

THE SPOKESMAN-REVIEW

WEDNESDAY, JULY 11, 2012



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GRILLED GOODNESS

RESTAURANT TAKES CLASSIC SANDWICH TO EXTREME HEIGHTS FOOD, C1



Suspected brothels raided

Eight massage parlors and day spas targeted after yearlong investigation



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Joe Jean's Oriental Health Spa at 2712 N. Division St. was among eight suspected brothels raided on Tuesday.

By Meghan M. Cuniff
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A yearlong investigation into widespread prostitution in Spokane County culminated Tuesday with raids at eight suspected brothels in what authorities say is an attempt to permanently close

the longtime businesses. Complaints from Northern Quest Casino officials about prostitution activity prompted the Airway Heights Police Department to conduct undercover stings of suspected prostitutes who in turn agreed to work as confidential informants. Police learned of websites that

advertised prostitution services and realized they were connected to businesses in Spokane that appear to be day spas and massage parlors but are actually fronts for brokered sex deals, said Lee Bennett, Airway Heights police chief. Local agencies and federal investigators are assisting in the probe. "We don't believe that anyone is going for a legitimate massage," See **RAID, A12**

\$800 million

Cost overruns related to licensing delays for nuclear Plant Vogtle in eastern Georgia.

\$4.5 billion

Possible cost of long-mothballed Watts Bar nuclear power plant in eastern Tennessee. It was initially budgeted at \$2.5 billion.

\$670 million

Cost overruns for nuclear Plant Summer in South Carolina, which is expected to cost around \$10.5 billion.

Celebrating rail heritage



TYLER TACKLAND tyler1@spokesman.com
Bruce Juneau, a train historian with the Inland Empire Railway Historical Society, checks out Union Pacific 949, an E9 streamliner locomotive, at the downtown Amtrak station on Tuesday. "I've always loved trains; I grew up around them," he said, jotting down engine and car numbers and reciting facts about their histories. "I wanted to be an engineer, but medical problems forced me to stay off the rails."

Union Pacific adds Spokane to Train Town USA registry

By Justin Runquist,
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About 1,500 people showed up at the Amtrak station on Tuesday to celebrate the 150th birthday of America's largest railroad network, the Union Pacific.

The turnout included train enthusiasts, model train collectors, current and former railroad workers, and families with generations of history

in the industry.

In recognition of the role Spokane has played in the growth of the rail lines, company officials awarded the city membership in Union Pacific's new Train Town USA registry. The membership marks the city as a place of historical significance to the railroad.

Spokane is the 18th city to join the registry and

See **TRAIN, A12**

COSTS RISING ON NUKE PROJECTS

Japan meltdown, cheap natural gas hurt nuclear revival

By Ray Henry
Associated Press

ATLANTA — America's first new nuclear plants in more than a decade are costing billions more to build and sometimes taking longer to deliver than planned, problems that could chill the industry's hopes for a jumpstart to the nation's new nuclear age. Licensing delay charges, soaring construction expenses and installation glitches as mundane as mishapen metal bars have driven up the costs of three plants in Georgia, Tennessee and South Carolina, from hundreds of millions to as much as \$2 billion, according to an Associated Press analysis of public records and regulatory filings.

Those problems, along with jangled nerves from last year's meltdown in Japan and the lure of cheap natural gas, could discourage utilities from sinking cash into new reactors, experts said. The building slowdown would be another blow to the so-called nuclear renaissance, a drive over the past decade to build 30 new reactors to meet the country's growing power needs. Industry watchers now say that only a handful will be built this decade.

