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# Report on a Competitive Economic Development Strategy for Oregon

City Club of Portland (Portland, Or.)

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Report on

## A COMPETITIVE ECONOMIC DEVELOPMENT STRATEGY FOR OREGON

A multi-committee, two stage study was initiated in February, 1986 to recommend an "overall economic development strategy for Oregon." From May to December 1986, six City Club Study Committees simultaneously studied six industry sectors of the Oregon economy: Forest Products, Agriculture, Metals & Basic Manufacturing, Electronics, Oregon-Based Trade and Tourism. The reports of the industry sector committees are summarized in this document as Appendix A. A complete copy of the full sector committee report for any individual sector is available on request from the City Club of Portland. (Use the order form supplied with this document.)

At the conclusion of the industry sector process, the six industry sector chairs, alternates from the industry committees, and the overall chair formed an aggregate economic development strategy committee. This document contains the report of that committee.

The report includes both Majority and Minority recommendations. None of the report recommendations will become the official position of the City Club until a vote of the membership is taken on August 7 1987. The outcome of the membership vote will be reported in the City Club *Bulletin* (Vol. 68, No. 12) of August 12, 1987.

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## EXECUTIVE SUMMARY

Oregon's economy has suffered from a lack of strategic direction. This multi-committee, two stage study was initiated to recommend an "overall economic development strategy for Oregon." The Majority reported as follows:

The first step in any strategic economic development effort is to determine what kind of economic development Oregon citizens want and at what costs. If we cannot measure or describe (or don't know) what we are trying to accomplish, it is too easy to fund a few new programs and announce a new plant or two, but not truly influence the economic progress of the state. Oregon needs a statewide consensus on a specific set of economic development goals, and criteria against which to measure progress toward them.

Pending such a consensus, the Majority proposes five "Economic Development Goals": (1) Increased Income; (2) Reduced Unemployment; (3) Improved Income Distribution; (4) Improved Industry and Geographic Diversification; and (5) Maintained Quality of Life. Accompanying the Goals are measuring criteria designed as performance standards to guide economic development decision makers at all levels of government in Oregon.

A comprehensive economic development strategy needs to recognize that all industry sectors are important and none should be "sacrificed" to provide resources for others; that a balanced economy offers safety, stability, and other benefits; and that economic development should be consistent with and reflect Oregon's quality of life.

State government (and local government) actions and decisions affect competitiveness of businesses in Oregon by providing necessary infrastructure, encouraging investment in productivity, helping businesses control costs, shaping the tax structure, offering relevant higher education programs, and supporting joint marketing efforts.

Effective leadership is crucial, and the Department of Economic Development alone cannot fill the role. Only the Governor has the visibility, public confidence and clout to ensure that the state has a vision for its economic development efforts consistent with Oregonians' goals, an articulated strategy for achieving this mission, and coordinated actions to bring it about.

Although the six industry sector committees recommended actions that cumulatively might exceed the amount that could be supported without significant tax increases, no "budget busting" programs were suggested. Either the amounts needed are incremental or ways to develop the resources without

raising taxes are available. Further, during the reconciliation process, the Majority selected only the highest priority sector strategies and strategic actions. Consequently, the Majority believes that enough resources are now available to do most of what should be done.

The strategy recommended in this report and suggested in the related industry sector reports does not rely on government subsidies, expensive industrial development campaigns or massive additional investment in public works. It is far less dramatic and glamorous than alternatives that do make such proposals, but far more likely to be effective over the long term. At the same time, it is much more difficult to accomplish because it is based on effective leadership, a consensus on goals, establishment of strategies, and good management by public and private sector officials.

The Majority recommendations urge the Governor to take the lead in developing a consensus on goals and managing state government in accordance with those goals. Five specific Goals, described above, are offered, along with criteria to measure progress toward meeting them.

The Majority recommends an overall Economic Development Strategy of encouraging the vitality of all three sectors of the Oregon economy represented in this study:

- o Natural Resources Sector: Encourage federal policy decisions on terms favorable to Oregon. Assure adequate supply of suitable land and harvestable timber.
- o Manufacturing Sector: Provide a highly educated work force. Support private sector productivity improvement and cost control efforts.
- o Commerce Sector: Provide a good transportation infrastructure to foster commercial growth. Support and coordinate marketing research and commercial development.

Finally to provide ways to implement the above strategies, the Majority recommends a number of specific actions for each sector.

The Minority concludes that the best economic development goals for Oregon is the unambiguous increase in per capita income relative to competing states. Rather than having leadership develop a strategy from a consensus of public opinion, it should make proposals based on analysis, logic, and an understanding of national and international competitive behavior. To be effective, a state economic development policy must be capable of clear and concise articulation. A logical economic development strategy for Oregon is to encourage, to favor, the rapid application of new knowledge and technology to Oregon's existing industry and commerce.

To implement its proposed Strategy, the Minority recommends two essential actions:

- o A much stronger effort to seek federal government research and development funds -- particularly the large fraction devoted to defense work.
- o Position our schools to help economic development by significant differentiation among public colleges and universities, and move the major thrust of electronics education to the Portland area.

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Chair

ELECTRONICS

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FOR THE MINORITY





## Report On

### A COMPETITIVE ECONOMIC DEVELOPMENT STRATEGY FOR OREGON

To the Board of Governors,  
City Club of Portland:

#### I. INTRODUCTION

Few issues are more important, far-reaching, and in need of resolution than developing an Oregon economy that is strong, stable, and growing. The state economy grew throughout the 1970s, reaching a highpoint in employment in 1979. In the decade 1970-1980, net immigration to the state was 394,913 persons.(1) The national recession that began in 1980 hit Oregon harder than other states, however, pointing out the weaknesses in our economy. From 1980 to 1986, net outmigration was 89,896 persons.(2)

The economy, which has suffered from a lack of strategic direction, (3) was a major issue in the 1986 governor's race.

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1 Center For Population & Census Research, PSU.

2 Ibid.

3 "Strategic" decisions are those that determine and reveal underlying purposes and goals, define basic directions and patterns of action, and remain effective over long periods of time. Strategies can be changed, but strategic change includes a fundamental redefinition of goals. Examples of strategic public sector decisions include basic tax structure, comprehensive land use plans and transportation system layout. Private sector strategic decisions include definition of products and markets, or research and development directions and of positioning relative to competitors.

Tactical "actions" are shorter term in duration and impact. If a strategic framework exists, tactical actions are the specific steps taken to achieve the strategic goals.

One party's tactical decision may be of strategic importance to another. The federal government made a strategic decision to build an interstate highway system. Whether part of the system ran along Powell Boulevard in Portland was viewed by the U.S. Department of Transportation as a tactical matter, but was a decision of strategic importance to the City of Portland. Management of National Forests and Rangelands in Oregon and Bonneville Power Administration rate structures similarly are more strategically important locally than nationally.

In 1985, Oregon ranked poorly in the following key indicators (4):

Unemployment	10th highest in the nation
Duration of unemployment	7th highest in the nation
Employment growth, 1980-1985	47th out of 50
Per capita income	31st out of 50

It was in this context that the City Club of Portland undertook a multiple-committee project to propose a competitive economic development strategy for Oregon. The strategy is needed to find ways to better develop our natural and our human resources, while at the same time preserving Oregon as a good place to work and live.

## II. THE STUDY CHARGE AND THE SECTOR STUDIES

Recognizing the importance of economic development to the people of Oregon, and the timing of a new administration in state government in January 1987, the Board of Governors approved this study on February 3, 1986. Its charge to the Committee was to:

"Determine an overall economic development strategy for Oregon. Such a strategy will result in a relative increase in per capita income when compared to other states. It will entail keeping existing industries healthy, relocating certain plants and facilities in favored industries from other places to Oregon, and encouraging new startups of favored industries in Oregon. The study will be conducted in two phases, a sectors phase and a reconciliation phase."

In a process new to the City Club, the study charge directed the formation of committees simultaneously to study six industry sectors (5) of the Oregon economy ("industry sector committees"): Forest Products, Agriculture, Metals and Basic Manufacturing, Electronics, Oregon-Based Trade and Tourism. Summaries of the industry sector committee reports appear in Appendix A. They establish that Oregon's economy, traditionally based in agriculture and forest products, has grown in other sectors: electronics, tourism, metals, and trade.

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4 "Making the Grade, the Development Report Card for the States," Corporation for Enterprise Development, March 1987.

5 To take advantage of similarities in strategic considerations, the Strategy Committee redesigned the six industry sectors into three "economic sectors" for purposes of evaluation and recommendations (see Appendix B).

Highlights of the findings by the sector committees indicate both the robustness of Oregon's economy as well as the problems:

o Forest Products

Oregon is the top lumber and plywood producer in the country, accounting for 23 percent of all U.S. lumber production in 1985. One third of all manufacturing employment in Oregon is in forest products with 75,000 jobs and over \$1.8 billion in wages and salaries.

Since 1950, two thirds of the timber harvested has been from private lands, but the inventory of mature private timber is diminishing and will not support industry needs until 2000-2010 when the reforested areas begin to yield mature, harvestable timber. Presently over half the harvestable inventory stands in national forests. Federal legislation and public policy will be key factors in the raw material supply issue as the U.S. Forest Service balances economic, environmental and other interests in its multi-use approach to forest management.

o Agriculture

Oregon's agricultural industry produces \$2 billion annually in sales and employs 100,000 people. Between 1970 and 1985 the number of Oregon farms increased 10 percent while nationally the number of farms decreased 23 percent. The state produces over 170 different crops and exports 80 percent of its agricultural products. It is among the top three producing states in such diverse crops as peppermint, hops, strawberries, filberts, pears, broccoli and onions.

The outlook for agriculture is positive, but the industry needs more marketing efforts and flexibility of growers to switch quickly into specialty crops in high demand.

o Metals and Basic Manufacturing

Oregon's strength in metal production and fabrication was enhanced by the availability of low-cost hydroelectric power from the Columbia River basin. Other factors included the U.S. Bureau of Mines metals research laboratory in Albany and the proximity of the federal nuclear program in Hanford, Washington. Competition from third world countries and rising energy costs resulted in closure of most aluminium smelters in Oregon. Even so, in 1984, 43,500 jobs were in primary metal production, fabricated metal products, machinery and transportation equipment.

Exotic metal production firms and metal fabrication companies producing machinery and transportation

equipment now are faring better. The most successful companies will be those concentrating on specialized production, modern management and manufacturing methods, cost control, and the application of new technologies.

o Electronics

The single most dominant force in Oregon's electronics industry is Tektronix, the state's largest industrial employer. Oregon's electronics industry is not nationally dominant in any one area. Despite its relatively modest size, it is well rounded with an abundance of support industry. In 1985, 32,000 people were employed in electronics in Oregon; half of them in four leading firms and the rest in relatively small firms, most with fewer than 25 employees. Eighty percent of Oregon's electronics firms are headquartered in the state, and over three quarters of the firms have been established in the last ten years. Jobs continue to shift from lower wage assembly work to include more higher salary engineering, research and development tasks.

Although recently the electronics industry has experienced slow world-wide growth, the long-term outlook for growth in electronics is positive. The keys to growth include high quality technical education and heavy research and development expenditures.

o Oregon-Based Trade

Although Oregon has 23 ports, only the Port of Portland has sizable import and export levels. In competition with Seattle, Tacoma, and Los Angeles/Long Beach, Portland (a fresh water port) handles only 9 percent of West Coast shipping. The Port of Portland has developed several market niches, however, which allow it to be a viable West Coast port: grain and lumber exports; and automobiles and auto parts imports.

Portland International Airport is an underutilized resource, highly available to future development, which could be adapted to national and international trade opportunities.

o Tourism

Tourism is Oregon's third largest industry after agriculture and forest products. In 1986, tourists provided an estimated \$3 billion in revenue and employment for 60,000 people. One of the key economic features of tourism is that it is not concentrated in any one area. The state benefits from its extraordinary natural features, relatively low prices, and proximity to California, a major market. However, the state has historically underfunded tourism marketing and research.

## III. MAJORITY DISCUSSION

A. Formulation of An Overall Economic Development Strategy

The single most difficult and challenging aspect of the Strategy Committee's (6) analysis concerned one central question: What is the proper definition and measure of "economic development" for Oregon? If Oregonians are not specific about our economic development goals it is (and has been) easy to fund a few new programs, announce a new plant or two, and declare victory without truly influencing events. This is how it is done in many states, and it works well enough when the general economy prospers. The weakness of this approach becomes evident when a recession strikes and the state's economy proves as unprepared as ever to cope with the resulting problems.

The process of setting goals -- debating and building consensus among Oregon citizens regarding the economic development we want, and at what costs -- is a valuable first step toward economic development. If we cannot measure or describe (or don't know) what we are trying to accomplish, we had better question the resources devoted to the effort. Oregon needs a specific set of state economic development goals, and criteria against which to measure progress toward them.

The charge to the Strategy Committee specified "relative increase of per capita income when compared to other states" as the primary criterion for evaluating progress toward economic development goals. This criterion, obtained by dividing total income (plus transfer payments) in the state by number of people, is a useful measure.

Five of the six industry sector committee chairs concluded, however, that a single criterion is not "most compatible with Oregon's situation" (another element in the charge) and should not stand alone as the basis to measure progress in economic development. The Majority of the Strategy Committee chose instead more expansive and broader criteria that, while still likely to enhance per capita income, generally would be more "compatible with Oregon's situation, external opportunities, and threats."

