

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 4, 1991 Hearing Room 343 8:00 A.M. State Capitol Salem, OR

Tapes 33 - 36 Oregon Progress Board Continuation Business Development Division Presentation Ports Division Presentation International Trade Division Presentation Staff Presentation - Twelve Ideas Report

MEMBERS PRESENT: REP. RAY BAUM, CHAIR REP. JERRY BARNES REP. MARGARET CARTER REP. CEDRIC HAYDEN REP. VERA KATZ REP. DAVE MC TEAGUE REP. BOB PICKARD

MEMBERS EXCUSED:

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA MILLER, POLICY ANALYST JERI CHASE, OFFICE MANAGER

WITNESSES: DUNCAN WYSE, EXECUTIVE DIRECTOR, OREGON PROGRESS BOARD LYNN YOUNGBAR, LEGISLATIVE COORDINATOR, ECONOMIC DEVELOPMENT DEPARTMENT GREG BAKER, PORTS DIVISION MANAGER/BUSINESS DEVELOPMENT MANAGER, ECONOMIC DEVELOPMENT DEPARTMENT GLENN FORD, MANAGER, INTERNATIONAL TRADE DIVISION, ECONOMIC DEVELOPMENT DEPARTMENT

NOTE: These minutes contain materials which paraphrases and/or summarizes statements made during this meeting. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 33, SIDE A

004 CHAIR BAUM: Convenes the meeting at 8:00 a.m.

HB 2249 (Oregon Progress Board Continuation) - Public Hearing

013 JOSEPH CORTRIGHT: Describes HB 2249. This bill repeals the sunset on the Oregon Progress Board that is currently effective June 30, 1991.

020 DUNCAN WYSE: Begins presentation of written testimony (EXHIBIT A).

131 CHAIR BAUM: We need to consider whether the Board should exist for an indefinite period of time or whether another sunset should be added.

147 REP. KATZ: 1) We need to address the issue of moving the benchmarks through the Legislature. 2) I am concerned about making the Board permanent. There may be cease to be a need for the Board after its functions have been accomplished. 3) You worked hard to get Legislators involved in this process. Are you bothered that there is no Legislator on the Board?

166 WYSE: 1) There is a separate benchmark bill being drafted for introduction. There is still question as to the process this bill will go through. I have discussed it with Committee chairpersons and there is a lot of interest in review of these benchmarks by various

committees. 2) A sunset is agreeable to us. This Board will be a long-term process, but I think it should be subject to legislative review. A two- year sunset enables Legislative review. 3) We have involved Legislators in workshops and committees. I think we have gotten better Legislative input that way than we would have with merely one or two Legislators on the Board. Nearly thirty Legislators have been involved in the benchmarks process. We need to keep the Board small enough for it to function effectively and informally.

293 REP. BARNES: What will happen to the benchmarks if we don't have an organization to watch it? Will they draw dust? Why couldn't the Trade and Economic Development fulfill that function?

305 WYSE: To do the benchmarks, you need an entity with staff to do it. The type of entity is a decision that needs to be made.

324 REP. BARNES: Why couldn't the role of this committee be broadened to take on this commitment?

340 REP. CARTER: We did look at this. Legislators are too turf-conscious. This would create problems in terms of expectation, ownership, etc. Leadership power changes would affect the issue. A neutral Board that responds to the data rather than politics is the most effective.

364 REP. HAYDEN: I would be willing to extend the Board for a time certain.

370 REP. PICKARD: What about Legislative review every other session?

380 WYSE: It needs to be done at the end of a biennium.

387 REP. BARNES: This Committee is very concerned about economic development but there are many other issues that this Board is reviewing. The Committee's role would have to be broadened if it was going to be the review body.

403 REP. PICKARD: I believe that the magnitude, uniqueness, and importance of what the Progress Board is doing requires an outside entity. I wouldn't want to see a Legislator on the Board or change the structure of the organization.

415 CHAIR BAUM: Ultimate jurisdiction of the Benchmarks is unclear since they cover so many areas. If this is successful, it will have to be done one piece at a time.

474 WYSE: The reason the Governor chairs this is to make implementation easier. We feel strongly that we need to work with the Legislature for this to work.

