APRIL 1986 $2.25

Nevada Business Journal

Nevada's Only State-wide Business Magazine

TV Focuses On Nevada Business
How Clear Is The Picture

Reno Dreams of Hong Kong
Can Reno Become The Largest Inland Port In The World

Restraining the Charger
Dick Donnelly
Lincoln Mercury, Reno
(See page 24)

14 Karat Nevada

Publisher's Notes

NOTE: If you are in the office leasing business with a multi-tenant building of 10,000 square feet or more of commercial space I urge you to complete the form on page 51 of this issue. Return it to the *Nevada Business Journal* right away and you will receive a free listing in the most comprehensive Office Guide to Nevada ever published.

The Nevada Business Journal Office Guide will appear in two parts in our July and August issues. The Guide will be designed as a working tool, containing all of the information requested on the form on page 51. As you can see it is quite extensive. The Guide will be accompanied by maps with buildings and industrial office parks keyed to specific locations.

The Guide will be more than just a directory, however. It will be a complete editorial package promoting the benefits of Nevada as a corporate relocation destination. Included will be "Skylines," a special section dealing with new construction activities. Also, "New Kid On The Block" will spotlight new companies relocating or expanding in Nevada. And featured will be editorial profiles of some of Nevada's most outstanding office buildings and industrial office parks, including their owners and developers.

In addition to our regular circulation it will be distributed to targeted office space tenants, commercial real estate developers and brokers, financial institutions and others engaged in and interested in commercial real estate development. Outside the state, the Guide will be sent to the Fortune 1000 companies who may be looking to Nevada for relocation or expansion. Bonus copies will also be distributed through Nevada's various Economic Development Authorities and Chambers of Commerce in response to their many requests from companies interested in Nevada.

NOTE: Another form I would like to call your attention to is on page 41. This has to do with our upcoming publication and ranking of Nevada's top public and private companies. The specific issue in which these will appear will be announced in the May issue.

NOTE: Still another form: Nevada Business Journal is a "Controlled Circulation Publication." Although that is a U.S. Post Office mail classification, it also means that the 15,000 business people to whom we send the magazine are carefully selected and demographically targeted. Unfortunately, it also means that just because you receive an issue this month, it does not follow that you will receive one next month. So to be absolutely certain that you never miss an issue, why not send in the postage-paid subscription card bound into this issue.

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Editor/Publisher

Nevada Business Journal
Nevada's Only State-wide Business Magazine

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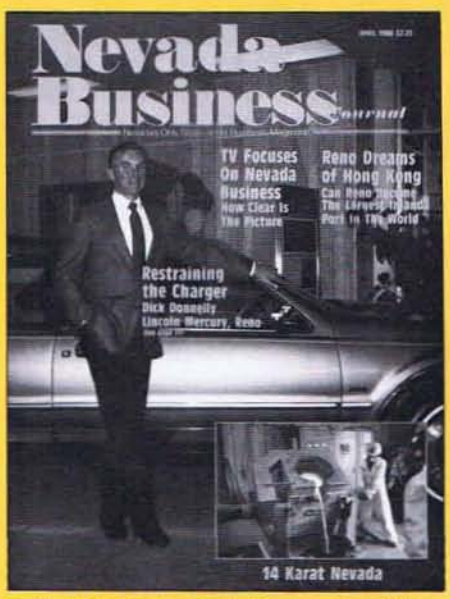


THE COVER: Dick Donnelly of Lincoln Mercury in Reno. "The Charger" (see page 24) seems calm enough here—after having raised his dealership from a poor 2% of market share to 10% in only five years.

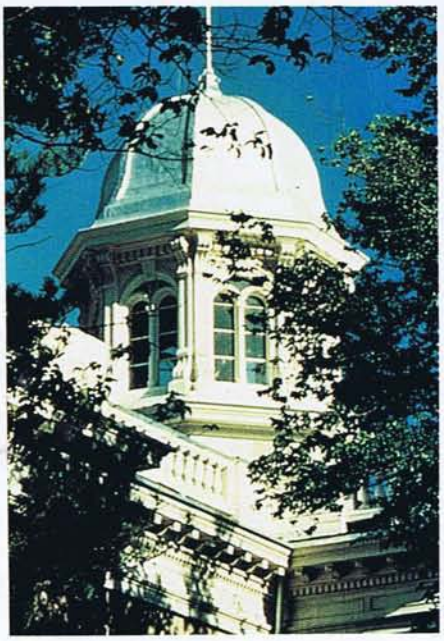


PHOTO BY C. J. HADLEY

The Silver Dome

Casino Industry Is Operating on Knife Edge Says Economist

University of Nevada-Reno economist Thomas Cargill predicts Nevada will join the rest of the nation in an economic recession later this year that could last for about 18 months.

Cargill cites several ominous signs, such as weakening in the dollar abroad, a recent jump in unemployment, the continuing federal deficit crisis and slowing increases in business productivity.

Cargill also sees similarities between current monetary programs and Federal Reserve policies in the 1970s that led to the recession of 1981–82, the most severe since the Great Depression.

Cargill explained that the Feds' policy of increasing the money supply so private business can buy bonds to finance expansion will ultimately push interest rates higher and eventually slow economic growth.

"Exactly the same thing happened in the '70s when the Fed flooded the economy with dollars to offset the effects of the oil shock, and we paid for that," said Cargill.

The economist said the state's billion-dollar casino industry "is increasingly operating on a knife edge" because of competition from lotteries and proposals to legalize gambling in other states and is no longer Nevada's bulwark against bad times. He said the gaming industry "can no longer provide a solid foundation for economic growth; it's showing signs of maturity and being saturated."

Cargill also said Nevada will be especially hard-hit by federal cutbacks required under the Gramm-Rudman deficit reduction measure. He adds that Nevada "prides itself on cowboy capitalism, but I think, if you look around, you'll see it has its hands real deep into the federal pocket."

Reagan's Budget Could Cost Nevada $50 Million

For politicians, talking about tax increases or government service cutbacks during an election year is about as much fun as catching poison ivy. But the controversial topics already have cropped up as a result of efforts by President Reagan and Congress to reduce federal spending.

Gov. Richard Bryan says most state agencies will be able to absorb this year's cuts stemming from Gramm-Rudman legislation approved by Congress. The Democratic governor adds that Nevada will be able to avoid a special legislative session this fall if the second round of Gramm-Rudman cuts hits the state because the regular 1987 session starting in January comes so soon afterwards.

According to state Budget Director Bill Bible, the first round of Gramm-Rudman cuts that already have taken effect will trim several hundred thousand dollars from the state general fund, not the $6 million to $7 million some independent studies showed. The cuts will be felt the most in the Human Resources, Employment Security and Transportation Departments.

The bureaucrats' big concern isn't Gramm-Rudman, it's President Reagan's proposed budget that reportedly could cost Nevada more than $50 million next fiscal year.

Gov. Bryan says he's not sure what to expect from Reagan's budget. He says many changes are likely to be made by Congress, so states won't be able to determine exact impacts until much later this year.

Because of the time it will take to adopt a final budget, the governor also says it's too early to talk about the possible need for a state tax increase in the event federal spending is cut for Medicaid, welfare, health and other programs.

"It is simply impossible to know whether we would be in a position to make up some or all of the possible reductions until we know what those reductions are. Any discussion of an increase in state taxes is premature until all of the information from the federal level can be analyzed."

Assemblyman Charlie Joerg, R-Carson City, who chairs the Legislature's joint Taxation Committee between sessions, agrees it's too early to assess the full impact of the president's budget. Joerg also says he would oppose tax increases and instead would support reduced programs once the level of federal cutbacks is known.

Joerg said he believes the state won't need a tax increase in 1987, adding that people would be willing to accept reductions rather than see higher taxes.

Senate Majority Leader Jim Gibson, D-Henderson, says Congress may work around Gramm-Rudman, and also work around the president's budget. "It seems to mean they're planning to raise federal taxes, restore cuts the budget has made in domestic programs, and cut defense spending," he added.

Gov. Bryan also criticized

(Continued on page 48)

Letters

Falling Off The Edge of Clark County

I have just finished reading, "Bagging Nevada's Medical Bucks," in your March 1986 issue. It is an interesting piece, and I felt that most of it was factual, although couched in journalistic overstatement, until I reached the quote from Jack London on page 22, which states: "In fact, there is not a single veteran's hospital in Nevada."

In fact, I am no apologist for the VA system, but, in fact, I can see the roof of the Reno Veteran's Administration Medical Center from my office at Washoe Medical Center.

I do not blame Mr. London for the apparent inaccuracy of his perception. People from Las Vegas tend to view the world as a square, the edge of which you fall from at the Clark County line. But, I would hope that a magazine with as portentious a mission as yours would avoid falling into the extreme lack of editorial accuracy so readily exemplified by the publications of Reno Newspapers, Inc. Their grasp of "the facts" is so poor, you can rarely believe anything they print.

So this bit of traditional journalistic advice...."Get it first, but *first* get it right." Criticisim aside, keep up the work on your very important publication.

Michael J. Hoover
Director/Social Services
Washoe Medical Services

Quite A Guy!

Fantastic! I'm referring to the article written by Richard Taggart on banking in your March 1986 issue. I didn't believe a banker could open up like that and talk straight out of the front of his mouth. This Taggart must be quite a guy.

Charles Whitney
Amolex, Inc.
Sparks, NV

ED NOTE—We think he is too, but let's not hold him responsible for writting the article. There might be some things there that he didn't like.

Congratulations From The Senate

Allow me to extend my congratulations and best wishes on the publication of the first issue of *Nevada Business Journal.*

The format, quality and content of "Nevada's Only State-wide Business Magazine" are excellent. I shall look forward to future issues.

If there is any way I may be of assistance to you please get in touch with me.

Again, best wishes for continued success.

Chick Hecht
United States Senate
Washington, D.C.

An Opportunity Accepted

On behalf of myself and the entire department of Commerce kindly accept our thanks for requesting news stories from the Department.

We appreciate the opportunity to tell the public the possitive accomplishments of the Commerce Department that would be of interest to all Nevadans.

I firmly believe that a publication of this type will be a valuable addition to other publications in Nevada, and will serve a worthwhile purpose.

Larry D. Struve
Director
State of Nevada
Department of Commerce

Whoops!

To my embarrassment and the joy and humor of my peers, the *Nevada Business Journal* has over-looked one small item in the March 1986 issue, "Competing For The Rural Market." Leslie Happ's article, which by the way, was seemingly well done, credited my assistant as Administrator of Humbolt General Hospital (page 46).

E. J. Hansen
Administrator
Humbolt General Hospital

ED NOTE—12 lashes for Leslie, who by the way, was just appointed the new Managing Editor of NEVADA BUSINESS Journal.

Cheap Shot

Myself and other members of the Sierra Club resent the cheap shot you took at U.S. Representative Harry Reid in the March 1986 "Silver Dome." under the item "Nevada Miners And Rancher Accuse Reid of Savage Tactics." And then to drag our fine former governor Michael O'Callaghan into it as well. Shame on you!

Anonymous
Las Vegas

ED NOTE—Shame on you, Mr. Anonymous. When we have something to say we're not afraid to let our readers know it.

Do You Have Something To Say?

Maybe there is something about the Nevada economy, the Nevada government, a topic that appeared in this magazine, or some business subject of general interest that you would like to expound upon. Well here is your chance. Get it off your chest in the "Letters" department of the *Nevada Business Journal.* We welcome your letters and will publish them, space permitting.

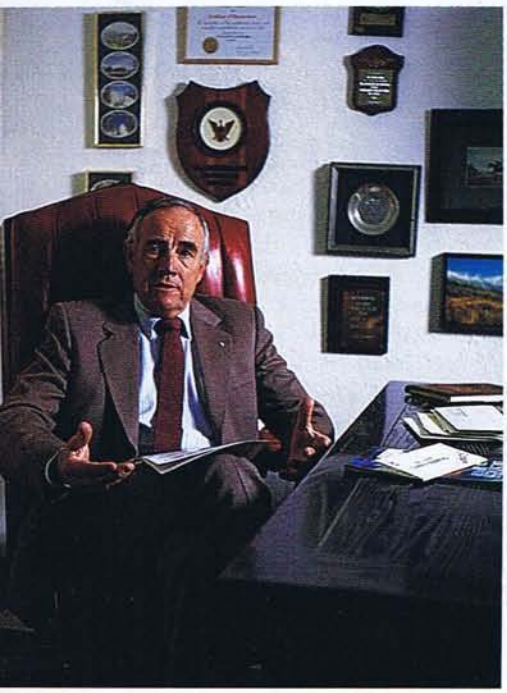
Write to: The Editor, Nevada Business Journal, 1461 E. Sunset Rd., Suite B-117, Las Vegas, NV 89119.

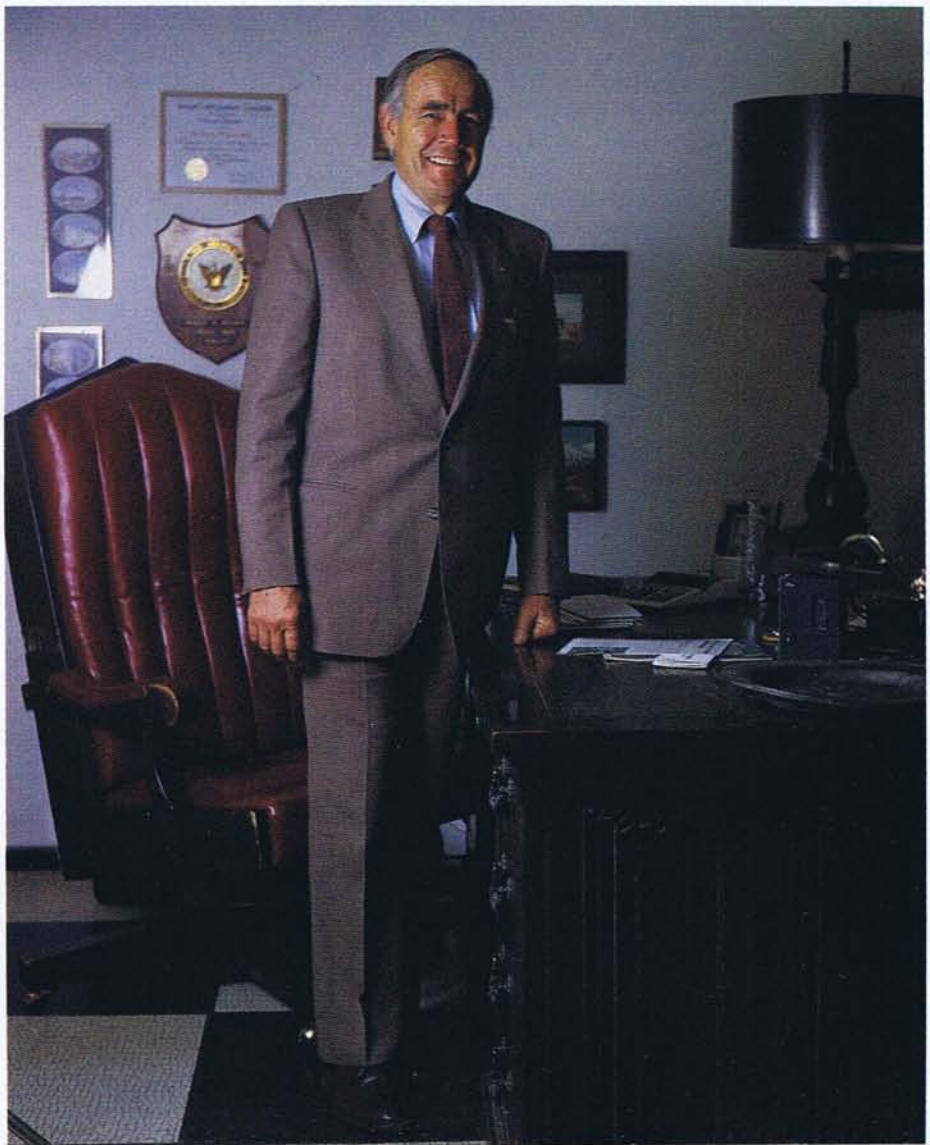
Reno Dreams of Hong Kong

Could the "Biggest Little City In The World" become the largest inland port in the world, or even the Hong Kong of North America? There are those in Reno who believe it will.

By Robert M. Butler

Smilin' Frank Bender (right) is dead serious (below) when he talks about why he believes Reno can become the largest inland port in the West."





drivers beyond the hours of service prescribed by law in order to make a profit.

"It's going to get dangerous," Wells said. "When we had authorized carriers, this sort of thing didn't happen. Half of the people out there are operating without insurance. These little guys have no way of knowing how much it costs to do business. They're trying to operate out of their hip pockets."

John Tolas, secretary-treasurer for Frehner Trucking Service, Inc. of Las Vegas, also sees uncertified carriers as a threat to fair competition. Frehner's use of its 50-tractor fleet is now limited to hauling for Frehner Construction.

"I don't think we've worked 20 days for the past year for anyone else," Tolas said. "We used to keep 10 to 20 trucks out a day before they ever let these (uncertified) companies begin operating. If it weren't for Frehner Construction, we wouldn't survive."

The Nevada Public Service Commission (PSC) requires that motor-carriers obtain a certificate of public convenience in order to operate legally in the state. Public need determines whether or not a carrier can obtain certification. Some carriers are refused certification because the PSC determines that there is no public need, however there are other uncertified carriers who operate without ever having applied for certification. In either case, the uncertified carriers can undercut published tariff rates.

The result is that uncertified carriers as well as the certified carriers that may use them to supplement their operations have an unfair advantage over the certified carriers that comply with the state's motor carrier regulations.

supplement their operations. In the Las Vegas area, those forced to comply are crying foul play over Las Vegas Paving Corp., a Las Vegas-based construction company that continues to use unlicensed owner/operators for highway construction activities.

After being cited for leasing uncertified carriers, Las Vegas Paving took the PSC to court, which resulted in a

"Our revenues are not responsive to inflation. One cent of diesel fuel tax today brings exactly what it did in 1978. We still need another $10 million each year because our tax is not responsive."

Al Stone, director, Nevada Department of Transportation.

preliminary injunction that allows the company's continued use of uncertified carriers without interference from the PSC.

"There is an exception in the NRS (Nevada Revised Statutes) while Las Vegas Paving and the uncertified carriers are being used to build a state highway, they can be excluded," said Janet Gerrity, Chief Inspector of the PSC Enforcement Division. "Although, this has not always been the issue. They have been cited by the commission for using uncertified carriers in the past while not working on state-funded building projects," said Gerrity.

Rick Ewing of Las Vegas Paving explained his company's position. "The problem we run into is coming up with the trucks we need," Ewing said. "There are not enough certified carriers equipped for construction in this part of southern Nevada. Sometimes we need 60 trucks. When we can't lease the right number of trucks, it increases our cost to do the job because it draws it out."

The attorney for Las Vegas Paving, Lanny D. Waite, described the situation as a matter of "survival." The company's daily needs fluctuate drastically from 15 to 60 trucks, and often it is "impossible" to round up enough certified carriers for a particular project, according to Waite.

Much of the controversy surrounding uncertified carriers has to do with the PSC's "crusade of defacto deregulation" which began in the late 70's, according to Daryl Capurro, managing director of the Nevada Motor Transport Association. "This became the subject of legislation in 1983," Capurro said. "The legislature told the PSC that it was in the regulation business and that it should conduct its affairs in that manner. There was nothing in the law that gave them the right to relax those regulations," he said.

Two provisions of the regulations governing the business activities of Nevada's motor carriers are being reexamined in an attempt to stabilize the industry environment. One is a 30 percent equity capital requirement for motor carriers applying for new or expanded hauling authorities. Another puts a 50 percent limit on the amount of leased equipment a motor carrier may use to supplement its fleet.

"The 30 percent equity and 50 percent leasing provisions are currently in the regulations and have been since 1962," Capurro said. "These were put in originally to make sure that people going into this business would be in it for a long time." He added that the provisions are also intended to discourage the growth of transportation brokers, which some believe could further jeopardize the stability of

Nevada's motor transport industry.

In its revision of motor carrier regulations, the PSC is also setting more stringent requirements for insurance coverage.

Jeanette Childres of JLON Ltd., a small trucking company based in Las Vegas, said her company and others like it could be adversely effected by the changes. "For hauling rock, all you need is $2,000 to cover the load," Childres said. "The PSC has placed a cargo insurance minimum of $15,000, no matter what you're carrying."

Capurro said he doesn't feel this requirement is too high, but he acknowledged that motor carriers have suffered severely from the recent increase in insurance rates.

"The biggest problem regarding insurance for the carriers is liability — which is up 300 to 600 percent for many," Capurro said.

Wells said Wells Cargo's insurance has gone up 300 percent in the last year; and Tolas of Frehner said that company's insurance rose 300 percent, also.

In addition to higher insurance premiums, both companies have experienced restrictions on the materials they are able to transport. Both no longer haul explosives, chemicals, gasoline or other items considered to be hazardous materials.

"Insurance has definitely gone up," said Wells. "And it's restricted the things we handle by 40 percent." Consequently, Wells Cargo no longer hauls explosives to the munitions factory in Hawthorne.

State registration fees and fuel taxes which account for a third of Nevada's highway revenues are another area of concern for Nevada motor carriers. Under the current system of financing, Nevada's 5,284 miles of road are projected to face a construction and maintenance deficit of $1.4 billion in the next 10 years.

The Department of Transportation recently formed a citizen's advisory committee to come up with suggestions for alternative forms of financing, but motor carriers and livestock producers still voice concern over the possibility of future fee hikes.

Sammye Ugalde, a rancher from Orovada, is a member of the advisory committee. "After talking and hearing the other people on the committee, I can see where their concern is for the roads," Ugalde said. But she, like many others, had reasons for not wanting to see a hike in fuel taxes.

"Our hay and livestock are trucked," Ugalde said. "For our hay we get $60 a ton above our shipping cost. It cost $38 to ship to California, which makes $98. If the highway fees go up to say $40, we'll still be able to get only $98. It is the same with any producer. There's only so much the market will bear. Anytime there's an increase along the line, the producer suffers. I wouldn't want to see registration fees or fuel taxes any higher for a while.

