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**A STUDY FOR THE  
MAINE PORT AUTHORITY**

**To Determine a Location and Feasibility  
Of an Industrial Foreign Trade Zone  
On the Coast of Maine**

Submitted to the Maine Port Authority by Esco Research, Inc.  
Portland, Maine — December 1968

Pursuant to legislation incorporated in Chapter 161, P & S Law,  
introduced in the 103rd legislative session by Representative Herman  
D. Sahagian, passed and signed by the Governor on July 5, 1967.

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**Published  
January 17, 1969**

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**January 17, 1969**

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**142 Free St.,      Portland, Maine 04101**

December 31, 1968

Board of Directors  
Maine Port Authority  
Maine State Pier  
Portland, Maine

Gentlemen:

ESCO, Inc., was pleased to be given the assignment of conducting the study concerning an economic survey to establish an industrial foreign trade zone. In our proposal to the Maine Port Authority dated July 1, 1968, in order to carry out the objectives of the Bill, we submitted a broad outline to you as to the timing and coverage of our study.

In early 1968, during the first phase of our study, the Governor announced a proposal of establishing a foreign trade zone in Machiasport, Maine, that Occidental Petroleum would be the first tenant, and that an application would be submitted by the Maine Port Authority in behalf of the State to the Foreign Trade Zones Board. Because of this development, it was necessary for ESCO working with the Maine Port Authority and the Governor's staff to adjust its original proposal.

During the succeeding months, it was necessary to direct our attention to matters as they related to the processing of the application and the preparation of the hearings that were scheduled in Portland, Maine, on October 9, 10 and 11. As we developed in this area, the change was made in the original announcement that the Zone would be in Machiasport to the announcement that a primary zone would now be sought in Portland and a sub-zone in Machiasport. Once again this resulted in a change in our approach to the study and consultations were held with the Port Authority and State officials and the necessary adjustments made in our work.

ESCO now submits its report to the Maine Port Authority. In doing so, we wish to highly compliment Representative Herman D. Sahagian in sponsoring the Bill before the 103rd Legislature that provided the necessary funds for this study. We wish also to express our thanks to Edward Langlois, General Manager of the Maine Port Authority, for his understanding and assistance during the course of the study.

Respectfully submitted,

Harry J. Waters, Ph.D.  
Director of Research  
Esco Research, Inc.

**ESCO RESEARCH, INCORPORATED**  
**Portland, Maine**

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## Chapter 1

### SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

On the basis of the study conducted by Esco Research, Inc., of Portland, Maine, as described on the following pages, it is concluded that the development of an Industrial Foreign Trade Zone on the coast of Maine is feasible, and that Portland is the most satisfactory location for a General Foreign Trade Zone, with one or more Sub-Zones at Machiasport and possibly Searsport.

All three of these locations have sufficiently deep waters in their approach channels and harbor areas to meet the needs of today's cargo and tanker vessels in common use to and from Maine.

All three locations are close to protected anchorages of very deep water, providing navigation depth up to 90 or more feet, adequate for the largest tankers now contemplated for the future.

All three locations have adequate rail facilities for the transfer of inland freight to and from the trade zone areas.

All three locations have land available for trade zone needs of the types contemplated and meet the other criteria which must be considered in a feasibility study.

The three locations differ in their present economic values, but all three would be enhanced by the existence of a General Foreign Trade Zone.

**Portland**, as Dr. Ziegenbein pointed out in his 1966 study which is discussed in greater length in Chapter 3, has a number of present values that would be further developed if a General Foreign Trade Zone were established at a location which is already available. Such development would provide further stimulus to the use of existing bonded warehouses in the Portland area, in addition to the use of the Zone itself as a specialized kind of bonded warehouse.

Two important categories of general cargo materials now imported through Portland include (1) materials used in the production of paper and similar products, and (2) hides used by the shoe and leather industries. Some firms using imports in either of these categories would be economically benefited if a Foreign Trade Zone were available, for materials could be stored without payment of duty until needed, or they might be processed into a form which would permit the payment of a smaller duty or reduce land transportation costs.

The recent development of electrical and electronic manufacturing in southern Maine indicates other benefits a Foreign Trade Zone might bring to Portland. Two of the largest industrial employers in the Portland area exemplify the types of concerns which might use a Foreign

Trade Zone for the assembly of components, some imported and some locally manufactured, into electrical devices and other types of machinery which might then be re-exported or imported into the United States as sales developed. Portland is today the largest population center in Maine, and it already has the most diversified economic base. Further diversification, as suggested above, together with greater volume and variety of foreign trade through the Port of Portland might be a by-product of the Zone.

**Searsport** also possesses a variety of economic values which cannot be overlooked. These include the numerous paper manufacturers in Northern Maine and the potato and sugar beet agriculturally based industries of Aroostook County. Searsport is a rail freight terminus of the Bangor and Aroostook Railroad, providing direct access by one rail freight carrier to points north of Bangor. It is the only one of these three locations with this advantage, and it also offers good rail freight transfer to the industries served by the Maine Central Railroad in central and eastern Maine. In volume and variety Searsport is estimated to be as important a general cargo port as Portland, despite the smaller population base of Bangor and its vicinity.

**Machiasport** offers many advantages which are not yet exploited. There is no present economic base to attract general cargo vessels, although Machiasport has natural deep-water harbor facilities. For this reason, neither Machiasport or any of the other ports along the coast of Washington County possesses an economic foundation for a General Trade Zone. On the other hand, Machiasport can easily be developed into an important Sub-Zone port of the type already developed in prototype in Puerto Rico.

In addition to its deep harbor, deep enough for the largest tankers of the foreseeable future, Machiasport possesses land facilities available for industrial construction, main-line rail facilities of the Maine Central Railroad, and easily accessible supplies of fresh water for industrial processing.

Although Machiasport is recommended only as a specialized Sub-Zone under current economic conditions, many students of international trade with Canada forecast the eventual use of roll-on, roll-off small vessels to ferry products by the truckload to and from New Brunswick, Nova Scotia, and Maine. If such a development occurs, existence of General Trade Zone facilities at Machiasport would greatly aid this localized international trade, to the benefit of both countries. For the present, however, Machiasport will be considered only as a desirable site for a Sub-Zone, or a branch activity of the General Foreign Trade Zone at Portland.

## Chapter 2

### **HISTORIC BACKGROUND AND AUTHORIZATION FOR THIS STUDY**

For several years the General Manager and the Directors of the Maine Port Authority have been interested in the possibility of Industrial Foreign Trade Zone development on the Maine coast and have been studying the development of such zones in other parts of the nation.

In the 101st legislative session of 1963, Representative Edwin Maddox of Vinalhaven introduced the first bill that provided enabling legislation for the Port Authority to make legal application to the Department of Commerce for a foreign trade zone.

**Legislative Document**

**No. 1417**

H. P. 978

House of Representatives, February 21, 1963

Referred to Committee on Industrial and Recreational Development.  
Sent up for concurrence and ordered printed.

HARVEY R. PEASE, Clerk

Presented by Mr. Maddox of Vinalhaven.

