



AGENDA AND INITIATIVE GUIDE

**LEADERSHIP SUMMIT 2004
DECEMBER 6, 2004**



WELCOME TO LEADERSHIP SUMMIT 2004!

Fellow Oregonians:

Welcome to the third annual Leadership Summit of the Oregon Business Plan. Since it was launched in 2002, the Business Plan has provided the strategic framework for Oregon's business and elected leaders, working together, to build a stronger, more competitive state economy.

The Oregon Business Plan envisions the growth and success of leading-edge, traded sector industries – clusters of allied businesses that ring up sales outside Oregon and create well paying jobs that buoy local communities.

While the destiny of these industries is in their own hands, it is critical that Oregon's leaders pursue initiatives to create the environment that helps our traded sector clusters succeed. The policies we recommend and support can improve the culture of innovation, the work skills of our people, the quality of life that makes Oregon attractive to talented people, and the infrastructure that businesses need to be productive and competitive.

We not only *can*, we *have*. Among the 12 initiatives introduced at the first summit two years ago, many have already been achieved, including key investments in innovative micro and nanotechnology research, needed road and bridge improvement, a federal forest health bill, expansion of development-ready industrial lands, and a coordinated state branding campaign.

At this summit we gather again to celebrate these successes, to fine tune existing initiatives, and to consider new ones, such as finding remedies for rising healthcare costs.

Thank you for taking the time to join these important discussions. Your efforts on behalf of this agenda benefit Oregonians in every corner of our state.

Sincerely,



Ron Wyden
Chair
OBP Leadership Committee



Bill Thorndike
Chair
OBP Steering Committee

AGENDA

- 8:45 a.m. **Registration Opens**
- 10:00 a.m. **Welcoming Remarks**
Ron Wyden – United States Senator
Gordon Smith – United States Senator
William D. Thorndike – President & CEO, Medford Fabrication
- 10:20 a.m. **Competing to Win in a Global Economy**
Moderator: *Ron Wyden – United States Senator*
Allyn Ford – President, Roseburg Forest Products
Steven R. Grant – Vice President, Technology & Manufacturing Group, Intel Corporation
- 10:55 a.m. **The Oregon Business Plan Vision: Are We Making Progress?**
Joe Cortright – Impresa, Inc.
Fredrick Furlong – Executive Director, Center for the Study of Innovation & Productivity, Fed. Reserve Bank of San Francisco
- 11:25 a.m. **Oregon Business Plan Initiative Proposals for 2005**
William D. Thorndike – President & CEO, Medford Fabrication
Public Finance & Budgeting: *Ronald C. Parker – Vice Chairman, Hampton Affiliates*
Transportation: *Michael R. Nelson – Nelson Real Estate*
Regulatory Streamlining: *Judy Pepler – President, Qwest-Oregon*
Land Availability: *Steven J. Clark – President, Community Newspapers & Portland Tribune*
Brand Oregon: *Randolph L. Miller – Chairman, The Moore Company*
Brand Oregon: *Debby Kennedy – Executive Director, Brand Oregon*
- 12:10 p.m. **Break**
- 12:40 p.m. **Luncheon Keynote**
Governor's Introduction: *Randall C. Papé – President & CEO, The Papé Group, Inc.*
Theodore R. Kulongoski – Governor of Oregon
- 1:10 p.m. **Oregon Business Plan Leadership Committee Remarks**
Karen Minnis – Speaker, Oregon State House
Ron Wyden – United States Senator
Gordon Smith – United States Senator
- 1:45 p.m. **Economic Development – Innovation In New & Existing Industry Clusters**
Allen Alley – President, CEO, & Chairman, Pixelworks, Inc.
Walter Van Valkenburg – Stoel Rives LLP
Rick Jacobson – President & CEO, NORPAC Foods, Inc.
David Chen – General Partner, OVP Venture Partners
- 2:35 p.m. **Break**
- 3:00 p.m. **Oregon Education in the 21st Century**
Gretchen Pierce – President, Hult & Associates LLC
Ron Saxton – Partner, Ater Wynne LLP
Michelle Girts – Vice President, CH2M Hill; Chair, Engineering and Technology Industry Council
Gretchen S. Schuette – President, Chemeketa Community College; Member, Oregon State Board of Higher Education
Doug Stamm – Executive Director, Meyer Memorial Trust
Kenneth Thrasher – CEO, Compli; Chair, Quality Education Commission
- 3:55 p.m. **Containment of Rising Healthcare Costs**
Peggy Fowler – President & CEO, Portland General Electric
Mark B. Ganz – President & CEO, The Regence Group
Barney Speight – Administrator, Office of Medical Assistance Programs, Oregon Department of Human Services
Ron Wyden – United States Senator
Gordon Smith – United States Senator
- 4:50 p.m. **Closing Remarks**
William D. Thorndike – President & CEO, Medford Fabrication
- 5:00 p.m. **Reception**

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Oregon Business Plan Steering Committee

William D. Thorndike, Jr., (*Chair*), Medford Fabrication; **Allen H. Alley**, Pixelworks, Inc.; **Eric Blackledge**, Blackledge Furniture; **Marty Brantley** (*ex officio*), Oregon Economic and Community Development Department; **Sam Brooks**, S. Brooks & Associates; **Gary Cardwell**, Northwest Container Services; **Gun Denhart**, Hanna Andersson Corporation; **Mark Dodson**, NW Natural; **Raymond G. Guenther**, Intel Corporation; **John Harker**, InFocus Systems; **Paul J. Kelly**, Nike; **Randolph L. Miller**, The Moore Company; **Michael R. Nelson**, Nelson Real Estate; **Randall C. Papé**, The Papé Group; **Ronald C. Parker**, Hampton Affiliates; **Steven D. Pratt**, ESCO Corporation; **Richard G. Reiten**, NW Natural; **Walden C. Rhines**, Mentor Graphics Corporation; **Nancy Tait**, Bear Creek Corporation; **John E. Von Schlegell**, Endeavour Capital; **Walter Van Valkenburg**, Stoel Rives LLP; **Brett Wilcox**, Northwest Aluminum, **Matthew Wright**, PacifiCorp

Oregon Business Plan Leadership Committee

Ron Wyden, U.S. Senator; **Gordon Smith**, U.S. Senator; **Ted Kulongoski**, Governor; **Peter Courtney**, Senate President; **Karen Minnis**, Speaker of the House.

THE OREGON BUSINESS PLAN IN BRIEF

The Oregon Business Plan serves three purposes. It provides a vision and a strategy for Oregon to achieve a thriving, globally competitive economy. It identifies specific initiatives that we need to work on right away to support the vision and strategy. And it provides a forum for continuing policy dialogue among business and public leaders.

Vision and Strategy

The Oregon Business Plan vision and strategy flow from the policy goals adopted by the Oregon Progress Board in *Oregon Shines II*, quality jobs for all Oregonians statewide. As summarized in the adjacent box, the Oregon Business Plan believes that Oregon can be prosperous if it follows a strategy of giving its traded sector companies the civic conditions – well educated people, good infrastructure, and an appealing quality of life – that help them compete in the global economy. When they succeed, the Oregon economy succeeds. These conditions are captured in a framework called the Four Ps:

Vision and Strategy

Quality jobs and statewide prosperity spring from growth of companies that sell goods and services outside Oregon. When these traded-sector enterprises grow, they increase payrolls spent in the local economy and boost the business of local suppliers.