Nevada-based carriers pay a $320 registration fee for a vehicle with a declared gross weight of 80,000 pounds, which includes the load. For every 1,000 pounds over 80,000, the carrier pays $30. Nevada carriers also pay property taxes on their vehicles which are based upon value and age. The fee and property tax are added and pro-rated according to the percentage of miles each vehicle travels within the state. Interstate carriers pay an additional 3¼ cent fuel tax, called a 3rd structure tax. All heavy haulers pay a 13-cent per gallon diesel fuel tax.

Capurro said that Nevada's fee structure is the 9th highest in the nation, but Al Stone, director of the Department of Transportation, maintains that Nevada is 46th. The discrepancy, Stone pointed out, is due to the fact that Capurro includes the 3rd structure tax in his calculations, while Stone does not.

"If we were ninth in the nation, the average truck in Nevada would pay $3,500 per year—times 800,000 trucks, that would equal $2.8 billion," Stone said. "At the 10,000 mark, interstate carriers switch from the 3¼ cent, 3rd structure tax, to the $320 lump sum for 100 percent Nevada registration."

Regardless of how Nevada's fee structures compare to those of other states, Stone and Capurro seem to agree that placing the financial burden of Nevada's highway system on the motor carriers is no longer a viable solution.

"Our revenues are not responsive to inflation," Stone said. "One cent of diesel fuel tax today brings exactly what it did in 1978. We still need another $10 million each year because our tax is not responsive."

The development of more fuel efficient vehicles has also caused a leveling off of fuel tax revenues, according to the DOT. Heavy vehicles that once obtained 3.25 miles per gallon now get up to 7.

Nevada's vast quantities of federal land and sparsely populated areas also contribute to relatively low fuel consumption. According to the DOT, a 1-cent diesel tax would yield approximately $5.5 million for Nevada, while the same tax would yield $125 million in California.

Also, severe weather in Northern Nevada has accelerated deterioration of the roads there, which heavy haulers should not be held accountable for, according to Capurro.

The outcome of the controversy surrounding the financing of Nevada's roads and deregulation—or regulation—of Nevada's trucking industry remains yet to be seen. But the good news seems to be that industry members, industry regulators and Nevada citizens are working together to find solutions. □

Nevada Briefs

Nevada To Host National Conference On Small Business

Nevada small businessmen can share their problems and ideas with counterparts across the nation, through participation in the White House Conference on Small Business conference scheduled for April 25 at the MGM Grand Hotel in Las Vegas.

The national organization is hosting 57 day-long conferences throughout the country, offering forums on topics such as procurement and innovation, taxation, payroll costs, finance, education and training, regulation and policy and economic policy. Additionally, each conference will elect delegates to attend the national conference to be held in Washington, D.C. on August 17-21.

At the first National White House Conference on Small Business, in 1980, delegates sent 60 recommendations to the president and Congress; since then, two-thirds of these recommendations have been acted upon legislatively or administratively.

Participants in the Nevada conference must be an owner, partner or corporate officer of a small business employing under 500 people, and must pay their own travel and living expenses. The $35 fee includes registration, lunch and beverage service. For more information, call (202) 653-9550.

One Of Japan Largest Corporate Groups Opens Sparks Office

Las Vegas-based Universal Distributing of Nevada, Inc. can expedite service to its clients in northern Nevada, thanks to a second office, opened in Sparks recently.

Universal Co., Ltd. is the parent company of Universal Distributing. One of Japan's largest electronic corporate groups, Universal manufactures video amusement games for family fun centers, arcades, amusement parks and gaming establishments. Universal Distributing of Nevada warehouses, sells and services these products as well as gaming products manufactured by Universal Distributing's Fremont, Calif., plant.

Karen Case, office manager of the Las Vegas facility said that the company employs 45 people.

The Sparks office is located at 57 Glen Carran Circle. Don Edwards, who was transferred from the Fremont location was named as branch manager and sales representative for northern Nevada. The company's clients in northern Nevada include the Sands-Regent, Eldorado, Fitzgerald's, Harrah's Reno and Harrah's Tahoe.

Clients in southern Nevada include Circus-Circus, the Edgewater, Westward Ho and the Las Vegas Hilton. Sales representatives Randy Adams and Gary Harris service that market.

Merging Engineering Firms Complement Each Other

Two western engineering firms have been so pleased with the joint ventures they have undertaken in the last 20 years, they embarked on the ultimate joint venture—a merger.

On Jan. 1, Nevada's oldest engineering consulting firm, Chilton Engineering, Chartered, united with California-based Kennedy/Jenks Engineers to form Kennedy/Jenks/Chilton, Inc.

"We lend a lot of support to each other," said Ira Rackley, vice president of the Nevada division. Kennedy/Jenks had specialized in water and wastewater projects, while Chilton concentrated on general engineering, mechanical engineering and surveying. "There's very little overlap," added Rackley.

The new company is headquartered in San Francisco. Instead of doing away with duplicate departments in Reno, where Chilton was based, these departments "will remain, as backup, adding more depth to the company," said Rackley.

Chief executive officer of the new firm is Robert Kennedy. David Kennedy is president, and John H. Jenks and Mark Chilton are senior vice presidents. "We employ upwards of 350 employees," said Rackley. He estimated that as many as 60 percent of the employees are registered engineers.

The firm has professional registrations in more than 20 states and territories, and has branch offices in Elko, Las Vegas; Lake Havasu, Arizona; and Irvine, Palo Alto, Sacramento and Bakersfield in California; and Tacoma, Washington; and Honolulu, Hawaii.

"We provide services to both the public and private sector," said Rackley. "Our projects range from $500 or less up to multi-millions of dollars. It goes the full gamut."

Nevada Manufacturers Association Focuses On Growth For 1986

Organizational growth and member benefits are the two primary goals for the Nevada Manufacturers Association in 1986, according to Executive Director Chris Hardt.

Although the association was incorporated in 1975, it wasn't until the spring of last year that the organization really began to develop, said Hardt. Currently the association has 60 members which employ a total of 7,000 employees. "Our goal is to have 150 members by January of 1987," said Hardt.

While the association is based in Carson City, it hopes to expand all over the state. Hardt said that April 1 is the date targeted to begin recruiting and development of a local chapter in Las Vegas.

Hardt identified the two main purposes of the organization. "One is lobbying, working with government agencies and ensuring a good relationship between government and industry, and two, is to provide benefits and services to members at prices they

(Continued on page 47)

Reno: Hong Kong Of North America

(Continued from page 7)

cellent transportation service and pending full Foreign-Trade Zone designation (Reno already has a subzone). In fact, compared with the heavily taxed and unionized California competition, for certain businesses Reno is Mecca.

'Inland Freight Absorption'

EDAWN backers—among them civic-industry booster Frank N. Bender—now are enhancing those attributes with still another "port-plus." It's defined as "inland freight absorption"; that is, steamship lines serving California coastal ports can and do pick up the tab for shipments destined to inland ports and—as will be explained further—that now includes Reno.

While the "Port of Reno" concept isn't brand new, it was only late this year that the area launched the all-out campaign supported by both state and local officials to capture a greater share of foreign trade.

Since 1949, when Mr. Bender's late father pushed through Nevada's free-port law exempting goods in storage from state taxes, and 1971, when Reno was granted port of entry status permitting local storage of goods without paying import duties, the businesses of warehousing, light manufacturing and distribution have mushroomed.

There now is an estimated 35 million square feet of warehouse space under roof in the area—claimed the largest such concentration in the west—crammed with goods from throughout the U.S., Europe and the Far East.

Already located in the strategic metropolitan Reno area—eight miles from the California state border—are such firms as Porsche Cars North America, RCA, Ralston Purina, Smith Kline & French, Crown Zellerbach, Salomon, Anaconda, Brach's Candy, R.R. Donnelly, Quaker State Oil, Nordica, Wells Lamont, YKC Electronics, Xebec Corp., MCI and General Motors, to drop a few names.

And, it is emphasized, the area's transportation network has kept pace to support the growth. Service certainly is afforded by some 65 motor carriers, two railroads with TOFC/COFC ramps, a dozen or more airlines and five international and domestic air freight forwarders.

Complete TO/COFC ramp service is available from the Union Pacific and Southern Pacific in the Reno/Sparks area. UP reportedly is planning to run a container train between the San Francisco Bay area and Reno.

EDAWN of a New Era

Now, EDAWN—as an international step in its program to lure to Reno's "shores" more international distribution, light manufacturing and service firms—has brought in an international trade consultant—William J. Miller, president of Infotrade International, Ltd., and Infotrade Nevada, Ltd.

Mr. Miller, who also has offices in Washington D.C., and New York City, apprised us several days ago of the latest port trade developments in the Reno-Sparks area.

He had just returned to Washington following conferences in Reno to establish a dialogue with foreign and domestic executives of ports, steamship lines, airlines and railroads.

The unusual rate procedure of "inland freight absorption," Mr. Miller advised, arises from the fact that in addition to major coastal ports California has the northern interior ports of Stockton and Sacramento, which is nearly half the distance to Reno from the Ports of San Francisco and Oakland. Said he:

"Now most importers—even very large volume importers—are not aware of the fact that on request a steamship line must give you a bill of lading from the origin point to Stockton or Sacramento at the same rate applicable to the coastal ports. Sacramento is almost half-way to Reno, but the steamship lines are not going to take the container vessel up the river. And, for various labor reasons, they don't want to truck the containers up there themselves.

"So what they do is give you a sum of money that theoretically is equivalent to the cost of transporting the shipment from the Oakland pier to Sacramento. However, because of the competitive trucking situation—and the fact that we have largely unregulated interstate commerce because we're crossing the state line—that sum of money is actually adequate to take it all the way to Reno...

"So the long and short of it is it costs you nothing as an importer—or as an exporter for that matter, it works both ways—to move your cargo from the coast into Reno. Therefore, for transportation purposes, Reno (although 226 miles distant) is practically on the coastline. The net cost to you—that might be $20 per container—is less than moving it from San Francisco to Oakland. I can tell you that some large companies are using this procedure extensively."

During 1984, more than 20,000

containers (40-footers) were shipped to Reno from Asia, Europe, Africa and Latin America, he said. "Because of growing demand for service to Reno point-to-point rates have been adopted by several steamship operators," he added. "Additional 'point' rates will be published over the next year. It is contemplating such rates will be equalized with California coastal ports."

Mr. Miller said further that, for firms locating in Reno, "your cost of storage and labor—your overall costs of distribution within the city—are approximately a third less than they are on the coast. And you have a much higher labor productivity. The state is nonunion, with fewer than 10 percent of the workers unionized. Indeed, most of the warehousemen and even the truckers are not unionized..."

Metropolitan Reno "enjoys a motivated, well-educated and growing labor pool that is expanding at an annual rate of six percent," he added.

Turning to Reno's immediate marketing area, Mr. Miller said that "if you look at the demographics for consumer products, obviously the largest single market is California—particularly southern California. But what we are finding is that because of trucking imbalances, and because intrastate trucking is still effectively controlled, the cost of moving goods from Reno to Los Angeles are—for a wide array of consumer goods—less than they are within the commercial area of Los Angeles itself."

Noting that in the transportation business, distance and cost are not necessarily related factors, he said "what we find is that it costs us nothing to go in there (Reno), and it costs us noting to go out—any more than it would if we'd taken the goods off the ship at Long Beach..."

Looking at Reno's transportation network, there are two rail lines going through—the Southern Pacific at Sparks and the Union Pacific at Reno. Mr. Bender, who is chief executive officer of the Bender Warehouse Co. in Reno, operates the UP TOFC/COFC ramp.

The UP is planning to run a special train to Reno that will carry nothing but containers.

Unlike some of the other coastal ports, the preponderance of the traffic is moving west to east. Container trade is going through. Now obviously, because of the large population centers in southern California, there is extensive absorption and consumption down there. But still, it's moving east.

Reno is the only point in the entire west where there is more coming from the east than going to the east. The reason for that is you have this traditional structure established of eastern and European manufactures being sent to Reno for distribution to the western states, which has evolved over the years.

Mr. Miller said the railroads now are very interested in this development, "because it gives them an opportunity to use Reno as a distribution center for eastbound traffic and, therefore, to balance. And appropriate rate incentives are being offered to do this."

Speaking of rates, Mr. Miller passed along this intriguing development:

"...Sacramento bills of lading have been used in the past as the device for importers to receive this inland freight absorption into Reno. But Sacramento has a port operation of its own, which is very export-oriented. Sacramento lies in the middle of a very large agricultural exporting region. They are shipping out products to Asia and other parts of the world, but Asia primarily.

"Now, the steamship lines have been undergoing tremendous rate pressures over the past year. And, as a result, it is possible for a person to ship a containerload of an agricultural product from Sacramento to, say, Japan, for $200. A 40-foot container, from California to Japan, for $200.

"The alternative is thay they will ship the container empty, since it has to go back to Asia to be filled up with products for the U.S. So the steamship lines, looking upon Sacramento as a point where they pick up certain cargoes—low-value cargoes—don't want to have to pick up the cost of moving the empty containers into Sacramento.

"We (Reno), however, are taking the containers into Reno with high-value import cargoes. The containers, when they return to the California piers, are going largely empty, because there are relatively few exports from Nevada outbound. However, the containers travel down Interstate 80, which runs from Reno to San Francisco and Oakland—by way of Sacramento, where they are available for exporters of low-value commodities.

"The effect of this is that the low-value agricultural products can leave from the Sacramento Valley cheaply because nobody has to pay to bring an empty container up to load it, since the containers are passing right by their front door. The port is get-

ting the additional business, and the steamship lines are picking up some revenue that's going back the way it should. It works out to everyone's benefit."

Reno Trade Conference

Represented in recent Reno trade meetings were the Ports of Oakland, San Francisco, Long Beach and New York-New Jersey; Sea-Land, Lykes Bros., American President Line, Zim Lines, Japan Air Line, KLM, TWA, Air Canada, Union Pacific and Southern Pacific railroads and several foreign governments, among others.

Mr. Miller said the basic promotional plan is to conduct a series of programs in Reno and other locations over the coming year to acquaint international business with the city.

"Although there is already a very large contingent of international business in the area," he advised, "there are many people who still doubt what's going on in Reno."

The first phase of the program, he explained, is to give the transportation industry a first-hand look at the area and to inform the carriers of the overall scope of EDAWN's plans, so they would be able to handle the cargo.

"It does us no good to motivate firms to move in or expand operations and then find that we can't accommodate the business because we don't have the right structure or service facilities or infrastructure we need to do the job," he asserted.

Since EDAWN particularly hopes to attract more producers of high-value electronic components, pharmaceuticals and other such products ideal for air transport, Mr. Miller said, the airline executives were especially attentive. "One of them, in fact, came in contact with a firm in Reno planning to export 5,000 pounds a week by air to a destination served by the carrier," he commented. "So some new business deals were cut as a result of the trip." He declined at the present time to identify the parties, but said they are a major airline and a Fortune 200 corporation.

Also, he said, several of the ocean carriers were surprised to learn of the volume of dried dog food exported from Reno to Asia by Ralston Purina. It is understood that the tonnage could run to "about a hundred containers a month," he added. "And it indicates interest in increasing that export volume."

Ralston Purina additionally, he commented, has closed down their tuna processing plant in San Diego. The "Bumble Bee" plant was deemed inefficient for a variety of logistical reasons, he said. It has been moved to Pago Pago in America Samoa, and the tuna will be moved in canned form to Reno for distribution nationally. "So every can of Bumble Bee tuna that's brought in the the U.S. will come from Reno," he advised. "And that operation alone is over 5,000 container loads a year."

Porsche Airlift Planned

Mr. Miller further disclosed that Porsche is moving ahead on a $300 million plan to buy four B747 freighters—specially designed—to fly in its automobiles from West Germany to Reno. "The planes," he said, "will be refilled with cargo in Reno, with that cargo brought in from various places in the western U.S. and Asia, and commingled for the purpose of being dispatched back to Germany...This may become the largest airlift operation in the world...and Reno will become the Hong Kong of North America."

Summarizing the purpose of the latest trade conference, he said:

"One of the things we wanted to achieve was to bring the ocean carriers to an awareness that they have to put in through rates to Reno, and that those rates must be effectively utilized with the coastal rates. Now, not everyone was filled with joy at that recommendation. I can tell you there are selected products now moving on that basis. And, indeed, Zim Lines has taken an aggressive leadership position in putting in rates to Reno over Long Beach, which are equalized with coastal rates. So, in essence, Zim is absorbing the entire cost of inland transportation from Long Beach to Reno—a distance of some 450 miles.

"Now we recognize that the inland transportation cost constitutes an additional expense for the carrier. We want to mitigate that cost as much as possible to induce the carriers to put more freight into Reno. What we have done in that respect is to begin a program, or relationship, between the ocean carriers and the shippers in the city of outbound cargo so that when a container comes in full, it will *not* go back empty to the pier.

"This will have the effect of providing a backhaul, reducing the overall cost of the round-trip and thereby reducing the cost of the inland transportation cost that is absorbed by the ocean carrier.

"Mr. Bender is the coordinator of this program in Reno. So an individual who wants to send a trailerload back to the consuming market of, say, Los Angeles, can call in and get a piece of equipment that is going back, with the rate structure reflective of that two-way trip. Thus, the shipper outbound gets a freight cost reduction, and the shipper inbound, in the form of the steamship line, gets a freight cost reduction.

"The rate structure is being modified by Mr. Bender and his organization on behalf of the community. And the UP has discussed the possibility of putting in direct rail service between the San Francisco Bay Area and Reno for the purpose of hauling containers.

"Their interest is twofold. One is to provide a service alternative to the over-the-road shipment of containers, which is the principal method of movement at this point. And, two, to also increase the volume of eastbound tonnage...

"UP is going to take a very aggressive posture in this particular trade route. It realizes that if it establishes the proper rate structure and an appropriate level of service, it will be able to capture that business....

"As far st the ports themselves are concerned, the Ports of San Francisco and Oakland recognize that they will be significant beneficiaries of any increase in the movement of tonnage into Reno. Long Beach now also sees the potentials that are afforded. And they are prepared to work with us to help mitigate the inland costs of moving their cargo up.

"So what we have accomplished by this meeting is the commencement of ongoing dialogue between the parties that in many cases have never met and who did not recognize that there was a commodity of interest.

"We will continue to monitor what arrangements are emerging to satisfy our desire to provide a low-cost movement of cargo into the city, or zero-cost to the importer for low-cost movement out in furtherance of Reno's overall objective of becoming a significant international business center."

Welcome To Nevada

Sparks Welcomes Clarkson Company

Working out of two buildings a mile and a half apart was "very unhandy," said Clarkson Company President Curtis Clarkson. The company pulled itself together and bought itself some breathing room when it moved into its new Sparks plant in February.

The new building, at 650 Spice Island Drive, is 47,000 sq. ft.—almost double the size of the old buildings in Palo Alto, Calif.

Clarkson Company manufactures slurry valves and liquid chemical feeders—products used by the mining, pulp and paper and utility/power industries. The new location also brings the company closer to the growing Nevada mining industry, noted Clarkson.

The larger facilities enable Clarkson to do more work in-house. "We were able to design our own material handling facilities," said Clarkson. "We're more efficient."

The company produces three major types of valves, ranging from one-inch pipeline size to 36-inch pipeline size. The prices range from $150 to $25,000.

The liquid chemical feeder is the company's original product. It dips the chemicals out of a tank and into the flotation process, which separates mineral particles from waste particles. It is produced in only one size, but Clarkson can group several together to be run off of one engine. The individual unit sells for $750; the multiple unit may run as high as $2,000.

Clarkson brought more than half of his 64 employees with him from Palo Alto, and hired another 16 or 18 locally. He plans to do more hiring over the next year as the business expands.

Clarkson Company was founded in 1950 by J.R. Clarkson, Curtis' father, who remains chairman of the board.

Fernley Welcomes Monroc Company

Getting there first is usually a big advantage in any business, and when the Salt Lake City-based Monroc Company opened a manufacturing plant in Fernley recently, it brought a whole new industry to town.

"As far as I know, we're the only one in the western Nevada area," said Monroc Vice President of Finance Bill Rands of the pre-stressed concrete girder and pre-cured slab operation.

Being first does have its drawbacks, however. For instance, there was no labor pool experience in the field to draw from, "Most of the employees are from the local area," said Rands, "but the supervisors are from the outside." Even highly motivated employees need at least a month of training, he said, and the 20-acre operation employs 50.

The plant cost over $1 million to start up. It buys all the products it uses from local suppliers, and so contributes several million dollars to the local economy, said Rands.

The products it manufactures are used in constructing highway overpasses, parking lots and buildings. Most are used in the Reno area and northern California.

Monroc currently owns four prestressed plants, including the newest one in Fernley.

Carson City Welcomes Hillestad Corp.

While only two employees can run things at Hillestad Corporation's tiny shipping office in Carson City right now, by the end of the year it may take as many as 80.

The vitamin manufacturer is currently based in San Jose, Calif., but is gradually moving its operations up to Carson City. "We intend to buy land and build our own building," said Darlene Velarde, associate coordinator of the Carson City office. "In the next few months we'll be bringing up our print shop. By the end of the year we should be manufacturing a great deal here."

Hillestad Corp., founded in 1959, manufactures 300 different products; soaps, minerals, gelees and hand lotions in addition to vitamins. The company markets its products under the name "Harvest of Values," through mail-order catalogs. It also manufactures products for other companies to market under their own labels. "We're expanding into the amino acids group," said Velarde. "Our amino acids are really neat."

In addition to expanding product line, the company is also expanding physically. It will soon open a distribution outlet in Canada.

Currently all shipping is done from the Carson City office by Velarde and Coordinator Lenny Green. They fill approximately 30 orders a day. "Compared to the large vitamin companies, we're not very large," admitted Velarde, but pointed out that each order may be for multiple items.

