

HOUSE COMMITTEE ON
GENERAL GOVERNMENT AND REGULATORY REFORM

Hearing Room
Tapes - 27

MEMBERS PRESENT:

Rep. Bob Tiernan, Chair
Rep. Mike Lehman, Vice-Chair
Rep. Jerry Grisham
Rep. Cedric Hayden
Rep. Bryan Johnston
Rep. Bill Markham
Rep. Lonnie Roberts
Rep. Barbara Ross
Rep. Charles Starr
Rep. Ken Strobeck
Rep. Sharon Wylie

MEMBER ABSENT: Rep. Ron Adams

STAFF PRESENT:

Greg Moore, Committee Counsel
Annetta Mullins, Committee Assistant

MEASURES HEARD:

Government Efficiency
 Business Excellence - Private Sector Lessons for the Public Sector

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.

TAPE , A

004 CHAIR TIERNAN: Calls meeting to order at 1:08 p.m. and reviews testimony
heard previously on government efficiency and Tri-Met on the West Side
Light Rail project, and reviews the agendas for this week on testimony from
the private sector.

050 JACK BURNS, BURNS BROTHERS: Explains how he and his brother started
their business forty-eight years ago.
 > operate 20 large travel centers
 > two manufacturing divisions

> one software division
> oldest in the industry
> sell internationally
> manufacture in China and Korea
120 >turning point was in 1959 when they put in profit sharing plan
134 > company goal is to build longevity
> employees are given chance to advance and use their ingenuity and
everybody has a piece of the action.
152 > people without high education are as good as those with an MBA; there
are a large number of women in management
163 > stress lean organization, research and development
189 > have increased productivity with strong software programs and
networking systems
209 > it is difficult for government to do the things industry does
> recommend wherever you can, to privatize because privatization has the
ability to do the things I have talked about where government is not able
to do so
230 > incentives are important
> computers and networking are very important
260 > Albert Novell will show a new product--a tire chain that connects on
outside of tire and all final adjustments are on outside of tire; will be
replacement for the tire stud.

310 CHAIR TIERNAN: Why will the chains reduce wear on roads and why will
they replace the stud?

MR. BURNS: There is no slip on the highway with these chains. This chain
is only on when needed.

345 CHAIR TIERNAN: The state is considering privatizing certain agencies'
functions. Do you have any suggestions for items the state should put out
for bid?

350 MR. BURNS: The first would be in software.

CHAIR TIERNAN: How much tougher was it to start a business then than it
would be now?

370 MR. BURNS: I think it is easier today than it was back then. There are
thousands of niches people can get into.

387 CHAIR TIERNAN: Did EDD help you put the tire chain in Japan?

395 MR. BURNS: No.

TAPE 25, A

004 CHAIR TIERNAN: Do we need a department to attract businesses to
Oregon?

MR. BURNS: Perhaps to attract people to Oregon.

011 REP. ROBERTS: What is your most important resource?

MR. BURNS: People.

027 REP. WYLIE: In a good system where there is profit sharing you go for
the results, but you also have indicators along the way. Can you share the
methods of evaluation along the way?

042 MR. BURNS: We have discontinued several different areas because we have taken the entity and made a profit center out of it and it didn't show a profit. You have to have a profit on every single phase of the business.

REP. WYLIE: One way is to cross train. How do you decide which should be a part of the profit center and what should be privatized.

056 MR. BURNS: Administrative costs are centralized and we try to keep those down to a minimum and it has to spread among the five divisions. We watch those costs with an eagle eye. Administration is run on an allotment from each division and if they over spend that, it is like a red flag.

081 REP. STROBECK AND MR. BURNS: Discuss relationships of management and employees.

112 CHAIR TIERNAN: How important is it to control expenses?

MR. BURNS: The general managers know their expenses. We are a budget operating company. We set up the budget at the beginning of the year and operate on that budget?

127 CHAIR TIERNAN: Are your budgets based on what they were last year plus a roll up?

128 MR. BURNS: Absolutely not.

134 CHAIR TIERNAN AND MR. BURNS: Continue discussing budgeting process.

139 REP. JOHNSTON: Is litigation a problem for you today?

MR. BURNS: Yes.

