

Joint T&E Committee
February 11, 1991
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SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

February 11, 1991Hearing Room 343
3:00 P.M.State Capitol
Salem, OR

Tapes 19 - 20
BILL INTRODUCTION
WOOD PRODUCTS COMPETITIVENESS COMMISSION
WOOD PRODUCTS SERVICE VOUCHERS
SECONDARY WOOD PRODUCTS INDUSTRIAL EXTENSION SERVICE

MEMBERS PRESENT: SEN. WAYNE FAWBUSH, CHAIR
 SEN. SCOTT DUFF
 SEN. JEANNETTE HAMBY
 SEN. JIM HILL
 SEN. PEG JOLIN
 SEN. EUGENE TIMMS

MEMBERS EXCUSED:

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

WITNESSES:JIM MERCER, PURCHASING MANAGER, NATIONAL WOOD IND.,
INC.
 GEORGE WYATT, ACTING DEPUTY DIRECTOR, OREGON
 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 19, SIDE A

000 CHAIR FAWBUSH convenes the meeting at 3:15 p.m.

Bill Introduction - LC 2893

012 CHAIR FAWBUSH: Describes Draft LC 2893 (EXHIBIT A).

MOTION: Chair Fawbush moves that LC 2893 (EXHIBIT A) be introduced.

VOTE: Being no objections Chair Fawbush approves LC 2893 for introduction

SB 364, 365 & 366 (Secondary Wood Products Legislation) - Public Hearing

030 JIM MERCER: Presents testimony regarding SB 364, 365 & 366 (EXHIBIT B).

102 MERCER: Continues presentation of EXHIBIT B.

172 MERCER: A secondary wood product is an intermediate component or finished product which is a minimum of 50% solid or reconstituted wood based on volume or value. In my opinion a wood window does not qualify as a secondary wood product.

180 CHAIR FAWBUSH: What would be considered a secondary wood product?

182 MERCER: The cut stock necessary to make that wood window.

190 CHAIR FAWBUSH: Our efforts need to be focused on the manufacturing processes that really focus on the wood itself rather than a finished composite product?

195 MERCER: Correct.

215 MERCER: Continues EXHIBIT B.

239 MERCER: A person in the secondary wood products involves some form of change to the basic lumber. All commission assistance should be restricted to manufacturers physically located in the state of Oregon.

254 CHAIR FAWBUSH: What if a firm from out of the state is involved?

266 MERCER: I can't see Oregon providing funds for the benefit of a California company I can see the state providing funds for the Oregon member of that network. Continues EXHIBIT B.

294 SEN. HAMBY: I wonder about the approach of a non profit organization?

300 MERCER: One of the key questions might be that if the commission wonders off the straight and narrow, how do you as a group get in there and fix it?

311 SEN. HAMBY: How would the members respond to government oversight?

319 MERCER: I feel the industry would feel better knowing they are running the show.

325 MERCER: Continues presentation of EXHIBIT B.

348 SEN. J. HILL: How do you make sure that all the members in the industry get to vote?

365 MERCER: We are working with a database . You could possibly elect the members of the commission for only one year and you have them find out who is there so that all the companies are listed. Continues EXHIBIT B.

400 SEN. JOLIN: If we were to go with a non profit organization, how would you compensate these people for their expenses?

420 MERCER: You have to compensate staff, but I am not that familiar with this area.

443 SEN. JOLIN: Is there any known profit corporation where the state of Oregon compensates as does a commission for expenses or for the administrator or executive?

450 CHAIR FAWBUSH: If you set up a non profit corporation we wouldn't have any control over compensation. The advantage of a private non profit is that you give them one lump sum and that is it.

TAPE 20, SIDE A

056 MERCER: As I understood it there was going to be a sunset provision on the commission.

062 SEN. JOLIN: Even under a non profit status you would anticipate being treated the same as this commission where the state would have to commit to six years.

066 MERCER: I see no fundamental difference between the funding for a commission and the funding for a non profit corporation.

070 CHAIR FAWBUSH: If you use a non profit set up it is easier for us to walk away from it, whereas if you have a commission that implies some on going support.

080 MERCER: Continues presentation of EXHIBIT B.

136 SEN. J. HILL: How would you control the conflict of interest situations?

140 MERCER: I would be more concerned in a non profit because we would not have the legislative oversight to go in and fix things if they went out of control.

