

DAILY ROLL CALL

BUSINESS & LABOR

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date Jan. 6, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. LES KITSELMAN, CHAIRMAN	✓		
REP. FRED THOMAS, VICE-CHAIRMAN	✓		
REP. BOB BACHINI	✓		
REP. RAY BRANDEWIE	✓		
REP. JAN BROWN	✓		
REP. BEN COHEN	✓		
REP. JERRY DRISCOLL	✓		
REP. WILLIAM GLASER	✓		
REP. LARRY GRINDE	✓		
REP. STELLA JEAN HANSEN	✓		
REP. TOM JONES	✓		
REP. LLOYD MCCORMICK	✓		
REP. GERALD NISBET	✓		
REP. BOB PAVLOVICH	✓		
REP. BRUCE SIMON	✓		
REP. CLYDE SMITH	✓		
REP. CHARLES SWYSGOOD	✓		
REP. NORM WALLIN	✓		

MINUTES OF THE MEETING  
BUSINESS AND LABOR COMMITTEE  
50TH LEGISLATIVE SESSION

The meeting of the Business and Labor Committee was called to order by Chairman Les Kitselman on January 6, 1987 at 8:00 a.m. in Room 312-F of the State Capitol.

ROLL CALL: All members were present at the meeting.

Chairman Kitselman reviewed the procedure that would be followed for presenting the testimony for the bills and conducting the hearing. He also stressed the need for being on time for the hearings.

HOUSE BILL NO. 44 - Scaling Methods to pay for Logging and Hauling Forest Products, introduced by Rep. Rapp-Svrcek. Rep. Rapp-Svrcek stated that the bill protects small loggers and the trucker by requiring that they be paid by the weight or volume for these cull logs. He explained the amendments to the bills. The logger has no control over the quality of the logs that he has taken in; it is only after he has taken them to the mill that he finds out they are cull logs and gets a reduced amount for his efforts.

OPPONENTS

Mr. Gordon Sanders, representing Champion International Corporation Timberlands for the Missoula area, presented written testimony (Exhibit 1). Mr. Sanders stated that implementation of HB 44 could force existing marginal mills out of business. The bill would also cause increased friction, poor economics, and create a need to keep two sets of books, one on net column to pay for stumpage, and one on gross scale to pay loggers, he said. He stated that the bill was not necessary and felt that the overall problem may be unique to a specific mill or two in the state and was not a statewide issue.

Mr. Mark Simonich, forester, FH Stoltz Land and Lumber of Dillon; FH Stoltz also has mills in Dillon, Darby, and Columbia Falls. Mr. Simonich stated that the cull logs create an excessive amount of cost to the mill in trying to handle the logs.

Mr. Don Allen, Montana Wood Products Association, stated that although the bill allows for either weight or volume, a lot of mills do not have scales and would be at a disadvantage because they would not be able to compete with those with scales. He felt that this particular bill would not

address the concerns regarding the way the problems are being presently handled.

There being no further discussion by proponents or opponents, Chairmen Kitselman asked for questions by the committee.

#### QUESTIONS

Rep. Smith asked Craig Thomas, of Champion International Corporation, to explain what would happen to the saw mill if they had nothing but cull logs to handle; Mr. Thomas responded that essentially the mill makes their money from the boards and if they run strictly cull logs through, there would be very few boards, and they would not be able to profitably operate. Representative Smith further questioned, if it would be impossible to run a saw mill on chips alone, and Mr. Thomas responded that it would be in his mill.

#### CLOSING

In his closing statement, Rep. Rapp-Svrcek, stated that with the removal of logging from this bill, there is no conflict with regard to the bonuses paid by Champion to the logger, because if just hauling is being paid through this bill, then the incentive remains to provide a quality product to the mill. He stated that the bill is only asking that a portion of the cost for hauling the cull logs be paid, and that there is no fairness in allowing the mills to get their profit from these logs and not remunerating the people who are supplying them.

There being no further discussion by proponents or opponents, the hearing on HB 44 was closed.

HB 34 - Applicant for Barber Instruction Certificate Must be Licensed Barber, introduced by Rep. Gary Spaeth. Rep. Spaeth stated that the bill amends existing law requiring that barber instructors have a barber license. This bill was introduced at the request of the Board of Barbers, Department of Commerce.

