

HOUSE COMMITTEE ON  
COMMERCE  
SUBCOMMITTEE ON  
TRADE AND ECONOMIC DEVELOPMENT

February 14, 1995 Hearing Room H170  
1:30 p.m. Tapes 8-9

MEMBERS PRESENT: Rep. Chuck Carpenter, Chair  
Rep. Gail Shibley, Vice-Chair

Rep. Michael Fahey  
Rep. Cynthia Wooten  
Rep. Eldon Johnson

MEMBERS EXCUSED:

STAFF PRESENT: Joseph Cortright, Executive Officer  
Jeri Chase, Office Manager  
Bobby Sullinger, Committee Assistant

WITNESSES: Thomas Costabile, Senior Vice President of Operations, Sony  
Corporation  
Russ Kunz, Director of Engineering, Sony Corporation  
Noreen Franz-Hovis, Director of Human Resources, Sony

MEASURES HEARD: Informational Meeting  
Business Recruitment - Oregon's assets and liabilities from  
the standpoint of businesses who have recently chosen to  
locate/expand in Oregon Communities

These minutes contain materials which paraphrase and/or summarize  
statements made during this session. Only text enclosed in quotation marks  
report a speaker's exact words. For complete contents of the proceedings,  
please refer to the tapes.

Verbatim Testimony before House Subcommittee on Trade and Economic  
Development

TAPE 8, SIDE A

001 CHAIR CARPENTER: Brings the committee to order at 1:49 p.m.

Informational Meeting - Business Recruitment: Oregon's Assets and  
liabilities from the standpoint of businesses who have recently chosen to  
locate/expand in Oregon communities.

002 CHAIR CARPENTER: Opens INFORMATIONAL MEETING on Business Recruitment.

003 CHAIR CARPENTER: "We had originally asked Cole Manufacturing and Intel  
to come in along with Sony to testify today, but because of the weather  
being bright and sunny and cold they couldn't make it. So, we are going to

hopefully reschedule them for sometime here in the next couple of weeks,  
but Sony was able to make it and we very much appreciate them coming down.  
We have with us today Thomas Costabile, Russ Kunz, and Noreen Franz-Hovis,  
all from Sony Corporation. Would you like to come up and talk to us today  
about Sony's relocation to Springfield, and the process that they  
underwent, and where things stand now."

014 THOMAS COSTABILE: "My name is Thomas Costabile. I am the Senior Vice  
President of Sony Corporation of America, and I'm also President of Sony  
Disc Manufacturing of Oregon and I carry about twelve other different  
titles as every good Japanese executive should. For the record, you need  
to state your name."

018 RUSS KUNZ: "My name is Russ Kunz. I am the Director of Engineering."

019 NOREEN FRANZ-HOVIS: "I am Noreen Franz-Hovis, the Director of Human  
Resources, and I only have one title."

021 COSTABILE: "What we would like to describe to you in the first part of  
the prepared presentation is a bit of the decision-making process as to why

the state of Oregon. Russ Kunz and I have been involved in this type of  
facility for Sony Corporation in six different countries. I have performed

this work for 21 years--I will soon celebrate my 22nd  
anniversary--internationally, throughout 38 different countries around the  
world. Most of which has been for CBS, CBS Records, and then the Sony  
Corporation. I was one of the 40 executives that sold CBS records to the  
Sony Corporation in the late 1980's. So, the evolution of compact disc and

my career kind of go hand-in-hand. Russ is a good friend and he has also  
been the number 12 employee in our plant in Indiana. The other unique part

about it is that we were two of the four people on the original site  
selection committee that started this project in October of 1992. So, at  
that point, I thought we would describe a little bit of the process and be  
prepared to answer questions. Some of the information that we chose to put

here today in terms of our marketplace - market-driven - is confidential to  
Sony Corporation. We do not have a problem sharing that because I think it

states the style in which we want to go. It also is a major part of our decision matrix in why the state of Oregon."

038 CHAIR CARPENTER: "You are aware that it's all for the public record?"

039 COSTABILE: "That's fine. I understand that, and again I state that because the only questions I will not answer are with regards to our marketplace."

040 CHAIR CARPENTER: "That's fair."

041 COSTABILE: "If I can, I think I'm just going to twist these blinds open."

042 CORTRIGHT: "We can do that."

053 COSTABILE: "Just to give you a feel for where we fit in the Sony Corporation. Sony Corporation is basically two components. The primary company is headquartered in Tokyo, Japan, and we sit as part of the Sony Corporation of America. That represents two major divisions, electronics and software. If the American company alone this year was to be rated in terms of Fortune 500 companies, we would rank number 51 in the U.S. We don't report our results that way, but that's the size of the entity we are.

"Sony Disc Manufacturing, which is all the way down here at the bottom, is a new entity. It is part of Sony Music Entertainment Inc., and we manufacture products across this band with the companies. Sony Electronic Publishing, which is all the CD ROM's, CD games, entertainment, info-commercials, we call it the optical disc properties that are non-music oriented. SPE is probably the one we have all read about most in the papers - Columbia Pictures and Columbia Television. We, as well, manufacture for them in terms of old product, video cassettes, audio cassettes, and soon-to-be CD video once the format wars stop in Japan.

"To give you an idea in terms of disc manufacturing alone this slide shows 11 different locations, and where we fit - the Springfield facility - in the world of disc manufacturing only. We sit here directionally correct on

the western edge of the United States. The rest of what is here shows our components that we totally own, and they are totally-owned subsidiaries for

the different Sony Corporations of America. We operate out of Australia; Brazil; Mexico; Charlton, Georgia; Pittman, New Jersey; Toronto, Canada; and, again, our main facility is in Tokyo, and in Europe, Austria, with the

main distribution facility in (unintelligible). Russ and I have been involved in seven of these projects.

"This slide starts the story of why Oregon and what we were doing as a company. What this shows basically is our capacity, our installed capacity, in terms of millions of units per month, as well as our actual capacity in our budgets. We started this project in October of 1992 because we were (unintelligible) to this situation right here. At that particular point the only way that we, as a company, had to fill our marketplace needs, both internally and externally, was buying compact discs on the outside market and selling them back to ourselves at a premium. So, the decision, or what this chart shows us, is that our decision on location was primarily driven by our marketplace. It was one when we looked at the United States market combined with the Southeast Asian market in the United States market we felt that we needed to do something expanding.

088 "A simple question was asked. Mike (unintelligible), who is the current chairman of the Sony Corporation. He asked my boss, myself, and Mr. Kunz - whom was sitting in Austria opening our facility there - that we really needed to start a search and analyze the need for another manufacturing site. We set some objectives like every other company does, and primarily it was to take a look at a picture of four years or five years, in terms of our strategic needs. We developed a facilitation plan which allowed us as a multi-national company in what way would we actually supply this marketplace. Southeast Asia, at this point, growing rapidly (unintelligible).

