

UNION COUNTY BUSINESS RETENTION & EXPANSION PROGRAM

2011/2012 BUSINESS VISITATION



SURVEY REPORT



**UNION COUNTY ECONOMIC DEVELOPMENT CORPORATION
BUSINESS RETENTION & EXPANSION PROGRAM**

**2011/2012
BUSINESS VISITATION SUMMARY REPORT**

Prepared by:
Union County Economic Development Corporation

For more information about the Union County BR&E Program contact:
Union County Economic Development Corporation
(541) 963-0926
ucedc@eoni.com

Or
visit us at
www.ucedc.org

Caveat lector. The information, data and conclusions presented in this report are derived from a limited number of business interviews. The reader is cautioned to the fact the report represents only the aggregated data from the interviews and should not be interpreted as representing the opinions of the larger business community in Union County. The BR&E visitations and the information derived from those visits is intended to provide a point-in-time assessment of the local economy and businesses to aid in implementing the business retention and expansion on-going program and to be used in comparison with future business visitation and survey efforts to provide a measure of change in the local economy.

Table of Contents

Tables & Figures	ii
Introduction	iii
Sponsorship	iv
Business Visitation & Survey Process	iv
People Engaged	iv
Businesses Participation	v
Types of Businesses Visited	vi
Size of Businesses Visited	vi
Findings	vi
Survey Elements & Responses	1
Products and Services	1
Sales of Products and Services – Past & Future	2
Emerging Technologies or Market Forces	2
Buyer/Supplier Linkages	2
Sales of Products/Services – Geographic Region	8
Purchases	3
Targeting New Businesses	4
Industry Evaluation	4
Employment	4
Employment numbers	4
Seasonality	5
Outsourcing	5
Wages	6
Benefits to Employees	6
Recruitment	7
Employee Turnover	7
Drug and Alcohol Policies	7
Employee Training	8
Changes – Past and Future	8
Actions Implemented -- Past Three Years	9
Changes in the Future	9
Expansion Limitations	9
Surplus Property	9
Modernization/Expansion of Present Buildings	9
Challenges to Improvements	10
Closing or Relocation	10
Local, State, and Federal Resources	10
Business Climate and Community	10
Advantages	10
Disadvantages	10
Rating the Community	11
Follow-up Contact	11
Closing Comments	11
Red Flags	12
Conclusions	12
Recommended Actions	13

List of Figures and Tables

Figures

1	Firms By Number of Employees – Percent Interviewed	iv
2	Defining Attributes of Business	1
3	Sales Past Three Years	1
4	Sales Three Years Forward	1
5	Sales By Region	2
6	Average Percentage of Sales By Region	3
7	Purchases of Goods/Services By Region	3
8	Industry Sales/Production Levels	4
9	Benefits Offered By Firm	6
10	Employee Training	8
11	Specific Needs – Employee Training	8
12	Challenges Encountered When Expanding, Remodeling, or Relocating	9

Tables

1	Where Firms Sell Products/Services	3
2	Purchases Over the Internet	4
3	Cumulative Employment Reported – Percent Change	4
4	Employment: Past, Present, Future	5
5	Employment: Full-time vs. Part-time	5
6	Firms Reporting Change in Employment: Full and Part-time	5
7	Distribution of Employees By Occupation Categories	5
8	Starting Wages – Selected Occupation Categories	6
9	Changes Adopted By or Anticipated By Firms	9
10	Expansion, Remodeling, and Relocation – Last Five Years	9
11	Community Services and Amenities – Ratings	11

INTRODUCTION

The Union County Business Retention & Expansion Program (BR&E) was initiated in 2011 under the sponsorship of the Union County Economic Development Corporation (UCEDC), the Union County Chamber of Commerce, the City of La Grande and the Union County Board of Commissioners.

Union County recognizes the most important economic development investment is that made in the retention and expansion of the existing business community. It also recognizes a vigorous BR&E program is an asset in the recruitment of new businesses to the community, for it demonstrates that the local community values its businesses and actively seeks to assist local businesses to succeed and grow.

The BR&E Program's initial focus is gathering critical and necessary baseline data and information from local business community to support the development of strategies and programs that directly assist business in Union County. The baseline data and information, used to measure changes identified in subsequent survey activity, enhances local knowledge of the economy and local awareness of resources needed to support local business.

The BR&E Program seeks to provide timely responses to issues and concerns facing local companies that may seriously impact their competitiveness, issues such as local permitting, access to affordable utility services, workforce quality, and regulation of business activities. In these instances UCEDC and the BR&E Program partners seek out the best available resources to address the issue and find a resolution.

The on-going BR&E Program will continue to interact with, and assist local businesses through concerted actions to

- maintain contact with local, state, and federal offices and agencies providing economic development resources,
- monitor issues of importance to the local businesses in such areas as regulation, taxation, transportation, workforce resources,
- maintain an inventory of available land and buildings in Union County that could be used by growing businesses.

The BR&E Program's regular visitation with local businesses provides an opportunity for UCEDC to

- maintain an open communication with the local business community,
- create a better understanding of local business products and services,
- help identify and act on supplier/customer relationships to enhance local economic competitiveness, and
- give local business a point of contact to connect to business assistance programs offered by local, regional, state and federal agencies and organizations.

SPONSORSHIP

UCEDC serves in the role of program coordinator. The success of the BR&E Program is due to the participation and support of the Union County Chamber of Commerce, the City of La Grande, and the Union County Board of Commissioners.



BUSINESS VISITATION & SURVEY PROCESS

The BR&E Task Force formed six volunteer interview teams each having co-chairs and three to four volunteer members. UCEDC staff assisted the interview teams in scheduling visits to local companies. Interviews were conducted during the period of April, 2011 to January, 2012.

