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May 19, 1993

The Honorable William Jefferson Clinton
President of the United States
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear President Clinton:

We wish to thank you for holding the Forest Conference in April and, in particular, for including secondary wood products manufacturers in this very important dialogue. Your commitment to break the gridlock is essential both to strengthen the economy of the rural Northwest and protect the environment.

For years, interested parties have polarized discussions about the Pacific Northwest forests, waging a debate based on a false choice: protect the forests or provide for the economic well being of the Pacific Northwest and the people who live there. As you have indicated many times, it is possible and necessary to do both. We can protect our environment while we help expand the region's economy and provide high-skilled, high-wage jobs.

One way to accomplish both goals simultaneously is to help strengthen the secondary wood products industry in the economic plan you will present as part of your comprehensive forest proposal. The state of Oregon established the Wood Products Competitiveness Corporation as a state agency just for this purpose in 1991. In Oregon alone there are now 800 firms that employ 20,000 persons each year in the manufacture of millwork, cabinetry, furniture, and specialty products. These businesses often are called value-added manufacturers precisely because they are able to do more with less. By helping to make this segment of the industry more competitive, your Administration can create more family-wage jobs, stimulate economic growth, improve America's trade balance and reduce the impact on the nation's natural resources.

The Northwest's secondary products industry brings unique benefits and offers unique promise to the region:

- ***Job growth.*** Over the last four years, virtually every sector of the Northwest forest products industry experienced job losses, but the secondary manufacturing industry showed absolute job growth in millwork and other sectors.

- ***More jobs per unit of fiber.*** The industry employs significantly more people per board foot of raw material than the primary industry. Primary fiber processing operations (sawmills) employ roughly 3 people per million board feet of lumber processed each year. Secondary wood products manufacturers employ 12-18 people (for moulding and millwork products) and up to 80 people (furniture manufacturing) annually to process the same quantity of raw material.

- ***Jobs throughout the region.*** Secondary manufacturing jobs are spread across every region in the state of Oregon, including many in eastern, southern, and other rural areas where workers in the primary industry have been dislocated.

- ***Easily transferable jobs.*** Many jobs are transferable because the stages of the secondary manufacturing process require skills similar to those used in primary sawmills.

- ***Investments in—and added strength for—the region's economy.*** When firms manufacture value-added products, they often move up-market to high-margin niche products that generate greater profits. These more profitable companies are then able to reinvest their profits in plant improvements and sophisticated equipment to retain their edge in international markets.

- ***Increasingly higher-skill, higher-wage jobs.*** As firms invest in more sophisticated equipment, they will require additional higher-skill, higher-wage employees.

The Wood Products Competitiveness Corporation (WPCC) has identified a series of federal initiatives that would improve the competitiveness of this critical industry by addressing its four major problems: the supply of raw material, access to capital, improving the competitiveness and market development for the industry. Our recommendations are outlined in the enclosed document, "Recommended Program Responses." It is important to note that these programs do not involve any direct grants. Instead, they rely on a series of activities to improve market opportunities, enhance access to capital, improve training programs, and promote collaboration among Northwest secondary manufacturers.

The secondary wood products industry is working to bring value—and additional employment—to the Pacific Northwest, but we need your help to maximize our effectiveness in the region and continue our growth. We hope you will consider our program ideas to invest in the secondary industry as you move forward in crafting a solution to the current crisis in the Pacific Northwest.

Yours truly,

Members of the WPCC Board of Directors:

Rod D. Andrews
Rainier Wood Products
Sweet Home

Gevin D. Brown
American Moulding and Millwork Co.
Prineville

Stephen F. Haberle
Orchard Wood Products
Baker City

Bill R. Keen
Modoc Lumber Company
Klamath Falls

James W. Korth
North Douglas Wood Products
Drain

Ronald Loe
Wood Castle Ltd.
Corvallis

Jerrie F. Morelock
Morelock Wood Products
Bend

enclosure: Recommended Program Responses

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THE WOOD PRODUCTS COMPETITIVENESS CORPORATION

The Wood Products Competitiveness Corporation (WPCC) was created in 1991 as a state agency on the recommendation of the Oregon legislature's Interim Forest Products Policy Committee. The WPCC was established to devise and coordinate strategies to improve and promote the competitiveness of Oregon's secondary wood products industry -- the 800 firms that employ 20,000 persons in the manufacture of millwork, cabinetry, furniture, and specialty products. Seven industry representatives make up its Board of Directors. While the WPCC received a start-up budget of $2.25 million in lottery funds from the State of Oregon, it anticipates transition to a private industry association by June 1993.

WPCC's mission is to assist Oregon's secondary wood products industry to become the finest, most competitive value-added producer in the world. To achieve this mission, the WPCC is utilizing a multi-faceted approach focusing on market development, access to capital programs, supply stabilization, and training and service provision. However, WPCC believes its most important function is to promote collaboration within the industry. Only by cooperating to solve common problems can secondary manufacturers effectively meet the challenges facing them and become competitive on an international level.

WPCC promotes industry collaboration in a variety of ways: through the development of industry champions; through the formation of regional chapters to share information and build trust among manufacturers; and through specific program activities that present collaborative opportunities having solid, bottom-line results. It is the specific program opportunities that open doors for further collaboration or the development of manufacturing networks. Some current WPCC projects include:

Access to Capital Programs: The WPCC is working closely with leading banks, the Oregon Bankers Association and the Oregon Economic Development Department (OEDD) to generate access-to-capital programs. In February 1993, the WPCC conducted a study of capital needs for the industry and then hosted a banking conference for wood products manufacturers and bankers which resulted in the identification of several priority program areas. WPCC is now working to develop specialized industry information to assist banks in reviewing loan applications, and is hosting a series of local meetings and plant tours between bankers and manufacturers to improve communication between these two industries. In conjunction with OEDD, WPCC is also developing a program to provide $50M in guarantees for privately placed working capital loans, and is planning on developing targeted investment funds to provide needed equity to the industry.

Market Development Activities: In February 1993, over 160 Oregon manufacturers attended the first Buyers/Sellers Conference. Senior buyers from over a dozen major U.S. retailers and distributors discussed existing and emerging opportunities. At the conference, the WPCC released a Buyers/Sellers Database containing the detailed manufacturing capabilities of over 400 Oregon secondary wood products firms. This on-line database will serve as both a marketing tool to attract potential customers and an information resource to improve subcontracting opportunities within the industry. Creating new market opportunities will continue to be addressed in WPCC programs on marketing consortia, product development assistance, and market information/data collection.

WPCC is Funded by the Oregon Lottery

Workforce Preparedness and Support Services: The WPCC has initiated a series of educational seminars designed to enhance existing workforce skills. The WPCC is presently collaborating with community colleges, the Department of Education, and the state university system to design specialized education programs that respond directly to industry's needs and concerns. *The Cutting Edge*, WPCC's bimonthly newsletter, reports WPCC progress and information relevant to the vitality and growth of the industry.

SECONDARY WOOD PRODUCTS INDUSTRY
FACTS AND FIGURES

The Secondary Wood Products Industry in Oregon:

Number of Firms	Percent	Description of Sector
141	17%	millwork plants
125	15%	kitchen cabinet manufacturers
106	12%	box and other wood container manufacturers
198	23%	furniture manufacturers
157	18%	non-classified
122	14%	mobile home and prefabricated wood building manufacturers, wood preservers, pallet manufacturers, hardwood dimension producers, and structural wood member manufacturers.
849	100%	TOTAL

Source: Oregon Economic Development Department, Directory of Oregon Wood Products Manufacturers, 1991

1990 Employment in Oregon in the Secondary Wood Products Industry:

Number of Employees	Percent	Description of Sector
7,421	37%	millwork plants
1,491	7%	kitchen cabinet manufacturers
170	1%	box and other wood container manufacturers
2,237	11%	furniture manufacturers
1,724	9%	structural wood member manufacturers
1,199	6%	non-classified
2,179	11%	mobile home and prefabricated wood building manufacturers
1,948	10%	reconstituted wood products
1,392	7%	wood preservers, pallet manufacturers, and hardwood dimension producers
19,761	100%	total employment in the secondary wood products industry

Source: Oregon Employment Division, 1990

* Secondary wood products: sector 24 (Lumber and Wood Products), 2426, 2431, 2434, 2439, 2441, 2448, 2449, 2451, 2452, 2491, 2493, 2499; sector 25 (Furniture and Fixtures), 2511, 2512, 2517, 2521, 2541.