Traded-sector companies tend to flourish in clusters. These are geographic concentrations of supply chain partners and competitors, whether in semiconductors or nursery products.

Oregon's traded-sector companies compete worldwide. Intellectual capital and innovation are their most important competitive advantage.

Oregon companies are responding to this challenge. They are staying ahead and moving up market with cutting-edge R&D, design, production, and marketing.

To keep this edge, they need favorable business conditions. This means favorable public infrastructure and policies to attract talent, control costs, and reach markets.

Four Ps describe these conditions. Businesses are more likely to succeed where they have an advantage in Pioneering Innovation, People, Place, and Productivity.

- **Pioneering Innovation** – a culture of research, innovation, entrepreneurship
- **People** – well-educated, capable people and education systems to sustain their skills
- **Place** – quality of life, good public services, attractive communities and environment
- **Productivity** – good physical infrastructure and resources, reasonable business costs.

The Oregon Business Plan believes that every one of these elements, in combination with sound public finance – a fifth P – is necessary to create the conditions for traded sector industry success.

Initiatives

The Oregon Business Plan's main agenda – and principal work – is to consider and advocate specific initiatives – policies and actions – that help achieve the conditions necessary for traded sector businesses to succeed. These range from fixing major budget problems to expanding inventories of shovel-ready industrial land.

The progress of these initiatives is regularly updated through the Initiative Tracker at www.OregonBusinessPlan.org. Without being exhaustive, here are some of the key accomplishments over the past two years.

PERS. the Governor and the Legislature tackled runaway costs in the Oregon Public Employees Retirement System (PERS), saving Oregon taxpayers approximately \$9 billion and reducing the cost of public services this biennium and beyond.

New Budgeting Model. With PERS reform complete (assuming the court does not overturn it), both the Governor and the Legislature have turned to two tasks critical to our long-term health: a new budgeting process to set priorities based on critical goals and demonstrated performance, and expanding a rainy day fund to provide greater stability in public services in the future.

Economic Development Focus. The Governor with the support of the Legislature reorganized the Oregon Economic and Community Development Department, and gave it improved tools to aggressively recruit and retain businesses, and to help them expand. Recent announcements of expansion and recruitment across the state show that these efforts are paying off.

Cluster Strategy. During 2003, promising work was launched throughout the state to organize industry clusters of related businesses. The Oregon Economic and Community Development Department has made strengthening clusters a top priority, and many trade associations are now focusing on this work.

Transportation. We have seen significant headway in transportation. The Legislature adopted a transportation package, which provided immediate stimulus to the economy while providing critical infrastructure for the movement of people and freight. Meanwhile, air passenger service was launched to Europe, Mexico and Asia, improving our position for global trade and immediately adding new jobs.

Forest Health. Oregon's Congressional leaders pushed for and achieved a federal forest health bill.

Postsecondary Education Reform. The Governor's appointment of a new Board of Higher Education sends a strong signal that he will be focusing on the goals of increased access and stronger ties to economic development.

Successful Initiative Action Items	
Fix PERS	√
Refocus economic development	√
Strengthen engineering/science education	√
Upgrade Oregon roads and bridges	√
Achieve federal forest health bill	√
Rethink postsecondary education	√
Improve international air access	√
Expand shovel-ready industrial land	√
Launch Brand Oregon	√

Initiative Work List for 2005
Public Finance
<ul style="list-style-type: none"> • <i>Stabilize public services financing and budgeting</i>
Pioneering Innovation
<ul style="list-style-type: none"> • <i>Support traded-sector industry cluster development</i> • <i>Increase Oregon's capacity to commercialize research</i> • <i>Increase management capacity and access to capital</i>
People
<ul style="list-style-type: none"> • <i>Improve PreK-20 education budgeting, service delivery, and outcomes</i>
Place
<ul style="list-style-type: none"> • <i>Enhance forest resources benefits to the economy and environment</i>
Productivity
<ul style="list-style-type: none"> • <i>Enhance Oregon's transportation infrastructure</i> • <i>Make land available for traded-sector industry development</i> • <i>Simplify and streamline regulation and permitting</i> • <i>Address spiraling healthcare costs</i>
Branding
<ul style="list-style-type: none"> • <i>Brand and market Oregon more aggressively</i>

Initiative Focus for 2005

Most of the initiatives recommended by the Steering Committee for 2005 extend and expand initiatives presented in the two previous leadership summits. There are a few notable changes, however. Work on traded-sector cluster development has been merged into innovation. K-12

and postsecondary education are now combined as a single policy priority. And healthcare is introduced here as a new initiative.

The Business Plan Partnership

The Oregon Business Plan has become well established as a forum and a partnership for business and public leaders to consider and act on issues important to the Oregon economy.

The importance of this achievement cannot be overstated. The Business Plan strategy and many of the initiatives that grow from it are long-term challenges requiring a durable process and strong relationships among business and elected leaders.

Oregon is served well by the individuals involved in this process. The Oregon Business Plan Steering Committee continues to include a wide variety of business leaders representing many key business associations and state boards and commissions. Initiative leaders have taken keen interest in their topics and are moving agendas forward. The Leadership Committee, consisting of Senators Wyden and Smith, Governor Kulongoski, Senate President Courtney, and House Speaker Minnis, have all been highly supportive of this effort and have worked with business plan leaders on critical priorities. The Oregon Progress Board has partnered with the Oregon Business Plan in producing the *Competitive Index*, a set of measures which indicate how well Oregon is doing in sustaining the Four P framework that enables traded sector industries to thrive and compete.

Endorsements	
	American Electronics Association, Oregon Council
	Associated Oregon Industries
	Oregon Association of Minority Entrepreneurs
	Oregon Business Association
	Oregon Business Council
	Portland Business Alliance
	Oregon Science & Technology Partnership
	Software Association of Oregon
	Ambassador Program of the Portland Development Commission
	Oregon Independent Colleges Association
	Albany Area Chamber of Commerce
	Canby Area Chamber of Commerce
	Forest Grove Chamber of Commerce
	Grants Pass/Josephine County Chamber of Commerce
	Gresham Area Chamber of Commerce
	Hillsboro Chamber of Commerce
	Lake Oswego Chamber of Commerce
	(The Chamber of) Medford/Jackson County
	Newberg Area Chamber of Commerce
	North Clackamas County Chamber of Commerce
	Roseburg Area Chamber of Commerce
	Woodburn Area Chamber of Commerce

Support for the Oregon Business Plan process is also gratifying. Twenty-two business associations have endorsed the plan and are working with the Steering Committee towards its implementation. The business community has generously stepped forward with the financial support required to staff the research, writing, events, and follow-through required in an undertaking of this magnitude. Their identities appear on the back cover of this document.

We are also pleased that the Oregon Business Plan framework is starting to be applied within regions of Oregon. Five counties in Southwest Oregon have come together to consider how to apply the business plan framework. A similar effort is emerging in the Portland metropolitan area. Examining local economies and considering how to identify local initiatives strengthens the quality of the Business Plan dialogue across the state.

As Oregon's economy begins to recover, the challenge facing community leaders is to stay focused on our economic performance even during good times. We know that efforts to enhance the success of world-beating, well-paying, traded sector industries must endure throughout economic cycles. This is the commitment of the Oregon Business Plan.

HEADING INTO 2005

With Leadership Summit 2004, the Oregon Business Plan begins its third year against the backdrop of a state economy that is still struggling but improving, and a 2005 legislative session that will face significant public policy challenges, including a budget crunch, unresolved problems in education, and spiraling healthcare costs. In this context, how do Oregon's businesses assess their prospects and needs?

