

Senate T&E Committee
March 13, 1991
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SB 364 - PH & WKS

SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

March 13, 1991Hearing Room 343
3:00 P.M.State Capitol
Salem, OR

Tapes 41 - 42
Forest Industry

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:JOHN BYRNE, PRESIDENT, OREGON STATE UNIVERSITY

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 41, SIDE A

000 CHAIR FAWBUSH convenes the meeting at 3:12 p.m.

SB 364 (Forest Products) - Public Hearing and Work Session

008 JOHN BYRNE: This bill would be of value but there is an existing extension service that has the organizational structure that could implement some of the provisions of this particular bill. Our comment would be that it makes better sense to direct this activity toward the existing extension service.

021 CHAIR FAWBUSH: By existing structure do you mean the existing ag

extension?

025 BYRNE: There is one extension specialist and then there are several agents throughout the state that have forestry responsibilities. It would be better to create it using the existing structure than to create something new.

029 SEN. DUFF: What if one person specialized in the manufacturing techniques and that person didn't have the academic background required by the University Extension Service, would that be a problem?

033 BYRNE: I don't see that as a problem. We have a number of people on our staff who perform very valuable functions that don't have the academic credentials that some of the other faculty has.

039 SEN. DUFF: What are the minimum standards for someone on the extension staff?

043 BYRNE: I would have to get back to you on that.

097 CORTRIGHT: Presents Forest Products Survey (EXHIBIT A).

132 CHAIR FAWBUSH: What is the possibility for bias on this survey?

138 CORTRIGHT: We are working on that right now.

142 SEN. HILL: Are we going to follow up on this survey?

145 CORTRIGHT: It depends on the sample areas involved. We may follow up.

150 SEN. HILL: I think it shows the difficulty in having contact and getting response. Getting involvement may not be a simple issue.

163 CHAIR FAWBUSH: I think it is interesting that this specific industry is having some trouble and only 50% have asked for help.

170 SEN. TIMMS: I know some people won't be interested in our help because they didn't get something they wanted from the government in the past.

189 SEN. HAMBY: The strongest opposition seems to concern avoiding damage to existing secondary manufacturing by competition of new secondary manufacturing.

199 CORTRIGHT: There are a variety of opponents and one is unfair competition. The fear is that we will subsidize the competition in a market that is already saturated.

213 CORTRIGHT: Continues presentation of EXHIBIT A.

288 CORTRIGHT: Concludes EXHIBIT A.

292 SEN. TIMMS: Is there a difference in reply depending on the size of the business?

299 CORTRIGHT: We gave people the opportunity to not identify who filled out the survey. Of those that replied the largest firm was 400 employees and the smallest firm was 3.

326 SEN. TIMMS: You could give this to any business and they would say financing help is needed.

338 CORTRIGHT: Compared to other surveys I've seen that include export assistance I think that number is high.

351 SEN. TIMMS: I think in Oregon we are more conducive to export trading.

359 SEN. DUFF: It seems like another thing that reoccurs throughout the comments is better use of staff for compliance on state and federal laws and tax incentives.

373 SEN. HAMBY: Do you suppose there is any relevance to what they are commenting about and what we are proposing?

400 CORTRIGHT: I sent this with "The Report of the Joint Interim Committee on Forest Products Policy" which outlined the major initiatives that we are approaching.

TAPE 42, SIDE A

020 CORTRIGHT: Presents "SB 364: Major Issues" (EXHIBIT B) and "Wood Products Competitiveness Commission/Corporation: Division of Responsibilities" (EXHIBIT C).

069 SEN. HILL: Could you review the concept of a network?

073 CORTRIGHT: The way it has worked elsewhere is that a group of firms, 3 or more, get together and can be involved in any sort of cooperative activity that might help the firms to be more competitive. It can be any of a wide range of cooperative activities.

086 SEN. HILL: Are we choosing our scope and responsibility (EXHIBIT B)?

090 CHAIR FAWBUSH: I think we will want to choose between some of those but they do tend to fit together.

096 SEN. HILL: A lot of this survey information is preliminary. A lot of this is going to depend on how many resources we have. Starting out we are going to need to set some priority.