"To summarize our presentations, we had 70 days to make our recommendation to the Board from the time that we did this, and of course, because we were selling it to a bunch of bean counters we maximized profitability and minimized capital expenditures. Our approach was to develop a five year mix. Make a commitment, a long-term commitment, and you will hear that word today because it is primarily what we are doing here in Springfield, and then the easy part or the part we like to do is the execution of the sites and timing.

"The sources that we relied on were some 50 different sources. This is a quick list of the top companies, organizations that we picked (unintelligible). Fiscal 1995 projection was one that again we had this little problem in terms of profitability where we were going and that the time frame was one that we had to act faster than we really wanted to. It was a decision that would be a multi-million dollar investment, a long range strategy, and affect the lives, initially at that time, we thought to some 300 people. We set down a whole bunch of risks and uncertainties, and

then went out into the marketplace and actually started gathering the data from the fiscal side of it. Our distribution oval showed that we needed to

be on the Pacific Coast; we needed to be centered between our two major marketplaces - Los Angeles and Seattle; and we needed to be in a position to operate within a 14-month time frame. Beyond a 14-month time frame we were unprofitable. So, a lot of what was driving our decision was timeliness, correct answers, and the ability to respond with part answers as opposed to a soft yes.

122 "I love this slide because I update it once every year. In about three weeks we will go down to world-wide executives in our planning meeting. Some of us call it strategic thinking, and some of us call it lying to each

other for three days while we play golf. I don't play golf, but ultimately

it all comes back to this slide. If you look at our strategic need, our strategic planning, look at what we have in terms of competitors, it all falls into the top part of this curve. We are dealing with a marketplace, a product that is just new, it is growing, it is growing in exponential rates, and it hasn't stopped.

"This is the part that I will let Russ go through because he is a lot more colorful than I am, and a lot of what we start to do is to concentrate on strategic location. I believe that this is the part of the presentation that you really want to hear from us today.

"Before Russ starts there were two things that I remembered specifically about the state of Oregon and the way that we dealt with it. The business relationship was formed early on. In 21 years of doing it, they were the only governmental agency that took the time to come and visit us and find out what we needed, whether we would fit into the strategic initiative, and

to tell us whether they could meet the time frames that we wanted. That to

me was a major plus. It allowed us to operate on a basis and a platform that we are works consistent with in business. Unlike another state, who was still sending media information with regards to the data that we had requested upon the original site selection. We will go through it a little

bit. It all comes back down to this little black book here which is our memorandum of understanding. It's a 90-page document that was put together. It will be a year old three days from now. This particular Memorandum of Understanding allowed us to go forward to spend at the time what we felt would be \$50 million, and create a facility and hire 300 people. The marketplace has grown. We're on schedule, actually we're ahead of schedule. Our commitment to the marketplace is well in excess of \$50 million, and we've announced once already that our hiring plan is up to

400 people, 380 people are the official numbers, we're looking at hiring 400 people before we open this door. The speed that we operate with, the timing, the schedule, it all comes back to the availability of information and the correctness of that information."

160 KUNZ: "Basically, the way this all came about is that, as Tom showed you, we had this rapidly expanding market, we had plants throughout the world, but the main focus - what we were really trying to do is figure-out where here in the U.S. we really should have been putting a new facility. Tom mentioned that I came from a facility that is still the largest CD manufacturing facility in the state of Indiana."

168 COSTABILE: "(Unintelligible) in the world."

168 KUNZ: "And the U.S., and actually it is located in the state of Indiana,

it is called Visual Audio Disc Corporation. Sony Disc Manufacturing currently has a plant in Pittman, New Jersey, and in Charlton, Georgia. So, there really was nothing west of the Mississippi, and clearly the way our market demographics were showing (unintelligible) we feel a lot of our market area is shifting towards the West Coast where the entertainment industry and everything else, and information providers such as Microsoft, in this corner. So, we really wanted to go coastal with our current concentration of business, the proximity to our major customers, and the new technology developments - the new CD Video, MD Data, and Multimedia. These are things that are now coming out of the labs around the world. We wanted to position ourselves right in the middle of where these particular technologies were going to be developed.

"And we also, we were kind of concerned, not too concerned but kind of concerned, where our competition was. And as this particular chart shows, there are a lot of competitors, that we had a lot of stiff competition here

in the states, again, a lot of it, most of it, is, east of the Mississippi.

Print Northwest, some of these people, even some of the other western states here, some of them basically operate out of the back of a strip center in a shopping mall in other states. So, we're building a facility at this point that will, it will supply four million CD's a month, that's our initial capacity, and we'll be taking that to nine, and then up to 16 or 18 as we grow. What I am trying to stress is that we have a lot of competition. Kind of. There's a lot of little dots on that map. However,

the size of the dot doesn't represent the size of the volume of our competition and the other plants that are out there. So, there's a bunch of folks out there, really.

"Our process really was a matter of establishing the site selection committee and then identifying four states. And those states were California, Oregon, Nevada, and Arizona. Because, as Tom mentioned, we were looking at our markets here in the west. And we wanted to be

overnight, if you will, have overnight shipment to our distribution center in Fresno, California, or to any of our major clients here on the West Coast. The information, the part that we are supplying, is extremely time-sensitive. If that product is not on the shelf when the customer wants

to buy it, they will not buy it. Not then and not in the future. They won't substitute. If you are going in to buy a Mariah Carey CD you're not going to buy a Barbra Streisand just because they didn't have a Mariah Carey title on the shelf. So, we needed to have this sort of overnight, a very timely way to be able to supply our customers in a very timely fashion. Again, we identified those four states, put up some initial selection criteria, we evaluated 14 metropolitan areas, 27 sites, four states, in four days.

209 KUNZ: "We were focusing on what we thought was going to be the best locations. The site selection committee, Tom says that there were four of us, and quite frankly the four of us he talks about are the ones that are at the very, down there at the bottom. Myself, Tom, a gentleman by the name of John Feltovic and Mike Moran were the actual people on this little jet going around to these four states in these four days. As you can see that, we had a wide range of people, some 50 people actually, that were on this committee looking at all sorts of things that you can imagine. Environmental issues, security, taxes, all these fun things, human resources, market analysis, manufacturing, all that kind of stuff. So, a lot, a lot of things went into this particular selection. Now, specifically you might notice where I fit. In the lower right corner."