Each year before the Leadership Summit, we've asked that question. Members of the Steering Committee and various initiative leaders have reached out statewide to learn how Oregon's businesses are doing, what problems they face, and what public policies might give them more favorable conditions for success.

This past year that outreach took the form of a bus tour across the state. We visited Medford, Klamath Falls, Bend, Eugene, Newport, The Dalles, Pendleton, La Grande, and John Day. We focused particularly on the stories of business leaders in traded sector firms that drive the economy.



What We Heard From Businesses

In every corner of the state, confident business leaders told us they are succeeding in a highly competitive environment by producing world-class products. We learned that Oregon agriculture is prospering by serving more specialized markets, targeting superior products to consumers who want the higher quality our ranches and farms can provide. We learned that Oregon manufacturing companies are staying abreast of the competition by investing in their workforce and new technologies. We learned that Oregon tourism has expanding opportunities for people nearby and faraway to experience all this special place has to offer.

In short, our businesses are competing on the terms anticipated in the Oregon Business Plan. In our inaugural plan, *Stepping Up*, we suggested that Oregon faces a choice of futures:

One path presents an Oregon defined by thriving businesses that lead their industries in ideas, innovation and design, market reach and staying power. This path heralds a future of well paying jobs that resist migration and sustain local economies and communities.

On the other path, Oregon becomes strictly a regional consumer market and a branch-office outpost for industries whose key ideas, research decisions and innovations and initiatives occur elsewhere. It becomes a commodity producer whose industries pay average or low wages and are always vulnerable to cheaper sources of labor and supply elsewhere.

Oregon businesses are choosing the higher path. Most would agree with Oregon rancher Doc Hatfield who said at last year's Leadership Summit: "De-commodify or die."

While Oregon business leaders are optimistic, they are by no means complacent. Global competition is challenging Oregon's traded sector firms as never before. This is especially true of manufacturing, which dominates Oregon's traded sector industries. Commodity production jobs are going off shore. Oregon companies that shift their emphasis to research, development, design, and other high-end, cutting-edge functions, are in the best position to prosper.

That makes workforce quality critical, a point that businesses make repeatedly as they stress the need for well educated workers and good education systems. Employers also say that many new businesses are challenged by insufficient venture capital and other sources of funding.

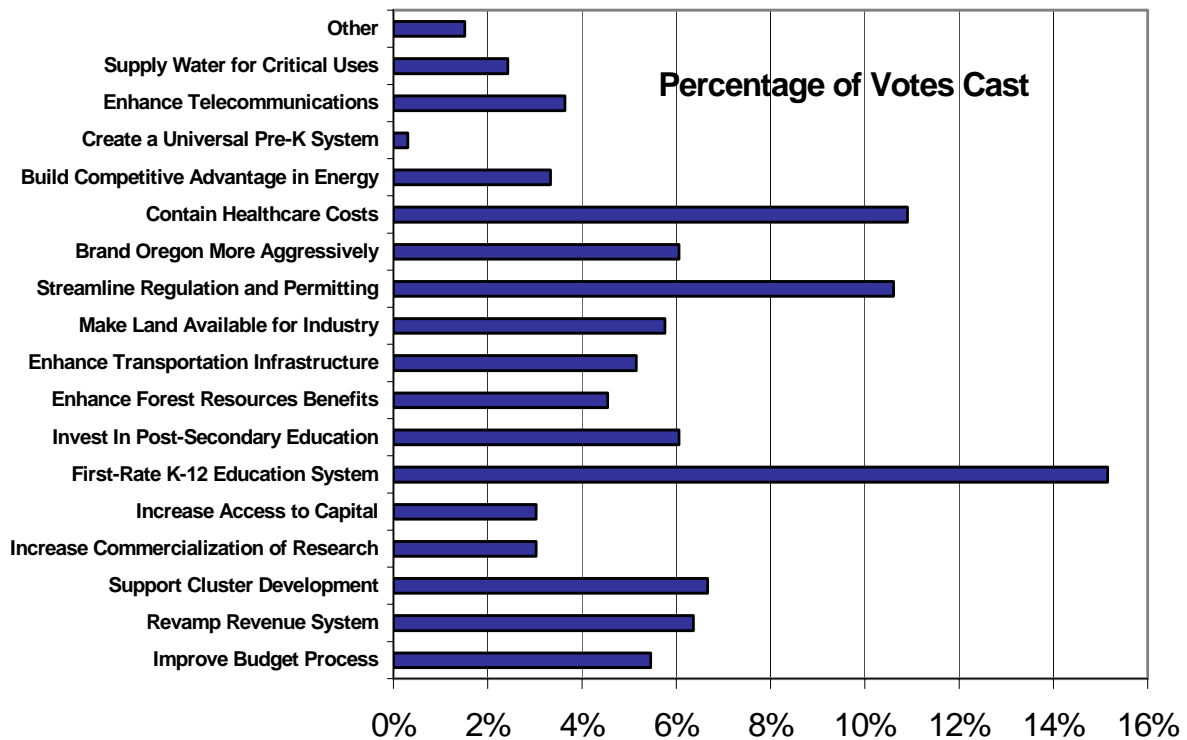
They tell us about the importance of technology, transportation and telecommunications. They are calling for help with spiraling healthcare costs. And they're struggling with local issues – water policy in Pendleton and Klamath Falls, telecommunications in La Grande, fisheries in Newport, and forest policy in Eugene and John Day.

All who talked to us shared their passion for Oregon and their desire to see it prosper. To achieve that end, again and again, we heard support for the vision, strategy and initiatives in the Oregon Business Plan. Leaders statewide want us to continue this work.

The chart below shows how business leaders statewide ranked the issues important to them. K-12 education remains the top concern of those surveyed, but healthcare costs now have second priority, edging out longstanding concerns about regulation. A full summary of these responses is provided at www.OregonBusinessPlan.org.

Economic Sea Change	
Key Challenges Facing Oregon's Economy	Successful Firms Are Responding By:
<ul style="list-style-type: none"> • Every business confronts change • Every industry is restructuring • Competition is now global • Commodity production is going to cheapest locations • Technology is pervasive in every business 	<ul style="list-style-type: none"> • Developing new products • Going up market • Moving routine work off shore • Recruiting the best talent • Pursuing best practices and productivity

How Businesses on the Bus Tour Route Ranked Initiatives



INITIATIVE PROPOSALS FOR 2005

This section summarizes our recommendations for Oregon Business Plan Initiatives for 2005 and beyond.

Most of the initiatives here extend and expand initiatives presented in the two previous leadership summits. Background on the initiatives is provided in the original white papers from the 2002 summit and, in some cases, in additional follow-up reports. Those reports are referenced with the proposed initiatives here, and they can be found at www.OregonBusinessPlan.org. In addition, the Initiative Tracker at the website follows progress on the specific action items for each initiative.

There are three notable differences this year. First, we combine the work on traded-sector cluster development with initiatives relating to Innovation. Tying cluster development closely to university research, professional training, and venture capital provides a cohesive model for growing our economy.

Second, K-12 and postsecondary education are now combined as a single policy priority. The Steering Committee believes that public investment in education must be made from a comprehensive budget menu that addresses education as a single continuum from Pre-K through graduate study.

