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ECONOMIC DEVELOPMENT

STATE-LEAD ECONOMY

AUGUSTA, MAINE

Me

REPORT TO

JAMES B. LONGLEY
Governor, State of Maine

From the

Governor's Economic Advisory Committee

Covering
Recommended Objectives and Strategies
for Economic Development
in the State of Maine

November 1975

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Governor's Economic Advisory Committee

Recommended Objectives and Strategies
for Economic Development

Letter of Transmittal

November 4, 1975

The Honorable James B. Longley
Governor, State of Maine
State House
Augusta, Maine

Dear Governor Longley:

Enclosed is our report covering recommended objectives and strategies for economic development in the State of Maine. We have attempted to develop this report in a manner consistent with your charge to the Committee, and we are grateful to you for your counsel at several stages during the development of the report. In this connection, we have been guided by the following key considerations:

1. The overriding principle that we must work toward improving the quality of life for Maine citizens.
2. The need to concentrate on solutions and not problems.
3. The inclusion of strategies which are as specific as possible, which will contribute to an improvement in our State's economic lot within a five year time frame, and which are possible to implement during that period.
4. The importance of eliminating any vested interest view, and avoiding recommendations which unduly benefit specific businesses or industries.

In developing its recommendations, the Committee divided itself into sub-committees representing the key items in the list of objectives. These sub-committees have held various meetings, and the full Committee has met at least monthly since appointed by you in February. While the Committee functioned without paid staff, we are grateful for the assistance of several State departments in providing help and information. Mrs. Abbie Page was especially helpful in serving as a liaison between the Committee and various State departments and in maintaining records of meetings.

We have not included in this report any recommended strategies related to the objective of implementing an aggressive program for attracting new businesses and expanding existing businesses. Strategies in this area should be prepared by your Advisory Committee on Economic Development.

The Honorable James B. Longley
Governor, State of Maine

November 4, 1975
Page 2

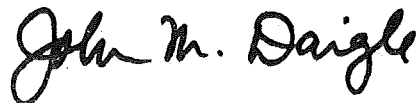
We would not hold this report out to you as being totally inclusive of all those strategies which should be pursued to permit the State to solve its economic problems; and we are mindful that a number of recommendations will require further development. We are also mindful that the Maine Legislature must play a key role in a number of recommendations presented. We do, however, believe that the recommendations, if implemented, will have a major effect in stimulating Maine's slack economy; and that the format of the recommendations represents an approach to the solution of our problems most conducive to success.

For too long in our State we have talked about problems and not solutions to problems. If a majority of Maine people were persuaded that the objectives set forth in this report represent the problems which must be solved, perhaps we could all direct our energies to the development of lasting solutions. We have tried to undertake a start in that direction in the all-important section of this report covering strategies. It would be our hope that the strategies we have suggested will represent a catalyst for the development of other ideas as to specific strategies the State should pursue in order to improve its economic situation.

It is important that the State continually survey and analyze its economic planning and development needs, and that there be an on-going means of making recommendations to the Governor and Legislature for improvements to the economic planning and development systems.

We know of your intense and earnest interest in seeing Maine's citizens enjoy good jobs and good pay. We stand ready to assist you further in achieving that end.

Very truly yours,

A handwritten signature in dark ink, reading "John M. Daigle". The signature is written in a cursive, slightly slanted style.

John M. Daigle, Chairman
For the Committee

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RECOMMENDED OBJECTIVES AND STRATEGIES FOR ECONOMIC DEVELOPMENT
IN THE STATE OF MAINE

INDEX

	<u>Page</u>
Recommended Statement of Objectives for Economic Development	4
Purposes	4
Guidelines	4
Objectives for economic development	5
Recommended Strategies for Economic Development	7
Implement a comprehensive energy plan and policy	8
Preamble	8
Specific Strategies	9
1. Wood as an energy resource	9
2. Hydro development	9
3. Future energy sources	9
4. Promotion of conservation	9
5. Nuclear power	11
6. Offshore oil	11
7. Oil refineries in Maine	11
Encourage capital investment	12
Preamble	12
Specific Strategies	12
1. University of Maine services	12
2. Maine Guarantee Authority	13
3. Maine Development Corporation	14
Emphasize higher use of existing natural resources	16
Preamble	16
Specific Strategies	16
1. Inventory of natural resources	16
2. Marine farming and underused species	16
3. Inventory of recreational sites	16
4. Alternative agricultural crops	16
5. Feed and fertilizer	17

Index (continued)

	<u>Page</u>
6. Wood Utilization Task Force	17
7. Coastal Resources Management Council	18
8. 200-mile fishing limit	19
9. Regulation of oil transportation	19
10. Tourism	19
11. Commissioners	19
 Achieve a Legislative and Regulatory thrust which stimulates rather than inhibits economic development	 20
Preamble	20
Specific Strategies	20
1. Council of Economic Advisors	20
2. Simplification of licensing and permit procedures	21
3. Legislature review of regulatory agencies	21
4. Business tax incentives	21
5. State and local government expenditures	22
6. Dedicated revenues	22
 Develop and implement a transportation plan and policy for the State	 23
Preamble	23
Specific Strategies	23
1. Operations of railroads	23
2. Improved rail service	23
3. Improvements to I-95	24
4. East-West route	24
5. Air Force pipe line to Aroostook	24
6. Airport at Sidney	24
7. Feeder air service	24
8. Container port	25
9. Grain storage facilities	25
 Maintain the quality of Maine's work force	 26
Preamble	26
Specific Strategies	26
1. Manpower Planning Task Force	26

Index (continued)

CHARTS AND STATISTICAL INFORMATION -

	<u>EXHIBIT</u>
State and Local Expenditures, and Gross State Product	A
State and Local Expenditures as Percent of Gross State Product	A-1
Taxes, State of Maine	B
State and Local Taxes as Percent of Personal Income	C
Comparison of the Levels of Business Taxes in Selected States	D
Property Taxes Per Capita	E

STATE OF MAINE

OFFICE OF THE GOVERNOR

RECOMMENDED STATEMENT OF
OBJECTIVES FOR ECONOMIC DEVELOPMENT

I. Purposes

This administration believes that objectives for economic development of the State of Maine must be clearly set forth so as to accomplish the following purposes.

- 1) Provide one of the bases for evaluating present and proposed laws, regulations, and administrative procedures as to their consistency with the goals.
- 2) Provide a focus for public debate on the issues in the State's economic position, present and future.
- 3) Express clearly the State's objectives for economic development so that the State's advantages can be translated to and communicated with development interests whose goals will be consistent with those of the State.
- 4) Provide a framework for the creation of an economic development plan which shall be an integral part of the Maine Comprehensive Plan.
- 5) Improve public understanding and support of the requirements, benefits, and compromises incident to a program of economic development.

II. Guidelines

The following basic assumptions represent the guidelines for formulating specific objectives and implementing the strategies for achieving those goals. Emphasis should be placed on the measurability of goals so that progress toward achievement can be identified.