The process of developing a consensus on goals is important. It tests the ideas of the Governor and enriches them with ideas from other sources. It develops a base of public understanding and support for the proposed goals and the

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6 At the conclusion of the industry sector process in January 1987, the six industry sector committee chairs, selected alternates from the industry committees, and the overall study chair formed an aggregate economic development strategy committee, which we have referred to in the text as the "Strategy Committee." Appendix B describes the Committee's approach to reconciling the sector reports.

resulting strategies. It assures the necessary legislative and private sector actions will follow. It provides continuity when a new governor assumes office. Indeed, much of the erratic history of Oregon's economic development efforts can be attributed to a lack of attention to reaching a consensus on what the state's economic development goals should be.

The Strategy Committee's difficulty in readily identifying appropriate economic development criteria represents more than simply a methodological dilemma within a study committee. To the contrary, it probably reflects the statewide condition: Oregon as a state has not yet discovered either the goals or the measuring criteria to achieve the economic development it so much wants. Without a statewide consensus of goals, and a comprehensive set of criteria by which to measure progress toward these goals, a successful overall economic development strategy is not likely to emerge.(7)

Pending emergence of such a statewide consensus, the Majority discusses in this section and proposes at the conclusion of this report five "Economic Development Goals" and criteria for their measurement. These Economic Development Goals (or others established by a statewide consensus building process) are appropriate performance standards for the guidance of economic development decision makers at all levels of government in Oregon. For example, when County Commissioners consider any proposal either directly or indirectly affecting

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7 In 1987 Oregon Laws, ch. 168 (HB 3010), the 1987 legislature adopted new findings regarding economic development in Oregon. Those findings are generally descriptive of the state's current strengths and weaknesses. The legislature also directed the Economic Development Department and Commission to give priority to economic efforts thought to promote specified "criteria," such as providing "family wage jobs for Oregonians." Further, the Legislature declared the state's economic strategy to be "to focus its development and promotion efforts on Oregon's small businesses and on existing industries."

In 1987 Oregon Laws, ch. 115 (HB 3011), the legislature found that "regional strategies are key to the state's economic revitalization" and provided a procedure for the Economic Development Department to receive regional strategy proposals. These are to be developed after public comment.

This report of the Strategy Committee was developed independently of the legislature's economic development efforts and is not intended to constitute an evaluation of the enactments listed above or of other major 1987 economic development legislation. In some respects, the Legislature's approach is somewhat similar to that recommended here. In other respects, however, significant differences exist. One thing is certain: to date, effective strategic direction has not been apparent in Oregon's economic development efforts.

economic development, the proposal itself, the Commissioners' evaluation process, and the decision all should be in terms of the Economic Development Goals. If the proposal does not facilitate achievement of the Goals, it should undergo more scrutiny and should be revised or rejected. Similarly, when decisions on how to spend statewide resources for economic development are made, the programs most demonstrably capable of promoting the Economic Development Goals to the greatest degree are those that should be financed. As governmental choices start to be made with specific reference to the Economic Development Goals, private sector decisions most likely will fall in line and this state will begin to make economic progress.

Measurable criteria that may be appropriate are contained in a March 1987 study report by the Corporation for Enterprise Development entitled "Making the Grade, the Development Report Card for the States." Some of the goals identified in the "Making the Grade" report -- income, employment, and equity in income distribution -- are useful for evaluating Oregon's economic development efforts. These are described below. Moreover, in considering Oregon's situation, two additional goals -- diversification and quality of life -- should be included.

For both public and private economic development efforts to achieve the common goals, an economic development strategy is required. Implementing such a strategy, one that works toward specific goals by reference to measureable criteria, will result in economic progress -- of a kind the people of Oregon want.

## B. Economic Development Goals and Their Criteria

### 1. Goal: Increased Income (8)

**I'd like to earn a good living. I don't have to be rich, but I want to be making what others in my field make in other parts of the country.**

The income Goal deals with the amount of money earned per capita, the rate of growth of that amount, and the portion of the population which is lagging in earning income and falls

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8 The first three Goals described in this section refer to data that describe the Oregon situation under these standards. The data set out in the discussion of the first three Goals in this section are taken from the following source: Corporation for Enterprise Development, "Making the Grade, The Development Report Card for the States," March 1987. Please refer to the report itself for primary sources.

The comments introducing each of the proposed Goals are hypothetical and intended to be illustrative of some of the interests underlying the Goals.

below the poverty line. Oregon's status as of 1985 in terms of this Goal was:

	<u>Amount</u>	<u>Rank in U.S.</u>
Earned income per capita	\$10,276	31
Income change per capita (1980-1985)	3.9%	44
Percent below the poverty line	16.6	33
Overall rank of Oregon among all states		38

2. Goal: Reduced Unemployment

**My daughter is bright and creative. I hope she can find a job here in Oregon and doesn't have to move away to find work.**

This Goal deals with growth in the number of jobs, the portion of the labor force without jobs, and the length of time workers are unemployed. The 1985 Oregon situation:

	<u>Amount</u>	<u>Rank in U.S.</u>
Unemployment rate	8.8%	40
Employment growth (1980-1985)	(1.2%)	47
Duration of unemployment: percent of unemployed that are unemployed more than 27 weeks	19.2%	43
Overall rank in U.S.		43

3. Goal: Improved Income Distribution

**What I like about Oregon is that we don't have just a few rich people making all the money while the rest of us are left out.**

This Goal deals with how income is distributed among the population. It is possible to have a high per capita income if a few people have great wealth and the rest have little. Equity criteria are concerned with measuring distribution of economic wealth both within the population and geographically among regions of the state. The Oregon situation as of 1985:

	<u>Amount</u>	<u>Rank in U.S.</u>
Distribution of income (1.000 = completely equitable distribution)	.377	28



	Amount	Rank in U.S.
Black income as a percentage of white income	74%	25
AFDC benefits as a percentage of per capita income	50%	8
Overall rank in U.S.		23

#### 4. Goal: Improved Industry and Geographic Diversification

**My brother has a good job in a plant in Portland, but I like the country life. I'm glad there's work for me as a mechanic in my small town.**

Oregon's economy was long dependent on natural resources (forestry, agriculture, fishing, hydroelectric power). More recently it has diversified into manufacturing, electronics and service. This diversity is most evident in the Portland metropolitan area, which has a broad economic base. This Goal is diversity both in an economic sense (to avoid dependence on a single industry or economic sector) and in a geographic sense (to strengthen the economy of outlying cities and counties). Specific indices for measuring progress toward meeting this Goal could include the following:

- o Distribution of income or employment by economic sector at least at the 75th percentile among states.
- o Highest unemployment rate of any county in Oregon no greater than twice that of the county with the lowest unemployment rate.

#### 5. Goal: Maintained Quality of Life

**I live in Oregon because I like the way of life here and all that Oregon has to offer.**

This Goal is not an economic indicator. Oregonians support and have worked hard to establish and maintain a high quality of life. Any economic strategy needs to consider carefully the balance between stimulating economic growth and maintaining that quality of life. Furthermore, the high quality of life is one of the attractions for companies locating in Oregon.

It is difficult to obtain indices that accurately reflect the many important variables that make up the quality of life. Boyle (9) suggests the following factors: housing quality and costs; personal security; climate and physical environment; and recreational opportunities. Climate is not subject to

change by public policy, and recreational opportunities, while extensive in Oregon, are difficult to measure with a uniform standard. In January 1986, Oregon's Commission on Futures Research identified six "Oregon Values" -- sustained economic development, encouragement of innovation and creativity, pride in natural heritage, quality of education, individual ruggedness of energy and spirit, and strong ethical leadership -- which may provide a start for developing quality of life indices. In either case, some specific indices are needed to measure quality of life that relate both to economic development strategies and to noneconomic public policy.

### C. The Key Role of Leadership in the State

Effective leadership is a crucial component of a successful economic development strategy. Only the Governor has the visibility, public confidence, and clout to develop public consensus about economic development goals, set specific objectives, and identify a broad strategy for attaining them. Once this has been done, the Department of Economic Development, along with other state, regional and local agencies, can work within the strategic framework to achieve the results desired.

The Department of Economic Development alone, however, cannot fill the leadership role. Many broad areas of public sector responsibility fall outside the control of the Department of Economic Development. These include resource supply and management, physical infrastructure, higher education, regulation and tax structure. Similarly, the Economic Development Commission and Department cannot effectively coordinate the functions of other commissions and departments, who consider them no more than of coequal status. A Governor who relies on each department to carry out its function and primary mission will leave unattended many of the most important strategic economic development agenda items.

Effective leadership by the Governor will ensure that the state has a vision for its economic development efforts consistent with Oregonians' values (goals), an articulated strategy for achieving this vision, and coordinated actions to bring it about. Once this is achieved, all of Oregon's institutions -- state and local government, business, labor, education and civic organizations -- must share in the task of carrying it out.

### D. Foundations of an Economic Development Strategy for Oregon

Several common themes were evident from the industry sector studies:

- o OREGON'S ECONOMIC DEVELOPMENT EFFORTS NEED STRATEGIC THINKING. Strategic planning and allocation of limited resources will strengthen the individual industry sectors and, consequently, the economy of the state and of Oregon-based companies. Without a strategic plan to strengthen each industry sector, and the entire econo-

my, these limited resources could be allocated ineffectively. Strategic marketing plans were proposed by several industry sector committees; strategic marketing considerations were discussed by all.

- o DOING THINGS SMARTER IS MORE IMPORTANT THAN SPENDING MORE. The industry sector committees proposed incremental rather than major increases in funding for economic development. Indeed, some felt major improvements could be achieved simply by shifting existing funds to provide better focus or to reflect changes in priorities.
- o LEADERSHIP IS THE KEY TO ACHIEVING RESULTS. Private and public sector leaders who can identify and articulate alternative strategies, and forge a consensus for a plan of action, will make the difference between successful execution of strategic actions and unfocused and shortsighted approaches to economic development. In particular, Oregon's Governor is in a unique position to lead economic development efforts.
- o STATE GOVERNMENT CAN HELP BUSINESSES CUT OPERATING COSTS. Cost of doing business is an absolutely crucial competitive factor. If Oregon regulatory programs are insensitive to the cost of doing business, Oregon companies will be at a competitive disadvantage to business in many other states. Tax structure, rate-setting for common carriers and utilities, workers' compensation requirements, loans from public sources and technical assistance are ways that the State of Oregon affects business costs.
- o A MAJORITY OF STRATEGIC ECONOMIC DEVELOPMENT DECISIONS BY STATE GOVERNMENT ARE MADE OUTSIDE OF THE ECONOMIC DEVELOPMENT COMMISSION AND DEPARTMENT. Departments of Forestry, Transportation and Agriculture, regulatory agencies, higher education, tax laws and regulations, regional and local units of government, federal agencies and especially the private sector all make decisions of strategic importance to Oregon's economic development. The state's Department of Economic Development has a facilitating role, but is only one of many players.
- o OREGON'S EDUCATIONAL SYSTEM, AND ESPECIALLY HIGHER EDUCATION, IS AN ESSENTIAL UNDERPINNING TO ECONOMIC DEVELOPMENT IN OREGON. While the industry sector committees generally considered the existing educational system to be an asset, most felt that better targeting of these resources is key to significant improvements in our competitive position among the states.

The major foundations of an economic development strategy for Oregon can be identified or inferred from the common themes above and from the individual sector reports. This foundation contains the following common strategic elements.

## 1. All Industry Sectors Are Important; None Should Be "Sacrificed" To Provide Resources For Others

The commonalities listed above suggest that through careful planning within laws and regulations already accepted by Oregonians, substantial efforts to improve each sector are possible without "bumping against" other industry sectors. Indeed, a strong case was made in the sector reports that each industry sector makes a crucial contribution to the state's economy. All six sectors contribute to per capita wage rates. Forestry and agriculture have been major sources of income and employment, especially outside the Portland metropolitan area. Manufacturing and electronics have provided relatively high per capita wage rates and enhanced industrial diversification. Trade and tourism have been major sources of income and present good prospects for growth throughout the state.

The Minority recommends an economic development strategy focusing on "new technology." To the extent such a Minority recommendation would mean the development of one industry sector -- electronics -- at the cost of moving resources from others it is not desirable for the following reasons:

- o It would work against both types of diversification identified in this report's Industry and Geographic Diversification Goal. Oregon's rural counties are highly dependent on forestry and agriculture and view tourism as a good alternative for diversification. Manufacturing (including both electronics and metals and basic manufacturing) is an important source of high-wage employment in the state and produces many items for export from the region. Trade offers promise for future income from commerce with rapidly growing Pacific Rim countries.
- o Oregon has developed strength in these industries to some extent because it has competitive advantages over other parts of the nation and world. To write off one of them would forfeit the competitive advantages it possesses.
- o The Majority found little competition among these industries for economic development resources. Taking from one would not necessarily benefit another. Far greater benefit can be attained by working within each industry to provide better and more focused use of resources already available to it.

The Majority found no valid strategic reasons for favoring one industry sector (or a combination of sectors) in a state economic development effort at the expense of others. All industry sectors are important to the future of the state.