222 KUNZ: "Anyway, here is our short list, really, of our initial site selection criteria. We are looking at the cost of manufacturing and not just the initial cost, not just what are they going to give us. You look at long-term profitability, as well as initial first-time cost. The ability to service our customers, as I mentioned before. The capability and the availability of a good strong workforce. The environmental considerations. Transportation; as I mentioned, our site basically is on the I-5 corridor, which is a nice transportation corridor. So, if we were put out in the middle of Arizona, who knows how we would have gotten to L.A. Other issues such as workmen comp., the availability of an infrastructure to support something of our nature. Not only issues of water and sewer and things like that, but other infrastructures that are out there. Transportation, as far as our employees would be concerned. Bike paths. The business climate and educational facilities. Educational facilities. It became apparent to us very early on that we had a very, very good chance here of getting a very well educated, a very high level work force in the state of Oregon. Although, we did look at 14 places, we looked at four states and 14 places, and this is actually the first time we

have shown really anybody all the other places that we looked at. In reality, we were a neophyte or non-Oregonians at that point; we thought that Eugene and Springfield were the same place. There is more than four lanes of concrete that separate those two places, and we know that they are

different at this point, and we are building our facility in Springfield. Anyway, so, but this was early on, we thought Eugene-Springfield it was kind of like Oregon-Washington."

254 KUNZ: "So, again, we looked at really a lot of places and our recommendation to the manufacturing group, that's the people along the bottom of that chart that you saw a long time ago, who got to make this decision, make this recommendation for us to secure a site in Oregon as our

feature west coast optical disc manufacturing location and initiated our original A & E design phase. This slide was presented originally, I'm not sure when, but half the A & E and every thing else, and we're almost ready to move in."

263 COSTABILE: "We presented this slide November 11, 1994 to the Board of Directors in New York, with the decision that we needed to secure an Oregon

facility. At this point we had already invested \$750,000 as a corporation.

It wasn't a specific site, but based on the volumes and reams of data that

we had received to answer our decision matrix. Our matrix has some 27 specific points. Russ showed you ten of what we felt were the critical points for discussion today. We thought that we would come back to that slide perhaps later to discuss those issues.

"At that point, to sit in front of the Board of Directors and say that you want to spend \$50 million; we're not sure what the site is going to look like, or what the plant is going to look like, but we guarantee you it is going to make compact discs, or optical discs 14 months later; it's a hell of a challenge. It's answers, and the credibility of the individuals on our team, and at this point it encompasses the group from OEDD, the Metro Partnership in Springfield, the City of Springfield people, that we start and we need to negotiate on a level of understanding that as we continue to

spend money, there's no turning back. It was unlike other sites or other states that we visited where we felt that we were getting soft yes's. Was there an infrastructure? Well, we have to plan. Well, there is a difference between a cocktail napkin sketch and an approved L.S.I. set of boundaries, an approved set of C.C. & R.'s, and an approved package that's going to come from the state because that's a way of life when you looking at expending \$50 to \$100 million.

"We're pumping out right now the last five weeks, the last three weeks specifically, I've signed checks that pump about \$2 million a week back into the local economy. We've got 147 local firms. Sorry, 147 firms from the state of Oregon working on our project right now. 117 of them are from

the Eugene-Springfield area. So, that money is coming right back in. I

remember in graduate school it is a factor of seven or nine that goes back in terms of how it affects the economy.

"So, those type of decisions, the speed that we operate, we think we are a little unique, but it's only just begun. Our decision is, again, marketplace driven, and it says it right there. The state of Oregon was not the best economic deal for us. Overall, we rolled up the issues of these 27 points and we felt that, yeah we can get them, but what are we banking on. We're banking on the credibility of the group of professionals

that are selling the state, counterparts from the county government, counterparts from the city government, and then back down to multiple layers of routine stuff. Filing permits, educating the staff. Do you have

an on-site city inspector? Those are the issues that most entities were not ready to deal with. The difference here was that the team that was put

together had the answers and they had the commitments ready to be put in place. All they needed was a trigger mechanism like us. So, it wasn't really a find, a great find, it was one that there was some homework done on both parts. We fit the mix and then it was a continuing . . . in the 1980's we called them joint ventures, in the 1990's we call them strategic alliances. We're still doing that today. The speeds at which we operate in terms of construction - and Russ will get to that soon - showed just that.

"The other point I wanted to make it that when we were (unintelligible). We threw some 54 people together over a 90-day period to make this decision. The state and I believe Lane Community College people came out to us very early on because a big part of what Sony Corporation stands for is training of individuals. A lot of that workforce, the work ethic, the commitment that I still see today from this Oregonian workforce is the reason we are ahead of schedule. And it had nothing to do with the Sony Corporation. All we do is we pay, and we manage people very effectively, but it's that work ethic and that commitment that, now that I'm an Oregonian, I'm not sure I want to tell too many people about. It's worked for us."

337 KUNZ: "I've almost gathered back my train of thought. Anyway, but basically as you see here again, the logic being one-time cost and on-going

cost. Our lowest long-term business risk, our best overall labor market, and we firmly believe that actually that is presenting itself in spades every day. As Noreen interviews how many everyday, and this whole quality of life potential that we talked about. I can honestly say that I know that I may not have uprooted and come west had that potential had not been there. The three other states I'd had a little bit of a trouble with (unintelligible). But anyway, there it is. Nothing doing anymore. Springfield, Oregon, that's where we have landed. The site as most of you may or may not know is situated very near the I-5 and Beltline interchange in Springfield. It's in a 256 acre Gateway Industrial Park of which we currently own about 120 acres. We are building on about a 30-40 acre parcel in this section right here. Wonderful, beautiful Coburg Hills. We were the first and we now have neighbors that are building all along sections over here. Cascade Fabrications building, Shorewood Packaging has

just announced, and they're actually one of our suppliers, they supply a lot of other things, too, most of the things, aerosol deodorants and other things that come in any kind of packaging they actually make as well. But,

they will be joining us. I think they're breaking ground sometime this month."

371 COSTABILE: "Actually, I think it's the week of March 4th."

372 KUNZ: "They even intend to be actually supplying even us with product by

August. As I move on, on January the 25th, somewhere, I left the one, basically this was January 25th of last year. A nice Springfield site which we hoped to put this particular structure on it. Actually, it looks very similar to that although these photo do not show it yet. But, you can see now that as much as after May 10, our groundbreaking, this was probably

in the late May-early June timeframe. You can see basically the outline of

the site coming into play as well as some holes being dug for footings and things like that. We come along and this is the eighth month, the August time frame I believe. We had, see we have a significant amount of steel up

already. We're starting to put the roofing on. Some of the infrastructure from the city and the county is being done; This road right here actually is being widened and expanded, utilities being placed underneath the road.

We have International Way, which is going in down here. As we move on, we now have walls and things going up. We have a warehouse that is complete.