She also stressed that the Harvest of Values products are high-quality items. "We're not a cheap-priced house. Vitamins that go for $10.95 we're not going to sell for $5. But for the same quality at other mail order houses you'd pay $19.50. So we are in a way a discount house."

North Las Vegas Welcomes Thermo Electric Industries

Chicago-based Thermo Electric Industries was having a hard time monitoring its retail operations out west, so the company packed up and relocated to North Las Vegas.

"We wanted to get closer to our customer," said Thermo Electric President Robert Jepson, "so we know how our product is being received, without getting the information third or fourth hand."

Thermo Electric manufactures

(Continued on page 21)

Fighting Employee Drug Abuse

Some Nevada employers terminate them; others rehabilitate them. The latter often finds it less expensive than replacing them.

By Leslie Happ

The abuse of drugs by executives, and employees in general, has become a serious problem nationwide and Nevada is no exception. The problem has become so accute that many companies across the nation are instituting testing programs to eliminate prospective employees who might be drug abusers as well as ferreting out those who might already be on the company payroll. The legaliity of such testing is being decided by the courts, but it does emphasize the extent of the problem. It is estimated that 10 percent of America's adult population has a problem with drugs or alcohol. The number of company executives among them cannot be determined by any available statistics, however those in the best position to gauge its extent—doctors who treat them, people who run rehabilitation centers for them—are virtually unanimous in saying that executives and mid-range management substance abuse is widespread and increasing rapidly.

While only a tiny fraction of drug and alcohol abusers will actually seek treatment this year, the number is growing steadily thanks to increased public awareness that substance is a disease, and to stiffer penalties being meted out to drivers under the influence. In Nevada, where an estimated 60 percent of the drunk drivers apprehended are problem drinkers, lawmakers are contemplating legislature that would mandate professional treatment for these offenders, according to Kathy Theiss, program analyst for the State Bureau of Alcohol and Drug Abuse.

Some companies who discover substance abusers among their employees offer rehabilitation assistance. That more and more companies are adopting a rehabilitation policy is evidence by the birth of a whole new industry—firms such as Therapeutic Associates which are contracted by companies to run Employee Assistance Programs (EAPs).

Some might ask, "why should a company pay to rehabilitate an employee? They already have the mechanism to handle the problem. It's called 'termination.' " But as Paul Casey, owner of Therapeutic Associates points out, many companies opt to rehabilitate because they find it is cheaper than hiring and training a new executive or employee.

And according to Zack Nelson, Administrator of Horizon Recovery Center in Las Vegas, the rehabilitated employee shows his gratitude to the company by working hard. "He is usually one of the company's most loyal, efficient employees," says Nelson.

Casey's Therapeutic Associates contracts with a company to provide its employees with counseling for a variety of problems—anxiety, depression, substance abuse—and charges a flat monthly rate, based on the number of employees in the company.
pany.

Employees come to Therapeutic Associates in either of two ways. First there is self-referral. All employees are made aware of the EAP through mailers their company sends directly to their homes. If an employee feels he has an alcohol, drug abuse problem, he can make an appointment with Therapeutic Associates. The company receives general information about the employee, such as sex and nature of the problem, but the individual's identity is completely protected. (An outside consultant routinely monitor's Thereapeutic Associates' records and reports to the company's quality control to ensure it is getting what it pays for.)

On the other hand, an employee whose job performance is slipping might be referred to Therapeutic Associates through his manager.

(Therapeutic Associates trains supervisors in managment referral.) In this case, the employee is asked to sign a release which allows the company to obtain records and progress reports on him from the counseling service.

Therapeutic Associates counselors make an assessment of each employee who comes in. Some are treated right there; others are referred to treatment centers.

The EAP counselor remains in contact with the patient's treatment team at the recovery center, and monitors the aftercare.

Paralleling the rise in the number of substance abusers seeking (or being forced to seek) treatment is a proliferation of private care facilities eager to accomodate the growing market.

Republic Health Corporation's Raleigh Hills chain, perhaps the oldest (established in 1942) and most recognized name in the privately owned alcohol abuse treatment business, opened shop in Las Vegas in 1975.

Responding to the recent trend of poly-substance abuse (more and more abusers are becoming hooked on more than one drug), the Raleigh Hills facilities began treating all forms of substance abuse two years ago. To reflect the change, Republic Health Corp. in January renamed its facilities Horizon Recovery Centers. The chain also discarded its "aversion therapy" method and adopted instead the most widely favored multi-disciplinary approach.

"Aversion therapy [based on Pavlovian pinciples] did not place enoungh emphasis on personal growth," explained Sean Moore, program director of Truckee Meadows North treatment center in Reno. "They were not drinking, but they still had other problems."

Today's multi-disciplinary programs, through individual and group therapy, include assertiveness training, alcohol and drug refusal techniques, alternate coping methods and family therapy. "It's a family disease, not an individual disease," said Zack Nelson of the Las Vegas Horizon Recovery Center. "We need to get the family on the road to recovery. Often the family has a lot of anger, guilt or apathy toward the patient, because of the years of abuse they have been subjected to."

Almost all the substance abuse treatment centers in Nevada are owned or operated by parent companies (CareUnit by Comprehensive Care Corporation, St. Mary's Keystone Program by Phoenix Recovery Centers, the Montevista Center and Truckee Meadows North by Hospital Corporation of America); and although each has its own unique features, all are fundamentally similar.

The CareUnit program at the Community Hospital of North Las Vegas offers a typical inpatient program. The patient enters the facility for medically supervised detoxification, and remains there for approximately 30 days of intensive rehabilitation. The patient then receives ten weeks of aftercare, which consists of daily visits to the center for therapy and counseling. Program alumni are welcome to come back to the facility for meetings for as long as they want.

In addition to inpatient programs,

many facilities offer outpatient treatment as well. The Montevista Centre in Las Vegas also offers something in between. Administrator James Harper calls the Growth Program a "structured partial hospitalization program." The patient receives three nights of medically supervised care for 12 weeks, and is encouraged to spend a fourth night at an appropriate "12-step program," such as Alcoholics Anonymous.

Unique to the Horizon Recovery Center, and therefore a valuable marketing tool, is its cocaine tract program. "It's one of the only ones in the Southwest," remarked Nelson. "We spend time dealing with the lifestyle issues that are unique to the cocaine abuser."

The Horizon center also offers flexibility with either a two or three week inpatient program. "If the boss only allows a two week medical leave, the patient would have to take two weeks off without pay (in other programs)," said Nelson.

Truckee Meadows North offers a program specially geared to young children of abusers. "Most programs usually involve just the older kids," said Program Director Sean Moore. "But even younger children are adversely affected. We have a program for children ages five to 12."

Through a contractual agreement with rural mental health centers, Truckee Meadows North is able to woo rural Nevadans, by affording them the one year of aftercare closer to home.

A key selling point of St. Mary's Hospital's new Keystone Program is its medical approach. The 20-bed center is on the third floor of the hospital. "That's one marketing area we can capitalize on," said spokesperson Wendy Knorr frankly. "We're a hospital. There is not the stigma of going to a substance abuse treatment center. The patient can just say he's going to St. Mary's—and just drop it."

Many facilities also offer public services such as speakers' bureaus, family intervention training and community education seminars which serve to promote good will and increase public awareness.

But while increased public awareness has led many people to accept that substance abuse is a disease, and that it's OK to seek treatment, the stigma does persist. Many patients are anxious to hide their problem from friends or co-workers, and treatment centers will do all they can to protect patient anonymity.

"First we try to tell them that federal law protects their anonymity," said Nelson. "Nobody has to know you're in here unless you want them to." If the patient is still unconvinced, Nelson said he can refer him to a number of facilities out of state.

Recognizing that a certain share of his hospital's market may lie outside of Nevada, Nelson advertises his center in Arizona, California and Utah as well as in Southern and Northern Nevada. He said that he has admitted patients from as far away as Massachusetts and New York.

Terry McGruder of the Reno Professional Counseling Center said his company markets "pretty heavily" to Northern California. Other facilities are marketed to the surrounding area, but administrators said they don't solicit patients from far away.

"The majority of our patients come from the Reno-Sparks area, with 15 percent from the rest of Nevada or California," said Truckee Meadows North Program Director Sean Moore. "We discourage patients coming from out of the area. If a patient comes from San Francisco, say, when he leaves here he's got to build a support system back in San Francisco. I tell them to go for treatment in their own area. Treatment centers help the patient build support systems while he's in treatment."

When faced with selecting a treatment center, the patient's final decision may hinge on dollars, especially if the centers are equally good. And, according to Nelson, "Most treatment programs are good programs. If they didn't work, they'd lose business and close down."

Aggressive competition has driven treatment costs down dramatically. "At one time, inpatient treatment costs ran between $13,000 and $14,000," said Reno Professional's McGruder.

"Administrator Dr. William Thorton has cut those costs in half."

Today, inpatient programs in the state run between $6,000 and $9,000, while outpatient programs cost about $1,500.

Facilities such as Truckee Meadows North and the Montevista Centre, which are affiliated with psychiatric facilities, are able to cut costs by sharin support systems, such as maintenance and food service with the psychiatric wards. In addition to making care more affordable, administrators point out, they are able to offer patients with additional psychiatric problems specialized care.

Other facilities which treat only substance abuse advertise that fact, boasting that they are specialists. The Montevista Centre's James Harper counters that it is hard to differentiate between substance abuse treatment and psychiatric care.

Harper acknowledged that such care isn't cheap, but insisted it is worth the money. "It is a large-ticket item," he said, "but people should look more at health care investments—like buying a car or furniture...It's an investment in your future. You come out a more optimal, better functioning human being."

Along that line, Harper dismissed as a myth the idea that the cost of mental health care [including substance abuse treatment] usually exceeds the benefits.

Zack Nelson of the Horizon Recovery Center agrees. He citied a California-based study that found that once a substance abuser goes through treatment and is better, his family's health care claims are reduced by a factor of eight. Time off work due to illness decreases, as do accidents and hospital visits.

Paul Casey of Therapeutic Associates quoted a study that indicates a 75 to 80 percent recovery rate. "Honestly, I'm not so sure," he said, but added that patients in Employment Assistance Programs (EAPs) do better than others. "They tend to have a high success rate simply because their job's on the line. Job pressure is the best, followed by legal and then family pressure."

Virtually all the treatment centers that work with EAPs (whether privately owned or company run) are enthusiastic about them, and cite that 90 to 100 percent of the treated employees are rehired.

Rehire is not synonymous with recovery, however. Recovery centers that calculate success rates usually claim a much lower recovery or success rate—around 64 to 70 percent.

Mary Lou Sprague, mental health coordinator for Southwest Medical Associates, which serves Health Plan of Nevada members, argues the rate of failure is 75 percent.

Many substance abuse treatment centers won't even quote success rates. "Anyone who quotes recovery rates is lying," said McGruder bluntly.

Nelson agrees, "There is not such thing as a cure. It's a lifelong ailment."

Sprague, who admits substance abusers for inpatient care only for medical reasons, more often refers them to the Montevista Centre's Growth Program. And she encourages them to use the appropriate "anonymous" programs: Alcoholics Anonymous, Cocaine Anonymous, Narcotics Anonymous. They're available to the whole community, they're open all hours, and they're free."

In fact, virtually all the recovery centers recommend such 12-step programs to all of their patients as well. "There's nothing to compare to AA when it comes to long-term sobriety and sobriety maintenance," said Sean Moore. "We didn't know how to treat addiction until Alcoholics Anonymous came along." He said that the Truckee Meadows North program is basically the first three steps in the 12-step program.

"Some people need more than AA—if they have medical problems, if they've tried AA and failed...One of the things our treatment offers, said Moore, "is the person gets a lot more done in a shorter period. It's a real head start."

Moore indicated that federal budget cuts are hurting publicly supported substance abuse treatment programs (Alcoholics Anonymous is a self-supporting organization and re-

ceives no federal funding). "They do a great job, but the resources are getting less and less."

While this may be bad news for substance abusers seeking treatment, it almost certainly means more business for the private care facilities.

Currently most centers have been 20 and 34 beds, and enjoy an occupancy rate of between 40 and 90 percent. Business is somewhat seasonal, but is becoming less so.

"February first through the end of April is the high season," said Moore. "July, August, September are usually slow."

Many people make New Years resolutions to stop drinking and spend January trying. But by February...

Many people, he explained, make New Year's resolutions to stop drinking, for example, and spend the month of January trying to do it on their own. By February they may find they can't do it alone, and turn to professionals for help.

During the summer months, he continued, when the kids are out of school and the family is "not so tightly structured," the problems may seem less severe, since there may be fewer confrontations with family members.

Horizon's Nelson said business is becoming less seasonal, thanks to marketing efforts. "People tend to get help after a crisis occurs—after someone ruins a Christmas for example...The word's getting out—It's a disease...There's no wrong time to get help—only a right time," he said. "It's better for us, better for the client."

Here again, facilities linked to psychiatric hospitals are able to limit the effects of seasonality. Said-Montevista's Harper, "If one program is up and the other is down, we can shift some of the staff over...We cross train our nursing and technical staff." The counselors, though, are specific to one program.

Harper said that finding staff members trained in substance abuse treatment is somewhat of a problem. "In certain areas there are critical shortages," he said, mentioning specifically master's degree-trained nurses, social workers, psychiatrists and psychologists. "The wages I pay are higher than the average (among the Hospital Corporation of America's 50-plus centers across the country)."

Moore doesn't see an actual shortage of qualified people, but said there are few in Nevada that are very experienced. "Things have improved in the past five years, though," he said.

That final remark can easily apply to the industry as a whole. Even with the opening of the Keystone Program in Reno in January, and the Montevista Centre in Las Vegas last May, virtually all the private treatment centers appear to be heathy—-thriving, in fact.

And at least three trends—the stubborn persistance of alchol and drug abuse in society, increased public awareness of substance abuse as a disease which can and must be treated, and the court system crackdown on the substance abusers—would seem to indicate a steady or growing business for the private substance abuse treatment facility in the years to come.

Welcome to Nevada

(Continued from page 15)

small, portable refrigerators and other refrigeration devices such as water coolers, wine dispensers and air conditioning units for oxygen tents.

The 6,000 sq. ft. plant, at 4222 Losee Rd. employs eight people and is capable of producing 200 units a day, though it averages about 20.

The products range in price from $200 to $400, and are sold mainly to wholesalers or distributors. Retail sales are growing, however, thanks to a sales force of two and the small retail outlet at the manufacturing location.

Jepson is especially excited about one product. It is a purified drinking unit that works by reverse osmosis. At the push of a button it can provide hot, cool or room-temperature water—instantly.

Sparks Welcomes Wells Lamont Corp.

San Francisco found itself out in the cold when glove-making giant Wells Lamont relocated its western distribution center to Sparks last year.

"We had the opportunity to expand, we needed larger facilities, and the cost are higher in California," said Distribution Manager Cliff Gwartney, "so we decided to locate here. The company had looked here a number of years ago and decided to give it another look."

The facility, one of three Wells Lamont distribution centers in the United States, distributes the company's work gloves throughout the West, and its more than 800 different types of ski gloves throughout the country. Department stores such as Sears, Roebuck, J.C. Penney and K-Mart, and most of the grocery store industry retail the gloves.

The 51,000 sq. ft. building is run with a warehouse staff of seven for most of the year, but during the pre-winter peak season, July through October, four additional employees are hired. During the peak season, Gwartney may have as many as 2,400,000 pairs on hand.

The Chicago-based Wells Lamont was established in 1907, and is the number one glove manufacturer in the country, according to Gwartney.

TV Focuses On Business

How Clear Is The Picture?

The adversarial attitude on the part of TV news toward business seems to be less common in Nevada than in some states; but problems still exist.

By David Hofstede

When television meets business, the prevailing image that comes to mind is of a tactic known as "ambush journalism." Although it can take many forms, the basic pattern is usually the same; a corporate executive is caught off-guard by a reporter and a cameraman. The reporter unleashes a series of accusatory questions about the company budget or current labor problem, while the cameraman records the perspiration that quickly forms on the executive's brow. Visibly shaken, he puts one hand over the camera lens and the other in front of his face, responds to every allegation with "No comment," and moves hurriedly toward his car, office or the nearest sanctuary.

It's an image both business and television are quick to denounce. As TV continues to devote more time to the business community, both sides are now realizing the benefits of cooperation — business to set the record straight, television to get the full story from a reliable source.

Still, there are problems that need to be worked out. Although coverage is increasing, local stations currently have no programming dedicated exclusively to business. "We're an entertainment channel" said more than one program director, as if this negated the possibility of talking about any business-related subjects. Too intellectual, too boring.

The camera is an intimidating force. A picture carries an emotional power."

Al Lundeen, business reporter for KTVN, Reno.

"The only executives who are intimidated by the TV camera are those that deserve to be."

Bob Stoldal, news director for KLAS, Las Vegas.

Also, many corporate officials (with visions of Mike Wallace no doubt dancing in their heads) are still reluctant to be interviewed on camera.

Nevada has thirteen local television stations — six in Reno, six in Las Vegas and one in Tonopah. Three of the six in Reno and Las Vegas are network affiliates, and both cities have one Public Broadcasting Service station. The single Tonopah station is also affiliated with PBS. The rest are independents, whose offerings consist mainly of movies and syndicated TV series. Only the network affiliates have local news shows.

Of these, only one station, KTVN in Reno, has a nightly business report. Al Lundeen has been the business reporter at KTVN for one year. He feels that as an initial contact "the media are very good. They can provide a foundation of (business) knowledge." At the same time he is aware of the medium's limitations, admitting "Television forces you to stay with the basics."

Bruce Jackson, who covers business

"Financial Forum" on KLVX in Las Vegas. Show originator and host Dominic Camerlengo seen at far left.

stories for rival station KOLO, says he "would like to do a regular business feature, but the problem is there aren't enough people (at the station) to cover the general news."

To compensate, Jackson tries to give a more in-depth treatment to the stories they do cover. He recalled one recent piece on credit card interest rates; "We explained it very completely, very thoroughly. The story ran for three and a half minutes, which in television is a very long time."

Bob Stoldal, the news director at KLAS in Las Vegas, has a different philosophy. He defines business news as "anything from the price of gasoline to where to shop," and calls the labeling of certain stories as "business" "a disservice to both the businessman and the consumer."

"We don't pigeonhole business into one reporter's beat. (Stories on) the local vending machine maker and the local titanium plant fall under two completely different areas. We assign the reporter with expertise in that specific area to cover the story."

Finding reporters with expertise can be a problem in itself. Most broadcast journalists do not enter the field with extensive business backgrounds. KOLO's Jackson is one of the exceptions, having earned a master's degree in advertising. He feels it may have been the main reason he was hired.

Turnover is another problem. Las Vegas and Reno are considered "stepping stone" markets in local television. Most reporters plan to spend a year or two in Nevada before moving on to positions in other cities with better pay and greater exposure. As a result they do not have the chance to develop a detailed knowledge of the community.

When the subject is economics, energy or something equally as formidable, television is often called upon to teach as well as inform. Stoldal believes the audience is becoming more sophisticated, but knows "there are still people out there who think banks, S & L's, credit unions and thrifts are all the same. We have to educate."

Bruce Jackson disagrees, claiming that "TV reporters tend to oversimplify. We don't give the audience enough credit." He does feel, however, that there may exist an "anti-corporation" bias among the audience. "People still tend to think of (corporations) as nameless people sitting behind giant desks."

Dispelling perceptions like this is one reason why the business community is trying harder to work with the electronic media. KTVN's Lundeen says executives "are realizing it is to their advantage to use the media." Television, especially, because "so much of our society revolves around it."

Stoldal attributes his good relationship with the business community to his station's willingness to cover positive stories. "They see we're not just out there with a hatchet. We try to cover the up side of business as well."

All is not so harmonious, however. Companies have expressed displeasure over their broadcast news coverage, but refused to be identified for fear of jeopardizing future relations with the media. One Nevada corporation alleged that they had an agreement with local stations to hold a major story until a formal announcement was ready. One station broke the agreement, leading to serious financial losses and legal tangles. The news director at the station involved said his reporters "were doing their jobs."

Doug Ballin, news director at KVBC in Las Vegas, recounted a problem he

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Restraining The Charger

When Dick Donnelly finally got his own dealership restraining his natural inclination to charge was a tough — and costly — lesson to learn.

By Henry C. Holcomb

Dick Donnelly has an inclination to charge and—he admits—sometimes too boldly. This urge to charge, when he should have just been marching along, created problems for Donnelly for quite sometime when he first acquired the Lincoln Mercury dealership in Reno five years ago.

"I don't mind telling you," he said, "that there was a while there when we were just hanging on by our fingernails. And if it hadn't been for my Business Manager—who also happens to be my wife—pulling hard on the reins, along with support and advice from wonderful people like Leo Siebert at First Interstate Bank, this charger just might have run right over the edge."

Charging or marching, the fact still remains that, when Dick Donnelly took over the Lincoln Mercury dealership in 1983 it was just scraping by with only a two percent share of the automobile market in the area, and he has pulled it up to over 10 percent. Phenomenal, when you consider that Lincoln Mercury sales nationally represent only six to seven percent market share.

But it could just as easily have gone the other way, Donnelly admits, recalling the free-wheeling attitude he brought with him into this, his first effort at running his own show—his propensity to charge instead of pacing himself. His experience had been that of General Manager with big dealerships—mega buck operations—like Fletcher Jones Chevrolet where he spent 15 years, and Herb Haulman Chevrolet, a chain store operation with eleven dealerships from Reno to New York and Florida—where he spent five years. Wonderful background, great experience—for running a large dealership.

But how about a small one, and one that is already practically on the rocks, and where you are spending your own money.

"It was a whole new ballgame," Donnelly said. "The big problem was that with these big companies I had developed a free-wheeling attitude about spending money. I had gotten into the habit of being able to write checks with a lot of zeros on them. I was used to being able to buy a 100 cars at a time, used to have huge inventories. And it created a major adjustment problem for me in my mental attitude and business philosophy."

