the facility are two GE Infinia HawkEye gamma nuclear medicine cameras used in



high-tech physiologic studies of the body for procedures such as advanced cardiac imaging. The new technology helps the physician assess the aggressiveness of disease and eliminates the guesswork, along with potentially unnecessary surgeries, while mapping a more appropriate treatment plan for the patient.

In fact, imaging is an area of fast-paced growth in health care. In January 2004, Providence installed the latest in CT technology, a state-of-the-art 16-Slice GE

Lightspeed CT scanner with an added Viatronix V3d Virtual Colonoscopy System, the only system proven as effective as conventional colonoscopy in detecting significant colon lesions. It is now the preferred detection method over less comfortable conventional colonoscopy.

In the laboratory, Providence Alaska Medical Center became the first in Alaska and the Pacific Northwest, to become fully automated. The Beckman-Coulter instrumentation arms physicians with rapid and accurate blood sample results that allows for efficient diagnosis of patients. As a result, the Providence laboratory is now able to offer an expanded test menu locally, which prior to automation, was sent out of state for testing.

Providence Alaska Medical Center continues to provide Alaskans with options for high quality health care in Alaska, ensuring they can remain close to families and friends. We are proud of our expert physicians, experienced nurses and other caring professionals who, combined with our advanced technology, give our community the best care right here at home.

EX-OFFICIO MEMBERS

Legislators

Representative Ethan Berkowitz
Alaska State Legislature

Senator Johnny Ellis
Alaska State Legislature

Representative Lesil McGuire
Alaska State Legislature

Senator Ben Stevens
Alaska State Legislature

Mayor & Assembly

Mayor Mark Begich

Doug Van Etten
Assembly Member

Brian Whittle
Assembly Member

Appointed By The Board

Mike Brady
President
Ken Brady Construction Co., Inc.

Bruce Bustamante
President & CEO
Anchorage Convention & Visitors Bureau

Jim Gorski
Member
Hughes Thorsness Powell Huddleston & Bauman

E. Lee Gorsuch
Chancellor
University of Alaska Anchorage

Ernie Hall
President
Alaska Furniture Manufacturers, Inc.

Mary Hughes
Of Counsel
Hughes Thorsness Powell Huddleston & Bauman

Jim McMillan
Deputy Director - Credit
AIDEA

Mel Nichols
Vice President of Operations
DOWL Engineers

Bill Noll
Deputy Commissioner
State of Alaska, DCED

Tennys Owens
President
Artique, Ltd.

Mort Plumb
Airport Director
Ted Stevens Anchorage
International Airport

George Vakalis
Chair
Anchorage Chamber of Commerce

AEDC STAFF

Bob Poe
President & CEO

Kevin Pearson
Vice President of Business Development

Michael Kean
Transportation Director

Michelle Dickson, PHR
Human Resources & Finance Director

Jennifer Pringle
Communications Director

Christa Hernandez
Executive Assistant



RFID's Creative Tidal Wave

and overseas goods: WalMart and the Defense Department. Both are mandating that small passive RFID tags be used on at least pallet-sized goods by 2005 for most if not all shipments. This is significant when you consider that the DOD has about 42,000 suppliers; WalMart has over 10,000 and processes over 250,000 trucks daily.

Unlike the bar codes used today for product identification, RFID chips talk to your computer 200 to 1000 times a second, non-stop, seven days a week, for years. Enough space is available on them to store data that is truly dynamic; it can be keyed in with your company's inventory system to remind you when to move that item to the front of the store for a seasonal sale or that a product is about to expire.

RFID tags will allow managers the option to watch their inventory levels rise and fall on their computer screen, second by second. Not only will the amount of inventory data increase significantly, but the information will impact supply and demand of transportation manufacturing, distribution costs, and flow within the retail and wholesale side of business. A step-by-step method to identify and measure those factors that will be impacted most significantly by RFID is currently under way at the University of Alaska Anchorage's Logistics Department.

UAA is examining the strategic needs of Alaska business and the military for the practical use of RFID technology over the next five years. The result should be a road map toward the future use of RFID's for all Alaska business and military requirements within their respective supply chains.