That sunlight that you see there isn't showing through glass, it's showing through glaring holes in the side of the building that weren't finished at this point in time, but as we move on you can actually see that we've got a

lot of infrastructure going in and, as a matter of fact, we are in the process right now of starting to receive equipment. We'll be starting to set manufacturing equipment as early as about the 15th of March. Probably up and running by August and a pilot or sort of a test-running mode by May 1. We did a little bit of maneuvering once - this fast schedule that we were on - we couldn't get, when the air handlers arrived, we didn't find a crane with enough reach to bring the air handlers that weighed 14 tons into

the middle of the facility as you see here. So, we used a helicopter that's normally used in logging operations. I think. It's setting a

total of seven air handlers on our building. And you could say this is the end of my presentation. So then, I show you this wonderful sunset, but actually if you know the direction, this slide is facing east and it's a sunrise. But anyway, I've used it several times. Some people in this room may understand. Anyway, that's the end of the formal presentation, anyway.

If there are any questions I would be happy to answer them."

431 COSTABILE: "The other part of the criteria that we established early on that was one that we looked at, the availability of the work force. What we would have to do in terms of commitments. I personally, as a professional in this area, I very rarely negotiate a deal that says we guarantee you so many jobs for so much in terms of tax abatements, or incentives, or grants. The one thing that we will do as the part of the company is that we will spend several million dollars a year in training the workforce. This year, in start-up mode, and the next year as well, we'll go through some better than \$4 million, \$4-\$5 million in terms of training."

446 CHAIR CARPENTER: "Just for Oregon?"

447 COSTABILE: "Just for the site, the 400 people that are involved in the site. We're going to talk only to the state of Oregon right now. If we want to get outside I can give you statistics that relate (unintelligible).

So, part of what we push for very hard was the availability of, what would the state could do for us in terms of, instead of concessions for jobs, but, what would they do in terms of training our Oregon workforce. How would we do this? What are the mechanisms that we can put together? How can we apply that to different funds? Is one that is a magic copy that we can't afford? Sure we can. But it's the commercial part of the decision that is too easily discounted or conveniently forgotten. We're not generating a profit and we're going to spend over \$50 million, and before we see any type of return on that business, it will be two years. That money in terms of a training grant, further years' taxations, which have all kinds of regulations and stipulations and, what we call in the development business, kickers to it. Those are easy to meet, but I think it's the commitment of the company and the emphasis from the team up front, the way it's put together, that counts. Ultimately, if the money isn't applied back directly it's a waste for everybody. Noreen's got some statistics which we're, I'd like to just have you understand a little bit and then we can answer some questions and talk further in terms of whatever."

479 FRANZ-HOVIS: "Thank you Tom. I don't have any slides because my information changes so rapidly, fortunately. So, I'm just going to talk to you about two issues, first of all from a training standpoint, and then I'll also give you an update on our hiring statistics. Tom and Russ affectionately call me the first local hire. Actually, that means I am from the, not originally, not conceptually, but I live in Eugene-Springfield."

482 COSTABILE: "You were not born in Oregon."

TAPE 9, SIDE A

033 FRANZ-HOVIS: "I was not. I went to graduate school at University of Oregon and it was a pleasure to have Sony come to the Eugene-Springfield area, because there are many graduates from not only University of Oregon but Oregon State that are having to go outside the area for professional development, career development. So, it's important to us that we look at those resources, those talents that stay in the state as much as possible."

"Let me talk to you a little bit about the cooperation that we've received from the Oregon Economic Development Department, as well as the State of Oregon Employment Division. The last couple of years they've had a dramatic change in the way they operate. They have become very customer-focused. They've been great as far as helping us streamline our application process, and our interviews. We have received to-date over 8,000 resumes, and so you can see without the development, as Tom said, the

infrastructure, it would have been very hard for us to get all this information and assimilate it and get back to the customers, which we call our applicants or candidates, rapidly. So, the Oregon Employment Department has been real helpful to us. As well as, Tom and Russ both mentioned, Lane Community College. Unlike some of the other facilities that we have throughout the world, we were able to develop a partnership with Lane, and actually, this week is the first week that we've started our training, our specific two-week training sessions that all of our employees

will be going through at Lane Community College. So, they've been very helpful, not only from off-the-shelf type canned programs, community continuing education that we need, communication classes, but also the specific training classes that we've said, these are the classes that Sony employees need. So, they've used their resources to help us develop curriculum, worked hand-in-hand with our training coordinator, that was also hired locally, from Weyerhaeuser. So, we've worked really strong with

Lane Community College, as well as the Southern Willamette Private Industry Counsel. We've been very fortunate to find many dislocated workers, and put them to work. We've been able to do this by the people that we've worked with. The partnerships that we've developed with the local communities, with Eugene and Springfield, as well as the State of Oregon.

So, those types of talents, that level of commitment that we see, not only do we see it at the top level, before Sony decided to come, but we continued to see that evidence every day. As we talked to people, as we meet with people, as we interview the candidates. So, that type of criteria is important that we remember is still there.

"To give you a little bit more statistics, we have around 135 employees to date that will be working with Sony. About 65 percent of them are from the

Eugene-Springfield area. We have a commitment to hire many people from the

local workforce, and you can see we're able to do that. We have been successful in recruiting some of the more technical positions from our other plants. So, that in a start-up mode we're not just having all new hires, but 65 percent of them are from Eugene-Springfield. I think that is

very significant considering that most, I would say, 60 percent of the 130 that we've hired so far are professional level. We're talking engineers, accountants, human resource people. They are all local. So, the talent that we anticipated was there, the level of commitment was there. Those are the type of things that are important from an Oregon Economic Development standpoint, that you can write-up fancy brochures, you can do lots of shows about what your local economy is, what your state is, but when it comes to the point of hiring those people, putting those people to work, and demonstrating their talents and abilities, that's where it's really going to benefit Sony, and we've seen that. So, I don't have, I have lots of statistical information if you want it. I'd be happy to answer any questions you may have."

083 REP. JOHNSON: "How much influence did the, our workers compensation system have on your decision making?"

085 FRANZ-HOVIS: "Good question. When you saw the list of, I think, 17 criteria that we pulled out, workers compensation and the reform that was successfully initiated was a very important factor and continues to be an important factor with us."

088 REP. JOHNSON: "Do you self insure, or do you, do you self insure?"

089 COSTABILE: "We have the ability to do that. We have not made a decision yet. We also, it's interesting that you asked that question, there were 15

points brought up in the original, what we call the memorandum of understanding between the City of Springfield, the State of Oregon, and Sony Corporation. Workmen's compensation was the 14th item on that list."

093 REP. JOHNSON: "I'm interested because I helped produce the reform package we have in 1987."

094 FRANZ-HOVIS: "Very significant, in our position."

095 COSTABILE: "We . . . it's kind of an aside, adjunct . . . the way that we stacked up to our sister plants, right now, there's a re-thinking of how we're doing workmen's compensation in our other facilities based on our current philosophy established here."