Several times during our interview Donnelly credited his wife Susan and Business Manager of Donnelly Lincoln Mercury with helping to restrain the charger. "She keeps my tendency to optimisim in line with sound business judgement and doesn't let us over extend ourselves," he said. Susan Donnelly comes well trained for the job, having spent 10 years in the business department of another automobile dealership, and is the daughter of a former Hudson dealer who spent 45 years in the automobile business.

Readjusting his attitude toward finances was not the only gear shifting Donnelly had to do in the running of his new dealership. Again, he was a victim of his background with large dealerships and working with a product that was well known and accepted in the area. "Everybody in the area knew and accepted Chevrolet," Donnelly said, "brothers, sisters, fathers, mothers, but they really didn't know Lincoln Mercury—even though this dealership had been here for 20 years. But I couldn't seem to get it through my head. I was out here trying to sell Lincolns and Mercurys

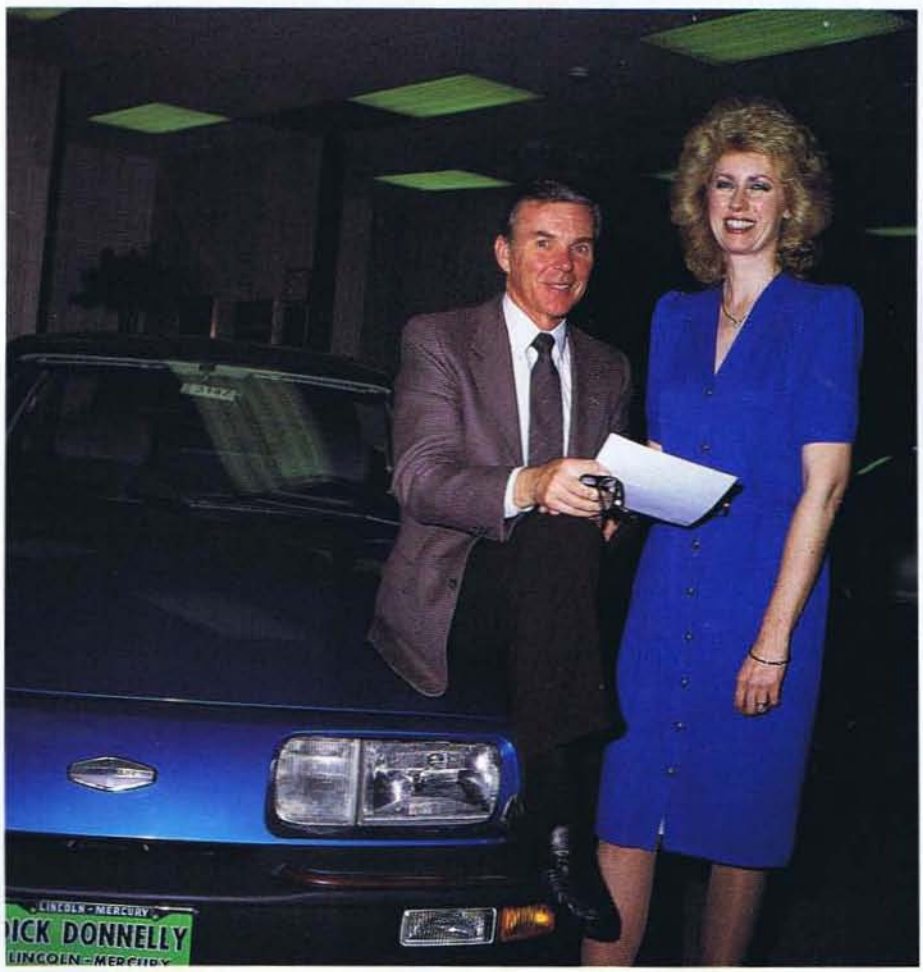
Dick Donnelly, president of Lincoln Mercury, Reno.

the way I used to sell Chevrolets."

And it just didn't work. And then the worst thing that can happen to a salesman began happening to Dick Donnelly. He began to lose his self confidence. "I had been used to selling ten and fifteen cars a day, and here we were selling two and three cars a day."

It was a depressing time—running on a mud-slow track—for a charger who was accustomed to running on a smooth fast surface. And sleepless nights, and asking himself, "What do these people, who are coming in here, or not coming in here, expect from us? We offer them a good deal; and besides the good deal, we offer them a good product...a really good product." When the answer finally came, it was back to Basic Selling, Class No. 1 "Know your product and sell the product first, and then sell the deal."

This was just the opposite of the way it is normally done in big dealer-



Dick Donnelly with his Business, Manager and wife, Susan in their show room, Lincoln Mercury, Reno.

ships—where the product is well-known and accepted explained Donnelly. "In those dealerships," he said, "the salesman who does the best job of selling the deal, makes the most sales." It was attitude readjustment time again.

From that moment on he concentrated on developing awareness in the community of qualities of the Lincoln Mercury line. He didn't concentrate on hiring hot-shot deal-closers, but looked for salesmen he could train to this new way of selling, and who would learn the product from one end to the other, and then worry about the deal. And it has paid off: He expects to sell 1200 new cars this year, compared to the 400 he sold during his first six months in the business. And the company provides employment for 60 people.

Donnelly never hesitates to give credit to the people who helped him along the way—like Leo Siebert at First Interstate Bank, or his original partner Bill Heinrieck. "Bill was there when I needed him," Donnelly said. "For a long time people had been saying to me that they know I had the ability and that they had the money and would participate in any business opportunity that I might find. But when I did find the business opportunity, they weren't there. Bill Heinrieck, on the otherhand, was there. And he was one of the most unique partners one could ask for. He was a non-participating investor who had confidence in our ability. He let us run our own show, learn our own way—make our own mistakes. He never volunteered advice. But he was always there with it if we asked for it. And he was well-qualified to give it. He is a Chevrolet dealer in Las Vegas and has been in the business for many years. And finally, he let us buy him out long before some other partner might have. A lot of partners would have just held on to the stock and watch it grow—take advantage of the job that we were doing. But not Bill Heinreick—a man among men."

As for First Interstate, it isn't often that you hear a business man speak so highly of a bank as Donnelly does of the FIB. He relates that his relationship with them goes back to the days when he was General Manager with Fletcher Jones in Las Vegas. "The FIB was their primary lender," Donnelly said. "And Fletcher Jones schooled all of us to the idea that the banker is your friend. And I still adhere to that philosophy." When Donnelly moved to Reno to go with Herb Haulman Chevrolet, Haulman was not doing business with the FIB. Donnelly was instrumental in opening the door to them. Haulman being a high volume automobile dealer, it represented quite an opportunity for First Insterstate Bank in the area.

When the time came for Donnelly to acquire his own dealership, and needed financial help, he likes to believe that the FIB remembered and were appreciative.

Except for floorplanning, Donnelly states that most of their financing is done through First Interstate Bank. Floor planning, Donnelly explained, is the lifeline that keeps a new car dealer afloat. "We have about $2 million of new car inventory. I don't have $2 million to invest in inventory, so I go to the lenders." In case of Donnelly Lincoln Mercury it is Ford Motor Credit Company. When Donnelly orders a car from the Lincoln Mercury Division, it is built and delivered to the showroom. Say the invoice on the car is $12,000; Ford Motor Credit pays Lincoln Mercury Division the $12,000 immediately, but Donnelly has the merchandise so he owes Ford Motor Credit the $12,000.

It behoves a dealer to move cars fast, Donnelly points out. Because if a car sits on the lot over 30 days, "I pay one percent over prime."

Donnelly obviously enjoys the car business. It is always changing he said, and the fickleness of the car buyer is almost amusing. "If the price of gas goes up he'll want a small car. If gas goes down then he'll trade in his small car on a bigger one. If he hears that the weather is going to turn bad, instead of a conventional car, he'll want a front-wheel-drive, or a truck. His family grows and he wants a four door. Now his family is gone so he wants to go back to a two door."

Donnelly's main goal right now is to get more people "...under the tent, develop a stronger customer base—people who have done business with us, drive our cars, know the kind of service we give, have come to know the product and will help spread the word." Donnelly explained that a dealer needs a strong customer base for service business, parts business, referrals, and most important—repeat customers. Apparently after a period of time a dealer's customer base reaches a critical mass where it really begins to pay off. We asked Donnelly how long it normally takes for a car dealer to develop this kind of customer base.

"We did a pretty good job in our first two years," Donnelly said. "But I think the average would be three or four. For some dealers, it might take a lot longer because they might fail to realize its importance—the significance of referrals and repeat customers, which represent about 40 percent of our business."

I commented to Donnelly that I didn't think I was alone in my impression that many car dealers didn't seem to care one way or the other whether a customer ever came back or not.

"I think that is an entirely inaccurate impression," Donnelly retorted. An automobile dealer knows that he has invested a lot of money in getting a new customer, and he wants to hang on to that customer."

I pressed the question: "Then why do so many people have that impression?"

Donnelly shrugged, "It is probably because of the poor customer relations job done by so many large metropolitan dealers. A big city dealer or a big volume dealer with a lot of turn over may not devote the effort. For example, in the San Francisco Bay area or in Los Angeles where they have 20 dealers within ten minutes of each other, they don't have the incentive to become part of the community the way a dealer does in a place like Reno or even Las Vegas. They won't take the time to hold a customer the way we do."

Although Lincoln Mercury is normally thought of as a luxury car dealership, Donnelly is quick to point out that he has a full range of cars, especially in the Mercury line—a wider range than most people realize—cars for under $5,000 to $15,000. The new Sable, for example that closely resembles the European aero-dynamically styled cars is priced at $15,000.

Is the Reno area a good market for luxury cars? Donnelly states that it is a good market, but not a strong market for luxury cars. "People in this community," Donnelly said, "are

not so interested showing off their assets. They are satisfied in their own knowledge of what they have and don't seem to have the psychological need to show it off by driving around in a luxury car. They seem to be more comfortable in the Mercury line. Of course, they are proud when they buy a town car, a Lincoln or Mark, and proud that they can afford it. But the Reno buyer's car-buying motivations are less egotistical than that of car buyers in some other areas."

We were curious about profit margins in the automobile business and found Dick unusually cooperative. We asked him about his Lincoln Mark VII which is the most luxurious and most expensive car he sells. What does this car sell for?

Donnelly said, $28,000."

"Loaded, how much?"

"That's it. You couldn't put anything else on that car except maybe gold paint. The mark up on that car—1985 average profit—would have been about $1,700 or about a four percent mark up. That's gross profit, of course. So, now you pay a salesman one percent out of the four percent mark up—about $200. And you can figure about $250 per new car in advertising. And then there is the floor planning expense; or the interest on keeping that car on the floor for 30 days—another $175. After miscellenous expenses you could maybe figure on a net profit of $400 to $600 maximum. You have to move a lot of cars..."

Donnelly Lincoln Mercury has sold about 2,400 in the five years they have been in business.

I nudged him again about profit margins. He lounged behind his desk, seemingly relaxed and comfortable enough when he said, "Well, our current goal is three percent. Net profit on everything, dealership, parts, service. Sure, that would make us happy."

He paused thoughtfully for a moment and I wondered if three percent or any set figure would really satisfy this charger. Then he sat up straight and laughed. "Sure, three percent would make us happy. I said happy, not satisfied. Because our goal next year..."

And I had my answer. Susan grab the reins!

Tragedy, The Father Of Invention

Everything Edward Griffith does is remotely controlled — except how he makes money. That's strictly hands-on and a one-man invention.

By Sharon Cahill

Edward Griffith, Chairman of the Board and CEO of American Northwest, Inc. looks a little incongrous in hard hat, vest and tie, as he fingers the switches on a small control box that hangs from a strip around his neck. He wears a smile of satisfaction as a four-foot tall machine with a scoop shovel on the front rolls nimbly about the storage lot. It spins around in position, rolls back a few feet, turns and drops its shovel and scoops a pile of dirt. Just behind Griffith and the little Workman Mini Loader looms a giant ten-foot Cat that Griffith's little box could have controlled just as easily.

American Northwest, Inc. specializes in this type of remote controlled industrial devices. Until last March Griffith ran the company out of a cramped combination office and warehouse, consisting of about 3,000 feet on Polaris Street in Las Vegas. Now the company has moved into 13,500 feet on the south side of Las Vegas, containing offices, conference rooms, engineering department, an electronics department, a manufacturing and installation area and warehouse. The company will do about $2 million in contracts this year—a long way from the $25,000 to $40,000 realized when the company began in the late 1970s.

A neat man, even in our desert heat, Griffith pulls on the coat to his three-piece pin-strip, settles himself casually on the fender of his $80,000 special edition Zimmer automobile and talks about how it all began. It started with a personal tragedy:

One day, some years ago, Griffith stood watching a long-time friend operate a truck-mounted crane for a private contractor. His friend was standing along side the truck operating the controls to the hydraulic crane arm. Just as the arm began lifting a load it bounced and snapped. His friend was flipped up into the crane where he was smashed again and again into the crane. He died almost immediately.

Griffith pointed out that his friend was standing in a position where by any concept of safety he should not have had to stand. And yet, Griffith says, even construction equipment today is designed so that it places the operator in a position of danger. It was that day that Griffith decided to

Edward Griffith is just as comfortable operating a bull dozer as he is touring about in his $80,000 special edition Zimmer.

invent a remote control device that would permit operators of such equipment to do so standing well out of the area of danger.

He succeeded and admirably well. Today the U.S. Army uses American Northwest controls to remotely operate tractors to dig up and remove unexploded bombs, a job that not long ago was a very dangerous occupation.

At 45, Edward Griffith has some 130 patents to his credit. But he did not arrive overnight as an inventor. He started early. When he was just seven years old, he built himself an image camera using leftovers in his father's workshop. When he was in his pre-teens, he built an electric car so he could get back and forth to school faster.

But, the road to his success as an inventor and manufacturer was a long and winding one. There were years of training, years of working for others and even more years of research and development. And finally, there were months of convincing himself that he could make it on his own as an inventor.

"I wasn't really a struggling inventor to begin with because I had my own consulting firm, but what I had to do was convince myself that things could really work in my own manufacturing business," Griffith says. And work they have. As he looks proudly on his new and larger facility, he admits that it is a boy's dream come true.

Griffith's dream began during his early childhood in Detroit, Michigan. He always tinkered in his father's workshop. His desire for creating continued when his family moved to the Chicago area, where his father rose from a superintendent of a steel company to its Chairman of the Board.

And, throughout his years at Purdue University, where he earned bachelor of science and a masters of engineering degrees, Griffith continued to develop devices to make things easier.

Then, in 1974, Griffith was lured to the west Coast, where he worked for an engineering consulting firm in San Francisco. There, he helped perfect storage retrieval systems, also known as computer warehousing.

He also created specialized equipment for such companies as Memorex and Atari and eventually became vice president of an importing company, also in San Francisco it was his duty as vice president to set up marketing strategies, plans and penetrations in selling construction equipment, such as cranes, that were not yet available in the United States.

Still, there was a nagging feeling of dissatisfaction in Griffith. "I was always working for someone else. I was using my own ideas, creating my own innovations to benefit someone else," he explained.

It was then that Griffith contemplated a venture into the world of business. But, it was the death of his friend that finally convinced him to go into business for himself. That death might have been averted it the crane had a remote control device.

"A lot of energy is wasted by people who sit around and don't do anything with their ideas."

So, Griffith set out to invent such a device. Then in the late 1970s Clark Demolition Company, of California, needed a special equipment device to rebuild a sea wall near Monterey, CA.

The California Coastal Commission didn't want the heavy equipment or the operator to fall into the ocean, so Clark needed a remote device to help get the job done, Griffith said.

Griffith invented the device, the wall was rebuilt and Griffith was on his way to success.

With virtually no capital investment, Griffith has turned American Northwest into a million dollar corporation. In 1986, Griffith expects all the commitments and contracts to yield American Northwest about $2 million. The company reached the $1 million mark in 1985.

The company is now six years old. Four of those years were spent in Las Vegas after Griffith was lured from the Silicon Valley with hopes of a better market edge here. And, the concept of the Engineering School becoming a reality at the University of Nevada-Las Vegas, Griffith is confident he will be able to attract additional competent employees to his company in the near future.

Basically, American Northwest produces applied advance technology remote control systems and automation devices for construction, military and off-shore applications. Griffiths advanced from the original remote control device to about 130 offshoots.

"Once I had my first idea, new ideas began popping and it had a snowball effect. Most of my devices are basic, simple and straightforward and were designed to help save lives and benefit mankind," he commented.

"Everything we sell, I've invented and that makes me feel proud. But, we had to prove ourselves every inch of the way," he added.

There were visits from representatives of the U.S. Army who were searching for an economical modular system that would robotic construction equipment. Up to that point, NASA had built similar equipment for millions of dollars. Griffith was able to create a remote control device that would be adaptable and transferable from one existing piece of construction equipment to another, for much less. After that, U.S. government contracts began to come in, including an order for a company that was creating a hydraulic shuttle to fit tile into a space system for NASA as well as various other robotic equipment for the U.S. Marine Corps and the Navy.

Griffith's research and development still continues. He has devised new inventions in dozens of ways, including writing his ideas on a table napkin during a luncheon business meeting. That invention, a multi-use piece of construction equipment, was created in only 30 days from the drawing board to the patent office. His first devices, however, often took more than a year from the plans to the completion of a marketable product.

"When we first started, we actually had to give away devices in some in-

stances, just to prove their worth," Griffith admitted. "Now, however, the phones are continually ringing from all over the world and the momentum of growth is inevitable."

Then within two days in 1986—January 8 and 9, things really broke loose. An order came in for $250,000. An hour later, another for 25,000, an amount matching the entire sales during the firm's first year of operation.

On the previous day, a representative of a lumber industry equipment manufacturing company expressed interest in installing the device in his company's assembly line products. Thus, Griffith's control could just land in lumber mills all over the world...with an order price tag in the hundreds of thousands of dollars.

Soon after the Clark Melrowe Company of North Dakota placed a multiple-year order for six and a half million dollars worth of equipment for international distribution.

Questioned about financing this sudden influx of business and the necessary production costs, Griffith explained:

Some of the things we do like with the defense department when they want it done, and they want it on an immediate supply/demand basis, and it comes right down to some of the products we have in house, we usually have them go on a progress payment where we consumate with a certain amount down payment money on the front end with an order. Some of our commercial accounts that we have like Catipillar and Park Equipment, Melrowe division, we have them give a certain percentage of the money down with the contract. It smooths out the sawtooth edge of the cash flow aspect of it. It's pretty much standard operating procedure with our company. One of the reasons is because most of our business in the past has been export to Europe.

"It's just in the last two years that in the U.S. things have been picking up when it comes to systems automation construction equipment to make it safer. That's because of the liability laws and suits that are confronting people who are killing operators of unsafe equipment. Since most of our products were exported a lot of people we sell too, have to send us letters of credit, issued to our banks here to guarantee payment on release of material from the port of disembarkment.

"I started off about twelve years ago building up a fairly decent budget with a consulting job on material handling, I did consulting to the military people. So I set up a flow rap of funding. Then I started rolling forward by selling a couple of designed patents and licensing arrangements. So it's been pretty well parlayed... it's all been pretty much self-financed."

Griffith says his patents are worth between seven and nine million dollars. He hasn't had to marry investors or banks, he agrees. But adds, "Eventually we will because we can just only go so far. For example a company over in California that is working on a robotic system, offered us seven million dollars, just a little over a year ago for the use of one of the patents for nine years. With these kinds of deals pending, we feel that we are going to have to line up with a larger corporation. We've had some overtures from a couple of fairly large hydraulic companies and one computer firm. We're a Nevada corporation solely owned by myself."

"When we first started, we actually had to give away devices in some instances, just to prove their worth.

American Northwest currently has contracts with numerous NATO countries Griffith is in the process of completing orders with the Japanese and is negotiating with the Ferrari sports car company representatives in Italy to import cranes.

In addition, U.S. companies have sold his devices to Israel, Saudi Arabia and Africa, which have all applied remote control devices in their own countries. Cost vary depending on the complexity of the specifications and can run from $1,200 to $70,000.

With all this success, Griffith has not lost sight of his early days in business. Griffith indeeds exhibits signs of the nouveau riche, but he maintains the security of the past, too. A tall, handsome man, Griffith has purchased a special edition Zimmer automobile, with an $80,000 sticker price. He also has a 1973 Buick Opel when he wants to zoom around town, while keeping a low profile.

His hands glimmer with Liberace-like diamond rings, but his wide ties show signs of several years past.

He enjoys fine dining in many of Las Vegas' best restaurants, but he is also an admitted connoisseur of homemade chocolate chip cookies.

He is a study of contrasts. But, there can be no contrasts when it comes to his path toward success...he pintpointed his strength of imagination and innovation and in his entrepreneurial style, he set out to achieve his goals.

Just as he always encourages young men and women who have good ideas to follow through.

"It is always a good idea to express one's mind. A lot of energy is wasted by people who sit around and don't do anything with their ideas," he said. "It's not easy to be an inventor; sometimes it can be feast or famine. But, if someone has the right energy and spirit, I would tell him to stick with it."

He advises potential inventors to get their ideas "down on paper and then lay it out in front of a patent attorney. Also ask, "Is it something that can benefit somebody?"

Then he said the next step is to "use your energy and get in and make it happen."

He advises that the U.S. Patent's Office has in the last few decades made it easier for fledging inventors. "In the 1920's and 30's the Patent Office scared people away with all the paperwork. Now, however, you can have a concept and get a design patent to protect you. There are many different levels of patents," he explained. And, it can cost as little as $3,500 to obtain a patent, depending on many factors.

Griffith counts his blessings as he discusses his patents. "They all work. I haven't had any troubles, any

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14 Karat Nevada

Nevada gold miners lead the world in the use of innovative, cost effective and efficient application of advanced mining and processing technology.

By Dave W. Parkhurst

Nevada has been the leader in the new gold rush of the '80's, and the state is attracting worldwide attention as a prime gold exploration target. Though a far cry from the California Gold Rush of 1849, the steady influx of foreign and domestic mineral exploration companies has created a multi-million dollar mining exploration business in the state within just a few years.