### **STATE OF MAINE**

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SIXTY-THREE

**AN ACT Authorizing the Maine Port Authority to Establish Foreign  
Trade Zones in Maine.**

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. P. & S. L., 1929, c. 114, § 1, sub-§ (e), additional. Section 1 of chapter 114 of the private and special laws of 1929, as amended, is further amended by adding a new subsection (e), to read as follows:  
(e) Foreign trade zones. The Maine Port Authority is authorized to make application to the Secretary of Commerce of the United States for the purpose of establishing, operating and maintaining foreign trade zones in said State of Maine, under the Act of Congress providing for the establishment, operation and maintenance of foreign trade zones in ports of entry of the United States, to expedite and encourage foreign commerce.

Said port authority shall select and describe the location of the zone or zones for which application to establish may be made and to make such rules and regulations concerning the operation, maintenance and policing of same as may be necessary to comply with the Act of Congress creating said foreign trade zones, or as may be necessary to comply with such rules and regulations, made in accordance with the Act of Congress, relating to foreign trade zones. Said port authority shall have full power and authority to lease the right and erect, maintain and operate any structures or buildings or enclosures as may be necessary or proper for

the establishing and operating any such foreign trade zones that might be established in the State of Maine under and by virtue of said Act of Congress.

The authority granted to said Maine Port Authority confers the right and duty to do all things necessary and proper to carry into effect the establishing, maintaining and operating of foreign trade zones within the State of Maine to comply in full with said Act of Congress, and all regulations that are made thereunder.

The Maine Port Authority shall have the power and the duty to establish an area in and around the ports, harbors and navigable tidal rivers of the State of Maine, wherein personal property in transit shall be exempt from the stock-in-trade tax and such other taxes and customs as are normally levied in a port of entry. For the purpose of this section personal property in transit through the areas established by the port authority is defined as follows: Goods, wares and merchandise which is moving in interstate or international commerce through such areas, as which was consigned to a warehouse, public or private, within the State, from outside the State of Maine whether specified when transportation begins or afterward. Such property shall not be deprived of exemption because while in the warehouse the property is assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled or repackaged. The exemption granted shall be liberally construed to effect the purposes of this act. The warehouse in which said goods, wares or merchandise are stored shall not be owned, in whole or in part, by either the consignee or consignor.'

Much attention was given to the matter by the Maine Port Authority and the State of Maine development officials, but the complexity of the situation was such that it was decided an appropriation would be needed to implement a study to determine whether such a Zone would be feasible, and if so, where it should be located.

### **Authorization for This Study**

Representative Herman D. Sahagian of Belgrade accordingly introduced a bill in the 103rd legislative session.

**Legislative Document**

**No. 1495**

H. P. 1029

House of Representatives, March 8, 1967

Referred to Committee on State Government. Sent up for concurrence and ordered printed.

BERTHA W. JOHNSON, Clerk

Presented by Mr. Sahagian of Belgrade.

**STATE OF MAINE**

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SIXTY-SEVEN

**AN ACT to Provide for an Economic Survey to Establish an Industrial  
Foreign Trade Zone.**

Be it enacted by the People of the State of Maine, as follows:

**Appropriation.** There is appropriated to the Maine Port Authority from the Unappropriated Surplus of the General Fund the sum of \$25,000 for the purpose of implementing a study to determine a location and feasibility of an industrial foreign trade zone on the coast of Maine. The study shall be coordinated with the State Comprehensive Economic Planning Office. Any unexpended balances shall not lapse until the purposes of this Act have been accomplished.

#### STATEMENT OF FACTS

To implement chapter 178 of the private and special laws of 1963 "An Act Authorizing the Maine Port Authority to Establish a Foreign Trade Zone in Maine" an economic survey for the proposed zone or zones must be made to the Federal Free Trade Zone Board. The economic survey must demonstrate that the anticipated commerce benefits and returns, both direct and indirect, will justify its construction to expedite and encourage foreign commerce.

A foreign trade zone is an isolated, enclosed and policed area, in or adjacent to a port of entry, operated as a public utility by a public or private corporation, and furnished with facilities for loading, unloading, handling, storing, manipulating, manufacturing and exhibiting goods and for reshipping them by land, water or air.

Foreign and domestic materials, components, and merchandise unless prohibited by law, may be brought into a zone without being subject to United States Customs laws that govern the entry of goods or the payment of duty thereon and subject to the Foreign Trade Zone Act, may be manufactured, processed, packaged, sold, exhibited, assembled, manipulated, packed, marketed, graded, broken-up, stored, consumed, repacked, labeled, destroyed and cleaned.

The materials, compounds and merchandise may be exported, imported or transshipped in the original package or otherwise. Foreign articles sent from a zone into U. S. Customs territory are subject to laws and regulations affecting imported merchandise. There is no capital outlay for duties on foreign articles reshipped abroad from a zone.

The bill, passed and signed by the Governor of Maine on July 5, 1967, is incorporated in Chapter 161, P & S Law, and is entitled "An Act to Provide for an Economic Survey to Establish an Industrial Foreign Trade Zone." The Act became effective October 7, 1967.

The Act is worded as follows: "**Appropriation.** There is appropriated to the Maine Port Authority from the Unappropriated Surplus of the General Fund the sum of \$7,500 for the purpose of implementing a study to determine a location and feasibility of an industrial foreign trade zone on the coast of Maine. The study shall be coordinated with the State Comprehensive Economic Planning Office. Any unexpended balances shall not lapse until the purposes of this Act have been accomplished."

### **Request to Esco Research, Inc.**

Mr. Edward Langlois, General Manager of the Maine Port Authority, who had the responsibility to see that the economic survey, as defined above, should be accomplished, requested Esco Research, Inc., of Portland, Maine, a non-profit research organization and an equal opportunity employer, to submit a proposal to undertake a preparatory study, to be completed on or before August 1, 1968, to provide him with specific recommendations as to the feasibility and location of an industrial foreign trade zone on the coast of Maine.

A proposal to this effect was accordingly submitted by Esco Research, Inc., with a budgeted cost totaling \$6,875. The proposal, made on November 17, 1967, was subsequently accepted by the Maine Port Authority, and research activities were commenced in January 1968.

### **Initial Research Objectives and Procedure**

The original objectives were to determine whether an industrial foreign trade zone on the coast of Maine would be feasible and, if so, where it should best be located.

Accordingly, during the months of January, February, and March 1968, the following procedure was carried out:

1. A meeting was held with Mr. Langlois and the Esco Research team at the University of Maine in Portland to discuss the general organization of procedure to be followed in the study.
2. A meeting was held at Camden, Maine, with Dr. John Frederick, special consultant to the researchers on this project, to discuss preliminary considerations concerning the Foreign Trade Zone study.
3. A member of the research team spent three days in Washington, D.C., to meet with Mr. Lake, Executive Secretary of the Foreign Trade Zone Board, Mr. Marsden of the Maritime Administration, and Mr. Hal Short, consultant and director of research on the Michigan study.
4. Secondary source material was collected from various governmental and other sources; this information was reviewed and pertinent points summarized.
5. Requests were mailed, asking for additional secondary source material, in an effort to collect and review all essential background material available concerning Foreign Trade Zones in ports in the United States.
6. Various field interviews were conducted and the information received was organized, summarized, and collated with pertinent secondary source materials.