"People are looking at these things very carefully," said Richard Lester, head of the department of nuclear science and engineering at the Massachusetts Institute of Technology. Inexpensive gas alone, he said, "is casting a pretty long shadow over the prospects"

See **NUCLEAR, A12**

Roll-your-own cigarettes put out by state, fed taxes

Machine owners must now obtain federal licenses
By Jim Camden
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About 16 months ago, Mohammad Khan at Spokane Cigar bought a roll-your-own cigarette machine that slowly but surely developed a following among his customers. By last month, it was producing and selling as many as 10 cartons a day to people who liked the lower-

cost cigarettes. Now, thanks to state court rulings and the federal highway bill, that \$33,000 machine has become little more than "an expensive paperweight," he said. It was moved to a back room in the North Division store and may never roll another cigarette. See **CIGARETTES, A12**



DAN PELLE danp@spokesman.com
Mohammad Khan, owner of Spokane Cigar, has moved his \$33,000 roll-your-own cigarette machine into a back room.

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FROM THE FRONT PAGE / BUSINESS

RAID

Continued from A1
Bennett said. "We have not found any typical massage-type equipment in these spas."

At least five people who own four of the suspected brothels were arrested Tuesday, and more arrests were expected. The brothels belonged to the owners were searched, along with six businesses in Spokane and two in Spokane Valley. Many of the businesses have been operating for years along busy streets.

Customers were present during some of the raids, which occurred simultaneously at noon, but they were not arrested on what would be misdemeanor charges of soliciting prostitution, Bennett said. Authorities are focusing on the business owners, who face felony charges of promoting prostitution as well as money laundering and criminal profiteering. Store managers also may be charged.

"We're wanting to curtail the activities of these spas," Bennett said.

Yong Cha Kassim, 62, owner of Joe Jean's Oriental Health Spa at 2772 N. Division St., braggad during her arrest that she'd been in business for 30 years, Bennett said.

Also arrested were Tony Ray Day, 36, and his mother, Chin Sim Day, 68, who own Oriental Spa North at 827 E. Francis Ave.; Insti Argo, 59, who owns Starlite at 2829 N. Market St.; and Jessica Vargas of Moses Lake, who owns Absolute Spa at 9315 E. Trent Ave.

Bennett said 200 to 250 women are sent through the spas. Spokesans have reported earning about \$6,000 a month while some of the businesses earn about \$10,000, Bennett said.

Bennett said the women range from 20 to 40 years old. Police have not found any underage girls, nor have they found women being held against their will, but the investigation is ongoing.

"We're hoping that people will come forward to talk to us about that," Bennett said.

Bennett said he doesn't believe large prostitution rings are unique to Spokane County.

"I think it happens in every city in the United States, and the larger the metropolis, the more you're going to have it," Bennett said. "I think a lot of people are spending money on places they shouldn't be spending money on."

Bennett said informants were crucial to the investigation and al-

Operation Red Light

A raid was conducted simultaneously on eight suspected brothels by a multijurisdiction law enforcement task force on Tuesday.



BUSINESS	OWNER	AGE
1 Oriental Spa South 515 S. Maple St.	Diana P. Welch	51
2 Far East Spa 215 E. Sprague Ave.	William R. Westover	40
3 Joe Jean's Spa 2772 N. Division St.	Yong C. Kassim	62
4 Asian Spa 3130 N. Division St.	William R. Westover	40
5 Oriental Spa North 827 E. Francis Ave.	Chin S. Day/ Tony Day	68/ 36
6 Starlite 2829 N. Market St.	Instuk Argo	59
7 Montana's Spa 7415 E. Trent Ave.	Brandy L. Birkland	41
8 Absolute Spa 9315 E. Trent Ave.	Jessica Vargas	27

SOURCE: Airway Heights Police Department

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lowed them to learn how the spas operate. Some have security screenings that require references. Bennett said police working undercover arranged to meet prostitutes at Northern Quest, then arrested them after brokering a proposed sex deal. Prostitutes and Johns then agreed to work as confidential informants.

Bennett said one informant officer was targeted for robbery by

a prostitute he'd arranged to meet. "There's probably a lot of robberies or other issues that are going on that are not reported," Bennett said. "It's all criminal-based. It's a criminal activity."