Third, healthcare is introduced here as a new initiative. A white paper has been developed separately for this initiative and is available at the business plan website.

Based on the feedback that we receive during and following the summit, the Business Plan Steering Committee will make modifications and adopt them as the agenda for 2005. The initiatives will be fleshed out, and progress will be tracked, as always, on the Initiative Tracker at www.OregonBusinessPlan.org.

IMPROVE PUBLIC FINANCE AND SERVICES

Objective

Revamp our system of public finance and budgeting to provide stable funding for critical public services and create strong incentives for effective, efficient public sector performance. *Quality public services are critical for a strong economy.*

Key Accomplishments

- **PERS Reform.** The Legislature adopted PERS reforms in 2003, saving taxpayers \$10 billion and averting severe service disruptions in education and state and local government services. Cities, counties, and business groups have joined with the state to defend this Legislation before the Oregon Supreme Court.
- **Budgeting.** The Governor has established a new budget process for the 2005-07 biennium to strengthen accountability and to enable more rational prioritization among expenditures.
- **Reserve Fund.** During 2004, the Oregon Legislature reviewed alternative policies to increase Oregon's reserve fund and create an expenditure limit, but took no action.

The Agenda for 2005

- **The State Budget.** The Governor and Legislature should commit to revamp the state budget process with the aim of making budgeting a critical tool for setting direction, determining priorities, and holding public programs accountable for results. The "Priorities in Government" process used in Washington provides a good model. A description of the process is presented in a report by the Governor's Advisory Committee on Performance and Accountability.
- **Revenue Stability.** The Legislature should identify a source of additional funding for Oregon's reserve fund. Currently the education reserve fund is supported by 18 percent of lottery revenues. The recent recession suggests that a larger reserve is required and that the fund needs to be built up more rapidly. There are many proposals to achieve this end. The Legislature should choose one.
- **Public Sector Performance Excellence Award.** The business community should create a recognition program for state and local agencies and schools that provides a framework and process for organizations to engage in continuous improvement and apply performance measurements and quality practices to improve their overall effectiveness. The award would be modeled around the Baldrige Criteria for Performance Excellence.

Business Initiative Leaders

Ronald C. Parker, Hampton Affiliates
Ray Guenther, Intel Corporation
Brett Wilcox, Northwest Aluminum

Public Sector Partners

Theresa McHugh, Governor's Chief of Staff

Background Resources

- "Providing Stable and Adequate Funding For Public Services" (PDF) – Oregon Business Plan White Paper (January 2003)
- Summit 2003 Discussion Paper: Public Finance (PDF) – December 2003
- "Making Government Work For Oregonians" (PDF) – January 2004 Report by Advisory Committee on Government Performance and Accountability
- "Oregon Budget Principals" – See Governor's Web Site, www.governor.oregon.gov/Gov/budget/future.shtml

EXPAND OREGON'S CAPACITY FOR ECONOMIC INNOVATION

Objective

Increase the competitiveness of Oregon traded-sector and knowledge industry clusters by enhancing our capacity for innovation, technology development, and product creation. This combines two previous initiatives, *Refocus Economic Development* and *Expand Our Capacity for Innovation*.

Key Accomplishments

- **OECD D Refocus.** In 2003 the Governor, Legislature, and new department director formally realigned the mission, organization, and budget of the Economic and Community Development Department (OECD D) to strengthen business retention, expansion, and recruitment. OECD D was allocated a \$10 million "strategic reserve" fund to work with industry.

HB 2011, adopted by the Legislature in August, codified the refocused mission. HB 2011 also directed OECD D to develop an economic development strategy for the state, and established the Governor's Council on Oregon's Economy to recommend methods for creating certainty in the development process.

- **Signature Research.** The Oregon Nanoscience & Microtechnologies Institute (ONAMI) was established as the state's first signature research center. In 2003 the Oregon Legislature provided \$20 million in capital and \$1 million in operations. In its first year of operation, ONAMI leveraged more than \$25 million in new federal and private research from less than \$1 million of state funds. In July 2004, the Micro-Nano Breakthrough Conference was held with more than double the anticipated attendance.

- **Cluster Effort.** OECD D formed a Cluster Working Group of key leaders around the state and inventoried more than 100 ongoing and completed cluster efforts. The working group has designed a new framework for clusters that will network private and public sector practitioners, build the capacity to work with clusters, and strengthen the analysis and strategy development for clusters.

The cluster concept is being employed widely throughout the state. Promising efforts to develop industry clusters include the Northwest Food Processing Association's cluster strategy, tying workforce development efforts to industry clusters around the state, initiatives to strengthen technology in the metals industry, a region wide effort to bolster recreational equipment makers in Central Oregon, and the Portland Business Alliance's effort to automate healthcare records. The Portland State School of Business Administration has begun piloting training about industry clusters as part of its Master's of Business Administration program.

- **Research Commercialization.** The Oregon Council for Knowledge and Economic Development looked at Oregon's universities and identified seven core applied research capabilities that form a strong base for product development and commercialization. OCKED has begun to develop a roadmap of specific actions that Oregon can take to establish signature research centers that connect commercialized research to Oregon's traded sector industries.
- **Venture Capital.** The 2003 Legislature created the Oregon Investment Fund, which enhances Oregon's in-state venture capital resources by \$100 million.

The Agenda for 2005

- **Enhance Economic Innovation**
 - Establish the Oregon Innovation Council to coordinate the multiple knowledge economy and innovation efforts that would leverage public and private resources into a single

statewide plan. The council would focus on commercializing research, increasing early stage capital, developing entrepreneurial capacity, enhancing Oregon's international markets, and fostering strong science and technology workforce and industry clusters.

- Develop an Oregon Innovation Index to benchmark Oregon progress towards an innovation economy.
- Develop an Innovation Directory to provide Oregon businesses with information about resources to commercialize research, start new technology-based businesses, and access entrepreneurial assistance.
- **Foster Industry Clusters**
 - Inventory cluster efforts in Oregon. Develop and maintain a website on clusters.
 - Designate a Cluster Advocate who will serve as a broker of cluster activities in Oregon. Convene regular quarterly meetings to promote networking and communication among groups involved in cluster development.
 - Establish a program to promote cluster development and best practices. Establish and use techniques to measure and analyze cluster health and performance over time.
- **Establish Signature Research Centers & Commercialize Research**
 - Continue to make ONAMI successful: Obtain \$10 million in state and private funding needed to support basic operations and attract a minimum of \$60-80 million in federal research projects. State investment would be matched by federal and private funds for a projected return on investment of at least 15:1.
 - Identify new industry and market opportunities for research: Complete technology-based economic roadmaps for at least two industry clusters that identify targeted opportunities for commercializing the state's research into new products and businesses.
- **Venture Capital and Entrepreneurial Development**
 - Establish a "proof of concept" fund that moves research ideas with potential commercial application to business concepts ready for seed and venture funding.
 - Increase the number of Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards to Oregon businesses.
 - Establish a top-tier executive entrepreneur training program to enhance the state's management talent for starting and rapidly growing Oregon businesses.