Many large mining corporations have established exploration firms and offices in Nevada, as have a multitude of smaller companies, and their numbers are still increasing. Although some of these firms do not as yet have operating mines in the state, their exploration and development activities are generating a significant inflow of investment capital — which, in turn, boosts the state's economy and provides additional local employment.

Along this line, intensive exploration is absolutely essential to a healthy gold mining industry. The ongoing discovery of new resources and the definition of additional ore reserves are required to sustain existing production capacity and to provide for expansion. Mineral exploration, however, is a *very* expensive business.

The senior vice president of exploration for Freeport-McMoRan Gold Company, Douglas Cook, said recently that it costs around $250 million to find and develop a "world class" gold deposit. He added that it is no longer worthwhile to develop base-metal ore deposits, unless they contain a fairly high grade of minerals.

Gold being poured in bars.

Rich Reyburn, Director of the Nevada Department of Minerals, sees potential trouble in the industry's future because of inadequate exploration activity. He cited the recent drop in metal prices as causing many mining companies to reduce exploration efforts in an attempt to cut operating costs.

"We are not replacing with new discoveries what we will be using up each year," Reyburn says. "I can envision the eventual exhaustion of our present ore bodies if exploration is not performed well in advance of production."

He adds, however, that the recent enactment of the Gold Bullion Coin Act of 1985 by Congress should provide an incentive for further gold exploration and development in Nevada. The Act authorizes the U.S. Treasury to begin minting a new issue of U.S. gold coins by October 1986, and specifies that newly-mined gold from American mines must be used in

LEFT: Underground drilling
BELOW: Geologist sampling ore for gold
BOTTOM: Bulk pouring of gold.

the coins. This is expected to exert upward pressure on gold prices and to provide an increase in U.S. domestic demand for gold (by over 2 million troy ounces annually, according to some estimates).

ED NOTE — See sidebar story on gold coins on next page.

The old-time mining "booms" in Nevada resulted mainly from discoveries of fairly rich gold and silver ores occurring in "veins," most of which outcropped at, or close to, the ground surface. In contrast, most of the state's current large gold mining operations are primarily based upon huge deposits of ores containing extremely fine, disseminated gold particles, and many of these ore deposits are not exposed at the ground surface. These "micron" gold particles are often only visible under a microscope, so their occurrence was not even suspected by the early miners. The presence of gold in these types of ores can usually be determined only by assay, since most of the minable ores are nearly indistinguishable from the adjoining waste rock.

The unique character of most disseminated gold ores has brought about a revolution in prospecting techniques, exploration methods, mining procedures, and processing technology. Nevada's gold mining industry has become a world leader in the use of innovative, cost-effective and efficient applications of the most advanced mining and processing technology available. One example of this is the recent development of cyanide heap-leaching technology for processing large quantities of low grade precious metal ores. This modern, low-cost processing technique makes possible the profitable recovery of gold from ores previously thought to be worthless, and it has contributed significantly to the large increase in the state's gold production.

Even with the tremendous technological advances that have been made in the industry, however, modern gold mining is still a very risky and expensive business. The U.S. Bureau of Mines estimated three years ago that it costs U.S. mines an average of $250 to produce each ounce of gold, with production costs ranging from a low of about $200 per ounce for some surface (open pit) mines to a high of over $300 per ounce for a few deep underground mines. These figures were computed for operating mines and do not take into account the costly exploration programs necessary to initially discover and evaluate new ore deposits. Operating costs are dependent upon a number of factors, and can vary widely from one mining operation to another.

Much of the risk associated with modern gold production is directly linked to the prevailing average gold price. As the gold price decreases, so does the profit margin for operating gold mines. The recent lows on the gold market, therefore, have made it necessary for many mines to cut operating costs — primarily in the areas of exploration and employment.

It can be very difficult for mine managers to prepare adequate long-range business plans when the gold market is highly volatile, as it has been several times in the past few years. This condition creates a rather unique business environment, wherein higher-grade ores (most profitable) are usually mined when gold prices are lower and lower-grade ores (least profitable) are mined when prices are higher. This type of operational procedure decreases the potential for higher short-term profits, but it increases the overall life of the mining operation and, as a result, produces a much higher profit over the long term. It also encourages hedging in the gold futures markets, with a certain amount of production sold forward to smooth out any impacts resulting from short-term fluctuations in gold prices.

Highly volatile gold market makes it difficult for miners to make long range business plans.

In 1984, over 51% of Nevada's total gold production came from three of the state's largest mining operations: Freeport-McMoRan Gold Company led with about 243,000 troy ounces of gold (22%), Smoky Valley Mining Company produced nearly 160,000 ounces (14.6%), and Carlin Gold Mining Company reported 157,615 ounces (14.4%). All three mines rank among the five top gold-producing mines in the U.S., and they are still expanding. Most of Nevada's gold mines also produce significant amounts of silver.

Another firm, Battle Mountain Gold Company, has been reported as the third largest gold producer in the U.S. during 1985, with an estimated production of 225,000 ounces of gold (plus about 630,000 ounces of silver). Battle Mountain Gold's Fortitude Mine produced about 73,000 ounces of gold in 1984, over 6.6% of Nevada's gold production for that year. The company was organized early in 1985 by Pennzoil Co., as a spinoff of several gold properties held by Duval Corporation. The Fortitude Mine is located near Battle Mountain, in Lander County.

Freeport-McMoRan Gold Company's Jerritt Canyon operation, located 55 miles north of Elko, is a joint venture with FMC Corp. (30%), and it has been the nation's largest gold producer since 1983. The firm employs about 330 people at the mine site and another 50 at the new exploration headquarters in Reno. Freeport is presently developing another gold deposit in Burns Basin, a few miles south of the Jerritt Canyon mine.

Smoky Valley Mining Company's Round Mountain mine had an estimated gold production of about 135,000 ounces in 1985, but the firm plans to double this output over the next three or four years. The mine, located in northern Nye County, currently employs about 330 workers, and it has reported ore reserves of about 200 million tons. Echo Bay Mines of Candada recently acquired a 50% interest in the operation.

Newmont Mining Corporation's Carlin Gold Mining Co. was a pioneer in "micron" gold mining, beginning gold production in 1965 when gold was still priced at $35 per ounce. The company estimates 1985 gold output at over 200,000 ounces and expects production to increase to around 345,000 ounces annually within a year.

Most of Carlin Gold's increased production will come from its new Gold Quarry mine and mill (with an estimated output of 170,000 ounces of gold per year), which came on line during 1985. The firm operates several

mines in the Carlin area and, with about 570 employees, is by far the largest mining employer in the state. Company officials recently reported ore reserves totalling 236 million tons, containing an estimated 17 million ounces of gold.

There are several more major gold-producing mines in Nevada and a large number of smaller gold mining operations. Last fall, Norton Pickett, administrator of the state Division of Mine Inspection, reported the number of active gold and silver mines in the state had increased to 172, up from 159 in 1981. He said there were a little over 400 active mining operations in the state, though a few of these were temporarily placed on standby during 1985.

In addition, there are several new gold mines scheduled to come on line during 1986. *ED NOTE — See box elsewhere in this article.*

Overall, Nevada's gold mining business is poised for rapid growth and a bright future.

As Robert Horton, Director of the U.S. Bureau of Mines, said recently, "The recognition and acceptance of mining in Nevada is unmatched anywhere in the United States. It's what made this state to start with." □

Nevada's Mining Industry Is Second Only To Gaming

While U.S. mineral prices and production continues to decline, the value of Nevada's mineral output continues to increase.

Nevada's mining industry is second only to gaming and tourism in terms of size, gross revenues and importance to the state's economy. The total value of minerals production has more than doubled over the past five years (see Table 1), and the mining sector has emerged as the state's largest basic industry.

Despite the dramatic decline in U.S. minerals prices and production over the past few years, the value of Nevada's mineral output is still increasing. This is primarily due to the tremendous expansion taking place in the gold mining business, which also accounts for the fact that the state is now providing nearly 58 percent of the nation's total annual gold production from domestic mines.

In the most recent year for which published data is available (1984, see Table 2), the state's gold production amounted to 1,093,647 troy ounces. The total value of Nevada's mineral production for that year was slightly above $671 million, of which over $410 million (61%) came from gold

(Continued on page 56)

New Gold Mines Coming On Line

Several new gold mines are scheduled to come on line in 1986. A few of the major ones are discussed below:

FMC Corporation

FMC Corporation's Paradise Peak Project, has been billed as the world's seventh largest new gold discovery in the past 10 years.

Situated about 7 miles southeast of Gabbs, the Paradise Peak mine is scheduled to begin processing nearly 4,000 tons of ore per day by May 1986. FMC officials expect the operation will employ about 190 workers when the mine is fully on line. The estimated capital cost for developing the new mine is nearly $100 million. Definitive production estimates for the property are not yet available, but the Bureau of Land Management says that annual gold production will range from 40,000 to 115,000 ounces, silver from 850,000 to 3,950,000 ounces, and up to 200,000 pounds of byproduct mercury. Initial mining operations began at the site in December 1985.

Coeur d'Alene Mines Corp.

Coeur d'Alene Mines Corporation recently announced plans to develop the Rochester Mine (near Lovelock), which will be another gold and silver producer. Company officials estimate an annual production of 43,000 ounces of gold and 3.7 million ounces of silver, from ore reserves totaling about 63 million tons. They said about 100 workers will be employed at the open pit mine, with construction to begin early in 1986.

Silver State Mine Corp.

Silver State Mining Corporation began production from its Tonkin Springs gold mine in October 1985, with an estimated annual gold yield of about 30,000 ounces. The mine is an open pit operation about 35 miles north of Eureka, presently employing about 40 people.

AMAX Sleeper Project

AMAX is in the process of opening its Sleeper Project, a gold and silver mine located about 30 miles northwest of Winnemucca, with start-up planned for March 1986. The company expects to employ from 75 to 100 workers and estimates an annual production of 55,000 ounces of gold and 60,000 ounces of silver.

Placer U.S. Inc.

Placer U.S. Inc. is planning to double its Bald Mountain open pit gold mine by March 1986. Located roughly 80 miles northeast of Ely, the mine will employ about 90 people. Placer U.S. also operates the Cortez Mine (about 50 miles southeast of Battle Mountain), which produces around 50,000 ounces of gold per year. The company also owns the McDermitt Mine, 73 miles north of Winnemucca, which is the only major mercury producer in the United States.

Several other new gold mining projects, as well as expansion programs for some operating mines, are being planned in the state. □

Nevada's Airline Alternatives

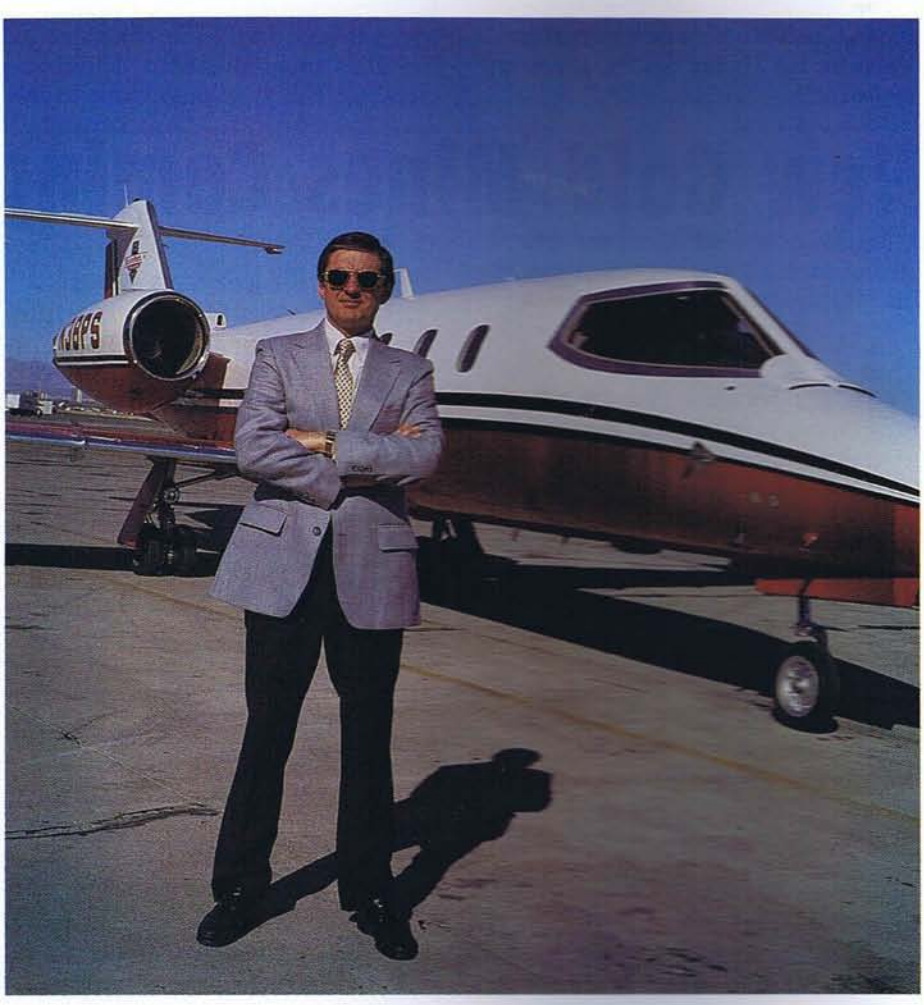
With airline deregulation came the elimination of service to many areas. Air charter services flying everything from Cessna 172s to jets fill the void.

By Linn Brasher Thome

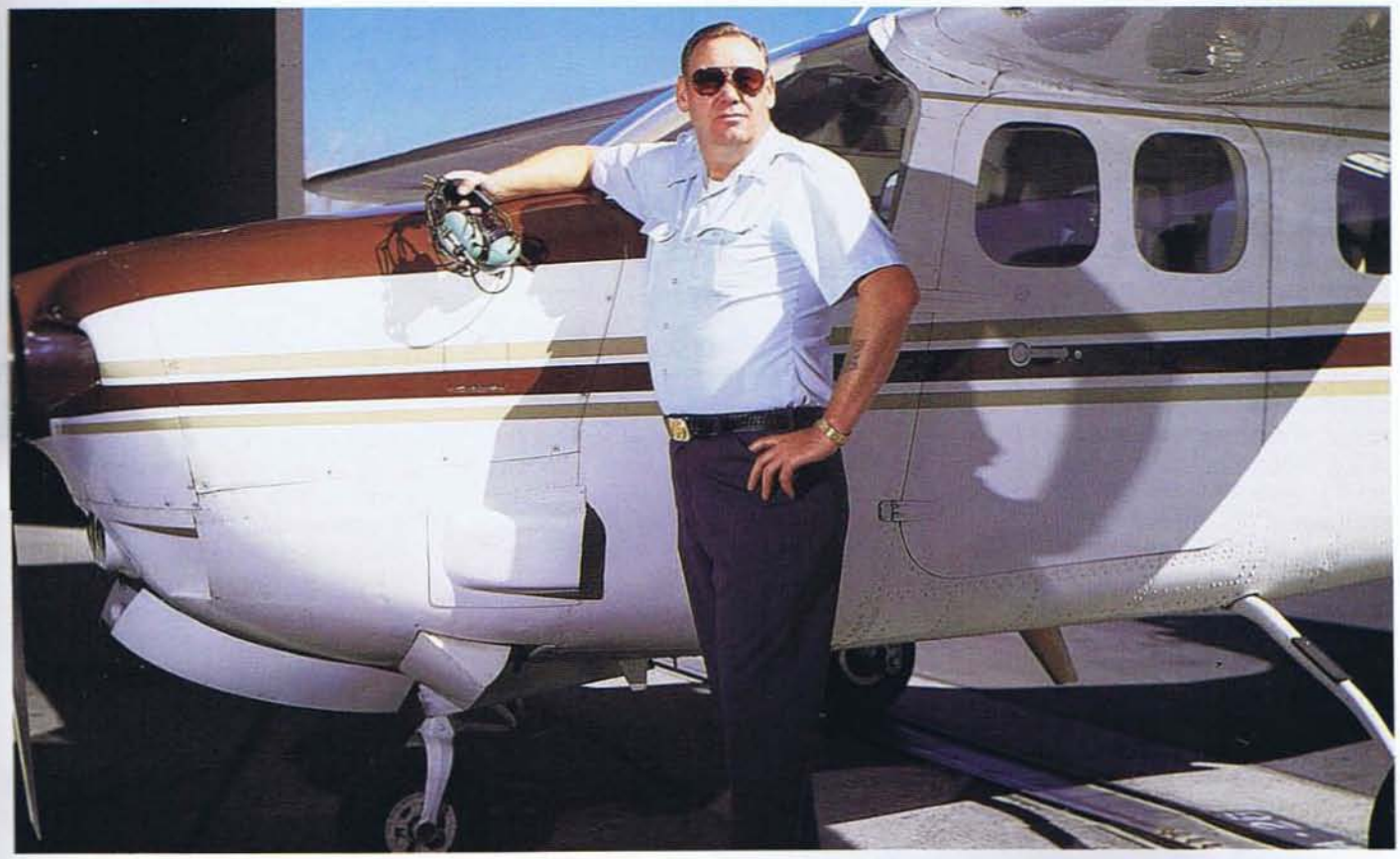
From all obvious indications, the state's air charter business should be prospering. While the majority of people who charter small planes are still business travelers or high rollers, a growing number of passengers with more modest purses are finding air charter of use. As a result of deregulation, airlines have dropped many of their unprofitable routes, especially those to smaller cities. Because these places can no longer be reached by scheduled flights, chartering a plane is often the most convenient and cost effective way to get to and from such a destination.

"We've seen a definite increase in charter business," says Rick Peacock, Public Information Officer for the Washoe County Airport Authority. "In fact, it was up 41% in 1985. The information we have indicates that roughly 19 million dollars was put into our local economy by charter passengers."

Paulette Collican, of the Clark



Pet Gammage, president of Eagle Jet Charter in Las Vegas says his company has not experienced the crunch mentioned by a number of operators.



Above: Larry Similey, president of Commercial Air Charter, Inc. in Las Vegas: "I'm paying $1800 a month insurance on an airplane that I can't even fly. It's sitting in the hangar for repairs. Below: Pilot and jet operated by Reno Flying Service. Jack Dawson, director, says, "The kind of aircraft we fly cost anywere from a $1/4 million to $2 million. So we don't buy any airplanes. We manage and supply pilots for others.

County Department of Aviation, relates that revenue from supplemental carriers, as small charter operators are called, brought in $986,000 in landing and flowage fees alone. Obviously, a portion of the charters mentioned were out-of-state carriers. And some no doubt run larger aircraft than many of the local operators. Still, on the surface it would seem that the charter business is doing well.

Yet many of the state air charter operators will tell you times are tough. Citing numerous reasons from rising fuel costs and flowage fees to liability insurance and hangar rentals, most speak of their struggles with a mixture of pride and dismay. For some, in fact, to survive at all in such a seemingly volatile business is remarkable.

Art Turner, Director of Operations for Valko Jet Charter of Las Vegas, agrees. "While our particular operation is doing well and is quite stable, industry wide there seems to be an unfortunately high turn-over rate. There's just a lot of instability in this type of business."

Joe Green, owner of El Aero Service, Inc. of Ely, elaborates further. "There was a time, ten years ago, when the charter business was good, but it's in a general state of decline now. While it may have helped in some areas, deregulation has hurt my particular business, especially when United pulled out of here. They used to bring us a lot of charter work. Then, too, the price of aviation fuel, which is over two dollars a gallon, has hurt the industry. And, of course, the price of aircraft has gone up because of the liability costs. Some of our aircraft, for example, are now up to ten years old. We used to change over every three or four years, but today the costs for new aircraft are prohibitively high."

The smaller of the air charter operators seem to be the hardest hit. Booth Bailey and his wife, Dee, of Winnemucca Air Service have run their business for nineteen years under the same continuous ownership. Their long involvement with air charters has given them the opportunity to observe industry development.

"Absolutely there's a decline in the air charter business," Bailey says. "And I don't see any change in the trend. Certainly insurance rates aren't going to come down and the cost of new aircraft isn't going to come down either. In order to exist at all in this business today, you have to be a multi-faceted operation. About 25% of our business involves charter work. We also offer flight instruction and maintenance services. People in this area have these requirements, so we offer them."

Gary Brenner of Orcon, Inc. (Executive Charters) of Reno operates jet prop turbo commanders and a jet commander. Like most other charter companies, he says, they run on about a 10-15% profit margin. "Take an airplane that flies for $400.00 an hour, say. Once you pay tie down costs, maintenance, plus the various fees, insurance, salaries and so on, it really starts eating into your profit margin."

Larry Schaefer, Vice President, Services, for Hughes Aviation Services in Las Vegas, acknowledges that the aviation business carries with it an increasing number of challenges. "They've all had a tough time," he says of the small charter outfits. "Only two or three have really lasted any length of time. They do a lot of specialty work and I think that's why they're hanging on."

"My Navajo Chiefton costs me $239.00 an hour to operate. Of that, $26.80 is for insurance.

Larry Similey, president of Commercial Air Charter, Inc.

Some of the costs an operator faces include the FAA required periodic inspections. The 150-hour or "long form" inspection runs about $5,500. The 1000-hour inspection runs about $10,000. Both these figures would be for an aircraft comparable to a King Air. Schaefer is quick to point out that these costs obviously don't include the various maintenance problems that crop up from time to time between these inspections.

Due to the recent crash of the Galaxy Airlines charter in Reno, concern has been expressed by some government officials regarding policies and procedures for the certification of air charters.

According to Jeffrey N. Shane, Deputy Assistant Secretary for policy and International Affairs, the Department of Transportation has adopted the Civil Aeronautics Board's (now defunct) three tests of fitness of an air carrier of public convenience and necessity. These include:

1. Whether the applicant for a certificate has the management skills and technical ability to conduct the proposed operations.
2. Whether the applicant has a reasonable operating proposal supported by a credible financing plan that would generate sufficient resources to commence operations without undue risk to consumers.
3. Whether the applicant is likely to comply with the Federal Aviation Act and with federal and state regulations.