- 1) The long-range social and economic health of the State requires the achievement of a properly balanced business, industrial, agricultural and recreational structure.
- 2) The objective of State government policy and action will be to provide positive incentives for economic development and eliminate unnecessary and conflicting restrictions and regulatory obstacles.

- 3) The State's overall policy guidelines and specific objectives will be sufficiently flexible to allow for local options in view of the State's diverse geographic, resource and population characteristics.
- 4) The economic development of enterprises now located in the State will carry as much priority as the attraction of new industries.
- 5) The appropriate balance between economic health and environmental concerns will be achieved with consideration of the State's overall economic objectives as well as the interests of local citizens.

III. Objectives for Economic Development

Attainment of the following specific and interdependent objectives for economic development shall be pursued by this administration, subject only to review and modification from time to time, as necessary. Through such periodic reviews, progress made toward the achievement of these objectives shall be appraised and, if modifications or supplements are in order, they will be made.

In pursuing the attainment of these objectives, it is recognized that the ultimate result will come from the effective workings of our free enterprise system. Encouragement and stimulation of that system therefore will be a high priority.

It is also recognized that while economic development must not destroy the unique quality of Maine's environment, it must provide jobs and adequate income to the vast majority of people who want to live in the State. Achievement of these objectives in a manner which will strike a balance between economic development and the environment acceptable to most people will also be a high priority.

The first three objectives listed below shall be considered the basic objectives, and the remaining seven are intended to represent the framework for developing the strategy for attaining these three basic objectives:

- 1) Increase per capita income to 91% of the national average by 1980, and be on a path to achieve 100% by 1985. (Maine is currently about 82% of the national average.)
- 2) Increase Maine's disposable income to 93% of the national average by 1980 and be on the path to achieving 100% by 1985 (Maine is currently about 83% of the national average.)
- 3) Increase employment by stimulating the creation of new jobs in the private sector, with the objective of eliminating the gap between Maine's unemployment rate and the national unemployment rate by 1980. (The average gap has typically been about 1.5% in past years.)

- 4) Implement a comprehensive energy plan and policy.
- 5) Encourage capital investment.
- 6) Maintain the quality of Maine's work force.
- 7) Emphasize higher use of existing natural resources.
- 8) Achieve a legislative and regulatory thrust which stimulates rather than inhibits economic development.
- 9) Develop and implement a transportation plan and policy for the State.
- 10) Implement an aggressive program for attracting new businesses and expanding existing businesses.

Governor's Economic Advisory Committee

Recommended Strategies
for Economic Development

November 1975

IMPLEMENT A COMPREHENSIVE ENERGY PLAN AND POLICY

PREAMBLE

The availability of an adequate supply of competitively priced energy is essential to economic growth and to the general well-being of the State of Maine. It is therefore imperative that the State have a comprehensive program to assure that energy will be available to meet the economic needs of the region. Although such a program should be directed to the needs of the State, it must be reconciled with Federal policy and have as one of its basic objectives the national goal of long-range independence from foreign energy sources.

The world has come to recognize that the traditional energy sources are finite and must be conserved, but conservation can solve only a small part of the energy problem. The more important remedy to energy independence will come only if we increase the output of domestic energy sources and strive to develop new energy sources. Maine has little capability of becoming energy self-sufficient since oil, gas, coal and uranium are not commercially available within the State.

Due to long transportation distances, coal will be more efficiently utilized near the source of its supply.

Natural gas is a minor and declining contributor to Maine's energy supply, although this situation may change with successful exploration of the outer continental shelf.

Water power has been developed to high level of efficiency within the State and has limited possibilities for future expansion.

The vast timber resources of the State of Maine represent one native source of potential energy that has not been fully explored; but the competitive aspects of wood as currently used, versus wood used as a fuel or for other purposes should not be overlooked.

Oil has traditionally played a key role in Maine as an energy source and offshore production could extend its useful life in the State of Maine.

Nuclear energy is a relatively new energy source -- one which offers great promise but one which continues to be controversial despite an outstanding record of safe and economic operation.

Solar power, wind power and fusion power represent more exotic forms of energy which have the potential for important sources of energy in the long-term future.

The State of Maine must develop a regulatory climate that will facilitate construction of needed new energy facilities within the State. It is fundamental to a State energy plan that all such developments will include recognition of economic and environmental considerations.

SPECIFIC STRATEGIES

1. Promote the investigation of the further use of wood as an energy resource.

Commentary: This need should be addressed through the blue-ribbon task force on wood utilization recommended under the Natural Resources section of this Report.

2. Evaluate the potential for future hydro development within the State, and encourage an acceleration of Federal studies involving Dickey-Lincoln and possible tidal developments so that a final decision either to approve or disapprove these projects may be made within two years.

Commentary: The prospects for developing a power supply from these sources have been discussed for many years. As long as hope persists that these sources are economically feasible, other power supply alternatives may not be given sufficiently serious attention by many Maine citizens. A near-term, final decision will permit urgently needed plans for accommodating future need for an adequate power supply in Maine to go forward.

3. Encourage research and development on such future energy sources as solar power, wind power and fusion power, recognizing that such research is best accomplished on a large scale at the national level, although small pilot projects should be encouraged at the State level wherever feasible.

4. State government should take a leadership role in promoting conservation and increased efficiency of utilization of energy. Existing regulations and legislation which discourage conservation should be reviewed and eliminated where appropriate.

Commentary: While energy shortage is not currently as visible a problem as was the case two years ago, there is a substantial expectation that further shortages will occur in the future. Maine citizens and businesses need to be informed as to means for conserving energy; both in their day-to-day activities, as well as in their commitments to home and other construction projects.

Because a large proportion of Maine citizens live in areas remote from employment centers as well as food and clothing stores, either fuel rationing or inflated fuel costs will impose severe economic hardships on our people.

Car pooling should be actively promoted and encouraged throughout the State. Certain employee groups have realized as much as a 90% reduction in fuel costs by using "mini-buses" able to carry up to twelve people to work. Employers should be encouraged to promote car pooling by offering such incentives as select parking privileges, and even assistance in finding direct financing of these vehicles.

There is a reasonable prospect that the cooperation of regulatory and commercial interests needed to establish active car pooling on a state-wide basis will be made available. Since present State law makes it illegal for passengers to pay a "fare" to the owner of a private vehicle, legislative action should be considered to eliminate from the jurisdiction of the PUC the transportation for hire of up to twelve passengers for distances of 50 miles or less.

Support should also be given to encourage greater utilization of public transportation facilities which will allow operators a reasonable profit and insure continued availability. The cities and the State should actively pursue the regular policing and upgrading of depot facilities which are often unclean and frequented by beggars and others who are disturbing to passengers. Forcing a company to continue an unprofitable run only accelerates the eventual demise of the industry.