Business Initiative Leaders	Public Sector Partners
Allen Alley, Pixelworks Walter Van Valkenburg, Stoel Rives LLP Kirby Dyess, Austin Capital Management Scott Gibson, Gibson Enterprises James B. Johnson, Tripwire	Randall Edwards, State Treasurer MardiLyn Saathoff, Governor's Office Patricia Scruggs, Oregon Economic & Community Development

Background Resources

- Renewing Oregon's Economy: Growing Jobs and Industries Through Innovation – Oregon Council For Knowledge & Economic Development (December 2002) www.ous.edu/cpa/OCKED
- Core Research Competencies in Oregon – Oregon Council For Knowledge & Economic Development (February 2004) www.econ.state.or.us/OCKED.pdf
- "Expanding Our Capacity for Innovation" (PDF) -- Oregon Business Plan White Paper (January 2003)
- "Refocus Economic Development on Industry Clusters" (PDF) -- Oregon Business Plan Summit 2003 Discussion Paper (December 2003)
- www.oregonclusters.org. A new tool for learning and networking Oregon clusters.

ACHIEVE A HIGHER RETURN ON OREGON'S INVESTMENT IN PREK-20 EDUCATION

Objective

Increase Oregonians' preparation for, access to, and completion of the highest levels of education possible. The purpose of this objective is to prepare Oregonians for citizenship and a variety of well paying jobs, ranging from skilled trades to the professions, necessary in a knowledge economy. *This initiative combines the earlier initiatives on K-12, engineering and higher education.*

Key Accomplishments

- **K-12 Assessment.** The Legislature recommitted to a statewide assessment for K-12, a computer-based effort that was highly successful and is well on its way to being fully implemented.
- **Data System.** K-12, community colleges, and public universities have developed design specifications for a comprehensive electronic data system for student records and school financial and performance information.
- **Small High Schools.** More than a dozen large high schools have committed to convert into small learning communities to improve student performance and close the achievement gap.
- **Higher Graduation Bar.** Many school districts have raised high school graduation requirements and offer higher level instruction consistent with Oregon's higher proficiency standards.
- **Workforce Training.** The Employer Workforce Training Account has expanded links with employers to advance workforce preparation, especially to meet the needs of the traded sectors and to fill statewide occupational skill gaps.
- **OUS Campus Flexibility.** SB437 gave Oregon's public universities greater flexibility to serve critical needs and manage their affairs. The higher education board reshaped the Chancellor's Office and delegated even greater authority to the campus level.
- **Governor's Initiatives.** Governor identified postsecondary education as one of his high top priorities and reconstituted the State Board of Higher Education, resulting in three working groups focused on solutions to access and affordability, service delivery and productivity, and ties to economic development.
- **2X Engineering Output.** Through public-private investment, Oregon is well on its way to doubling its output of engineering graduates and creating a top-tier engineering school.
- **Complementary Projects.** Employers for Education Excellence (E3) and the Chalkboard Project have launched large, complementary efforts to connect with the public on education issues.

The Agenda for 2005

- **Single, Transparent Budget.** Create a transparent state education budget process that invests state and local dollars in a single PreK-20 education continuum. It should target these critical priorities:
 - **Student Outcomes.** Improve student proficiency outcomes at all levels, particularly student preparation for postsecondary education through better performance by high schools.
 - **Postsecondary Affordability.** Improve student access to postsecondary education by making it more affordable through increased need-based aid that follows students wherever they choose to enroll.

- **Service and Capacity.** Improve education delivery systems and instructional capacity.
- **System Efficiencies.** Improve return on investment through system efficiencies (e.g., student transportation) and intensive management of high-growth expenditures (e.g., special education).
- **Ties to the Economy.** Insure continued and improved strategic investments in programs and outcomes beneficial to Oregon’s economy (e.g., engineering education).
- **Connection with the Public.** Do a better job of informing the public about Oregon’s education needs and engaging citizens in a dialogue about public investment in education.

Business Initiative Leaders	Public Sector Partners
<p>Gretchen Pierce, Hult & Associates Ron Saxton, Ater Wynne Michelle Girts, CH2M Hill Ken Thrasher, Complí</p>	<p>Susan Castillo, Superintendent of Public Instruction George Pernsteiner, Chancellor, Oregon University System Cam Preus-Braly, Commissioner, Department of Community Colleges & Workforce Jim Sager, Governor’s Education, Workforce and Public Finance Advisor</p>

Background Resources

- Investing Differently in Post-Secondary Education, White Paper for the 2003 Summit.
- Many links to education-related resources can be found at www.OregonBusinessPlan.org.

ENHANCE OREGON'S FOREST RESOURCE BENEFITS

Objective

Build economic strategies based on Oregon's strong environmental performance, resulting in market advantages for Oregon wood products, landowner rewards for environmental contributions, encouragement of new forestry investments, reduced risk of catastrophic wildfire, and public-private collaboration on conservation solutions.

Key Accomplishments

- **Forest Health Bill.** Among other things, the bill authorizes resources for fuel reduction and thinning projects on federal forestlands at high fire risk. It limits appeals and judicial injunctions and requires judges to balance short term harm with long-term benefits. The bill is expected to create jobs in rural Oregon while protecting communities from catastrophic fires. Oregon's Congressional delegation was instrumental in the bill's passage. The delegation also obtained authorization and financing for a Forest Health Research Center in Prineville.
- **The Oregon Plan for Salmon and Watershed Health.** The State of Oregon is near completion of a collaborative project to assess the effectiveness of the Oregon Plan for Salmon and Watersheds efforts to conserve and rebuild coastal Coho populations. This process is designed to provide legal assurances for local participants that their actions are in compliance with federal environmental laws. The coastal Coho assessment and Oregon Plan evaluation will be submitted to NOAA Fisheries in early 2005.
- **Forest Practices Watershed Research.** The Hinkle Creek Paired Watershed Study now in place for three years is the initial installation of the Watersheds Research Cooperative, established to implement a new series of long-term paired watershed studies throughout Oregon to evaluate the environmental effects on water and fish of contemporary forest management practices. Oregon's Congressional Delegation was instrumental in recently obtaining \$500,000 to fund this project.
- **New Forest Strategy.** Governor Kulongoski directed the Board of Forestry to be the lead agency, in collaboration with OECD, for developing a strategy for the sustainability of Oregon's forest sector, including its future role in Oregon's economy. The Governor charged the Board to develop an action plan to enhance the forest sector's sustainable economic, social and environmental contributions, including a "unified vision" of how federal lands should contribute to the sustainability of our forests.

The Agenda for 2005

- **Forest Sector Economic Strategy.** Develop and promote a state-wide forest sector economic strategy in cooperation with the Oregon Board of Forestry and the Oregon Economic and Community Development Department to leverage current and future investments in forestland ownership and manufacturing base.
- **Federal Support for The Oregon Plan.** Under Board of Forestry leadership, seek federal endorsement and investment in the Oregon Plan for Salmon and Watersheds for fish habitat and stream enhancement.
- **Federal Forest Management.** Under Board of Forestry leadership, develop and implement an aggressive action plan for active federal forest management to address forest health and fire risks on federal land.
- **Forest Sector Cluster Expansion.** Aggressively expand and integrate the forest cluster with the development of biomass energy that includes combined heat and energy (in manufacturing processes) and hogged-fuel electric power from small-diameter trees.

- **Innovation.** Invest aggressively in Oregon’s forest sector by developing the Wood Innovation Center at Oregon State University.
- **Evidence-Based Regulation.** Provide funding for the Hinkle Creek Paired Watershed Research Cooperative in Douglas County so that future forest stream regulations are based on scientific evidence.