Every charterer is required to have a certificate from the FAA signifying that it meets the agency's standards for aircraft maintenance, management control and keeping track of its crews' training, flight time and personal health.

In addition to these regulations, insurance companies are also involved in monitoring the carrier's progress and safety. The resulting costs are often exasperating to the smaller operators.

Larry Similey, President of Commercial Air Charter, Inc. of Las Vegas, had a minor mishap with one of his aircraft last October. While the investigation pointed to a defective part traceable to the manufacturer, he faces the problem of not only trying to re-establish credibility with his clients, but he also has to continue to pay insurance costs on the aircraft while it's in the shop.

"I'm paying $1800 a month insurance on that plane and I can't even fly it. In other words, even though the plane is not in use, I still have to pay that money to keep it insured."

While local insurance agents work closely with the individual charter companies, providing coverage according to their individual needs, the actual insurance companies themselves seem inflexible.

"Federal Air Regulation Part 135 applies to anybody flying aircraft

with a seating capacity of 19 or less — like us," Similey continues. "There are 443 parts to that regulation, with numerous subparts which further define each regulation. When you go for a certificate, you'd better have all your ducks in a row."

"Now FAR 135.243 says the pilot-in-command has to hold at least a commercial rating and "X" number of hours in the applicable aircraft. If he flies under VFR (Visual Flight Rules), he has to have 500 hours as a PIC (pilot-in-command), with 100 of those hours in cross country work and so on. If he flies IFR (Instrument), he has to have 1200 hours as a PIC. Now the insurance company comes along and says you have a 1200 hour pilot who flies instruments. They say 'We're going to charge you an extra $5000 a year or else you have to give that pilot an extra 50 hours of instruction in this particular aircraft.' Now it costs me $239.00 an hour to operate that aircraft, so they've got me by the short hairs. The insurance company's out is their use of statistics. They say their statistics indicate that pilots under 3000 hours of flight time are more prone to accidents, even though the FAA says the pilot's qualified to fly.

"On my 10 passenger Navajo Chieftain, of that $239.00 it costs me per hour to operate it, I'm paying $26.80 per hour for insurance. I have a 10 million dollar liability and $250,000 for the hull value. So you see, these are just some of the things a charter operator is confronted with."

D.C. Jensen, of D.C. Jensen Insurance Agency of Las Vegas, indicates that there will be more rate increases, brought on in part as a result of 1985's staggering record of aviation fatalities. The high losses brought about by heavy judgements made through our judicial system in response to such fatalities further accelerates these increases.

"We're seeing increases anywhere from 10-30%, averaging at about 20%,"Jensen says. "As agents, we don't set rates. I don't go to just one underwriter. I go to every one I know of that will handle that particular type of risk and then I try to get the best rate for my client. And, of course, the rates vary from year to year."

Jensen says that almost all large aviation insurance policies are reinsured by their underwriters in order to spread out the risks. Most of the reinsurance is placed in what is called the "London Market," meaning Lloyds of London and their affiliates.

In a January, 1986 article in *Aviation International News,* James Holahan reports the following: ". . . those who track aviation underwriting performance claim that the two leading underwriters in the U.S. — Associated Aviation Underwriters and U.S. Aviation Underwriters (more commonly known as USAIG) — have sustained loss ratios 100-120 over the last two to three years on their general aviation portfolios. This means that for every dollar they've taken in on premiums, they've paid out 100 to 120 cents in claims, defending lawsuits and related expenses. On product liability alone, the loss ratio has been in excess of 150, according to one underwriter."

Eddie Rickenbacker is quoted as having said "Airplanes are complex machines flown by human beings, so there will be accidents once in a while." Where insurance is concerned, every accident means higher and higher rates for the air carrier.

"Airplanes are complex machines flown by human beings, so there will be accidents once in a while."

Eddie Rickenbacker

Another problem air charter operators may face is in obtaining aircraft parts. "Almost all our parts have to come form Phoenix, Los Angeles or Wichita, Kansas," Carey Ray of Ray Aviation in Las Vegas reports. "The cost of shipping isn't nearly as expensive as the down time while you're waiting for a part. Van Dusen Aircraft and Associated Aircraft Parts (Las Vegas) are great, but their supplies are specialized and geared to light to medium aircraft. If you need a part now, you have to send away for it. If Van Dusen or some other place here had it on the shelf, the down time would be less costly."

Not all charter operators seem to be suffering. Those with a larger fleet, for example, frequently don't see the down time for one of their aircraft as a major problem. But for some, these seemingly minor irritations mount up and become major pressures. "The charter business is a volatile business," Gary Brenner (Orcon of Reno) says, "and it's this type of thing that makes it so."

Pete Gammage, President of Eagle Jet Charter in Las Vegas has not experienced the "crunch" mentioned by a number of other charter operators.

"We do a great deal of upper level charters," Gammage says. "We cater to a lot of the hotel folks, business and government agencies like the Bureau of Reclamation and others. We also operate an air ambulance business (headed by David Shea). A lot of these smaller operators get in on a shoestring and have to get out in a hurry because they just can't survive. There's a big capital investment involved with airplanes. You've got to understand that going in. Success here is a combination of both your financial base and need. We don't get called by people on a budget, a small budget anyway. But for those who can afford it, we provide flexibility and fast response. There's a definite need for this type of service."

Gammage points out that a lot of the smaller operators are making ends meet by getting into the cargo business because most cargo movement is done at night and they can get better utilization of their aircraft. "Cargo hauling doesn't pay all that well," he adds, "but in many cases it sort of fills in the gap when things are tight for them."

According to Jack Dawson, Director of Flightl Operations for Reno Flying Service, there are other alternatives for the charter operator.

"The kind of aircraft we use cost anywhere from a quarter of a million to two million dollars. Needless to say, you have to fly quite a few hours to realize that in profit. Consequently, we don't buy our aircraft. We manage airplanes for various corporations and supply pilots. This allows us to fly on a charter basis and survive. Most people go out of business because it's just too costly."

Reno Flying Service also has a contract with Care Flight, providing fixed wing aircraft for them to augment their use of helicopters. Five pilots,

operating on a rotating schedule, provide for Care Flight on a 24-hour basis. Like Eagle Jet Charter, they operate a fully equipped air ambulance with a nurse or nurse practitioner aboard.

Dawson acknowledges that charter business always seems to be a little slower in the winter months, adding that it fluctuates from season to season. "The type of clients we have are bankers, contractors and mining people. We also do work for the government. We've even been out there flying people around to count cows for them. So we're pretty flexible."

Where charters are concerned, airline deregulation has proven to be a double edged sword. Discount fares allowed by deregulation have had a fairly noticeable impact on the air charter business, particularly for those utilizing larger aircraft and carrying larger groups or running junkets. Discount fares have tended to squeeze the margin between charter ticket prices and the discount prices on scheduled services. However, the airlines, as mentioned earlier, have dropped many of their unprofitable routes, especially those to smaller cities, and have thereby made chartering an airplane the only alternative.

Ford Burke, of Burke Aviation in Reno, finds this to be the case. "Ninety percent of our charters go to places the airlines don't. Then of course time is also a factor. You could take one of my aircraft and be at your destination in, day, an hour and a half. Now you may pay a little more than you would for a regularly scheduled flight, but you won't be waiting around or spending three or four hours at an intermediate airport for a connection. Saving time is important to many people, especially business people."

Art Turner, cited earlier, indicates that many of his clients are regulars. "They find that it's more cost effective to charter our airplanes," he says. "If, for example, you try to take a commercial airline to Yuma, Arizona, it's almost an ordeal. You have to go to Los Angeles to make a connection with a feeder carrier. Then you have a number of stops along the way before you finally get there. It's not very cost effective. By chartering an airplane from us, you can get there in about an hour or so. We offer flexibility and there's a growing need for that."

Larry Similey also points out: "We're all competitors, but, believe it or not, we're all friends. It's a pretty tight-knit group. Sort of a clique, really. I did a lot of reciprocal work with Air Vegas last year, for example. One hand washes the other in this business."

In the past, the appeal of the small charter operation was the independence it frequently allowed the owner. While charter operations are bound heavily by operating regulations and restrictions, they still have the degree of independence associated with owning one's own business. But the harsh realities of high insurance and burgeoning operating costs are apparently beginning to impose some changes.

Pete Gammage indicates that he doesn't see any substantial growth in the number of charter operators for this reason. "The only qualifying factor is what the airlines do this next year. In Nevada we still don't have the depth of industry to really support the charter business. That doesn't mean there isn't a need or that growth won't eventually come."

Ford Burke, of Burke Aircraft in Reno, puts it another way. "What I and most charter operators provide is on-demand service. The boom in mining has helped us. It's one of the few things that has been up some. The construction business has also kept a lot of us busy.

In looking at all the various factors affecting the industry, it's interesting that of those charter operators contacted, only about one third used any form of advertising other than a listing in the Yellow Pages.

Gretchen Redwine, Manager for Carson-Tahoe Aviation, Inc., feels advertising isn't currently of value. "We've been here ten years," she points out. "Most of our customers come back again and again. We really haven't had to go out and market at all. Most all our flying is done for businessmen and government agencies. It's repeat business. In aviation, generally, the various companies come and go. Everytime a customer of ours calls, he knows he's going to get to talk to the same person. There's stability. That means a lot to most of these people. Because our business has actually been increasing, we haven't had the need to use advertising."

It appears a small, but growing number of operators are beginning to take an opposite stand, however. Larry Similey feels the tide is changing. "We advertise in the local and state publications. I advertise also in a legal journal put out for attorneys in the state and also in several of the aviation oriented magazines. Advertising is an expense you have to put up with. It's good business. You have to keep your name before the public."

Reno Flying Service had been a fixed base operator for years, providing service to both airlines and general aviation. According to Jack Dawson, they kept leasing out space to various flying services, but those kept going "belly up." Deciding that they might as well handle the flying themselves, Dawson was brought in to run the operation.

Dawson feels that this is a transition period for the air charter business. "I don't believe we're necessarily in a down trend," he says. "The aviation business isn't as easy as it was in the early 1970's. It takes a little better marketing now, a more professional, business-like approach." □

RANKING

Nevada's Top 50 Public Companies

Nevada Business Journal is compiling the list of publicly held companies for its annual "Nevada's Top 50 Public Companies which will be published in an upcoming issue. The specific issue will be announced in the May issue. If you think your company qualifies for the "Nevada's Top 50 Public Companies" please fill out the form below and return it to Nevada Business Journal.

1. *The corporation must be headquartered in Nevada and not be a subsidiary of any company with headquarters outside Nevada.*
2. *It must employ 15 or more full-time persons.*
3. *The corporation must have assets in excess of $5 million.*
4. *Its stock must be actively traded.*
5. *Cooperatives, brokerages, tax exempt organizations, and financial service companies are not eligible.*

Nevada Business Journal

2375 E. Tropicana, Suite 270, Las Vegas, NV 89109

PUBLIC COMPANIES

I wish to nominate the following company to be included in "Nevada's Top 50 Public Companies."

Company: _____

Address _____

City _____ Zip _____

Contact _____

Title: _____ Phone ( ) _____

RANKING

Nevada's Top 100 Private Companies

Nevada Business Journal is compiling the list of privately held companies for its annual "NEVADA PRIVATE 100" which will be published in an upcoming issue. The specific issue will be announced in the May issue. If you think your company qualifies for "NEVADA'S PRIVATE 100" please fill out the form below and return it to Nevada Business Journal.

1. *The company must be headquartered in Nevada and not be a subsidiary of any company with headquarters outside the state of Nevada.*
2. *It must be privately held and not a subsidiary of a publicly owned corporation or company.*
3. *It must employ 25 or more full-time persons.*
4. *Gross revenues must exceed 15 million. (If a parent company, include aggregate figure for subsidiaries. DO NOT submit separate form for each subsidiary.*
5. *Cooperatives, brokerages, tax exempt organizations, and financial service companies are not eligible.*

Nevada Business Journal

2375 E. Tropicana, Suite 270, Las Vegas, NV 89109

PRIVATE COMPANIES

I wish to nominate the following company to be included in "Nevada's Top 100 Private Companies."

Company: _____

Address: _____

City _____ Zip _____

Contact _____

Title: _____ Phone ( ) _____

Executive Head Hunting

The need is usually immediate, and spoonfeeding a trainee executive is not what most companies have in mind. Thus the "head hunter."

By Shelley Luna-Weaver

When your Nevada-based company finds itself fresh out of executive officers, there is bound to be some panic. After all finding those "rare gems" took some doing. The time and money you put into their acclimation period distresses you. On top of everything else you were starting to like the person! Now it's time to send out the bulletin and go through the tiring "needle in the haystack" process all over again. (Don't take it personal that your star left, . . . maybe they didn't like the desert and only pretended to be a sagebrush enthusiast.)

The open-air honesty of Nevada has a subtle way of overwhelming those dry-cleaned, pinned-stripped urbanized types. But where else are you going to look for a qualified executive than in a large city? Finding an individual who can bring back that Promethean style to your company is an uphill climb. Your thoughts may race back to a convention where you met a polished, yet personable CEO who impressed you with his projections. Perhaps you have a niece graduating from a prominent university this spring. Her overflowing accolades accompanied with a 4.00 MBA might be the answer. But then, you hate the accusations of nepotism and the bowls of milk your staff keeps going through whenever the hint of "relative" surfaces. What are you going to do, look inside-out or outside-in?

Tapping their own resources is just a way of doing business for Harrah's Reno Property. Louis Rimoli, Employment Supervisor for Harrah's takes his job seriously when hunting for that inhouse "diamond in the rough." His college-boy looks don't seem to match his dedicated all-business way of speaking. "We have several training programs. One exclusively for future executives is our 'Executive Development Program.' That deals with those individuals we consider to be our best candidates for executive positions. We take them off the property for two three-week intervals during the year. This takes place in both Spring and Fall. The Executive Development Program is designed to provide potential company leaders with managerial concepts and skills that will help continue the company's tradition of profitability and excellence. The instructors are drawn from leading universities, the business community and Harrah's Management." Rimoli adds, "In action just two years, our executive training program is unique to the gaming industry."

Although a University is not an option for many corporations, Harrah's parent company, Holiday Corporation, has had the occasion to seek out graduates from the hotel school at University of Nevada-Las Vegas. "If University of Nevada-Reno had a hotel school, it would be a great asset to this community." Rimoli said.

Dianne Holt, Coordinator of Placement Services for University of Nevada-Reno, says there are many ways UNR can aid employers. "Any Nevada employer that wishes us to display their company literature for exposure to the student population should keep us supplied, even if they do not participate in the on-campus recruitment." According to Holt, on-campus recruitment takes place every year in the Fall. "We send students a schedule of who is going to be recruiting in October and November. Participants in the on-campus recruitment program are offered one on one, half-hour interviews with potential employees. Prior to the interview, the Placement Office provide the employer with academic history and references on the students. We also put employers in contact with student organizations

to talk with them about careers," Holt said.

Unfortunately, Nevada's major companies' needs are immediate. Spoonfeeding a junior executive is not what most companies have in mind.

Major concerns, like Carson City's Xebec (a disc controller company that manufactures disc drives, controller boards and computer subsystems), find it difficult to fill their executive needs locally. Ann Ormiston, Associate Human Resources Administrator from Xebec says that, "With executives we find it difficult to recruit top-notch, top-level people because there is no competition and where else is there to go but outside the state? We are in a fast-pace, high-risk business and people who come in to fill a position know what they are doing. Most just fall into the groove naturally."

Although Xebec may have suffered some bad PR during what looked like a cool-as-a-cucumber layoff that took place last spring, President James Toreson made a one million dollar donation to UNR, aiding in the establishment of the CAD Center (Computer Automated Design).

Benefits from these civic-minded attempts still remain to be seen for Xebec. "Not long ago we had two junior electrical engineer positions open," says Ormiston, "We made offers to two very fine candidates from UNR. The offers were accepted . . . but then when it came time for our new engineers to start, they had accepted offers out-of-state." Ormiston's sincerity and concerns are genuine, "It is very difficult . . . top executives are snatched up quickly. We keep our eyes and ears open for those individuals that show promise and have good recommendations."

One reason she offers for the loss

of top-notch people is ". . . environmental adjustment. These people will come to Nevada from a large metropolitan area, stay for a year and then realize that they just can't resign themselves to the Nevada environment. When recruiting we talk about Lake Tahoe and the outdoorsy types of activities we have. Many of our potential employees come for interviews and stay over to ski an extra day. Some of the people we interview want us to guarantee one full year of employment, even if they decide the area is not for them . . . we feel if the enthusiasm for the job isn't there at the beginning of our relationship, it never will be."

"In action just two years, our executive training program is unique to the gaming industry."

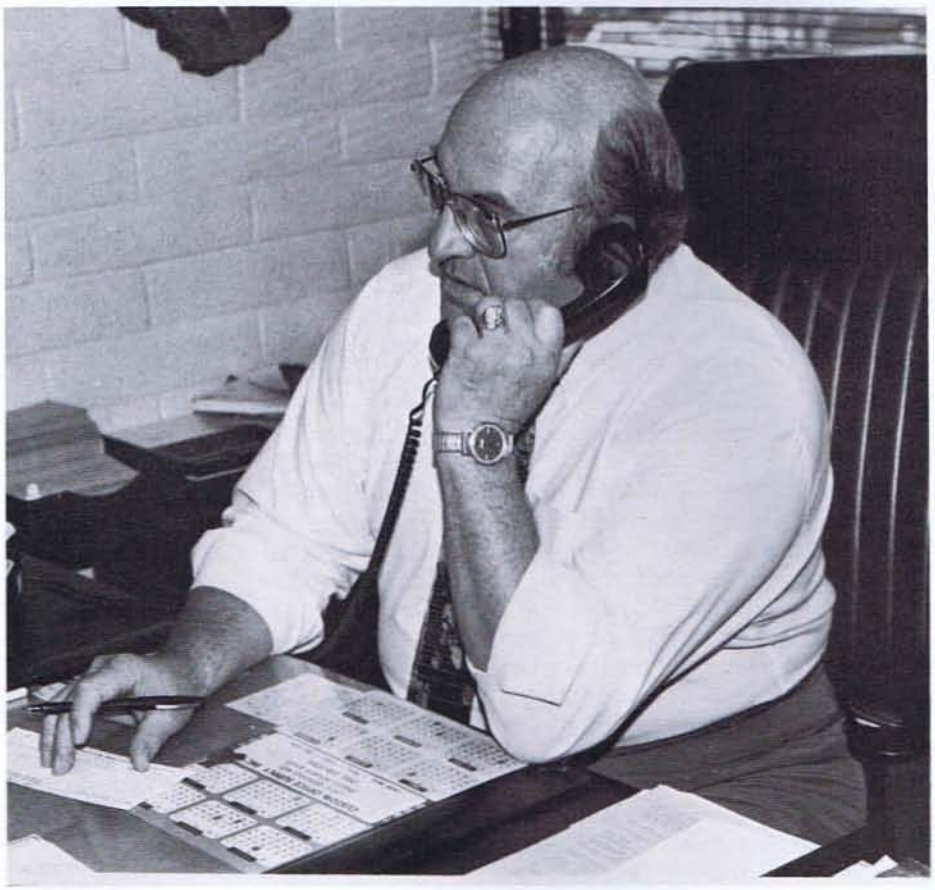
Louis Rimoli, employment supervisor for Harrahs in Reno.

According to Ed Trapp, President of Management Recruiters of Reno, there are many reasons why an executive might come to a Nevada company from another big company in another area.

"Strangely enough, it is not always for the money . . . it is for the opportunity and challenging position. Most people will not change their jobs and leave their familiar comfortable environment just for money. They will leave because they see something more exciting with a new company. Who knows, maybe they are bored to tears with their present position and will rise to the occasion when they see a challenge. Perhaps they are con-

"Half the people we place are from Nevada."

Ed Trapp, president, Management Recruiters, Reno.



"Any Nevada employer that wishes us to display their company literature should keep us supplied."

Dianne Holt, coordinator of placement services for University of Nevada, Reno.

"It's very difficult...top quality executives are snatched up quickly."

Ann Ormiston, Assoc. Human Resources Administrator with Xebec where James Toreson, president, made a $1 million donation to UNR. Benefits from this gesture are yet to be seen.

tacted by a company that is working on a new invention or some type of scientific experiment," Trapp's honest-to-goodness way of doing business is refreshing. "We have had people take positions with companies just because one of the principals of the company is held in high regard academically." An example he used was Bill Lear, "His reputation as an inventor and an entrepreneur made people just want to work with him, even for less money."

Mangement Recruiters of Reno is just one of the 450 National offices. Forty are owned by the Corporation, the rest are ran as separate franchises. "We have the freedom to connect and make leads from all over the country." boasts Trapp. "We don't limit ourselves to only executives; we specialize primarily in middle management and many technical areas." Trapp's office operates on a contingency basis, but requires some deposit.

"Some of the companies we deal with," says Trapp, "tell us the person they are looking for isn't in Nevada. At that time we will begin our search nation-wide. Half the people we place are not from Nevada."

The job of the recruiter is to simply match-make. And there can be quite a mating ritual that takes place if the employer truly wants the executive. "There has got to be a chemistry between the two. Another aspect of this decision is the spouse. If the employer is smart, they will wine and dine their potential candidate, give

them the red carpet tour of Reno or Las Vegas, or wherever, and pray for a sunny day. The job and place have to be sold to both people if you are dealing with married couples . . . people just don't pack up and move across country off the top of their heads, it is a well thought out plan." Trapp said.

Management Recruiting is becoming big business in Nevada. Companies are shelling out up to 30% of the new employee's annual income. Another privately owned franchise of Management Recruiters is based in Las Vegas and owned by Louise Pattison.

Bob Allen, owner of executive search firm, Allen and Associates of Las Vegas feels that lifestyle would outweigh opportunity in a person's decision to move to Nevada. "We rely on our chamber of commerce for help in that area. We want the people coming into Nevada to understand we are more than a strip."