Because time savings is an important attraction to passengers, consideration should be given to allowing buses to travel on I-95 at speeds 10 MPH faster than passenger cars. The potential benefits of added utilization, if achieved, would more than offset the small amount of added fuel required for the higher speed.

Another under-utilized facility is our school buses, which could possibly be employed to advantage by outlying towns by making them available for Saturday shopping tours and for transportation of adults as well as students to sporting events.

A passenger transportation needs study by the Department of Transportation is now in progress. As an alternative to the improbable Am-Trac concept of passenger service to Maine, it would be appropriate to consider non-stop bus service between the larger communities of Maine, and Boston. Specifically, Lewiston-Auburn and Augusta-Waterville should be given consideration for a pilot project. It may be necessary to secure a public subsidy of such a service initially until the service gets exposure and public acceptance is gained.

Other ideas for energy conservation should be solicited and reviewed.

5. In order to meet the electrical energy needs of the State of Maine within the next 10 years, an additional nuclear power plant is required. The necessary permit procedures should be expedited by whatever means available.

Commentary: If the construction of a second nuclear power plant were commenced immediately, it would not make a contribution to the State's energy needs for at least five years because of construction lags. However, there would be immediate and very important indirect benefits to the State's ability to attract economic activity. The majority of companies considering expansion or a new location in Maine must be concerned about the longer-term availability of power in the State. The presence of a reasonable plan for a continuing energy supply, supported by State government, would encourage the expansion of companies in Maine where their investment in the State contemplates a long-term, successful presence. A second nuclear power plant is an urgent need if the State is to accommodate its energy needs in the future, and make any progress toward closing the State's income gap and reducing the level of unemployment. As a matter of fact, even with a second nuclear power plant, there is a need for additional plans to be developed within the next ten years to provide energy sources, if the State is to achieve the objective of eliminating the income gap by 1985.

6. It should be the policy of State government actively to promote offshore oil and gas exploration and strong support from the Maine Congressional Delegation and other New England Governors in this effort should be solicited.

Commentary: We concur with the Governor's policy statement on this subject issued in September. Since oil has traditionally played a key role in Maine as an energy source, its discovery on the outer continental shelf could extend its availability in the State until the more exotic sources now under consideration are developed.

7. The State Development Office should include oil refineries and satellite petrochemical industries as acceptable in its industrial expansion efforts for the State of Maine, and should seek out and encourage legitimate prospects to develop such facilities within the State.

Commentary: There is some question as to whether or not there is an urgent current need for additional refinery capacity in the Northeast. However, as refining capacity needs increase in the Northeast, the State should encourage such development in Maine, by a reputable company, preferably in a section of the coast already developed.

ENCOURAGE CAPITAL INVESTMENT

PREAMBLE

A great deal of focus has been placed in past years on the development of State programs designed to produce capital investment, as a means of stimulating economic development. We believe, however, that there is a flaw in the concept that economic development will occur solely as a result of the availability of capital. Capital does not attract industry; a favorable economic environment generates industrial activity, which attracts capital. In a free society such as ours, where most of the capital is owned and controlled by private citizens, either directly or through a financial intermediary, it must be recognized that capital will be applied to investments where there is a reasonable expectation of a return commensurate with risk. Therefore, capital investment is encouraged where there exists a climate favorable to profitable economic development.

We believe the ingredients for a favorable climate are:

- 1) The implementation of strategies to accomplish the other goals in this report.
- 2) The availability of land for industrial development where reasonable environmental constraints are known and understood.
- 3) The availability of a productive labor force in addition to a high level of managerial, technical, and entrepreneurial skills among Maine proprietors and business people.
- 4) The existence of a good working relationship among the educational, business, labor and government sectors; and a positive political environment.

SPECIFIC STRATEGIES

1. Establish a mechanism within the University of Maine to enable it to organize its ability to provide the following services for Maine businesses:
 - a) render direct managerial and technical assistance for small businesses;
 - b) render assistance to companies in Maine, in identifying sources of financing for worthwhile projects, and in developing a business plan to support such financing;
 - c) stimulate the development of adult education courses which meet the practical needs of Maine business people.

Commentary: We believe that the University of Maine could be a significant force in encouraging private capital investment activities in the State if its resources were marshalled to provide the mechanism suggested above, and if there existed a good and organized working relationship with the State's business community. The University's present activities in this area represent a relatively small segment of its resources. We believe the role of the University in this total area should be given an elevated priority.

2. Change the functions and requirements of the Maine Guarantee Authority as follows:

a) Require the development of an annual plan, with advice and input from the Maine Development Corporation (see below), relating to the areas of intended focus during the next year in the guaranteeing activities of the Authority. Such plan should take into consideration the need to finance industries offering higher paying jobs, and to avoid financing industries already over-expanded in the State, or in areas of the State. The Authority should be required to transmit the annual plan to the Governor and the Legislature.

b) Expand the Guarantee Power of the Authority to include a 100% guarantee of loans to the Maine Development Corporation made to purchase land for Municipal Land Development Projects, up to an amount equal to 100% of the undeveloped market value of the land. Such projects should:

- i) be accompanied by a commitment from the municipality within which it is located to provide road access and utility services suitable to business and industrial usage;
- ii) be accompanied by a feasibility study related to the suitability of the land for industrial development and the prospects for approval by environmental authorities;
- iii) be deeded to the Maine Development Corporation.

c) Eliminate the requirement for a local referendum on revenue bond issues covering projects within Municipal Land Development Projects or located within land development areas owned for resale by municipalities or non-profit development corporations.

d) Require the immediate filing by the Maine Guarantee Authority of a public disclosure statement of the scope and nature of any contact made by an elected official, or his representative, with the Authority or any member or employee, on behalf of any party having business with the Authority.

Commentary: Expectations as to the ability of the Maine Guarantee Authority to provide a significant source of capital in the State have been far too high. The Authority has been the subject of much public scrutiny and criticism because of such high expectations. Nevertheless, the Authority can play a role in the encouragement of capital investment, even though it cannot be a major source of capital investment in the State. We firmly do not believe that any State agency or Authority can become such a major source of capital for investment without placing the State's fiscal management in serious jeopardy.

There is a need for the Guarantee Authority to focus its guaranteeing activities on urgent and high benefit areas. We believe the development of an annual plan, and the expansion of its activities into the land development areas, as suggested above, would help to accomplish this. In the area of guaranteeing land development loans, it is important that the local community inject its own funds, as suggested, rather than to rely on State government for the entire package.

Activities in the Revenue Bond Finance area should be capable of accomplishment without local referendum in those instances where there already exists strong evidence of local public support. Referendums are expensive, and they require a private company to divert its energies away from other urgent activities. A number of states do not require referendums, and those states therefore have a competitive edge over Maine in attracting new industries.