The interview teams used a survey instrument to structure the visitation discussion and provide for the gathering of information and data that could be used to understand the local economy and to compare with information and data collected in subsequent interviews. The interview schedule included questions related to the following topics:

Products and services	Employment and workforce issues
Buyer/supplier linkages	Changes in the past and seen for the future
Industry evaluation	Local Business climate and community

The completed surveys were returned to the UCEDC and processed to maintain the strictest confidentiality. The summary of the interview results presented here has been structured to maintain that confidentiality.

PEOPLE ENGAGED

The success of the BR&E Program and its inaugural business visitation and survey effort is totally due to the volunteers who generously gave of their time to help shape the program and take on the time-demanding task of the business visits.

The following people served on the BR&E Steering Committee and participated in the local business visitations:

Steve Anderson, Chair	Anderson Consulting
Mike Bergland	Retired
John Bozarth	La Grande City Council
Karrine Brogoitti	The Observer
Howard Butts	Bearco Loop
Tracy Christopher	Capps Broadcast Group
Andrew Crollard	Oregon Employment Department
Mark Davidson	Union County Commissioner
Judy Hector	Union County Chamber of Commerce
Ryan Hildebrandt	Sterling Bank
John Howard	John J. Howard and Assoc.
Don Kellogg	Avista Utilities
Randy King	Community Bank
Mary Ann Miesner	La Grande City Council
Charlie Mitchell	City of La Grande
Jim Mollerstrom	Retired
Mike Poe	Seydel, Lewis, Poe, Moeller & Gunderson, CPA's
Craig Nightingale	Banner Bank
Sandra Patterson	City of Union
Jerry Sebestyen	La Grande City Council
Mike Snow	Union Wallowa Baker Federal Credit Union
David Stirewalt	Banner Bank
Robert Strobe	La Grande City Manager

BUSINESS PARTICIPATION

The BR&E business visitation and survey task force identified forty eight businesses in Union County to be contacted and visited in 2011. Of the forty-eight, thirty seven (77%) did give of their time to sit with a BR&E interview team and complete the survey.

Anderson Perry and Associates	Janus Industries
Avista Utilities	Legacy Ford
Barreto Manufacturing	Miller's Home Center
Blue Mountain Seeds	Momentive Specialty Chemicals
Bowman Trucking	Mountain West Moving and Storage
City Garbage Services	Oregon Department of Transportation
Community Bank	Oregon Youth Authority
Boise Cascade	Oregon Trail Electric Co-op
Brent Gunderson, CPA	Outdoors RV
Crop Production Services	Pendleton Grain Growers
Eagle Cap Steel and Supply	Primo's Pizza
Eagle Carriage and Machine	Sterling Savings Bank
Eagle Freightliner	The Observer

EDP Renewables (Horizon Wind)	The Smokehouse Restaurant
Eastern Oregon Net, Inc.	Tri-County Equipment
Eastern Oregon Nursery and Landscaping	US Bank
Eastern Oregon University	Waldrop Oil
Grande Ronde Hospital	Western States Equipment
Goss Motors	

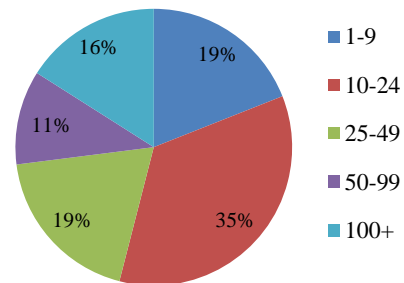
Types of Businesses Visited

Agricultural services	(3)	Health services	(1)
Communications/Media	(2)	Manufacturing	(5)
Education	(1)	Professional services	(2)
Financial services	(3)	Retail/wholesale	(11)
Food Processing	(1)	Transportation	(2)
Government agencies	(2)	Utilities	(4)

Size of Businesses By Employment

The selection of businesses to interview focused on including businesses representing the industries in Union County and firms representing the full range of firms by size (number of employees). The focus of the visitations was skewed to trade sector industries and those businesses supportive of these industries.

Figure 1
Firms by Number of Employees
Percent Interviewed



FINDINGS

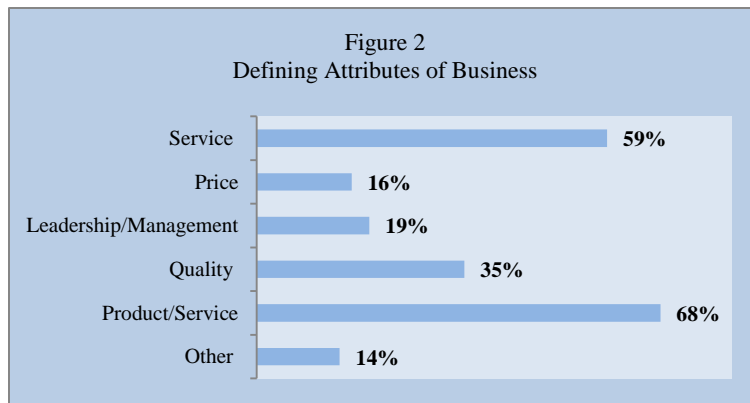
- Firms interviewed had a mixed message on the local economy over the past three years in terms of sales of goods/services. It was not all bad news.
- Going forward, local firms are very optimistic the economy will improve, or at least not get any worse, in terms of sales.
- Firms are aware of emerging technologies/market forces that impact their business and are addressing these forces.
- The majority of the firms interviewed make most of their sales to the “Local” and “Regional” markets. Growth in the number of businesses in Union County as well as the County’s population is a recognized factor in the future success and growth of these businesses.
- Most of the firms interviewed do only a small percentage of sales via the Internet.