Secondary Wood Products Industry Facts & Figures (cont'd)

Definition/categorization of the industry:

Size/Category	Number of Employees	Annual Sales
Small	3 to 10	less than $1 million
Medium	11 to 50	>$1 and <$5 million
Large	>51	over $5 million

Source: Wood Products Competiveness Corporation, 1992

Secondary Wood Products Employment comparisons:

Description of Sectors	Employment	Secondary Wood Products Employment as Percent of Totals
employment in the secondary wood products industry	19,761	100%
total employment in sectors 24 and 25	67,498	29%
total employment in Manufacturing	220,208	9%
total employment in Oregon	1,236,243	2%

Source: Oregon Employment Division, 1990

* Secondary wood products: sector 24 (Lumber and Wood Products), 2426, 2431, 2434, 2439, 2441, 2448, 2449, 2451, 2452, 2491, 2493, 2499; sector 25 (Furniture and Fixtures), 2511, 2512, 2517, 2521, 2541.

Business activity by region within Oregon:

	Total=389	Portland Area	Valley	Southern Oregon	Central Oregon	Eastern Oregon
Finished Products	241	94	90	31	16	10
Components	149	58	55	18	13	4
Value Added Services	97	37	37	14	6	3

PORTLAND, OREGON

Daily Journal of Commerce

NORTH EST:
Council OKs Hayden Island fire station. Page 4.

FINANCE:
Mutual fund ads won't tell you everything. Page 4.

REAL ESTATE:
Local retail, office markets gain attention. Page 5.

■ Tell employer about consulting ambitions.
Page 2

No. 60 | Portland, Oregon | Thursday, March 25, 1993

State wood products agency goes private

By MELODY MILLS
/ Journal of Commerce

The Oregon Wood Products Competitiveness Corp., created by the 1991 Legislature as a public agency to boost Oregon's secondary wood products industry, became a private company Wednesday.

Gov. Barbara Roberts signed Senate Bill 169 authorizing the agency to operate as a private, non-profit trade organization.

Ray Daffner, WPCC executive director, said the privatization will allow the corporation more freedom in achieving its goals.

"We'll be able to pursue our activities a little more aggressively as a private organization," Daffner said. "As a state agency we had some limits."

"We've been working toward this for quite a while. We feel that for this organization to get things done it has to be in the industry's hands," he added.

Ron Loe, chairman of the board and president of Wood Castle Manufacturing in Corvallis, attended the signing and said the wood products corporation is an example of a successful partnership between the state and the private sector.

Several of the wood products corporation's board members, past and present, and secondary wood products manufacturers from across the state witnessed the signing along with key legislators.

"The Wood Products Competitiveness Corporation has been an important element in Oregon's commitment to a strong, diverse secondary wood products industry," Roberts said during the signing ceremony.

"With this legislation we set the stage for the corporation to continue that commitment in the future to make the most of our timber resources and maintain good, stable, family-wage jobs for Oregonians," she added.

WPCC was funded by a $2.25 million dollar grant from the Oregon Lottery. The original legislation specified the organization would become privatized this year.

The corporation was designed to build business opportunities for the 1,200 firms and more than 20,000 people that comprise Oregon's secondary wood products industry.

WPCC's objectives have been to identify markets, establish contact between Oregon secondary manufacturers and regional and national purchasing agents and merchandising managers, initiate consortiums, improve access to capital financing, assist in technology upgrading and employee education, and develop strategic alliances within the industry and government.

Recent WPCC activities include a Buyers/Sellers Conference in February that introduced secondary wood producers to regional and national buyers with corporations such as Fred Meyer, Wal-Mart and Lumbermen's Building Centers.

The organization earlier this month created an innovative computerized database which enables manufacturers and buyers to obtain information about product specifications and production and service capabilities of Oregon secondary wood products companies.

The corporation was one of the state's more unique agencies in that it has been under the direction of a seven-member, private-sector board of directors appointed by the governor.

The senate bill privatizing the corporation was introduced at Robert's request as part of her efforts to streamline and reorganize state government, officials said.

The bill provides that WPCC will dissolve June 30 with all remaining funds and obligations to be transferred to the new, independent organization, along with the responsibility to carry out the strategic plan mandated by the Legislature.

The Oregon Economic Development Department will be responsible for oversight of WPCC programs, and WPCC will be required to report to the Joint Legislative Committee on Trade and Economic Development on its programs, officials said.

SB 169 allows existing members of WPCC's board of directors and employees to continue working with the new organization. The bill provides no additional funding.

Eugene, OR
(Lane Co.)
Register-Guard
(Cir. D. 72,608)
(Cir. S. 74,983)

FEB 2 3 1993

Wood product firms meet with bankers

864

By LANCE ROBERTSON
The Register-Guard

One of Oregon's fastest-growing manufacturing sectors is so-called secondary wood products — high-value goods such as furniture, toys, moldings and window sashes.

But because many of these companies are small and have few assets, they often find it difficult to get loans needed to market their products and expand production.

Monday, a new state non-profit corporation introduced the people who make the goods to the people with the money.

About 75 Oregon bankers and secondary wood products manufacturers gathered at the Eugene Hilton for a daylong conference sponsored by the Oregon Wood Products Competitiveness Council.

"Frankly, many of these companies have been in the shadow of the big primary lumber and plywood manufacturers," said Sam Donaldson, spokesman for the Wood Products Competitiveness Council, based in Bend. "If the state wants to expand jobs, we have to find a way to open up more access to capital for these companies."

New federal banking laws have tightened up credit restrictions, making it harder for lenders to extend long-term financing to small value-added manufacturers, Donaldson said.

A recent legislative study found that the top problem faced by secondary wood products manufacturers was financing. Second on the list was gaining access to markets.

Donaldson said WPCC is trying to set up a bond fund or a revolving loan fund to help small value-added manufacturers get loans. The WPCC also plans to work with local banks to hook them up with manufacturers in the same area.

Oregon is home to about 900 "secondary" wood products manufacturers, with an annual payroll of about $500 million, Donaldson said.

Secondary manufacturers often use much less wood than primary lumber and plywood mills. Secondary manufacturers also often employ far more people for each 1,000 board feet of wood used, and the value of the wood product they make sells for many times the equivalent volume of typical framing lumber and plywood.

Value-added manufacturers range from large companies that make doors and window parts to small firms making specialty items such as cedar shavings for dog beds, cedar coat hangers, wooden toys, picture frame parts, wine racks and novelty items.

The Oregon Legislature created the WPCC in 1991 with $2.25 million in lottery proceeds. The WPCC will be dissolved in June of this year and replaced by an industry-directed non-profit organization.

(Jackson Co.)
Mail Tribune
(Cir. D. 29,310)
(Cir. S. 33,500)

FEB 4 1993

864

'Reverse' show brings buyers to makers

By PAUL MACOMBER
Mail Tribune Business Editor

Some of America's major wood products buyers will meet with Oregon manufacturers next week in a "reverse trade show."

The event brings in buyers from Wal-Mart, Costco, Fred Meyer, Lowe's, Klingman Furniture, IKEA and others.

They will tell manufacturers about their markets, quality standards, product specifications and purchasing procedures.