It is also important that the Guarantee Authority's decisions be based primarily on economic considerations rather than on political considerations. We do not believe that any elected official should make contact with the Authority on behalf of a party having business with the Authority unless that official is willing to have such contact made known publicly.

3. Stimulate the creation of a private, not-for-profit, Maine Development Corporation funded with privately contributed dollars, and with matching State funding, up to a specified limit, to:

a) Review and approve Municipal Land Development Projects funded through State guaranteed loans, and provide an aggressive effort to stimulate companies to locate within the development projects.

b) Work in an advisory role to the University of Maine in connection with the above recommendation.

c) Work in a coordinative role with the Governor's Development Office in matters concerning the economic development of the State and serve as a liaison between that office and the business community.

d) Develop and recommend programs to State and Federal Agencies to improve their effectiveness in stimulating capital investment in Maine and make recommendations for legislation where warranted to improve the capital investment climate and mechanism in the State.

e) Provide advice and input regarding the annual plan of the Maine Guarantee Authority.

f) Develop and identify sources of venture capital for companies doing business in Maine, and stimulate the creation of venture capital companies in the State.

g) Develop, maintain, and publicize information concerning sources of capital investment and financing for Maine business.

The Charter of the Maine Development Corporation should be sufficiently broad to permit its future involvement in an array of financial and development activities.

Commentary: There exists a great need in this State for a positive "link-up" of the business community, State government, and the educational community. For too many years, there has been too much evidence of an adversary relationship among these key elements in the State which must work together if the State is to enjoy a favorable economic environment.

The establishment of a private, not-for-profit Maine Development Corporation would not only help in establishing the desired link-up, it would also create an entity which could encourage capital investment through its own efforts.

EMPHASIZE HIGHER USE OF EXISTING NATURAL RESOURCES

PREAMBLE

An attempt has been made to delineate those natural resources that both play an important role in Maine's environmental-economic mix, and also lend themselves to higher uses if proper goals can be defined and strategies developed.

There are four natural resources that lend themselves both to further study and to some immediate and specific recommendations; namely,

- 1) Ocean-marine life
- 2) Woodlands
- 3) Lakes and rivers
- 4) Minerals and farmland

There exists nowhere a good site-specific inventory of natural resources. In fact, the only activity apparently underway is the development of a coastal natural resources inventory but with an eye toward conservation rather than development.

Additionally, there is an apparent absence of any need in the foreseeable future for larger amounts of wilderness in Maine's interior to be placed under public ownership for protection purposes. There is a need for a dual concept of public access to privately owned wildlands in the interior, and private development of destination recreation facilities. Any resource inventory must address to this question of public and private lands, both in the interior and along the coast.

SPECIFIC STRATEGIES

1. Develop a site-specific inventory of natural resources, including land with development potential.
2. Support continuing studies of experimental marine farming and investigation of new markets for underused species.
3. Develop an inventory of recreational sites and coordinate with study designed to determine recreational needs.
4. Study the potential for alternative agricultural crops and the means for implementing their successful cultivation in Maine.

Commentary: It is understood that Maine soils are suitable to the cultivation of a variety of crops other than those presently receiving the focus. If the economics of such crops could be established, Maine farmers could diversify their risks, and there would very probably be a larger volume of land under cultivation.

There are a number of obstacles to the development of such alternative crops, including importantly: (1) the reluctance of farmers to depart from traditional crops with respect to which the farmer possesses substantial "know-how", (2) the inability of individual farmers to assume the entrepreneurial risks inherent in developing expertise with respect to a new crop, and (3) the lack of availability in Maine of a reliable source of hand labor, especially at harvest time.

5. The State should accelerate its encouragement and assistance of research and development into alternative sources of feed and fertilizer.

Commentary: The continued vitality of Maine agriculture depends on the availability of feed and fertilizer at costs that make the final agricultural products competitive. High costs or shortages of the conventional sources of both of these items would have a depressant effect on our important agricultural industry.

6. A Wood Utilization Task Force is proposed which would, within a six month period, examine key questions surrounding this resource and propose recommended policies for the State to follow in such areas as:

- a) management of public lands;
- b) increasing opportunities for value-added manufacture;
- c) spruce budworm and other insect control;
- d) private use of public lands;
- e) public use of private lands;
- f) Federal funding procedures;
- g) organizational arrangements to meet research and development needs;
- h) utilization of wood for energy.

This Task Force should be appointed by the Governor and should consist of those most directly involved with wood resources; that is, leaders in the areas of landowners, small woodlot operators, paper companies, wood turners and shapers, furniture manufacturers, wood fuel, as well as the University of Maine and the Legislature; and should also include representatives from existing committees concerned with the above topics.

Commentary: Maine should know more than anyone about its vast wood resources. It is agreed that Maine's wood resources will be utilized more fully in the future, but an orderly course to bring this about is not presently visible. A task force consisting principally of those most directly involved with wood resources would be able to address these issues vigorously and effectively.

Should the usage of forests emphasize saw timber?
Or fiber for paper products? Or for scenic beauty?
Or for fuel?

How is value-added manufacture to be encouraged?
What is the role of private enterprise? The role
of the small woodlot owner? The role of the large
woodlot owner? The role of the public through
publicly owned lands, educational and research
institutions? Where are Opportunities? What are the
limitations?

7. A Coastal Resources Management Council should be formed
to adopt a coordinated set of coastal and marine development
goals on which to target energetic development activities.
This Council, which should be charged with developing these
goals, should also design implementation strategies and see
that requisite institutional commitments are made to carry
out these strategies.

The Council should concentrate its efforts on economic
opportunities to be realized through reduced conflict and
increased cooperation between various coastal interests,
including, but not limited to, industry, fishing, recreation
and tourism, conservation, government, and the research
community.

The following events and/or issues should be addressed to
this group:

Oil development
Nuclear power
Fisheries development and the
200 mile limit
Government resource regulation
Policy and development input from
the academic community

Commentary: There appears now to be a common interest on
the part of the State Planning Office, the University, the
Legislature, and the private sector in doing something about
the institutional confusion surrounding coastal and marine
affairs. No satisfactory mechanism currently exists to
bring all these interests together. The two groups previously
formed to address these questions seem to fall short of the
goal, for the following reasons:

a) Marine Affairs Council - Formed on an interim basis by
Governor Curtis to study the feasibility of a permanent
council, the group did formulate some recommendations, but
apparently eventually bogged down for lack of sufficient
support from within the government.

b) Governor's Advisory Committee on Coastal Development and Conservation - It would appear that this group is far too government-oriented to address the question from a broad perspective.

8. The 200-mile fishing limit must be adopted, and executive support of this must be made very clear. This would have a favorable effect on both the commercial and recreational use of our marine life resources.

9. Maine must preserve its right to regulate the transportation of oil in its coastal waters and its right to manage oil spill liability actions. Environmental safeguards must be used for oil transportation and handling wherever natural resources could be significantly affected by an accident.