7. A member of the research team had a special exploratory session with members of the firm of A. D. Little of Cambridge, Massachusetts.

8. A study prepared in draft form for initial presentation to the Department of Defense, Office of Economic Adjustment, by Assistant Professor Don Ziegenbein of the University of Maine in Orono, entitled "Bangor Area, Air-oriented Foreign Trade Zone Feasibility Study," was carefully reviewed.

9. Data concerning port facilities, possible protected anchorage areas for deep-draft shipping, rail-freight facilities at various locations, and other similar matters which would affect the feasibility of Foreign Trade Zone location were collected and analysis started.

#### **Modifications Introduced by the Occidental Petroleum Proposal for Machiasport**

In early 1968, during the first phase of the study by Esco Research, Inc., the Governor announced a proposal of the establishment of a Foreign Trade Zone at Machiasport, that Occidental Petroleum would be the first tenant, and that an application would be submitted by the Maine Port Authority in behalf of the State to the Foreign Trade Zones Board. Because of this development it was necessary for Esco Research, Inc., working in cooperation with the Maine Port Authority and the Governor's staff, to adjust its originally planned procedure.

The Esco Research Team was just entering the phase of their study which had to do with identification of firms which might benefit from the use of a free port on the coast of Maine. The characteristics of firms and industries utilizing established Foreign Trade Zones were being analyzed, and a questionnaire was being prepared to be mailed to a pre-selected number of firms. The announcement concerning the Machiasport application indicated that there appeared to be no more need for such a broad-range investigation.

Accordingly, a preliminary report of the aspects of the study completed before July 1, 1968, was submitted, and the attention of the Esco Research team was direct to matters as they related to the processing of the application and the preparation for the hearings scheduled in Portland on October 9, 10, and 11.

As this activity was being developed, the announcement that the Foreign Trade Zone would be located at Machiasport was modified to an announcement that a primary zone would be sought in Portland and a sub-zone at Machiasport. This announcement reactivated the need for a questionnaire to be mailed to firms which might conceivably benefit from the use of a dry-cargo type of Foreign Trade Zone at Portland. Accordingly, a questionnaire and a mailing list were developed so that

the Maine Port Authority might obtain this needed information. The Maine Port Authority mailed this questionnaire, together with an information sheet describing the advantages of a Foreign Trade Zone, to 259 business firms in the State of Maine. A statistical summary of the positive replies was made by Esco, and a copy of this summary, together with a sample questionnaire and accompanying information sheet, will be found in the appendix of this report.

### Chapter 3

## THE FEASIBILITY OF A GENERAL PURPOSE FOREIGN TRADE ZONE AT PORTLAND, MAINE, WITH SUB-ZONES AT MACHIASPORT AND SEARSPORT

The decision of the New England Governors Council to support an application for a General Purpose Foreign Trade Zone at Portland, Maine, with a sub-zone for petro-chemical processing and allied development at Machiasport, shifts the emphasis of this study from a consideration of "what" and "where" to an analysis of "how" and "why."

### The Distinction Between the Two Kinds of Foreign Trade Zones

There are two kinds of Foreign Trade Zones. One type is designated a General Purpose Foreign Trade Zone, whereas the other is called a Sub-Zone. A General Foreign Trade Zone is a segregated area at an ocean port which is considered outside of the United States, even though it is located on U.S. soil. To and from this segregated area, companies can import and then export without payment of U.S. Customs duties. While the imported materials are within this area, they can be stored, processed, repackaged, or combined with U.S. products into an assembled product. The General Trade Zone is a kind of 'bonded warehouse' so arranged to permit sorting, grading, cleaning, fumigation, and various forms of processing or assembly activities to be carried on.

Whatever is exported from such a Zone, if it has been previously imported, moves out without payment of U.S. Customs duties. Whatever is subsequently brought into the United States after having been imported into such a Zone, pays the duty that appropriately applies to the form in which it comes in. Actual duty paid at time of entry into the United States may or may not be the same as would have been assessed on the original product as brought into the Zone. Even though the duty may be the same, there may be an advantage to the importer in his not needing to provide the liquid capital to pay the duty until the product is actually needed for resale or other use. In the case of many products the importer will be able to cull out any defective material so that duty will have to be paid only on that which will be readily accepted by his customers. Other users of such General Foreign Trade Zones derive substantial profit from their ability to combine foreign and domestic components.

A Sub-Zone, as its name implies, is a kind of branch operation. It may be on the premises of a single corporation, and it may engage in activities of the manufacturing type, as distinct from processing of the various types described in the preceding paragraph concerning the Gen-

eral Foreign Trade Zone. In Puerto Rico, for example, imported petrochemicals are converted into saleable refined products which are then, in part, exported and, in part, brought into the United States for domestic use.

The Sub-Zone proposed for Machiasport would, therefore, be similar to the Sub-Zone already established at Puerto Rico in its type of operation. On the other hand, any Sub-Zone at Searsport could be a Sub-General Trade Zone, similar to that proposed for Portland, but it might also be considered for development into an industrial zone like that proposed for Machiasport.

#### **Esco Research Studies of a Portland General Commodities Foreign Trade Zone**

Portland has the advantages of well-developed harbor facilities and ancillary services. It has a direct rail route to the midwest via the Canadian National Railway System, and connections through the Portland Terminal Company with both the Boston and Maine and Maine Central Railroads. The latter railroad is linked with the Bangor and Aroostook, so that there is convenient and direct freight transport by rail from Portland to all parts of Maine, as well as good freight connections with the railroads serving the rest of New England. Portland is also the transfer point for about one-quarter of Canada's petroleum supply, arriving at Portland by ocean tanker for pipeline movement to Montreal refineries.

The Portland area also has the advantages of a good labor supply, an active airport with frequent passenger service to Boston, New York, and the south, together with a new service to Chicago and intermediate points.

**Professor Ziegenbein's recent study indicated the potential for a General Foreign Trade Zone at Portland.** Esco has thoroughly reviewed the "Bangor Area, Air-oriented Foreign Trade Zone Feasibility Study," prepared in draft form for initial presentation to the Department of Defense, Office of Economic Adjustment, by Assistant Professor Don Ziegenbein of the University of Maine in Orono. Esco concurs in the conclusion of this study, that Dow Airport of the City of Bangor cannot at the present time develop a viable Foreign Trade Zone within its area. Dow Airport is not well located for in-and-out movement of ocean-borne commodities; and large-scale movement of air cargo has not developed at Dow in the past and is not likely to develop in the foreseeable future. An exception to this last conclusion should be noted, in that congestion in the New York-Boston-Washington areas might eventually force use

of Dow Airport as a regular, rather than an alternative, refueling and maintenance point for certain air carriers.

Professor Ziegenbein, however, indicated in his report that his studies showed some potential for a Foreign Trade Zone at Portland. He apparently assumed that such a Zone would be located in the present Portland Harbor area, and that its activities would be general cargo processing, storage, mixing, assembly, and similar activities performed while waiting for withdrawal under quota or after payment of duty, or for re-export.