494 REP. BARNES: Do you see the Progress Board initiating proposed legislation in the future to implement goals?

TAPE 34, SIDE A

030 WYSE: Yes. I see the Board introducing board strategic changes with some more specific legislation.

041 CHAIR BAUM: We will have a Work Session on HB 2249 on Wednesday.

EDD Briefing - Business Development and Ports Divisions/International Trade

069 LYNN YOUNGBAR: Introduces GREG BAKER.

078 GREG BAKER: Begins presentation of written testimony regarding the Business Development Division (EXHIBIT B).

140 REP. KATZ: Requests specific information on enterprize zones.

156 BAKER: Continues presentation of EXHIBIT B.

202 Discussion between CHAIR BAUM and BAKER regarding specifics of enterprise zones.

227 CHAIR BAUM: How was this system established?

229 BAKER: The enterprise zone system was created by the 1985 Legislature and 30 zones were designated that will expire in 1998. Qualifying criteria was established by the 1989 Legislature.

242 CHAIR BAUM: Do you know how these enterprise zones will be affected by Ballot Measure 5?

245 BAKER: We are still researching the effects of Ballot Measure 5 on enterprise zones.

261 REP. BARNES: Are these zones the same as federally-designated economically lagging areas?

262 BAKER: No. The impetus for the model was the federal program proposal for enterprise zones that was not ever fully implemented.

280 CORTRIGHT: Have there been any boundary changes for enterprise zones in the past two years?

282 BAKER: The Governor has done two boundary changes in the past biennium.

290 BAKER: Begins presentation of written testimony regarding Ports Division (EXHIBIT C).

380 REP. KATZ: Why don't we have a "Port of Oregon"? Is there a comprehensive plan for these ports so they do not compete with each other?

393 BAKER: This issue has been in front of the Legislature many times. The Ports Association has suggested a State Ports Commission be created to address this issue. Governor Goldschmidt created the Port Planning Development Advisory Committee which was to provide policy direction. There has been conflict within this committee. There should be a study issued soon that deals with the deep draft ports. The Ports really no longer compete with each other. There may be some commercial fishing activity port competition. We are addressing this through business plans which almost every port has now completed. There is a larger issue regarding bonding availability due to Ballot Measure 5. This will address the economic viability of some of the smaller ports - particularly on the coast where there may be three port districts in one county.

444 REP. CARTER: There has been a lot of conflict about these issues.

TAPE 33, SIDE B

024 BAKER: Continues presentation of EXHIBIT C.

065 CHAIR BAUM: Recesses meeting at 9:05 a.m.

067 CHAIR BAUM: Reconvenes meeting at 9:25 a.m.

073 GLENN FORD: Begins presentation of written testimony on the International Trade Division (EXHIBIT D).

130 CHAIR BAUM: What does the Department of Agriculture for international trade that is different from what EDD does?

125 FORD: We do the same things; we just have a different client. They work with agricultural companies. We do it for wood products and manufactured goods. The personnel have different specialists.

138 CHAIR BAUM: How does the Agricultural Opportunity Fund fit?

140 FORD: I am not very familiar with it. I believe it is a lottery-funded program that has been used for specific projects.

145 CHAIR BAUM: I wanted to see how it fits with your activities.

147 FORD: We have not worked with this fund in our international trade activities with the Department of Agriculture.

150 CHAIR BAUM: Do you work closely with the Department of Agriculture?

151 FORD: Very closely. We have a lot in common with them. Our staff try to work interchangeably.

156 REP. KATZ: Are we looking at the European market at all?

160 FORD: We have been funded to work in three markets so far - Japan, Taiwan and Korea. We have a person on staff that can work with companies in Europe. They do not have the tools that our Asian people have because there is not a staff person in Europe for groundwork, research, etc. Our European capabilities are more limited as opposed to Asia.

170 CHAIR BAUM: Isn't there a proposal for an office in Europe?

173 FORD: There is a Senate bill that proposes an office. During the interim we worked on a proposal that was recommended to the Governor that did not survive that budget process.

177 CHAIR BAUM: Who else is involved in International Trade besides you and the Department of Agriculture?

170 FORD: The International Trade Institute, Small Business International Trade Program, and Oregon Marketplace - they all do different things.

199 CHAIR BAUM: What is the status of trade associations?

200 FORD: They vary. There are a lot of strong ones in agriculture.

We work closely with wood products trade associations. We also work with manufacturers who are not part of a specific trade group association.

231 REP. KATZ: Where have you been successful in what you have done? What has your performance been?

233 FORD: We are, in essence, a consulting group. We tie people in Oregon to overseas offices who act as temporary staff, consultants, to companies that have made the decision to market overseas. We have linguists and specialists in the private sector areas that we work with. Last year, we helped about 250 companies get involved in international markets. This is a 16 percent increase in the number of companies that were involved in internationally marketing their products. The types of assistance provided varies from company to company. Presents examples of work with different companies.

