The Industrial
O·U·T·L·O·O·K

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AFL-CIO Grades Congressmen

107 in the 108th Get Perfect Score

You can sleep easy tonight! The AFL-CIO is watching over the U.S. Congress and grading each senator and representative based on whether they vote "right" or "wrong" on key issues of importance to organized labor.

So who's been naughty and nice? The accompanying map shows each district in the continental U.S. for the 108th Congress, highlighting the voting records of selected representatives based on how "wrong" or "right" they were last year. The map depicts the congressmen who voted "right" (as determined by the AFL-CIO) at least 80% of the time, and those that voted "right" 20% of the time or less.

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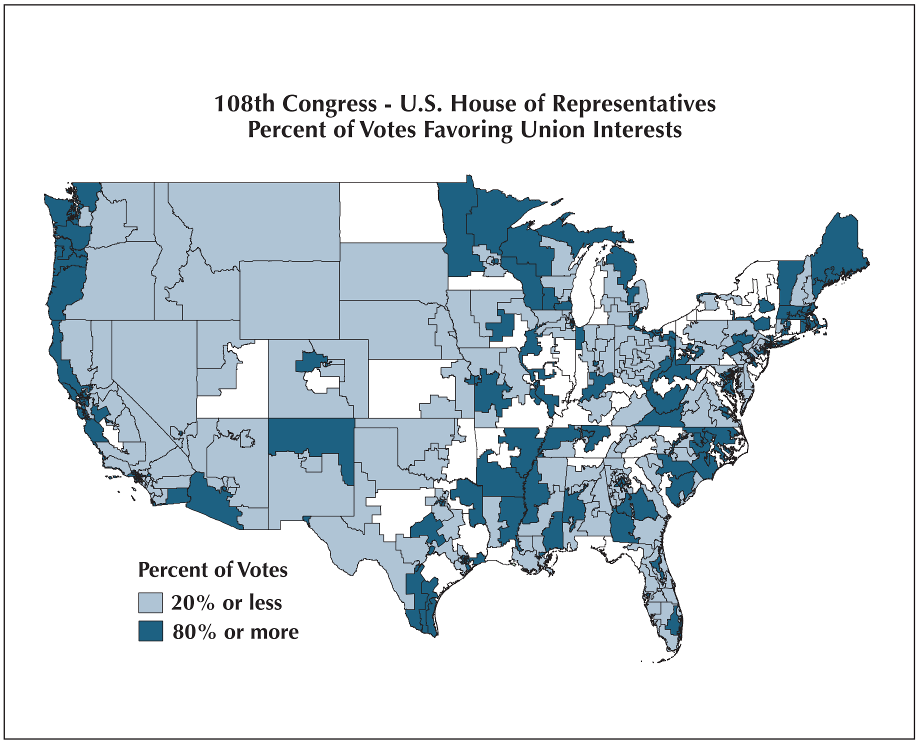

In This Issue

You CAN Have Your Cake and Eat It Too

Novel Real Estate Structure Plows Profits Back to Tenant

Institutional investors and real estate developers have traditionally shunned smaller markets because of the higher risk and low deal velocity. That's about to change with the formation of The Walker Companies' Equity Investment Division, which will acquire or develop facilities in second and third tier cities.

"Our firm already provides project management on construction of manufacturing and distribution facilities in these smaller cities," according to Raymond Walker, President of the company. "We've managed development of over 1,000,000 square feet in each of the last five years. We have over 17 years experience in these smaller markets and see a tremendous opportunity to fill a significant void."