The concensus seems to be that a very deep pool of executive talent does not exist in Nevada, an advantage that out-of-staters are apparently failing to recognize. Despite the fact that Nevada is one of the fastest growing states in the union, offering endless business opportunities, wonderful climate and array of recreational activities unmatched anywhere, Nevada companies are still having difficulty enticing top-level executive material. □

Nevada Briefs

(Continued from page 11)

couldn't get individually."

Several benefit programs are being developed for association members this year, including a voluntary life insurance program, a health plan and group discount programs for everything from industrial lighting to travel and car rental.

"We're considering an industrial council where leaders of government, education, insurance, the legal profession and industry all through the state would meet at a round table to discuss the problems and future of Nevada, and how to create a dynamic, prosperous economy while maintaining a high quality of life in the state," said Hardt. The association also plans to develop committees which monitor legislative and regulatory agencies.

The NMA recently installed its board of directors. Don Schmanski of Carsonite International is president. Rich Freschi of Epco, Paulisa in Reno is vice president. Other members of the board include Collie Hutter of Physical Systems, Harry Efurd of American Building Co., Bill Laughlin of Bently Nevada, Bob Lewis of Sierra Pacific Resources, Jack Pettit of United Air Tool, Jerry Rodgers of Richdel, David Smith of O'Sullivan Plastic (Yerington), Gary Smith of Gopher Products, Gary Storke of Xebec and Keith Sulprizio of United Engine and Machine.

Schmanski was honored at the Jan. 30 Adam Smith Awards Banquet for Innovation of the Year.

The Manufacturer of the Year award went to IGT (International Game Technology) in Reno. Al Christensen, general manager of Jockey International, was honored as Man of the Year, for his community service as well as industry excellence. The first Adam Smith Award, which honors the entity or individual that does the most to promote free enterprise and private enterprise in Nevada, was presented to EDAWN.

Chamber Plans To Improve Reno's Image "City Gets a Bum Rap"

Utilizing the results of a late 1985 survey, the Greater Reno-Sparks Chamber of Commerce is defining and implementing its goals for 1986. "We sent out a survey at the end of last year and asked our membership what their priorities are," explained chamber Public Relations Director Becky Lemon. "We use that to shape our goals for the coming year."

The number-one priority, as indicated by the survey, was upgrading the image of Reno. "Reno gets a bum rap," said Lemon. "We're going to work to improve Reno's image both within and outside the area." *Reno Tomorrow* is the name of the biggest task force working to improve the city's image.

A 35-member Maverick's Committee made up of CEOs and owners of small businesses who serve as goodwill ambassadors, are going to take

Nevada Briefs

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several trips, outside the area, to work on promoting the area as a good place for businesses to relocate, according to Lemon.

Other areas for improvement cited in the survey were airline service, economic development, downtown redevelopment and area planning.

The survey also queried chamber of commerce members on their outlook for 1986. Fifty-eight percent of those responding felt the economy would improve over that of 1985. Almost half indicated they planned to add employees in the next 12 months.

Fifty-three percent of the respondents judged as 'good' the national political climate as it pertains to business. At the state level, 46 percent said the climate was good, and 29 percent said the local climate was good. The local political climate was rated as poor by 31 percent and fair by 40 percent.

The chamber of commerce's elected officers for 1986 were inaugurated at the President's Gala, held Feb. 7 at the MGM Grand in Reno. The event featured a Big Band theme. No speeches were planned.

Bill Hull, executive vice president and branch administrator of Valley Bank is the 1986 president of the chamber. President elect is Bob Ordonez, who is president and general manager of KCBN/KRNO Radio; Bob Rusk, owner of Robert Rusk & Associates is vice president of legislative affairs. Cynthia Kelley, vice president of Kelley-Rose, Inc. serves as vice president of marketing; Jim Murphy, a partner of Alexander Grant & Co. is vice president of business development; John Gilbert, president of Employer Benefits, Inc. is vice president of community affairs, and Bill Leonesio, who is vice president and regional manager of First Interstate Bank is treasurer.

Lemon reported that the chamber will embark on another (second) joint tax study with the Las Vegas Chamber of Commerce, and will host informal business round tables during the year. The first one, with taxes as its theme, was scheduled for Feb. 18.

The Silver Dome

(Continued from page 4)

Reagan's "new federalism" plans because he says it "dumps" responsibilities on states despite the fact that the federal government has greater resources. But the governor also said Nevada would suffer less than other states as the federal government turns back responsibilities to the states because Nevada has not been as dependent on federal revenue.

Robert Gagnier of the State of Nevada Employees Association says President Reagan's proposed cuts could exceed $50 million next fiscal year and that would translate into "a lot of cut services and layoffs" in state government.

Gagnier also says Congress and the president want states to use their surpluses to help make up the shortfall in federal funds. But he said Nevada's surplus isn't enough to handle that.

And the state workers' spokesman predicts some unusual allies will come out of the budget-cutting process, including the nation's governors and budget officers and various government employee groups.

Insure Drivers, Not Cars Says Bob Thomas In Proposed Law

An interim legislative subcommittee is considering a plan to change Nevada law so that drivers rather than vehicles are insured—a concept already in the trucking industry.

Auto insurance executives contend

such a change would result in a bureaucratic nightmare and increase insurance rates. And they argue families would suffer since each driver would be required to buy his own insurance policy.

But Assemblyman Bob Thomas, the subcommittee chairman, says something must be done by the 1987 Legislature because the existing system of mandatory coverage of vehicles "is inadequate and unfair."

Thomas, R-Carson City, says the subcommittee will try to come up with a plan that will have a "minimum impact" on the insurance industry and that doesn't saddle consumers with the big expense of changing from one system to another.

Thomas says he envisions a middle ground such as the concept of insuring a driver only for liability coverage. Additional coverage for collision, theft and other possible loss areas could be obtained on the vehicle itself.

One major advantage in issuing liability policies to drivers would be a method of checking, through the state Motor Vehicles Department, to verify the licensed drivers are insured, Thomas says.

That would go a long way in getting the uninsured driver off the streets, says Thomas, adding that his subcommittee "has heard a lot of horror stories about people getting hit by uninsured drivers."

The other extreme would be to simply erase Nevada's mandatory auto insurance law, and Thomas says he could favor that too. Instead of mandatory coverage, he says the state could deal with the problem of the uninsured driver by requiring a stiff jail sentence for those caught driving without insurance coverage.

Cap On Lawyers' Fees And Pain & Suffering Damages Proposed

The chairman of the Legislature's interim subcommittee studying the problem of spiraling medical malpractice insurance costs say one of the most controversial proposals suggested to the panel deals with a cap on "pain and suffering" damages.

Assemblyman Charlie Joerg, R-Carson City, says the suggested reform, backed by the American Medical Association, would limit such damages to $250,000. He said insurance companies and doctors support the lid, but lawyers and others say the cap would be unfair to people injured as a result of a doctor's malpractice.

A second controversial proposal would put on a cap on lawyer's fees in such cases, changing the current system that generally allows for a one--third contingency fee for attorneys.

Joerg said one plan is to set up a sliding scale so that fees as high as 40 percent would be permitted in the case of small awards, but the fees would drop to about 10 percent for the highest awards.

Doctors and the insurance industry say the fee limit would reduce the number of lawsuits filed against doctors. But Joerg adds, "That's subject to a great deal of debate." He says others argue that for many people the only way to get a good lawyer in a malpractice case is to have the existing contingency fee arrangement.

Joerg says both cap proposals were introduced in prior legislative session but were rejected. However, he said the plans may have a better chance in 1987 because there is broader interest in the entire question of liability insurance.

Joerg says the subcommittee has asked for more information and plans additional meetings with doctors, insurers, trial lawyers, businessmen and local government representatives in order to come up with proposals to be submitted to the 1987 Legislature.

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Southern Nevada

July Issue

Nevada Business Journal

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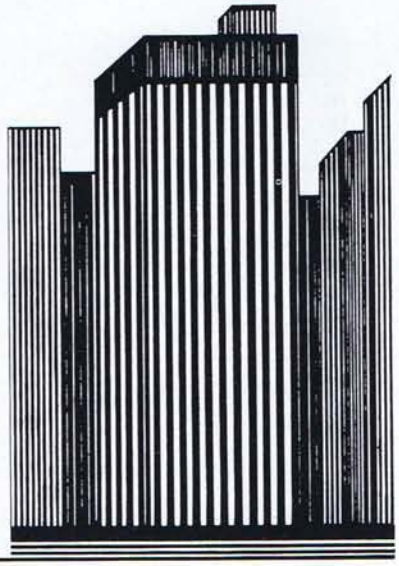
Office & Industrial Space Guide

Northern Nevada

August Issue

Nevada Business Journal

The most complete directory of Northern Nevada office and industrial space ever published.



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Father of Invention

(Continued from page 31)

bounces."

In fact, within the next five years, Griffith projects that with some 350 employees, he can once again concentrate his efforts on being an inventor first and a business man second. "Rather than trying to wear 15 hats daily, I'll be able to hire more people and train them in various aspects of the operation."

Greater travel is also in store for Griffith. Currently he is on the road about 10 days a month. But, with the increase number of orders and contracts worldwide, he expects to be away from home at least half of the month. When he is in Las Vegas, he will soon be able to enjoy his plush new home currently under construction on the city's far west side. Plans call for ornate stained glass windows, lavish oak bannisters and a beautiful city view from his second floor sitting room.

Griffith admitted that he was skeptical when he first moved his company to Las Vegas. "Before the Engineering School became reality, Las Vegas and Nevada have a legitimate serious base to be a viable high technology center."

He continued, "I'm happy with Las Vegas now. I can see Silicon Valley starting all over again."

America Northwest Executive Vice President Misty Williams quips that, "It takes alot of patience, too, to work with an inventor."

"Sometimes, we might be in a corporate meeting and I will notice Ed's attention has drifted. I've come to accept this. And, sure enough, within a day or two, he has an idea for some new device," she said.

Griffith has also become one of the influential business leaders in Nevada's academic community. Williams noted that Griffith has given lectures and held instructional seminars for students of UNLV's Engineering School.

"He has also jumped on the bandwagon to keep academic excellence in Nevada by assisting engineering students with background for their thesis papers," she said. "And, by helping the students of today, he is helping the Nevada of tomorrow."

"There is a definite interest in in-depth business news. But television forces you to stay with the basics."

Al Lundeen, KTVN, Las Vegas.

(Continued from page 23)

had with Citicorp, a frequent newsmaker in 1985. "We gave a lot of coverage to their new (credit card facility), and after it opened they refused any camera tours."

Citicorp claimed there were "reasons of security" in a Las Vegas Review-Journal article, a claim Ballin described as "preposterous."

Among the complaints there were also compliments. Bob Warren, executive director of the Nevada Mining Association (and a former journalist), believes television has been aware of the mining industry's importance to Nevada, and says the newsmen he's encounter had "adequate knowledge to raise good questions and publish an accurate story."

Shelby Dill, former executive director of Economic Development Authority of Western Nevada, is more enthusiastic. EDAWN was established to help Nevada diversity its gaming economy, and Dill feels the efforts of the local TV news "made my job a whole lot easier. The coverage has been fantastic."

When there is a problem, it usually involves the television camera. Al Lundeen finds corporate executives "still shy away sometimes. Some will talk to you on the phone but not on camera."

"They're always a little concerned," adds Jackson, "they want to know the questions ahead of time. They think we're going to throw them a loop."

". . . they do not devote enough time to educating the public. They have no interest in doing that."

Domic Camerlengo, KLVX's Financial Forum."

"The camera is an intimidating force," explains Lundeen, "A picture carries an emotional power. It can reveal more about you than what you're saying."

Stoldahl, news director at KLAS in Las Vegas, once again takes a different view. "The only executives who are intimidated are those that deserve to be," he said.

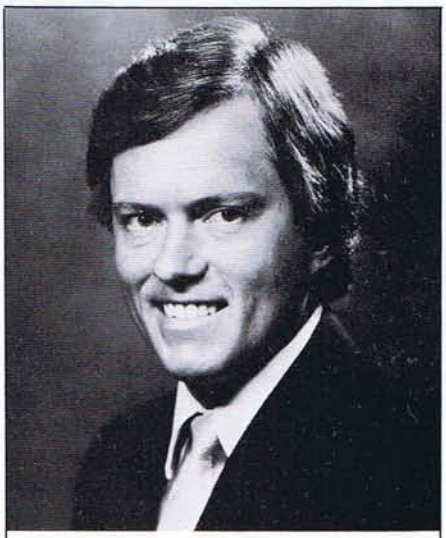
Most media personnel do agree on one point — the general public is more interested in business stories now than ever before. Stoldal described all local news shows as consisting of the same basic components — headlines, weather and sports. The few minutes that remain are devoted to "what the audience tells us they'd like to see.

It is partly due to this increased public interest that KLVX (Las Vegas' PBS station) is returning "Financial Forum" to their broadcast schedule in April. "Forum" was the only series in Nevada to deal exclusively with Nevada business. It ran for sixteen weeks during the summer of 1985, and was "very well received," according to creator/host Dominic Camerlengo.

KLVX program supervisor Ruth Uhls wasn't sure the program was necessary. "We were already running 'Wall St. Week,' 'Adam Smith's Money World' and other (syndicated) business shows. But we kept hearing from viewers that something was needed for the local community."

Camerlengo proposed the idea for "Financial Forum," though something similar had been suggested several times before. Besides interviews with local business leaders, Uhls plans to add taped segments on various topics and more consumer information to the revamped 30 minute broadcast, plus an up-to-the-minute report on local stocks. Camerlengo would like "individuals from the community to appear on the show and tell people about local investments that went sour. They could talk about what to watch out for."

Camerlengo described reactions to the show from the business community as "leery, at first. No one wants to be seen tying in with something untested." Since its premiere the show has featured representatives from Valley Bank, New York Life, Caldwell Bankers and IDS American Express.



"We'd like to do a regular business feature, but there aren't enough trained people at the station."

Bruce Jackson, business reporter for KOLO, Reno.

"Local news shows do a pretty good job with news-breaking stories," says Camerlengo, "but they do not devote enough time to educating the public financially. They have no interest in doing that. (On the show) we can select a topic, start with the basics and then go in-depth."

"Financial Forum" is scheduled to run for thirteen weeks. If sufficient funding is available, Uhls predicts it will probably run longer.

Nevada television and Nevada business seem to be getting along better than their national counterparts, but detente will only continue if both sides recognize their mutual needs and responsibilities. The broadcast media would like it known that cameras are a necessary tool of their trade, and they can only report the facts if someone is accessible to give them.

The business community hopes that television can fulfill their watchdog role without muckraking, and will not disappear if the business news happens to be good.

For the latest on this ever-changing relationship, tune in tomorrow, same time, same channel. □

Nevada Gold Mining

(Continued from page 36)

mining. In addition, the state's minerals sector provided 100% of the nation's magnesite, 99% of its mercury, 83% of its barite, and significant quantities of several other metals and minerals.

The State of Nevada's revenues from the minerals industry have increased steadily over the past eight years (see Table 3), amounting to over $18 million by the end of 1984. The industry also contributes a significant amount of capital to the local economies throughout the state, since most of the major producing mines are located in rural county areas. Many of Nevada's smaller towns are dependent upon mining as their primary source of revenues, employment and economic activity.

Contrary to some commonly-held misconceptions about mining, the industry is a business much like any other basic industry. Unrestricted or irresponsible mineral development activities are a thing of the past, and today's modern mining industry utilizes the most efficient technology available to guard against any undue degradation of the environment. Surface reclamation plans are a necessary part of operational planning, and most operating mines have ongoing programs for reclamation and restoration of the land as the work progresses.

Since gold mining is the mainstay of Nevada's mining industry, it also provides a major percentage of the state's minerals-related employment. According to the Nevada Employment Security Department, mining employment stood at roughly 7,100 workers as of July 1985 — up from about 6,800 in July 1984. This net increase in mining employment came at a time when several large base-metal and silver mining operations were being shut down or put on standby as a result of the severely depressed metal and mineral prices.

According to John Schilling, Director of the Nevada Bureau of Mines and Geology, overall mining employment in the state might be somewhat higher than these figures would indicate. He said the number of new mines being developed, and the related increase in construction, exploration and other activities, would more than offset employment losses resulting from mine closures and would actually produce further gains in mining employment. He also noted that Nevada's 1985 gold production would be significantly higher than the amount produced in 1984, but said the preliminary figures will not be available until mid-to-late spring 1986.

Dr. James Taranik, dean of the Mackay School of Mines at the University of Nevada-Reno, recently estimated that Nevada's gold mines will be producing $1 billion annually by 1990, over double the amount produced in 1984. On the down side, he is expecting base-metal production to decline to about $25 million by 1990, roughly half of its 1984 value. He estimates, however, that the state's total mineral production will exceed $10 billion in this decade, about twice the amount produced in the preceding one hundred years. In addition, he expects the total value of mineral production to reach $22 billion between now and the end of this century. □

American Gold Coins Worth More Than Face Value

Everyone probably knows by now that after 53 years the United States is once again going to ming gold coins beginning October 1.

Since the Krugerrand is no longer in production, the American gold coins should become a much saught after collector's coin. The new law will allow anyone, including Americans to guy gold coins minted by the U.S. Treasury. This should have an impact on the amount of American money flowing abroad, considering that just last year Kruggerand imports amounted to almost $600 million. And to the state of Nevada, is should have an important impact on the mining industry since the law also states that the coins must be minted from newly mined ore.

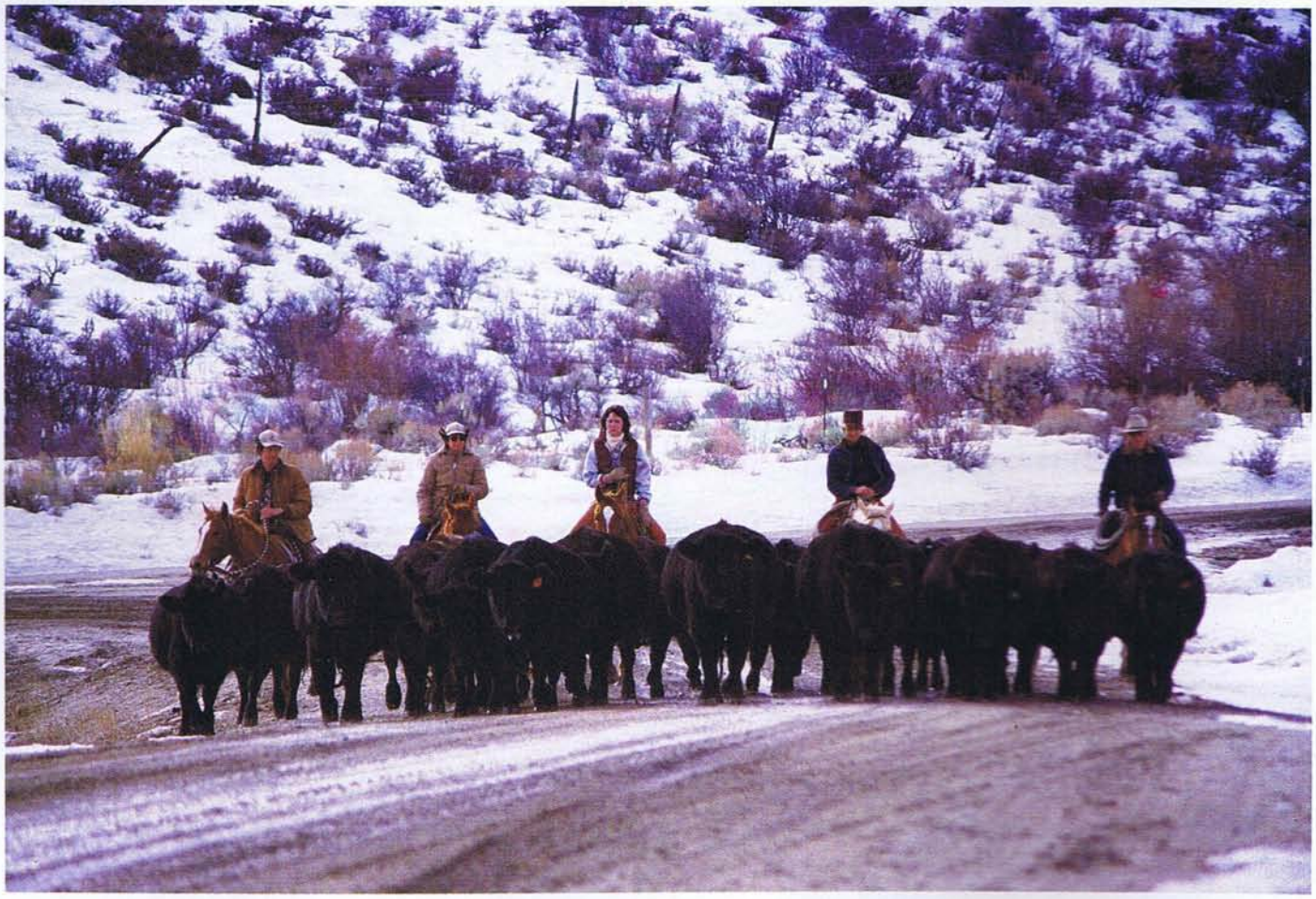
In other words, they can't just melt down the gold at Fort Knox.

