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This year-end report on the Maine economy was prepared by the Economics Division of the State Planning Office. It reviews State economic performance during 1993, outlines the economic outlooks for Maine, New England, and the nation, identifies some of the issues we expect will prove important in Maine's economic performance during the next few years, and highlights ten key economic events of the past year.

Among the conclusions detailed in this report are:

- The Maine economy continued on a recovery path through the first ten months of 1993, but progress as measured by
 most economic indicators was painfully slow. Most heartening, both major measures of employment turned strongly
 upward about mid-year.
- The major economic issues in the State during the year included Canada's continuing efforts to discourage its citizens from shopping in Maine, further cuts at defense related facilities, the decline in work related injuries and forecast of declining workers' comp costs, and upheavals in the public utility sector.
- The Maine economic outlook calls for an unusually anemic recovery, yielding annual Gross State Product growth through 1997 of less than half the 1980's rate. Almost half of all new job opportunities through 1997 will be in the services sector (not including trade, finance, etc.), and the manufacturing employment base will continue to erode slowly.

We hope that you will find this report useful and informative. Please feel free to call me or members of the Economics Division at the Planning Office with your comments or questions.

Stephen J. Adams, Director Maine State Planning Office

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INTRODUCTION

Confucius is credited with the aphorism "May you live in interesting times." Of course the term 'interesting' covers an enormous range. The Kennedy Administration spanned an interesting time, but so did World War II. In terms of the Maine economy, the boom of the mid-1980's was a very interesting time. The post-boom era has been interesting as well, but for all the wrong reasons. The graphs on pages four, five, and six span both the boom and post-boom eras and show an economy which has struggled for four to five years since reaching its peak in the late 1980's.

As those graphs illustrate, by most major measures the State economy reached bottom by the first quarter of 1992, at the latest, and has been improving in fits and starts since then. While the Maine Economic Growth Index* (EGI) has been on the increase since the second quarter of 1991, over two years, it still hasn't gotten very far. By the third quarter of 1993, the Index had reached a level of 103.8, meaning it has grown by only 3.8% since mid 1987, a period of over six years. The Index first reached its current (1993:3) level 21 quarters ago, near the peak of the boom. Payroll employment first reached its current level 22 quarters ago, and real (adjusted for inflation) retail store sales, 25 quarters ago (the retail sales graph on page 6 was not adjusted for inflation). Thus, the Maine economy, by most measures, is now at a size comparable to that of five to six years ago.

Obviously, this has not been a normal recovery. Following the 1981-82 recession, the Maine EGI recovered to its pre-recession peak in only five quarters. This time around, by the third quarter of 1993, the EGI had been on the rise for nine quarters and was still only two-thirds of the way back to its pre-recession peak of 105.7. So, why has the recovery been so slow this time?

For one thing, the 1990-91 recession was much deeper, at least in Maine, than the 1981-82 recession. During that earlier recession, the Maine EGI decline, peak-to-trough, measured -2.7%. In 1990-91, the decline was -5.4%, twice as deep. Two villains, national defense realignment and the construction bust, are responsible for most of the damage.

OVERALL ECONOMIC GROWTH

Through the first three quarters of 1993, the Maine economy has grown at an annual rate of only 1.0%. Over this same period, U.S. real gross domestic product expanded at a 1.8% annual rate. Actually, rather than Maine economic growth speeding up

* The Economic Growth Index is a composite of resident employment, real consumer retail sales, production hours worked in mfg., and services employment. All components are seasonally adjusted. in 1993, as many had expected, it slowed down. Over the last three quarters of 1992, the Maine EGI expanded at an annual rate of 2.2%.

THE JOBS PICTURE

The figure below plots monthly seasonally adjusted data for resident employment (top line) and payroll employment. The resident employment data is developed from surveys of house-holds and includes payroll employment (from surveys of establishments) plus the self-employed, commission workers, agricultural workers, etc. As the graph illustrates, both measures were declining early in 1993, then both began increasing about midyear. Based on trends through the first ten months of 1993, resident employment for the complete year will likely be about 12,000 jobs or less below the 1992 total, while payroll employment will be at least 2,000 above last year's total.



We mentioned that payroll employment levels have increased somewhat in 1993, but where are these gains coming from? As the table below illustrates, services, retail trade and construction have accounted for all of the growth.