332 FORD: Continues presentation of EXHIBIT D.

420 CHAIR BAUM: How does your budget compare to last biennium's?

422 FORD: We are all General Funds. We are approximately at the same level that we were last biennium. We got one enhancement package to make our overseas offices whole. This was because of an error in the budget last biennium that hurt the overseas offices.

426 FORD: Submits brochure entitled Helping Oregon Export (EXHIBIT E).

457 REP. BARNES: Do you get any assistance from the federal government?

460 FORD: The U.S. Department of Commerce is also located at the World Trade Center which facilitates a close relationship. We utilize a number of federal programs; we help Oregon companies get involved with federal programs - from export financing to marketing grants. We have a staff person to make persons aware of those programs and how to sign up. We use federal marketing grant programs (Trade Export Assistance Programs) that are channeled through industry associations.

TAPE 34, SIDE B

028 FORD: Continues presentation of EXHIBIT D. Describes fee program.

065 CHAIR BAUM: It would be ideal to have the trade associations, etc., totally support your services.

074 REP. PICKARD: This is a different approach. It would result in a culling of those contacts that will not result in any possibility of net profit to Oregon. I also like the trend of going to the private sector for this business.

094 FORD: Oregon has the best system around the country. There is not another state that does what Oregon does for its companies. All of our programs are being copied by other states throughout the country. Oregon Marketplace is being duplicated all over the country. The International Trade Division has been officially recognized by the Japanese in the form of a very senior company employee for two years. There are no other programs with the food certification abilities that our Department of Agriculture has. They are very successful in generating federal dollars. We have a right to make adjustments so that the users of this system contributes more financially.

110 REP. PICKARD: I think that somebody is doing something right.

120 REP. HAYDEN: You are not afraid that if you start fee-for-service that you will do yourself out of existence?

125 FORD: I visualize this as a phase-in process that, hopefully, will negate that effect. We have surveys that indicate what services companies are willing to pay for - that is very limited at this point. We need to base our services on value.

132 REP. KATZ: How does a company thank the State of Oregon now? There are other things they can do.

135 FORD: And they do those things. We have had some companies that have been beneficial to us as a result of what we have done for them. The best salesperson in the world for us is another company. The credibility is very valuable. The other benefit is in giving us access to the results. Some companies do that readily now, some don't, and I think we can improve that.

160 REP. BARNES: Do you have the authority to discontinue provision of services to those businesses who are not sincerely working on internationalizing themselves?

165 FORD: The Attorney General has specified that we have the right to place requirements on companies.

170 REP. CARTER: Of these 1500 inquiries your receive each month, how many opportunities have resulted and how many of these businesses could have made these contacts themselves without your assistance?

175 FORD: The 250 companies that we worked with is a good summarization of the percentage of opportunity from the inquiries that we received. In some cases some companies could have accomplished this on their own and some couldn't. In the Asian countries particularly, government and business roles are reversed. A government entity can open doors in Asia better than private entities.

204 REP. CARTER: Do you see you shifting staff from Japan to Korea to capitalize on their economic growth?

207 FORD: That is difficult to say. Japan is exploding for Oregon; Korea is lurking. There are two chilling factors on companies pursuing opportunities in Korea - the sense of barriers and the sense that if you get the product in it is going to be knocked out of the market. Korea has not been as active as Taiwan and Japan at encouraging imports into their countries. We currently place, what I think, the appropriate amount of interest in Korea. China is looking for joint venture partners, but, they have a bad image among Oregon businesses so there is not a lot of opportunities. Thailand is hot right now and we are trying to do something with our environmental industries there now. We see that as a very developing market. Thailand is hot right now, Singapore is developing a very good market for Oregon's electronics industry. We have to be very careful with our existing ongoing resources.

257 REP. HAYDEN: Singapore cannot be a very big market - their population base is not that great.

258 FORD: They reincorporate the products and re-export to the entire

Southeast Asia basin - they are a very big market.

262 CORTRIGHT: Describe the two Senate bills that your department has filed.

252 FORD: These are Senate Bills 164 and 165 that relate to our overseas offices. Currently the overseas office personnel are contracted - they are not state employees. The Attorney General believes that they are treated as State employees and should be such. We have tried to convince the Attorney General's Office that it is in the state's best interest to keep these employees contract employees and I believe they are beginning to agree with us. The other issue is regarding purchasing. The Portland Office develops the overseas offices' budgets. Under State purchasing rules, these offices' products and supplies would have to be purchased through our General Services Department. This is difficult - and sometimes impossible (i.e., AT&T telephone service). We have agreement with the Department of General Services to grant us exemptions for our overseas offices. That is a short summary of those two bills.