**The history of New York's Foreign Trade Zone is pertinent to arrival at conclusions as to a Portland General Foreign Trade Zone.** New York's Zone was the first to be established. It has had more than thirty years of existence. It has recently moved to greatly improved facilities on Staten Island. The report of the Foreign Trade Zone Advisory Committee, appointed by the President of New York's City Council on April 18, 1966, throws light on its history, as brought out in the following excerpts.

"The unsatisfactory status of Foreign Trade Zone #1, operated under the administrative jurisdiction of the Department of Marine and Aviation is reviewed (herein) . . . development of Staten Island port facilities should include the creation of a dynamic foreign trade zone operation (p. 26)

"(In) fiscal 1965, Zone #1 handled a total of only 53,026 long tons of merchandise . . . the operation has been profitable to (the lessee) . . . existing facilities of Zone #1 are antiquated . . . There is little indication that (the lessee) has effectively promoted Zone #1 to accomplish its full economic purposes (p. 34-6)

"(The Zone's) contribution to the local economy, to date, seems minuscule (p. 37)

"a fully developed foreign trade zone concept can and should play an important role in the revitalization of the Port of New York." (p. 40)

**It may be conservatively estimated that the tonnage that would be handled by a Portland Foreign Trade Zone in the fourth or fifth year of its existence would range between a minimum of 2,400 tons and a maximum of 7,500 tons.** The minimum of 2,400 long tons is approximately 5 percent of New York's 53,026 tons. As shown in the excerpts quoted above, the New York total is regarded as a minimum. The higher figure of 7,500 long tons for Portland is about three times the minimum. It represents an Esco staff estimate of what can be accomplished through

vigorous and intelligent promotion of the Zone's advantages and facilities. As for New York, it seems certain that this great port will not be content with less than 200,000 tons handled through its Zone annually. At its new location and with its recently reorganized management this should be readily attained.

The substantial prospective growth in urban population and in manufacturing employment in southern Maine and southeastern New Hampshire supports the higher of the two estimates given above for the proposed Portland Foreign Trade Zone. These data, from the study entitled "Projective Economic Studies of New England," prepared by A. D. Little for the U.S. Corps of Engineers in 1964, are presented in Table 1.

**TABLE 1**  
**MANUFACTURING EMPLOYMENT AND**  
**URBAN POPULATION IN SOUTHERN MAINE AND**  
**SOUTHEASTERN NEW HAMPSHIRE, 1960, 1980, 2000**

Category	Population Involved in Year			Percent of 1960 Year 2000
	1960	1980	2000	
<b>Manufacturing Employment</b>				
Paper, Machinery and Chemicals Groups				
Southern Maine	10,100	15,400	21,800	215.8%
Southeastern N. H.	15,900	29,300	45,200	284.3%
Sub-total	26,000	44,700	67,000	251.9%
All Other Manufacturing Employment				
Southern Maine	50,700	45,700	48,100	94.9%
Southeastern N. H.	49,200	47,100	52,600	106.9%
Sub-total	99,900	92,800	100,700	100.8%
<b>Urban Population</b>				
Southern Maine	315,600	406,000	530,000	167.9%
Southeastern N. H.	268,000	410,000	601,000	224.1%
Sub-total	583,600	816,000	1,131,000	193.8%

Source: From tables, each covering a group of counties in one of the New England states, in "Projective Economic Studies of New England," prepared by A. D. Little for the U. S. Corps of Engineers, Waltham, Massachusetts, 1964.

The geographic area upon which the data and projections of Table 1 are based includes the five most southerly counties of Maine, grouped together under the heading of "Southern Maine" in the table, and the four southeastern counties of New Hampshire, titled "Southeastern N. H." in the table. These two areas form an irregular rectangle, about 60 miles north and south, and about 100 miles east to west. The two

largest cities included are Portland, Maine, and Manchester, New Hampshire. Excellent highways connect all parts of this two-state area with Portland.

The projections tabulated in Table 1 show that this combined area is expected to increase its urban population by one third from 1960 to 1980. By the year 2000 there will be nearly twice as many urban residents as in 1960.

More significant than the general population increase in this area is the anticipated increase in manufacturing employment in the Paper, Machinery and Chemicals industries. Between 1960 and 1980 such employment is expected to increase to more than 172 percent of the 1960 level. By the year 2000 such employment is projected to increase to almost 252 percent of the 1960 base. All other manufacturing employment is expected to remain static, a slight decline in 1980 being offset by a proportionate increase by the year 2000. In evaluating manufacturing employment, the annual increase in employee productivity must be considered. An estimate of unchanged employment in the "All Other Manufacturing Employment" category still means greatly increased total output. In addition, the rapid growth in employment in the "Paper, Machinery and Chemicals" groups in the area directly tributary to Portland will necessarily be accompanied by an even greater increase in production.

#### **Esco Conclusions as to the Portland General Foreign Trade Zone**

An important portion of present general cargo imports through Portland consists of materials and products used in the production of paper and paper products. Some of these would undoubtedly find it profitable to be in a foreign trade zone, for temporary storage without payment of duty or for processing into a form that would permit payment of less duty, or lower surface transportation and handling charges.

**The shoe and leather industry, which already imports hides through the Port of Portland, could receive added benefits through the facilities of a General Trade Zone.** There would be both the advantage of a bonded warehouse for holding large shipments of hides which could be withdrawn in small lots, with duties paid only on the lots moving into domestic manufacture, and the advantages of being able to grade, sort, cull, or process for re-export if market conditions were favorable to such processing.

**The greatest opportunity for a Portland Foreign Trade Zone is in providing facilities for assembly of components, some imported and some locally manufactured, into electrical devices or non-electrical machinery.** The resulting electronic devices and highly sophisticated automatic ma-

chines would then be re-exported or imported into the United States as sales developed. Two of the largest industrial employers in the Portland area are relatively new to the region but exemplify the type of concern that might use the foreign trade zone in this way. One firm produces thousands of small electronic devices; the other produces very large machinery for power plant use.

Some of the present Foreign Trade Zones, notably New York, have found that their outputs go primarily into the United States rather than for re-export. In such cases, the Zone's activity tends to center about removing wastage or otherwise reducing the application of the U.S. Tariff, or by holding consignments of quota goods on hand until a new quota becomes available. Such opportunities will not exist to so great an extent at Portland. Instead, as already stated, the opportunity for a Portland General Foreign Trade Zone will be found in the export of products assembled in part from U.S. components and in part from imported components.

**Current developments in the moving of freight by containers may eventually benefit Portland as a General Foreign Trade Zone location.** Portland is now served by tramp-type cargo vessels, not regularly scheduled so-called liners. This does not now impede the arrival at Portland of small lots, sometimes 300 or more tons in total. In fact, Portland often has the time advantage of being the first discharge port because it is located en route towards New York from European ports. With containerization becoming universal, only the ports attracting the largest volumes of freight will be served by the fast and very large container carriers. All other ports will become sub-ports of some major port, which will probably be served by small container-carrying vessels, similar to those already in service in several parts of Europe. Such a development in America would be of great benefit to Portland.