The product range includes moulding and millwork, cabinets and furniture.

The event, Feb. 11-12 in Portland, was set up by the Oregon Wood Products Competitiveness Corp., which was created by the 1991 Legislature to develop the state's value-added wood products industry.

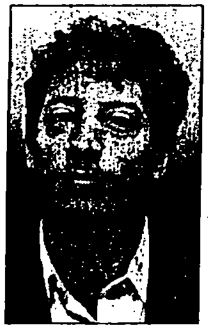
It's a means to squeeze more jobs out of each tree processed in the state, says Ray Daffner, executive director of the agency.

"A primary mill — lumber or plywood — will employ two or three people to process a million board feet of timber," he said. "A furniture company will employ 60 to 80 people to process the same volume."

More than 800 companies, many of them small, are operating in Oregon and the agency is working to help them develop new products and markets.

"A lot of organizations try to go in and train and teach manufacturers," said Jim Malnight, marketing director. "We want to go out there and generate sales."

The reverse trade show — The Oregon Wood Products Buyers/Sellers Conference — is expected to attract 200 Oregon manufacturers, including about 40 from southern Oregon.



Daffer

"This end of the state has perhaps been our strongest group of manufacturers," Daffner said. "They've been intimately involved with this from the start."

Malnight

A subgroup of regional manufacturers, headed by Terry Kerwood of Woodline Products, has been formed here, Daffner said.

The statewide agency, financed by a $2.25 million allocation from the state lottery, is overseen by a board of directors from the industry and is destined to be spun off into a private industry association in 1993.

MT file photo

Workers make mousetraps at Parson's Pine in Ashland, which could benefit from a trade show

In addition to the trade show, a database has been gathered to help steer buyers to manufacturers and to assist in collaborative manufacturing.

The agency is also working with the Oregon Bankers Association to ease the access to capital for wood products manufacturers.

"Here's what we're trying to do," Daffner said. "When one manufacturer calls Wal-Mart, they are not going to get a response. When the industry calls, they come out to Portland and talk to us."

Malnight says the agency has gained creditability as a representative of manufacturers.

"Oregon is a leader in primary manufacturing," he said. "Buyers are going to see a state at every level committed to help manufacturers in value added products."

The growing scarcity of timber is giving manufacturers incentives to cooperate to meet market opportunities, Daffner said.

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Ray Daffner
WPCC Executive Director

Ray Daffner is the executive director of the Oregon Wood Products Competitiveness Corporation. He has eight years of experience in the private sector in both manufacturing and retail environments. He also has experience in the nonprofit and public sectors, assisting the governors of the southeastern states to initiate and implement industry-focused economic development initiatives. Mr. Daffner received a bachelor's degree in Chemistry from Duke University and a graduate degree in business from Yale University.

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Chadwick Knowles
Founder, Chairman, Majority Owner
Ranier Wood Products, (Sweet Home, Oregon)

Chadwick "Casey" Knowles is the founder, chairman, and majority owner of Ranier Wood Products. Mr. Knowles has spent 25 years in the lumber business, the first thirteen as a lumber wholesaler and the last twelve in value-added secondary manufacturing of lumber. He is a graduate Washington State University. Ranier Wood Products was originally located in Woodinville, Washington, and the Sweet Home plant began operation in 1985. The company consolidated in 1988, moving the Woodinville manufacturing to Sweet Home, Oregon. The company, which has expanded to a current employment level of 128, maintains an administrative office in Seattle, Washington.

WPCC is Funded by the Oregon Lottery

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James W. Korth
General Manager/Attorney
North Douglas Wood Products (Drain, Oregon)
WPCC Board Member

James Korth has been a member of the WPCC Board of Directors since October 1991. He believes that both environmental awareness and a strong, viable economy are essential for strengthening the state of Oregon. Mr. Korth is a member of Trout Unlimited, the Federation of Fly Fishers, the Forest Products Research Society, the National Dimension Manufacturers Association, and Western Hardwoods Association. He received a bachelors degree in political science from Stanford University and a J.D. from the Willamette University College of Law.

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Jerrie Morelock
Owner/Manager
Morelock Wood Products (Bend, Oregon)
WPCC Board Member

Jerrie Morelock is the owner/manager of a 32-year-old company that produces specialized wood moldings in the state of Oregon. She has served on the WPCC Board of Directors since its inception. Previously, she served six years on the Small Products Advisory Board for the State of Oregon, which reviewed legislation and assessed its potential impact on small businesses. The Advisory Board reported directly to the Governor of Oregon.

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Wood Products Competitiveness Corporation

Business Plan

April 1, 1993
Draft

WPCC is Funded by the Oregon Lottery

Board of Directors 1993

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Castle Manufacturing
Corvallis

Stephen Haberle - Vice Chairman
Orchard Wood Products
Baker City

Rod Andrews
Rainier Wood Products
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Gevin Brown
American Moulding & Millwork
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Bill Keen
Modoc Lumber
Klamath Falls

James W. Korth
North Douglas Wood Products
Drain

Jerrie F. Morelock
Morelock Wood Products
Bend

Ray Daffner
Executive Director

Overview
The Wood Products Competitiveness Corporation (WPCC) was created in 1991 as a state agency on the recommendation of the Oregon legislature's Interim Forest Products Policy Committee. The WPCC was established to devise and coordinate strategies to improve and promote the competitiveness of Oregon's secondary wood products industry -- the 1,200 firms that employ over 20,000 persons in the manufacture of moulding/millwork, cabinetry, furniture, and specialty products. Seven industry representatives make up its Board of Directors. While WPCC received a start-up budget of $2.25 million in lottery funds from the State of Oregon, it anticipates transition to a private industry association in June 1993.

Mission
WPCC's mission is to assist Oregon's secondary wood products industry to become the finest, most competitive value-added producer in the world. To achieve this mission, the WPCC is utilizing a multi-faceted approach: promoting the industry; seeking to expand the industry's markets; improving access to capital; strengthening communication within the industry; assisting industry firms to upgrade technology, design, quality standards, and education; and developing innovative strategic alliances within the industry and with government.

WPCC considers its constituency to be the 1,200 small- and medium-sized secondary wood products manufacturers in Oregon, those firms ranging from $1M to $25M in annual sales and having between 5 and 500 employees. These firms are distributed in a roughly equal fashion between furniture manufacturers, cabinetry firms, molding and millwork plants, and specialty products producers and are primarily located in rural portions of the state. The secondary wood products industry accounts for almost 10% of all manufacturing jobs in Oregon, while the forest products industry accounts for over 30% of all manufacturing jobs in the state. The industry is undergoing tremendous transition driven by environmental considerations, with a 30% - 50% anticipated reduction in timber harvest in the coming years.

Strategy
WPCC focuses on a four-fold strategic approach to underpin program activities. Driven by the timber supply crisis facing the Northwest's wood products industry and the need to remain internationally competitive, WPCC engages in program activities that:

1) Are industry led. Although created by the legislature as a state agency, WPCC has a seven member private sector Board of Directors and anticipates transition to a private industry association.

2) Encourage sustainable development practices in the industry. It is only by adding more value to the natural resource before it is exported from the region that we can effectively resolve both the environmental and economic challenges facing the region.

Note: As used in this document, the wood products industry refers only to the secondary wood products industry.

3) Encourage cooperation within the industry. By cooperating to solve common problems, manufacturers can effectively meet the challenges facing them and become competitive on an international level.

4) Utilize the support infrastructure. To become internationally competitive, manufacturers will need to work closely with the financial community, technology providers, educational institutions, utilities, service providers and public sector leadership to ensure that the right ingredients are available to meet the challenges ahead. It is only through creating these partnerships that Oregon's industry can hope to remain competitive with the industries of nations that use all the resources at their disposal to enter and dominate international markets.