Second and third tier markets offer employers tremendous advantages

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Free at Last, Free at Last

Tax Freedom Day at 37 Year Low

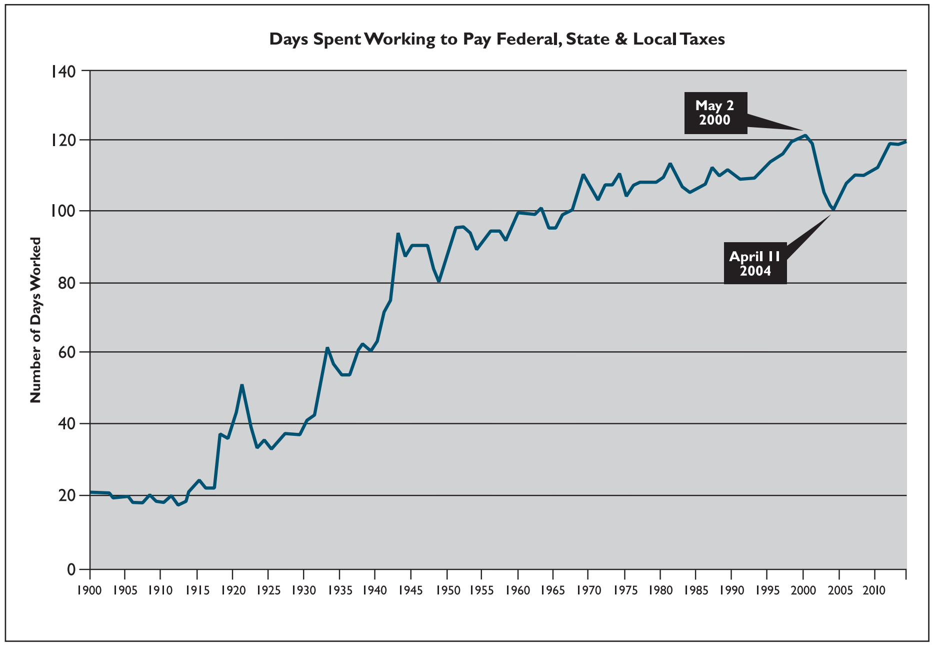
From January 1 through April 11, 2004, we all worked for the federal, state and local government. That's right, 100% of the average American's income over the first 101 days of this year went to pay federal, state and local taxes.

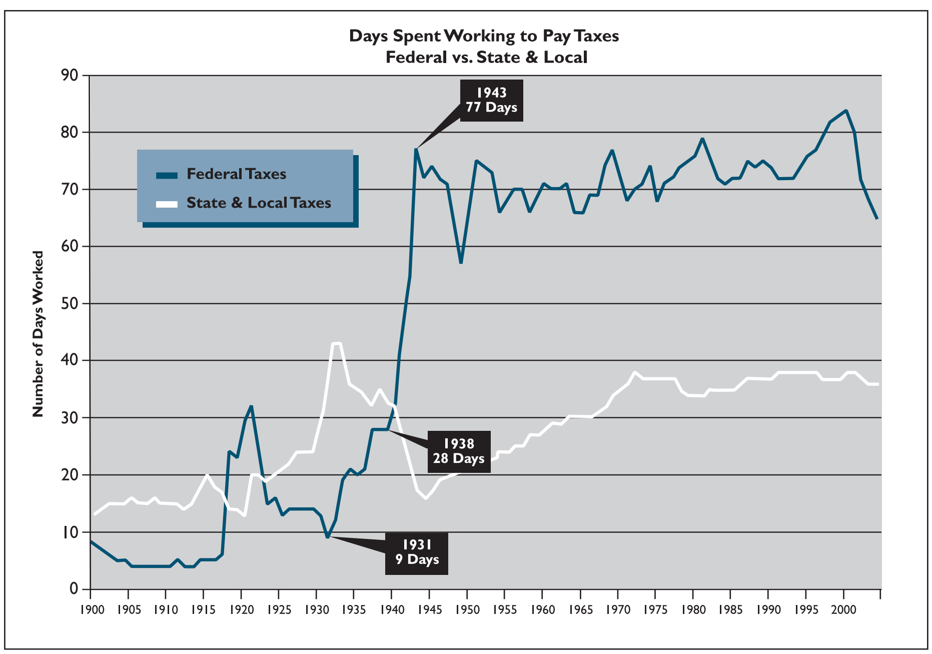
And that's as good as it's going to get, if the projections of the Tax Foundation are correct. Over the next 10 years, the Foundation predicts Tax Freedom Day will be pushed from April 11 to April 29, increasing by 18 the number of days of labor to support government spending.

Thanks to the efforts of President Bush, U.S. taxpayers have enjoyed a brief, but precipitous improvement in the Tax Freedom Day. In 2000, the Tax Freedom Day hit an all-time high of May 2. That's 122 days, for the calendar-impaired. By this year, the date had been pushed back to April 11, a reduction of 22 days. At the median household income level of nearly $42,000, this improvement has put over $2,500 in the pockets of the typical taxpayer this year.