AEDC recently participated and was a platinum sponsor at the April 12 RFID Symposium.

Success Beams On Greatland Laser

Greatland Laser, owned by Jim and Kim O'Meara, stumbled upon the idea for their handheld, battery-powered lasers and laser projection devices one Halloween night by accident. Amanda, Jim's stepdaughter, dressed as a fairy princess, waived her wand's transparent handle in front of the laser that Jim was playing with. What appeared instead of the typical dot was a beam that extended across the floor.

Since, Greatland Laser has shipped over 10,000 handheld devices and been given the opportunity to test the beam technology for the FAA. The beam could take the place of traditional lights marking taxiways and runways as well as hold lines, used to direct airplane traffic, which can be hard to see during harsh weather.

Other opportunities are showing possibilities as well, including emergency detection and response. Currently, the outdoors outfitter, Cabela's, is one of the major retailers distributing the Greatland handheld laser.

Greatland Laser is a small Alaskan company and appreciated investor in AEDC. Recently, the O'Meara's enjoyed the honor of an article on Greatland Laser published in the April 12 edition of USA Today.

Greatland Laser is actively seeking an Alaskan corporation as a licensee for the search & rescue as well as the marine and highway lighting technologies.

New Trend In Corporate Communications

By Pat Walsh, Walsh Sheppard Flynn

United Airlines uses its inflight channel 9 to let passengers listen in on the cockpit. Inspired by this, Microsoft launched a new website in April called Channel 9 that uses video clips, an online forum, and other features to inform employees and outside software developers about what is going on inside their "cockpit".

Channel 9 drew media attention when Microsoft recently used it to respond to news about a possible change of plans for the next version of Windows. As a Seattle newspaper noted, the first person to get an interview with the product team wasn't a TV, radio, or newspaper reporter, but a Microsoft employee working for Channel 9. According to the Seattle P.I., "Channel 9 is either the next big thing in corporate communications, an attempt by the company to circumvent traditional media, or an effort to foster dialogue by building an online community."

Microsoft says it's about the community. It launched Channel 9 after their Professional Developers Conference when attendees who work outside Microsoft expressed enthusiasm about getting the chance to talk with Microsoft's product teams. Microsoft decided that level of interaction should continue and believes the tool encourages feedback and discussion.

But some journalists may still see Channel 9 as an effort by Microsoft to "manage the message" and bypass the filter of the national media. Pitfalls and inevitable criticism aside, other companies have begun experimenting with similar Internet communications for breaking news. We likely are witnessing an important new trend in corporate communications.

WELCOME

NEW BOARD MEMBERS

Sophie Minich, CFO, CIRI
John Parrott, VP/General Manager
Alaska Division,
Totem Ocean Trailer Express, Inc.

NEW INVESTORS

ACS Media, LLC
Calco, Inc. Partnerships
Kingsteele International Services & Systems
The Alliance

THANK YOU

Morrison Auto Group
Use of van during Winter Cities Press Trip

Alyeska Prince Hotel
Accommodations, meals and entertainment
for Winter Cities Press Trip

Wells Fargo Bank N.A.
Use of board room

Annual Economic Forecast
Luncheon Sponsors

Primary:
BP Exploration
ConocoPhillips Alaska, Inc.
First National Bank Alaska
Providence Alaska Medical Center

Others:
ACS
Alaska Regional Hospital
Chugach Electric Association, Inc.
Fred Meyer
Keybank

AEDC's Marketing Strategy

(continued from page 2)

three familiarization tours in Anchorage – one for companies in AEDC's target industry clusters and two for site selection consultants—are currently in the works. Also, a team from AEDC will be traveling to both the East and West Coasts to call on site selection consultants and companies from the targeted industries.

Lastly, AEDC will attend CoreNet, a professional association of corporate real estate executives and site selection consultants, to spread the word about Anchorage's benefits and meet with interested parties.



900 West Fifth Avenue, Suite 300
Anchorage, Alaska 99501
tel: (907) 258-3700
www.aedcweb.com

Presorted
Standard
U.S. Postage
PAID
Anchorage, AK
Permit No.882