131 SEN. JOLIN: On item 7 (in EXHIBIT B) I would go with network feasibility grants with some sort of voucher set up and combined that with broker training programs. I don't want eligibility for network participation because there is not enough flexibility. Under some circumstances it would be a good idea to let none of the secondary wood companies into the network.

152 CHAIR FAWBUSH: I would be leery going below 3 firms because one of the whole purposes is to get

people to cooperate and come together on some of these issues.

156 SEN. JOLIN: What if you had an opportunity for 2 firms, but the stature reads 3 firms, you cut off some of your flexibility.

158 SEN. HILL: In the model this was taken from was there a tendency to network that was facilitated?

163 CHAIR FAWBUSH: It was facilitated by the brokers.

174 SEN. JOLIN: Do you have to require 3 firms? Can you use some terminology that would just strongly suggest that?

178 SEN. HAMBY: Then you aren't networking you are giving grants to small businesses.

182 SEN. DUFF: What about the broker training program, is that a person in one of the three firms that you will train to be a broker?

188 CHAIR FAWBUSH: No, they are individuals trained to be a broker as a full time job. Once you get the companies together to cooperate then that is it the broker is done. You want a broker who can look for packages to put together.

204 SEN. TIMMS: I know of 2 companies that want to build a chipper and send it out by rail could they do that?

215 CHAIR FAWBUSH: Yes. They can do it if they get together with the parts distributor or someone and the \$10,000 would give them enough money to see if it was feasible.

221 SEN. HAMBY: I would like to see a broker work with something like this but I am concerned about giving \$10,000.

238 CHAIR FAWBUSH: This is an incentive to get bigger. Small business loans don't do this. Existing businesses need some kind of incentive to get them to work with the competition.

261 SEN. HAMBY: The notion of whether an idea will work should come through a business plan.

271 CHAIR FAWBUSH: We are talking about market penetration and better products. Without the \$10,000 you have no incentive.

286 SEN. HILL: The incentive is having some money available. I don't see why it has to be limited to implementation.

300 CHAIR FAWBUSH: There are two ways this can work. One, the people find it as a result of extensive advertising on our part and come together independent of a broker. The second way is a broker can

find the people and bring them together. If you put out this information enough with the lure of up front help you will get a lot of applications without the brokers.

324 SEN. DUFF: I can see where a broker would be very useful in finding supply.

333 CORTRIGHT: In the Danish model the money is only for the out of pocket costs, for something very specific. Also having the money available encourages businesses to start talking to each other.

356 SEN. HAMBY: I object to the use of the \$10,000 as an encouragement for them to sit down and talk to one another.

366 CHAIR FAWBUSH: The encouragement is the opportunity to recover your out of pocket expenses for exploring a better way to make a product.

378 SEN. HAMBY: I would like to think people would sit down and look at ways to improve their company without being paid.

390 CHAIR FAWBUSH: People get used to doing business in a certain way and it is very hard to change them.

417 SEN. HILL: Are the businesses as independent as ours? Sometimes just bringing people together makes things happen.

440 CHAIR FAWBUSH: How are you going to get them together?

TAPE 41, SIDE B

021 SEN. HILL: If we say that we have a program with money in it to help the wood industry they will pay to come. We want to set up some kind of conference. You should let them choose what they want to do.

038 CHAIR FAWBUSH: We need them to give us their ideas. We are not trying to give them our ideas. The Danes flooded the country with flyers and gave them a one page application form and made the money the lure.

065 CHAIR FAWBUSH: It doesn't matter how you do it the whole idea is to get people together to make deals.

087 SEN. HAMBY: We have the resources now that would assist in the development of a business plan. The next step might be the dollars being available to help them.

100 CHAIR FAWBUSH: You need the funds to put together a business plan. I think we should give them the money right away.

115 SEN. HILL: If you bring people together and tell them there is money for these types of things they will get together. They have to do something to come up with a business plan that says why they are together and how this would be beneficial to the them. I think you want to give them money sooner then I want to give them money.