As might be expected, the federal government has been the bigger villain over the past 60 years, accounting for the lion's share of the tax bite. The Tax Freedom Day for payment of state and local taxes has been hovering around February 6, while the date for federal taxes has been bouncing back and forth between March 6 and March 19, peaking at March 24 in 2000.

The federal government's avarice started to grow in 1931, and came into full bloom in 1938. In 1931, only 9 days elapsed between the beginning of the year and Tax Freedom Day. By 1938, this had been pushed to 28 days, and skyrocketed to 77 days only 5 years later as the financial responsibilities of World War II began to manifest themselves. However, the surrender of Germany and Japan did little to curb the government's appetite. Since the end of WW II, the federal Tax Freedom Day has occurred before March only once, February 24, 1949. ❑





I've Fallen and I Can't Get Up!

Union Membership Dips Again

A recent study by the Bureau of Labor Statistics reported that union membership declined in 2003 to 12.9 percent of all wage and salary workers, from 13.2 percent in 2002. The total number of persons belonging to a union fell by over 369,000 during 2003, to approximately 15.8 million. The findings reflect the trend of the past 20 years as union membership has been steadily falling. Union membership reached a peak of 20.1 percent of all wage and salary employees in 1983, the first year for which annual comparable rates are available.

Thirty-three states reported falling membership rates from 2002 to 2003, 15 states and the District of Columbia registered increases in membership, and two states reported no change. The map documents each state's union membership rate and highlights the states that had an increase in membership over the period.

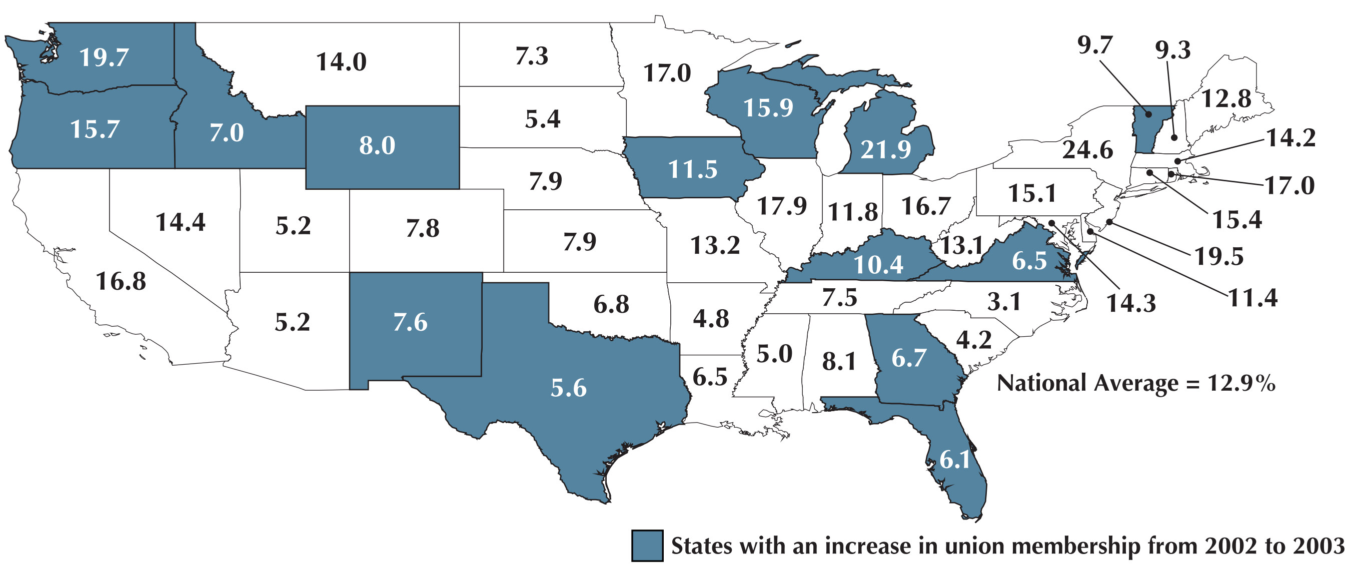
Historically, the "southern" and middle America states have had lower membership levels thanks in no small part to Right to Work legislation in these areas. The only Right to Work state with a union membership rate above the national average is Nevada.

The states that ranked highest in total union membership rates in 2003 were New York (24.6%), Hawaii (23.8%), Alaska (22.3%), and Michigan (21.9%), the same top four reported in 2001 and 2002. On the opposite end of the spectrum, North Carolina and South Carolina have the lowest membership rates at 3.1 and 4.2 percent, respectively.