MAINE PAYROLL EMPLOYMENT JOB CHANGE BETWEEN 1992 AND 1993*

	JOBS	%CHG
TOTAL	1700	0.3%
SERVICES	1800	1.4%
RETAIL TRADE	1600	1.5%
CONSTRUCTION	1000	4.9%
FINAN/INSUR/R.EST.	0	-0.2%
MANUFACTURING	-400	-0.4%
TRANSP/COMM/P.UTIL.	-400	-1.8%
WHOL. TRADE	-700	-3.1%
GOVERNMENT	-1200	-1.3%

Note: comparison is between 1992 annual averages and seasonally adjusted averages for the first 10 months of 1993.

The variation in job market conditions among regions of the

State remains extreme. The table below summarizes this variation among Maine's sixteen counties. In general, the lowest jobless rates are found in the southern and mid-coast counties. Higher rates are found in central Maine, along the I-95 corridor. Rates are higher still in the western mountain counties, and the highest rates are found in the extreme northern and eastern counties.

JOBLESS RATES OF MAINE COUNTIES; OCT. 1993

MAINE	6.5%
CUMBERLAND	4.7%
KNOX	4.7%
LINCOLN	4.7%
SAGADAHOC	4.8%
HANCOCK	5.6%
YORK	5.6%
KENNEBEC	6.5%
PENOBSCOT	7.0%
ANDROSCOGGIN	7.3%
FRANKLIN	7.5%
PISCATAQUIS	7.8%
WALDO	9.0%
OXFORD	9.1%
SOMERSET	9.1%
AROOSTOOK	9.2%
WASHINGTON	11.2%

RETAIL SALES STILL GROWING

Maine taxable retail sales hit bottom in the first quarter of 1991 and have been steadily increasing over the past ten quarters (through 1993:3). Taxable consumer sales for the first three quarters of 1993 were up 4.8% over the same period of 1992. Retail inflation over this period was only 1.3%, so most of this improvement is real, and not just a reflection of price increases. The table below shows that over half (52%) of the increase was attributable to the auto transportation sector.

MAINE RETAIL SALES GROWTH BETWEEN 1992 AND 1993* (MILLIONS OF \$)

	SALES	PCT.	
	CHG	CHG	
TOTAL CONSUMER SALES	279	4.8%	
AUTO TRANSPORTATION	144	10.6%	
GENERAL MERCHANDISE	85	7.5%	
BUILDING SUPPLY	33	4.5%	
RESTAURANT/LODGING	21	2.0%	
OTHER RETAIL	8	1.1%	
FOOD STORES	-12	-1.4%	

Note: comparison is between first 3 quarters of 1993 and the same period of 1992.

CONSTRUCTION DOWN - REAL ESTATE UP

Interestingly, Maine construction activity was very weak through the first three quarters of 1993, while real estate activity was much improved. The two tables below summarize these findings.

MAINE CONSTRUCTION CONTRACT AWARDS (MILLIONS OF \$)

	1993	1992	%Chg.
Total Value	706	913	-22.7%
Non-Bldg.	157.5	254.2	-38.0%
Building	548.5	658.9	-16.8%
Residential	334.6	420.2	-20.4%
Non-Resid.	214	238.6	-10.3%

Note: comparison is between first 3 quarters of 1993 and the same period of 1992.

Source: Maine Advancement Program (Augusta)

MAINE HOME SALES SUMMARY

	1993	1992	%Cilg.
Units Sold	2970	2715	9.4%
Avg. Listing Price	\$109,716	\$111,205	-1.3%
Avg. Selling Price	\$101,926	\$102,833	-0.9%
Avg. Days on Market	180	179	0.6%

Note: comparison is between first 3 quarters of 1993 and the same period of 1992.Data is from surveys of multiple listing services and represents about one-half of all sales in the State Source: Institute for Real Estate Research and Education (Portland - USM)

SUMMARY

While the Maine economy has continued on a recovery path through 1993, progress as measured by most major indicators has been painfully slow. About mid-year, both major measures of job growth turned strongly upward. Only time will tell, however, whether this roller coaster ride was for real or merely the result of statistical artifacts which will disappear when the data is revised next spring. See the Maine Economic Outlook section in these pages for more on this.





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The Ten Most Significant Economic Events in Maine in 1993

THE ELECTRICITY BAZAAR

Local electric power companies began shopping around for electricity this year. Madison Electric Works signed a contract in August for a ten year supply of electricity from Northeast Utilities of Connecticut, pending approval of the Maine Public Utilities Commission. The Electric Works purchase will be delivered by Central Maine Power Company. The contract represents a loss to Central Maine of a potential \$22,500,000 a year in electricity sales. Late in the year, when Kennebunk Light and Power Company solicited bids for a proposed electricity purchase, fifteen companies responded. Central Maine Power won the contract with a price which will reduce rates 12.5% for Kennebunk Light and Power Company's customers. The bargain hunting is prompted by an energy bill passed by Congress in 1992 allowing small utilities such as Madison Electric and Kennebunk Light and Power to use the lines of large companies for transporting electricity.