- Local firms do not use the Internet to a significant degree to purchase goods and services.
- Local firms do expect to restore lost jobs over the next three years, as well as add some jobs.
- Recruitment of skilled workers is a problem. Distance from metro areas, lower wages, and fewer opportunities for advancement are cited as prime issues to overcome when recruiting.
- The lack of trade sector vocational training opportunities in Union County compounds the ability of local industry to recruit and retain skilled workers.
- Advantages to doing business in Union County cited by the interviewed firms are the
 - location of La Grande/Union County as the “Hub of NE Oregon,”
 - I-84 connectivity east and west, and
 - quality of life.
- Disadvantages to doing business in Union County cited by the interviewed firms are the
 - lack of growth,
 - distance to metro markets,
 - recruitment of skilled workers, and
 - lack of local vocational training programs.

SURVEY ELEMENTS AND RESPONSES

PRODUCTS AND SERVICES

Firms interviewed by the BR&E teams were asked to identify the attributes that differentiate the business from their competitors. As shown in Figure 2, the respondents identified product/service offered by the firm and service provided to the customer as the top differentiating attributes of their businesses. Quality, leadership/management, and price were identified to a lesser degree.



Sales of Products/Services

Slightly less than one-half of the firms interviewed (46%) stated they had an increase in sales over the past three years. A slightly lower percentage reported they experienced a decline in sales over the same period of time. [See Figure 3]

As to the degree of increased or decreased sales over the past three years, the average increase in sales was 21% and the average reported decrease in sales was 31%. The range of increased sales was 1% to 500%. Three firms reported their increased sales at 100% or more. These three estimates were not included in the averaging of reported increased sales to avoid distorting the results. For decreased sales, the decrease ranged from 5% to 70%.

Figure 3
Sales Past Three Years

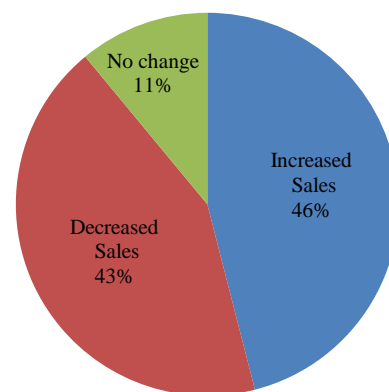
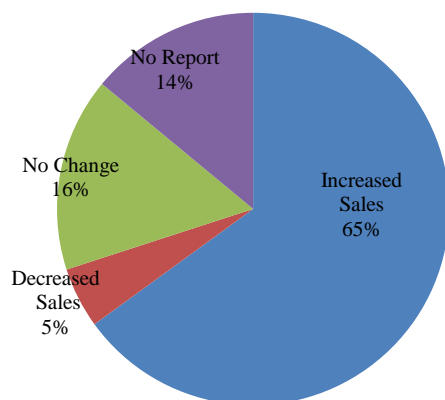


Figure 4
Sales Three Years Forward



Looking ahead three years, the respondents were far more optimistic. [See Figure 4] Nearly two-thirds of the firms expect to see an increase in sales and 16% expect sales to remain level. Only two firms reported an expectation of reduced sales and neither provided an estimate of the expected reduction.

Asked to explain the decline in sales for the past three years, respondents identified the economy (22% of the firms interviewed) followed by the decline in construction in the County (14%), competition (5%), and changes in consumer spending (5%).

Those reporting an increase in earnings over this period of time cited increased sales (14%), the strength of the agricultural sector of the economy (5%), and the quality of the product/service offered in the marketplace (5%) as factors promoting increased sales. Other factors supporting increased sales were change in prices, entering new markets, and offering new products/services.

As for the next three years, the expectation of economic recovery was cited by 8% of the firms as was expected increase in construction activity and the benefits of entering new markets. Also mentioned as causes for optimism were product quality, new products/services offered by the firm, continued strength of the agricultural sector, changing consumer preferences, and increased consumer spending.

Emerging Technologies or Market Forces

Seventy percent of the respondent firms recognized emerging technologies or market forces that will have an impact on their businesses.

The most often cited impacts on businesses were: rapid change in use of the internet, social networking and advanced software (27%), and technological advances in equipment and machinery(27%) as causal agents to change. Other impacts noted were the state of the general economy (if improving or not improving), new competition from local, regional, national, and international sources, customer preferences, and the need to expand one’s market reach with new products/services and/or entering new geographic areas.

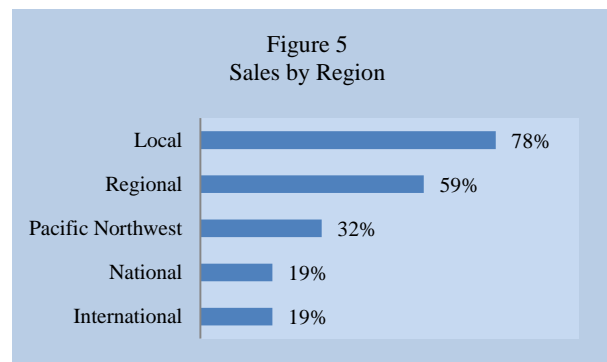
As for the nature of the impact of these forces on the local business (positive or negative), respondents offered a mildly positive perspective. Thirty-eight percent see an impact on production (30% being positive and only 8% being a negative impact on production) and 43% see an impact on sales (27% being positive and 16% being a negative impact on sales).

BUYER/SUPPLIER LINKAGES

Firms interviewed were asked to provide information on where they made their sales of goods and services and where they purchased the goods and services used by their business. The information can be used to identify industries and businesses for targeted recruitment that would support local businesses.