098 REP. JOHNSON: "I think Oregon has some really good ideas that have proven to work very well, and we've been able to improve benefits for injured workers while at the same time reduce the costs. That has, we are the proving ground for the nation, now. It has already happened."

103 FRANZ-HOVIS: "We'll even expand on that as part of Russ's presentation. He showed you a little bit about facility. A couple of things that we will

have will be a wellness center, and we will incorporate our back-to-work program or (unintelligible) program with our wellness center. We'll be able to bring people back to the job. We're not going to injure many people, but when that does happen, we will bring people back to the job. We will have facilities on-site where we'll be able to help monitor their progress and assimilate them back faster into the workforce by having those facilities there."

109 REP. JOHNSON: "That will reduce your cost. It's just that simple."

109 FRANZ-HOVIS: "Significantly."

110 COSTABILE: "I think it's also savings to the individuals that we employ and how they work with themselves. That's part of, what I consider, this managed health care program that we as a society in the United States need to get to. I look at child development as another major portion of managed

care. We're committed, the Sony Corporation and the State of Oregon has committed, to doing something for child development. We're unique because there isn't another company that operates the way we do, the shifts or the speed that we've come up with. So, we're setting some new ground there as well. It's not one that is easy to sell to a Board of Directors because it

is a significant cost in terms of start-up. I've had conversations with all the major players from Nike, to HP, to Techtronics, right straight down, and it's one that becomes a form of managed care, but I think it's one that we as leaders in that area in the state of Oregon certainly have to address."

122 REP. JOHNSON: "O.K. I'm glad to hear it."

123 COSTABILE: "The other issue that I think has to be, at least from my

standpoint because, and I feel that part of a business decision to do what we've done here, we look, traditionally, to the state economic development association as opposed to a chamber of commerce or a set of consultants. As I've said, I've done this in 38 different countries around the world. It's all the same. It's in different languages. There are different customers, and there are different timelines. I do believe that there is a

value to the way that the current group is structured. I can show you specific instances, and relate back to, again, unfortunately, profitability

and timelines. Cost is definitely related to the amount of time that we spend. The business relationship with the team that we were presented with, Jon Jaqua, Bill Scott, somewhat, but only towards the end when we got

down in to real hard negotiating, Dick Sheehy, Rick Schulberg, and a staff of I think of some 50, when we met there were 52 or 53 people for a better part of a week. The first week of January. Sequestered in the Red Lion in

Springfield. We set-up our own computer system. We came in, we had availability of information, and we were able to make decisions on the spot. What went wrong, if there's anything that went wrong in that process,

is that half-way through it our marketplace changed on us. So, we were talking originally about a 30-acre site and expansion possibilities that would take ten years. Before we made the final decision when we signed this M.O.U. our project doubled in size. The ability to turn it around, I think, was the commitment of the homework, the pre-planning, and the understanding of the business issues from a team of state, county, and city

officials that allowed us to keep going. It hasn't stopped. It's a winning combination that I think needs to be addressed and understood before what I read in the newspapers that, you know, we need to change it or the Oregon economy is booming. I can tell you that I'm talking to six different major Fortune 500 companies that are looking at the Springfield site right now. They're talking to me because I can show them dollars and cents what we've spent, we're a major player in the marketplace, and we have the ability to relate to what they do day-to-day. I need to understand what the platform is because I don't want to lose my credibility, or put the credibility of the Sony Corporation behind a decision that we build a facility in 1995 and take it apart in 1998. Nobody wins. I don't believe that's the best use of, whether it's public funds and our collective money, or private funds. But I think that platform needs to be understood. And, really, that was when we had the invitation today, there is a personal part of me - as a business person, as

a private investor, and really as a taxpayer in this state - that's what I think we need to address as we go forward. There's also some beautiful parts of Oregon where - I kid around because I was born and raised in New York City, so my idea of roughing it is staying in a Holiday Inn without a swimming pool. The idea of camping out - I don't think I'll ever get there, but I did fish the Siuslaw River this weekend - I just learned how to say that - and that was an experience that I can't wait to go back and do again. I not sure I want to tell everybody about that. That part I'd like to keep secret."

172 REP. SHIBLEY: "Tom, on that note, I wonder if you or Russ might be able to unpack one of the items that you say you looked at. Quality of life potential. I think that was the last point in that slide that you did to show the Board of Directors in New York. Could you unpack that a little bit? What does quality of life include?"

179 KUNZ: "Well, I think that the reason, obviously, the reason I came here just this second, my immediate reason for coming here was that someone offered me a job to come here. But in reality . . ."

181 REP. SHIBLEY: "That's good quality of life. That's a good place to start."

181 KUNZ: "My point is that I have traveled quite a bit to the West Coast and done all the things that most people do out here, there are several states that surround you that I would have absolutely no interest living in

because to me, how can I say this? I might not be the best person to ask, actually, because I don't do the things that most people do and that is, I'm like Tom, Oregon has beautiful countryside, everybody asks me if I've been skiing, and if I've been fishing, and all those other things yet, and I said, no I'm building a factory right this second, and one of these three

or four years after I'm here, when I'm not really that busy, I may have time to enjoy these things. But you know. The issues . . . some of the things that we looked at, we had all kinds of crime statistics, for example. We had education statistics. We had recreation statistics. These are all things that we knew. We do know, we had statistics that show

how many churches there are within an x number square mile radius of our site. Just things. Violent crime to not-so-violent-crime to petty theft.

The kind of things that you wouldn't normally tend to go into in making a site, people don't think about when you're actually buying a site. They're

saying, what kind of deal did you get on the land, or does it have all these utilities, but in reality all these other things. The issue of being, feeling like that I'm not endangering myself by actually living here

or any place else is the way I look at quality of life. You're exactly right, the things you read in the paper about the beautiful countryside, the clean air, the clean water, all those things are very, very important, but to me, personally speaking, I don't have a chance to enjoy those yet. But I certainly like getting up every day and looking at the fact that the hills look a little different every day, they don't look like big old flat



corn fields like that I came from in Indiana. Quality of life, that's a good one. I'm not married. I don't have children. So, I can't really expand on that kind of stuff. Noreen does and Tom does and they can answer that."

211 COSTABILE: "I think the other side of it is that we looked at it from the ability of one to attract high-quality people."

212 FRANZ-HOVIS: "And retain them."

212 COSTABILE: "And retain them. What does this workforce do for recreation?"

If you look at some of the other sites . . . I don't know if you've ever been to Kingman, Arizona, but even on a cold day it's too hot for them. The countryside there was certainly beautiful, but when you are trying to attract creative people, creative technical people, which are the hardest to keep entertained, there is an unwritten secret here that we realize in this Pacific Northwest between Washington and the state of Oregon. It tends to (unintelligible) up pretty quick once you cross the California border and that is evidenced by the statistics there. I think the other issue with quality of life that it comes down to is one that when you start

up an operation with our schedule we needed certain features that kept people attracted to the area, that they wanted them to stay here and that word of mouth - even through University of Oregon and Oregon State right now - we're attracting key people back into the state right because of it."