The largest numbers of union members live in California (2.4 million), New York (1.9 million), and Illinois (1.0 million). Over half of the nation's union members live in six states, despite these states accounting for only one-third of the national wage and salary employment. Less than 8 million union members live in the other 44 states and the District of Columbia.

Texas, the second most populated state in the U.S., has less than one-quarter as many union members as New York, the third most populated state, even though Texas has 1.2 million more wage and salary employees than New York. Likewise, Florida, the fourth most populated state, and Massachusetts, the thirteenth, have virtually the same number of union members, despite Florida having more than double the population and employment level of Massachusetts. ❑

Union Membership as Percent of Total Employment



Offshoring of American Jobs: A Political Patsy

Worried that your white-collar job might be exported overseas? The ominous statistics could lead you to nail biting.

By the year 2015, more than 3.4 million service-related jobs will move offshore to countries like India, Russia, China and the Philippines, according to the U.S. Department of Labor and Forrester Research, Inc. That translates into a 6.4% loss in service- related jobs.

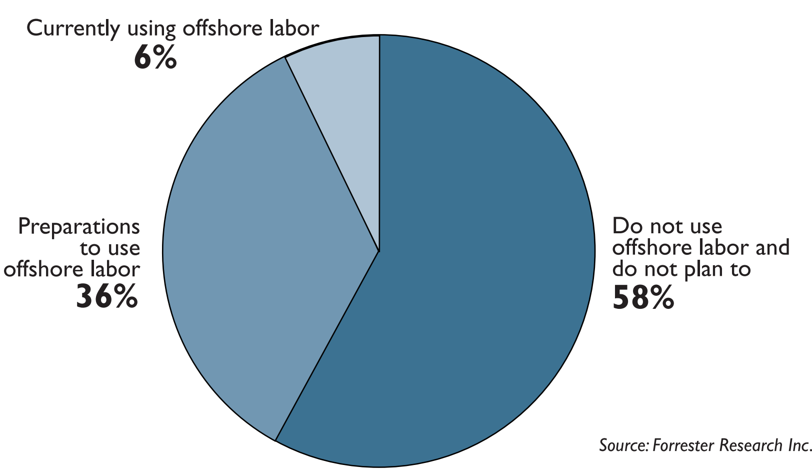
In a presidential election year, this alleged migration of American jobs overseas has become a politically polarizing issue. While N. Gregory Mankiw, chairman of President Bush's Council of Economic Advisers recently stated that "outsourcing is just a new way of doing international trade," making it "a good thing," Democratic presidential candidate John Kerry promised "to repeal every tax break and loophole that rewards any Benedict Arnold CEO or corporation for shipping American jobs overseas."

According to projections, the hardest hit sectors will be financial services, telemarketing, and information technology (IT). The Gartner research firm has estimated by the end of 2004, one of every ten IT jobs will be outsourced overseas. Why? An American computer programmer makes approximately $60,000; his counterpart in India— $20,000.

The Forrester prediction of 3.4 million jobs lost to offshoring covers the period 2000-2015. But domestic new job creation between now and 2010 is projected at 22 million. While the time periods are not comparable, the 22 million new jobs on top of the 130 million jobs which now exist indicates offshoring is expected to affect only two-tenths of one percent of all employed Americans.

If offshore outsourcing is not the cause of sluggish job growth, what is? A study by the Federal Reserve Bank of New York indicates that the economy is undergoing a structural transformation: jobs are disappearing from old sectors (such as manufacturing) and being created in new ones (such as mortgage brokering). In this "creative destruction" the creation of new jobs lags behind the destruction of old ones. In short, offshoring shouldn't become the sole scapegoat for a slow economy.

Who Is Outsourcing?
139 North American Companies Surveyed



Source: Forrester Research Inc.

What are some benefits to America of offshore outsourcing?

1. McKinsey Global Institute estimates that for every dollar spent on outsourcing overseas, $1.12 to $1.14 is generated in additional value for the American economy by making goods and services cheaper and companies more competitive. For example, Atlanta-based Delta Airlines created 1,000 call-center jobs in India in 2003. This operation saved Delta $25 million, making it possible for the airline to add 1,200 reservation and sales agent positions at home. Delta's North America reservations director Debbie Siek stated: "No Delta employee lost his or her job as a result of outsourcing."