Major Craig Meild of the Spokane Police Department said undercover police investigations involving prostitutes can be difficult because the women attract potential customers by trying to

get physical before brokering a deal, knowing police won't do that.

"It's ethically, morally and even legally, it would be inappropriate for us to engage in what they call 'heat checks,'" Meild said.

Police have long suspected illegal activity at the businesses but haven't been able to prove it, said Officer Jennifer DeRuwe, Spokane police spokeswoman.

The investigation, called Operation Red Light, began 14 months ago and involved the appointment of a special investigator and prosecutor, a secretary and rare investigative technique in Washington state that's similar to a federal grand jury. Special inquiry judges have subpoena power.

Prosecutors have not yet filed formal charges. The suspects arrested Tuesday are expected to appear in court today.

It's not the first police raid targeting prostitution activity in Spokane this year. In February, police searched motel rooms in Airway Heights and Spokane as part of an investigation into a group of traveling prostitutes who said they were making good money here because of local competition is ugly.

In 2007, the operator of a large-scale Spokane escort service was arrested for laundering profits from her prostitution ring through Northern Quest Casino. Cheryl MacLaren was sentenced to 18 months in prison for money laundering, possession with intent to distribute cocaine and three counts of second-degree promoting prostitution.

Airway Heights police were assigned the most recent investigation by Kalspell Tribal Police, Washington State Gambling Commission, Homeland Security Investigations, U.S. Border Patrol, U.S. Marshals, Spokane County Sheriff's Office, Spokane County Police Department, Liberty Lake Police Department and Cheney Police Department.

"It's beyond my scope to do that," Bennett said. "This affects everybody. It affects every jurisdiction, every neighborhood in this community. And so we have to do something about it."

Jim Wynecoop, chief of the Kalspell Tribal Police, said he and his employees and his police force were committed to helping investigate prostitution at Northern Quest.

"And we'll continue, because it's not like not going to stop," Wynecoop said.

CIGARETTES

Continued from A1

"I'll give you a great deal," Khan joked Tuesday, but he turned serious when explaining he may have to cut staff.

The machines, which were once a growth industry in Washington as smokers sought to avoid one of the nation's highest cigarette tax rates, are essentially being put in mothballs by federal legislation that was signed last Friday and by state court rulings handed down a few days earlier.

The massive federal bill, designed mainly to start or continue major transportation projects, also has a provision that requires owners of the machines to obtain federal licenses like the

major cigarette manufacturers. Getting that license can take as long as a year, said Mike Gowrylow, spokesman for the state Department of Revenue.

Additionally, the stores must start collecting the same state and federal taxes on roll-your-own cigarettes that are assessed on commercially produced cigarettes.

The federal tax is about \$1 per pack for cigarettes; the state tax is another \$3 per pack, or 15 cents per cigarette.

Earlier in the week, the state Supreme Court dismissed a challenge to Washington tax law filed by the manufacturer and operators of roll-your-own cigarette machines. The operators had won the first round in the fight

over the tax in June, when a trial judge said the Legislature improperly extended the state's taxes on cigarettes to the roll-your-own machines.

But the state appealed, and the roll-your-own industry was ordered to post a \$200,000 bond to cover the taxes they might owe if they lost the appeal. When they didn't post the money, the tax went into effect as scheduled. After Congress passed the highway bill at the end of June, the machine distributors and owners argued with the Revenue Department to dismiss the case in state courts.

With the new state and federal taxes combined, the cost of a carton of roll-your-own smokes - 10 packs with 20 cigarettes each -

would go from about \$33 to about \$55, Khan said.

"That's close to the cost of a carton of name-brand cigarettes. The differential was what generated the steady rise in customers to the machines, he said, and made them popular among people with low or fixed incomes.

By some projections, Eastern Washington was going to have 55 of the machines by the end of the year, Khan said, and the Interstate 5 corridor as many as 100, some in stores set up just for roll-your-own business. That kind of growth is also what made Congress and the Legislature focus on roll-your-owns as a tax source.