154 REP. MARKHAM: Will you be glad to see your share of the two percent kicker?

191 MR. BURNS: I would rather see the money go to schools.

210 PAUL NERGER, SEQUENT: Submits copies of and shows overheads describing Sequent and their operations (EXHIBIT A).

260 MR. NERGER: Continues his presentation.

310 MR. NERGER: Continues his presentation.

360 MR. NERGER: Continues his presentation.

410 MR. NERGER: Continues his presentation

TAPE 24, B

MR. NERGER: Continues his presentation

045 CHAIR TIERNAN: Does nine years seem like a long time to switch over to a new system.

054 MR. NERGER: I don't know the details, but nine years in the computer industry is a lifetime.

061 CHAIR TIERNAN: Have you experienced a difficult time getting into state government agencies?

MR. NERGER: People are eager, but the process is long and expensive for both sides.

072 CHAIR TIERNAN: What would be the difference in the process of bidding a job for private industry and government?

MR. NERGER: It depends. Often the business community will follow a very similar process to government. Although, they are not as hamstrung. The formal process of request for proposal is designed to be fair and to make sure there is no communication between supplier and buyer. I am not sure that is good for the buyer. These are complicated systems. A process to allow communication between buyer and vendor is a process that the buyer will get benefit out of.

091 CHAIR TIERNAN: Write your comments and send them to me on how to streamline the process so the state benefits from a good deal but at the same time short circuits the time.

100 REP. LEHMAN: Are state employees empowered to make the decisions, or is that part of the problem?

106 MR. NERGER: We are not always empowered. It depends on the particular employee, but for the most part most of them have good intentions and I know they have frameworks to work within.

115 REP. LEHMAN: If you were to change state government, what would you do?

MR. NERGER: When it comes to dealing with the public that is where empowerment is important. We empower our field people who deal with the customers.

136 REP. JOHNSTON AND MR. NERGER: Discuss employee benefits and advancement opportunities.

151 REP. ROSS AND MR. NERGER: Discuss incentives for employees

196 CHAIR TIERNAN: Can you describe E-Com Northwest, and is it possible for that organization to help the state increase their efficiency?

202 MR. NERGER: E-COM Northwest was a division and the division was interested in an initiatives in California called CommerceNet which received major backing from the U. S. government for matching funds to develop technology within the Silicon Valley to ensure there was an electronic commerce developed and the inter-net was the basis for that electronic occurring. We could not become a member of that because the objective was for the economic development of the Silicon Valley. As a result, Sequent started talking to people within the region about how the region will take advantage of the new national information infrastructure.

It affects all businesses, all government agencies, health care and education throughout the region. We wanted to make sure when businesses took that information superhighway into the Northwest that they didn't hit a dirt road, and that the homes, businesses and government in the

Northwest were well connected and it could be used as a vehicle for the growing digital economy.

239 CHAIR TIERNAN: Declares meeting in recess form 2:21 to 2:30 p.m.

265 DEAN PAPE, Pape Group: Shows a video of business enterprises operated by the Pape Group.

310 MR. PAPE continues showing the video.

355 MR. PAPE continues showing the video.

400 MR. PAPE continues showing the video.

TAPE 25, B

002 MR. PAPE continues showing the video.

019 MR. PAPE: Setting goals and objectives is very important. All programming is done by setting objectives down to the bottom man or lady.

026 CHAIR TIERNAN: How many employees work for your several companies?

029 MR. PAPE: The Pape Group employs 1,200; about 500 of them reside in Oregon. Liberty Financial is controlled by my four children and have approximately 500 people employed. They have a bank called Liberty Federal, a garbage refuse company in Springfield and Eugene, and they have a leasing company. We also have Mt. Bachelor with 700 employees at this time of the year.

044 MR. PAPE: We have a company in Portland called Portland Paging that has about 300 employees. We motivate our people by setting goals and objectives. The best way to motivate people is through money, bonuses. I don't know how you interpret that for the State of Oregon.

054 CHAIR TIERNAN: If you could make one recommendation for the state to seek more efficient use of the dollars it spends, what would that recommendation be?

055 MR. PAPE: Communications. I am concerned about getting bogged down with legal stuff. We have a difficult time with being sued by employees.

076 CHAIR TIERNAN: Legal reform will be addressed. The president of a major company used to have 2,000 and now has 1,700 and says he will not hire any more employees because they are a liability. Would you agree with that statement?

MR. PAPE: No. In our company we are continually hiring people and our payrolls are increasing. I will not be detoured by someone who says they were harassed.

098 REP. HAYDEN: Can you recover legal fees if your prevail?

MR. PAPE: No.