Sales of Products/Services – Geographic Region

The firms were asked to identify where, geographically, they sell their products or services. While there is some confusion in delineating between the local and regional market area, these two geographic regions are the most significant markets for locally generated goods and services, followed by the Pacific Northwest. [See Figure 5]

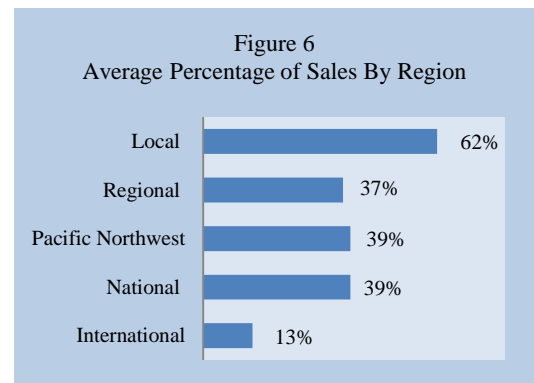


Asked to place a percentage estimate of their sales to these regions, the companies were on a whole less certain and precise. The geographic areas show again the local, regional, and Pacific Northwest markets are, on a whole, more significant than the national and international markets. [See Table 1]

Percent of sales reported	Locally	Regionally	Pacific Northwest	Nationally	Internationally
75-100	12	3	3	1	0
50-74	8	6	1	3	2
25-49	6	5	2	0	0
1-24	3	8	6	3	5

Over three-quarters of the firms interviewed (78%) proffered an estimate of sales to the local market and twenty firms provided regional estimates of sales. Only seven interviewed companies reported international sales. Four firms report their national sales represent 50+ percent of their sales and two firms have international sales of 50% to 74%. The average reported sales within each region, as provided by the firms, showed the local and regional markets combined to be most important to firms providing data on sales. [See Figure 6]

Based on the responses given by the interviewed firms, the “Local” and “Regional” markets are most important to these firms. As provided later in the survey, interviewed firms raised the need for growth, both in number of businesses and in population, as a critical factor influencing future well-being.

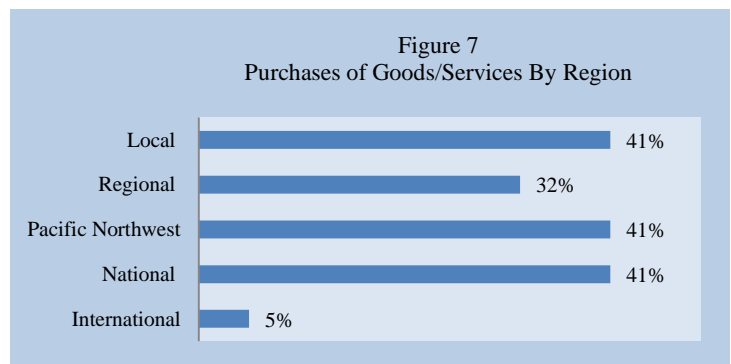


Asked to estimate the percentage of sales over the Internet, twelve companies (32%) report they do have sales over the Internet. Of those twelve companies, one firm reported their sales over the Internet comprised 50% of their company sales.

The remaining eleven companies estimated sales over the Internet ranged from 2% to 20%. The average sales attributed to the Internet was 8%. It is noted that seven of these eleven companies reported Internet sales of 5% or less.

Purchases

Firms were asked where, geographically, they purchase their goods and services. The respondents reported they made their purchases across the geographic landscape (Figure 7).



Twenty-one of the companies interviewed (57%) report using the Internet to purchase goods and supplies. For eleven companies, the percentage of purchases using the Internet comprised 15% or less of the total purchases made by the company. The remaining ten companies report their purchases over the Internet to be in the range of 25% to 99% of the company’s purchases (averaging about 73% for this group of companies). [See Table 2]

Office supplies and maintenance items and services are the most often cited goods and services purchased in Union County (60% of the respondent companies) followed by vehicle purchase, servicing, and fuel (49% of the respondents). Other goods and services obtained locally and mentioned by at least one company are machining and welding services, parts and shop supplies, accounting, payroll, and billing services, shipping, and food.

Percent of purchases of goods and services over the Internet	Firms reporting purchases of goods and service over the Internet
75-100	16%
50-74	8%
25-49	3%
1-24	30%
No report	43%

Targeting New Businesses

Respondents were asked to identify types of businesses to be targeted for recruitment to Union County that would be supportive of their business. A small percentage of respondents offered to address this question. Manufacturing businesses were identified by five respondents. Other businesses identified were construction related businesses, steel fabricator, cabinet maker, laser cutting service, and advanced print shop. Most of the respondents simply stated the need for growth – new jobs and more people.

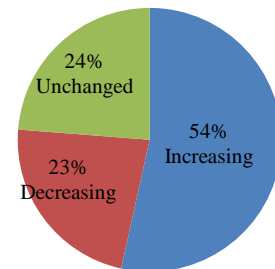
INDUSTRY EVALUATION

Asked if their industry was growing or not growing, nearly three-quarters of the respondents (78%) see sales and/or production within their industry as increasing or remaining unchanged. Only one-quarter see a decrease. [See Figure 8]

Nearly two-thirds (65%) of the respondents do not see their industry moving operations off-shore. Slightly more than one-quarter (27%) do see off-shoring occurring in their industry.

Twenty-three percent of the interviewed companies report the share of market increasing among their foreign competition, 7% see the share as unchanged, and 11% see the market share declining among foreign competitors. Forty-one percent of the respondent companies do not have non-U.S. competition.

Figure 8
Industry Sales/Production Levels



EMPLOYMENT

Employment Numbers

All thirty-seven companies provided employment data. These firms reported a cumulative current employment totaling 3,420. Three years past the cumulative employment was 3,479; three years in the future the estimate is 3,699.