229 FRANZ-HOVIS: "And the quality of life, I'll just expand on that a little bit from a training and education stand point, that we are able to attract good talent from all around the world. We actually transferred somebody here from Austria and it's nice to say that Oregon State has a tremendous engineering department. So, not only can we attract the people, but we can continue to help them learn and prosper in their specific science, which is important to them as individuals, but from us, from a high technology stand-point, they've got to keep learning, we've got to keep pumping them into training, and we can do it here in the state. So, that also factors for us into the quality of life equation that you kind of look at."

240 REP. SHIBLEY: "The reason I asked, Mr. Chair, is that there's an awful lot of talk and some action by the Legislature, and other folks, and public

policy making positions around the state, to, or that would affect a lot of

these pieces that you talk about - recreation, clean air, clean water, etc., and to the extent that quality of life, however that's defined, is on

that business matrix, and has to pencil out in terms of whether to site, when to site, how to site, how big to site, that we need to heed because we

damage our quality of life to our own economic peril. We can say, well, we'll open up the beaches for private development, and do away with the beach bill, or do away with the bottle bill, or put in sprawling rural suburban development all over those Coburg Hills, for example, that you like to look at, and fill up the air shed, and the water sheds, and I just wonder how appealing a site it would be then for Sony, or fill-in-the-blank

corporation, to locate a plant or a distribution center given those realities, versus some of these other things that were in place when you were able to make that decision."

268 KUNZ: "I didn't fully relate that specific angle of the question. One of the sites we looked at in a state south of here, beautiful site, it was really very nice, when I asked what that beautiful mound was across the street, they said don't worry about that, you know, it was nicely landscaped, there weren't any houses on it, it wasn't really developed, it just happened to be old sort of construction wasteland that they dumped a lot of - nothing seeping, they said, because it was all construction materials. So, in reality, in fact I came from Jordan, Indiana in a factory that is a factory and it's in an industrial park. We, Sony, build factories in industrial parks, too. The issue comes, is that it's a big matrix decision, and quality of life, and the beauty of the site is one of those things, but in reality it comes down to a long-term economic and, in our case, long-term profitability for the company. The fact that we can do

that and have it in such a nice place and deal with the state, the economic

development group. We did that every state, we really did. And we saw some really some pretty cool sites in almost every state. So, I was wondering, (unintelligible) was quality of life. In fact, we have some pretty plain looking buildings in some pretty plain looking areas of manufacturing. It happens, and if that's where you need to strategically locate, that's what you do. In this particular case we were very, very lucky and very fortunate, we think, and pretty cool in our little site selection thing, in dealing with the right people because they showed us the ones that they thought we'd like. We got suckered."

301 COSTABILE: "That's a point I just wanted to make (unintelligible). I think that's a two-way street. When I look at what the state of Oregon has, there were other concerns. We looked some stuff in the southern part of the state, I believe we took a second look at it as a (unintelligible) distribution function. But, we're not a typical manufacturing company, as what we do, while it's high-tech, it's really not high-tech. Now the product is definitely high-tech. The processes that we use are on the cutting edge of technology, squeezing (unintelligible) manufacturing facilities. So, we fit into a narrow band with light industrial that we can do in a campus-style setting and afford some amenities that we get a

better quality of life infrastructure wise. But that goes hand-in-hand, because one of the things that the Springfield site offered as opposed to sites in Eugene was that was a pre-developed plan that fit into the community and we fit within their matrix. It wasn't one that we asked them

to change. The only thing that we asked them to do was to speed up their processes because their timelines were too long for us. That's the easy part. The fact that we fit, or, as I've been on record as saying, we've exceeded every criteria that they've had. From the number of trees that we

had to plant, to the size of the water lines, to our parking restrictions.

We even turned the whole facility 90 degrees so that, we didn't believe that the right orientation for our warehouse and our loading docks was one to face the neighbors. So with their approval, we turned the warehouse 90 degrees. But that's a partnership that only begins to develop based on a business relationship. You know how far you can stretch that envelope. Here we knew that."

331 REP. WOOTEN: "I'd like to thank you for being here. I appreciate it very

much. If I could summarize what you've had to say? Since your arrival in Springfield, as much as it hurts me to say that, I do represent you, but, of course much more of Eugene.

334 COSTABILE: "I live in Eugene."

334 REP. WOOTEN: "Thank you. I'm very fond of Springfield too. I think the district runs right smack through the far eastern portion of your district, I mean, of your site. In any event, thank you for being here today. One of the things that this subcommittee is exploring is how it might be possible to reduce the Oregon Economic Development Department. If

I can synthesize correctly what you've told me is, in addition to all the other matrix factors, as you speak to others who are looking at Oregon as a

possibility as a site location, it's important, as in any other business, to be able to have a predictable infrastructure both in terms of, not only the capital infrastructure, but the infrastructure of the state that will facilitate their doing business here. Was that a fair summary?"

COSTABILE: "That is correct."

REP. WOOTEN: "Two of the programs, three of the programs actually, that I know were part of your package, you sited in an Enterprise Zone and just the other day we had a conversation about Enterprise Zones and their value.

The five-year tax abatement that comes with that Enterprise Zone. Was that a major factor even though it may not have been most economic for you to locate here, was that a major factor in terms of facilities, etc.?"

362 COSTABILE: "What the Enterprise Zone did, again, there are certain restrictions on both sides. We had to meet certain criteria, and the state

had to comply with certain criteria. It was one that if you look at the long-range future in its seven-year pay-back scheme it pays, it takes the edge off the last three years. Is it one that we're going to say that we're not going to pay taxes or it is an incentive for us to come here? It wasn't really a strong incentive, but it was one in the pay-back equation that I truly believe, because we're reporting to a long-range visionary in Japan as opposed to bottom-line companies that are more New York focused, it paid off in that respect. The other incentives from the other three states on an economic package were all much better. In pure dollars and cents. The tax incentives, and that's the part where I think that I ask you as Legislators, we need to remain competitive or establish a

platform where you want the state of Oregon to remain competitive on the commercial decision. We can't do without it because it's not a way of life. Everybody else and every other state out there has different gimmicks and schemes that allow incentives to come into it. I think you need to look at us making the commitment. We've met or exceeded every dollar that we said we would spend. And then, multiply the effect of those tax dollars today, plus when we go five years from now, or three years, I think ours is a three-year package and an additional two years with certain kickers - when we start paying those tax dollars what will that continue to do to the economy. This also allows us as a business decision that, in the initial pay-back when we are looking at recouping investment, that's a nice little small pocket that you don't have to worry about, in our case I think \$800,000."