Recent developments in container shipping between the ports of industrial cities of Scotland and Antwerp suggest the type of shipping which might be developed to benefit the Port of Portland and Foreign Trade Zone activity in Portland. Another example of container-freight development which might be adopted in America and which would benefit Portland is provided by the British Railways, which have developed container-carrying Liner Trains to link major ports in England with industrial centers in Scotland. These examples show that movement of imports and re-exports to and from a Portland Foreign Trade Zone may be by small coastwise types of container vessels, or in containers moved by rail or truck from a major port, such as Boston or New York. This means that the lack of regular outbound sailings will not be a handicap to Portland in the future, as it has been in the past.

**Progress is being made to facilitate the entrance of small business into foreign trade.** A major obstacle to the entrance of small business enterprises into foreign trade has been what Secretary of Transportation Alan S. Boyd has termed "the mass of documents involved in intercontinental transportation." He thus endorsed the newly-formed National Committee on International Trade Documentation. Already some progress has been made toward the goal of saving billions of unnecessary expense and millions of hours of time now involved in preparing and handling many copies of a dozen or more documents.

**Sponsorship of the Portland General Foreign Trade Zone by the Maine State Port Authority maximizes its advantages.** A significant point made by the Report on New York's Foreign Trade Zone #1, already referred to, was that the New York Port Authority was an effective promoter of the Port of New York, including Port Newark in New Jersey. Unfortunately, as they pointed out, the New York Port Authority was not directly involved in the success of the Foreign Trade Zone on Staten Island presumably because it was city-owned and developed. In the case of the proposed Portland Foreign Trade Zone there is no divided allegiance. The Maine State Port Authority is the sponsor of the application and the provider of the needed facilities and personnel. They can and will promote the use of the foreign trade zone as a state-wide asset which it most certainly can become.

#### **Esco Research Study of a Possible Sub-Zone at Searsport**

Searsport offers good port facilities at a rail freight terminus of the Bangor and Aroostook Railroad, providing direct access by one rail freight carrier to Bangor and points throughout northern Maine. It is the only port in Maine to offer these specific advantages to cargo vessels and tankers of the large sizes now common in transatlantic service. In volume and variety Searsport is estimated to be as important a general cargo port as Portland, but it serves a very extensive and sparcely populated area, whereas Portland serves a smaller geographical area of much greater population and with many more urbanized centers.

The Bangor and Aroostook has installed facilities at Searsport which now handle more than 1,500,000 long tons of bulk cargo and gas and oil annually. Two new cranes have been recently installed at the Bangor and Aroostook pier to enable the port to handle bulk sugar shipments, a newly opening industry that will require more expansion of facilities in future years.

The agricultural industries and paper mills of Maine use large quantities of bulk products. The handling of these bulk materials, such as salt cake, salt, phosphate rock, and caustic soda, accounts for much

of the tonnage received from cargo ships serving Searsport. Bauxite is also an important bulk product which moves through this port.

As a possible location for a General Foreign Trade Zone, classified as a Sub-Zone of the Portland General Foreign Trade Zone, Searsport could provide all the needed physical facilities. The chief problem would be attracting the kinds of industry which could benefit from a Zone, but the development of a petro-chemical complex either at Machiasport or near Searsport might attract related industry which could benefit from General Foreign Trade Sub-Zone development at Searsport.

**Industries which might benefit from a Foreign Trade Sub-Zone at Searsport will probably start moving into the Bangor area.** The electrical and electronic components industries are constantly expanding. Two of the largest industrial employers of the Greater Portland area fall within this category. Their development in Maine is very recent, and they are rapidly expanding their operations. Industry of this type is beginning to be attracted to the Bangor area. Just as it is anticipated that the Portland General Foreign Trade Zone may be used primarily for the assembly of domestic components and imported components into finished products, which may then be either exported or sold within the United States as sales develop, so may such industry develop at a Sub-Zone at Searsport.

**Searsport is also conveniently close to extremely deep water anchorages.** Due south of the Bangor and Aroostook wharves at Searsport the northern tip of Islesboro splits Penobscot Bay into the East Bay and West Bay sections, each providing very deep anchorages with sufficient water for the largest tankers contemplated for the foreseeable future. Due west of Marshall Point on Islesboro Island and due east of Bayside, or the northern part of the town of Northport, there is an anchorage of from 600 to 800 acres, providing depths of from 80 to 100 feet of water at low tide. A similar anchorage, providing an equal depth of water of about the same acreage, is located east of Coombs Point on Islesboro Island and south of Castine.

Both areas are far enough up the bay so that no undertow is felt from the ocean, and the tidal movement between flood and ebb would be restricted to not more than 2 knots. A tanker of the largest size now contemplated could anchor in either of these locations, pump its petroleum into a receiving station, rather than a marine dock, in such a way that the petroleum would move by pipeline under the bay to a storage area a few miles distant on the mainland shore. Land areas of suitable soil have been located in Islesboro, Northport, Belfast, Searsport, and Cape Jellison. Although Machiasport offers some advantages over the Sears-

port area for such development, the potentials of the Penobscot Bay areas which have been described should not be overlooked.

### **Esco Research Study of a Sub-Zone at Machiasport**

**Machiasport offers excellent advantages as a potential deep-draft tanker terminal.**

The harbor provides 90 feet of water over a hard sand bottom. The entrance channel is approximately one mile in width, and the deep-water harbor acreage is sufficient to provide to four-mile turnaround area.

There is adequate low-cost land available with proper soil characteristics for the construction of petroleum storage facilities and a refinery for petro-chemical products. Other natural facilities are also readily available. There are several lakes of substantial size about seven miles north of Machiasport, including Hadley Lake to the due north and Gardner Lake to the northeast. These lakes are fed, in turn, by a chain of other lakes, ponds, and bogs, assuring a copious supply of industrial fresh water for manufacturing or processing purposes.

Machias is served by the Maine Central Railroad, with connections west toward Bangor, Waterville, Lewiston, and Portland, and with a direct line running northerly to Calais, providing Canadian connections to St. Stevens and other points in New Brunswick. Machiasport is only some twenty-five miles from New Brunswick by ship along the Grand Manan Channel, and only about seventy miles west of Weymouth, Nova Scotia, across the Bay of Fundy. From the viewpoint of potential commerce by ship to various New Brunswick and Nova Scotian points, it possesses an excellent location.

Under current economic conditions Machiasport is recommended only as a specialized Sub-Zone for petro-chemical and allied industry, similar to the prototype petro-chemical Sub-Zone which has been already developed in Puerto Rico. New developments in the transportation industry might eventually broaden the possibilities of a Sub-Zone at Machiasport, however. Many students of the effect of the Canadian border forecast the eventual use of roll-on, roll-off small vessels to ferry products by the truckload to and from New Brunswick, Nova Scotia, and Maine. Under such conditions Machiasport might easily become the chief American terminal of such an enterprise. Under present conditions, however, Machiasport should be considered only as a potential petro-chemical Sub-Zone of the General Foreign Trade Zone at Portland.