Stores that relied primarily on the revenue generated by the

TRAIN

Continued from A1

the only Washington member. Union Pacific spokesman Brock Nelson handed Mayor David Condon a commemorative coin and a sign that reads "Train Town USA" and read a proclamation stating that Spokane's induction into the registry.

Condon said he took his oath of office under the Riverfront Clocktower in part to pay tribute to the impact railroads have had on Spokane.

"The Clocktower is what brought a lot of the Anglo Saxons to this area because of the railroad, quite frankly," Condon said.

Union Pacific, which stopped running passenger trains in 1971 but continues to run freight, brought restored locomotives and passenger cars from the height of passenger rail. Most of the cars were closed to public entry, but attendees could walk through an old baggage car converted into a traveling railroad museum to see old tools, read signs or watch videos about the roots of Union Pacific.

The collection, called the Heritage Fleet, mostly featured cars from the 1950s, but it also included the Shoshone, a business car built by Pullman Standard in 1944. The Shoshone is the only one of its kind in the fleet and was pricey way to travel in its day.

"These were kind of the premium tickets," said Thomas Lange, a Union Pacific spokesman. "They're not used as commercial passenger cars, the company still uses them for meetings with clients. The cars are set up to look like they did when they were in operation, Lange said.

The event was a nostalgic step into the past for many.

"A lot of people who come out and see these cars tell you stories about how their parents and grandparents used to work in the railroad and talk about the days when they used to ride trains themselves," Lange said.

A number of Union Pacific employees followed their parents and grandparents into the company.

"It's unique, because you don't see a lot of families who've worked through the generations at a lot of different companies. We've run into quite a bit of that."

NUCLEAR

Continued from A1

for construction of new nuclear plants.

The AP's review of pending projects found:

- Plant Vogtle in eastern Georgia, initially estimated to cost \$14 billion, has run into problems worth \$800 million in extra charges related to licensing delays. A state monitor has said bluntness that co-owner Southern Co. can't stick to its budget. The plant, whose first reactor was supposed to be operational by April 2016, is now delayed seven months.
- The long-mothballed Watts Bar power plant in eastern Tennessee, initially budgeted at \$2.5 billion, will cost up to \$2 billion more, the Tennessee Valley Authority concluded this spring. The utility said its initial budget under-

estimated how much work was needed to finish the plant and was needed by not completing more design work before starting construction. The project had been targeted to finish this year, but has been postponed until 2015.

- Plant Summer in South Carolina, expected to cost around \$10 billion, has seen delays by \$670 million, but with lower interest rates and cheaper-than-expected labor, the owners assert the project is still on or under budget. A deadline to put the first new reactor online has been delayed from 2016 to 2017; the second reactor is now eight months ahead of schedule, targeted for early 2018.

Southern Co. and others in the nuclear business say cost overruns are expected in projects this complex, and that they are balanced out by other savings over the life of the plant. Southern Co. expects

Plant Vogtle will cost \$2 billion less to operate over its 60-year lifetime than initially projected because of anticipated tax breaks and historically low interest rates.

Regulators have been trying to make it easier to build, encouraging the use of off-the-shelf reactor designs that get approval in advance. New construction techniques are supposed to require less in-the-field assembly, making building quicker and reducing human error. Interest rates and labor costs have been down after a branding recession.

"It's a down environment economically," said Steve Byrne, president of generation and transmission for SCANA's South Carolina Electric & Gas Co., one of the utilities building Plant Summer's reactors. "It's terrible for the country, but it's a great time to be building" a nuclear facility.

But the economy is also working against progress on new construction. The next company in line to build, Progress Energy, has pushed back construction plans for two reactors in Florida because of the economy, low demand and extremely cheap natural gas. It expects its first new reactor to be completed in 2015.