Reporting period	% change
Three years ago to currently	-1.7%
Currently to three years ahead	+8.2%
Three years ago to three years ahead	+6.3%

The firms expect full time employment growth over the next three years and a rebound from the job losses from the past three years.

Firms Reporting	Three years ago to Currently	Currently to three years ahead	Three years ago to Three years ahead
Increased employment	19%	62%	41%
Decreased employment	54%	3%	32%
No change	19%	32%	14%
No report	8%	3%	14%

Where 54% of the firms reported a decrease in employment numbers over the past three years, 62% expect to see full-time and part-time employment numbers increase over the next three years. Table 3 and Table 4 summarize the employment changes for the past three years and the expectations of the firms going forward in time.

	F/T	P/T
3 years ago	2,619	816
Currently	2,473	896
3 years ahead	2,673	925
3 years ago to Currently	-7.6%	+9.8%
Currently to 3years ahead	+9.4%	+3.2%
3 years ago to 3years ahead	+10.0%	+13.4%

The numbers provided by the respondents for full-time and part-time employees demonstrate an optimism that, going forward, the job market will improve. See Table 5.

Over one-half of interviewed companies (51%) expect to increase full-time employment over the next three years, and 3% of the interviewed firms expect to reduce the number of full-time employees. One-quarter of the firms look to add part-time workers.

Firms Reporting	3years ago to now		Now to 3years ahead		3years ago to 3years ahead	
	F/T	P/T	F/T	P/T	F/T	P/T
Increased	14%	8%	51%	24%	35%	24%
Decreased	43%	16%	3%	3%	24%	14%
No change	35%	71%	38%	68%	32%	57%

Distribution of employees among occupations within the firms will not change going forward, as shown by Table 7.

Seasonality. Nearly one-half of the firms (49%) indicate they have a peak season for employment. Nearly all identify summer as the season, some combining the summer season with either spring or fall. Seasonal employee numbers were not clearly differentiated from part-time employees by many of the respondent firms. For the limited number of responses clearly identifying seasonal employment, the aggregate number did not vary appreciatively over time.

Currently	Three years ahead
4.0% Production (unskilled/entry)	3.6%
25.3% Production (semi-skilled/skilled)	25.6%
18.2% Clerical/office	17.8%
4.7% Sales/marketing	4.7%
28.5% Professional/management/technical	28.5%
19.4% Other	19.9%

Outsourcing. Outsourcing of business activities is not a significant issue with the local firms interviewed. A large majority of the firms (70%) report no outsourcing outside the region of any aspect of the business. The outsourced business activities that are reported are financial services, billing and payroll services, and service calls. No specific geographic locations are reported by those companies responding affirmatively to the outsourcing question.

Wages

Respondents were asked to provide starting wage rates for unskilled/entry production positions, semi-skilled/skilled production positions, and clerical/office positions. The responses were mixed depending on the relevancy of the question to the firm being interviewed. Of the firms reporting starting wages for unskilled/entry production jobs, 79% reported starting wages between \$8.50 and \$11.50 per hour. For semi-skilled and skilled production jobs, the majority of firms (73%) reported starting wages at or below \$16 per hour, and the balance of the firms reported a starting wage of \$17 to \$29 per hour. For the firms providing starting wage data for office/clerical positions, one-half of the responding firms reported wages in the range of \$10 to \$12 per hour. Eleven percent of the firms reported starting wages for clerical/office employees as \$14 to \$17 per hour. Table 8 summarizes the wage data reported by the firms.

One-half of the respondents (51%) report they have conducted a wage analysis within the last three years (43% answered no). The firms reported using a variety of methods from very informal, anecdotal surveys to using the Oregon Employment Department to utilizing a professional firm to provide a comprehensive wage analysis.

Occupations	Percent of Firms Responding	Average wage reported	Wage range reported
Production (unskilled/entry)	51%	10.50/hr.	(8.50 – 17.21)
Production (semi-skilled/skilled)	73%	15.00/hr.	(9.25 – 25.57)
Clerical/Office	78%	13.50/hr.	(8.50 – 26.57)

Benefits to Employees

Nearly all the firms interviewed (90%) report they provide some benefits to their employees. One firm did qualify their answer to state they limited benefits to only the management. It is unknown how many other firms may have similar restrictions and qualifications attached to their benefit package.

Other benefits, as reported by two or more companies, are:

- Long and/or short term disability (11%)
- Dental/vision insurance (8%)
- Tuition assistance (5%)
- Bereavement leave (5%)
- Floating leave day (5%)
- Clothing allowance (5%)



Thirty percent of the firms report they are looking to change their benefit package in the near future (62% report no expected changes). The primary change, as reported, will be to require employees to pay a larger share of their health insurance premium. Other changes reported include starting a profit share program and developing a 401(k) contribution plan.

Recruitment

Sixty-eight percent of the firms report they do have problems recruiting employees. The overwhelming problem is recruiting and retaining skilled and educated workers. Local wage rates, spousal satisfaction, and lack of advancement opportunities are causal factors explaining the recruitment difficulties. Housing availability/price was an issue cited by 16% of the firms and drug screening issues by 30% of the firms interviewed.

Nearly three-quarters of the firms (73%) say they expect problems with recruitment in the future. Recruiting skilled/educated workers to the county is again cited as a main difficulty as is retaining skilled workers. Budget constraints in the future, local wage scales, and the lack of entry level jobs (many have been eliminated due to budget constraints) are specifically cited as impediments to recruitment going into the future. Several respondents identified the age of the local workforce and the “retirement bubble” coming the next few years as a serious concern.