150 SEN. J. HILL: We will want to consider this. In the begin certainly we would want more control.

162 SEN. TIMMS: Are we allowed to put restrictions on articles of incorporation in non profit corporation?

168 MERCER: Yes.

190 MERCER: The emphasis of these bills is on service. I think emphasis should be place on upgrading the machinery in the secondary wood industry.

229 SEN. JOLIN: You want to buy something new and put it at one operation, how do you expect people in the network in different locations to share this machinery?

240 MERCER: I am asking the question of whether you will allow this to happen. What are the ground rules?

250 CHAIR FAWBUSH: One of the real limitations that these folks have is capitalization. The size of the vouchers we have wouldn't do much but we might want to look at different programs to help with this

concern.

280 MERCER: Continues with EXHIBIT B.

313 SEN. TIMMS: What can you leverage with 50,000 dollars? You should be able to leverage more.

320 MERCER: I think a lot of this machinery can be rebuilt.

340 SEN. TIMMS: I just think that the bank would leverage you another 150,000 dollars or more.

344 MERCER: I think in normal banking times that would be true, but these are not normal banking times. The banks aren't loaning the money even if the fed is advocating that they do.

372 CORTRIGHT: What if the state did the leasing?

375 MERCER: It is an option but it's very expensive and the interest rates are high.

403 SEN. DUFF: Let's say you develop the technology to revise this particular piece of machinery, now is that something that is going to be proprietary or is that something that other people in the industry will be able to benefit from?

409 MERCER: I don't see why companies should risk losing their propriety anywhere in this process. A lot of the small firms don't have the time to implement equipment changes to their processes once a consultant does come in and map it out for him. I am suggesting the consultant implements the modification.

432 SEN. DUFF: So it would be for a specific business?

435 MERCER: Yes. Continues With EXHIBIT B.

TAPE 19, SIDE B

030 SEN. DUFF: What if extension agents were associated with the community colleges?

032 MERCER: I think the pressure in any academic environment is going to prejudice them against a person with a fourth grade education but knows gluing like the back of his hand.

040 SEN. J. HILL: If we help finance someone to develop a technology and get a competitive edge which angers those who might be competing against the person we help. How do we deal with that situation?

050 MERCER: You have not limited the vouchers to only firms that are in financial need. All companies have the same rights and access to these funds.

068 MERCER: Our company is into niche marketing.

095 SEN. J. HILL: Are you capital or labor intensive?

098 MERCER: Mostly we are capital intensive.

108 SEN. DUFF: What about international trade?

110 MERCER: We are seeing an increase and I most certainly advocate it.

120 MERCER: Ends presentation on EXHIBIT B.

145 GEORGE WYATT: Begins presentation of The Summary and Questions on SB 364 , 365 & 366 prepared by the Oregon Economic Development Department (EXHIBIT C).

232 WYATT: Continues presentation of EXHIBIT C.

280 WYATT: Continues presentation of EXHIBIT C.

314 SEN. JOLIN: You're suggesting we allow the director of Economic Development to appoint the members. This is in contrast to what Jim Mercer suggests. Do you have any comments?

329 WYATT: Yes, in the metals industry they selected their own and that worked great. Let's be flexible with the industry, I would be very supportive of that.

348 SEN. JOLIN: You don't feel that there would be a separation if the industry selected their own members?

353 WYATT: I don't believe there would be a separation. Continues with EXHIBIT C.

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012 WYATT: Continues presentation of EXHIBIT C.

017 CORTRIGHT: SB 365 is really an alternate way of approaching the question of how you assist the wood products industry and vouchers were a parallels track and one that you could take completely independently of what's in the wood product commission. It could also be a substitute for the network approach. Or you could do both of them and target them at different segments of the industry or different types of firms.

026 CHAIR FAWBUSH: We have a lot of flexibility on the voucher system.

040 WYATT: Continues presentation of EXHIBIT C.

107 WYATT: Concludes presentation of EXHIBIT C.

116 SEN. J. HILL: What things have you done to help specific firms?

120 WYATT: We will get that information together.

135 CHAIR FAWBUSH adjourns the meeting at 4:53 pm.

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Draft Bill, LC 2893, submitted by Joseph Cortright, pgs. 8.

EXHIBIT B - "The Final Report of the Joint Committee on Forest Products Policy," submitted by,
James Mercer, pgs. 25.

EXHIBIT C - Summary and questions on SB 364, 365 & 366 addressed by the
Oregon Economic
Development Department, submitted by George Wyatt, pgs. 12.