## 2. Encourage A Balanced Economy

Although the charge to the Strategy Committee specified "relative increase of per capita income when compared to other

states" as the primary criterion for measuring economic development progress, five of the six industry sector committee chairs concluded that increased per capita income alone probably would not lead to a strategy with sufficient balance. This conclusion rests on the following:

- o Focus on per capita income often is misinterpreted to suggest that the state should concentrate on an industry with high-wage jobs and discourage tourism, agriculture and services, which tend to be predominately low wage. In fact, giving an unemployed individual a low wage job increases per capita income. A balanced economic development program should reduce unemployment, even if some of the new jobs are low wage.
- o Even a low-wage industry may generate high per capita income. Agriculture is the only industry in some of Oregon's counties with high per capita income. A balanced development program is concerned with income distribution.
- o A successful economic development strategy committed to building a high per capita income economy based on a few high-income industries can bring the seeds of its own destruction. Detroit (automobiles), Pittsburgh (steel), Seattle (aerospace), and Massachusetts (textiles) have demonstrated the long-term risks in pursuing economic development without regard for diversification.
- o Quality of life cannot be disregarded in an economic development strategy. California's Silicon Valley, long cited as an example of effective economic development, has roads choked with traffic and housing costs beyond the reach of many of its workers. Now, its electronics firms are beginning to expand elsewhere.

Of the six industry sector committees, only the electronics committee used the per capita income criterion exclusively. That committee concluded that increased per capita income, as the sole determinant of a successful economic development strategy, was a valid single objective. It reasoned as follows:

- o The per capita income criterion is unambiguous, and comparable data exist for competitor states.
- o It is limited to economic matters. Success depends on focusing on only one thing at a time.
- o Oregon already has goals regarding environmental quality (e.g., land, water, and air regulations) and social structure (e.g., welfare, safety, and tax rules).
- o Leadership can result in a shift in attitudes and values that are more conducive to economic growth. Many of the values of Oregonians are in need of change if

the state is to re-enter the mainstream of national economic life. Leadership should be oriented toward creating a shift in the value structure.

The electronics sector committee concluded that the way to increase per capita income is to adopt the single strategy of attracting more research and development -- particularly those of the federal defense budget. To support increased defense electronics business, the electronics sector committee advocated: (1) concentrating economic development in general and services to electronics research and development in particular in the Portland Metropolitan Area, and (2) concentrating Oregon's higher education resources in the Portland Metropolitan Area even at the cost of diverting funds from University of Oregon and Oregon State University.

Oregon presently has relatively little defense industry presence, and such a strategy would represent a significant departure from the past. While the electronics study labeled its proposal as "radical," it made the point that if Oregon is serious about economic development and if per capita income is the sole measurement criterion, then this proposal would maximize the potential of the industry to contribute to this objective.

The differing use of the per capita income criterion by the industry sector committees thus highlighted the implications of such a measurement of economic development. The Strategy Committee found itself, therefore, facing a distinct choice. It could follow a literal interpretation of the charge's emphasis on the per capita income criterion and define an overall economic development strategy limited to a single industry, single narrow strategy, or discrete and limited period of time. Or, it could focus instead on a broader approach to "Oregon's situation" that, while still likely to enhance per capita income, does not sacrifice the safety, stability, and other benefits of a balanced economy.

As discussed in Section III A, above, the Majority concluded that Oregon's economic development strategy should pursue broader, more balanced criteria, leading to a broader, comprehensive set of goals. The Minority retained the per capita criterion as a valid exclusive basis for constructing an economic development strategy. (See Minority Report at Section VI below.)

### 3. Provide Economic Development that Reflects and Is Consistent With Oregon's Quality of Life

To attain strong economic development in all six industrial sectors, must we sacrifice our quality of life? Can economic development be achieved only by compromising quality of life, and does development mean environmental degradation?

None of the six industry sector reports identified a need to sacrifice overall quality of life to achieve identified economic development goals. In fact, if economic development

is pursued responsibly and with due regard for environmental and cultural factors, it can substantially enhance quality of life by reducing unemployment and diminishing the proportion of population living below the poverty level. To accomplish this, care must be taken to pursue the following strategies:

- o Focus on setting new regulatory standards at the national level, with local enforcement. National air, water, noise pollution and workplace safety standards do not place Oregon at a competitive disadvantage among states. Further, because Oregon currently comes closer to meeting or exceeding current standards than many other states, ongoing compliance can be achieved at competitive cost.
- o Support continued comprehensive land use planning at the city and county level. Preservation of adequate land for agriculture, forestry, parks, recreation and wilderness experiences is an important part of Oregon's quality of life. Siting economic growth in areas designated for that purpose helps preserve quality of life at an acceptable cost. Strengthening the Goal 9 economic components of comprehensive plans will further contribute to this goal.
- o Promote internal business growth more aggressively than external investment. Far more jobs are created by growth of existing businesses than by new business and the impact on land, environment and infrastructure is often more benign.
- o Place emphasis on assuring "quality" economic development. Oregon can identify and place highest priority on encouraging industries, energy sources, and transportation modes that have less impact on environmental quality and on the overall quality of life.
- o Involve business leaders in efforts to preserve quality of life. Most Oregon business decision makers are committed to preserving Oregon's quality of life and will accept reasonable efforts to mitigate the impact of development. They realize that quality of life is itself a valuable economic consideration because it helps them attract or retain highly qualified employees.

#### 4. Make Regulatory Decisions That Are Cost Effective and Administered With Regard For Cost Impact

Another strategic element addressed in each industry sector report was the cost of doing business. In a free enterprise economy, many businesses live or die by their success in controlling costs.

One often hears the argument that because 35 percent of a company's costs are labor (or electric power or raw materials), the 5 percent it has to pay for regulatory compliance (or other "socially desirable" consideration) is not important.

To competitive businesses all costs are important. Most business leaders are willing to meet required regulations, but want the process to be cost effective.

The State of Oregon can offer valuable competitive advantages to Oregon businesses if it can help them reduce the cost of doing business. Land use planning, in the long run, is recognized as an effective way of reducing the cost of development. But Oregon's Workers' Compensation program, with one of the highest ratios of cost per dollar of worker benefit paid, is an example of how lack of concern about cost of regulation can reduce competitiveness.

Regulation of rates charged by public utilities or common carriers can have important cost impacts, especially for Oregon's energy intensive industries. Forestry and agriculture industries also are heavily affected by environmental and other regulations that can have major cost impacts.

Oregon's regulatory agencies can enhance our competitive advantage by streamlining their decision-making process. They can make known their decision faster and at lower cost, and consider the cost of compliance in setting rules and establishing procedures. The Legislature also should consider the cost of compliance in regulatory legislation.

#### 5. Provide a Tax Structure That is Sensitive to the Cost of Doing Business

Oregon's dependence on income and property taxes places a heavier burden on businesses and individuals who make business decisions than is found in a majority of other states, where consumers share the burden with a sales tax.(10) Repeated defeats of sales tax proposals by Oregon voters makes it unlikely that major change in the tax structure will be possible in the near future.

Even more damaging to Oregon's relationship with the business community was the state's inability to provide a system of school finance that prevents school closure.(11) Each time an Oregon school system closed for lack of funds, the event generated news reports nationwide making the community and Oregon seem underdeveloped and backward.

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10 City Club of Portland Bulletin: "Report on Constitutional 5% Sales Tax Funds Schools, Reduces Property Tax," Vol. 67, No., 22, October 31, 1986; "Report on Model Sales Tax," Vol. 65, February 15, 1985.

This was one of the reasons leading to the City Club's endorsement in 1985 of a sales tax in Oregon.

11 City Club of Portland Bulletin: "Report on Long-Term School Finance Reform," Vol. 67, No. 49, May 8, 1987.



The state should recognize that Oregon's tax structure is a small but significant competitive disadvantage, and provide sufficient compensatory advantages to offset this factor.

Part of this disadvantage can be offset by assuring that businesses are taxed in ways that encourage, not discourage, new business startups and investments in improved productivity. In response to environmental concerns of the 1960's, Oregon established a program of tax credits for investment in pollution control equipment. Similar efforts to encourage investment in productivity improvements through research and development and through capital investments would meet Oregon's current urgent needs. Comparable creative efforts to encourage investments in productivity can be designed for the resource and commerce sectors of the economy.

#### 6. Provide Supportive Infrastructure

State and local investment in constructing or maintaining roads, water lines, sewers, streets and walks, parks, school structures or other infrastructure underpins economic development. A business cannot function without telephone, electric, water or sewer service. Goods cannot move without roads, docks, rails, or airports.

The state can work with counties and local communities to assure that comprehensive plans address the basic services needed to support the economic future defined at the local level. Current efforts to strengthen the Land Use Planning Goal 9 (economic development) component of local comprehensive plans are long overdue. The state can also help communities identify ways to fund the improvements needed using local, state, federal and private sector sources of capital.

Similarly, the state can identify highest priority rail, highway, waterway, and airport systems for movement of Oregon products and for tourist travel. Oregon also can work with local, federal and private sector leaders to assure that adequate funds are available for maintaining the existing transportation network and for providing needed improvements.

#### 7. Support and Help Coordinate Joint Public-Private Sector Marketing Efforts

In many parts of the nation and the world, little is known about Oregon or its products, attributes and attractions. The Governor and several state agencies now contribute to promoting the state in a number of areas, and those efforts can be profitably expanded. The most publicly notable current promotional programs are those aimed at attracting new electronics businesses to the state.

The state also plays an important marketing role in several industries, including tourism, forestry, agriculture and trade. This role could be considerably strengthened through the addition of strong marketing research programs to identify target markets and the most cost-effective methods of reaching

them. Cooperative marketing ventures with industry trade organizations, based on sound research, can enhance economic opportunities for those sectors. Moreover, promotion of specific products and service will enhance the state's overall image and name familiarity.

The success of the state's marketing programs would be strengthened by internal promotion as well. The state's economic development goals and programs need the strong support of its citizens, and that support is best garnered through the endorsement of the goals by the state's leadership.

Finally, public and private leaders should continue the important public relations task of portraying Oregon as "open for business" and dispelling any lingering impressions of the state as anti-business or anti-growth.

## 8. Influence Federal Agency Decisions to Address Oregon's Economic Needs

The U.S. Forest Service and the Bureau of Land Management own half of Oregon's land. They manage most of the state's remaining old growth forests, a significant percentage of other harvestable timber, and much of its rangeland. Their decisions to set aside large portions of land for uses other than harvest, or otherwise to limit the timber made available to the forestry industry, can seriously affect the competitive position of these industries. Similarly, the Bonneville Power Administration makes decisions that influence power rates across the state. These decisions can have tremendous impact on the several businesses BPA serves directly. The impacts of these federal agencies and their decisions are discussed in the Agriculture, Forestry and Metals and Basic Manufacturing industry sector reports, and recommended strategies are outlined. Summaries of these strategies are provided in Appendix A.

## 9. Focus Higher Education Programs Supporting Economic Development

Higher education is basic to economic development, and Oregon's higher education system plays an important supporting role in local and statewide economic development efforts. Oregon State University's agriculture and forestry programs, and many other offerings of Oregon's universities, four year colleges, and community colleges, were cited in the industry sector reports as making major contributions. In addition, these institutions add to the cultural and intellectual richness that enhance Oregon's quality of life.

On the other hand, several sector studies reinforced the City Club's 1983 study of "High Technology Industry-Education Cooperation", which concluded that Oregon's higher education system lacked the focus needed to provide true world class support for a program of economic competitiveness. Both the

Electronics and Metals and Basic Manufacturing sector committees pointed out the need to identify "centers of excellence" to provide research and training at the cutting edge of new economic applications of technology. The Forestry sector committee similarly identified the need for education and technology development in that industry.

With limited financial resources, the University system will not be able to provide this without reorganization of programs and without involving resources from the private sector and federal sources. Commitment to the concept and creative approaches to combining state, federal and private activities are prerequisites to success in this important area.

#### E. Resources Required

The six industry sector committees recommended actions which, cumulatively, might exceed the amount that can be supported without significant tax increases. However, no "budget busting" programs were suggested. Either the amounts needed were incremental or the sector study suggested ways to develop the resources without raising taxes (shifting funds within programs, "leveraging" state funds with federal or private sources). Further, during the reconciliation process the Majority screened the sector committee proposals and selected only the highest priority strategies and strategic actions from the six sector reports for inclusion in our recommendations.

Consequently, the Majority believes that ENOUGH RESOURCES ARE NOW AVAILABLE TO DO MOST OF WHAT SHOULD BE DONE.

The strategy outlined in this and the related industry sector reports does not rely on government subsidies, expensive industrial development campaigns or massive additional investment in public works, and can be achieved without deficit spending or tax increases. It is far less dramatic and glamorous than alternatives that do make such proposals and far more likely to be effective over the long term. Unfortunately, it is also much more difficult to accomplish because it is based on effective leadership, consensus on goals, establishment of strategies and good management by public and private sector officials.

#### F. Implications of the Overall State Strategy for Private Decision Makers

The strategy outlined above and in the individual sector reports does not assume it is the state's role to usurp private sector economic decisions. Rather, it is based on the premise that if the state acts to reinforce competitive advantages of companies doing business in Oregon, and acts to mitigate factors that place companies at a competitive disadvantage, private sector leaders will be better positioned to make decisions that result in healthy economic development.