Program Introduction
This business plan describes several program areas that will accomplish the mission and goals outlined in the WPCC Strategic Plan (July 1992) and updated at the Board of Directors retreat (March 1993). Each of these program areas will have a WPCC staff member identified as program manager, and it is recommended that an industry advisory committee composed of both board and non-board members be created to provide input on activities. Each industry advisory board will need to be educated as to best practice in theses program areas, which will likely require study tours and background reading materials. The program areas outlined in this plan are:

Priority Activities:
* Industry Communication and Cooperation
* Access to Capital
* Market Development
* Activities to ensure a dependable raw material supply

Other Activities:
* Workforce Preparation
* Real Services

WPCC intends to maximize program impact by collaborating with existing Oregon entities to implement these activities. A list of potential program partners is provided on page 14.

Actual budgets may vary from estimates since business plans need to be developed by WPCC staff and the industry advisory boards for each program area. Actual budgets for these activities will be influenced by such factors as the ability of WPCC to partner with existing entities and programs, and leverage additional sources of support. Scheduled program expenditures of $1.3M are itemized, to be leveraged by $9.0M in support from partners, foundations, federal and state government. Programs that have received budgetary approval from the WPCC Board of Directors are itemized with a scheduled project initiation date. Activities that have no indicated initiation date will be undertaken only if additional resources become available.

WPCC anticipates becoming a self-funded entity, relying on revenues from program activities to underwrite operational costs. Each program area will develop specific strategies and goals to generate revenue. WPCC is structuring an employee incentive program linked to revenue generation to encourage the development of industry supported activities. If WPCC is unable to develop programs which the industry feels are worth financially supporting, the organization will have failed in its mission to provide needed services to the industry.

I. Industry Communication and Cooperation

Only by cooperating to solve common problems can secondary manufacturers effectively meet the challenges facing them and become competitive on an international level. WPCC promotes industry collaboration in a variety of ways: through the development of industry champions who encourage strategic partnerships; through the formation of regional chapters to share information and build trust among manufacturers; and through program activities (such as market development, capital access, training and service provision) that present collaborative opportunities having solid, bottom-line results. It is the specific program opportunities that open doors for further collaboration or the development of manufacturing networks.

WPCC initiated a bi-monthly newsletter in November 1992, funded three demonstration manufacturing networks in June 1992, and has held a series of regional meeting attracting over 300 manufacturers in five cities across the state. Two educational tours, one to North Carolina to view the furniture manufacturing industry and one to Germany to view high technology facilities, were also sponsored by WPCC in 1992.

Future and on-going program activities include:

- Newsletter. Produce bi-monthly newsletters through June 1993 without association membership requirement. Subsequently mandate association membership for receipt. Perhaps initiate weekly fax of hot activities (perhaps working with Woodfax) such as market opportunities, etc. Newsletter should include features on individual businesses successful in value-added activities, profile WPCC programs, provide market and economic data relevant to the industry. Perhaps it would have a classified section for used equipment. Target publication cost: $5,000 per issue; $30,000 annually. Re-evaluate newsletter frequency and develop a monthly publication as suitable. Initial Budget $30,000. On-going activity.

- Regional WPCC chapters. Regional chapters of the WPCC will be created to facilitate regular communication among industry members. Each regional chapter will be championed by a member of the Board of Directors. After chapters composed of firm owners are developed, separate regional sessions could be held for plant managers, personnel managers, purchasing managers, etc. Plant tours of members' facilities will be encouraged. Further, participants from associated "supporting" industries -- the industrial cluster -- such as design, architecture, equipment manufacturers, educators, and the banking industry will be encouraged to participate in some of these sessions. Cost includes meals and miscellaneous expenses for meetings. Budget $36,000. On-going activity. Revenue generating activity.

- Interdisciplinary educational tours. Provide stipends to partially offset the cost of educational tours for interdisciplinary groups comprised of bankers, educators, manufacturers and technology providers that will review competitiveness initiatives in Oregon, the U.S., and overseas. WPCC advisory board members will also be included on these educational tours to familiarize them with best practice in appropriate program areas. This interdisciplinary approach supports the involvement of institutions critical to the competitiveness of the secondary wood products industry in Oregon and lays the groundwork for future collaborative activities. For example, if Oregon manufacturers are to truly move up-market and develop high-end products for consumer use, capital will be required to support the needed expansion in plant and facilities. And, if these products are to truly meet the needs of today's sophisticated consumers, designers who understand both consumer tastes and the issues of design for manufacturability will need to be trained in our universities. The new vision for value-added manufacturing will be shared not only with industry members, but also with bankers and educators whose supporting institutions are essential for the development of this strategy. Budget $100,000. On-going activity.

- Expansion of Buyers/Sellers Database. See activity description, Section III, Market Development.

- Collaborate with existing industry organizations in Oregon and the Northwest. Staff activity, miscellaneous travel.

- National wood products conference. Co-host a national wood products competitiveness conference in Oregon in partnership with the National Institute for Standards and Technology, USDA Coop Extension and Forestry, Northwest Policy Center, and other appropriate organizations. Conference will provide Oregon firms with access to wood products resource people from around the nation and serve to highlight the state's efforts nationally. No budget, no initiation date.

- Open lines of communication. Work with groups to jointly identify solutions to problems ranging from forest and species protection to community and job stability. Staff activity, miscellaneous travel.

- Annual Report. In conjunction with the program assessment (see Section VIII, Other Program Activity), WPCC will issue an annual report addressing the state of the secondary wood products industry in Oregon. It will detail WPCC responses, successes, and failures in meeting these challenges. Budget $10,000. Initiation: Spring 1993.

II. Access to Capital

This program is designed to enhance capital access from a variety of bank and non-bank sources of debt, and from sources of equity capital. An important element of the program is to improve communication between the banking community and secondary wood products manufacturers so that identified capital gaps can be alleviated or eliminated.

The WPCC has conducted a study to identify the capital gaps facing the industry, and held a state-wide Bankers/Manufacturers Conference in conjunction with the Oregon Bankers Association (OBA) and the Oregon Economic Development Department (OEDD) which resulted in the identification of several priority programs. The WPCC is also working in close cooperation with OEDD to create a Value-Added Wood Products and Agricultural Products Collatoralization Fund, currently described as SB81 in the Oregon legislative process.

Future and on-going program activities include:

- Encourage greater communication between bankers and manufacturers. Continue to undertake activities to encourage greater communication and understanding among bankers and manufacturers. The WPCC will hold an on-going series of meetings and plant tours between local bankers and manufacturers, with the support of the OBA. Budget $30,000. Initiation: Spring 1993.

- Provide industry information. Provide industry information to the banking community that will assist in loan evaluation. At the request of several banks, the WPCC will generate detailed market assessments and projections for leading wood products sectors and sub-sectors to support business plans and loan requests from industry members. Budget undetermined. Initiation: Spring 1993. Revenue generating activity.

- Identify service providers. Assist manufacturers in identifying providers of needed accounting support, business planning assistance, and staff educational resources. WPCC should work closely with private service providers and with public programs such as the Small Business Development Centers and the Community College system. Initiation: Spring 1993, staff function.

- Identify capital sources. Assist manufacturers in identifying potential capital sources. This could involve listings of banks with loan caps and preferences, listings of non-bank debt sources with caps and preferences, and listings of equity sources. Initiation: Spring 1993, staff function. Revenue generating activity.

- Loan Collatoralization Fund. Develop a program to facilitate the placement of additional bank loans to secondary wood products manufacturers. Continue to work closely with the Oregon Economic Development Department, the State Treasurer's office, and the Legislature to create a large ($25M - $50M) loan collatoralization fund [as described in SB81] to support and encourage additional bank loans, primarily for working capital, to the industry. Initiation: Spring 1993, staff function. Additional consultative support $20,000.