Business Initiative Leaders	Public Sector Partners
Allyn Ford, Roseburg Forest Products Larry Giustina, Giustina Land & Timber Howard Sohn, Lone Rock Timber	Marvin Brown, State Forester Mike Carrier, Governor’s Natural Resources Advisor Leslie Lehmann, Oregon Forest Resources Institute Hal Salwasser, Dean, OSU College of Forestry

Background Resources

- Oregon Business Plan White Paper: *Achieving More Benefit from our Forest Resources* (PDF)

ENHANCE OREGON'S TRANSPORTATION INFRASTRUCTURE

Objective

Improve the market reach and productivity of Oregon businesses through strategic, trade-related transportation infrastructure investments, improvements in Oregon's existing international, regional, and in-state passenger and freight air connections.

Key Accomplishments

- **Highway Funding.** The 2003 Legislative passed a \$2.5 billion package for city, county and state roads and bridges. The package will resuscitate the state's freight system by repairing or replacing bridges on key thoroughfares. It will add strategic capacity to the road system and increase funding for local government road and street maintenance and operation. Further, the package will continue to sustain thousands of jobs in transportation, construction, and retail sectors.
- **Revamping ODOT.** ODOT hired Oregon Bridge Delivery Partners to manage the delivery of \$1.3 billion in state bridges on the interstates and other major freight routes. ODOT will deliver the bridge and highway improvements without addition staff, changing its business model from in-house project delivery to strategic management of Oregon's transportation system.
- **International Air Service.** Portland International Airport secured three new direct, non-stop international flights—to Frankfurt, Germany, via Lufthansa; to Tokyo, Japan, via Northwest Airlines; and to Guadalajara, Mexico, via Mexicana Airlines.
- **Columbia Channel Deepening.** Oregon made its final state contribution to the Columbia River Channel Deepening Project, bringing its part of the investment to \$27 million. Washington has appropriated its share, and Congress has appropriated \$9 million in the FY 2005 budget for the first year of actual dredging and associated estuary restoration.
- **Public-Private Partnerships.** In SB 772 the state adopted legislation in 2003 to establish a new tool—an innovative partnership program within ODOT. Experiments in public-private partnerships to build or enhance transportation systems are being developed worldwide. Administrative rules have been adopted and the department is already analyzing responses to its first "Request for Interest."
- **Mileage Fee Pilot.** The Road User Fee Task Force, created by the 2001 Legislature to examine alternatives to fuel taxes, is embarking on the next stage of its program to demonstrate how mileage-based fees might work in practice. Other states have shown a serious interest in Oregon's leading-edge thinking and activities to move the program from the theoretical to the practical.

The Agenda for 2005

- **"Connect Oregon."** Initiate this strategic investment package for key air, marine, public transportation, and rail assets. With road and bridge repairs progressing, Oregon needs to turn its attention to those points of the system where people or goods move from cars and trucks to airplanes, ships, barges, and transit. These links are vital to moving Oregon businesses, people, and goods. Products move on several modes of transportation on their journey from where they are grown or produced, to their points of destination within the United States and throughout the world. Multimodal investments will save transportation costs for Oregon businesses and Oregon consumers.
- **Columbia River Crossing Project.** Advancing this project will address the bottleneck between Oregon and Washington, which is adding millions of dollars in transportation costs and delay

to the economies of the Pacific Northwest. This bottleneck affects commerce on two national railroads, one international airport, two ports, two great cities, and an international trade corridor. If we do not act now to build a solution, the future effects on our economy – our entire economy, not just Portland and Vancouver – will be debilitating.

- **International Cargo Links.** As they did in successfully pursuing international air service, Oregon leaders must collaborate to enhance Oregon’s international cargo service.
- **Intelligent Transportation.** Promote greater use of technology to help people and goods move more quickly and efficiently. ODOT is a leader in using technology, (known as Intelligent Transportation Systems), to reduce congestion, keep traffic moving, or provide real-time information to drivers so that they can make transportation choices regarding where, when, or how to travel from one place to another. With tools such as TripCheck, ramp meters in the metro area, on-line cameras, Comet Incident Response vehicles, and reader boards, we can keep people and goods moving while extracting the greatest value from the existing system.
- **Federal Funds for Critical Projects.** Work closely with Oregon’s Congressional delegation to increase Oregon’s share of federal formula funding and to fund high priority highway projects identified by the Oregon Transportation Commission. (See priority list on Oregon Business Plan Initiative Tracker)
- **Transportation Planning Rule.** Support appropriate amendments to the Transportation Planning Rule to find a balance that supports Oregon's economy and preserves our quality of life.

Business Initiative Leaders	Public Sector Partners
Michael R. Nelson, Nelson Real Estate Tom Zelenka, Schnitzer Steel Industries	Bruce Warner, Executive Director, ODOT Bill Wyatt, Executive Director, Port of Portland

Background Resources

- "Strengthening Our Investment in Roads and Bridges" (PDF) -- Oregon Business Plan White Paper (January 2003)
- Oregon Department of Transportation (www.Oregon.gov/odot)
 - Oregon Transportation Investment Act (OTIA)
 - Oregon Dept. of Transportation Innovative Partnerships Program
 - Oregon Rail Plan
 - Oregon Transportation Plan Update
 - I-5 Rail Capacity Study
- Columbia River Channel Coalition (www.channeldeepening.com)
- Oregon Department of Aviation (www.aviation.state.or.us)
 - Oregon Aviation Plan
- Port of Portland
 - "Freight Rail and the Oregon Economy"
 - "Marine Terminals Master Plan"
- American Assn. of State Highway Transportation Officials Freight Transportation Network (freight.transportation.org)
 - "Freight Rail Bottom Line Report"
 - "Freight Capacity for the 21st Century"

MAKE LAND AVAILABLE FOR TRADED-SECTOR INDUSTRY DEVELOPMENT

Objectives

Ensure that our land use system provides an adequate short- and long-term supply of land for traded-sector industry, and the critical wholesale, warehousing and transportation infrastructure that supports industry, while protecting other critical values important to Oregon's quality of life.

Key Accomplishments

- **Certified Sites.** In May 2004, the Governor announced the first 11 industrial sites to be certified as "project-ready" for businesses wishing to expand in or move to Oregon. Each site has been certified by a third-party, private sector verifier that it is no more than six months away from development, and exceeds national standards for project-ready status. Twenty additional sites are in the certification process.
- **Online Site Inventory.** The state has also created a website – www.OregonProspector.com -- that allows business officials to search for land in Oregon by city, county, property type, and size, and to determine if that land is certified as project-ready.
- **Industrial Lands Taskforce.** In March 2003, the Governor issued an Executive Order setting up an Industrial Lands Taskforce that released policy recommendations in fall 2003. The Governor's Economic Revitalization Team (GERT) and other entities have implemented a number of the Taskforce recommendations. The Executive Order also directed the GERT to identify and prepare industrial sites "to make ready for immediate development opportunities."
- **Site Development Legislation.** The 2003 Oregon Legislature adopted HB 2011, which directed the GERT and the Oregon Economic and Community Development Department to work with other state agencies to coordinate and streamline state policies, programs and procedures – and to provide coordinated assistance to local governments. In addition, this legislation called upon the state to work with local governments to identify 25 "opportunity sites" by December 15, 2003. That was accomplished.
- **Land Conversion Study.** HB 2011 also directed LCDC and the GERT to study and report on the conversion of industrial land to non-industrial land. The resulting Industrial Conversion Study Committee recently completed its work, including policy recommendations.
- **Goal 9 Review.** The Economic Development Planning Advisory Committee, also mandated by HB 2011, has been created to advise LCDC, and that committee has begun a comprehensive review of Goal 9, Economic Development.