399 REP. WOOTEN: "So it wasn't central to your decision, but in the pay-back period part of your analysis it was an important factor?"

401 COSTABILE: "Correct. I'd say of the 27 points it was probably 22 or 23 on the list in terms of prioritizing."

403 REP. JOHNSON: "She alluded to the Legislature looking at restructuring our economic development efforts. My sense is from hearing you that we need to be careful about what changes we do make given that you thought that they did provide a fair amount of assistance and support in making the decision that you did to establish here. I don't know if you can help us or not but what components, if any, can we change without hurting the

state's efforts to attract business and industry to this state? I don't know if you can answer that or not."

423 COSTABILE: "Well, I can only answer by way of an example. I don't know the specifics of the make-up of the Oregon Economic Development group. I know that we as a company started with Jon and Rick Schulberg and then, of course, with Bruce Laird and Dick Sheehy on specific areas of the state. The fact that they had targeted our marketplace for us was one that . . . again, other states, they wanted to present, what I call, a cocktail napkin

sketch. I think you need to hear from their business plan, and their mission statement, or their primary objective of what they're going to do to target the big picture toward the state of Oregon. I can only say that you need to deal with another entity. Pick another large city and go down or stay. Where I was coming from was a specific city in the state of California. When you deal with the California environment right away they present a program that said, we know we can't meet your criteria, but we've

got the red team in place and this team is in place to circumvent the process. That wasn't here. That's the thing that I don't really think that we want to get to as a state government. Build in some more inefficiencies to get around our inefficient path. So while it doesn't directly answer your question, by way of example, we need to be careful of taking a winning combination, in our opinion, and we're ready to prove it in dollars and cents for us and for the state because I do believe that the

amount of money spent on both sides of the table was the correct amount. The win-win, as we go forward, needs to be put in a larger picture."

463 REP. JOHNSON: "I'm going to have this transcribed so that certain parties around this building understand what has happened."

466 KUNZ: "I think what helped us too was a central place to get the incredibly diverse set of information we were looking for. And we could always go to central place to get that and they always seemed to have those answers. It helps a great deal."

TAPE 8, SIDE B

023 COSTABILE: "I look at the simple things of building permits. I will relate a horror story, again, being a New York City kid, I know that it takes 120 days to get a building permit in New York City regardless of what

you want to do. At one point in my career I ran a CBS television station in New York City. It's a million square foot facility. We were always building something, so we had our own site inspector that we were paying. Part of the concept when we were early on in the team, and it was one that was suggested at the state level, that we develop a specific inspector. How we paid for it and how it was worked into it was all in the strategic partnership. It wasn't one that we expected for nothing. We needed it to get where we were, where we had to be, and we were ready to pay for parts of that. It was one that was recognized. That's the business side of

the group, the Economic Development Association at the state level, that helped us. I do not believe to this day that if it was left up to the city we would still be arguing with it. I know from my own personal experiences

there that the City of Springfield is a much more efficient system than the City of Eugene. That's the level where delays of one, two, three, four, five days that translates into weeks. That's millions of dollars worth of money that for a company our size we just can't afford to spend. We've got to look elsewhere."

039 REP. JOHNSON: "That's very helpful."

040 REP. SHIBLEY: "Tom, you mentioned something that is near and dear to my heart, and it has to do with one's time horizon. Whether one is a long-term visionary, or a more materially-minded short-term. Joe has heard me talk about American companies that are very often chasing the next quarterly dividend. I'm wondering if you have got any observations on that from your

work in business in this state and around the world in terms of running government like a business. I'm reminded of the old adage, Watch-out for what you ask for you just might get it. It seems as though business, particularly American business but it's not especially exclusive to this county, is particularly concerned about a very short-term, what's next, how

can I maximize profits right now instead of having a 10-, 15-, 25 year business plan, and all of a sudden then your investments and profitability take on a very different dimension."

057 COSTABILE: "Well, it's interesting you say that. I relate back to a meeting very early on in Terre Haute, Indiana with the state people to sit down where we exchanged our 5-year and 10-year business plans with them. It was one to match our specific needs as to what their target market would

be here in the state. Would the state fit into this? There's an expense associated with that, but I think that form of travel and that form of information gathering is one that before they pile all this time and money into it they include it. That was because we have a long-range vision. There are other companies, one of which I am currently dealing with, we haven't turned them into, onto the state yet because I'm not sure they're ready for it. All the decisions seem to be marketed around the two-year horizon which either the CEO has a two-year contract or there is some type

of a maximization of profits. That needs to be understood by all parties involved before they build. If you don't, it loses, in my opinion. I know

with Sherwood Packaging Corporation, I believe it is a \$20 to \$30 million investment in the City of Springfield. It represents as a minimum or a start-up company a minimum of 100 jobs right up-front. These are good family-wage jobs like what we're paying. It's a different, it's another transition company from the hard-line timber products/wood products industry. It is work that people in that industry now can train themselves

or, as we're finding, we provide a limited amount of retraining and then they're up at the next level ready to go. It's a statement to that workforce. It's a statement to us as taxpayers and as Legislators forcing that back into the economy. So there, that vision, that long-range vision that they share is one that really I believe is set here in this particular

area. It's set here in the City of Salem, in the State Capitol. And, how that goes out is where we need to pick up and run with this group that is developing this economic monster for us. I don't think I specifically answered your question, but it's hard. I worked for a company, CBS Inc., primarily maximizing profits. Much, much different philosophy in terms of investing. Everything was geared around, why should I invest in physical property, because I can invest in entertainment and if the record sales, or

if the act moves, or if the movie goes, the television shows, I return a 300 percent profit margin in ten days as opposed to ten years. Then transferring from that group or that mind set into Japanese multinational -

it's day and night. It allowed me the ability to make decisions that we go

through every day. On the way up in the car Noreen and Russ and I were talking about how we effect a simple day in food service. What happens with that. It seems to be short-range, long-range oriented but towards a major picture of a five- or seven-year horizon."

096 REP. FAHEY: "I think the, like for economic development, I'm all for that, and I'm all for enterprise zones. I think what we have to do, just like your bottom line is your profit, as Legislators we have a fiduciary responsibility to make sure whatever we do we have a bottom line too. I think that we probably have to do some housekeeping, maybe on some of the things that have fallen through the cracks under the enterprise zone and stuff that really never met the criteria for what it was set out to do. By

letting stuff fall through the cracks we take away from legitimate corporations like Sony and people that have the desire to create living wage jobs in this state. I think that's a housekeeping item we have to address. Nobody really knew how it was going to snowball, or how it was going to be applied, or how somebody was going to find a loophole. I think

by taking and getting rid of some of those and doing the housekeeping it will be more advantageous to legitimate corporations like yourself that actually wants to come and work with the state and provide these long-term jobs for our citizens. So, I'm not opposed to development of any kind. But I can't see the state coming out and subsidizing somebody just to creating state-assisted workers for 20 years either. That's basically, with some of the operation that has happened around the state, is basically

looking like it's going to do. It used to be when a company came to town you built a town around the company. The stores, the schools, and stuff would come up. Now, you come to town, you have to provide everything else.