10. Public recognition of tourism as a key Maine industry must be immediately heightened, specific goals must be defined, regions or sites identified, and State support systems such as aid in infrastructure development and promotional support should be brought together. Emphasis should be placed on those tourists who make a positive contribution to the Maine economy.

11. The Governor shall make it clear to the Commissioners of Agriculture, Conservation, Marine Resources, and Fish and Game that a key objective of their departments should be the development and implementation of means for achieving a higher use of natural resources in their respective areas.

ACHIEVE A LEGISLATIVE AND REGULATORY THRUST WHICH
STIMULATES RATHER THAN INHIBITS ECONOMIC DEVELOPMENT

PREAMBLE

If the State of Maine is to achieve the economic development goals recommended in this Report, State, County and local governments must conduct their affairs so that the effect is to stimulate rather than to inhibit economic development. There are three areas in which government can have a positive effect in encouraging the expansion of the private, business sector: Legislation, Regulation and Taxation. These three functions of government can adversely effect economic development by imposing costs, discouraging enterprise and creating a business atmosphere not conducive to economic expansion.

These functions of government are approached separately, and consideration of Federal legislation, regulations and tax policies is purposely excluded. It is recognized that the Governor's Tax Policy Committee is considering the broad scope of taxation.

SPECIFIC STRATEGIES

1. There should be created a Council of Economic Advisors, with a full-time chairman, appointed by the Governor, and with a staff to undertake the following:

- a) Review existing legislation and regulations for consideration of results achieved in relation to expenditures made. This would provide a continuing retrospective analysis of governmental programs.
- b) Evaluate proposed legislation and regulations which may have economic implications including increased costs of government. This would furnish an analysis of costs to the government and to the economy prior to the legislation going into effect.
- c) Provide information concerning the economic impact of existing and prospective legislation and regulations to the Executive and Legislative branches of State government.

Commentary: Legislation and business regulation can have a serious impact on the attractiveness of Maine for private investment, as well as on the progress and effectiveness of existing businesses within the State.

While Legislatures have attempted to promulgate legislation designed to protect the public interest, and regulatory agencies have attempted to implement such legislation; the results have frequently been exploitive. Problems associated with an array of badly conceived legislation have been exacerbated through the regulatory process.

At the same time, legislative programs have been conceived and implemented without a full realization of the potential impact or costs, and with little reasonable means of assessing the benefits. The result has been to expand the burdens of taxation within the State, and the prospects of economic development have thereby been hindered.

There is therefore a need to develop procedures which will permit an orderly evaluation of present and proposed legislation, and which will result in legislation which will encourage economic activity.

2. The State Planning Office should undertake a study to be completed by March 1, 1976, for the purpose of making recommendations for the simplification of licensing and permit procedures and the expediting of hearings relative to business development.

Commentary: Regulations imposed by State government through the various regulatory agencies can add substantially to the cost of doing business and can create delays that discourage an individual or a business firm from undertaking an expansion program. The means must be developed to impel State Departments and Bureaus to cut through needless delays and red tape in administering their regulatory duties. The possibility of codifying existing regulations and procedures relating to business expansion, through a central source, should be considered. This would permit a business, which has plans to expand, to ascertain all the licensing and permit requirements from a single State source, thereby encouraging such expansion.

3. Legislation should be enacted requiring a review by the Legislature, every four years, of each regulatory agency, its functions and performance. The Legislature should undertake the review immediately and subsequent reviews every four years, at which time the agency would be automatically abolished unless the Legislature voted to retain it.

Commentary: There has been a significant transfer of power from the constitutionally visible offices of government to the regulatory agencies. Creation of regulatory agencies has been motivated by a belief on the part of the Legislature that the public interest can be served by an agency whose members are perhaps better able to oversee the activities requiring regulations than are the constitutionally created bodies. Periodic examination of the effectiveness of the agency will allow the Legislature to determine if the public interest is being served.

4. The Council of Economic Advisors should submit recommendations on tax measures that will place Maine in a strong position to expand existing businesses and to attract new businesses to the State by means of competitive business tax levels.

Commentary: While business taxes are politically easier to implement and to increase than individual taxes, in the final analysis they must be passed on to the public as costs of products or services. To the extent that Maine taxes on business elevate the cost of goods and services produced, those goods and services become not only more costly for Maine people, they also become less competitive with similar items produced in other states where taxes on business are lower. An overriding purpose of tax incentives should be to stimulate Maine businesses to increase employment and to produce an increase in per capita income. Maine's current "Tax Climate Index" as indicated on Exhibit D is 6.0, one of the highest in the Nation. This Index must be reduced to the National Average, currently 4.4, by 1980.

5. The ratio of State and local government expenditures to Gross State Product should be reduced.

Commentary: In the past several years an increasing percentage of Gross State Product has been diverted to State and local government expenditures. Between 1968 and 1973, per capita taxes increased from 10% to 14% of incomes. The result was to make Maine the seventh highest taxing state in the Nation, compared with its position as twenty-seventh from the top five years earlier. This has not only been a burden to the citizens of the State, it has also put the State in an unfavorable position to attract economic activity. (See Exhibits A, Al, B, C, D and E for information concerning Maine's tax burdens)

The ratio of government expenditures to Gross State Product must be reduced if we are to achieve our economic goals. The first step in the State budget process should be to predict Gross State Product for the coming biennium, and a ceiling should be placed on total spending for the biennium based on the goal of reducing the spending ratio to State Product. The State Legislature, as well as the Governor, must take a leadership role in establishing spending priorities in a manner that will be in accord with the ceiling.

The budgetary process in the State should be revised in a manner which will establish and perpetuate this goal; and which will assure a method of applying available dollars to the most urgently needed programs, while promptly eliminating those which are not producing intended results or which do not represent current priorities.

6. Dedicated revenues should be abolished.

Commentary: Dedicated revenues lock-in spending programs, and are not consistent with the need to apply dollars to priorities.

DEVELOP AND IMPLEMENT A TRANSPORTATION PLAN AND
POLICY FOR THE STATE

PREAMBLE

Transportation is an important element in the manufacture and distribution of Maine products, and it is therefore necessary to reduce transportation costs in every way possible. It is also necessary to eliminate delays wherever possible in order to produce the fastest service possible if Maine is to compete effectively with other states. The national energy shortage creates the additional need of moving people more efficiently as well as better utilization of existing transportation facilities, including pipe lines.

Highway transportation costs are determined primarily by the labor, fuel, and equipment involved in that transportation. Current technology indicates that one way substantially to reduce fuel consumption and transportation costs by highway is the use of twin trailers of up to 105 feet length on the four-lane divided highways of the State. Federal, as well as State laws currently prohibit these vehicles on such highways, and we have not therefore included this as a specific strategy. We do, however, feel it should be recognized as a major cost and energy saving method in a state with Maine's geography.

Transportation needs can best be met by all modes of transportation by the continued application of private ownership. The existing Department of Transportation is the proper vehicle to implement all transportation policy.