2. U.S. labor can be shifted to more competitive, better-paying jobs. Although 70,000 computer programmers lost their jobs between 1999 and 2003, more than 115,000 computer software engineers found higher-paying jobs during the same period.

3. It benefits the U.S. to reward other countries for reducing their barriers to trade and investment. U.S. companies have set up outsourcing operations in countries such as India, Poland and the

Philippines—vital allies in the war on terrorism.

4. The flip side of outsourcing jobs abroad is "insourcing" jobs to the U.S. by foreign-based companies with U.S. subsidiaries. The Organization for International Investment estimates that 6.4 million American workers are employed by the U.S. subsidiaries of foreign companies, whose combined annual payroll totals $350 billion. The reality of foreign-owned companies (e.g. Honda, Samsung, Nissan, Electrolux, etc.) setting up profitable subsidiaries right here in the United States - employing our workers, paying taxes, getting involved in our communities, building international relations, and growing the economy and global trade in the United States - is often lost in the outsourcing debate.

Still, approximately 60% of America's 1,000 largest corporations do not outsource, citing reasons such as the difficulty of managing overseas personnel, fear of negative publicity, security concerns, and stringent government regulations. Many federal and state lawmakers have pushed to prohibit or restrict government agencies from contracting with firms that outsource. In May, Tennessee became the first state to pass legislation aimed at preventing offshore outsourcing of its IT services. Three other states—Arizona, Minnesota and Michigan—have bills that give preferences to contractors that use U.S. or in-state workers. Lawmakers are under pressure from unions and unemployed constituents to keep high paying, white-collar jobs in their states.

So until robust job growth returns, outsourcing will be the 2004 political patsy in this phase of economic globalization. ❑

Ten White-Collar Jobs Not Likely To Be Outsourced	
1.	Chief Executive
2.	Physician and Surgeon
3.	Pilot, Co-Pilot and Flight Engineer
4.	Lawyer
5.	Computer Information Systems Manager
6.	Sales Manager
7.	Pharmacist
8.	Physician's Assistant
9.	Chiropractor
10.	Education Administrator

Source: Forbes.com

Internet-Based Site Search?

Please Lower Your Expectations

Recent research among corporate real estate executives and economic development agencies (EDAs) sheds light on why so few corporate site seekers rely on the Internet as a research tool, and why it is unlikely to be a valuable aid in the near future.

A poll of corporate site seekers shows that fewer than 25% use the Internet to support their efforts, and the reason for the paltry utilization is easy to understand…the information they are looking for isn't available. Ironically, the EDA community thinks it is doing a good job of supplying the kinds of information businesses seek.

A survey of EDAs and corporate real estate professionals shows a significant lack of understanding among economic developers about what's important to businesses searching for business locations. For example, 43% of economic development officers surveyed believe existing EDA websites are effective at documenting regional advantages, while only 6% of corporate real estate executives articulated this opinion.

In the same survey, 46% of EDAs believe current EDA websites are effective at providing data to support the site selection decision, a view held by only 12% of corporate real estate executives. Common criticisms of EDA sites include data that is incomplete, out of date, or irrelevant. ❑

RFID – The "Wave" (radio that is) of the Future

Radio Frequency Identification, or RFID, is a generic term for technologies that use radio waves for product identification. Unlike the bar code system, which requires a scanner to "see" the bar code to read it, RFID uses radio frequency, enabling data to be collected without a direct line of sight to the product.

HOW RFID WORKS

A RFID tag contains a small silicon chip attached to an antenna. The tag is attached to the product like a label. The labels may be read at a distance of 10 feet (high-frequency tag) or 1-2 feet (low frequency tag). Some current applications include highway toll systems where the reader is located adjacent to the toll lane and reads the signal from the transmitter attached to the vehicle windshield.

Although this technology has been around since the 1970s, it had long been viewed as too expensive with limited uses. However, approximately 70% of IT executives report that their companies are in the process of adopting this technology, citing reduction of labor costs, more efficient business processes and tighter connection with business partners and suppliers as the top business benefits.

For example:

- The world's largest retailer, Wal-Mart, has mandated its top 100 suppliers adopt the technology by January, 2005. It is estimated the total cost for compliance by all of these vendors will exceed $500 million.
- The Department of Defense (DOD) has implemented the same requirement for its major vendors. However, DOD paid for the integration of the new systems.
- Some of the major automotive manufacturers have already implemented the technology for internal use.