- Develop equity sources of capital. Develop sources of equity capital for market expansion and product development opportunities. In conjunction with public and non-profit sources of capital, the WPCC intends to develop targeted financing vehicles for equity investment in the secondary wood products industry. The development of 'green' (environmentally friendly) investment funds are one option, as are funds focusing on collaborative business ventures (networks). Initiation: Spring/summer 1993, staff function. Revenue generating activity.

- Market Development Fund. Provide a flexible investment vehicle to support collaborative ventures targeted at market development and expansion activities. Market Development Fund (MDF) support will allow manufacturers to take advantage of market opportunities that otherwise would be inaccessible. It is anticipated that this fund will participate in projects that involve equity financing from the applicants, bank financing for collaterizable assets, and MDF support to fill identified capital gaps. The MDF anticipates investments will be repaid as a percentage of sales, creating a continuing source of capital to support future collaborative projects. WPCC participation in this program will be supplemented by support from other public and non-profit entities. Budget $100,000. Initiation Fall 1993.

- Specialized financing. Identify appropriate specialized sources of equipment financing and factoring sources for the industry. Work closely with equipment manufacturers to develop financing programs. Also seek to facilitate placement of loans from existing economic development revolving loan funds to qualified manufacturers. Initiation: Spring/summer 1993, staff function.

- Bi-annual conference with banking community. WPCC will hold a bi-annual conference between the wood products industry and the banking community. This conference will be jointly organized by WPCC and the Oregon Banker's Association. Conference activities will include: 1) independent educational sessions for the manufacturing community on the requirements of the banking industry; 2)independent educational sessions for the banking community on the strengths and opportunities of the wood products industry; and 3) a dialogue, perhaps a series of small group discussions, between bankers and manufacturers to resolve obstacles to capital access. Cost for first conference, 2/22 in Eugene, $5,000. Full budget $30,000. Initiation: Fall 1993.

- Wood Products Loan Officer/Specialist Program with banking industry. The WPCC will work with the state bankers' association and private banks to implement a program to facilitate understanding of wood industry strengths and opportunities by: 1) designating wood products loan officers at selected regional bank offices that would maintain regular contact with manufacturers in their regions and 2) periodically convening these loan officers for small educational seminars with the industry. Staff activity. Cost for educational seminars: $5,000 each (6 per annum); annual cost $30,000. Initiation: Fall

1993.

- Purchasing Coop. WPCC will create a purchasing cooperative to provide a stable predictable source of supply and provide payment terms for raw material purchase to members. Revenues from this service will offset costs of operation. The Coop will also attempt to lower raw material cost by aggregating secondary industry demand and providing a consistent customer interface to primary mills. Eventually, two coops -- one for eastern and one for western Oregon -- will need to be created; however, the available funds will most likely allow the initial development of only one coop. The Coop is envisioned as a for-profit subsidiary of a non-profit industry association. The WPCC will leverage funds from the National Cooperative Bank and other institutions, require initial investments from Coop members (based on firm size), and require members to eventually invest sufficient reserves to collatoralize their average order size. The Coop will. Budget $200,000. Initiation unknown. Revenue generating activity.

III. Market Development

The goal of the market development program is to assist Oregon's secondary wood products manufacturers reach new markets, expand existing opportunities, and develop new products or modify existing products. Programs will target moulding/millwork, cabinetry, furniture, and specialty wood products producers. Target markets include national and regional retailers, industrial customers, brokers and distributors, and the international marketplace. The program will emphasize cooperation among manufacturers to meet identified market needs. The market development program should generate revenue both for manufacturers and for the WPCC.

The WPCC has already held a Buyers/Sellers Conference attracting over 160 manufacturers to meet with over a dozen senior buyers from the nation's largest retailers. The WPCC has also created the Buyers/Sellers Database, containing the detailed capabilities of over 400 Oregon manufacturers.

Future and on-going program activities include:

- Major market development conferences. Hold additional conferences similar to the Buyers/Sellers Conference focusing on specific market or industry segments. Initiation: on-going. Budget $50,000. Revenue generating activity.

- Expansion of Buyers/Sellers Database. Database will be expanded to include relevant services required by manufacturers. Additionally, staff will continue to respond to customer requests and actively generate additional requests. On-going staff activity. No budget identified. Revenue generating activity.

- Marketing Consortia. WPCC staff will attempt to develop marketing consortia. Marketing consortia could represent firms at trade shows and work with existing wholesalers and traders. WPCC could also invest in a "shared" marketing manager program. The program would provide support for marketing expertise to networks. In return, WPCC might then receive revenue derived from a commission on network sales. WPCC could also provide stipends to partially offset costs for WPCC delegations and networks to attend wood products trade shows in Atlanta, Oregon, and Hanover (Germany). WPCC will collaborate with OEDD Forest Products International Trade Division in these international trade activities. Budget: $200,000. Initiation: on-going. Revenue generating activity.

- Network Broker and Network Identification. In collaboration with the Key Industries Program of OEDD, a program to identify capable and interested wood products network brokers and value added networks will be established. The program will rely on an industry-oriented publicity campaign. Identified brokers will be encouraged to participate in the feasibility grant and investment fund programs described below and be exposed to a series of presentations from experienced wood products network brokers in the U.S. Participants from associated "supporting" industries -- the industrial cluster -- such as design, architecture, equipment manufacturers, wholesalers, educators, and the banking industry will be encouraged to participate in some of these sessions. The WPCC feels that a formal broker training program is unnecessary because sufficient capability exists within the industry. Budget $20,000. Initiation: On-going.

- Market Development Fund. See description Section II, Access to Capital.

- Collection of market and economic trend data. Utilize WPCC staff or contract to collect this data. Sharing costs with collaborating entities would reduce expenditures. Budget $25,000. Initiation: Summer/fall 1993.

- Green marketing program. Create a green market certification program similar to the German green dot program. Initiation: Summer 1993, budget unknown.

- Export consortia. Provide assistance to develop export consortia utilizing existing federal and state programs for support. WPCC will collaborate with the Forest Products International Trade Division of OEDD in undertaking these project activities. $20,000 of cost offset by federal support. Initiation: unknown

- Federal Export Services. Review activities of the federally-funded Hardwood Export Center in West Virginia. Inquire, with support of Oregon and other Northwest congressmen, about the creation of a similar organization in the Northwest. Also review opportunities to access Foreign Agricultural Service programs (FAS). Initiation: Spring/summer 1993.

- For profit marketing subsidiary. Develop a for-profit marketing subsidiary of the non-profit industry association to undertake a variety of revenue generating marketing activities including:

- Secondary Wood Products Showroom. Create a showroom and central marketing office for Oregon secondary wood products. Showroom available for fee to members of a privatized WPCC or designated secondary manufacturers' trade association. Showroom would provide specialized marketing environments for each product classification, i.e., furniture would be grouped, components would be grouped, etc. Revenues could also be derived from commissions (1% - 2%) on showroom initiated sales. On a fee-for-service basis, the showroom could develop promotional materials for compatible product lines. Also utilize industry capabilities directory in this effort. Perhaps leverage funds from National Coop Bank. Initiation: unknown, no program budget.

- Product development or design services. A privatized WPCC or designated secondary manufacturers' trade association could offset the first $10,000 of product development services, design services, or the development of promotional materials contracted by groups of manufacturers with service providers. The association would recoup expenses as commissions (2% - 3%) on closed sales. Budget: $100,000. Initiation: Fall 1993.

- National publicity campaign. Create a national Oregon wood products PR campaign. A phrase like "Oregon Built", similar to "Made in Vermont", would make quality wood products and Oregon wood products synonymous in public perception. Commodities commission, described below in Other section, could fund this effort. Initiation: Fall 1993. No program budget.

- Import Substitution. Contract to focus on import substitution activities for value added Oregon manufactured wood products. Initiation unknown.

