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Wednesday, August 18, 2004 6:33

Business

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Tri-City tech future bright

This story was published Wednesday, August 11th, 2004

By Jeff St. John Herald staff writer

Pacific Northwest National Laboratory has given Tri-City economic development agencies another tool to help attract high-tech businesses.

The 2004 Index of Innovation and Technology released Tuesday is PNNL's report card on the factors that can make the Tri-Cities an attractive location for technology companies, from the area's high numbers of engineers and scientists to its low-cost and low-stress quality of life.

And in a number of areas, including federal funding for research and development, high-speed Internet access and the success rate of existing high-tech startups, the Tri-Cities has made quite a bit of progress since PNNL's last report on the subject in 2001, the report's lead author said.

"I think it's just been steady, even improvement," said PNNL staff scientist Mike Scott of his report, which gauges relative strengths and weaknesses of the Tri-Cities vs. traditional centers of Pacific Northwest technology like Seattle and Portland.

Since 2001, the Tri-Cities has shone in certain key areas, many of them linked to federal technology research funding, said Gary Spanner, PNNL economic development manager.

For example, the amount of money from federal Small Business Innovation Research, or SBIR, program grants to Tri-City businesses from 1998 to 2002 has grown to \$8.5 million, the report states.

While that's far less than the \$93 million in such grants to Seattle-area companies, when compared to the Tri-Cities' much smaller population, it actually adds up to more SBIR grant money per capita than Seattle, the first time that's been the case, Spanner said.

Overall federal funding for research and development in the Tri-Cities -- much of it driven by PNNL research -- has also increased since 2001, from 11 times the national average to 15 times the national average, he said.

Then there's the Tri-Cities' higher-than-usual proportion of engineers and scientists -- about 30 per 1,000 higher than that of King County, he said. That's important for companies that want to make sure they'll have a large enough pool of skilled workers to draw from as they look to locate or expand in an area.

"There's just a critical mass numbers game," Scott said of the Tri-Cities' stock of science and engineering talent. With Hanford-related employment set to decline in coming years, this work force will quite likely be available for high-tech business to draw upon, he said.

This depth of talent has led to more than 70 high-tech startups in the past five years, the report noted. While they tend to be smaller than startups in larger cities, the number experiencing growth of 15 percent or greater per year has outpaced that of startups in the Puget Sound area.

PNNL inventions -- and the employees who leave to start their own firms -- help drive that growth, Spanner noted.

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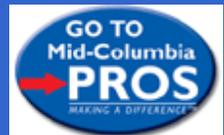
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"Historically, about a third of our commercial licenses for technology are going to companies," he said. The low cost of living and lack of traffic congestion, crime and other ills of larger cities also help attract companies, he noted.

But the report also lays out some areas in which the Tri-Cities lags behind larger metropolitan areas -- chief among them in access of local entrepreneurs to investment capital and experienced management teams.

"Certainly some companies have moved to be near their equity sources," Spanner said. Efforts under way to link local entrepreneurs to statewide venture capital and "angel" private equity investors are one way to close that gap, he said.

That's a good area to focus on, said Chuck Allen, director of the Applied Process Engineering Laboratory, a Richland high-tech business incubator.

"We tend to have some pretty creative and innovative people here," he said. "But it's tough to start up a company and keep its roots here in the Tri-Cities. That's the big challenge."

PNNL's report could be useful for recruiting talented employees as well as high-tech businesses, noted Patricia Irving, chief executive of APEL tenant InnovaTek, which recently secured two new SBIR grants to develop nuclear material detection and hydrogen fuel cell technologies.

"We do everything possible to get the top-notch people to move here," she said, "and it's not always an easy sell."

The 2004 Index of Innovation and Technology can be found online at www.pnl.gov/edo/documents/innovationtechindex2004.pdf.

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