The Agenda for 2005

- **Land Use Review.** Support legislation and funding by the 2005 Oregon Legislature to enable a 30-year review of Oregon's land use system, as proposed by Lane Shetterly, Director, Department of Land Conservation and Development. Participate in this review process.
- **2X Site Increase.** Participate in efforts to identify and certify a twofold increase in the project-ready industrial sites located throughout Oregon.
- **Land Ties to Economic Strategies.** Participate in and help lead the development of local, regional and statewide economic strategies, and work to ensure that the identification, certification and use of industrial land connects to and supports these strategies.
- **Site Criteria Evaluation.** Evaluate existing and proposed certified sites to determine how private sector site selectors view the suitability of Oregon's industrial land inventory in the context of their needs in a competitive 21st century marketplace. This evaluation is intended to provide feedback and marketplace direction to local, regional and state economic strategies

that seek traded sector industrial employers.

- **Citizen Partnership.** Work with Oregon citizens to create and preserve a partnership that provides for both livable communities and greater industrial, traded sector land use.
- **Work Synthesis.** With GERT and other public sector partners synthesize the work of various task forces and committees on industrial land and streamlined permitting.
- **Measure 37 Impact Assessment.** Participate in efforts to identify and measure the impact of Ballot Measure 37 on the state land use program and existing efforts to expand Oregon’s inventory and use of traded sector industrial land.

Business Initiative Leaders

Steven J. Clark, Community Newspapers
Margaret D. Kirkpatrick, Stoel Rives

Public Sector Partners

Marty Brantley, Director, Oregon Economic and Community Development Department
Lane Shetterly, Director, Department of Land Conservation and Development

Background Resources

- Oregon Business Plan White Paper: *Securing Land for Traded-Sector Development* (PDF)
- Report of the Governor's Industrial Lands Task Force – October 2003 (PDF)
- Report of the Industrial Conversion Study committee – November 2004

SIMPLIFY AND STREAMLINE REGULATION AND PERMITTING

Objective

Create and maintain an efficient, simple, and streamlined regulatory and permitting system that makes it easier to start, expand, and operate businesses while still protecting public regulatory goals.

Key Accomplishments

- **Regulatory Process Scrutiny.** As mandated under HB 2011 (2003 Legislative Session), the Governor's Economic Revitalization Team has established an Advisory Committee on Regulatory Permitting to streamline the permitting process and increase economic opportunity in the state. The Committee released a report in November 2004 with recommendations to streamline project permit processes, water-related permits, transportation infrastructure regulation, and the public appeals process. An additional Advisory Committee (on Agency Rule Streamlining), created by HB 3120 (2003 Session) has been looking broadly at streamlining, with an emphasis on administrative rules. This committee is expected to issue a report with recommendations in December.
- **Streamlining Projects.** In July 2004 the new Office of Regulatory Streamlining presented its first annual report to the Governor. The report indicates that state agencies completed nearly 100 streamlining projects in the last year – ranging from online submittal of ODOT payments to elimination of redundant business examinations – all making it easier to conduct business in the state. Over 200 additional streamlining projects are underway or planned through July 2005.
- **Online Database.** The Office has also created an online "one-stop" database for licenses and permits at www.oregon.gov/lic.

The Agenda for 2005

Continue to simplify and streamline regulation at a state level.

- Complete 100 streamlining projects in 2005 through the Office of Regulatory Streamlining.
- Work to achieve the goals and objectives outlined by various outside advisory committees on streamlining. Give consideration to the recommendations of the Advisory Committee on Regulatory Streamlining, and the Advisory Committee on Agency Rule Streamlining.
- Place more regulatory information online and allow for more permit transactions over the Internet.
- Support the Governor's regulatory streamlining legislative package during the 2005 session. [Pat Allen will have a list of the bills for us after the Governor makes an announcement on Nov. 17.]
- Conduct a biennial business survey (through the Office of Regulatory Streamlining) on Oregon's regulatory climate.
- Establish additional measurement tools to track improvements in regulatory processes.
- Business associations should market the regulatory streamlining website to encourage businesses to bring problems to the state's attention.

Simplify and streamline city, county, and state regulations.

- In conjunction with business, the League of Oregon Cities, the Association of Oregon Counties, and the Office of Regulatory Streamlining should convene relevant city, county, and state officials in pilot communities around the state to identify key regulatory issues.
- Groups in pilot communities should develop short-term and long-term action plans to simplify and streamline local regulatory processes. The focus should be on those regulations related to

real estate development, and should involve multiple jurisdictions across a region.

- State legislators should work with pilot cities and submit legislation, if appropriate, as work progresses.

Business Initiative Leaders	Public Sector Partners
Judy Pepler, Qwest	Pat Allen, Office of Regulatory Streamlining Mike McArthur, Executive Director, Association of Oregon Counties Cory Streisinger, Director, Department of Consumer and Business Services Ken Strobeck, Executive Director, League of Oregon Cities

Background Resources

www.streamline.oregon.gov

BRAND AND MARKET OREGON MORE AGGRESSIVELY

Objective

Harness the marketing prowess of Oregon businesses, industries, and state agencies under a unified brand to better position Oregon as a destination for visitors, a desired site for business investment and relocation, a great place to live for current residents and the future workforce, and a producer of high quality goods and services. The overarching goal for Brand Oregon is to focus on creating positive economic returns for the state and its businesses.

Key Accomplishments

- **Oregon Wild Seafood Campaign.** This was launched in April 2004 in cooperation with four seafood commodity commissions, the Oregon Department of Agriculture, Pacific Seafood, Clear Channel Communications, more than 50 grocery stores, and 15 restaurants. Seafood prices and sales rose significantly during the campaign timeframe. Leverage was excellent. For every dollar Brand Oregon spent on the campaign, \$10 in other funds were leveraged.
- **Oregon Bounty Campaign.** This was launched in November 2004, involving Oregon wines, pears, hazelnuts and cheese in cooperation with the Oregon Tourism Commission, Oregon Department of Agriculture, agricultural commodity commissions, Monaco Coach, 30 grocery stores and 25 restaurants. Preliminary results are positive, with wineries reporting increased visitation for weekend tastings. Leverage: 1:13.
- **Recruitment Ad Campaign.** This successfully leveraged funds to launch a February 2005 business recruitment ad campaign in California business publications and national site-selector magazines. Leverage: 1:1.
- **Forestry Information.** Brand Oregon collaborated with the Oregon Forest Resources Institute to create public information materials about sustainable forestry (scheduled for introduction in February 2005).
- **Healthy Food Branding.** Brand Oregon formed a partnership with Providence Heart and Vascular Institute to feature Brand Oregon agricultural products in the 2005 "Heart Healthy Living" guide with a distribution of 180,000 copies.
- **Advisory Board.** The Governor appointed a 16-member Brand Oregon Advisory Board comprised of statewide business and community leaders. A separate state-agency advisory group has also been established.
- **Brand Oregon Branding.** Brand Oregon marketing guidelines and materials, including the Brand Oregon website and the style guide, have been made available to interested partners and state agencies. More than 25 agencies and partners have adopted Brand Oregon graphics and key messages.
- **Tourism Promotion.** The Oregon Tourism Commission's spring and fall 2004 advertising campaigns featured seven "Book of Oregon" ads; the expanded media buy reached more consumers than previous tourism ad campaigns.