- OEDD services. Leverage existing services provided by OEDD, such as Overseas Trade Offices and the Forest Products International Trade Division.

- Quantify processing of OR/NW fiber products. Quantify types of processing of Oregon/Northwest fiber products for both domestic and foreign uses. Contract to collect this data. Initiation: unknown, no budget.

- Research overseas processes. Research overseas value added processes to Northwest fiber to identify market opportunities and conduct a "technology assessment" of overseas process capabilities. Would require extensive travel. Issue contract or WPCC staff could perform. Cost: $50,000. Initiation: unknown, no budget.

IV. Develop Stable Source of Supply

The WPCC will undertake a series of activities to ensure a stable source of raw material for the state's secondary manufacturers. Some of these activities are described in other sections, such as the development of a purchasing consortium or improved communication between the primary and secondary industries. Other activities relate to representing the needs and concerns of the secondary industry in the federal decision making process following the Forest Conference.

To date, the WPCC has funded the World Forestry Center to undertake "World Wood for the Northwest", a study of overseas availability of useful species.

Specific projects as yet undefined. No budget identified.

V. Workforce Preparation
Training efforts will focus on developing the technical skills -- both in manufacturing and support services -- required for value added manufacturing. Activities will rely on partnerships with existing state educational institutions, and focus on such initiatives as the development of apprenticeship programs.

To date WPCC has held three educational seminars for the industry on such topics as programmable controllers, cost accounting, and alternate sources of wood supply. Future and on-going program activities include:

- <u>Improve educational opportunities.</u> Working with existing programs such as Workforce 2000, Workforce Quality Council, and Schools for the 21st Century to tailor wood products training activities to industry needs. These activities include involvement in the 2 + 2 Tech Prep program, structured work experience for students, business internships for educators, Advanced Technology Center development, and TQM training. WPCC involvement with these programs could serve as a model for other industries within the state. WPCC contribution/budget $20,000. Initiation: Fall 1993.

- <u>Apprenticeship development.</u> In conjunction with above programs, develop plans to implement a secondary wood products youth apprenticeship program within the state. Should planning activities prove fruitful, a subsidiary of the non-profit industry association will be created to manage the apprenticeship program and coordinate the educational support efforts of state institutions. Estimated total cost of planning activities: $100,000 less matching contributions from state educational entities and private foundation. WPCC budget $25,000. Initiation: Fall 1993.

- <u>Educate Educators</u>. Working with existing education programs, provide opportunities for educators to train in real plant environments. Initiation: Fall 1993. No budget identified

- <u>Seminars.</u> WPCC will contract for a series of educational forums across the state that will target a variety of critical business functions, such as: quality control; plant layout; cost accounting and estimating; MRP-JIT systems implementation; design; ISO 9000 training; financial statement preparation; environmental and OSHA compliance; and marketing. Funds will be provided to develop curricula for the seminars; however, since a valuable seminar is worth paying for, WPCC expects the seminars will generate revenue. WPCC will jointly sponsor the seminars and share program revenues with the contractor. Budget $25,000. On-going activity. Revenue generating activity.

- Design for manufacturability. In conjunction with design schools and designers, create industry internships to expose designers to manufacturing processes. Staff activity.

VI. Real Services

Real services implies the provision of useful and needed services to the industry. WPCC will rely on existing private sector service providers and public sector partners to provide the services required by manufacturers. One priority program is the creation of a technology extension system for the industry which will deploy the market expansion, capital access, and training and technology services WPCC is creating/marshaling for the industry.

To date, WPCC has participated in a variety of meetings with state partners to create an extension system for the secondary wood products industry. WPCC has also funded a study to assess the feasibility of creating a low-cost health and workers compensation insurance program for the industry. Future and on-going program activities include:

- Low cost industry services. Develop a program to provide low cost services from private service providers to the industry. Services could include: cost accounting; financial statement preparation; cost estimating; environmental and OSHA compliance; product design; inventory control; scheduling; plant layout; engineering; and technical assistance. A privatized WPCC or designated secondary manufacturers' trade association could contract with any interested service providers for a reduced rate for members. Service providers would benefit from the exposure WPCC could provide. Further, WPCC could maintain a "performance file" consisting of manufacturers' assessments of the work performed by the providers. These evaluations would be available to manufacturers who are seeking services but are unfamiliar with a provider's reputation. Cost sharing through the promotion of network activities could further reduce costs to firms. No cost - staff activity. Initiation: Fall 1993.

- Self-insurance plan for workers' compensation. Contract with a private insurance specialist to examine the feasibility of creating a self-insured workers' compensation program for an industry trade association. Self-insurance will allow employers to set their own incident level ratings and recoup and distribute excess accumulated premiums. This insurance program shall function as a for-profit subsidiary within a non-profit trade association or privatized WPCC. Budget $20,000. On-going activity.

- Retired Exec program. Create a "SCORE" program for the wood products industry in Oregon. Provide to the industry a listing, by specialty and location, of retired executives. This could be a revenue generating activity -- a privatized WPCC or designated secondary manufacturers' trade association could charge manufacturers a small fee for the service, reimburse the retired executive for travel costs, and retain a portion of the revenue for the maintenance of the program. Nominal cost - staff activity, small publishing costs, travel, etc. On-going activity.

- Develop industry benchmarks. WPCC will collect or contract with an eligible private or public entity to collect and aggregate industry benchmark data including: financial indicators, manufacturing performance indicators, market development indicators, etc. Aggregate benchmarks by firm size and industry segment, and publish. Cost $30,000 to contract to produce data; revenue from sale of documents to offset publishing costs. No initiation date, no budget.

- Extension Service. In collaboration with USDA Coop Extension, US Forestry Service, Oregon Coop Extension, OSU Schools of Forestry and Engineering, the Small Business Development Centers (SBDC), and the community college system, develop a plan to create/expand an extension service for the secondary wood products industry - initially in Oregon and subsequently in the Northwest. Use recognized excellent programs such as Georgia Tech as models. Additionally, in conjunction with the above Oregon partners, contract to develop an application for a Manufacturing Technology Center (MTC) focusing on the wood products industry. This $12M federal program could focus on the entire Northwest, with an initial focus on Oregon. A privatized WPCC or designated secondary manufacturers' trade association could house and manage the MTC, collecting fees for service and ensuring industry oversight, while field activities could be contracted with the above partners. Such a program could also encourage industry collaboration/networking. Use existing excellent programs, such as CAMP in Cleveland, as models. Staff will assist in planning for specialized extension service. Travel costs for WPCC and partial travel subsidy for partners: $10,000. Federal Coop Extension/USDA/Forestry Service will support implementation. Cost to develop MTC proposal: $100,000 less partners' contribution; net WPCC cost $25,000. Budget $25,000. On-going activity.

- ISO 9000 certification. Within MTC program, develop capacity to certify manufacturers as ISO 9000 capable. This could be a substantial revenue generating activity as few U.S. entities can provide this expensive service. However, it could require a substantial investment in personnel and systems - perhaps $100,000. No initiation date, no budget.

- Voucher system. Contract to develop a plan for a viable state or federally supported voucher system to support the provision of technical services to the industry and encourage industry collaboration. Cost $20,000. No initiation date, no budget.

VII. Privatization

The WPCC has undertaken a variety of activities to support the transition from a state agency to a private industry association. These activities resulted in the unanimous legislative passage of SB179 and the Governor's signing of the bill on March 24. WPCC anticipates that on May

7, 1993 the Board of Directors will approve the contract enabling a private industry association to undertake the activities outlined in this business plan. The private industry association is anticipate to commence operations by June 1, 1993.

VIII. Other

Additional WPCC activities include:

- Board Retreat. As needed, hold retreats to facilitate board discussion and long-range planning. Budget $7,500. Initiation: On-going.