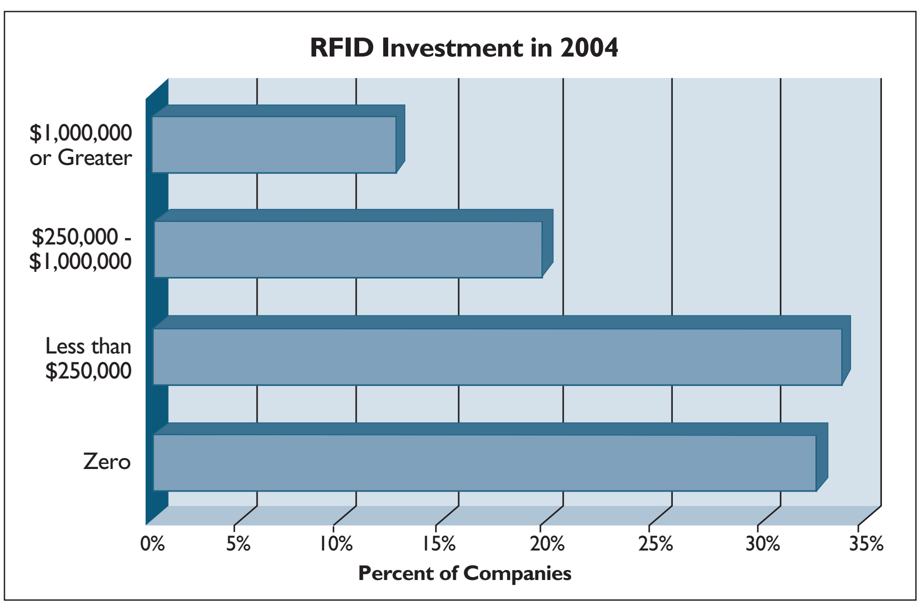
It is apparent that many companies see the handwriting on the wall for RFID technology. In 2004, 13% of organizations surveyed will invest more than $1 million in RFID, 20% will spend between $250,000 to $1 million, and 34% will invest less than $250,000. However, 33% of the professionals surveyed will not invest in RFID at all in 2004.

Implementation of RFID will significantly impact a company's warehouse facilities. Inventory will be in the warehouse less time, resulting in a reduction in racked/stored items and more floor stacking of products for faster order selection and shipping. This higher velocity should increase the need for cross-dock facilities.

This, too, may lead to smaller-sized facilities, a reversal from the recent trend of the "mega-warehouses" which have become prevalent over the last five to ten years. Theoretically, this new style of warehouse could alleviate the need for the current standard of 30-32 foot ceiling heights. Trailer storage and truck parking will continue to be important to handle staging and increased truck movements on site.

RFID is not without its challenges.

- **Cost** – Each RFID scanner costs $1,000 or more. Companies would need thousands of readers to cover all their factories, warehouses and stores. RFID tags are also fairly expensive—$0.20 to $0.30 per unit—making them impractical for



identifying low-value products. As with most technology, these costs are expected to drop significantly in the next few years as the demand increases and technology improves. There is also significant cost associated with the standardized software systems that are integrated with RFID—Enterprise Resource Planning Systems (ERP), Warehouse Management Systems (WMS), and Transportation Management Systems (TMS).

- **Lack of Industry-wide Adoption** – Existing RFID systems typically use proprietary technology. Unless all companies use the same RFID system from the same vendor or a common standard is adopted, it will be impossible to track products as they move from one company to another. RFID is dependent upon complete sharing of data across the supply chain and is useless without a software system to integrate the data and make it a useful tool for improving efficiency.
- **Privacy/Security Concerns** – Security is an issue, as companies are concerned about their competitors' ability to monitor what they produce and ship. Vocal privacy groups have emerged demanding an end to invasive technology (www.stoprfid.com). Proctor & Gamble's research suggests that 78% of consumers surveyed reacted negatively to RFID on privacy grounds and did not find industry reassurances compelling.
- **No Clear Return on Investment**