114 REP. JOHNSON: I agree the best way to defend the suits is to zealously litigate them. But at the same time I am sure Mt. Bachelor has a desire to maintain a good relationship with the people who use it. I am

sure you go out of your way to make the people comfortable if they hurt themselves.

MR. PAPE: In Pape Brothers, the whole system must be geared toward the customer.

127 REP. JOHNSTON: When we put this together, we will attempt to define a way to discourage the frivolous suits.

129 MR. PAPE: They should pay for their suit. If I lose, then I will pay, but if I win, I should not have to pay my costs.

131 REP. LEHMAN: How would you characterize government overall in dealing with them and the horror stories and the good things you have dealt with and how would you characterize state government?

141 MR. PAPE: My dealings with state government have been superb. The people who work for the state have been great and the people we call upon have been great. I have no fault with those people. I am not sure how the communication from the top echelon goes down through his people.

145 REP. LEHMAN: How do you find the contracting process?

MR. PAPE: The system in the State of Oregon is clean.

171 CHAIR TIERNAN: With your experiences, should the state be contracting out some services.

MR. PAPE: Yes. Road maintenance could be turned over to private enterprise on a bid basis.

211 CHAIR TIERNAN: Do you find equipment sharing among the state, cities and counties.

MR. PAPE: No.

228 REP. ROBERTS: Do you think Oregon companies should have priority on the bids or should they be opened up.

MR. PAPE: I think you have to open it for everyone.

268 CHAIR TIERNAN: Oregon is the home of several large contractors and they do a tremendous amount of business out of state. I think they find Oregon to be almost too competitive in surrounding states. It works to our advantage.

277 REP. JOHNSTON: Rep. Ross wants to know if you have a county or city which you think is doing a good job with contracting out that we perhaps should look at.

282 MR. PAPE: I would rather not come up with a name. I don't know of one above the other.

306 REP. MARKHAM: Do you think the state should have an airplane to transport the bureaucrats?

MR. PAPE: Yes.

378 JOAN AUSTIN, A-DEC: Submits and summarizes a prepared statement (EXHIBIT B).

TAPE 26, A

002 MS. AUSTIN continues her prepared statement.

048 MS. AUSTIN continues her prepared statement.

098 MS. AUSTIN continues her prepared statement.

143 MS. AUSTIN continues her prepared statement

173 MS. AUSTIN continues her prepared statement.

220 CHAIR TIERNAN: I have read your memo regarding DEQ and we will get back to you (EXHIBIT B, page 7).

231 CHAIR TIERNAN: If you had one suggestion to state government on what they could be or should be doing to become more efficient, what would it be?

243 MS. AUSTIN: I suggest getting state government to think of citizenry as customers and what can be done to serve them better. Responds to further questions:

> thinks it would be harder today to start a business because of rules and regulations

289 > has not used Oregon Economic Development; did serve on the commission,

however commission can play a great role

> on privatization, government should look in house to see what could be done more efficiently outside: printing, liquor commission--many areas should be looked at to see if it makes any sense for government to be operating them and the cost to the benefit

307 REP. STROBECK: How much time and resources are spent by your company to comply with rules and regulations of various levels of government?

MS. AUSTIN: We are putting that together for AOI and will provide the information.

360 REP. WYLIE: If you were part of a policy board taking over the state, what motivation and direction would you instill--what priorities would you focus on?

374 MS. AUSTIN: Explains how they involved their employees in operations and decisions.

TAPE 27, A

028 REP. ROBERTS: We talk about employees on the front lines treating the customers correctly. Everybody is our customer. You have a great deal more leeway than the government because if you choose not to do business with someone, you have that right. We don't have that leeway. Don't you believe one of the most important areas to have employees treat the customer right, is to have high employee morale?

044 MS. AUSTIN: I believe you can build that morale. It is an important part if they are going to do a good job.

077 CHAIR TIERNAN: Do you want to comment on lawsuits?

MS. AUSTIN: I agree there are too many out there. Suits are brought about for no reason and time and money is spent to fight them, even though nothing comes of them most of the time. But if there is situation, we feel we have to carry it all the way through. We feel we could use some legal reform in Oregon.

119 CHAIR TIERNAN: Declares meeting adjourned at 3:45.

Submitted by, Reviewed by,

Annetta Mullins Gregory C. Moore
Committee Assistant Committee Counsel

EXHIBIT SUMMARY:

- A - Government Efficiency, copies of overheads and book, Paul Nerger, 44 pp
- B - Government Efficiency, photographs, and brochure, Joan Austin, 26 pp