**The Occidental Petroleum proposal to develop a refinery at Machiasport should result in economic benefits to Maine if permitted by the Federal Government.** An analysis of the proposal made by Governor

Kenneth M. Curtis of Maine through the New England Regional Commission, entitled "How the Atlantic World Port at Machiasport, Maine, Will Serve the National Interest," indicates that the State of Maine would derive many benefits. The savings in transporting the refined product to New England consumers would be substantial, and the competitive element introduced into the New England market should also work to the consumer's advantage.

Many of the points presented in the proposal concerning the benefits to National Security, Balance of Payments, Savings to the Federal Government, Maritime Interests, and the like, appear to be telling arguments in favor of the proposal but are beyond the scope of this study. The localized economic benefits provided by such a Sub-Zone, however, are pertinent to this study. As the proposal states, "During the last decade unemployment in Washington County has been triple the national average. Some 30 per cent of the families in the county have incomes under \$3,000 annually. During both the construction and operational phases, the projected industrial complex will provide literally thousands of jobs. The operation force for the refinery alone will be close to the 350 mark. In addition, some 300 to 500 ancillary jobs will be created. Many additional employment opportunities will be provided by other industries attracted to the area."

The forecast of the economic benefits which the inhabitants of Washington County would gain from such a refinery appears to be in accordance with the statements quoted in the previous paragraph. Added direct employment is always accompanied by added indirect employment of people who provide various services for those employed by the primary industry. A refinery, moreover, which provides relatively low cost fuel and chemical by-products in its localized area, tends to attract other industries which gain competitive benefits from these lower costs.

The economic benefit of the promised 20 cents per barrel of import quota to be paid to a non-profit marine resources foundation in New England also appears to be beyond question. All in all, the proposal of the Occidental Petroleum Corporation of Los Angeles appears to offer great economic benefits to the State of Maine if the Federal Government approves both the General Foreign Trade Zone at Portland and the Sub-Zone at Machiasport, together with the requested oil quota permit.

## Chapter 4

### OTHER LOCATIONS FOR DEEP-WATER SUB-ZONES WHICH WERE CONSIDERED

Members of the Esco staff evaluated the possibilities of a number of other locations along the Maine coast where water of more than 70 feet in depth covered more than 200 acres in accessible but relatively protected places near the mainland or an island of substantial size. After such locations were studied on marine charts, other practical matters were evaluated. A suitable location should be accessible not only to shipping but also to potential employees. Although, as in the case of the locations already mentioned in Penobscot Bay on either side of Islesboro Island, deep-draft tankers might discharge into a marine receiving station located several miles from shore and manned by only a skeleton crew, the land installation would require substantial terrain of the proper quality for holding tanks and processing plant. The land site should not be more than 10 or 12 miles, at the farthest, from the marine receiving station. It should be readily accessible by reasonably good roads to communities which could provide sufficient laborers. Ideally speaking, it should also be close to port facilities for small tankers to receive refined cargoes and to rail facilities so that tank cars could be loaded. A copious supply of fresh water would also be desirable if it could be easily provided.

One other factor appeared to be of some importance. The preferable site would be one which would not destroy other economic benefits. Sections of the Maine coast which are well developed residential property or prosperous resort areas should not be damaged by industrial development which could be located just as well in a relatively undeveloped or low-value area.

#### **Esco Evaluation of Hussey Sound and Broad Sound**

The first sheltered deep-water location and the nearest to the New Hampshire border is Hussey Sound, near the mouth of Casco Bay, and approached by a channel between Peaks Island, belonging to the City of Portland, to the south, and Long Island to the north. The approach channel requires careful navigation for a deep-draft ship because of Soldier's Ledge which rises in the center of the mouth of the channel to within 40 feet of the surface. Tug services are available and would be required for tankers of substantial size. Although tankers drawing more than 70 feet of water might be accommodated, 50 feet would probably be the safe maximum unless Soldier's Ledge and several other underwater obstructions were removed.

Broad Sound is located somewhat north of Hussey Sound in Casco Bay. It offers a broader and straighter approach almost in a straight line from the Portland Light Ship to a point south of Whaleboat Island and west of Little Birch Island. In this location there is an area of approximately 500 acres with depth in excess of 90 feet, reasonably sheltered in all directions and with good anchoring ground. Two scattered shoals of less than 70 feet could be adequately buoyed. With the development of very deep-draft container ships, it could serve as an excellent transfer point of containers to ships of conventional draft or to lighters. With the development of very deep-draft tankers, it could serve as the location of a marine receiving station for a pipeline.

The distance to the long, narrow peninsula of Harpswell Neck is only about one mile from this anchorage, and the mainland of South Freeport and Yarmouth is less than ten miles away by submarine pipeline. Holding tanks and a processing plant too close to shore might involve relatively expensive land takings and also interfere with high-value residential property, but a refinery could be presumably constructed in the inland section of Freeport, north of the Sodom area, where the land is cheap and undeveloped. Such a location would be easily accessible by road, have an excellent potential labor supply both from Greater Portland and from the Brunswick-Lisbon-Lewiston area, and be of great economic benefit to the town of Freeport. It would also be close to the Maine Central Railroad and only a short distance from the junction of that railroad with the Grand Trunk at Yarmouth Junction.

A marine receiving station for deep-draft tankers in Hussey Sound would be in close proximity to marine and electrical repair shops, ship chandlers, and other marine services. All-weather pilot service utilizing radar and other modern equipment is available in all weathers, 24 hours a day, throughout the year. The pilots are all licensed Masters, serving under both Federal and State licenses. The local tug service is also experienced in handling large vessels of as much as 110,000 dead-weight tonnage.

#### **Esco Evaluation of Points Between Casco Bay and Penobscot Bay**

There are only a few locations offering sufficient depth of water in a reasonably sheltered position between Small Point at the east end of the Casco Bay area and Owls Head near the western edge of the mouth of Penobscot Bay. The only location which offers reasonable shelter and anchorage space of as much as 100 acres lies near the mouth the Sheepscot River near Southport Island.

The available anchorage appears to be rather too small for safety, the shoreline is generally developed for summer cottage and resort use,

with many small pleasure craft using the area throughout the summer. From a practical, as well as an esthetic, point of view, this location does not seem to be as satisfactory for development for the use of deep-draft tankers as Broad Sound or several locations in the Penobscot Bay area; and none of these locations seem as well suited to refinery development as the Machiasport proposal.

The Sheepscot River location is also inconveniently distant from major highways or railroad spur development. The air distance is not great, but the terrain is badly broken with low ridges of solid ledge, very picturesque but not easily suited for industrial development of any magnitude.

### **Esco Evaluation of Penobscot Bay Locations**

Two of the most promising Penobscot Bay locations, those on either side of Islesboro, have already been discussed in the previous chapter, as part of the discussion of the development of Searsport as a Sub-Zone. Another promising location can be found close to the city of Rockland. Although Rockland Harbor itself is too shallow for ships of substantial size, a very deep water channel passes close to shore just south of the entrance of Rockland Harbor, at Owls Head. Owls Head Bay, between Owls Head and Monroe Island on the southeast, is half a mile wide, protected by islands from the open sea, and exposed to the more protected waters of Penobscot Bay only on the northeast. It has sufficient depth of water for the docking of most freighters, if wharves were constructed. Since there is water of more than 100 feet in depth a few yards off the northern tip of Monroe Island and the eastern tip of Owls Head, supertankers could be accommodated in Owls Head Bay with minimal dredging to provide a protected docking area alongside the western shore of Monroe Island.

