

VICTOR ATIYEH

June 23, 1993

Tape 40, Side 2

C.H.: This is an interview with Governor Victor Atiyeh at his office in downtown Portland, Oregon. The interviewer for the Oregon Historical Society is Clark Hansen. The date is June 28, 1993, and this is Tape 40, Side 2.

We were talking about the special session of July 30th, 1984, and you wanted to begin by talking about NEC.

V.A.: Yeah. NEC was the first company to announce building a plant in Oregon, and they were particularly known because they had done this before we repealed the unitary system of taxation.

Now, it should be noted that the Japanese had companies here for many, many years, and we had even the Bank of Tokyo here. This is all prior to when we start talking about NEC and Fujitsu and some of the other companies, Epson. But the difference here was here was a company that came in, made a capital investment, actually developed a business and hired people. The companies that had been here were trading companies, mostly buying wheat and buying logs and lumber, and so they were trading companies. They had their offices, and that was it.

But here was a company coming in to build a plant and hire Oregonians. And the reason I made particular note of NEC, there was a real push in on in Japan for states that had the unitary system of taxation to get rid of it, and although there may even have been some kind of an unspoken deal that "we're not going to do business with those states," to sort of apply pressure.

But NEC, and they're a very large company in Japan, they broke from that. So I consider that - you know, knowing Japan and how they operate, that that was quite a thing, for a major company to

break from that. We spent a lot of time with them. They spent a lot of time with the Department of Revenue, and they knew that I was going to try to get rid of the unitary system of taxes, but I had not yet done it. And so this still was an undefined future. So we were trying to show them how they could organize to at least for three, four years, maybe, to avoid the possibility of a unitary system of taxation.

And so I really am very happy about that whole thing, and I always like to mention that specifically, because I call them our pioneers. They're the ones that really did it. And when a big company like that announces for a state like Oregon, all that whole business community says, "Oregon? Let's find out about Oregon." So that was quite a signal event.

After that, and we'll get into it, we had other companies announce: Fujitsu, ~~America Macro Electronic~~ ^{FUJITSU MICROELECTRONICS}, and then Epson, ~~Sego~~ ^{SEIKO} Epson.

C.H.: But you called the special session, didn't you, in 1984?

V.A.: Yes.

C.H.: For that purpose?

V.A.: For that purpose.

C.H.: What kind of effort did you make to prepare yourself for that session?

V.A.: Well, of course we talked about earlier specifically how I wanted to do that. We discussed that, and I took a period of time. In the meantime there was a lot of public news about the unitary system of taxation. A lot of people didn't know what it was all about, but they knew it wasn't good in terms of economic development. So there was a lot of external - the media said it ought to happen, you know, and there was different people that talked about it was not good, we ought to get rid of it. So there

was kind of an external preparation out there, and I mentioned to you about ~~Maurita~~^{MORITA} with his press conference, and I said, "Just keep it up. You're doing just fine."

So all of that. Then I said, "Okay, I've got this bill all figured out, and I want to call you to get rid of the unitary system of tax." That basically fundamentally was it.

So it didn't come as a total mystery, you know. Already they understood - they may not have known exactly what it was, I'm talking about the legislators now, but they also knew it wasn't good and it has something to do with economic development.

That was the advantage I had. I mentioned to you before that with knowledge I called a special session rather than wait till the regular session. Well, one of course was the reason I mentioned, I wanted to make sure we got rid of it so that the report that ~~Maurita~~^{MORITA} was going to publish indicated that. And beyond that, I didn't want to mix it up with the budget or anything else. I wanted them just to look at that subject. And I also knew they were running for office, and I knew they had to be for economic development even if they didn't understand what that meant. So there was sort of a little connivery going on in my mind.

C.H.: Did you work with legislators prior to the special session to try to build a consensus?

V.A.: Well, basically with leadership. I don't really meet with all of the legislators, but you meet with the President and the Speaker and meet with the Republican leaders, and have to get agreement on limiting the session. I think we talked earlier that once you call a special session, you're in session. Anything. It's just like any other session. So unless there's some agreement of controlling what's going to happen, you know, you run a danger of a whole lot of things happening. And so you get that kind of an

agreement. You review with them what it is you're doing and how you're doing it, and they convey to their caucuses.

C.H.: Well, speaking of taxes during this time, the legislature also voted to give a one-year tax break to Washington residents who work in Oregon. Apparently under a 1983 law the household income, including Washington income, was used to determine the tax bracket for paying taxes on Oregon income, and in the past only Oregon income was used to determine tax brackets.