#### PROPONENTS

Mr. Jeff Brazier, staff attorney for the Department of Commerce, stated that the bill in effect is insuring that the instructor be at least a qualified as the practitioner.

There being no further discussion on the bill, the chairman asked for questions.

## QUESTIONS

Rep. Simon asked that the differences be explained between the two references of the barber license and the certificate registration. Rep. Spaeth responded that they mean the same.

Rep. Glaser asked that if this bill was signed, would it preclude a person that is licensed by the Cosmetologists Board from instruction in a barber college. Mr. Fraser stated that a cosmetologist could instruct and practice as a barber, but they would have to meet the qualifications.

Chairman Kitselman stated if a cosmetologist meets the requirements for licensor for cosmetology and is invited by a barber college to instruct, he must meet the same requirements as barber instructor underneath this proposal; as currently, if that cosmetologist is qualified, he can teach in that barber college without the 2,000 hour requirement. Mr. Fraser responded that was correct. Rep. Kitselman further questioned if the cosmetologist needed to take the test, if that test included both a written as well as a practical examination, if the test would be given at certain times during the year, and if that cosmetologist wanted to teach in a barber college, would he/she have to take a test before the Board of Barbers also. Mr. Fraser stated that was correct. Representative Swysgood asked if there were two boards, one for cosmetologists and a Board of Barbers. Mr. Fraser said that was correct.

There being no further questions, the hearing was closed.

EXECUTIVE ACTION - January 6, 1987 - 8:30 a.m.

ACTION ON HOUSE BILL NO. 34: Rep. Nisbet made a motion that HB 34 DO PASS. The motion carried unanimously.

ACTION ON HOUSE BILL NO. 44: Rep. Swysgood moved that HB 44 DO NOT PASS AS AMENDED. Rep. Pavlovich requested that the language in the bill amendments be clarified. Rep. Cohen moved to amend the bill. Rep. Nisbet made a substitute motion to amend the amendment. Rep. Nisbet moved to adopt the amendments that were made. The motion CARRIED unanimously. Rep. Swysgood moved that HB 44 DO NOT PASS AS AMENDED. The motion CARRIED with Rep. Driscoll, Rep. Cohen and Rep. Hansen voting NO.

The hearing was recessed at 8:45 a.m.

The committee reconvened at 9:00 a.m. for an informational review of the bill concerning workers' compensation. Chairman Kitselman stated that the bill would originate in

the Senate and then be assigned to this committee. He stated that it was a complex bill, and that there was other legislation dealing with this issue. The fund is about \$100 million in deficit, he stated, and the problems are how to deal with the issue, how to take care of the deficit, and to find ways to reduce the cost.

Mr. Gene Huntington, Commissioner of the Department of Labor and Industry, gave some background information on the issue. He stated that the problems that the Workers' Compensation Fund faces and needed to be resolved were the need to reduce the cost of workers' compensation and reduce the litigation. This was what the Workers' Compensation Advisory Council recommended, but the problem has changed to be that the very survival of the fund is being threatened unless they can reverse the trends in terms of what is being paid out in benefits in relation to what they are collecting in premiums. The problem is more urgent at the present time, and their primary goal is to see that the money collected for premiums is equal to or exceeds the amount paid in benefits.

Bob Robinson, Administrator, Workers' Compensation Division, gave a presentation, and distributed informational material to the committee (Exhibit 2), and answered the committee's questions on the problems facing the fund.

ADJOURNMENT

There being no further business before the committee, the meeting was adjourned at 11:00 a.m.



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Rep. Les Kitselman, Chairman

ROLL CALL VOTE

BUSINESS & LABOR

COMMITTEE

DATE Jan. 6, 1987 BILL NO. HB 44 A NUMBER \_\_\_\_\_

NAME	AYE	NAY
REP. LES KITSELMAN, CHAIRMAN		
REP. FRED THOMAS, VICE-CHAIRMAN		
REP. BOB BACHINI		
REP. RAY BRANDEWIE		
REP. JAN BROWN		
REP. BEN COHEN		/
REP. JERRY DRISCOLL		/
REP. WILLIAM GLASER		
REP. LARRY GRINDE		
REP. STELLA JEAN HANSEN		/
REP. TOM JONES		
REP. LLOYD MCCORMICK		
REP. GERALD NISBET		
REP. BOB PAVLOVICH		
REP. BRUCE SIMON		
REP. CLYDE SMITH		
REP. CHARLES SWYSGOOD		
REP. NORM WALLIN		