The terrain of both the end of Owls Head and Monroe Island would be too hilly for industrial port development, but Sheep Island, 200 yards south of Monroe Island is relatively flat, mostly between ten and twenty feet above mean sea level, while another substantial acreage of nearly flat land is found on the mainland, about one mile due west of Sheep Island. This mainland potential location for the industrial buildings of a Foreign Trade Zone is a fraction of a mile due east of the Rockland Municipal Airport and connected by a good highway directly north to the center of the City of Rockland, a distance of less than three miles. There is an excellent labor supply in the area, and city water could be supplemented at moderate expense by industrial water piped from the St. George River, if large quantities of fresh water were needed.

The chief disadvantage of the Rockland location for tankers of deep

draft would be the exposure to heavy seas unless a berth were dredged at the mouth of Owls Head Bay to afford them protection. There is one other disadvantage in regard to rail freight movements to eastern and northern Maine. Rockland is the railhead of a branch line which connects with the main line of the Maine Central Railroad only at Brunswick, Maine, close to Portland and Lewiston, but relatively distant to Bangor and the northeastern parts of the state.

#### **Esco Evaluation of a Frenchman's Bay Location**

Frenchman's Bay, near Bar Harbor, has areas of water of sufficient depth for cargo ships or tankers drawing 80 or more feet. So much of the land area in the vicinity is occupied by Acadia National Park and privately owned residential property that the wisdom of refinery development is questionable. The bay might be used for transfer of containers from a very deep-draft cargo ship to cargo ships of conventional size, but other locations, such as the Penobscot Bay locations mentioned near Searsport or near Rockland, or the Broad Sound location in Casco Bay near Portland, would be much nearer rail-heads and centers of industry, as well as the potential locations for General Purpose Foreign Trade Zone or Sub-Zone development at Searsport and Portland.

## APPENDIX

### **THE INDUSTRIAL QUESTIONNAIRE TO DETERMINE INTEREST IN A FOREIGN TRADE ZONE**

The staff of Esco Research, Inc., assisted the Maine Port Authority by drawing up a questionnaire which would indicate the interest and possible participation of Maine industrial firms and other appropriate business firms in a General Purpose Foreign Trade Zone at Portland, Maine.

The Maine Port Authority mailed the questionnaire, together with an information sheet, to 259 business firms throughout the state. The firms selected for the mailing list had previously indicated in a Maine World Trade Council survey that they were currently participating in import/export trade, or that they were interested in future World Trade participation.

To obtain a representative sample of Maine's industry, the mailing list included a wide range of firms dealing in many types of products. The one-page questionnaire and accompanying information sheets were mailed on September 5, 1968.

Sixty-five percent of the questionnaires were completed and returned. Of the firms responding, 129 indicated no current interest in the Foreign Trade Zone.

Forty-two firms indicated interest in either immediate or future use of a Foreign Trade Zone. The statistical summary of the 42 positive replies follow.

### **STATISTICAL SUMMARY OF POSITIVE REPLIES FROM 42 MAINE FIRMS CONCERNING INTEREST IN A FOREIGN TRADE ZONE AT PORTLAND**

**September 1968**

<b>Summary of Question</b>	<b>Yes</b>	<b>No</b>	<b>Other Answer</b>
(1) Does your firm import, etc.? .....	19	23	
(2) Do you export, etc.? .....	28	14	
(3) Do you import for resale any material which must be culled, etc.? .....	0	38	4 Does not apply

- |  |    |    |                |
|--|----|----|----------------|
| (4) If domestic and foreign materials are combined . . . , would the import duty for the finished product be less than the duty on the sum of its parts? ..... | 0  | 11 | 12 Don't know  |
|  |    | 14 | Does not apply |
|  |    | 5  | No answer      |
| (5) Could you make use of the bonded warehouse? .....  | 22 | 16 | 4 No answer    |
| (6) Could you use the "quota" feature? .....   | 15 | 18 | 9 No answer    |
| (7) Are you interested in talking to us further about the Zone in Portland? ....   | 31 | 9  | 2 No answer    |
| (8) The Special-Purpose Zone in Machiasport? 16  | 20 | 6  | No answer      |

In addition to the questionnaires, correspondence was received from 21 firms that are conducting or planning to conduct business in the State of Maine. Of these firms the following nine expressed definite plans to utilize the Foreign Trade Zone if it is established.

1. G. H. Bass & Co.
2. Bates Manufacturing Company
3. Danforth
4. Dexter Shoe Company
5. Charles A. Eaton Company
6. C. F. Hathaway Company
7. Hussey Manufacturing Company
8. Portland Warehousing and Storage Co.
9. Woodside Co., Inc.

Six other firms were interested in possible future use of the Foreign Trade Zone. In general these six firms expressed the opinion that the establishment and use of the Zone would be a great stimulus and benefit to both their respective business enterprises and also to their industries in general.

1. C. M. Almy & Son, Inc.
2. Bamilrho (Paris, France)
3. Gardiner Shoe Company, Inc.
4. Taterstate Frozen Foods
5. Wm. Underwood Co.
6. S. D. Warren Company

The remaining six firms expressed support of the Foreign Trade Zone for its potential stimulus to improve the economy of the State of Maine.

# MAINE PORT AUTHORITY

**MAINE STATE PIER — PORTLAND, MAINE 04111 — TEL. 773-5608**

September 5, 1968

Gentlemen:

As you know, there is considerable activity in the State of Maine, at this time, regarding the exciting prospects of an Atlantic World Port in Machiasport, Maine to be operated as a Foreign Trade Zone.

At Machiasport, the petroleum refinery, support activities, and associated harbor facilities will be contained within a sub zone of a broader purpose foreign trade zone complex to be operated by the Maine Port Authority. The primary zone will be located on the Portland waterfront adjacent to the Maine State Pier. This zone, located in an existing port with available facilities for storage and distribution plus excellent communications and transportation links will offer the usual attractive features inherent in a foreign trade zone.

In order to determine industry's interest in the advantages and benefits of a Foreign Trade Zone, we have designed and enclosed a simple questionnaire that will be very helpful to us. The survey is one of preliminary nature that will be followed by personal interviews based on your reactions to the questionnaire.

We invite your questions and urge you to complete and return the survey as soon as possible. By so doing, you will have contributed greatly to Maine's effort to provide new and exciting benefits for existing industry and a source of attracting major new industrial ventures through the Atlantic World Port in Machiasport and the general purpose foreign trade zone in Portland.

The general-purpose zone in Portland and a special purpose zone in Machiasport are necessary to best serve industry and ultimately to improve and expand the economic climate for the State of Maine.

Sincerely yours,  
MAINE PORT AUTHORITY

Edward Langlois  
General Manager

**MAINE PORT AUTHORITY**

**Maine State Pier**

**Portland, Maine**

**SURVEY OF GENERAL-PURPOSE FOREIGN TRADE ZONE  
PORTLAND, MAINE**

Name of Firm .....