V.A.: That was one of those contentious things between Oregon and Washington. Particularly Clark County, but not necessarily just Clark County - theirs is the most population - but the border cities and counties to Oregon. And they were working in Oregon. It was convenient, just like it is for people in Vancouver to come over here, but we were taxing them at a higher rate than we were Oregonians.

And so we didn't accomplish that during our regular session, and they were very upset. And I had promised Governor Spellman that the first time we had a session - and at that point when I first talked to him about it, didn't know exactly when - that I would deal with that subject. And I kept my promise.

And again, the Speaker and the President and the Republican leaders were aware of this subject. They knew about it, so that was not something new, either. So we got rid of it. In other words, we put them on the same level with the Oregonians.

C.H.: Was there much of a fight against that?

V.A.: No, not really.

C.H.: As far as the special session goes, aside from the unitary tax, were there any other topics?

V.A.: No. You know, everybody's got an idea they want to do something, but that's just meeting with leadership. They create a Rules Committee, and that just takes care of it. And then the

Revenue Committee that deals with the subject that we called them for.

C.H.: Another thing that happened during that same time which affected Oregon directly was the Washington Public Power Supply System disaster, the larger municipal bond failure in American history. Could you give me a little background on that, what happened and how it was going to affect Oregon?

V.A.: Well, in direct effect for Oregon, I suppose it would have been an effect somewhere out there in the future. But the Washington Public Power Supply System, WPPSS, I never did quite really understand. They were going to build five nuclear power plants, and I'm saying - remember, we had this discussion - you know, "There's not going to be another nuclear plant." How were they embarking on this huge project? Not one, but five. I found that quite inconceivable that they were doing that.

And in Washington there's public utility districts, PUD's. They use both terms, Public and People's. And they had this consortium, and they were going to build these power plants. The only effect that might have been, obviously if they had had five nuclear power plants they were going to have power to sell, and there would be an excess of power, and Oregon might benefit by - you know, they're on the intertie like everybody else, and there would be plenty of power around for Washington and Oregon and who knows who else? With them not there, obviously that gets us back to what we call a normal supply of power.

Outside of that, except for the investors, whoever they may have been, and I'm sure there were some Oregonians, that would have been a major effect - or non-effect because we didn't have it. But I could never figure it out.

I went over there one time, saw some partially built, one almost built, a lot of cement, pipe and wire. But as we know, it

never happened. And that was well known all over the United States. I have a cousin of mine that - her husband is a lawyer in Pennsylvania, in Philadelphia. He knew; he was asking me about WPPSS. So it was pretty well known all around. But how they even conceived of that, I don't know.

C.H.: There were a lot of tragic stories about people who invested their entire retirement savings and whatnot into those plants.

V.A.: Yeah.

C.H.: But the people that would pay for it immediately would be the ratepayers; isn't that right? They'd have to come up with that - how many billions of dollars? Twenty?

V.A.: I don't know, but a lot.

C.H.: And you were generally favorable to a special committee's recommendation to spread that cost of the two abandoned plants among all Northwest ratepayers?

V.A.: Well, to the extent that that would have taken care of the bondholders and would have meant very little to everybody - I mean, each of us. So it sort of made sense.

C.H.: But it came to a 30-year surcharge, didn't it?

V.A.: Yes.

C.H.: So I presume we're still paying for it.

V.A.: Well, I'm not sure how much we're paying for it, meaning us ratepayers. I think the ones that really paid for it are the bondholders that never got their money.

C.H.: You said at the time that the investor-owned PGE company and PP&L could logically question why their customers should help pay for the abandoned WPPSS plants when the utilities were denied relief for their investments in the terminated Pebble Springs nuclear project in Eastern Oregon.

V.A.: Yeah. It's just a matter of being fair.

C.H.: And so you didn't feel that it was fair for them to do it the way they did?

V.A.: No, but you know, all you can do is express yourself.

C.H.: Yeah. In April of 1984 you requested wilderness designation for a roadless area in the Willamette National Forest used by your family for a long time previous to that for gold mining and recreation. That was the Opal Creek area, 50 miles east of Salem. We may have talked a little bit about this, but it was near the hidden wilderness proposed by Senator Hatfield's Oregon Wilderness Bill. What could you tell me about that?

V.A.: Well, first I'm a little curious. I made sure that I really never directly got involved in that. My nephew, George, has been out there, and he's the one that - well, you even read about him today. And he would come to me, and I'd say, "George, I don't want to get directly involved in this."