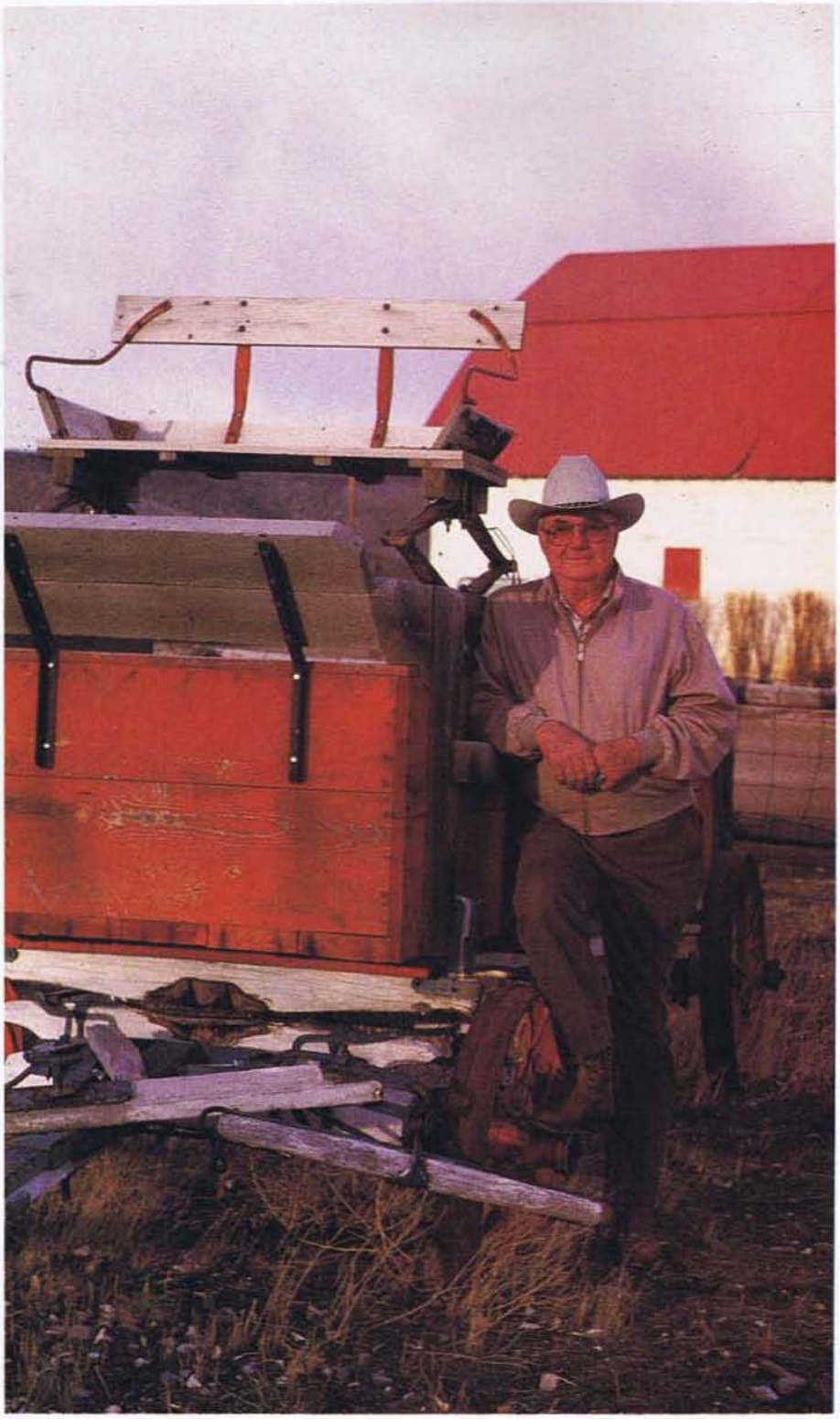
The coins will be minted in denominations of $5, $10, $25 and $50. But these are, after all, coins of gold. So what will they actually be worth. Experts estimate the coins will range in value from $32 to $320 at the current gold prices.

Root Hog Or Die

Rather than looking for scapegoats some ranchers tighten their belts and combine old fashioned hard work with innovative problem solving.

By Catherine Arnold





"You work so dern hard to get 'em here alive. You watch 'em all night and all day. Then they turn around and get the scours and die."
Sandra Sharp, (left), Black Angus Ranch in Secret Pass.

"Everybody's gonna just have to root hog, or die."
Wayne Marteney,(above) former president of the Nevada Cattleman's Association.

"There isn't a cotton pickin' thing wrong with ranching today that $15 or $20 dollars more a hundred weight for cattle wouldn't take care of and that's just not in the picture right now."

Wayne Marteney was last year's president of the Nevada Cattleman's association. Wayne retired from ranching three years ago. For 12 years he had managed the Maggie Creek Ranch Inc., a large spread of 6,000 head, owned by Chicago investors. He has been in ranching most of his life. Wayne Marteney cares about ranchers and the future of the beef industry. He's talking business, but his voice rises and falls with emotion and the musical inflection and timbre that is inseparable from sagebrush and blue skies.

"What's really hurtin' the rancher today is that the price of livestock is down but the cost of equipment, the cost of labor, the cost of insurance and everything that he buys is up. For instance in 1974 a swather cost $17,000 today it costs $47,000. A tractor that you bought ten years ago cost twelve or maybe fourteen thousand dollars; today it costs $35,000. But the price of beef is where it was ten years ago."

"I think in time it's gonna have to come to supply and demand. Everybody's gonna just have to root hog or die, as the old saying goes; just get in there and dig. So many people have run on the enhancement of their property. They borrowed money on it when property was up and that's what they've been runnin' on for years and it's just about come to an end and that's the truth."

Though the beef industry is in trouble it still provides a substantial portion of the income in Nevada. The importance varies from one county to another. In the rural counties as much as 26% of the work force is employed by agriculture. The average for the state, excluding Washoe and Clark Counties is 4.6%.

The trend toward smaller herds, owned by "weekend cowboys" who have another source of income has been noteworthy in some states but minimal in Nevada. Only 1% of Nevada's beef is raised in herds of less than 50 head. Herd size ranges up to what the USDA statisticians classify as "2,500 and over" with the

A FAMILY RANCH: Leslie and Sandra Sharp of the Black Angus Ranch ride with their daughter Tammy (center). Tammy studies agriculture at NNCC and related computer courses, and wonders if there is a future in ranching.

median being somewhere around 600 head.

Not every year since 1974 has been a losing year for cattle producers. In the mid-seventies we saw heavy liquidation of the beef herd which peaked in 1976. As a result, beef prices rose to a level that was comfortably above the break-even point for producers. For two or three years ranching looked like a good business and land values reached a high point.

Rising interest rates and a sagging economy caught up with ranchers in the early eighties. Land values fell along with the price of beef. Some analysts say that a sharp increase in the size of the herd (the number of beef animals in the nation) which occurred in the late seventies also contributed to the drop in price in the eighties. Although many ranchers are concerned about the apparent decrease in demand for beef products, of equal importance in effecting prices are considerations on the supply side of the equation.

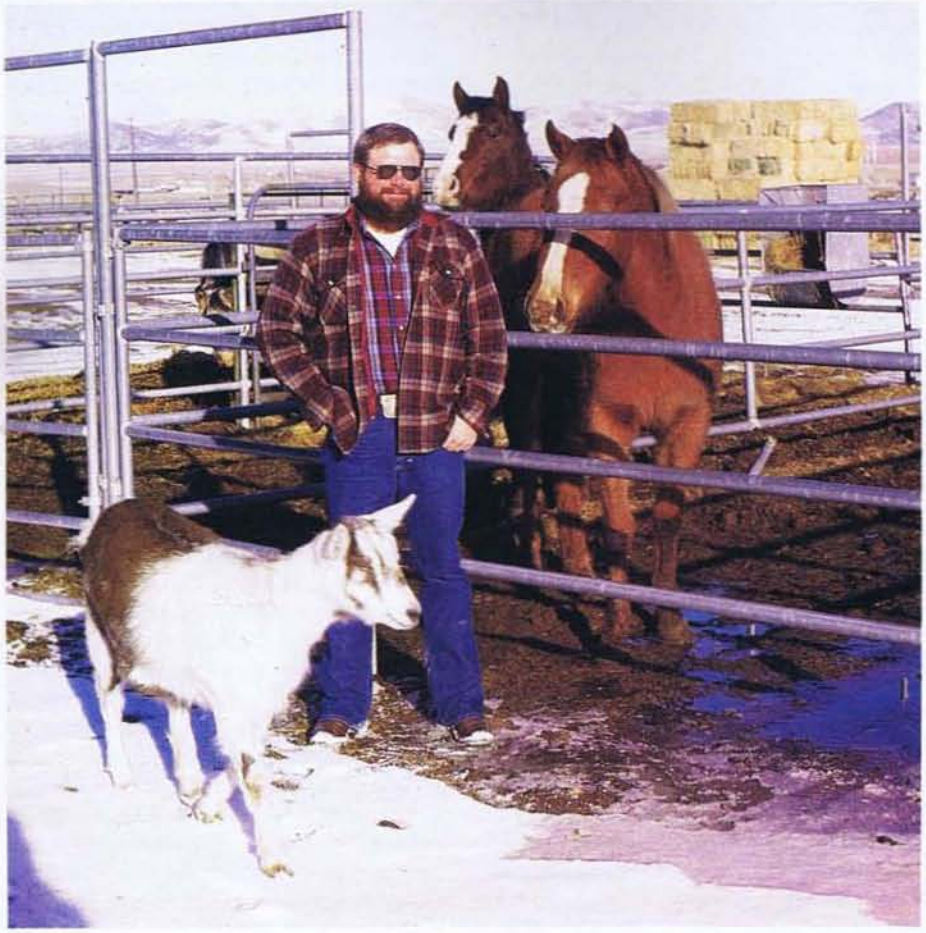
In many industries oversupply is a problem that takes care of itself; if a manufacturer is losing money on widgets because of oversupply he will change over to producing sprockets for as long as it is profitable. Ranching, especially in Nevada, doesn't work that way for several reasons.

In Nevada most ranch land really has no alternative use. It is high desert land, sometimes covered with snow for six months of the year. There is no possible agricultural use other than grazing. Diversification requires real creativity and even with that creativity the resources just aren't available to most ranchers.

The other alternative, when prices are down, is to sell out. Even a modest family ranch with 300 to 400 head of cattle will sell for $350,000. Invested wisely this capital could produce an income a good deal more comfortable than the maybe break-even status most ranches face today. The problem is that when incomes are down there are few buyers for ranch property; when times are good the quintessential rancher makes hay as fast as he can.

Decreasing supply would require the cooperation of most of the producers. Many other agricultural industries have organized with beneficial results. Poultry, cranberries and oranges are good examples where cooperatives or large corporations have used their muscle and created production and marketing strategies which saved their industry.

Sitting at Sunday dinner after a morning spent feeding their livestock in the snow from a horse drawn hay wagon on runners, the family of Leslie and Sandra Sharp talked about ranching. The subject turned to cooperation among beef producers. Leslie Sharp looked the conservative, thrifty and industrious rancher that he is in his work clothes and vintage horn-rims, his grey hair in a no-nonsense crewcut. His ideas are



"It's a tough decision when you could just as easily go out and sell the place and let your parents retire. But we decided to go for it to the end."

Agee Smith set the Cottonwood Ranch on the road to recovery by involving outside investors.

surprisingly progressive.

"We've got to merchandise our own product. Cut out the middleman. We've got to have new products; quick prepare items like microwave products. We really lost ground because chicken has done so much merchandising and product development.

The ranchers are too independent. They won't join together. They like that kind of life—doing it their own way. But there's a limit to that. If you're going under I think they'd realize that it's going to do a lot for them to work together."

There is a group attempting to organize with such goals in mind. Wayne Marteney and two other Nevada ranchers attended a conference in Des Moines, Iowa with representatives of eleven cattle producing states. They have commissioned a feasibility study to determine the possible benefits of a cooperative effort by producers to market beef directly through their own retail outlets.

Such strategy may help the struggling producers but it will be too late for some. Kelly Buchner, President of the Nevada Livestock Production Credit Association, the "PCA," the major farm lender in the state, has analyzed the situation.

"If the current conditions exist for two or three more years, we're probably looking at 20 - 25% of the operators not being able to stay in business. They'll have to liquidate. That's not to say that only 20 - 25% of the ranchers have problems. There's a real severe cash flow problem in the livestock industry right now."

"The people in the livestock industry that are best able to survive the situation that we're in now are those with very little debt."

Indeed, the answer to the question of who will survive always gets around to debt. During the inflation of the seventies ranchers were able to borrow heavily on land values. As borrowing interest rates climbed and land values declined sharply it became impossible for many to service their debt, forcing them to sell out.

The ranch with a low debt load is likely to be the family ranch that has not changed hands in twenty years or more. If such an operation also has sufficient manpower in the family to avoid hiring labor then they are in a good position to ride out the current slump in the industry.

This brings us right back to the dinner table with the Sharp family. Their Black Angus Ranch lies in Secret Pass where winter winds can reach 80 to 100 mph and you can count on snow cover for at least six months of the year. You would expect to find ranchers who survive here to be a rare breed and you would not be disappointed in the Sharps.

"The weather really gives us a bad time, especially where we're at. It's about the coldest, highest place you can get." Leslie doesn't sound like he is complaining: he's just stating the facts. His wife, Sandra, like the rest of the family has not an ounce to spare on her stately frame. You begin to understand why as she describes, with an ironic twinkle in her eye, their rigorous annual work schedule.

"You work so darn hard to get 'em here alive. You watch 'em all night and all day. We're up every two hours during the night watching those calves. You get 'em here alive and then they turn around and get scours and die. As soon as you get all that done you finally get the cattle out, then you gotta start on the equipment and then it's haying and it's riding and rounding up the cattle and processing them and then its Christmas."

They go on to discuss the many forces that seem to be working against them. Of course climate isn't something you can alter, but the price of beef, the cost of production, the endless involvement of government and the sagging demand for their product are topics that are throughly discussed whenever ranchers take a break from their labors.

Like nearly all ranches in nevada, the Sharp's are heavily dependent on

Black Angus Ranch in Secret Pass where winter winds can reach 80 to 100 mph,and you can count on snow cover for at least six months of the year.

government land for grazing in Spring, Summer and Fall. 85% of the state of Nevada belongs to the federal government and is managed by the Bureau of Land Management or the National Forest Service. Ranchers pay to use this land in a system in which "animal unit months" (AUM's) are alloted to each rancher based on the amount of his personally owned land, usually adjacent to the federal land, and taking into consideration the amount of grazing the land in question can support. "AUM' means grazing for one cow, or one horse or five sheep for one month.

Various proposals are now being considered for increasing the cost per AUM from it's present level of $1.36 to rates that range as high as $6.00. How would this effect Leslie Sharp?

"We are paying all we can right now. We'd have to cut our numbers way back to what we could run on private land and that wouldn't be enough to survive. You'd have to sell out I guess."

This reaction is typical of many Nevada ranchers who could not survive without government land. In fact the Sharps are in a better position than most. Leslie, who has been managing his ranch for over thirty years with no debt says:

"We've been lucky; we haven't had to borrow money. We try to get by without it. I think the only thing is a car here I bought on time. Everybody's got to have nice cabs and stuff on their tractors—radios, air conditioners and heaters. Look around the area and everybody's got nice tractors. We don't have. Ours are ancient."

Sandra adds, "All of our vehicles have been bought right on the spot. That's why we've still got the old car and the old truck. And we don't use swathers. We use three little mowers and cut it flat and rake it up."

Leslie Sharp can talk about luck if he wants to but the more stories you listen to, the more you suspect that good old Yankee thrift and ingenuity have played their part. They talk about saving money during the good years an watching the savings eaten up in the hard years.

Then there was the year that the heavy numbers of deer, rabbits, ground squirrels, and grasshoppers combined with a dry and unfavorable growing year wiped out the grass before the cows could even get to it. Like money in the bank, hay saved from previous years got them through.

"It's been close at times but we've been pretty lucky and never had to buy hay. Sometimes the cattle didn't eat much for a few days. They learned to snowplow to find grass."

The three Sharp children, seated around the table, are an asset to the ranch. All in their twenties, they profess a desire to stay in ranching and a love for home and hearth that is downright astonishing. You might expect at least one maverick in the herd.

Tammy, at twenty the youngest, a willowy 6 ft. with shiny dark hair and an ivory complexion, could probably do nicely at a modeling career if she ever tires of punching cattle.

"I'd like to stay on the ranch. But it's hard to say if there's any future in it. I've taken some computer courses at NNCC in Elko. I'll probably take some agriculture courses too. We are thinking about using a computer to keep our records. I choose classes that will help on the ranch."

Her older brothers, Randy, 24, and Kenyon, 22, each have had two years of college and chose courses of study that will help the family enterprise. Randy, who studied welding, works at Tonkin Springs Gold Mine 50 miles to the South. He lives at the isolated mine site in a travel trailer and comes home on weekends to help out. The only reason he gives for an uncertainty about his future in ranching is a lifelong struggle with allergies.

Kenyon, The only child home full-time presently, seems very content there.

"I lived in Elko for eight months and that got boring; nothing to do. Here you can hunt, fish, trap, ride dirt bikes or snow mobile when you have time."

Everyone chimes in to make the point that there is not much "free" time. The boys are kept especially busy, as Sandra explains.

"We always try to keep one boy on the ranch, so while Randy was gone to CSI for two years, Kenyon was still in high school. Then Randy stayed on and Kenyon left to go to school."

"Oh yeah, Lee puts them to work on what they learned. Kenyon works on all the vehicles and Randy does all the welding. In the barn we have pens for the calving. We use steel gates and Randy built all of them and we have ten pens when you put them all up."

For the Sharps ranching is a way of life. As tightly run as their operation is, they still have doubts about the future mainly because of their dependence on government land. It is nearly impossible in Nevada to find a rancher who doesn't lose some sleep over the struggle with the government. The big worry is the cost of AUMs but that is not all.

Government subsidy of the liquidation of dairy herds has effected the price of beef. Many cattlemen are angry about that. Then there is an ongoing clash over water rights.

A frequent source of friction is the relationship between ranchers and government range managers. However, people on both sides report an improvement in relations between the partners in this unholy marriage since BLM policy seemed to soften with the change in administration in 1980.

When pressed, most producers admit that all of these problems would fade from consciousness if beef prices just would come up. Rather than looking for a scapegoat, some operators tighten their belts and combine old fashioned hard work with resourceful problem solving. Agee (pronounced "A. G.") Smith is such a visionary. The Cottonwood ranch, adjacent to the Jarbidge Wilderness Area in Northeastern Nevada between Wells and Jackpot, has been in the family for about 80 years.

When Agee's parents, Horace and Irene, moved into the ranch in 1952 they took on a burden of a sizeable debt. Creativity and careful management have kept the ranch going. Horace began to supplement the ranch income by leading pack trips into the Jarbidge Mountains. From that beginning the Cottonwood Ranch expanded into the tourism industry to become a "Dude" ranch.

Today tourism and beef production combine to keep the ranch alfoat—barely. About 85% of a year's total feed comes from grazing on government land. The ranch owns or leases about 4,500 acres of private land and runs on 85,000 acres of public range land. Part of this land is in Idaho where winter pasture has recently been leased. Agee, thirty-four, spare and bearded talks about the decision they reached two years ago.

"It was tough times before that. It's a tough decision when you could just as easily go out and sell the place and let your parents retire. Should you put yourselves in jeopardy by hanging onto it longer with the value of ranches going down daily? So everybody got together and pooled their thoughts and decided to go for it to the end."

"Everybody" includes the five families, headed by Horace and Irene Smith and their four children, who now live on the ranch or have a business interest in it. The plan, Agee's brainchild, was to save the beef operation by involving outside investors.

"We had a place that was capable of running the cows and we had the years of managing experience. Didn't want to go out and put any more debt load on the place to bring the cattle herd up to maximum. It was a logical step to go out and find the people who want a ranching experience without buying the ranch."

Ask someone involved in ranch finance for a good example of a place that has taken advantage of investor capital and knows how to keep investors happy and it's likely that they will mention the Cottonwood. The idea of finding investors to buy the cows, not the ranch, and using a professional marketing approach to find investors is not widespread; but the Cottonwood Ranch program is being closely watched. Their success could encourage others to do the same thing. An appealing brochure for investors begins with an introduction:

"A unique investment opportunity in the heartland of America. While many investors are scouring the Wall Street Journal and scratching their heads over which high-tech firms will be the IBM's and Apples of the future, there are a handful who are discovering there's a good deal of sense in looking to our past."

There is no question that the venture is appealing to those who want a legitimate, but not dramatic, tax shelter. Is that the motivation for most investors? Agee Smith philosophizes:

"I have yet to run into one that doesn't look at tax sheltering as secondary. They always look at the investment for the income potential. If you can shelter money in the process, then that enhances the investment."

"If you are an investor and if you are going to make a smart, wise investment you need to look at an industry that's going to be around a while. The cattle industry is going to be around, that's all there is to it. It's got a lot of problems; but people are still going to eat beef. If you look at the cattle numbers in the country, they're where they were in the 60's. They're in a liquidation phase right now and still going down."

Analysts agree that the downtrend in numbers will lead to higher market values. The uncertainty is over just how soon this will begin to occur. The Smiths and their investors are betting that the bottom will soon be reached.

With 800 head of cattle now being managed for investors, the operation has grown faster than anyone anticipated. In order to tap a national market of prospective cattle investors, the Cottonwood Ranch Inc. is now in the process of applying for registration with the Securities and Exchange Commission.

Another sign of growth is that Cottonwood Cattle Inc. has hired Mike Racine to coordinate the business side of the enterprise. Mike has a BA in range economics and is completing his Masters Degree in Agricultural Business.

"In agriculture, if you don't have a good grasp of your costs and of how your business runs, you can spend more dang money in a short time . . . It's scary how fast money can fly out of the place."

"So you need both. I have people who are excellent in husbandry and now we have someone who can shore up the business end. It used to be you could go out and work your tail off and take care of your cattle and make it and they were your paycheck and that worked. Now you still need the people doing that but you need someone on the other end with a sharp pencil. The profit margins are so narrow now you have to maximize all of your opportunities to show any profit."

There is no doubt that the cattle industry is in trouble now and that operators will continue to go under. Who will survive? Surely Americans will continue to eat beef. Who will be the producers of the future? Perhaps some will be those who know how to "roothog or die" as Wayne Marteney put it. Perhaps others will be the ones who can change with the times as Agee Smith suggests:

"The world goes on and you've got to keep up with it," Marteney says. "That's all there is to it. I think one of the reason that agriculture is having so much trouble is that they haven't kept up and all of a sudden they're being forced to and there's some real problems. There's some real sad stories out there—some real sad stories." □