The Agenda for 2005

- **California Prospect Recruiting.** Launch a business recruitment ad campaign in February, working with the state Economic and Community Development Department, the Oregon Economic Development Association, and regional economic development partners. The campaign will target California CEOs via business publications, and national site selectors.
- **Budget Resources.** Secure an adequate budget for the 2005-07 biennium to allow Brand Oregon to build upon current successes and develop additional campaigns with other

agricultural commodities and private-sector partners. Leverage Brand Oregon marketing funds with public- and private-sector funds. The 2005-07 goal is a 1:5 leverage.

- **Innovation Tie.** Develop partnerships and campaign materials with the Innovative Economy initiative, working with OECD, OCKED and the private sector.
- **Tourism, Image Marketing.** Continue working closely with the Oregon Tourism Commission to increase consumer awareness of Oregon and to elevate our image.

Business Initiative Leaders	Public Sector Partners
Randolph L. Miller, The Moore Company	Brand Oregon Office Oregon Department of Agriculture Oregon Economic & Community Development Department Oregon Forest Resources Institute Oregon Tourism Commission

Background Resources

www.oregon.gov/BRANDOREGON

IMPROVE HEALTHCARE AND CONTROL ITS COSTS

Objective

Give all Oregonians access to quality healthcare by creating a fair market where everybody is motivated to improve health, ensure quality, and control costs. In such a system, providers of healthcare goods and services will compete—and consumers will make informed choices about treatment options – based on transparent prices and quality.

Key Accomplishments

This is a new initiative. Please see white paper.

The Agenda for 2005

Leadership. The business community must take a leadership role in pushing the healthcare system to provide greater value – improved quality, better access, and sustainable cost trends. As major purchasers of health benefits, business leaders must understand the economic incentives of the current system and drive a fundamental change toward value-based purchasing.

- **Private And Public Employers.** They should join together to take a leadership role in pursuing a value-based purchasing strategy. This will create greater incentives for employees to make choices based on cost and quality, and it will encourage providers to offer better value to consumers. Specifically, employers should:
 - Consider health benefits that encourage cost-conscious choices, while protecting low-income employees from undue financial burdens. Design options include:
 - Plans with higher cost sharing at the point of service to engage consumers and physicians in the decision-making process
 - A “defined contribution” approach for the cost of monthly premiums
 - Health spending accounts.
 - Ensure that employees’ are well-informed consumers and have information on quality and prices from providers.
 - Implement programs to keep employees healthy and productive.
 - Insist that providers deliver value – quality/cost.
- **Insurers.** They should work with employers and providers to strengthen market forces in healthcare. Specifically, insurers should:
 - Offer plan designs that encourage cost-conscious choices when service is provided.
 - Provide comparative information on quality and costs.
 - Support the development of standardized data elements and an infrastructure for healthcare information systems, including consumer-based decision support tools.
 - Work with providers and offer economic incentives to reduce costs and improve health outcomes, i.e., “pay for performance,” not just units of service.
 - Invest in disease management programs for chronic conditions.
 - Simplify administrative processes.
- **Providers.** Doctors, hospitals and other care givers -- should exercise their unique position and special responsibility to ensure quality and improve efficiency. Specifically, providers should:
 - Pursue innovations to reduce costs, streamline patient flow and build quality into care delivery processes.
 - Embrace electronic health information systems and connectivity as a means to improve quality and reduce costs.
 - Use medical care guidelines based on scientific evidence.

- Provide comparative information on price and quality to consumers, employers and insurers.
- **Government.** The public sector should strengthen its role as a facilitator, regulator and purchaser/sponsor for low income and elderly persons. Specifically, government should:
 - Strengthen public health initiatives for lifestyles and use of medical care guidelines based on scientific evidence.
 - Enable the publication of information on healthcare quality and technology assessment.
 - Support the development of standardized data elements and an infrastructure for healthcare information systems.
 - Modify regulations to allow and encourage innovation.
 - Support reform of the Medical/Legal system.
 - Stimulate and support entrepreneurial business growth opportunities in healthcare information technology.
 - Correct inequitable Medicare reimbursement for Oregon.
 - Revise Medicare and Medicaid policies to align with a market-based system.
 - As an employer/sponsor, be a leader and innovator in health plan design.

Oregon business leaders must continue their work in the healthcare arena in order to make progress toward achieving the vision. The initial work has focused on understanding the problems and their root causes, developing long-term strategies and proposing short-term actions. We recognize that the problems with the current system have evolved over many years, and it will take sustained and focused effort to reform the system and achieve the vision. We are committed to collaborating with key stakeholders and providing leadership and support as needed to ensure that we make progress on these critical initiatives.

Business Initiative Leaders	Public Sector Partners
Peggy Fowler, CEO, Portland General Electric	Barney Speight, Administrator, (Oregon) Office of Medical Assistance Programs

Resources

[A New Vision for Health Care](#), a draft White Paper prepared by the Oregon Business Council Health Care Task Force.

POTENTIAL NEW INITIATIVES

During the year, a number of ideas for new initiatives have surfaced for the Oregon Business Plan. The Steering Committee is eager to hear new ideas, and it plans to add new initiatives over time. Our criteria for new initiatives include:

- Demonstrated importance to the Business Plan strategy
- A clear plan to address the topic
- A willing business leader to take responsibility for championing the initiative and soliciting broad support.

This past year the Oregon Business Council developed a new initiative on Health Care, which will be presented at the summit for possible endorsement. We invite others to propose initiatives for future adoption in the Business Plan. Whether these ultimately become Oregon Business Plan Initiatives or not, we encourage policy makers to be attentive to these concerns.

Drug Use. At several stops on the bus tour, employers identified drug use as a key obstacle to finding qualified workers. The methamphetamine crisis has surfaced as a specific challenge facing our state. The Governor and legislative leaders are already stepping up to this issue. We invite proposals for how the business community could be involved.

Water Policy. There have always been competing uses for water, and in many parts of the state that trend has accelerated, with important ramifications for the economy. An initiative proposal on water allocation among competing needs would be welcome.

Energy. Electric energy has long been a competitive advantage for Oregon, but that advantage has diminished in recent years. An initiative to assure long-term, reliable, low cost supply would be welcome. An incorporated or separate initiative on alternative and renewable energy resources would also be welcome.

Telecommunications. Telecommunications infrastructure is vital to Oregon's economic future in urban and rural areas. While Oregon enjoys a quality infrastructure in most parts of the state, there may be opportunities for improvement.

Lean Manufacturing. One of the critical challenges of a knowledge-based economy is to fully tap the creativity and intellectual energy of every employee. Many firms are replacing their old top-down, command-and-control management systems, with more flexible, team-based arrangements that emphasize continuous learning and flexibility. A group of leading Oregon manufacturers has formed a coalition to share best practices in lean manufacturing and related techniques. Adoption of these practices should be encouraged.

Accommodating Oregonians with Disabilities. A new business network has formed to address how to better include Oregonians with disabilities more fully into the workplace. Effectively tapping and retaining the skills and buying power of people with disabilities stimulates the state's economy and incorporates a growing pool of skilled workers traditionally overlooked by business

If you are interested in any of these initiatives or have proposals for new ones, please let us know at www.OregonBusinessPlan.org. We will bring ideas before the Steering Committee for development and potential adoption.

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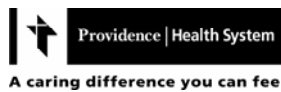
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