132 CHAIR FAWBUSH: You have to tell them that if you jump through a certain number of hoops we will reimburse you.

144 SEN. HILL: You have a limited amount of money, you can't give money to all of them. There is some benefit in getting them together even without the money.

157 SEN. DUFF: The one thing that is missing is the state wide network.

205 SEN. DUFF: Do we have brokers who do this now?

210 CHAIR FAWBUSH: Yes.

252 CHAIR FAWBUSH recesses the meeting at 4:30 pm.

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Forest Products Survey, submitted by Joe Cortright, pgs. 6.

EXHIBIT B - "SB 364: Major Issues", submitted by Joe Cortright, pgs. 9.

EXHIBIT C - "Wood Products Competitiveness Commission/Corporation: Division of Responsibilities", submitted by Joe Cortright, pgs. 1.

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SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

March 13, 1991Hearing Room 343
4:30 P.M.State Capitol
Salem, OR

Tapes 43 - 44
Committee Workplan

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

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

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STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER
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TAPE 43 , SIDE A

000 CO-CHAIR BAUM convenes the meeting at 4:35 p.m.

014 CORTRIGHT: Presents "Proposed Procedure for Trade Committee Consideration 1991 Lottery Allocation" (EXHIBIT A).

040 CORTRIGHT: Presents letter to Speaker and President (EXHIBIT B).

050 CO-CHAIR FAWBUSH: We could meet jointly on this issue so we wouldn't have to pass things back and forth. We could meet in late afternoon or evening. It would be beneficial for us to send down a joint bill to Ways and Means otherwise they get to make the final decisions.

085 CORTRIGHT: Continues presentation of EXHIBIT A.

104 CO-CHAIR BAUM: There is a proposal to require contribution of 34% of the lottery funds to economic development activities rather than giving them the discretion to move it down to as low as 30% and pay more in prizes to generate more play.

124 CORTRIGHT: The one figure that is fixed in the state constitution is the 16% maximum on administration. The 50% for prizes is established in statutes and the legislature can change that provision.

136 CO-CHAIR BAUM: Continues overview of EXHIBIT A.

176 CO-CHAIR BAUM: I am committed to working toward a joint meeting option.

214 CORTRIGHT: Continues overview of EXHIBIT A.

225 CO-CHAIR BAUM: We are working on the Sports Lottery.

247 CO-CHAIR FAWBUSH: The Sports Lottery will raise an issue in final determination because as the law stands now we back fill our estimate before anything rolls into the Sports Lottery. We will have the same issue with the Video Lottery.

307 CO-CHAIR FAWBUSH: There are a number of proposals surfacing on video poker. Video poker may happen and if it does then I would hope this committee would try to have some say over how those funds are dedicated.

375 REP. CARTER: We need to decide if lottery dollars should be dedicated fund dollars. We also need to decide if we should be dealing with issues that long term general fund budgets have taken care of and now back out and want lottery dollars. Lottery dollars should not be dealing with long term, on going projects. I think these issues would be best discussed as a joint committee.

TAPE 44, SIDE A

060 SEN. TIMMS: I would like to meet jointly so that we can move on with the value added issue. To me we need to look at the whole forestry area to prioritize where the money should go and I think forest management is a very important part of the program.

087 CO-CHAIR FAWBUSH: Rep. Baum and I divided up the issues when we realized that we couldn't

meet jointly. We are still acting like a joint committee and we are going to have to trust each other.

We don't want to divide up the lottery.

091 CO-CHAIR BAUM adjourns the meeting at 5:10 pm

Submitted by,

Jeri Chase
Office Manager
EXHIBIT SUMMARY

EXHIBIT A - "Proposed Procedure for Trade Committee Consideration 1991 Lottery Allocation",
submitted by Joe Cortright, pgs. 2.

EXHIBIT B - Letter to Speaker and President, submitted by Joe Cortright,
pgs. 2.