New strategies to attract skilled/educated workers include attempting to maintain or improve wage scale and benefits, offering a signing bonus for skilled new workers, offering a bonus to current employees who recruit new workers, outsourcing, and using professional recruitment agencies or the Oregon Employment Department to find qualified workers.

Employee Turnover

Over three-quarters of the firms (78%) answered no to having a problem with turnover (16% said yes). The primary causes of turnover cited were drugs and alcohol use, attendance issues, and, acquiring or maintaining a driver’s license (for several firms, a commercial driver’s license [CDL]). Housing was not mentioned as a factor driving employee turnover.

Only one-quarter of the firms (27%) expect problems with employee turnover in the future. As noted, an aging workforce and looming retirement bubble is cited by several companies. The inability to attract and retain skilled workers looking elsewhere for higher pay and better advancement opportunities is again stressed by the respondents.

To improve retention, companies report they will attempt to maintain and improve wage scales and benefits, provide on-the-job training and career development opportunities, and plan on promoting from within the workforce.

Drug and Alcohol Policies

Nearly all the respondents (92%) report having a drug policy. All respondents reporting a drug and alcohol policy state the policies are working. Sixteen percent (16%) of the firms expressed interest in attending a training or workshop on development and implementation of drug and alcohol policies.

Employee Training

Currently, businesses utilize a number of employee training methods and opportunities. Figure 10 documents the percent of respondents that report using the listed methods of employee training. Other means of employee training mentioned were corporate training opportunities and training provided by vendors of equipment and software.

The respondents identify a number of areas for employee training needing attention by the firm [Figure 11].

Other training needs identified were knowledge of the building trades, first aid/CPR, and welding skills.

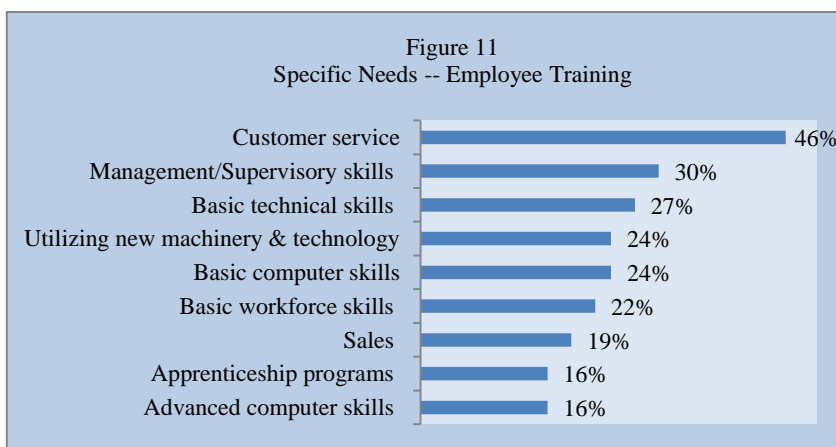
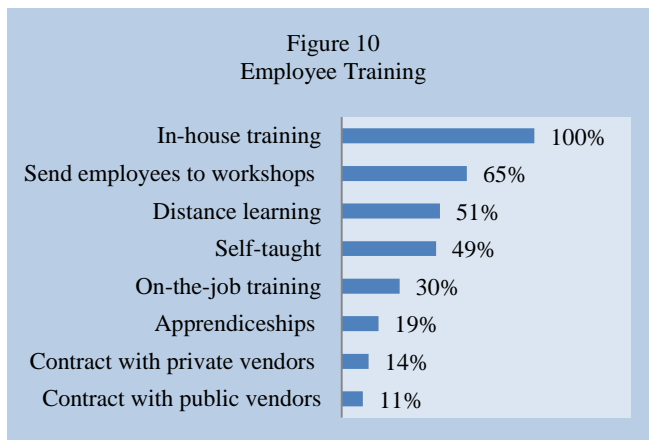
The interviewed firms were asked to report their relationship, if any, with any of a number of institutions of higher education, learning and training. The responses to this question were mixed and often not clearly directed. For those responses that are clearly responding to the question, the institutions and programs identified were:

- 35% Eastern Oregon University
- 27% Training and Employment Consortium
- 11% Blue Mountain Community College
- 8% Small Business Development Center
- 5% Oregon Employment Department

The relationships with these entities were described as positive.

CHANGES -- PAST AND FUTURE

Companies interviewed were presented a number of actions which may have been initiated in the past three years or may be considered in the near future. Table 9 summarizes the responses provided by the firms. The only actions not being considered by more than a third of the firms are making adjustments due to foreign competition and adding a new innovation that is not yet industry-wide.



Actions Implemented - Past Three Years

The most frequently cited challenge to implementing change is the cost. Additionally, challenges are found in employee acceptance of change and the speed with which they respond to the change. Other challenges are lack of time to devote to managing the change, the speed with which technology is changing, and access to training related to technological changes.

	3 Years Ago Yes	In 3 Years Yes
Added or subtracted product lines	62%	68%
Entered new markets	57%	65%
Made production or market adjustments due to:		
Domestic competition	57%	54%
Foreign competition	27%	30%
Expanded use of telecommunications technology	81%	81%
Adopted new/improved technology	78%	84%
Added a new innovation that is not yet industry-wide	30%	32%
Adopted labor-saving technology	57%	65%
Adopted "green" or sustainability technologies or practices	59%	62%

Changes in the Future

As with the last three years, cost of the change and its impact on constrained budgets is the concern of companies responding. Employee acceptance and speed responding to the changes is likewise cited.