That was a mine that my father-in-law owned.

C.H.: Was that the Shining Rock Mine?

V.A.: Well, it wasn't called Shining Rock. He had a lot of different names. He had different companies. He went up there in 1929, that is, my father-in-law, and in the latter years of his life, both he and my mother-in-law lived up there full time.

There were some that were old mines that he rediscovered. Some were tunnels that had been there. They'd been mining up there for a long, long time. A long time. Basically there was gold, silver, lead, copper. And I'm sure there was some in there, and I would go in some tunnels, some of the old tunnels, and I really wouldn't mind it too much as long as I could see daylight. But once you took the first turn, I was - this was never really one of my big deals, going in these tunnels. And we had those smelly carbide lights to go in there. There wasn't a great deal of interest as there is today.

As a matter of fact, in the long history of it my father-in-law at one time had a sawmill up there. I never saw the mill; it was disintegrated and gone by the time I started going up there, which was 19 - oh, I think '44. I got married in '44. And they also had an ore mill up there, and that had - by the time I got there was pretty well fallen down.

Anyway, he had - I'm trying to remember now - I think 163 claims, and you'd go out and you'd stake a claim, and I've forgotten how big they are, but a claim is a certain size. And although this was public land, you didn't have surface rights, meaning trees, mainly, but you did have the mineral rights. That was permissible and still is today.

And so he had all these tunnels, and he had - oh, I don't know how many different companies. But Shining Rock is the latter-day name. That's something somebody else applied to it.

And as he was growing older, my mother-in-law died, and I'd go up there, and I'd help him - he had a flume line to bring water into camp and to run the belt wheel for the electricity, and we'd have to patch up with tin cans the flume line. And I'd do a little bit, but I'd go there, and I'd go fishing, and I'd shoot my muzzle-loaders and just have a nice vacation up there.

Anyway, it just got to be quite a burden - I mean, for me. My father-in-law was getting older, and I was really kind of managing whatever expenses - he was getting Social Security.

Anyway, I sat him down one day, and I said, "Okay, now, I want to go through this whole thing and put it on a piece of paper. Which company has which claims?" And he'd made deals with some other people, and they would have some of the mineral rights, and he was going to apply for patents, and then you could own the surface, which would be trees. And who had what piece of what, which probably was the best thing I ever did because he did pass

away, and everything was in his name. You know, we had to finally put it on paper. So there was the Santiam Mining Company and Pacific Smelting & Refining Company - and I've forgotten the names. And they would have Bull Moose No. 1 and Blue Jay and, you know, all that sort of thing. Anyway, I put it on a piece of paper.

Then he passed away. You could retain those claims by doing assessment work. In those days you didn't necessarily have to do - it was supposed to be \$100 a claim. You didn't have to do it on each claim; you could do \$200 on one claim and nothing on another, just so it comes out that way. And there was some monkeying around with that whole thing, and I was fooling around with it. And finally I was getting tired of it, and you know, it was just something I didn't - wasn't that interested in it. The reason I think it never produced - it was there, I'm sure it was all there, but there wasn't really enough that would pay to take it out, the price wasn't high enough so anybody could make a profit on it. I think that's probably why it never happened.

And all of a sudden these folks from Hawaii came, and they were interested in buying it. Now, what they were really buying - they weren't buying much - they weren't buying anything, really. I was at the point I was just going to unlock the gate and throw the key away and forget it. But if I abandoned it, then someone would have to come back and re-stake the claims, 160 claims. If I sold it, they didn't have to do that. So we sold it. I don't know, \$100,000 or something for everything. But that's like finding money in the street as far as I was concerned. And my wife got a third, and she has two sisters, and they got a third. And out of that came the Shining Rock Mining Company.

And then as time moves along, they were going to log Opal Creek timber, and George gets into saving Opal Creek. Opal Creeks is one of the creeks that come down right near the main house -

about, oh, maybe two blocks away. And another creek comes down; I keep forgetting what that other one is - but where they join, that is the beginning of the little north fork of the Santiam River. Wonderful, beautiful country up there. And I've been fishing up there, and I go up to Opal Creek, and it's really wonderful. Really very nice.

Anyway, save Opal Creek, and now I think the Nature Conservancy was going to take it. Some of it's already been given - not to Nature Conservancy, to somebody else. And then I read in the paper where they're giving some of it back to the government. Some claims were patented right there at camp. But that's it.