The plants burning natural gas are far cheaper to build than nuclear power plants. But utility executives say they need a diversified mix of power plants, including nuclear, because of concern over heavily on a single fuel such as natural gas backfires if prices rise.

The rising construction costs hit an industry already under financial pressure, after meltdowns last year at the Fukushima Daiichi nuclear plant after a tsunami in Japan. NRC Energy wrote off a \$481 million investment in two

machines have shut down. Khan's store sells cigars and other goods, but he says he can't just cut back. He's not sure if he'll have to lay off one employee or reduce all the workers' hours.

He said the state will now lose the sales tax and the tobacco tax the stores were generating because customers in Spokane will have a bigger incentive to drive to Idaho for cheaper smokes.

But Gowrylow said Washington expects to see a net increase of about \$12 million a year in revenue as smokers shift to the higher-taxed cigarettes. Driving across the state line to avoid taxes always has been an issue. It's illegal, he said, even though "there's not a lot of emphasis on catching individuals."

CHINA

Continued from A10

jewelers in Hong Kong are complaining about a decline in free spenders from China.

The slowdown has also crippled earnings at U.S. corporations that had been expanding in China, including Caterpillar Inc., Nike Inc., McDonald's Corp. and Yum Brands Inc., which operates KFC and Pizza Hut.

With a once-in-a-decade transition of top leadership looming in China this year, stability is paramount. Calls are growing for officials to buttress the economy through more spending and government stimulus.

But China's leaders must proceed carefully. The nation is still suffering the fallout from the last round of intervention fol-

lowing the 2008 global crisis. To keep the economy humming, Beijing spent billions on public works and encouraged banks to lend - easy credit that fueled a housing bubble and a surge of borrowing by local governments.

Some economists think Beijing will successfully steer the country back on track, perhaps as soon as the third quarter of this year. Others aren't so sure.

"The landing of China is becoming harder rather than softer," New York University professor and longtime bear Nouriel Roubini recently told Bloomberg. "It's the double-dip, hard landing of China, hard-landing of emerging markets and a war in the Middle East. Next year could be a global perfect storm."

FOOD

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caused a large drop in the share prices of major chicken producers, who are spread across the Southeast.

When supply is tight and demand is strong, prices rise. The price for future delivery of corn soared 29 percent in the three weeks that ended Monday, approaching the record prices set in June 2011 during flooding in the Midwest. Prices dipped a bit Tuesday ahead of today's update on corn crops from the USDA.

Additionally, prices for ethanol, a biofuel made primarily from corn, are at seven-month highs and producers are curbing production amid rising prices and falling demand from consumers, as gasoline prices have plunged in recent months. Financial wires report that hedge

funds and other speculators are flooding back into contracts for future delivery of corn, wheat, soybeans and similar products, anticipating volatile prices in the months ahead.

It all means that the prices of hard-boiled eggs, chicken nuggets, eggs and even a loaf of bread are likely to go up. It may happen subtly, but it probably will happen, much as it did in recent years as spikes in fuel prices fed into the cost of food production.

The Midwest isn't the only place where dry conditions are hurting growers. West of Lexington, Ky., Adrienne Lewis' family-run Cleary Hill Farm struggles with the unusually dry summer.

"Vegetables are drying up, even though we irrigate pretty much nonstop," she said. "Now it's not a matter of trying to get plants to produce; it's just hoping to keep them alive until we get

some rain."

How much this all translates to rising food prices for consumers is hard to gauge. Farmers now use genetically modified seeds that improve the plants' drought tolerance, and this summer is effectively a trial run for the technology. A well-timed rain and drought-tolerant plants could mean that things don't end as badly as now is feared.

"While there is a lot of speculation about a lot of nervousness, the reality is we won't really know until we start harvesting this fall," said Nathan Fields, the director of biotechnology and economic analysis for the St. Louis-based National Corn Growers Association.

Predictions of falling yields proved off during last year's flooding. Fields cautioned, and the same could happen with this year's dry weather.