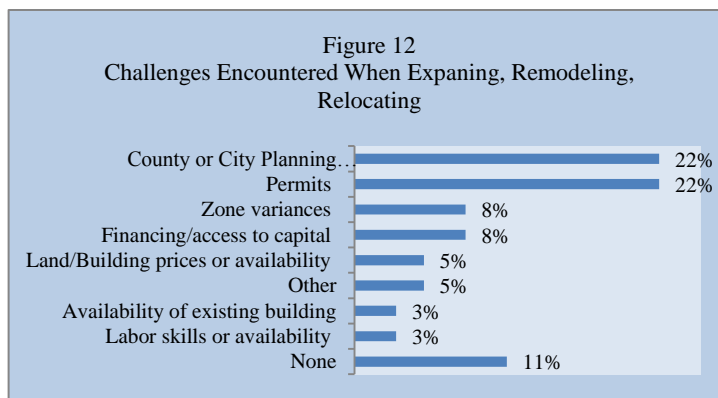
Expansion Limitations. Three-quarters of the firms (76%) report they own or lease sufficient property at their present site to accommodate expansion whereas 22% reported they do lack sufficient room for expansion at the present location. While none of the firms reporting insufficient room for expansion expressed immediate need for such room, the BR&E Program should monitor the situation and maintain communication with these firms as to their needs. Sixty eight percent (68%) of the firms report they have sufficient property within Union County for expansion.

Surplus Property. Asked if the firm has any property or buildings they would be willing to sell as surplus, 24% of the respondent answered in the affirmative. Information recorded on available property was limited and these companies will need to be contacted to obtain specific information on location and price.

Modernization/Expansion of Present Buildings. Not quite one-half (49%) of the firms state they have no plans to modernize or expand. The same percentage, (49%) say they do have plans. The most frequent response as to what they are planning for modernization/expansion is small remodels and updates to their present building.

	Yes	No
Physically expanded	27%	70%
Remodeled	38%	60%
Relocated	11%	86%

Asked about actions taken in the past five years related to expansion, remodeling, and relocation, the large majority of the respondents answered no to each of these activities. [See Table 10] Those providing a positive response cited general remodel and renovation plans for existing buildings.



Challenges to Improvements. The most prevalent challenge to prior and planned building improvements is reported to be interaction with city and county planning, permitting, and zone variances. Other volunteered responses included other types of permits or licenses, new local vendors to deal with, and design challenges.

Closing or Relocation

None of the interviewed firms report plans to close. One firm is planning on relocating to a new site in the next three years. The site is in Union County.

Local, State, Federal Resources

The firms were asked if they had, in the past three years, utilized any local, state, and/or federal programs to assist the business. The responses to this question were varied in both understanding of the intent and the details of the programs utilized. Nearly one-half of the firms (49%) stated they had used one or more of these programs. The most prevalent responses were Energy credits 16%, Federal programs (unspecified) 16%, and Employment Department 8%.

Other programs mentioned are Small Business Development Center, Northeast Oregon Economic Development District, Training and Employment Consortium, Department of Environmental Quality, and the City of La Grande Urban Renewal District.

BUSINESS CLIMATE AND COMMUNITY

The firms were asked to identify the advantages and disadvantages of being located in Union County.

Advantages

Fifty percent (50%) of the firms responding to this question say it is the local relationships they have developed that is their main advantage, 32% remark that it is the fact Union County is centrally located in the region (the hub of the region), 22% note the quality of life, 12% cite the region's location between Boise and Portland on I-84 and, 4% report it is the work force that makes it worthwhile doing business here.

Other attributes of the community cited are availability of local services, Eastern Oregon University, business climate, public transit availability, and Grande Ronde Hospital.

Disadvantages

The lack of growth is identified by 22% of the respondents as a disadvantageous factor about the community. The other cited disadvantages were access to skilled workers (14%), cost of shipping into/out of the County (11%), winter driving restrictions (11%), and distance from urban areas (11%). Other factors cited by the respondents are the distance to commercial air service; the high unemployment rate; and, the lack of vocational training.

Rating the Community

Firms interviewed provided their rating of a number of community attributes (5 = excellent; 3 = fair; and 1 = poor). Table 11 displays the average scores for each of the attributes.

The top five rated services or amenities are:

- a place to live
- fire and police protection
- postsecondary education
- solid waste service
- a place to conduct business

All the listed services and amenities received a solid score of 3.4 or greater except for one – vocational schools (2.18, poor to very poor). The lack of a community college and/or a vocational program serving Union County is a recognized detriment to the community.

The respondents provide only a few comments related to individual ratings of poor or very poor. Difficulties with planning and permit processing and comments regarding parking restrictions in La Grande top the list of comments. Also noted by four or more of those offering comments are lack of vocational education opportunities in Union County, lack of a diversified and affordable housing market, problems with communications infrastructure, and the cost of health care in the community.

Follow-up Contact

Firms were asked if they would like a follow-up contact to discuss any specific business issues. Over one half of the firms visited (54%) say they would like to be contacted by a local business development professional. While many of the respondents do not specify an issue or need, those most often expressed are

assistance with recruitment of skilled labor,
addressing the issue of a lack of vocational education opportunities in Union County, and
zoning and land use issues in La Grande.

Closing Comments

Respondents were provided the opportunity to provide any summary comments about ability to sustain or grow business in this community. Most of the survey respondents did not make a comment. Those that did comment report that local support for their business was good, stated we need to address how to keep young families in the community with family wage jobs, and the community needs a vocational education/community college presence.