TROUBLE ON THE BORDER

In July, the New Brunswick and Canadian national governments entered into a partnership to allow Customs agents to collect the 11% Provincial Sales Tax (PST) from Canadians returning from Maine. The arrangement was designed to discourage cross-border shopping. Retail sales in Maine border areas declined 9% to 13% immediately following imposition of border collection. By treating cross-border sales in New Brunswick differently from those in other Canadian provinces, it is believed that Canada is violating the terms of the U.S./ Canada Free Trade Agreement. The U.S. Trade Representative is pursuing the grievance through dispute resolution procedures.

CLEANING UP...BOTH WAYS

We tend to think of environmental cleanup efforts as being very costly, and creating a drag on economic growth. A report published by the Maine Waste Management Agency in April 1993 argues that this is not always the case. According to the report, Recycling and the Maine Economy, the investments made by manufacturers, brokers, and municipalities in recycling efforts created (directly and indirectly) over 2,100 jobs and contributed nearly \$300 million in value added to the Maine economy. It seems Maine is cleaning up by cleaning up.

THE DEFENSE RESTS

During 1992, Bangor became one of 20 cities competing nationally to be selected for one of three or four new U.S. Department of Defense Finance and Accounting Centers. Such a center would employ 4,000 or more people in permanent jobs earning an average of about \$35,000 annually. By the spring of 1993, Bangor had spent roughly \$150,000 for architectural and other work in preparing its proposal for the D.O.D. Then, in March 1993, the city received a letter from the Secretary of Defense stating that the selection process was being discontinued and that another process was to be developed in the future. To date there has been no new information from the D.O.D. on this issue.

THE DEFENSE NEVER RESTS

The good news: Maine installations escaped the 1993 Base closure list. The bad news: although no additional installations are scheduled for closure, most have continued to downsize. Among the highlights, the Kittery-Portsmouth Naval Shipyard laid off 600 employees in the spring and gained approval for an additional 700 layoffs through the fall and winter. The shipyard had 7000 employees at the beginning of the year and will have only 5700 when the final layoffs are complete. Also, National Guard units are downsizing across the state. The Bangor guard unit lost an engineering battalion in the spring, amounting to a loss of 549 full and part time jobs. And the beat goes on.

IT'S A GASSER

President Clinton had promised the nation that one of his highest priorities would be to attack the National Debt. Early strategies focused on some kind of energy tax to make a dent in the deficit. After much debate, a 4.3 cents Federal Motor Fuels Tax was passed and went into place on October 1st of this year. Fortunately, for drivers, gasoline prices promptly fell to threeyear lows. Maine's AAA gasoline surveys for October and November reported averages of less than \$1.08 per gallon, the lowest since June of 1990. For the time being, households are finding President Clinton's gas tax to be revenue neutral.

HOW DO YOU SPELL RELIEF?

Finally, there is some progress to report on Maine workers' comp costs! The reforms of the Workers' Compensation Act of 1992 went into effect in January of 1993. In November, the National Council on Compensation Insurance (NCCI) announced that it was projecting a 3.8 percent decline in the cost of providing Maine workers' comp protection for 1994. It was

reported that Maine work-related injuries had declined by 13 to15 percent in the first half of 1993. Production cutbacks caused by the weak economy, as well as new safety measures instituted by Maine companies, may have contributed to the decrease in worker related injuries.

ELECTRIFYING DEBATE

Central Maine Power Company takes the grand prize for 1993's most attention-getting entity. When the State's largest electric company filed a \$95 million rate request on March 1st, the public outcry was unprecedented. Residential, commercial and industrial customers, still reeling from the severe economic slump that gripped the state from 1990 through 1992, unleashed their fears and frustrations by seeking intervenor status in the case, filling editorial pages with scathing letters, and showing up at public hearings in droves. The company argued that it needed the rate increase to cover the costs of implementing the State's energy policies of the eighties (primarily cogeneration, small power production and energy management). Consumers claimed CMP was inefficient and would be sent into a death spiral that would accelerate should rates be allowed to rise further. Ultimately, the PUC granted a \$26 million increase (a 3% hike, 1/3rd of their request) and issued stern warnings to the utility that spending must stop and all possible efficiencies must be explored and implemented. Though the case was officially over November 23, its shock waves will continue to be felt for years to come. In December, CMP announced near-term layoffs of at least 200 employees.