SPECIFIC STRATEGIES

1. The Maine Department of Transportation should make a study as to the feasibility of a consolidation of the operations of the three major Maine railroads.

Commentary: An improved rail service in Maine which will reduce transit time and operating costs is essential. Every avenue should be explored to determine how this can be accomplished through the facilities of the State's three existing railroads.

2. The Maine Department of Transportation should continue working closely with similar agencies in other Eastern states having connecting railroads in working toward improved rail service. There should be an expression of concern that any help the government gives a Conrail-supported railroad also be offered to competing railroads.

3. Continued improvements should be made in the State's highway system. Priority should be given to continuation northward of the four-lane I-95 highway with the intent in the near future of completing four lanes to Central Aroostook and eventually to the Canadian border. The extension of four lanes as far north as Houlton, now underway, should be completed promptly.

4. Other major construction needs exist on the so-called "Corridor Route 9" from Calais to Bangor and westward to the Canadian border. The Governor should undertake exploratory discussions with the Premier of New Brunswick which would ultimately involve their respective governments in the construction of this East-West Route.

Commentary: Because of the greatly reduced mileage of a through Maine route between St. John and Montreal, we understand there is some possibility that the Canadian Government would provide the matching funds to enable Maine to utilize United States Federal monies to make this highway improvement a reality. St. John and Bangor, both designated by their governments as growth centers, would be helped by an improved highway. Bangor could expect more Eastern Canada residents to travel to the area for shopping and recreation. Access to Washington County and to the inland lakes region of Western Maine would also be improved, with resultant economic benefits.

5. The State should be involved in obtaining, for civilian fuel needs the utilization of the Air Force pipe line from Searsport to Loring Air Force Base in Aroostook.

Commentary: Currently all fuel must move by trucks or by railroad north of Bangor. Improved pipeline use would not only reduce the use of energy, it could also substantially reduce fuel transportation costs.

6. It is recommended that the Department of Transportation give consideration to a consolidated airport at Sidney for a modest terminal building and an adequate 5500 foot instrument landing field that could accommodate jet aircraft and thereby service the Augusta-Waterville areas.

Commentary: Air service to and from Maine has been undergoing major improvements recently by at least four air carriers. We understand that these carriers are optimistic for continued growth and service to Maine points, and that jet service to a Sidney terminal serving the Augusta-Waterville areas is a distinct possibility as early as 1979 with a new airport equipped with an instrument landing system.

7. The Department of Transportation should develop and support means for acquiring air service for larger Maine communities which are not currently receiving adequate air service, through available Federal subsidy programs.

Commentary: The Civil Aeronautics Board recently certified a local service carrier that serves Maine. We understand this carrier has access to Federal subsidy for supplying expanded or new air service where potential exists.

8. The State should develop an action plan for siting and designing a public container port facility.

Commentary: Construction of a container port is a must if Maine is to compete effectively for foreign markets. These markets are growing and will in the future be a strong attraction for new and expanding industries.

9. A study should be made of the potential expansion of grain storage facilities to enable railroads to extend reduced multi-car railroad rates to Maine.

Commentary: A major segment of Maine's business economy base -- including agriculture, livestock, and poultry -- is vulnerable to the high costs of grain, and prey to uncertainties in the grain supply. Both price and supply of grain are factors related to the rail transportation situation in the State. Maine has unfavorable grain transportation rates compared to the South. A grain storage facility, or series of facilities, somewhere in the State would allow Maine farmers to stockpile greater reserves, and would make unit train objectives feasible, thus lowering transportation rates.

MAINTAIN THE QUALITY OF MAINE'S WORK FORCE

PREAMBLE

The quality of Maine's work force, reflected in its willingness to work, is high. Maine has a record of few work stoppages and few work hours lost to employee idleness, when compared to the rest of New England and the United States. The State can and should provide leadership in encouraging Maine workers to be proud of their jobs.

The chief role of State government should be to stimulate the growth of industry suited to the Maine work force, while at the same time assuring the education of the work force to meet the needs of those industries.

Management has a responsibility toward the creation of a working climate conducive to high morale and productivity in the work force. The latest information on advanced personnel management techniques should be made available to Maine management in conjunction with the managerial assistance recommended as a strategy in the Capital Investment section of this Report.

SPECIFIC STRATEGIES

1. A Manpower Planning Task Force should be established and charged with:

- a) Devising a system for identifying the manpower needs of industry.
- b) Devising a system for meeting those needs, including definition of the institutional responsibility for meeting the needs.

The Task Force should include at least representation of organized and unorganized labor, large and small business, relevant State agencies, and the University.

Commentary: A variety of State activities are currently involved with various aspects of Maine's work force. It is essential that all of these activities be coordinated so that there is a high degree of unity in the efforts currently being undertaken to maintain the quality of Maine's work force, to upgrade the abilities of Maine people, and to permit the ultimate utilization of the productive capacities of the unemployed and underemployed.