This premise is based on a number of concepts fundamental to a free economy:

- o Individual private sector decisions drive the economy and are more efficient and productive than public sector decisions. Whenever possible, investment decisions should be made by private business, not public officials, and should reflect business factors, not political considerations.
- o The state should not decide which firm or industry deserves the multimillion dollar tax break or subsidy. Rather, it should work to increase supply of resources, reduce costs, or improve the effectiveness of the private marketing dollar for all companies in a sector or industry.
- o The state should follow a strategy of many firms winning by inches, not of a few companies winning by miles. It should help companies in small ways every day that they do business, not in massive ways on the day they commit to a specific investment.
- o The state should strongly encourage productivity improvement, which is the only way that all members of an economy can share in lasting benefits of economic progress.
- o The state should reduce business risk slightly, but should not eliminate it. Business risk is needed to keep the economy efficient (consider the American automobile and steel industries, which were insulated from major business risk for many years).
- o The state should give primary benefits to Oregon firms, who help pay the taxes making the strategy possible, rather than to outside companies coming into the state. Oregon business leaders should respond favorably to efforts by the state to develop a partnership with them.
- o The state should direct much of its investment to small companies, where the greatest economic growth and job creation occurs. Oregon's economy is highly dependent on decisions of small business owners, and they should feel that the state wants to help them succeed.
- o The state should use electronic means to provide continuing education opportunities to firms located throughout Oregon, so this will be a less important factor in business location decisions and encourage the achievement of the Geographic Diversification Goal.

The above considerations address private sector decisions by business owners and managers in response to state action. Equally important are the many individual decisions made by Oregon's workers: what jobs to take, whether to stay on the

job when their employers are faced with difficulty, what to do when their jobs are lost.

The strategies outlined in this report also will have a favorable impact on the labor force. Workers need not experience frustration and anger that "the politicians" have written off their employer or industry. All will benefit from access to improved higher education opportunities. A more competitive business environment means more successful companies, more jobs, and more opportunities for growth and promotion.

#### G. Long-Term Impacts

By focusing on stimulating productivity and reducing costs, Oregon can offer meaningful long-term economic improvement. Areas like Ireland and Puerto Rico that have worked for years to induce investment through one-time "up front" subsidies are now facing hard times as subsidies run out and their favored firms are forced to compete without the special advantages that brought them there. Both areas are suffering increasingly frequent closures and business failures.

The strategy outlined in this report seeks to avoid that mistake by assuring that the competitive advantages offered by this economic development strategy for Oregon will provide benefits that will last for an indefinite period into the future. Oregon should aim to make lasting progress through emphasis on sustainable growth through productivity.

#### IV. MAJORITY CONCLUSIONS

1. Oregon has failed to make adequate economic progress in part because it has lacked explicit, effective goals or strategies.
2. A meaningful economic development strategy requires the creation of a consensus on a new comprehensive set of goals to guide decisions and to prioritize efforts for economic development in this state.
3. All six industrial sectors studied are important to the future of Oregon. When taken together, they offer the potential for achieving economic development consistent with these new Economic Development Goals.
4. Few conflicts exist among the six industrial sectors studied. Encouraging growth in one industrial sector will not require significant deemphasis in another sector, although competition for public tax resources may intensify.
5. A majority of strategic economic development decisions are made outside the purview of the Economic Development Commission and Department. Departments of Forestry, Transportation and Agriculture, regulatory agencies, higher education, tax laws and regulations, regional and local units of government, federal agencies, and especially

the private sector all make decisions of strategic importance to Oregon's economic development.

6. Leadership must be recognized as a key element in Oregon's economic development because of:
  - o diverse and shared responsibilities among state agencies and local governments;
  - o the importance of the private sector and the federal government;
  - o the need to remake Oregon's image as a state open to growth; and
  - o the reality of the potential impacts of development on the quality of life of Oregon's residents.

V. MAJORITY RECOMMENDATIONS:  
AN OVERALL ECONOMIC DEVELOPMENT STRATEGY FOR OREGON

1. The Governor of Oregon should take the lead in developing a consensus on economic development goals appropriate for the citizens of Oregon and in continuing examination and reformulation of such goals. The Governor should manage state government to pursue economic development strategies designed to achieve the goals, and when goals are in conflict, he should direct the process of making necessary choices.
2. An economic development strategy for Oregon should further the following **GOALS**, (12) as measured by the indicated **criteria**:
  - o Increased Income -- measured by a per capita income at least equal to the national average.
  - o Reduced Unemployment -- measured by an unemployment rate no higher than the national average.
  - o Improved Income Distribution -- measured by a distribution at least median among states.

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(12) The Goals and Performance standards were written by the Strategy Committee based on its deliberations and experience during the sector studies rather than on research and testimony on the subject of the goals themselves. The committee believes it is important to provide a starting point for a broader state effort and to validate its own assertion that quantification of economic development goals is an achievable task.

o Improved Industry and Geographic Diversification:

Economic -- measured by distribution of income of employment by industry sector at least at the 75th percentile among states.

Geographic -- measured by the highest unemployment rate of any county in Oregon at no greater than twice the lowest.

o Maintained Quality of Life -- achieving the other goals while maintaining or improving Oregon's unique environmental, recreational, and cultural advantages.

3. To accomplish these goals, the State of Oregon should adopt an economic development **STRATEGY** based on the vitality of three sectors of the Oregon economy: natural resources (including agriculture and forest products), manufacturing (including electronics and metals and basic manufacturing), and commerce (including tourism and trade). To enhance the vitality of these sectors, the State of Oregon should reduce the general cost of doing business for all sectors and focus on the following broad strategies within each of the three sectors:

- o Natural resources: Encourage federal policy decisions on terms favorable to Oregon. Assure adequate supply of suitable land and harvestable timber.
- o Manufacturing: Provide a highly educated work force. Support private sector productivity improvement and cost control efforts.
- o Commerce: Provide a good transportation infrastructure to foster commercial growth. Support and coordinate marketing research and commercial development.

4. Consistent with the goals in Recommendation No. 2 and the broad strategies in Recommendation No. 3, the State of Oregon should take the following specific **ACTIONS** in the three economic sectors:

a. Resource Sector:

- 1. Define and promote Oregon's economic interests in the National Forests within its boundaries by:
  - o Developing a consensus on the desired balance between economic and environmental interests and incorporating that consensus in a specific Oregon Timber Resource Strategy, and by
  - o Promoting the Oregon Timber Resource Strategy in the National Forest Planning Process.

2. Activate available political resources to encourage federal decisions on resource issues on terms favorable to Oregon, such as:
  - o Guaranteeing adequate supplies of harvestable timber from federal lands to maintain historically available levels of raw materials supply.
  - o Avoiding use of agricultural commodities as instruments of foreign policy (such as in prohibiting wheat sales to the Soviet Union in retaliation for the Afghanistan invasion).
  - o Removing or ameliorating federally imposed impediments to trade, such as federal restrictions (the Jones Act) on the availability of water transportation.
3. Improve opportunities for national and international trade by:
  - o Continuing emphasis on research and development to improve productivity and to develop innovative crops and products:
  - o Encouraging increased flexibility in types of agricultural products through state and private support of education.
  - o Opening and expanding targeted domestic and foreign markets for agricultural and forest products through coordinated efforts by the Governor and industry.
4. Reduce product costs by lowering state-imposed costs of doing business, such as workers' compensation costs.

**b. Manufacturing Sector:**

1. Provide tax incentives to encourage investment in improving manufacturing productivity.
2. Establish true world class centers of research and education in a few areas of strategic advantage for the state by building on existing state, private and federal resources, specifically:
  - o An electronics technology center, located in the Portland area, with participation from the Oregon Graduate Center and State Universities.
  - o An advanced materials center, with participation from the Oregon Graduate Center, Albany Bureau of Mines and State Universities.
3. Establish statewide delivery of higher education training using electronic means, so that educational



institutions can offer classes in all regions of the state.

4. Provide a regulatory system for workers' compensation, energy pricing, and compliance with safety and environmental standards giving priority to cost effectiveness and efficiency in the decision making process.
5. Nurture and strengthen state programs to encourage new business startups, growth of existing Oregon firms and selective assistance to troubled companies when a major public benefit can be demonstrated.

c. Commerce Sector:

1. Develop a marketing program that effectively focuses on tourism opportunities with the highest financial return.
2. Conduct major market research to support the strategy of market segmentation, identify the most cost-effective methods for tourism marketing, and foster longterm strategic planning of tourism growth with consistent funding.
3. Support regional tourism councils by providing state financial and management assistance for local public/private sector initiatives which reinforce a unified state tourism program. For the benefit of all regions, provide adequate financial support for the construction of the new convention center in Portland.
4. Guide and support the Ports of Portland and Coos Bay. Recognize and promote the Port of Portland as the state's only port able to compete with other West Coast and national ports for national cargo.
5. Promote Portland International Airport, an underutilized state resource, as a hub facility for major air cargo services.

Respectfully submitted,

Craig A. Crispin  
Roger Eiss  
Helen Lee  
Robert Price  
Karen Lee Rice  
Kurt Wehbring  
James A. Zehren, and  
Ogden Beeman, General Chair  
FOR THE MAJORITY  
ECONOMIC DEVELOPMENT STRATEGY COMMITTEE

## VI. MINORITY REPORT

A. Introduction

Minority members have come to different conclusions and recommendations from the same study charge and the same research work of the six industry sector committees.

The Minority concludes that the best economic development goal for Oregon is the unambiguous increase in per capita income relative to competing states. Rather than having leadership develop a strategy from a consensus of public opinion, it should make proposals based on analysis, logic and an understanding of national and international competitive behavior. To be effective, a state economic development policy must be capable of clear and concise articulation. From review of the sector studies and current literature, a logical economic development strategy for Oregon is to encourage, to favor, the rapid application of new knowledge and technology to Oregon's existing industry and commerce.

B. Discussion

The structure of the Minority Report parallels the recommendations of the Majority Report. Four alternative recommendations are offered, each addressing the same major issue covered by a Majority Report recommendation. The four recommendations should be considered as an overall alternative to the Majority Report.

In policy, the Minority's major difference with the Majority is one of focus. We do not believe that a strategy should be so broad as to highlight and promise something for every economic element and geographic sector of Oregon. Instead it should concentrate on only the few, most important themes which we should encourage in the future. The charge to develop a successful economic strategy demands that we go beyond past political consensus.

The Minority believes that in integrating the six sector reports, there are major conflicts, and that in a successful strategy, we must choose some things which we will not do. The principal conflict is one of limited financial resources. The individual sector studies do not explicitly state or quantify the cost of all necessary proposed actions; however, we make the following judgments: We do not believe there is enough publicly available money in Oregon to fund the infrastructure necessary for significant trade growth, money enough to fund national centers of excellence in our schools, money enough to fund the necessary access to all the developing tourist spots in Oregon, and money enough to assist forestry and agriculture in getting their traditional products to market at worldwide competitive rates. The Minority believes that we need not favor one industry at the expense of another, but must find a theme which will guide state policy towards all six industry sectors.

The discussion headings below parallel the four recommendations of the Majority Report.

### 1. Leadership -- It Should Develop Attitudes

The Minority would not highlight the need for a state economic development policy to be "responsive to Oregon's situations, opportunities, threats" and to "reflect" the current or recent past opinion of a majority of Oregonians. To the contrary, we believe that it is the government's role, primarily the Governor, to develop competitive attitudes and values regarding economic development through example (competition among state government departments?) and education (reporting on trips, research, etc.). It is natural to expect that any consensus of Oregon citizens would be very broad and quite protective of the status quo. Thus, the plea for "balance" among industry sectors is a plea for no change from the present diffuse set of priorities. Oregon government must spread wide the aggressive attitudes toward new business startups, new market development, and new technology applications which we observe in other growth states such as Massachusetts and California.

### 2. Goals -- Stick to Economics

The conclusions and recommendations of the Majority are more a compilation of findings in the individual industry sector studies than an integration of the sector studies. The result is a diffuseness, which has been characteristic of Oregon's economic development strategy over the last 10 years. Additionally, the much broader goals are subject to various interpretations, different weightings, and potential political manipulation. The Minority believes the Club, in this current work, should affirm the original charge for an economic development focus on per capita income growth. The Minority's focus on per capita income does not mean we favor a large gap between the highest and lowest income in Oregon; it simply reflects our view that economic development goals and strategy is not the forum for addressing this or other social issues.

We agree with many elements of the Majority discussion. However, the membership and the community should be offered the crisp choice -- "should Oregon proceed with the same structure, funding, and goals that exist in a variety of legislation and policy statements today, or should new state directions favor particular activities, at least at the margin?"

### 3. Strategic Direction -- New Technology

The Minority believes that new technology is the key "driver" of competitive success for Oregon over the next 20 years. Our society is dominated by the daily emergence of new technology. It demands a significant amount of our personal and business budgets, which we believe should be turned to our economic advantage. We have seen, in both domestic and inter-

national competition, that those firms which can quickly adopt cost-minimizing or service-maximizing new technologies can become very competitive. A strategy of applying new technology need not reduce the "quality of life" in Oregon -- indeed, it might well improve health, security and some aspects of our physical environment.

New technology provides an advantage in all industry sectors and can serve as an overriding strategic direction for Oregon's economy. We believe that a combination of tax structure, state policies, state budget expenditures, and education efforts can speed the adoption of new technologies in Oregon and can contribute materially to per capita income growth in all geographic regions, in all existing industries, and can spur the development of entire new major industrial sectors.