Address .....

1. Does your firm import merchandise, including either raw material, semi-finished or finished goods, components, or other supplies from outside the United States for resale to your customers?

Yes..... No.....

Product .....	Tonnage .....
---------------	---------------

.....	.....
-------	-------

Port now used .....

2. Do you export to customers outside the limits of the United States?

Yes..... No.....

Product .....	Tonnage .....
---------------	---------------

.....	.....
-------	-------

3. Do you import for resale any material that contains foreign matter which must be culled out or which suffers considerable loss of weight or bulk, as through damage, reject material, waste, shrinkage, evaporation, etc.?

Yes..... No..... Don't know..... Does not apply.....

4. If domestic and foreign materials are combined in any of the products you distribute, would the import duty for the finished product be less than the duty on the sum of its imported parts?

Yes..... No..... Don't know..... Does not apply.....

5. Could you make use of the bonded warehouse features of a Foreign Trade Zone?

Yes..... No.....

6. Could you use the "quota" feature of the Zone?

Yes..... No.....

7. Are you interested in talking to us further about the General-Purpose Trade Zone in Portland?

Yes..... No.....

8. The Special-Purpose Trade Zone in Machiasport?

Yes..... No.....

Signature .....

Date .....

We have enclosed a brief summary of the benefits of a Foreign Trade Zone.

**MAINE PORT AUTHORITY****Maine State Pier****Portland, Maine****FOLLOWING BENEFITS CAN BE DERIVED FROM A  
FOREIGN TRADE ZONE.**

We suggest you review this carefully and if you have any questions, we would be pleased to discuss them with you.

**Duties and Quotas**

1. Imported goods may be stored in the foreign-trade zone for an unlimited time without payment of customs duties.
2. A zone user can enter goods into the zone in large volume and sell directly or draw down from stock in wholesale quantities, paying duties only on entry into U. S. Customs territory.
3. Duty can be saved on goods that lose weight in storage or by drying out, or that have been wasted or damaged during transport or storage, or that for any reason cannot be imported in proper form.
4. Domestic merchandise may be brought into the zone. When no longer needed in the zone, it may be returned to U. S. Customs territory free of quotas and duty, provided its identity is maintained. Thus, the zone manufacturer is allowed to use domestic merchandise for such purposes as packaging material, manipulation, or manufacturing and is not deprived of the advantages in this respect of operating in the domestic market.
5. Duties may be fixed, if desired, at the time of entry into the zone, thus guarding against changes which might occur before later entry into U. S. Customs territory and enabling firm sales price quotations to be made.
6. Goods within the zone may be sold or transferred to another person without having to be moved and without having to pay customs duties.
7. Goods restricted by quota may be brought into the zone and stored there until they can be entered.
8. Raw materials can be brought into the zone without regard to quota restrictions and processed there using domestic labor, capital plant and other materials. The end products may then be exported or entered into U. S. Customs territory, subject to quotas and customs duties on the end products.
9. Domestic merchandise may be placed in a foreign-trade zone for

export and any funds tied up in excise taxes or duties may be liquidated at that time.

10. Savings may be made on ocean freight and sometimes on duties by shipping unassembled or disassembled merchandise to the zone and assembling or reassembling it there.
11. Goods may be brought within the political boundaries but remain outside the customs territory of the United States, thus permitting firms to exercise positive control over the goods, manipulating and repackaging them, before payment of customs duties.

#### **Other Benefits**

1. Goods stored in the foreign-trade zone need be insured only for their landed value, thereby avoiding insurance payments on customs duties and inland transportation costs.
2. Foreign suppliers are enabled to keep stocks of goods in the zone for the purpose of making readily available to buyers a supply of essential articles, such as machine spare parts, without paying U. S. customs until actually needed.
3. The zone provides facilities for exhibiting foreign merchandise to domestic buyers without entering U. S. Customs territory.
4. The zone provides a convenient grouping of facilities for storing, loading, unloading, handling, manipulating, manufacturing or re-shipping goods.
5. Foods and drugs which may arrive in condition below standard may be reconditioned to meet the requirements of the food, drug and cosmetic act.
6. Maintenance of goods within customs controlled territory reduces customs formalities on shipment and makes it possible to dispatch ships and goods more rapidly, and, thereby, to reduce costs.
7. Access to foreign raw materials within territory under U. S. political control without having to enter U. S. customs territory enables U. S. firms to operate under conditions and with labor, management, and techniques more known to and more subject to control by them.

Source: Laws, Regulations, and Other Information Relating to Foreign-Trade Zones in the United States, Foreign-Trade Zones Board, 1962; and related interpretations.

## MAINE IMPORTS 1967

One hundred and ten Maine companies were importing 169 items from foreign countries, according to a survey finished in October, 1967. Of these items, 97 were reported as bulky, 39 of medium size, and 33 as small in terms of shipping characteristics.

The primary area of origin, other than Canada, was Europe, source of 54 items. Canada originated 67 items. Shipping methods from Canada were reported as: rail and truck, 48; water, 24; air, 1. Forty-nine Canadian origin items were characterized as "bulky."

Ports receiving imports from all points of origin were: Boston, 45 items; New York, 30; Portland, 20; Searsport, 8; other Maine, 6; Canadian, 8.

Air shipments from all points including Canada were: 4.

H. G. Hawes  
Special Assistant, World Trade  
Office of the Governor

**TABULATION OF MAINE IMPORTS FROM  
FOREIGN COUNTRIES**

Number of Companies — 110

**ITEM:**

Bulky	97
Medium	39
Small	33
	<hr/>
<b>TOTAL</b>	<b>169</b>

**CONTINENTS:**

Europe	54
Latin America	20
Africa	5
Canada	67
Asia	38
	<hr/>
<b>TOTAL</b>	<b>184</b>

**PORTS:**

Portland	20
Searsport	8
Other Maine	6
Boston	45
New York	30
Canadian Ports	8

**AIR:** 4

From other ports	
rail or truck	58

From 1967 Survey by Maine World Trade Council: World Trade Section, Executive Department, State of Maine: The Eastern Economic Development District.

## MAINE SUPPLIERS

(First figure of each column is number of present exporters; second figure is number  
of other suppliers having product with export potential in market.)

Market	Exporters	Food and Allied Products	Home Furnishings	Footwear	Industrial Machinery and Parts	Other
North Europe	66/35	16/10	9/4	4/8	9/0	18/13
Canada	103*/36	12/7	12/9	5/8	15/0	59/12
Caribbean	70/33	7/3	15/3	5/10	10/0	33/17
Mediterranean	48/37	5/12	6/4	5/6	9/0	23/15
Far East	34/22	5/1	5/8	2/8	6/0	16/5
Africa	24/28	2/4	3/9	1/7	2/0	16/8
South America	27/18	1/0	4/6	0/0	6/0	16/12
Australia and New Zealand	22/7	1/0	4/7	0/0	4/0	13/0
Philippines and Pacific Islands	15/8	1/2	4/5	0/0	1/0	9/1

\* Does not include 30 sawmills.

### WORLD TRADE SECTION

Room 601, State Office Building, Augusta, Maine 04330  
January 22, 1968