TALLY

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Chic Armstrong  
Secretary

\_\_\_\_\_  
Chairman

MOTION: \_\_\_\_\_  
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# STANDING COMMITTEE REPORT

JANUARY 6

19 87

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report HOUSE BILL 34

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

REP. LES KITSELIAN

Chairman

**APPLICANT FOR BARBER INSTRUCTOR CERTIFICATE MUST BE LICENSED BARBER**

FIRST

reading copy (

WHITE)

color

# STANDING COMMITTEE REPORT

January 6

19 37

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report HOUSE BILL NO. 44

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

REP. LES KITSSELMAN

Chairman

## SCALING METHODS TO PAY FOR LOGGING AND HAULING FOREST PRODUCTS

### AMENDMENT AS FOLLOWS:

1) Line 5

Following: "FOR"

Strike: "LOGGING AND"

2) Line 11

Following: "line 10"

Strike: "logging and"

3) Line 12

Following: "for"

Strike: "logging or"

4) Line 17

Following: line 16

Strike: "logging and"

FIRST

reading copy ( WHITE )

color



TESTIMONY AGAINST H.B. 44

1/6/87

I'm GORDY SANDERS, PROCUREMENT MANAGER FOR CHAMPION INTERNATIONAL CORPORATION, TIMBERLANDS, MISSOULA AREA AND I'm HERE TO TESTIFY AGAINST HOUSE BILL 44.

CHAMPION OWNS AND OPERATES MANUFACTURING FACILITIES IN BONNER, MISSOULA, SILVER CITY AND LIBBY, MONTANA. LOGS DELIVERED TO CHAMPION MILLS ARE SCALED ACCORDING TO THE ACCEPTED STANDARD AND GUIDELINES SET FORTH IN THE NATIONAL FOREST LOG SCALING HANDBOOK FSH 2409.11. THEREFORE, CHAMPION ALONG WITH PLUM CREEK AND MOST OTHER MILLS IN MONTANA CALCULATE ~~SCALING~~ NET VOLUMES IN THE SAME MANNER THAT TIMBER SUPPLIERS (SUCH AS FOREST SERVICE, STATE) CALCULATE NET VOLUMES TO BILL LOG SELLERS FOR ACTUAL VOLUME

HARVESTED.

CHAMPION'S LOG SELLERS ARE PAID BASED ON NET SCALE AS DERIVED FROM A SAMPLE WEIGHT-SCALE BASIS. MEANING, THAT VOLUME SCALED THROUGH A RANDOM SAMPLING FROM FREQUENCY CARDS IS APPLIED TO THE WEIGHTS OF NON SCALE LOADS.

THE PRICE PAID FOR THESE DELIVERED LOGS IS BASED UPON <sup>SPECIES, LOG CHARACTERISTICS,</sup> LOGGING COST, HAULING COST, ROAD COST, SLASH COST, CONVERSION COSTS, (LABOR, MATERIALS, FIXED COSTS, VARIABLE COSTS) RECOVERY RATES IN LUMBER AND PLYWOOD, ~~THE~~ RESIDUAL VALUE FROM CHIPS AND HOG FUEL, AND CURRENT OR EXPECTED MARKET VALUES. THEREFORE, AN ANTICIPATED AMOUNT OF DEFECT OR CULL IS INCLUDED IN CURRENT PRICES.

CHAMPION'S CONTRACTORS ARE PAID BY THE TON BASED UPON A WEIGHT FACTOR

DERIVED FROM THE SAMPLE WEIGHT-SCALE SYSTEM PREVIOUSLY DESCRIBED. THEREFORE, EVEN PAYING BY THE TON CHAMPION PAYS FOR NET SCALED VOLUME DELIVERED.