- Regional solutions. Participate in fostering regional solutions to the industry's problems. Work with PNWER, BC Wood Specialties/Trade Development, etc. Staff activity, travel budget: $5,000. On-going activity.

- Commodities Commission. Look into creating a commodities commission for secondary wood products or collaborate with existing wood products commodity commissions in Oregon. Ability to "tax" commodities to provide industry services and promotion. Ability to control or manage fiber flow. Could be powerful. Review existing models. No initiation date. Budget not identified.

- Special Programs. The WPCC will develop initiatives as part of the above program structure to target the economic development needs of rural communities, Native American, handicapped, and other minority- and women-owned businesses. WPCC will work closely with existing Oregon entities. WPCC will attempt to identify sources of grant funds to supplement these activities. No initiation date. No budget.

- Baseline industry data. This data will set a baseline for WPCC activities, allowing for the measurement of program impact. Collection of data could occur in conjunction with preparation of industry capabilities document; thereby incurring no additional costs. No initiation date.

- Program/Organizational Assessment. WPCC will issue a competitive RFP to contract with an independent organization not involved in WPCC activities to conduct a program review for presentation to the legislature prior to sunset in July 1993 and create an annual report for WPCC. A contractor will be sought that can identify a source of grant funds to offset these assessment costs. This contractor will also determine progress related to the Oregon benchmarks. See Section I, Communication and Cooperation.

- Discretionary Fund. A discretionary fund was approved by the Board of Directors to be used at the discretion of the Executive Director to fund important programs on a timely basis. Budget $20,000. On-going activity.

Potential Partners

WPCC will make attempts to partner program activities with the organizations listed below:

American Plywood Association
Chambers of Commerce
Community Colleges
Job Training and Partnership Program (JTPA)
Oregon Advanced Technology Consortium
Oregon Business Development Fund (OBDF)
Oregon Economic Development Department (OEDD)
Oregon Forest Resources Institute (OFRI)
Oregon Innovation Center
Oregon Intergovernmental Councils
Oregon Institute of Technology (OIT)
Oregon Marketplace
Oregon Resource & Technology Development Corporation (ORTDC)
Oregon State University (OSU)
Rural Development Institute (RDI)
Small Business Development Centers
University of Oregon
Western Wood Products Association (WWPA)
Wood Products Center of the World Forestry Center (WPC)
Wood Molding & Millwork Producers Association (WMMPA)

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WPCC BUSINESS PLAN
BUDGET
April 1, 1993

BUDGETED EXPENDITURES

	WPCC Expenditures	Leveraged Funds	
Program Expenditures			
Access to Capital	$430,000	$25,000,000	
Workforce Preparation	$70,000	$200,000	
Real Services	$55,000	$12,000,000	
Market Development	$505,000	$370,000	
Communications and Cooperation	$196,000	$75,000	
Other	$52,000	$30,000	
	$1,308,000	$37,675,000	
Operating Costs			
Expenses thru 7/31/92	$157,288		
Operating Costs 8/92 - 6/93	$300,000		
Reserves - *	$450,000		
	$907,288		
TOTAL EXPENDITURES	$2,215,288	$37,675,000	$39,890,288

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Recommended Program Responses -
Secondary Wood Products Industry

Federal Forest Conference Response
April 2, Portland

Statement:
The WPCC believes that adding more value to the natural resource before it leaves the region is one way to effectively resolve both the environmental and economic challenges facing the Northwest. Just as Germany, Sweden, and many developing nations have had to adjust to finite timber resources, Oregon and the Northwest must strategically identify uses for the region's limited, though enormous, fiber resources. Every effort must be made to maximize employment levels as well as the efficiency of fiber processing and utilization through such activities as increased secondary wood products manufacturing.

Initial studies reveal that typical primary fiber processing (sawmills) employs approximately three persons annually per million board feet (MMBF) of lumber processed. Manufacturers of moulding and millwork products and components employ approximately 12 - 18 persons annually per MMBF of processed fiber; while furniture manufacturers employ 80 persons annually to process the same quantity of raw material. By adding more value to the products they produce, manufacturers will be able to maintain stable employment levels even as they reduce the volume of raw material processed.

Additionally, the manufacture of value-added products often requires firms to move upmarket to high-margin niche products that generate greater profits. More profitable companies are able to reinvest their profits in plant improvements and sophisticated equipment to retain their competitive edge in international markets. And the increasing sophistication of equipment and manufacturing practices requires manufacturers to hire high-skill employees -- well trained employees for family wage jobs. Clearly, adding more value to the natural resource before it leaves the region is one effective strategy to resolve both the environmental and economic challenges facing the region.

The following is a brief outline of recommended program responses -- investments in the Northwest's small and medium-sized secondary wood products industry that will improve the competitiveness of this critical industry and create jobs even while reducing the quantity of lumber processed. These recommendations do not involve direct grants to private businesses, but instead rely on a series of activities to improve market opportunities, enhance access to capital, improve training programs, and promote collaboration among the region's secondary manufacturers. These programs all rely on a partnership between the public and private sectors, but it is important that these activities remain industry-led to ensure industry acceptance and successful implementation. The emphasis of these programs should be on assisting small and medium-sized manufacturers and funding is anticipated to come primarily from federal sources. Additional detail can be provided on any of these items upon request.

Federal Programs

- Creation of a federal forest bidding system that gives preference on timber sales to companies based upon the quantity of lumber they sell to local and regional value-added manufacturers. This system need not be driven by tax incentives; it could be structured to have no net revenue impact. This could be modeled after a successful system used in British -Columbia.
- Eliminate export subsidies for U.S. timber and primary forest products. Re-assess federal rules and regulations to promote the manufacture of value-added products. Consider targeting Foreign Agricultural Service support to small-and medium sized value-added manufacturers.
- Eliminate foreign import tariffs on U.S. component and finished wood products.

Regional Programs

Industry Competitiveness

- Creation of a Manufacturing Technology Center and/or subsidiary Manufacturing Outreach Centers to support competitiveness improvement efforts within the industry and among support industries. This program would focus on promoting industry collaboration (manufacturing network development) primarily in the area of market development, with additional program emphasis in the areas of process improvement and technical assistance, training, and quality improvement. This program should be led by the industry, with the close cooperation and use of existing extension, community college, and university resources. *Cost: $12M* over 5 years, existing US Department of Commerce program. (Program draft available)

Access to Capital

- Creation of a targeted federal loan collateralization program to enable banks to make needed working capital loans to manufacturers. In the existing business climate, banks are reluctant to provide the needed working capital to secondary manufacturers. Equipment and inventory are typically valued at only a fraction of their market value. Government guarantees will enable banks to make the necessary loans based on a businesse's ability to repay, overcoming the lack of real estate or more liquid assets for collateral. Government guarantee commitments of $50M. Possible support from USDOC-Economic Development Administration. (Program draft available)

- Creation of a 'green' Market Development Fund to provide needed capital to the industry for market expansion and development activities. Often equity infusions are needed for manufacturers to take advantage of market opportunities. Creation of a fund will enable manufacturers to pursue specific market opportunities, expanding business and employment base. Cost $5M, with participation from private investment groups and environmental organizations.

<u>Market Development</u>

- Creation of a green marketing/certification program to encourage product development efforts that emphasize sustainable use of the resource base. This program could be modeled after the successful German program. *Cost: $5M.* This program could be supported by the USFS or other Department of Agriculture programs.

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Secondary Wood Products
Market Development Fund
Position Paper
Draft - 3/2/93

Goal: To provide a flexible investment vehicle to support collaborative ventures targeted at market development and expansion activities. Market Development Fund (MDF) support will allow manufacturers to take advantage of market opportunities that otherwise would be inaccessible. It is anticipated that this fund will participate in projects that involve equity financing from the applicants, bank financing for collaterizable assets, and MDF support to fill identified capital gaps. The MDF anticipates investments will be repaid, creating a continuing source of capital to support future collaborative projects.

