

Maine Sawmills: Recommendations to Strengthen Maine's Competitive Position

Executive Summary of Report to Governor Paul LePage

Thanks!

We appreciate your efforts to:

- Streamline regulations.
- Lower tax rates.
- Reform LURC.
- Support a forest products position at DECD.
- Discuss with us ways to improve conditions for Maine's forest products industry.

Energy

Short-term recommendations:

1. Continue aggressive efforts to import cheaper hydroelectric power and to supply natural gas to strategic forest industry clusters.
2. Establish a manufacturing representative on the Public Utilities Commission (PUC).
3. Renew Pine Tree Zone energy credits (expires 2012), but modify PTZ and Efficiency Maine benefits to support sawmill and other manufacturing investments that modernize a facility.
4. Tie northern Maine to the ISO New England Grid. Maine Public Service rates currently at 13.2¢-14.5¢/kwh are under review for a 12 percent increase with the PUC. This will threaten current sawmill operations in the region.

Long-term recommendations:

1. Consider allowing Transmission Utilities to reenter customer-cited generation on a regulated basis with wood manufacturing facilities and other commercial businesses interested in Combined Heat and Power Generation projects. Current franchise agreements and a legislated singular focus on transmission costs are a disincentive to establishing creative CHP projects to lower sawmill energy costs and allow power transmission to multiple wood processing facilities.
2. DECD should participate in a 14 MW sawmill, chip

plant and energy park pilot study in Portage. This public/private effort could evaluate regulatory and policy constraints for establishing a model for mid-sized energy campuses for wood manufacturers.

Transportation

Short-term recommendations:

1. Focus on a North-South rail strategy.
2. Avoid fee increase on the Maine Turnpike.

Long-term recommendations:

1. Develop rail service in Maine so that movement of raw materials and finished products is competitive with Canadian provinces, which have access to efficient and economical rail transportation from Nova Scotia to Quebec (looping over the top of Maine).
 - DECD should work with mills and landowners to market this opportunity to the rail industry. It may be possible to assess the economics of spur lines into more remote forested areas.
 - Develop regional intermodal container capabilities along with expanded regional container port capabilities (Portland, Searsport) to build value-added wood product markets.
2. Develop a comprehensive transportation strategy for all of Maine's manufacturing businesses.

Wood supply

Short-term recommendations:

1. Eliminate unnecessary state regulations impacting bonded labor where it has been demonstrated that qualified and willing U.S. workers are not interested in relocating. (Some sawmills are not affected by this labor constraint).
2. Establish equipment loan guarantees for contractors and improve access to capital.
3. Increase harvests on public lands and state parks to silviculturally justified levels.

4. Focus efforts in southern Maine to promote private woodlot management. The decreased levels of development in southern Maine have severely limited cleared land wood supplies.
 - Ensure compliance of participants in the Tree Growth tax law (2 million acres).
 - Develop effective education and outreach strategies to non Tree Growth landowners, town forests and land trusts (5 million acres) through the MFS Wood Wise Program, SWOAM, the American Tree Farm System and the industry.

Labor

1. Reorganize the state social welfare and unemployment system so that people are encouraged to work. Enable the newly employed to keep certain benefits, such as Medicaid, to bridge the gap until employer coverage begins, thereby removing incentives not to work.
2. Support and encourage training for people interested in the forest products industry for both harvesting and manufacturing positions.

Public policy

Short-term recommendations:

1. Continue to lower Maine's corporate income tax rate as part of a broader tax reform policy
2. Protect the net operating loss carry forward tax option. Sawmills are significantly affected by this provision because of the cyclic nature of the business.
3. The Governor should speak out against a National Park or a feasibility study. Investments in Maine are dependant on a strong sense of stability in wood supply and commitment to the forest industry.
4. DECD should actively advocate for the forest economy industry in the Legislature.

Long-term recommendation:

1. Redesign delivery of Economic Development services (DECD).
 - Establish a focus on the forest industry sector

and obtain in-house expertise. The concept is to build a service oriented organization that can help industry with regulatory and financial assistance.

- Advocate for the industry in the Legislature.
 - Establish benchmarking capabilities to establish strengths and weaknesses with other states and Canadian provinces.
 - Adopt a pilot project to build an energy business park in northern Maine to inform government officials about the public policy and regulatory barriers to innovative business development.
 - Recognize that current assistance programs focus on job creation, but the sawmill industry has focused on job retention and increased production efficiencies. Programs should recognize job multiplier effect on communities.
 - Provide more industry support in wood supply and market analysis (*Maine Forest Service*).
2. Focus Maine's Department of Education on providing a natural resources curriculum for primary schools that promotes Maine's role in forest ecology and economy.