In each of the industry sector studies, the reader can find evidence that the bright spots of that sector are occurring where advanced information systems and new technology were being applied in Oregon. The Minority, sometimes seeing beyond the sector reports, senses the following changes:

- o Agriculture -- With the green revolution in crop productivity having spread worldwide, Oregon's bulk crops are no longer the best or cheapest. The bright spot in agriculture is the wide variety of specialty crops depending upon new knowledge in genetics and new techniques in breeding and crop development.
- o Forestry -- The key to profitability in Oregon's forestry is not a supply of traditional woods, but advances in growth science, advances in silviculture, advances in processing, and discovery of new applications, even using different woods.
- o Metals -- Oregon cannot compete because of our distance from principal markets in the bulk production of most metals. Instead, our excellence lies in several research centers and in the wide diversity of industrial processing which exists in our state. One factor which contributes to our capability is that we do not have the historical infrastructure of older steelmaking days; new enterprises with new applications and new technologies can grow with ease in Oregon.
- o Electronics -- The history of the electronics industry in Oregon is that it moved from early stages involving simple assembly to the more profitable research, development, and application of electronics throughout industry.
- o Tourism -- Oregon will not prosper on a tourism industry based on state campgrounds. New tourist features appealing to upscale markets and new demographics are necessary. The key to growth is in marketing. Advanced information systems are the key.

- o Trade -- Oregon does not have a strategic advantage over other West Coast ports when it comes to bulk trade in bulk cargos. The key to success is new capability to facilitate movement of goods which have high values and demand close attention. Again, advanced information systems are the key.

What elements of the Majority recommendations would be excluded from this strategy? There are several:

- o Emphasis on maintaining historical available levels of federal timber supply would be replaced by emphasis on investment tax credits for mill modernization and new product development.
- o State efforts to protect agricultural commodity sales would be replaced by state efforts in new crop development and marketing (mentioned in the Majority Report).
- o State assistance to troubled companies would be replaced with retraining and favors to new companies for modernizations utilizing new technology.
- o State support of ports would be limited to competitive features of the Astoria-Portland system of terminals and marine service facilities.

#### 4. Specific Actions -- Favor R & D, Education

To implement the above strategic direction, a variety of public and private actions will be necessary. The Minority has not developed a detailed list, but names two specific actions which may not be obvious.

First, our recommendation suggests that Oregon citizens should evaluate the record of our congressional delegation and ask for significant Oregon participation in defense R&D budgets. Our electronics industry sector study work showed the importance of the federal government research and development (R&D) budget in economic development. We found that commercial markets alone will not fully develop the potential contribution to Oregon per capita income that electronics can make. Regardless of the R&D funding source, and regardless of where funds have been spent (many times near universities), they have bred major industrial development. The posture of Oregon's congressional delegation vis-a-vis overall defense spending has limited Oregon's access to a major source of federal research and development funds -- the Department of Defense, which spends tens of billions of dollars each year on a wide variety of new technology. We commend our congressional delegation for its diligence in seeking other research funds, which have yielded important effects at the Oregon Health Sciences University, Oregon State University's Newport facility, the Oregon Graduate Center, and elsewhere.

Secondly, the Minority believes that there should be a major effort toward differentiation among the schools in the Oregon State System of Higher Education and that the major thrust of electronics education should move to the Portland area. One reality is that the electronics industry geographically concentrates around high-quality education centers. We are not opposed to major colleges and universities elsewhere in the state: ocean-based technologies should logically be centered at the coast; new technologies in agriculture and forestry logically belong in Corvallis and at various field stations throughout the state.

### C. Minority Recommendations

1. The Governor himself should commit time for continual examination and formulation of economic development goals, and should lead public opinion in Oregon by education and example so that values and attitudes toward economic development are more competitive and aggressive.
2. An economic development strategy for Oregon should concentrate on one economic **GOAL** -- increase per capita income to at least the level of competing states.
3. Oregon's **STRATEGY** should encourage the application of new technologies to all existing Oregon industries. This should be achieved through a combination of government budgets and tax structure, education efforts, and market efforts favored by state policies.
4. Consistent with Recommendation 3, the state government in Oregon should embark on a broad-based effort to create an economic development strategy. **ACTIONS** which we recommend for central inclusion include:
  - c A much stronger effort to seek federal government research and development funds -- particularly the large fraction devoted to defense work. Oregon's congressional delegation should be encouraged to alter its positions resulting in minimal military expenditures in Oregon, and the state economic development apparatus should seek to draw major government research and development contractors to Oregon.
  - o Position our schools to help economic development in Oregon. This should result in a more significant differentiation among the public colleges and universities serving Oregon. The major thrust of electronics education should move to the Portland area.

Respectfully submitted,

John Frewing  
Dennis Hartman  
FOR THE MINORITY  
ECONOMIC DEVELOPMENT STRATEGY COMMITTEE

## VII. SUMMARY OF RECOMMENDATIONS

Both Majority and Minority recommendations provide a basis for judging leadership, suggest a goal or goals for economic development, and describe strategies and actions for achieving the goals.

Table 1 lists major recommendations supported by the full Committee. Whether Majority or Minority positions prevail, these areas of agreement will be contained in the recommendations of the final report.

Table 1  
POINTS OF AGREEMENT CONTAINED IN  
MAJORITY AND MINORITY RECOMMENDATIONS

<u>No.</u>	<u>Subject</u>	<u>Recommendation</u>
1.	<u>Leadership</u>	The Governor of Oregon personally should lead efforts to 1) develop competitive and aggressive GOALS for Oregon's economic development, 2) identify STRATEGIES to achieve the goals, and 3) pursue strategic ACTIONS to accomplish them.
2.	<u>Goals</u>	Specific measurable goals for Oregon's economic development should be identified, and state programs supporting economic development should be judged by progress made in meeting those goals.
3.	<u>Strategies</u>	State government (and local government) actions and decisions influence competitiveness of businesses in Oregon by providing necessary infrastructure, by encouraging investment in productivity, by helping businesses to control costs, by shaping our tax structure, by offering relevant higher education programs, and by supporting joint marketing efforts. The state's economic development strategy should provide guidance on how these are to be accomplished.
4.	<u>Strategic Actions (Agreements Only):</u>	
	o	Define and promote Oregon's economic interests in the National Forests within its boundaries.*
	o	Remove or ameliorate federally imposed impediments to trade.*
	o	Emphasize research and development to improve agricultural productivity and to develop innovative crops and products.
	o	Open and expand targeted domestic markets for agricultural and forest products.*

- o Provide tax incentives to encourage investment in manufacturing productivity.
  - o Establish world class centers of research in some phase of electronics and in advanced materials.
  - o Establish statewide delivery of higher education training using electronic means.
  - o Provide regulatory systems giving priority to cost effectiveness and efficiency in the decision making process.\*
  - o Nurture and strengthen state programs to encourage new business startups and growth of existing Oregon firms.
  - o Guide and support the Port of Portland, recognizing it is the state's only port able to compete with other West Coast and national ports for national cargo.\*
  - o Promote Portland International Airport as a hub facility for major air cargo services.\*
- \* The Minority believes these items are of significantly lower priority and indeed are not "strategic" in the sense of distinguishing future from past directions.

Table 2 summarizes the substantive differences between the Majority and Minority. Hopefully it will serve to focus debate and improve member and public understanding of the underlying issues being addressed by the two sides.

Table 2  
SUMMARY OF SUBSTANTIVE DIFFERENCES  
Majority and Minority Recommendations

<u>No.</u> <u>Subject</u>	<u>Majority</u> <u>Position</u>	<u>Minority</u> <u>Position</u>
1. <u>Leadership</u>	A formal public consensus process should precede goal setting.	The goal is clear. Leadership role (example and education) is to develop public acceptance.
<u>No.</u> <u>Subject</u>	<u>Majority</u> <u>Position</u>	<u>Minority</u> <u>Position</u>
2. <u>Goal Criteria</u>		
a. Per capita income	yes	yes
b. Unemployment rate	yes	no
c. Income distribution	yes	no
d. Diversification		
o Economic	yes	no
o Geographic	yes	no
e. Quality of Life	yes	no
3. <u>Statement of Strategy</u>	Strategy needed cannot be reduced to a single statement.	"Apply new technologies to all Oregon industries."



4. Strategic Actions (Differences Only):

a.	Because Oregon lags in defense R&D, we need special efforts to attract these funds.	no	yes
b.	Centralize electronics higher education teaching programs in Portland	no	yes
c.	Assure historically available levels of timber supply	yes	no
d.	Prevent use of agricultural commodities as instruments of foreign policy	yes	no
e.	Selective state assistance to troubled companies	yes	no
f.	Guide and support Port of Coos Bay	yes	no
g.	State assistance to regional tourism efforts	yes	no
h.	The key to state support of trade and tourism is advanced information systems	no	yes

Fiscal Impact:	Major new spending is not required; with better focus more can be accomplished with existing resources.	Majority recommendations are so broad they cannot be achieved without major spending increases.
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Approved by the Research Board on July 8, 1987 for transmittal to the Board of Governors. Received by the Board of Governors on July 13, 1987 and ordered published and distributed to the membership for consideration and action on August 7, 1987.

## Appendix A

### SUMMARIES OF INDUSTRY SECTOR REPORTS

The six industry sector study committees completed research on their reports in approximately December 1986. Upon completion of the sector committee process, the sector committees disbanded and the sector chairs met in the reconciliation stage of this study. As a result, it was not feasible to update the individual sector reports to account for events after December 1986.

Several legislative proposals and initiatives from the new Governor have mirrored recommendations contained in the sector reports. And some issues (such as the tariff on Canadian softwood lumber) have been resolved since the sector reports were finalized.

A complete copy of the full sector committee report for any individual sector is available on request from the City Club of Portland. Use the order form at the end of the report. Summaries of the individual sector committee reports are set out below.

#### I. FOREST PRODUCTS SECTOR

##### A. Introduction

The forest products industry accounts for about one-third of all manufacturing employment in Oregon with approximately 75,000 employees and over \$1.8 billion in wages and salaries. This state is the top lumber and plywood producer in the nation, accounting for 23 percent of all U.S. lumber in 1985.

The forest products industry in Oregon includes structural lumber products, panel products (plywood and fiberboard), pulp and paper, secondary wood products, and log exports. Structural lumber production is largely sold into a commodity market.

The output of structural lumber for housing and other construction fluctuates with trends in housing starts. The industry has suffered from the 1978-1982 recession, and employment in the industry probably will not return to prerecession levels.

The industry is highly dependent upon public lands for its supply of raw material, which represents the major portion of total manufacturing costs. Presently, over half of the region's currently harvestable inventory stands in the national forests.

Since 1950, over two-thirds of timber harvests have been taken from private, nonfederal land. Private lands continue

to be well stocked with inventory less than 40 years old, representing good harvest potential, but only after another 15-25 years. As a result, mature harvestable timber available from private lands will decline significantly within the next 15-20 years and may exceed a 20 percent decline by the year 2000. Demands are being made, therefore, for increased harvest from national lands. If national forest harvest is not expanded, employment will be affected. (Relative to federal holdings, harvest levels from state lands are insufficient to affect the raw material supply problem significantly.)

Federal legislation and public policy will be key factors in the raw material supply issue as special interests (environmental and economic) press the United States Forest Service (USFS) to put their individual interests ahead of other users of the National Forests. The USFS has the responsibility both to protect natural resources and to provide a continuous supply of timber to the industry.

Our most important international competitor in structural lumber production is Western Canada. The industry often feels more threatened, however, by environmental and conservation interests because they compete directly for raw material allocation. Permanent set-asides would reduce available supply by decreasing the marketable resource base upon which sustained yield or nondeclining even flow will be calculated. This represents a major threat to the future health of the industry.

## B. Strengths

- o Expectation that housing starts and the use of forest products in housing, remodeling, and repair will remain steady.
- o Replacement of outdated mills with more efficient production facilities, and additional reductions in cost and increases in productivity, which will promote a more cost competitive position.
- o Oregon's large pool of labor skilled in tree harvest and forest product production.
- o The Northwest's unique and unequalled resource in its old growth Douglas Fir, which is clear grained and capable of use as long, wide beams.
- o Expectation that Canadian production will level and decline because that industry has exceeded sustainable yield in accessible areas (which may cause a reduction of harvests by as much as one-third by the year 2000 to 2010).
- o Expected dissipation of present advantages held by southern states over the next 20-40 years.

- o Proximity to western United States (especially California) and Pacific Rim markets and ample biological timber supply (inventory).

### C. Weaknesses

- o Lack of an effective advocate to speak out at the federal level on behalf of sustaining the commercial timber resource base necessary to support the timber industry in the state.
- o Environmental/conservationist interests demanding permanent set-aside of commercial timber lands.
- o Disappearance of old growth timber and proximity of southern forests to the active housing markets in the sun belt.
- o Higher Oregon labor costs compared to those in the South and Canada, even with recent wage rollbacks.
- o High transportation rates to the Northeast markets compared to subsidized Canadian rail. (The Jones Act effectively eliminates water transportation as an option by prohibiting the shipment of domestic goods, including lumber, between U.S. ports on lower priced foreign ships.)
- o Economic development efforts directed primarily toward foreign or out-of-state nonforest-related firms at the expense of development and expansion of existing in-state business in general and forest products producers in particular.

