

TESTIMONY BEFORE THE OREGON LEGISLATURE JOINT CARBON REDUCTION COMMITTEE

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Good Evening, CO-CHAIRS, SENATOR DEMBROW AND REPRESENTATIVE POWER, and Members of the Committee:

- My name is Clint Morrison, and I'm speaking for Behlen Mfg. Co. I've been the plant manager for our Baker City, Oregon plant for about 20 years now. Thank you for this opportunity comment on this proposed law.
- Behlen Mfg. Co. is a diversified, international, non-public company, established in 1936, and headquartered in Columbus, Nebraska. Behlen also has regional plants, sales and engineering offices in Omaha, Nebraska; Sarasota, Florida; McGregor, Texas; Boise, Idaho and Baker City, Oregon. In total, we have more than 900 employees.
- Established in 1996, our Baker City plant has 108 employees and is part of our "Behlen County" business unit. We manufacture products like steel gates, stock tanks and three-point equipment for farms, ranches and other agricultural operations. We supply products to nine western states, plus Canada, Alaska and Hawaii. We have three competitors in the western region, none of which have manufacturing facilities in Oregon. We have to keep our prices in line with similar products produced by our competitors, as well as products our customers purchase from China.
- Behlen Country ships products to over 4,000 retail stores in the United States. Behlen, as a whole, ships products into all 50 states and exports products, including grain bins, steel buildings and industrial machines to all regions of the world. Behlen is also a key supplier to renewable energy producers, supplying components for wind, solar and geothermal systems.

- Behlen continually demonstrates respect for the environment through innovative manufacturing processes and conservation. For example, in 1999 we removed a painting system, which had significant VOC emissions, from our Baker City facility and installed a powder coat paint system which has virtually no significant air emissions. Also, in Baker City, we have installed energy efficient T5 lighting system, which will next be changed to LED lighting to consume even less electricity.
- The energy we use in Baker City consists of electricity, natural gas and diesel for our trucks. Our operations emit far less than 25,000 metric tons of carbon and other greenhouse gases per year. But even so, the cap and trade program will be costly for us, especially through higher fuel prices.
- Last year our trucks travelled nearly 600,000 miles on Oregon roads, delivering raw materials and components to Baker City and distributing finished products to our customers. In 2018, we paid more than \$122,000 in Oregon mileage tax. As you may know, the mileage tax makes Oregon the most expensive state in the country for trucking. According to industry sources, Oregon would need a diesel tax of more than \$1 per gallon to generate revenue equivalent to that collected for the mileage tax. For comparison, state diesel taxes and fees in California total 87.35 cents per gallon, Washington is 49.4 cents per gallon, and the national average is 36.23 cents per gallon.
- Regionally, the cost of fuel in the western states is much higher than national averages. For example, during the third quarter of 2018 the national average cost of diesel fuel was \$3.24, whereas the average for the nine western states we serve was \$3.74. Because of this, our fuel costs were \$54,400 higher than the national average in that quarter alone. For all of 2018, the high cost of fuel in western states added nearly \$210,000 to our transportation costs.
- Based on the best information we have at this time, we understand the cap and trade program would initially add 20 cents to the cost of diesel fuel, beginning in 2021. And, we understand the cost of fuel would steadily increase to as much as 80 cents per gallon, or more, by 2050. An increase of 20 cents

per gallon would add approximately \$120,000 to our diesel fuel bill in 2021, an amount roughly equivalent to what we already pay in mileage tax.

- We also expect electricity and natural gas prices to rise by unknown amounts. The program introduces a lot of uncertainty to the business picture in Oregon.
- We are continually faced with cost increases of many kinds. On a national level, 2018 brought very significant price increases for the domestic steel we use to make our products. Due to market conditions we were not able to pass many of these increases on to our customers. As a result, business operations become more and more challenging.
- Similarly, we expect even more difficulty passing increased Oregon costs to our customers, since our competitors are not located in Oregon and will not be subject to the carbon program here. That means even more challenges will arise in operating a sustainable manufacturing facility in Oregon.
- Behlen understands the need to reduce carbon and other greenhouse gas emissions and we are committed to a clean environment. However, we are also deeply concerned about additional costs, especially in the near term, and the impact a cap and trade program would have on our ability to compete with manufacturers outside of Oregon, including those in China.
- According to the Oregon Employment Department website, Baker County had an unemployment rate of 5.3% in December of 2018, which is significantly higher than 4.1% unemployment in all of Oregon in the same month. Total nonfarm employment in Baker County was 5,450 jobs, which would include the 108 good-paying jobs we provide to our workers and their families.
- While we would not be considered a “regulated entity” due to our low carbon emissions, the proposed program will certainly affect our costs, our employees and their families in a significant way. We believe you should design a program that recognizes and grants credit for the high costs we already pay in the form of Oregon highway tax. If costs continue to rise without any relief, our Baker City plant may become unsustainable from an operating standpoint, which would not benefit Eastern

Oregon, our company and employees in Baker City and their families who count on us to make good decisions every day.

- Again, thank you for this opportunity. Have a good evening.

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Notes:

(1) The nine western states served by Behlen's Baker City plant are: AZ, CA, ID, MT, NM, NV, OR, UT and WA.

(2) "To illustrate how much more the weight-mile tax costs trucking compared with a diesel tax, Russell said Oregon would need a diesel tax topping \$1 a gallon to generate revenue equivalent to the 16.92-cent-a-mile tax on an 80,000-pound, 5-axle truck." <https://www.ttnews.com/articles/oregons-weight-mile-tax-increase-oct-1-average-245>

(3) Source for WA, CA and national average diesel taxes and fees: <https://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes/diesel-tax>