307 REP. CARTER: Where did the question about contract vs. state employees come from?

310 FORD: There was a concern relating to Commodity Commissions and the Attorney General began reviewing all personal service contracts and trying to determine if that was really an employee relationship. In many ways, the way we interact with our overseas office staff is an employee relationship.

320 CHAIR BAUM: This is just the tip of the whole issue.

333 YOUNGBAR: That bill (SB 165) may be withdrawn if we cannot get satisfactory resolution with the Attorney General. This bill does not apply to all employees - it merely provides an exception for overseas trade offices.

Staff Presentation - Twelve Innovative Ideas for Economic Development

357 CORTRIGHT: Begins presentation of "Twelve Innovative Ideas For Economic Developmant" (EXHIBIT F).

TAPE 35, SIDE A

022 CORTRIGHT: Continues presentation of EXHIBIT F.

082 REP. KATZ: The question this information (pages 4 and 5 of EXHIBIT F) raises is do you put your resources where there is the largest payroll or to you use the resources to diversify?

086 CORTRIGHT: That is what this suggests - that should be the question. Decide on the industry, then the activities

090 REP. KATZ: The next question is should you fund industries if they have high paying jobs but are shrinking, or how do you fund? What do you suggest?

102 CORTRIGHT: I suggest that you look at each industry and try to identify what opportunities exist. Make the investment if you find the opportunity.

114 CHAIR BAUM: The data does not even take into account a lot of other economic activity.

125 REP. HAYDEN: This chart clearly shows what our strengths are - metals, forestry, agriculture, and electronics.

142 CORTRIGHT: This is only a small fragment of information. The discussion of strengths may be a very fruitful discussion for the legislature as policy-makers. This is a sense of how economic development could be approached.

222 CORTRIGHT: Continues presentation of EXHIBIT F.

TAPE 36, SIDE A

018 CORTRIGHT: Continues presentation of EXHIBIT F.

043 REP. KATZ: Have you drawn a reorganization chart for economic development based on the industry- sector approach.

051 CORTRIGHT: We have not. Some parts already would fall into a chart like that - tourism, film and video, etc. Others do not.

053 REP. KATZ: If you decide to focus that way, some programs could fall out.

055 CORTRIGHT: You would need to decide what mix of business development, marketing, training, etc., is going to happen within industries. The Legislature could choose the industries to target, with the Economic Development Department deciding the most appropriate mix of services to serve each particular industry.

075 REP. KATZ: I would like staff to pursue this.

093 CORTRIGHT: Continues presentation of EXHIBIT F.

135 REP. PICKARD: We are taking advantage of what staff has done in the interim and we need to take our time reviewing this information.

167 REP. BARNES: How are we going to approach the ideas being presented to us. Are we going to have a package of legislation? This is a chance to make major changes in economic development?

178 CHAIR BAUM: We will have to make a decision on how to proceed.

198 REP. KATZ: Is the Committee interested in the first idea? If we are, we need to start working on it.

194 CORTRIGHT: You can approach this idea one piece at a time until the time for structure overhaul - which is a huge undertaking in itself. Other steps would be accountability, goals, etc.

222 REP. KATZ: That may be the way to get the appropriate mindset. We need to move on this.

228 CORTRIGHT: You can also merely use this as a lens to look at particular industries.

245 REP. MC TEAGUE: Is this Committee going to be hearing extended public testimony regarding the use of lottery dollars? I want to have



those before I make my decisions.

275 CHAIR BAUM: Those decisions have not yet been made.

311 CHAIR BAUM: Adjourns the meeting at 11:06 A.M.

Submitted by,

Jeri Chase Office Manager EXHIBIT SUMMARY

EXHIBIT A -Written testimony, submitted by Duncan Wyse, 12 pages

EXHIBIT B - Written testimony, submitted by Greg Baker, 6 pages

EXHIBIT C - Written testimony, submitted by Greg Baker, 9 pages

EXHIBIT D - Written testimony, submitted by Glenn Ford, 3 pages

EXHIBIT E - Brochure - Helping Oregon Export, submitted by Glenn Ford, 4 pages

EXHIBIT F - Twelve Innovative Ideas for Economic Development 1990, submitted by Joe Cortright, 33 pages