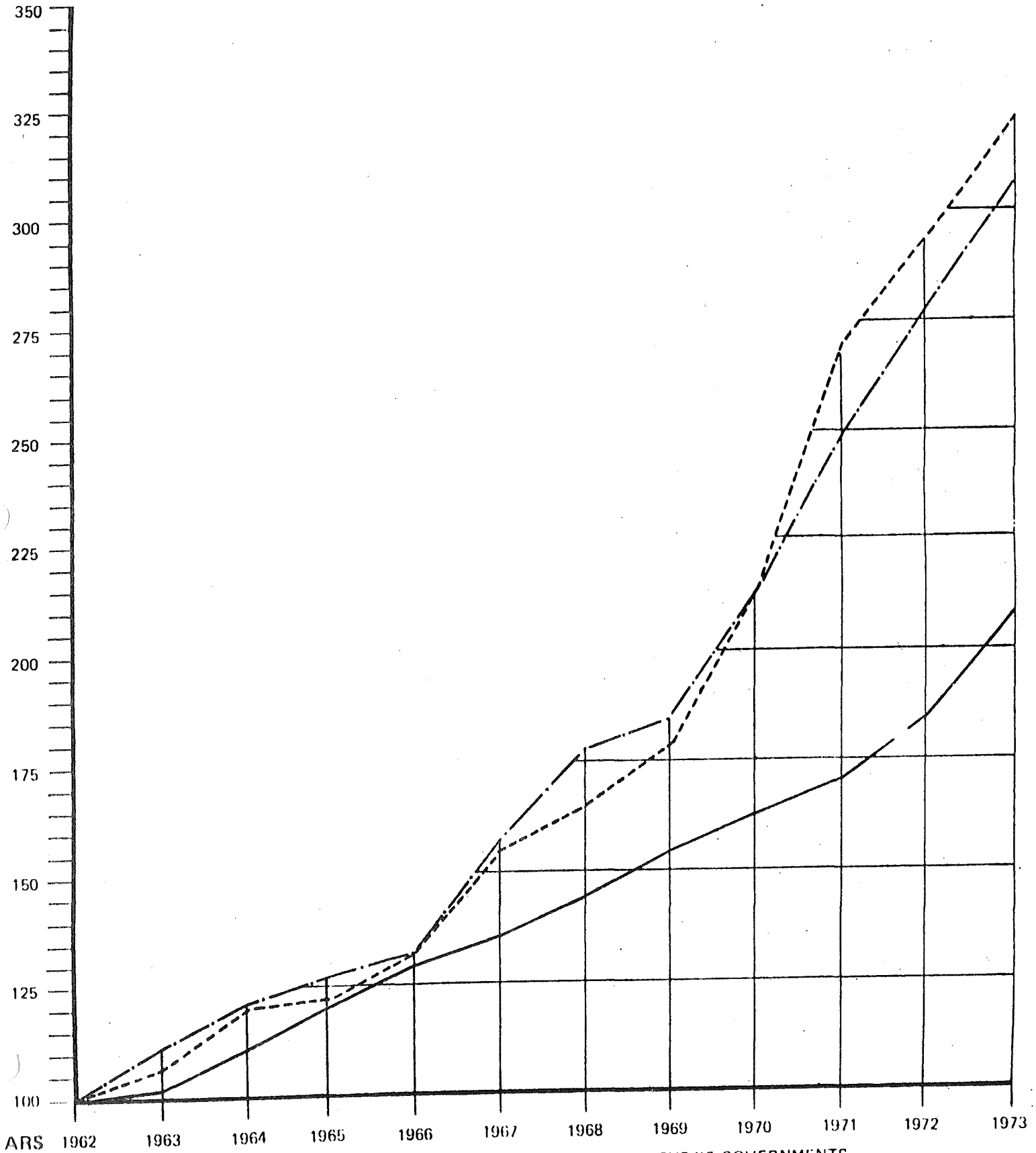
The Task Force should address the need for an "early warning system" to the State's Vo-Tech schools on the anticipated need for particular types of worker training.

THE STATE OF MAINE AND
THE STATE AND LOCAL GOVERNMENTS COMBINED
COMPARED TO
GROSS STATE PRODUCT

EXHIBIT A

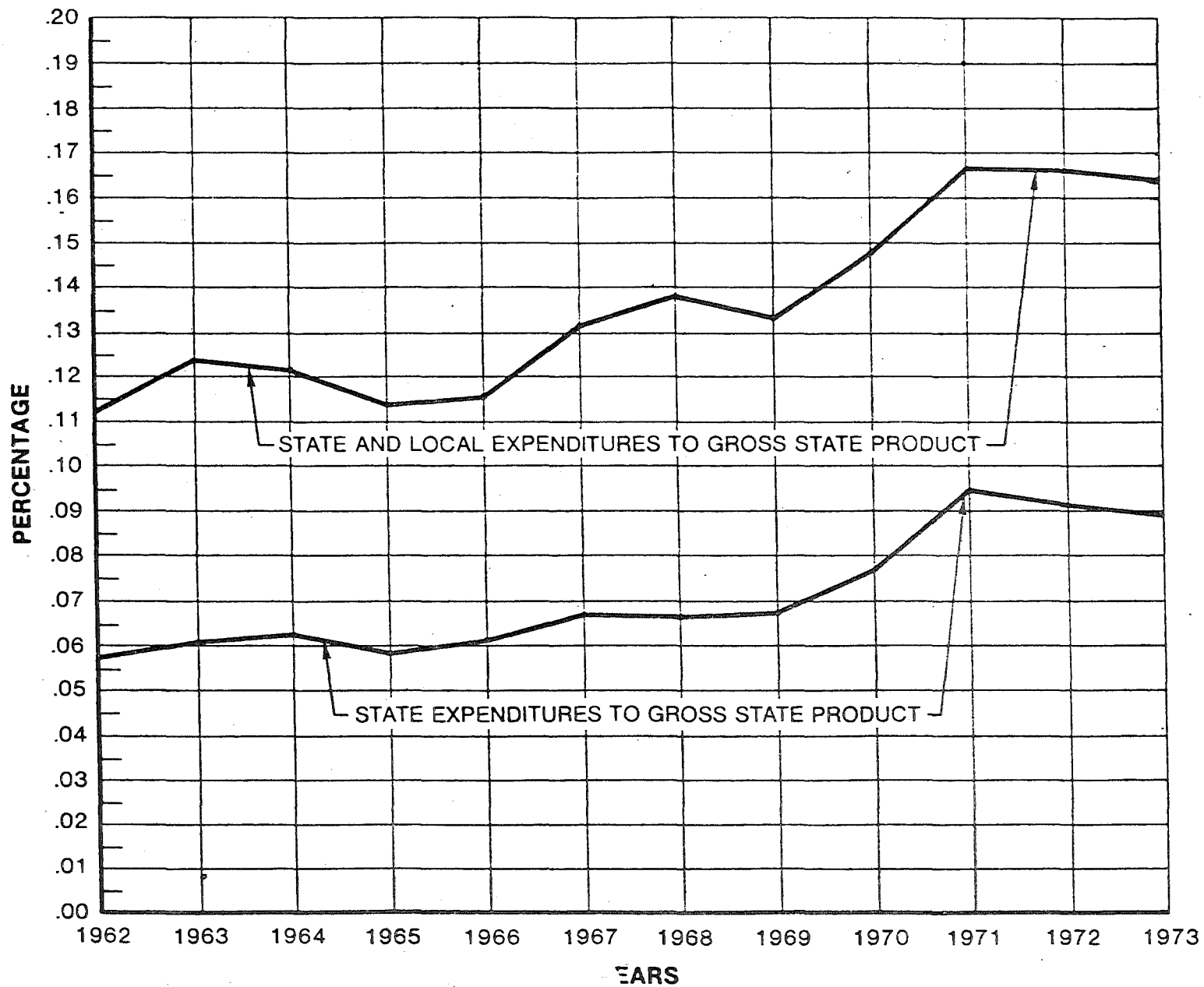
PERCENTAGE
OF
GROWTH

STATE EXPENDITURES -----
STATE AND LOCAL EXPENDITURES - . - -
GROSS STATE PRODUCT _____



SOURCE: UNITED STATES DEPARTMENT OF COMMERCE, CENSUS OF GOVERNMENTS.