### D. Discussion

The forest products industry accounts for a substantial portion of nonservice employment in Oregon. For many portions of the state, this industry is virtually the entire economy. Notwithstanding recent productivity increases resulting in employment losses, this industry is likely to continue to occupy a critically important position in the Oregon economy. Yet, economic development efforts have often bypassed this essential industry in favor of newer and different businesses.

This state should acknowledge and accept its role as a timber products state. An essential part of that process would be to define and develop coordinated and comprehensive strategies for this economic sector, involving the state, private industry, and the congressional delegation.

The federal government controls a substantial portion of Oregon timber supplies. It currently is in the process of issuing National Forest Plans that will determine the availability of federal stumpage for the forest products

industry. Federal decisions such as these can be affected by a number of factors, many of them unrelated and sometimes adverse to the interests of Oregon's economy.

Resources available to Oregon to influence federal choices and federal planning include the congressional delegation, the Governor's office, and regional coordination. These resources need to be marshaled, coordinated, and employed in efforts to communicate Oregon's interests and to advocate decisions on federal issues in Oregon that make sense for Oregon.

Marketing is essential. A continuing effort is necessary simply to avoid a loss of markets, and redoubled efforts are required to expand markets or market share, and to open new markets. Oregon's distance from major Northeast and Southeast U.S. markets makes transportation costs important to marketing efforts.

Success or failure in marketing structural lumber products, which as commodity products are often largely interchangeable with similar products produced elsewhere, often depends on very small differences in price. Factors that increase the price to the buyer, therefore, can have a major impact even when the incremental cost is relatively small.

The state affects the price of commodity forest products whenever it increases the general cost of doing business in Oregon. State taxes, workers' compensation costs, administrative obligations, and uncoordinated Agency requirements all increase business costs, and in turn affect the ability to market forest products.

#### E. Recommendations

The Governor should develop an Oregon Timber Resources Strategy, designed to meet the economic needs of the timber products industry and of the citizens of this state, while accommodating environmental and other interests, including the following action components:

1. Define and Promote Oregon's Economic Interests in the National Forests Within Its Boundaries
  - o Establish a strong voice for Oregon at the federal level. Assemble all Oregon's political resources to establish a voice at the federal level that can argue Oregon's Strategy, promote favorable tax changes, and urge that resources located in Oregon are managed in a fashion sensible for Oregon.
  - o Advocate nondeclining even flow from total resources. Promote a regional policy to manage a sustained yield or nondeclining even flow from the total resources of public and private timber lands, temporarily increasing harvest from public lands as

necessary to maintain historically available levels of raw material supply to the industry. Urge the USFS to make available sufficient additional supplies as necessary to implement the regional policy.

- o Evaluate economic impacts of USFS Plans. Enforce USFS commitment to delay adoption of individual Oregon National Forest Plans until all draft plans are assembled and analyzed for cumulative economic and environmental impacts.
  - o Advocate deferring "lock up" of prime marketable old growth. Delay decisions to "lock up" permanently old growth acres with prime economic value and explore alternative policies that can meet both environmental and industry needs.
2. Reduce the Costs of Doing Business in Oregon
- o Reduce Workers' Compensation costs.
3. Assist the Industry With Research and Economic Development Efforts
- o Continue research in product improvement. Continue emphasis on improving mill technology and productivity, and improve state funding for forest product research programs that can turn innovation in the lab into investment in new Oregon-made wood products.
  - o Assist in marketing efforts.
  - o Develop a "why not" supportive attitude. The Governor, State Forester, and heads of all other state agencies should better coordinate and cooperate in efforts to revitalize and improve the industry and pursue a "why not," flexible, and supportive attitude toward the forest products industry.
4. Improve Opportunities for National and International Trade
- o Work for lumber exemptions from Jones Act. The Governor should work with Oregon's congressional delegation to mitigate the effects of the Jones Act, including amendments to exempt Northwest lumber products.
  - o Promote cooperation among parties for eastern distribution. The Governor should promote cooperation among the states of Oregon and Washington, Oregon lumber producers, and the railroads to move Northwest lumber to the Midwest

and East at prices competitive with Canada and to distribute lumber in a manner responsive to customer desires.

- o Encourage preservation of short line railroads. Assist in efforts to preserve operating short line railroads.

## II. AGRICULTURE SECTOR

### A. Introduction

Agriculture can be considered Oregon's leading industry. The value of Oregon's agricultural production in 1985 was \$2 billion.

The agricultural sector includes not only farming, but also food processing, feed and seed, farm equipment, fertilizers, fuel, dry goods, financial services, transportation, wholesale and retail distribution, brokerage, marketing, sales, and services related to agricultural production. Employment in agriculture has held constant at approximately 100,000 and tends to increase when employment in other sectors declines. This countercyclical tendency enhances the stability of the entire state economy.

Agriculture in Oregon is extremely diverse, which is one of its great strengths. More than 170 major commodities are grown in Oregon. Eighty percent of Oregon's agricultural products are exported out of state -- both within the U.S. and abroad. Although Oregon commodities are of high quality, in international markets they can be underpriced because of foreign government subsidies.

### B. Strengths

- o Diversity. Oregon produces over 170 different crops. Its productive soil and good weather allow Oregon farmers the choice of a wide variety of crops and permits them to respond to changing market conditions with different crops.
- o Stability. Oregon agriculture is a stable force. Its value of crop production has consistently increased at a steady average seven percent per year over the last 20 years.
- o Quality. Oregon crops are noted for their high quality and can command high prices in national and international markets.
- o Proximity to the Pacific Rim.
- o Lack of dependence on subsidies, with the exception of wheat and dairy products.

- o Agriculture Research. Oregon agriculture has benefited from the extensive programs of agricultural research supported by the U.S. Department of Agriculture at Oregon State University. World-class researchers have helped to develop new crop types and dramatically increased the per acre productivity of Oregon farmers. OSU is an important resource of experienced and qualified agricultural specialists.

### C. Weaknesses

- o Marketing programs are inadequately funded. Marketing of Oregon products is done by individuals, cooperatives, and commodity commissions. In 1985, the combined budgets of this state's commodity commissions was only \$4.6 million, financed entirely by the growers and producers themselves. The Oregon Department of Agriculture has an Agricultural Development Division, but no promotional budget.
- o Transportation costs to the major metropolitan centers of the East are high.
- o Total labor costs (including workers' compensation) in Oregon are comparatively high.
- o The high value of the dollar makes it more difficult for Oregon products to compete on the international commodity markets.
- o Potential decline of subsidies for wheat and dairy.
- o A lack of effective coordination of the congressional delegation on agricultural issues, which limits its impact within the capital.
- o Small size of some farms.

### D. Recommendations

The strategy recommended here emphasizes practical actions government and industry leaders can take jointly to strengthen Oregon's agricultural industry.

1. Increase diversity in production. Move into commodities with a growing market by encouraging high value, specialty crops, and avoid crops in which Oregon is less competitive. This strategy may require the following:
  - o Provide retraining for farmers to help them adapt to new trends or more profitable areas of production.
  - o Continue research and development efforts in areas of new and more resistant crops and new developments in processing agricultural products.



- o Increase the staff and resources of Oregon State University and the Extension Service.

## 2. Increase Markets

- o Encourage private sector and government research to identify domestic and international markets with high potential for Oregon products.
- o Develop a strong cooperative effort between private and public entities to target these markets for Oregon products.
- o Develop an industry-wide marketing campaign that includes commodityspecific components focusing on Oregon quality.

## 3. Coordinate Political Actions

- o Make the most use of Oregon's congressional delegation by coordinating political action in Washington.

## 4. Minimize Farm Costs Due to State Regulations

- o State agencies should coordinate and reduce barriers to agricultural development.
- o Assess economic impact on agriculture of all new legislation prior to enactment.
- o Reduce labor costs by, among other things, reducing workers' compensation costs.

### III. METALS AND BASIC MANUFACTURING SECTOR

#### A. Introduction

The focus of this report is on primary metal production, fabricated metal products, machinery and transportation equipment. In 1984, these focus industries employed 43,500.

Oregon's strength in metal production and fabrication was enhanced by availability of low-cost hydroelectric power, the decision by the U.S. Bureau of Mines to locate a major metals research facility in Albany, and proximity of the federal nuclear program in Hanford, Washington. Recent establishment of a strong metals research program at the Oregon Graduate Center promises continuing leadership in metals technology.

Competition from third world countries and rising energy costs have resulted in closure of most aluminum smelters in Oregon. Exotic metal production firms and metal fabrication companies and firms producing machinery and transportation equipment are faring better, though a number of these face an

uncertain future and a few have recently closed. The most successful companies in this sector concentrate on specialized production, modern production and management methods, and cost control.

#### B. Strengths and Weaknesses

- o Location. Oregon is located far from most U.S. population centers, but has good access to the growing markets in the Pacific Rim. This suggests focus on specialty products rather than commodities, production of high-value low-weight products where transportation is a low proportion of total cost, and concentrated efforts to develop export trade, including technology.
- o Energy costs. Oregon is no longer an exceptionally low electric cost area, though its electric rates are well below the national average. Yet while electric power is in surplus, as is presently the case, closure of existing power-intensive factories results in higher rates for all remaining users of electric power. Low cost power can be maintained only by creative new approaches to energy pricing; approaches that are discouraged or precluded by present regulatory legislation and practices.
- o Business regulation. Oregon's investment in land use planning will prove a competitive advantage, especially if present efforts to strengthen economic development components of land use plans are pursued. But Oregon workers' compensation costs are among the highest in the nation, and other state regulatory programs often appear skewed to favor those seeking to oppose projects, and to be unnecessarily complex and lacking coordination.
- o Tax structure. Oregon relies primarily on income and property taxes. This results in higher taxes for business and business owners than in states relying heavily on sales taxes. Defeat of sales tax proposals and elimination of federal deductability of sales taxes make this unlikely to change; other alternatives for business tax relief will be required if Oregon wishes to have total business tax burdens competitive with other states.
- o Labor force. Oregon workers are well educated and can be quickly trained to learn new skills. The state has low labor turnover rates and a relatively low wage scale compared to other west coast states.
- o Capital availability. There appears to be sufficient capital, including venture capital, for Oregon's normal business development needs. Only for high-risk investments is there shortage of

capital. Yet some of these high-risk investments would serve important public purposes, especially in economically threatened communities.

- o Public leadership. Oregon has a tradition for honest government and a high level of public trust, which is a competitive advantage. Strong public leadership in economic development has been lacking.
- o Economic development program. Lottery funds have given the state more economic development resources than ever before. The Oregon Department of Economic Development has suffered from poor focus, inadequate leadership (both within the department and from the Governor and legislature), and a lack of consistency in funding levels and program direction.
- o Education. Oregon community colleges provide strong vocational training and a good program of small business development centers. Frequent closures of public schools give the state a black eye that hurts economic development, and the university system suffers from a poor geographic mismatch between supply and demand for university training, especially for continuing education.
- o Technology. Strong research programs at the Albany Bureau of Mines and the Oregon Graduate Center will continue to offer competitive advantage to Oregon's metals industry. The Productivity Center at Oregon State University also has potential to support emerging Oregon manufacturers. But good linkages between university and industry are lacking.
- o Quality of life. All the factors that combine to make Oregon's well-deserved reputation for a good quality of life constitute an important competitive advantage. It is important to assure that we do not provide economic development in a way that diminishes our quality of life or we will lose this important advantage.

### C. Discussion of Other Factors

- o Labor Productivity. Labor productivity in manufacturing is rising. Companies will need to invest in productivity enhancement. States with the highest labor productivity will enjoy a competitive advantage.
- o Computer-Aided Manufacturing. Capital investment in manufacturing, like labor, must be more productive. Some Oregon companies have been leaders in this new field; other must join their ranks.

- o Global Competition. Oregon's competition no longer lies within the borders of the United States; we must be prepared to compete in an international market.
- o Commodities vs. Specialty Products. Oregon manufacturing has excelled in production of specialty products, rather than commodities (except in the forest products and agriculture sectors, not covered in this report). The success of new manufacturing efforts is very likely to require competitive specialization rather than mainstream mass production.

#### D. Recommendations

1. Metals and basic manufacturing companies must organize to develop public support for their industry. Perhaps more than any other sector, Oregon's metals and manufacturing firms lack organization to pursue common interests of its members. (Existing organizations are too narrow, e.g., Direct Service Industries, or too broad, e.g., Associated Oregon Industries, to be effective as advocates for producers and fabricators of metals and metal products.)
2. Protect and extend Oregon's position as a research center for advanced materials by:
  - o Establishing a "Center of Excellence" in research and education in some area of advanced materials, building on the base existing at the Oregon Graduate Center, the Albany Bureau of Mines, and the state university system; being creative in combining private, state and federal resources to support this major center.
  - o Providing state funds for joint state/industry research projects; encouraging research that is targeted for Oregon companies but may require payback periods too long term for industry to support alone.
3. Recognize that cost control is a do-or-die proposition for many Oregon firms in this sector:
  - o While Oregon's energy intensive industries may be in long term decline, energy pricing legislation and regulatory practices must recognize that their closure during a period of surplus generating capacity raises electric rates for all remaining ratepayers; short term rate relief combined with rate incentives for energy conservation would reduce increases.
  - o Centralize and streamline the regulatory permit process.