So, it's just a different mind set because of the world, trade and stuff.

I'm excited about the trade, but I want to make sure it's good for both parties. I hate to see things take away from legitimate corporations that actually need that incentive to come here."

119 COSTABILE: "Well, I share your opinion and your point is well-taken. It's one that as a business person I worry about, because that's the type of task that I truly believe that this group and the entire Legislative body should be on. It's one that, I don't necessarily call them loop holes. Loopholes are found by attorneys, and I hope nobody is an attorney here, but they're on the highest level of the food chain in my mind. We have, our corporate attorney is a deal-maker and we're as opposed to looking at loopholes that wasn't necessarily the experience that we had in any of our U.S. sites. International business, it's a different thing because it's how much can we offer in terms of incentives and pay-back. But here, we were dealing with a different group. It was one that was, business was front-focus. The overall objectives of using the State Lottery monies, and then tax incentives, were truly generating those jobs.

The other thing that we would not give up was specific number of positions or specific assessment. I believe that it's the wrong message to send that

to anybody. If we're going to make a \$50 million investment or a \$100 million investment, it will be close to \$100 million shortly, business says

that if we're doing what we have it's going to fit the criteria. Tell us what your criteria is. I wish I knew more about where you said that you needed to change or shape your Economic Development association, because I felt our experience has been mostly with OEDD and the Oregon Employment Division. We've had positive experiences all the way. Believe me, while you don't know me very well enough, if it wasn't, Jon will tell you, I'll get on the phone and scream and yell at anybody. It's one that if I commit

to something on behalf of the Sony Corporation I expect the community to do the same."

145 REP. JOHNSON: "I hope you'll excuse me. I've got to go to another

meeting. I'm going to be a player in making some decisions about OEDD, and you've raised some issues that causes me to look with some degree of caution about huge changes or anything. I would hope that at some point I could meet with you to discuss what may be the proposed changes and what reservations you might have. I want to thank you for your being here and raising that level of caution to me, because I'm faced with some decisions at the request of the leadership to make some changes. So, I'm going to go very carefully as a result of your presentation. Thank you very much."

156 COSTABILE: "Again, thank you. If it's of any assistance to you or to the group, I'd be glad to address the Speaker of the House or invite everybody down, the full legislative body, for another meeting at our facility. Come on down. We'd love to show you what we're about. I think it's a different type of company and we're a different group."

161 REP. SHIBLEY: "The Chair and I were just trying to decide which titles we each wanted."

163 CHAIR CARPENTER: "I don't know if we want this."

165 REP. WOOTEN: "Why isn't that on a CD?"

165 COSTABILE: "It is. I wasn't sure, we we're sure if . . . ."

166 REP. WOOTEN: "If we had the capacity. The building isn't even hard-wired."

167 COSTABILE: "I do have it on my PC right here."

168 REP. WOOTEN: "One of the other infrastructure considerations that's new to the state of Oregon is a telecommunications plan and deployment. At the

time that Sony was engaged in negotiations, another one of their needs was high-quality, high-speed data transmission to the backbone, and while I'm assuming that your satisfied with what is in place, it's really not state-of-the-art, it's not video, it's not voice, and there are going to have to be some changes made. I'm also wondering if you have an interest in or would like to talk a little bit about the importance of telecommunication capacities for businesses like your own?"

180 COSTABILE: "The answer is yes. We have an interest in everything. I believe it's a good foundation. Some of what we're doing in our facility, we have our own implant cellular system. So, each one of us carries a little digital communicator like this made by a Japanese competitor. We have, as a matter of fact, no, actually this is wrong. This is a Motorola I have today. Part of the way that we'll operate in the next 18 months is we'll get away from the physical distribution of our intellectual data and the data that we use for our clients, and go either through the backbone that has been installed or through our own satellite system. The satellite

system is one that we can protect the data just a little bit better than a physical distribution or with fiber or LAN systems. We are in active conversation with US West, AT&T, McCall Cellular, and several other satellite companies to do this."

195 REP. WOOTEN: "To do the wires?"

195 COSTABILE: "To do the wirings. We provide a lot of services to the Microsoft Corporation. We're committed to actually having some type of wireless or a physical transmission of data via high-speed lines. So, that the product come down, literally, down the Pacific Northwest corridor on an

information (unintelligible). Again, it was a point addressed in the M.O.U., the Memorandum of Understanding, what was here. It was one of the things that impressed me personally about the Roseburg-Medford sites. The foresight of how this would actually come into the area was one that I believe is part of the distribution scenario and Jon and Dick are aware of this. That's where I see helping that area grow economically."

208 CHAIR CARPENTER: "I would like to thank you for coming down here, coming up here, today. Especially with the wet weather and everything. I'm sure we will be in touch with you as we proceed further. We're looking to make some changes to OEDD and what those changes will be, given our own financial picture here with the state, we don't know. But we'd appreciate your continued input on how we can serve companies like yourselves better."

214 COSTABILE: "Thank you. Again, I'm sincere in our offer. We'd love to have the Speaker of the House and the full legislative body down to show you around. Whatever other questions. Feel free. Noreen or Russ, contact us directly."

216 REP. WOOTEN: "It would be fun to do that kind of thing in order to show people possibilities and the range of services that exist with department and local government."

219 COSTABILE: "Well, we're proud of what was offered to us and every chance I get I just love to show people what us Oregonians are doing."

221 REP. WOOTEN: "I'd just like to add that I don't know about other parts of the state, but in Eugene and Springfield and Lane County we've spent a lot of time putting together the programs that were in place, and as they said, immediately responsive to their needs with some refinement. The whole process was interesting, fun, and a pleasure."

226 CHAIR CARPENTER: "And it's in your district."  
226 REP. WOOTEN: "And it's in my district."  
227 CHAIR CARPENTER: Closed INFORMATIONAL MEETING on Business Recruitment.  
227 CHAIR CARPENTER: Adjourns committee meeting at 3:02 p.m.

NOTE: Copies of some of the slides of Sony's presentation were submitted after the conclusion of the meeting and entered into the record as EXHIBIT A.

Submitted by

Bobby Sullinger  
EXHIBIT LOG

EXHIBIT A - Copies of some slide presentation materials, submitted by Thomas Costabile, 15 pages