STATE OF MAINE EXPENDITURES
AND TOTAL STATE AND LOCAL EXPENDITURES
EXPRESSED AS A
PERCENTAGE OF GROSS STATE PRODUCT



Taxes, State of Maine

June 30, 1974

State Collected

<u>Tax</u>	Revenue (Million)	Per Cent of Total
Sales & Use	\$122.2	36.4%
Income Tax	48.3	14.4
Individual	\$35.8	10.7%
Corporate	12.5	3.7
Gasoline Tax	49.3	14.7
Vehicle Registration & Driver's Licenses	20.9	6.2
Cigarette Tax	20.0	6.0
Unemployment Compensation	29.0	8.6
Inheritance & Estate	7.1	2.1
Property Taxes	6.5	1.9
Tree Growth	5.7	1.7
Other	.8	.2
Taxes on Specific Businesses:		
Corporations	.6	.2
Public Utilities	8.4	2.5
Insurance Companies	6.4	1.9
Commission on Pari-Mutuels	.9	.3
Other	.6	.2
Other Special Revenue Funds:		
Income Tax	1.8	.5
Sales Tax	4.7	1.4
Gasoline Tax	.6	.2
Fish & Game Licenses	4.1	1.2
Snowmobile Fees	.3	.1
Other Taxes	.1	
Potato Tax	.3	.1
Sardine Tax	.2	.1
Insurance Companies	.4	.1
Bank & Banking	.2	.1
Blueberries	.1	
Milk	.5	.1
Other	1.9	.6
Total State Collected	\$335.4	
Municipally Collected:		
Property Taxes	\$209.0	
Excise Taxes	21.0	
State Taxes on Inventories	11.0	
Retained by Municipality	\$241.0	
Total Taxes	\$576.4	

1973 Workmen's Compensation Premiums Written: \$30,200,000

TOTAL STATE AND LOCAL TAXES AS A PERCENT OF PERSONAL INCOME:
1963, 1968, 1973

	Taxes as Percent of Personal Income			Percent Change		National Rank	
	1963	1968	1973	1963-1968	1968-1973	1968	1973
U.S. Average	9.6	10.8	12.9	12.5	19.4	-	-
Massachusetts	9.6	11.2	14.8	16.7	32.1	20	6
<u>Other New England States</u>							
Connecticut	8.5	9.1	13.6	7.1	49.5	46	11
Maine	10.2	10.5	14.2	2.9	35.2	27	7
New Hampshire	9.0	9.1	11.0	1.1	20.9	47	42
Rhode Island	9.7	10.1	12.2	4.1	20.8	31	27
Vermont	11.5	12.5	16.8	8.7	34.4	6	2
<u>Industrial States</u>							
California	10.7	13.4	14.9	25.2	11.2	3	5
Illinois	8.5	8.9	11.9	4.7	33.7	49	31
Indiana	8.6	9.7	10.8	12.8	11.3	38	44
Michigan	10.2	11.0	13.0	7.8	18.2	21	15
New Jersey	8.5	9.6	12.0	12.9	25.0	39	28
New York	10.9	13.2	17.0	21.1	28.8	4	1
Ohio	8.2	8.7	10.4	6.1	19.5	50	48
Pennsylvania	8.5	9.4	13.0	10.6	38.3	42	14
Wisconsin	12.1	12.3	15.8	1.7	28.5	11	3
<u>Southern States</u>							
Florida	9.4	10.4	11.9	10.6	14.4	29	30
Georgia	8.8	9.8	11.2	11.4	14.3	33	40
North Carolina	9.2	9.9	11.3	7.6	14.1	32	38
South Carolina	9.0	9.4	11.5	4.4	22.3	43	36
Texas	9.2	8.9	10.6	-3.3	19.1	48	45

Source: U.S. Department of Commerce, Bureau of Census, Governmental Finances in 1972-1973, Series GF73, No. 5, Table 24, p. 50, and historical data.

TABLE 2-7

A COMPARISON OF THE LEVELS OF BUSINESS TAXES IN SELECTED STATES, 1973

Collections as a Percent of Income Originating in the Business Sector

	Corporation Net Income Taxes	Property ¹ Taxes	Other Business ² Taxes	Unemployment Compensation	Total "Tax Climate Index"
U.S. Average	.9	1.9	.8	.8	4.4
Massachusetts	1.3	2.9	.5	1.3	6.0
<u>Other New England States</u>					
Connecticut	1.2	2.1	1.1	1.0	5.5
Maine	.5	3.2	1.0	1.3	6.0
New Hampshire	.9	2.4	.6	.6	4.5
Rhode Island	1.1	2.0	1.1	1.3	5.5
Vermont	.7	3.4	.9	.9	5.9
<u>Industrial States</u>					
California	1.4	2.6	.5	1.2	5.7
Illinois	.6	1.7	.7	.8	3.8
Indiana	.1	1.6	.3	.5	2.5
Michigan	1.1	1.7	.7	1.0	4.5
New Jersey	.7	2.4	.8	1.3	5.2
New York	1.3	3.3	.7	1.0	6.3
Ohio	.5	1.2	1.0	.6	3.3
Pennsylvania	1.3	1.3	1.4	.8	4.8
Wisconsin	1.1	2.6	.5	.7	4.9
<u>Southern States</u>					
Florida	.7	1.0	.6	.3	2.6
Georgia	.9	1.1	.4	.5	2.9
North Carolina	1.1	1.1	1.4	.5	4.1
South Carolina	1.0	1.5	.7	.7	3.9
Texas	-	1.4	1.0	.3	2.7

¹Only the business portion of the property tax is included. The apportioning of property was based upon the data in Census of Governments, U.S. Bureau of the Census, 1967.

²Other business taxes include sales and gross receipts tax revenue on insurance and public utilities as well as certain license tax revenues.

Sources: Survey of Current Business, No. 8, 1974.

State Tax Collections in 1973 Department of Commerce, Table 3, p. 7; Table 4, p. 8; and Table 5, p. 9.

Governmental Finances in 1972-1973, Bureau of the Census, Table 17, pp. 31-33.

<u>Total Property Taxes Per Capita*</u>					
Massachusetts	358	*20 <u>Maine</u>	<u>223</u>	Alaska	126
Connecticut	353	Minnesota	221	Delaware	104
New Jersey	348	Rhode Island	218	Oklahoma	104
California	348	Colorado	218	Tennessee	103
New York	320	Arizona	211	N. Carolina	100
Wisconsin	272	Washington	198	New Mexico	91
Montana	267	Maryland	196	Mississippi	85
New Hampshire	259	Dist. of Columbia	191	S. Carolina	84
South Dakota	256	Ohio	186	W. Virginia	83
Oregon	255	North Dakota	183	Arkansas	79
Wyoming	247	Missouri	163	Louisiana	79
Kansas	245	Texas	161	Kentucky	78
Illinois	244	Pennsylvania	153	Alabama	46
Nebraska	237	Idaho	152		
Nevada	236	Utah	146		
Vermont	236	Florida	143		
Indiana	236	Virginia	130		
Michigan	234	Hawaii	127		
Iowa	232	Georgia	126		

*Data is for total property taxes per capita including property taxes on business.

Source: Tax Foundation's Monthly Tax Features, January, 1975, Vol. 19, No. 1 as printed in "New England Economic Review", Federal Reserve Bank of Boston, May/June 1975, Page 4.