Eligibility: All Oregon secondary wood products manufacturers will be eligible to participate in this program. Support will be provided to groups of three or more firms to be used primarily for market development or expansion activities. Support will be prioritized among the following areas:

1) Developmental support - market plan development, market research, packaging development, etc.
2) Operational support - support required to respond to specific market opportunities, new product introductions, preparation of promotional materials, advertising, operational systems development (EDI, Bar-coding, ...) etc.

Ineligible costs include normal production costs, prototype development, and investments in major equipment or real property.

Potential Partners: Potential partners to be approached to supplement the initial allocation to the fund include the National Cooperative Bank, federal programs such as SSBIC, and program related investment (PRI) groups of major foundations such as the Ford Foundation. It is expected that participation by partners will likely target selected constituencies, such as a Ford PRI subsidy directed for investment in rural firms.

Structure: An independent $500,000+ fund will be established to promote interfirm collaboration among Oregon secondary wood products manufacturers targeted at product and market development activities. Groups of firms will make application to a 3 - 5 member advisory board consisting of industry representatives and financial professionals. WPCC staff will review all applications, make recommendations to the advisory board for approval, and manage fund assets. Initial applications to the fund shall be no longer then 3 pages in length but a full business plan could be required for consideration. Applications will be reviewed on a monthly basis and personal interviews could be required.

Applications will be evaluated using the following criteria:

- At least three or more firms are involved in the project.
- The project directly expands existing sales or develops new market opportunities.
- The MDF investment is matched at least 2:1 by equity investments from the participants or debt financing from private financial institutions.
- The project has a reasonable expectation of success, and of repayment to the fund.
- The project involves value-added manufacturing activities, and has a positive impact on job creation.

The maximum investment in a project will be $100,000. Distributions to applicants can be made either in initial lump sum payments, upon completion of identified project milestones, or upon receipt of invoices documenting activity. WPCC staff will track and approve all disbursements. Quarterly updates from fund recipients will be required and more frequent reports can be requested.

Mandated repayment schedules for fund investments will be linked to the successful sale of the identified products. WPCC staff will recommend repayment schedules on a project by project basis, for the approval of the review board. Projects of average risk level will be required to repay the fund at a rate of __% of the annual sales of the identified product, up to ___% of the original invested amount. Repayment schedules shall not exceed: __% of actual sales annually; ___% of the initial invested amount over the life of the repayment; and a three year repayment term. Repayment of proceeds shall be used first to re-capitalize the fund and can be used, at the discretion of the advisory board, to provide support to offset WPCC related staff and program expense.

Implementation:

1) The WPCC Board of Directors and OEDD staff will jointly refine and approve the concept.
2) OEDD will contract with WPCC (and its private successor) to manage the project, and will disburse program funds to WPCC (and its private successor).
3) WPCC will generate detailed application and selection guidelines for the fund, and select initial advisory board members.
4) WPCC will conduct a training session for advisory board members.
5) WPCC will produce promotional materials for the program. The program will be promoted to the industry through the following channels:

    * WPCC newsletter, 1,200 firms distribution

* WPCC regional chapters, 150 firms participating
* WPCC market development program, 200 firms participating
* WPCC Buyers/Sellers Guide database, 420 firms participating
* OEDD Key Industries Program
* Additional avenues as necessary

6) WPCC will continue to identify sources of matching support for expansion of the fund.

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Common Questions and Answers About the Secondary Wood Products Industry

1. *WHAT IS THE SECONDARY WOOD PRODUCTS INDUSTRY?*

The secondary wood products industry is composed of small- and medium-sized businesses that manufacture intermediate components or finished wood products—millwork, cabinetry, furniture, and specialty products. In Oregon, there are roughly 800 secondary wood products companies.

2. *HOW MANY PEOPLE ARE EMPLOYED IN THE SECONDARY INDUSTRY? HOW DOES IT COMPARE WITH THE PRIMARY INDUSTRY?*

Oregon's secondary wood products industry employs nearly 20,000 people—about 29% of the state's entire forest products industry. The secondary industry sets itself apart from the rest of the forest products industry because it offers job growth. Over the last four years, virtually every sector of the Northwest forest products industry experienced job losses, but the secondary manufacturing industry showed absolute job growth in millwork and other sectors.

In addition, the secondary segment of the industry employs more people per board foot of raw material than the primary industry because it is considerably more labor intensive than its primary counterpart.

- Primary fiber processing operations (sawmills) employ roughly 3 people per million board feet of lumber processed each year.
- Secondary wood products manufacturers employ 12-18 people (for moulding and millwork products) and up to 80 people (furniture manufacturing) annually to process the same quantity of raw material.

A transition to more secondary manufacturing, therefore, would significantly increase employment in the region.

WPCC is Funded by the Oregon Lottery

3. *WHERE ARE THE JOBS IN THE SECONDARY INDUSTRY? CAN THEY REPLACE JOBS IN THE PRIMARY INDUSTRY THAT HAVE DISAPPEARED? ARE THE SKILLS FROM THE PRIMARY INDUSTRY TRANSFERABLE?*

Secondary manufacturing jobs are spread across every region in the state of Oregon, including many in eastern, southern, and other rural areas where workers in the primary industry have been dislocated. Many jobs are transferable because the stages of the secondary manufacturing process require skills similar to those used in primary sawmills.

Moreover, the secondary industry is investing in the Pacific Northwest, leading to a stronger economy and new, higher-skilled, higher-wage jobs. When firms manufacture value-added products, they often move up-market to high-margin niche products that generate greater profits. These more profitable companies are then able to reinvest their profits in plant improvements and sophisticated equipment to retain their edge in international markets. As firms invest in more sophisticated equipment, they will require additional higher-skill, higher-wage employees.

4. *WHAT ARE THE MAJOR PROBLEMS THAT SECONDARY WOOD PRODUCTS BUSINESSES FACE TODAY?*

The major problems these businesses face are common to many small and medium-sized businesses, particularly those which are commodity-based. In order to succeed, the secondary wood products needs:

- a steady supply of raw material
- access to capital for new technology and raw material
- assistance with market development both in the U.S. and abroad
- available technical assistance and training.

5. *WHAT KINDS OF SOLUTIONS/PROGRAMS WOULD STIMULATE THIS INDUSTRY AND CREATE JOBS?*

WPCC has developed a papers that detail a number of programs to tackle each of the above problems. These include the following:

To provide a steady supply of raw material, WPCC recommends removing subsidies that encourage primary manufacturers to export raw logs, and providing incentives that would reward them for selling their materials to the domestic market. **To provide capital**, WPCC recommends a federal loan collateralization program that would enable private financial institutions to lend manufacturers the working capital they need. **To facilitate market development**, WPCC recommends establishing a green marketing/certification program (patterned after the successful German program) that will encourage product development efforts that emphasize sustainable use of the resource base. **To provide technical assistance and to improve the competitiveness of the industry**, WPCC recommends locating a Manufacturing Technology Center in the region.

6. *WHY SHOULD THE GOVERNMENT SUPPORT THESE PRIVATE BUSINESSES? ISN'T IT IMPORTANT THAT THEY MAKE IT ON THEIR OWN?*

The programs recommended by WPCC are designed to enhance the competitiveness of secondary wood products businesses, not to provide companies with direct federal resources. None requires direct assistance from the federal government to private businesses. Instead, they establish new public-private partnerships designed to improve market opportunities, enhance access to capital, improve training, and promote collaboration among businesses.

Industries of other nations are using all the resources at their disposal to enter and dominate international markets. In order to be internationally competitive, U.S. secondary manufacturers will need to build on our country's infrastructure and create partnerships with a variety of players including government, the financial community, technology providers, educational institutions, utilities, service providers, and others.