Despite the obstacles, RFID and other wireless technologies enhance the ability to track goods throughout the supply chain. Specifically, adoption of RFID will reduce direct labor cost; improve efficiencies in order selection, inventory counts, and shipping and receiving; reduce shrinkage; and minimize missed sales of "out of stock" product for retailers. Although the impacts of using RFID are still debated, many consultants cite it as the number one supply chain issue of the future. ❑

AFL-CIO – *continued from page 1*

Surprisingly, the union strongholds in the rustbelt don't appear to enjoy representation that is aligned with organized labor on issues deemed important enough to track by the AFL-CIO. In fact, representatives in Ohio, Indiana, northern Illinois and eastern Michigan have typically opposed legislation viewed favorably by unions. In contrast, there is the large concentration of congressmen in the Southeast and other Right to Work states that are voting with union interests.

An analysis of demographic characteristics unearths some interesting differences between the constituencies of the representatives that tend to vote for or against union-supported legislation. In the aggregate, there are slightly over 124 million people residing in districts in which representatives voted in favor of union-supported legislation at least 80% of the time. In districts where congressmen voted "right" no more than 20% of the time, the population is almost the same, 125 million.

However, a more precise look at these two groups shows measurable differences, most notably in racial composition and ethnicity. In districts where the vote was "right" at least 80% of the time, the population is much more diverse, nearly 35% black or Hispanic. In contrast, only 17% of the population is black or Hispanic in the districts in which the "right" vote was no more than 20%.

The population in areas with strong pro-union voting records also tend to be younger (median age of 34.9 versus 36.2), have larger families (3.21 versus 3.09 average family size) and far more urban (population density of 188 versus 68).

The AFL-CIO is surely looking with pride at the 107 congressmen who voted "right" 100% of the time. Among the notables in this group are Jessie Jackson, Jr., Dick Gephardt, Patrick Kennedy and fully one-third of the entire California congressional delegation.

In the Senate, John Kerry, John Edwards, and Joe Lieberman all voted in favor of union-supported legislation 100% of the time. And we know you are going to ask…Hillary voted "right" on 85% of the votes. ❑

The Industrial
O·U·T·L·O·O·K

Profit Floats, Service S(t)inks

A rising tide lifts the profitability of all boats, but service is another matter. As ocean carrier profits rebound, service has deteriorated, according to major importers and exporters. Deteriorating service levels are attributed to reductions in personnel, greater utilization of less experienced centralized offshore service centers, high vessel load factors and efforts to improve yields by focusing on higher-profit cargo. In combination, these factors have led to more "short" shipments, i.e., containers left dockside or with missed connections at transshipment points.

Over the last three years containerized shipment volumes have increased sharply. TEU (twenty foot equivalent) shipments have surged nearly 16% over the period. Despite this sharp volume growth, revenues per TEU and operating margin per TEU have only recently rebounded after several years of decline. At last, ocean freight companies have gained some measure of profitability, but at a cost in customer loyalty and satisfaction. ❑

Container Shipping Trends: 2000-2003

	2000	2001	2002	2003
World container traffic (million TEUs)	57	58	61	66
Average revenue per TEU	$1,330	$1,260	$1,160	$1,300
Average operating margin per TEU	$93	$57	$41	$91

Source: ComPairData and research by American Shipper

You CAN – *continued from page 1*

over larger metro areas in the form of lower operating costs and a much more attractive labor environment. Real estate costs can also be much lower if the proper deal structure and project delivery method is employed. The Walker Companies have strong expertise in both areas.

"Economic development officials and corporate real estate executives have expressed enthusiasm for the venture" says Walker. "Many corporate users prefer to lease industrial facilities, but economic development agencies in smaller communities don't have the financial resources to support a major investment. An organization that will acquire existing buildings or develop new space in communities with attractive operating costs will benefit both parties."

An innovative deal structure The Walker Companies will utilize is creation of a joint venture with the corporate client. Walker will take the primary development risk, but the client, who is the tenant, is also an owner and participates in the cash flow, equity buildup and capital appreciation. This will significantly reduce the corporate client's occupancy cost.

"Capitalization rates on investment property are at an all time low, and merchant developers are reaping huge profits. Our Equity Investment Division will divert a significant share of these profits back to the tenant," according to Walker.

For additional information on this innovative program, contact Raymond Walker at (404) 921-0104, or rwalker@walkerco.com. ❑

THE WALKER COMPANIES provide location consulting, brokerage, and facility development services for industrial corporations throughout the United States.
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