- o Encourage communities to strengthen the Economic Development (Goal 9) component of their comprehensive land use plan.
  - o Bring workers' compensation and liability costs in line with other states.
  - o Provide tax credits to encourage business investment in productivity and in research and development.
4. Provide state-supported programs (Ports Revolving Loan Fund, Resource and Technology Corporation, Conservation/Stabilization Fund) to finance high-risk projects that promise major public benefits.
  5. Strengthen state programs to encourage new business startups and growth of existing Oregon firms, such as the community college small business development centers and Oregon State University's Productivity Center.
  6. Provide continuing education programs by television to reach where the need exists -- the technology is proven and in use in many parts of the country.

#### IV. ELECTRONICS SECTOR

##### A. Introduction

Tektronix has been and continues to be the single most dominant force in Oregon's electronics industry. Growth in the electronics industry occurred because particular individuals lived in Oregon, often because of the presence of Tektronix. Such growth has been a matter of private initiative rather than state economic planning.

Oregon's electronics industry started in measuring instruments, but has expanded to the manufacture of basic materials and the development of new computer designs and software. Three sectors dominate: instruments, semiconductors, and computers. In 1985 the electronics industry employed about 32,000 people.

Oregon's electronics industry is not nationally dominant in any one area but, for its relatively modest size, is well rounded with an abundance of support industries.

Competitive analysis among companies often comes down to looking at three potential generic strategies:

- Overall cost (and price) leadership
- Differentiation
- Focus.

Growth can increase average per capita income by three means: (1) Increase the number of persons employed; (2) Increase wages of those already employed; and (3) Increase non-wage income (i.e., investments, real estate, social benefits) of Oregonians. This can be achieved by enlarging existing firms, recruiting firms not presently located in Oregon, and fostering entrepreneurial startups.

Public policy can also be an important factor in fostering entrepreneurial growth. Technology availability, technology transfer, and business taxation are factors important to entrepreneurial growth.

Successfully pursuing overall cost leadership and differentiation are impossible, which leaves focus as the strategy for Oregon. The state must marshal and organize its resources towards electronics. Oregon must become known for favorable actions affecting the development and production of electronics in the state.

#### B. Strengths

- o Established and diverse electronics industry base concentrated in commercial and industrial applications.
- o Stable and relatively inexpensive labor base, rated highly in terms of productivity and engineering skill.
- o "Quality of Life" in Oregon.
- o Located on the Pacific Rim.
- o Generally available venture capital and financing.
- o The critical mass of nearby jobs -- a prerequisite for development -- available in the Portland metropolitan area.

#### C. Weaknesses

- o Electronics firms do not participate significantly in the huge federal spending on defense and aerospace electronics.
- o Oregon's higher education system is weak relative to that of its competitors.
- o High personal income taxes and property taxes.
- o Lingering perception that Oregon has an antibusiness climate.
- o Limited international scheduled airplane flights.
- o The transportation systems are inadequate, particularly in Washington County, and lacking a long-term development plan.

#### D. Discussion

This report identifies three possible strategies reasonable for the state: "Traditional," "Ectopia," and "Radical."

### 1. Traditional

This strategy seeks to use all available techniques to encourage economic growth in the electronics sector while at the same time preserving the current social order in Oregon. The state would focus on higher education, particularly electrical engineering and computer science to enhance the electronics sector of our economy.

Recruiting outside companies is important in the Traditional strategy, and Oregon would continue a balanced effort to protect its natural resources while continuing to provide jobs in the resource-based areas of the state.

### 2. Ecotopia

The Ecotopia view holds that a certain personality type is attracted to and is successful in the electronics industry. This strategy would devise and adopt systems that would identify excellent teachers and professors and compensate them appropriately.

Natural resource protection would assume a larger position in the state budget under the Ecotopia strategy, and tax structure would be shifted to favor individuals as distinguished from corporations.

### 3. Radical

With this strategy, Oregon would strive to become known as having a leading business climate for the electronics industry compared with other states.

State-sponsored actions which would promote the electronics industry are identifiable, but because many of them are beyond Oregon's political consensus today, this approach is labeled "radical."

Commitment to the electronics industry will require substantial changes. Firms in the electronics industry tend to locate in loose proximity to their technical relatives, a "nodal" growth characteristic. The only "node" in Oregon is the Portland metropolitan area. Efforts to attract and serve industry elsewhere around the state should be minimized.

Quality educational institutions are an integral and essential part of any electronics industry. Oregon's relatively small population requires that we concentrate graduate educational resources to a greater extent. Portland State University should be developed into a world-class technical institution. A state policy of making Portland State University the number one priority within the state system of higher education is required for this strategy to work.

## E. Recommendations

The appropriate generic strategy to improve per capita income in Oregon is one of focus. The state policies of "growth" within existing firms and "recruitment of new firms" are the most effective mechanisms. The focus by categories:

Defense Industry - Promote political representation. Enable Oregon to participate in and play a key role in high-technology defense.

Tax Laws - Revise state tax structure to favor migration of large technology corporations into the state and start-up of new firms employing high technology defense expertise.

Education - Clearly put Portland State University ahead of University of Oregon and Oregon State University; if necessary, downsize or close a downstate school.

State Coordination - Create an awareness that Oregon serves electronics.

Leadership - Be more concerned about the system of values which will support the idea that Oregon can be a powerful economic factor rather than supporting the existing values structure (status quo).

## V. TOURISM SECTOR

### A. Introduction

According to the Economic Development Department's Tourism Division, tourism is Oregon's third largest industry and its third largest employer. Of Oregon's \$35.7 billion economy in 1986, it is estimated that \$3 billion was contributed by tourists. An estimated 60,000 jobs are involved.

Tourism is a basic industry -- that is, one which brings new money into the state. Because of this characteristic, pleasure and convention travel are the subject of substantial promotional efforts on the part of every state in the union -- and of most foreign countries, as well. According to a 1984 survey, out-of-state visitors spent an average of 5.9 days and an average of \$355 per party on their Oregon pleasure trips.

Tourism is a growth industry. Expenditures in Oregon for tourism increased one third from 1980 to 1985. Yet the state government has lagged in marketing tourism. Oregon ranks 42nd in the U.S. in expenditures; for the 1985-87 biennium, Oregon's basic tourism budget is \$2.1 million. The proposed budget for 1987-89 is \$3.5 million. California's budget for the year 1987 is \$11 million. Washington's is reported to be \$6 million.



The tourism industry is characterized by small, locally-owned businesses -- not only the hotels, motels and restaurants which are known as the hospitality industry, but also tourist attractions, parks, shops, service stations, malls, museums, theaters, sports facilities, guide services and other endeavors which derive income directly from tourist spending. Tourism affects the economy of all areas of the state, and in some regions is the primary industry. These small businesses contribute to the strength and vitality of the state's economy, but because they are small and widely spread throughout the state, they are individually powerless to compete in the national and international arena. The sheer size of the competition and the relative weakness of individual Oregon businesses requires significant leadership by the state government to promote and develop the industry for the benefit of the total economy.

Our primary competitors for tourism dollars are our neighboring western states and British Columbia. Similarity of attractions and location, as well as equal distance from population groups, means that we seek the same markets. Our approaches to this marketing challenge differ, however, both in content and intensity.

#### B. Strengths

Oregon's strength as a tourist attraction is centered on its great natural beauty. The state is uniquely blessed with seven geographic/climate regions, each with special qualities and attractions. It has an attractive infrastructure of lodging and restaurant facilities, and major destination resorts in greater number and variety than Washington, for example, can offer.

Oregon is a travel bargain. The absence of a general sales tax gives us an immediate cost advantage. Hotel and motel rooms are numerous and inexpensive, especially when compared with similar accommodations in California. Most of our natural attractions -- beaches, forests, etc. -- are free.

The state's location, contiguous to the population concentration in California, is an asset. Transportation access to and within the state is good and improving.

#### C. Weaknesses

The weakest link in promoting tourism for Oregon is the low level of state funding. An allied problem is the lack of a comprehensive strategic plan for marketing the state's attractions.

Oregon lacks a coordinated regional approach to tourism marketing. The diversity of our attractions and the multiplicity of the business enterprises involved require the fostering of strong regional tourism councils. The state also does not have adequate research data on its tourism industry.

An important weakness is the widely held view that Oregon does not welcome tourists. We have not yet counteracted our 1970's reputation for xenophobia. A related issue is Oregonians' lack of interest in tourism. There appears to be a continuing doubt among Oregon citizens generally, and among business and government leaders specifically, about the value of tourism to the state's economy.

Oregon is seen as having very short summer and winter tourist seasons. Successful expansion into the spring and fall "shoulder" seasons would add substantial incremental benefits to the industry.

Finally, as an example of the inadequate funding and attention paid to tourism at the state level, our border tourist information centers are most kindly described, and more frequently dismissed, as embarrassing.

#### D. Recommendations

The primary emphasis of a tourism development strategy is on better marketing of Oregon tourism, including more complete data and market research. The groundwork has already been laid for establishment of regional tourism councils combining the efforts of public and private sector interests. It is essential that tourism development conforms to the fundamental values of Oregonians regarding their environment and their quality of life. Tourism cannot succeed in Oregon without the support of its citizens. Specific recommendations are the following:

1. Adopt a marketing plan based on a policy of market segments. The diversity of our attractions and the limits imposed by our location, climate and available resources means that we are most likely to succeed by concentrating on those market segments which will respond readily and profitably to our marketing efforts. Target segments may be identified by place of origin, recreation interests and demographic characteristics.
2. Conduct market research. Having accepted the limits and focus of a market segment approach, the state should conduct major market research to identify those segments most likely to be successfully wooed. Further research would identify and monitor the advertising and promotion vehicles which are most successful and cost-effective in implementing the policy.
3. Support regional tourism councils. In conjunction with a market segments policy, the state should actively support the regional tourism council concept and activities, because different market segments will be attracted to different regions of the state. For each tourism region, the state should foster broadly local public/private sector initiatives to develop strategic

priorities that reinforce a strong unified state tourism program.

4. Provide financial and management support to the regional tourism councils. Consideration should be given to identifying new sources of revenue -- such as a state-wide hotel-motel tax, a matching fund program, and private funding of regional advertising. In the state budget and work schedules, high priority should be given to road improvements and signing programs to enhance visibility and access to tourist, recreational, and destination resource areas. The state should implement a comprehensive, coordinated, state-supported tourism marketing program to achieve the optimum competitive advantage for Oregon's tourism industry.
5. Devise a long term strategic plan to foster continued, orderly and successful growth of tourism in Oregon. For the benefit of all regions, this should include state support for the new convention center in Portland, in order to attract large numbers of visitors to the state. Such a research and planning effort would best be carried out with the resources and broader perspective available at the state level.

Politically, the time is ripe for an enhanced state agenda for tourism. Oregon's new governor supports tourism as a major thrust of the state's economic development strategy. Groups such as the Oregon Tourism Council are committed to seeking a positive legislative response to tourism initiatives, and legislators are becoming aware of the increasing importance of tourism to the local communities.

Organizationally, some of the groundwork is already in place for progress in tourism, though there is much yet to be done. The existence of private tourism efforts at the regional and community levels has been discussed above. The state Department of Economic Development now has some regional strategies at work.

Properly marketed, tourism can contribute significantly to the growing prosperity of Oregon. As a non-polluting basic service industry, tourism can assist in developing a stable economic base for many areas in the state. Imaginative and flexible leadership is needed at the state government level to help local businesses achieve these goals for the benefit of all Oregonians.

## VI. OREGON BASED TRADE SECTOR

### A. Introduction

Oregon-based trade includes: (1) handling Oregon products for export, (2) handling imports to Oregon and other inland markets, (3) warehousing, repacking, and distributing. Of the 23 ports in Oregon, 22 have small import and export levels; the exception is the Port of Portland. The International Port of Coos Bay may be the only other Oregon port with the

opportunity to continue as a base for commercial shipping in Oregon. The remaining ports may survive only if they determine a particular niche and focus upon it. Even Coos Bay must regard its present niche as a port for regional products and imports with some reservation because these products and commodities are limited.

Major competitors are Seattle, Tacoma, and Los Angeles/Long Beach. The Port of Portland handles only 9 percent of West Coast shipping. However, it has developed several market niches which allow it to be a viable West Coast port. Moving automobiles and auto parts, grain, and lumber and wood products is important, whether imported or exported through Portland.

#### B. Strengths

- o Railroad connections to the Port of Portland from all directions via a water level route.
- o Service by two rail lines (Union Pacific, Burlington Northern), plus direct access to a third (Southern Pacific).
- o Unused facilities and industrial land for expansion.
- o Lower cost of land, good available workplace.
- o Breakbulk cargo capacity.
- o Barge capability.
- o Portland's location at the confluence of two rivers.
- o Excellent proximity to all types of Oregon products.
- o Small but efficient U.S. customs facilities.

#### C. Weaknesses

- o No large, local market to service.
- o High wage and tax structure.
- o Facilities behind the state-of-the-art.
- o Internal competition between Oregon ports.
- o Lack of inbound freight.
- o Lower level of public funding with tax base limitations affecting abilities to increase funding.
- o Easy rail connection to Puget Sound area.
- o Distance of Portland from ocean.
- o Portland not a first port of call.
- o Absence of economy of large scale.