But I didn't - you said earlier that I was proposing. I tried to stay out of that whole thing because my wife and my family - I mean, my wife's family, they were all involved, and I just shouldn't be a party to anything that goes on. So I said, "George, I'm going to stay out of it."

C.H.: But George was trying to get you involved in it?

V.A.: Yes.

C.H.: Was that difficult to ...

V.A.: No, I just told him, "George, I just don't think it's proper for me to get involved, and I'm not going to get involved with it. He kept trying to get me involved with it, and I said, "No, George, I'm not going to do that."

So you know, somebody might think this is some kind of a - you know, it had all the smell of a potential scandal, and I didn't want to have anything to do with it. My wife would have been very, very sad about it. She wasn't - you know, as she grew up and her father was always selling shares of this and that - anyway, she didn't have particularly good feelings about the whole thing.

C.H.: Where does it stand today, Opal Creek and the mines?

V.A.: Well, there's a lot of people that go up there. I think they even charge people to stay overnight. The main house burned down, and they rebuilt a real fancy main house up there. I've been there just once since we sold it, and it was after the main house burned down and they built a new one, and I stayed there overnight just once since we did sell it.

I'm not exactly sure - somebody wrote a book on the subject, and it's been recently published - but some of it's back to the government. Maybe the camp and the surrounding area they're ultimately working towards the Nature Conservancy owning it. I'm not sure, but I think that's pretty much it. It was a gift to these Hawaiian people, ~~Twigsmith~~^{TWIGSMITH}. Twigsmith was the owner of the *Honolulu Advertiser*, and Twigsmith is one of the old families of Hawaii, one of those religious families that did well by doing good. And they owned that. They created [indiscernible] corporation or foundation or something, which I guess they were using - not directly corporate money, but profits. But anyway, that's the thing they were doing.

They bought a ski area over in New Hampshire or Connecticut or something, but the brothers Twigsmith, and I think they're pretty well out of it, I think, by gift or whatever they're out of it. But they're the ones that acquired it.

C.H.: Well, in reference to Hatfield's wilderness bill, that was the center of a bitter political fight between Senator Hatfield and Senator James McClure of Idaho, also a Republican, who was the Energy Committee Chairman at the time. And McClure had stalled Hatfield's bill in committee because he wanted Hatfield's bill to follow his own Idaho Wilderness Bill on the release issue. That bill would prevent further wilderness studies by the Forest Service until the next century.

Were you involved in that issue at all?

V.A.: No.

Incidentally, as an aside, you mentioned *Willamette Week*. There was some freelance writer, and he was going to write about the mine, and he came to interview me. And he looked like one of these exposé kind of writers. But we answered his questions, and he was freelance. But after working I think a year or longer he was trying to find some scandal, is really what he was looking for, and finished his article, and I understand, although I wasn't close to it, that after all that period of time the *Willamette Week* looked at it and figured it was a non-story. And it really was a non-story. He was just trying to make something that just wasn't there. So whatever his story was and the year he spent on it, he got nothing out of it.

C.H.: But you do want 9,000 acres of the Opal Creek area set aside?

V.A.: When you asked me that question, I never formally made a statement. I stayed out of it. I always wondered how they could harvest that and replant it - having been up that Opal Creek Canyon, it's pretty steep, and I just - that would have been my druthers, to have it not be harvested.

C.H.: It was to be added to a wilderness ...

V.A.: Yeah. It never did get quite to that point, but added to a wilderness, or some provision that it would not be harvested. And that would have been my druthers, but I never took a position on it; by that I mean public position. Nor did even George know that's exactly how I felt about it. It was just that if there was some way to not harvest that, it would have been okay with me.

C.H.: I think you referred to it as being a visual thing for you?

V.A.: Yeah. I knew it intimately. As a matter of fact one time my father-in-law, one of the fellows that worked for him and

a close friend of mine and I, four of us went up and we were going to hike to Opal Lake, and actually lost the trail and spent a night up in the hills and hit the lake ^{the next} ~~that~~ day, the next morning. We got down there, and they were fishing that lake; that's what we were heading for. But this was about Labor Day, and that lake had been just been sitting there getting warm. We soon discovered that was not a very good deal. So instead of going back - you had to go back a very high bluff to get back to the trail - we decided we were going to walk down Opal Creek because we knew that went into camp. We left 11 o'clock in the morning, and we finally got back to camp at 8 o'clock that night. Let me tell you, I know that canyon very well. It's a rough canyon.

[End of Tape 40, Side 2]