CHAMPION HAS IMPLEMENTED A LOG QUALITY INCENTIVE PROGRAM FOR BOTH LOG SELLERS AND CONTRACTORS TO IMPROVE LOG MANUFACTURE (STUMP TO MILL) WHICH FACILITATES PROCESSING THROUGH CONVERTING FACILITIES. THIS QUALITY CONTROL PROGRAM INCLUDES BONUSES AS WELL AS DEDUCTS AND AVERAGES A +2.4% BONUS FOR GOOD, SOUND LOGS, BUCKED THE RIGHT LENGTH, PROPERLY LIMBED AND LONG BUTTED AND DELIVERED TO THE RIGHT MILL. THE PROPOSED BILL, H.B. 44 JEOPARDIZES THE EFFECTIVENESS OF ANY LOG QUALITY INCENTIVE PROGRAM BY PERMITTING VALUELESS CULLS TO BE DELIVERED WITHOUT PENALTY. ELIMINATION OF

OUR QUALITY CONTROL PROGRAM WOULD SERIOUSLY EFFECT MANY GYPOS WHO DEPEND UPON THE BONUS TO ~~OPERATE~~ <sup>CONTINUE WITH</sup> A STABLE OPERATION AND WOULD REDUCE THE PROFITABILITY FROM THE MILL, HINDERING ITS SURVIVAL. ★ CHAMPION'S PREFERRED ALTERNATIVE IF REQUIRED BY LAW TO PAY FOR CULL LOGS DELIVERED IS TWOFOLD:

1) CULLS DELIVERED WILL NOT BE ACCEPTED AND MUST BE REMOVED FROM LOG YARD AT LOG SELLERS <sup>OR CONTRACTOR'S</sup> EXPENSE. *will reduce the price by 10-12 percent*

2) PRICES PAID FOR LOGS DELIVERED FROM LOG SELLERS, AND CONTRACTOR RATES FOR LOGGING AND HAULING WOULD BE REDUCED TO COMPENSATE FOR ANY DIFFERENCES.

TO SUMMARIZE, SAWMILLS, STUDMILLS AND PLYWOOD PLANTS ARE LINEAR IN NATURE. CULL LOGS AND DEFECT LOGS DISPLACE GOOD, SOUND LOGS WHICH PRODUCE MARKETABLE LUMBER AND PLYWOOD AT A PRODUCTION RATE WHICH COMPENSATES FOR DELIVERED LOG COSTS AND MANUFACTURING COSTS. CURRENT ACCEPTANCE OF CULL LOGS WITHOUT PAY IS AN ECONOMIC DECISION BECAUSE IT COSTS LESS TO RUN THOSE LOGS THROUGH THE SYSTEM THAN IT DOES TO RELOAD AND HAUL BACK TO THE BRUSH.

THE TIMBER INDUSTRY HAS BEEN IN TROUBLE FOR SOME TIME. MARKETS ARE SOFT, PRICES ARE DOWN AND COMPETITION IS SEVERE. IMPLEMENTATION OF H.R. 44 COULD EASILY FORCE EXISTING MARGINAL MILLS OUT OF BUSINESS. A SIMILAR BILL WAS PASSED IN IDAHO AND HAS CREATED POOR

RELATIONSHIPS BETWEEN MILLS AND LOGGERS AND HASN'T BEEN OPERATIONALLY REFINED YET. THIS FRICTION BETWEEN MILLS AND LOGGERS IN MONTANA DOESN'T EXIST TODAY, LET'S NOT ALLOW IT TO HAPPEN. BESIDES INCREASED FRICTION AND POOR ECONOMICS, IF H.B. 44 PASSES THERE WOULD BE A NEED TO KEEP TWO SETS OF BOOKS - ONE ON NET VOLUME TO PAY FOR STUMPAGE (F.S. AND STATE) AND ONE ON GROSS SCALE TO PAY LOGGERS.

HOUSE BILL 44 IS NOT NECESSARY AND ITS CHAMPION'S EXPERIENCE THAT THE PEOPLE WHO HAVE PROBLEMS WITH SCALE, CULL LOGS, AND DEFECT ARE USUALLY THOSE THAT MANUFACTURE POOR QUALITY LOGS ANYWAY. THE LOGGERS WHO DO A GOOD JOB OF LOGGING GET GOOD SCALE AND DO NOT HAVE THIS CONCERN.

THE OVERALL PROBLEM MAY BE UNIQUE TO  
A SPECIFIC MILL OR TWO IN THE STATE.  
THIS IS NOT A STATEWIDE ISSUE.





VISITORS' REGISTER  
BUSINESS AND LABOR COMMITTEE

BILL NO. HB 44

DATE January 6, 1987

SPONSOR Rep. Paul Rapp-Svrcek

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Robert Lamley	Missoula MT		X
Graig E. Thomas	Stevensville, MT.		X
MARK A. Simonich	Dillon MT.		X
Michael Mathisorn	Missoula, MT		
GARDI SANDERS	MISSOULA, MT		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.