#### D. Discussion

For Oregon-based trade, Oregon ports must work cooperatively to identify niches, advantages and disadvantages, then prepare a work plan to address these issues. This may be best accomplished through a statewide port commission which would assist ports in marketing, financing, and development. A legislative program for support of Oregon ports may be suitable, albeit only a partial remedy for the many problems that beset Oregon's ports.

New and improved airport facilities at Portland International Airport (PIA) provide another opportunity for a significant increase in Oregon-based trade. It has been recognized that PIA facilities are underutilized and readily available for immediate use and adaptation to specific carrier needs. Other Oregon airports, although also underutilized, may have limited capacity to increase significantly service levels because of limited carrier service. However, these small airports do provide connections to major hubs, resulting in good opportunities for faster throughservice for goods and passengers.

Oregon ports, particularly the Port of Portland, are struggling with a diminishing percentage of a shrinking trade market. Other competitive West Coast ports such as Seattle/Tacoma, Los Angeles/Long Beach, Oakland, and San Francisco are larger and much better financed. These ports have the resources to develop facilities in anticipation of needs, while Oregon ports characteristically are more conservative and react to established needs.

#### E. Recommendations

1. Support the Port of Portland as the only port able to compete with other West Coast ports.
2. Recognize the International Port of Coos Bay as a port dealing with regional trade but generally limited to bulk cargoes, thus placing it beneath the Port of Portland but above the other 21 ports.
3. Concentrate on specialized Oregon-based trade such as lumber and wood products and agricultural products at the other 21 ports, recognizing their small size and relatively weak position.
4. Find competitive niches for the Port of Portland and strengthen its position in those niches.
5. Promote use of Oregon ports for Oregon-based trade.
6. Develop Enterprise Zones at Oregon's coastal ports.
7. Promote legislation (such as Oregon Public Ports Association's package) to improve knowledge and understanding of ports.
8. Recognize PIA as an underutilized resource and promote its expansion.
9. Increase imports (exports currently exceed imports).
10. Increase breakbulk cargo at the Port of Portland.
11. Increase market share in automobile imports.

12. Develop a statewide port authority or commission and a legislative program to facilitate marketing, financing, and development of ports.

### Appendix B

#### THE STRATEGY COMMITTEE'S APPROACH TO RECONCILING THE INDUSTRY SECTOR REPORTS

The Strategy Committee was created to consolidate and reconcile six individual industry sector study committees. The Strategy Committee's report is limited to discussion, conclusions, and recommendations applicable to an overall economic development strategy. For that reason, many significant findings of this committee regarding relationships, conflicts, and commonalities among industry sectors were not included in the body of the report, but are presented here.

The charge anticipated that each industry sector committee would recommend a strategy intended to maximize the individual sector's potential without regard to the impact on the other sectors. It directed the industry sector committees to recommend a strategy "compatible with Oregon's situation, external opportunities and threats" through application of a corporate planning model (1), which involved:

- o Defining the sector in terms of its competitors.
- o Examining the strengths and weaknesses of each sector relative to the competition.
- o Developing and evaluating alternative strategies to generate maximum per capita income in the sector.
- o Recommending public and private sector strategies and actions.

The industry sector committees pursued their individual studies independently without the need to conform to an overall plan. From May to December 1986, the six industry sector committees interviewed witnesses, reviewed previous City Club reports on economic development (2) and other documents, and prepared individual industry sector reports. In December 1986, the industry sector committee chairs met with a member of the Goldschmidt transition team for an in-depth discussion of the individual industry sector findings and recommendations.

The process of formulating an overall economic development strategy began in January with a reconciliation phase, which involved study of each industry sector report and their key sector conclusions and recommendations.

The Strategy Committee attempted several methods of reconciliation. It developed matrices to aggregate recommendations and sorted the various recommendations in a search for the conflicts anticipated in the charge. These matrices allowed an analysis of an approach to an economic development strategy focusing on identifying the actors (executive and legislative branches, private sector) and on identifying responsibility among the various public sector areas of the state (taxes,

education, resource management, social services and infrastructure).

Continued examination of conclusions contained in the industry sector reports using various approaches, including aggregating the lists of recommendations, did not suggest an overall "strategic" plan. Instead it showed that some recommendations were tactical rather than strategic.

To formulate an overall economic development strategy, the Strategy Committee identified common themes as well as conflicts among the sectors. Contrary to the expectation implicit in the study charge, which assumed that major policy conflicts would appear, the Majority identified no strategic reasons for favoring one industry sector (or combination of sectors) at the expense of others (see III. D.1). The Minority concluded that available resources are insufficient to support multiple strategies (see VI).

To take advantage of similarities in strategic considerations, the six industry sectors were redefined into three "economic sectors."

Forest Products and Agriculture were combined to create a Resources sector. Metals and Basic Manufacturing and Electronics became the Manufacturing sector while Trade and Tourism became the Commercial sector. It is probable that the entire private economy of the state can be described by adding a fourth economic sector -- services -- to the three defined economic sectors.

To achieve the strategic aim of the study, the Strategy Committee identified no more than two strategic areas for attention in each of the newly defined economic sectors. To refine this process further, these strategic areas focused on governmental responsibilities and on those actions that if not executed by the public sector were unlikely to happen. This decision forced the Strategy Committee to prioritize and to differentiate between strategic and tactical areas and also between those areas in which action is mandatory for the health of the economic sector as compared to desirable.

The decision to concentrate on governmental actions was based on the following rationale:

- o The strategic planning model assumes a single central decision making point that can identify, establish, and implement a strategy. This fits corporate decision making in individual firms, but fails for the private sector (an aggregate of individual firms) as a whole. Strategic planning beyond the individual firm level, therefore, necessarily focuses on the public sector.
- o While individual industry sector reports contain strategic recommendations directed to the private sector, these reflected the specific structure and competitive



conditions within the sector and did not suggest a consolidated statewide private sector strategy.

- o If the public sector creates the proper climate for economic development, the private sector can be expected to respond.

It was at this stage in the Strategy Committee's study that an overall economic development strategy began to take form. Please refer to the body of the report.

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2 City Club of Portland Bulletin, "Report on Economic Development Coordination," December 29, 1983; "Report on High Technology Industry-Education Cooperation," May 27, 1983.

Appendix C

## PERSONS INTERVIEWED

Sector Committee Joint Interviews

Boyle, M. Ross, President, Growth Strategies Organization  
 Kennedy, Tom, Director, Oregon Department of Economic  
 Development  
 Mosier, Dean, President Oregon Business Council

Forest Products Sector

Dahlin, David, Financial Services Division, Oregon Department  
 of Economic Development  
 Engel, Bruce, President, WTD Industries  
 Goldy, Daniel L., Forest Products Consultant and Economist  
 Greber, Brian, Forest Economist, Oregon State University  
 Haslett, Wayne, Forest Products Specialist, First Interstate  
 Bank of Oregon  
 Johnson, K. Norman, Associate Professor, Department of Forest  
 Management, Oregon State University  
 Judy, John, President, American International Forest Products  
 Kerr, Andy, Associate Director, Oregon Natural Resources  
 Council  
 King, Gordon J., President, Hampton Lumber Sales Co.  
 Puchy, Claire, Director, Portland Audubon Society  
 Resch, Helmuth, Professor and Head, Department of Forest  
 Products, Oregon State University  
 Schubert, John, Cascade Empire Corp.  
 Stere, Dave, Program Director, Forest Resource Planning,  
 Oregon Department of Forestry  
 Sullivan, Mike, Industrial Forestry Association  
 Torrence, James, Regional Forester, U.S. Forest Service

Agriculture Sector

Buchanan, Robert, Milton-Freewater wheat farmer, and past  
 president, Oregon Wheat Growers  
 Easley, Joe, Otter-Trawl Commission  
 Fry, DeLane, Hillsboro dairy farmer  
 Grilley, Wes, Administrator, Oregon Wheat League  
 Johnson, Sam, Nature Conservancy  
 Jossie, Dick, Production Credit Association Manager, Hillsboro  
 Kunzman, Leonard, former Director, Oregon Department of  
 Agriculture  
 Martin, Michael, Professor of Agricultural and Resource  
 Economics, Oregon State University  
 McLain, Cathy, Promotion Manager, Oregon Prune, Plum, Cherry  
 Commissions and Northwest Food Marketing Council  
 Nelson, A. Gene, Professor and Department Head, Agricultural  
 and Resource Economics, Oregon State University  
 Obermiller, Frederick, Professor of Agricultural and Resource  
 Economics, Oregon State University

Olsen, Nate, former President, Pioneer Hybrid  
Ostensoe, Don, Executive Director, Oregon Cattlemen's  
Association and Oregon Beef Council  
Pederson, Larry, Manager, Marketing Marine Business Unit, Port  
of Portland  
Pryor, Earl, Condon grain farmer and cattle rancher  
Rand, Dewey, Owner, "Capitol Press", Salem  
Santos, Don, Roseburg cattle and sheep rancher  
Shannon, Patrick, Executive Vice President, Agri-Business  
Council of Oregon  
Smith, Earl, Antelope wheat farmer and cattle rancher  
Steinfeld, Ray, Owner, Steinfeld's Products

### Metals & Basic Manufacturing Sector

Adelman, Daniel, Research and Statistics Manager, Workers'  
Compensation Department, State of Oregon  
Allcock, Charles E., Manager, Corporate Accounts, Portland  
General Electric  
Beaulieu, John A., President, Oregon Resource and Technology  
Development Corporation  
Britton, James, Personnel Manager, Wagner Mining Equipment Co.  
Buxstead, J.W., General Manager, Wagner Mining Equipment Co.  
Clement, David, Program Planning & Support, Economic  
Development, Pacific Power  
Denham, James H., Company Counsel and Public Affairs  
Coordinator, Teledyne Wah Chang Albany  
Frederick, Karl, Assistant Counsel, Associated Oregon  
Industries  
Friedman, Philip J., Corporate Materials Manager, ESCO  
Corporation  
Glover, Clifford, President, Pacific Carbide Corporation  
Goodman, Dennis E., Manager, Program Planning & Support,  
Economic Development, Pacific Power  
Hartman, Dennis, Manager, Corporate Planning, Hyster  
Corporation  
Harvey, Perry, Plant Manager, ESCO Corporation  
Kramer, Loren, Vice President, Schnitzer Steel Products  
Locke, Ed, Plant Manager, Pennwalt Corporation  
Lyle, David, Controller, Wagner Mining Equipment Co.  
McClennan, Janet, Assistant Power Manager of Natural Resources  
and Public Services, Bonneville Power Administration  
Mitchell, Robert L., Senior Vice President, Oregon Bank  
Moorman, Geoff, Chief, Economic and Industrial Branch,  
Bonneville Power Administration  
Safford, Robert R., Acting Director, Oregon Productivity  
Center, Oregon State University  
Shelton, Noel, Asst. Power Manager, INTALCO Aluminum Corp.  
Taussig, Frank J., Assistant Commissioner, Utility Program,  
Public Utility Commissioner, State of Oregon  
Wood, William, Chairman, Department of Materials Science and  
Engineering, Oregon Graduate Center  
Young, Robert, Director of Rates and Technical Issues, Direct  
Service Industries, Inc.

Youngbar, Lynn, Coordinator, State Stabilization and Conversion Fund, Economic Development Department, State of Oregon

### Oregon-Based Trade Sector

Beeman, Ogden, Principal, Ogden Beeman and Associates  
 Bone, Willard W., Owner, AMS International  
 Buffam, Steve, President, Ted L. Rausch Company of Oregon  
 Campbell, William, Attorney, Lindsay, Hart, Neil and Weigler  
 Czubek, Jr., Edward P., District Marketing Manager, Delta Airlines, Inc.  
 Dauss, Vice President, George S. Bush and Company, Inc.  
 Dunnweber, Charles, Manager of Station Operations, United Airlines  
 Martin, Jr., Frank G., General Manager, Oregon International Port of Coos Bay (in conjunction with City Club Friday Program)  
 Newman, Steven W., President, Newman, Wilson and Company, Inc.  
 Norwood, Captain Peter, Director of Marine Operations, Port of Portland

### Electronics Sector

Alexander, Bob, Venture Capital Analyst, U.S. Bank  
 Allcock, Charles, Manager, Corporate Accounts, Portland General Electric  
 Bruggere, Tom, Chief Executive Officer, Mentor Graphics  
 Cortright, Joseph, Executive Officer, Legislative Committee on Trade & Economic Development  
 Erzurumlu, Chik, Dean of School of Engineering, Portland State University  
 Hanus, Ann, State Economist, Oregon Executive Department  
 Harper, Jim, Personnel Manager, Wacker Siltronic  
 Kiffimeyer, Wave, Tektronix  
 Krause, Curt, V.P., Public Relations, Fujitsu  
 Nelson, Tom, Dean of School of Engineering, University of Portland  
 Voegel, Fred, Director of Manufacturing, Wacker Siltronic

### Tourism Sector

Basehore, Judith, METRO  
 Bradgon, David, Neil Goldschmidt Campaign  
 Groesh, Mike, and Wynne, Steve, Norma Paulus Campaign  
 Meshner, Bob, Partner, Laventhol & Horwath  
 Mitchell, John, Vice President and Economist, United States Bancorp  
 Morris, Steven C., Executive Director, Greater Portland Convention and Visitors Association, Inc.  
 Remington, Ed, Director, Oregon Department of Tourism  
 Soule', James, Automobile Club of Oregon  
 Stryker, Pat, Government Relations, Red Lion Inns

Appendix D

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