SERVICE	AVERAGE RATING
As a place to live	4.71
Fire protection	4.44
Law enforcement	4.25
Post-secondary education (colleges/universities)	4.20
Solid waste disposal	4.09
As a place to conduct business	4.09
Health care	3.94
Roads, highways and freeways	3.88
Water/sewer	3.88
Workforce housing	3.88
Elementary and secondary schools	3.86
Parks and recreation	3.73
Telecommunications	3.68
Availability of parking	3.63
Zoning	3.52
Child care	3.44
Building codes and inspection	3.40
Vocational schools	2.18

RED FLAG ACTIONS

The visitation interview provided the firm the opportunity of identify issues that are of immediate concern to the company and may play a role in the company's ability to remain in business or implement plans to expand its operation and employment base. The "Red Flag Committee" is established to review the identified issues and needs and recommend actions to address these issues and needs in a timely manner. No issues meriting immediate attention by the Red Flag Committee were identified in the survey process.

CONCLUSIONS

The responses from the firms visited by the BR&E interview teams support the general contention the Union County economy has a resiliency that serves it well in periods of general economic weakness.

Although the economy in Union County was not immune from the adverse impacts of the national economic decline starting in 2008, the interviews showed the economic diversity of Union County, with a strong state and federal employment presence, Eastern Oregon University, a growing health care industry, diverse manufacturing, and an exceptionally healthy agricultural sector was able to weather the storm better than neighboring counties and is looking forward to improvement in overall economic conditions going forward.

- ❖ The firms interviewed by the BR&E Program reported a mixed message on the impact of the general economic decline other the past three years – nearly one-half reported sales of products/services had declined and an equal percentage reported sales had increased. Going forward, nearly all the firms expect to see an improved economy and increased sales of products/services. Employment information derived from the interviews shows a similar pattern. The aggregate decline in employment reported by the firms was only 1.7%, far lower than that experienced by the County's economy as a whole. Going forward, the firms expect to see a rebound in employment and additional gains in then numbers of employed at these firms.
- ❖ The firms interviewed are, for the most part, dependent on the local and regional markets for sales of goods/services. A consistent message from the firms throughout the interviews was the need for growth – growth in the number of businesses, growth in the number of family-wage jobs, and growth in the County's population – to assure continued growth and successes of these businesses.
- ❖ Lack of access to skilled/educated workers, whether from within the local labor market or through recruitment from outside the county, is a persistent problem facing the interviewed firms. Retention of these skilled/educated workers is a problem given the local wage scales and the general lack of advancement opportunities in the local economy.
- ❖ As a corollary to the issue of access to skilled/educated workforce, the interviewed firms recognized the lack of a community college and vocational education resources presence in Union County as being a condition that is detrimental to the health of and future growth of the local economy. Having the ability to respond to the educational and technical training needs of the local economy, at any point in time, is seen as essential to both retention and expansion of existing firms and the recruitment of new businesses to Union County.

- ❖ Lastly, the interviewed firms overwhelmingly expressed great satisfaction with doing business in Union County. The advantages of doing business – the relationships formed, the fact Union County is the hub of Northeast Oregon, the access provided by I-84, and the area’s amenities that provide an attractive quality of life outweigh the disadvantages of cited by the firms – lack of growth, access to skilled workers, costs of shipping and distance from markets, and winter driving restrictions. Working to strengthen the advantages and lessen the disadvantages of doing business in Union County should be a focus of the economic development resources in the county.

RECOMMENDED ACTIONS

The BR&E Program interviews provide baseline information and insight into the local economy from which the Program can shape and direct its on-going activities, as identified in the Introduction to this report.

The on-going BR&E Program will continue to interact with, and assist local businesses through concerted actions to

- maintain contact with local, state, and federal offices and agencies providing economic development resources,
- monitor issues of importance to the local businesses in such areas as regulation, taxation, transportation, workforce resources,
- maintain an inventory of available land and buildings in Union County that could be used by growing businesses.

The BR&E Program’s regular visitation with local businesses provides an opportunity for UCEDC to

- maintain an open communication with the local business community,
- create a better understanding of local business products and services,
- help identify and act on supplier/customer relationships to enhance local economic competitiveness, and
- provide local business a point of contact to connect to business assistance programs offered by local, regional, state and federal agencies and organizations.

In addition to the Program activities cited above, the interviews identified several issues which the BR&E Program should address going forward.

RECRUITMENT OF SKILLED WORKERS

Over two-thirds of the interviewed firms reported recruitment problems over the past three years and nearly three-fourths of the firms see recruitment problems into the future. These recruitment problems were focused on skilled, trade sector employees, skilled people in various technical occupations, and experienced management/supervisory personnel.

While these issues of recruitment are widely perceived in the community, it would be of value for the BR&E Program to coordinate addressing the recruitment problems, initially bringing together the appropriate agencies, organizations and private sector representatives to identify existing resources as well as new means of tackling these issues and developing programmatic assistance available to local firms in their recruitment efforts.

COMMUNITY COLLEGE/VOCATIONAL EDUCATION OPPORTUNITIES

As a parallel issue to that of recruitment, local firms express the need for community college/vocational education opportunities in Union County, especially in the trade sector as well as technical occupations. Offering such programs will mean a greater pool of skilled workers in the local labor market and, hopefully, less need to recruit new workers from outside the region. Having these resources available locally will also provide local workers with access to education and training programs to upgrade their skills and prepare them for advancement and promotion. These resources being available in the community will help to offset the need of firms to recruit outside the region for skilled workers.

The BR&E Program should make it a priority to work with local interests working towards obtaining community college/vocational education presence in the county.

BUSINESS EXPANSION

While the percentage of survey respondents expressing a need for additional room to expand the business was only twenty-two percent, the BR&E Program should address the needs of these businesses and facilitate addressing the impediments to expansion. Factors such as regulatory barriers and lack of available alternative land and/or buildings sufficient to support development have been raised as impediments. The BR&E Program should contact these firms and follow-up where appropriate to assist the firm in addressing expansion needs.