THE AXMAN COMETH

Through mid-September, the Maine Department of Labor Dislocated Worker Unit received notifications from 37 different employers of closings and major layoffs. About 3500 workers were directly affected in these actions, compared to 2800 by this time last year. Included in this year's announcements were 7 organizations which laid off 100 to 199 workers, and 3 which laid off 200 or more. In this last group were the Kittery-Portsmouth Naval Shipyard (700 jobs), National Semiconductor in South Portland (200 to 300), and the Bowater paper mill in Millinocket (200).

HARVESTING MAINE'S MONEY TREES

The year 1993 saw a significant increase in export demand for unprocessed Maine timber to both Europe and Asia. This new demand pushed hemlock log prices up 13% in just a couple months. Simultaneously, pine prices rose 22%. Whole log exports of hemlock and white pine stirred up a debate between local saw mill owners, exporters, foresters, loggers, and woodlot owners as to the effects of such shipments on Maine's longterm timber supply, and on jobs in Maine's timber processing industries. Most observers agree that Maine would be better served by developing overseas markets for cut lumber, thus preserving the long term viability of jobs in that industry, and boosting the state economy. But, Maine wood products firms have had difficulty in the past breaking into foreign markets. It is likely that the increased demand and substantially higher prices being offered were largely spurred by recent harvesting restrictions in the Pacific Northwest and British Columbia. It is also likely, according to exporters, that Maine log exports will continue to be strong long into the future. The national economy appears to be in a period of slow but steady growth. After surviving a rather mild recession in late 1990 and early '91, growth in real Gross Domestic Product (GDP), a common measure of overall economic health, has plodded along at an unexciting 2.5% rate. This modest growth is less than half the pace of prior recoveries and significantly slower than the expansionary period of the mid-eighties (see Figure 1).

Inflation is not expected to pose any problems, as the Consumer Price Index is forecast to remain in the vicinity of 3% well into this decade. As nonfarm employment growth edges up towards 1.5% - 2.0% in the forecast horizon, the national rate of unemployment should gradually subside from the 92 high of 7.4% and drift towards 6% by the late 1990s.

Unfortunately, the outlook for the New England region is a bit slower and a bit less steady. The northeast is still reeling from a severe recession that has plagued the area since 1989. New England has endured an 11% employment loss over the past four and a half years, as Figure 2 illustrates. Although the northern tier states have seen some turnaround, continued losses in Masschusetts and Connecticut have overshadowed improvements in the smaller states. Of the 620,000 jobs that have disappeared in the region, over half were lost in Massachusetts and nearly a third were taken from the Connecticut economy.

Although recovery is anticipated for the region, growth will be hampered by financial sector weakness and continued defense cutbacks. According to Philip J. Lane, the New England Economic Project's Financial Model Manager, despite the fact that earnings at New England's commercial and BIF insured savings banks turned positive in 1992, by early '93 nearly 50% of the region's depository institutions were under either a memorandum of understanding or a cease and desist order. The severity of the region's financial sector problems is evidenced by the fact that from mid-'91 to mid-'93, 81 financial institutions disappeared, either through failures or mergers. Fortunately, Maine's financial institutions are not part of the problem.

Continued cutbacks will further dampen the strength of this recovery, particularly in the states with higher defense dependency; Maine, Masschusetts and Connecticut. In Fiscal Year 1992, defense spending, including prime contract awards and military payrolls, accounted for approximately 4% of New England's Gross Regional Product.

Regional unemployment rates have topped national rates since 1990, but are expected to come back in line with the nationwide average through the forecast period. Regional housing activity appears to have bottomed out in 1991, however, growth is



projected to be both slow and uneven, coming in fits and starts. While real income gains were made in 1992, income faltered during 1993. Growth is forecast to resume in '94, following a modest recovery path similar to that of the region's other primary economic indicators.



Maine Economic Outlook

While virtually all indicators signal that Maine is in recovery, there isn't an indicator anywhere that suggests that this rebound is typical. Since the economy bottomed out in 1991, growth in both employment and income has been characterized by a startand-stop, accelerate-and-stall pattern. Unfortunately, even the periods of acceleration have been so slow that steadfast optimists feel uneasy. Slow national growth, continued defense cutbacks and a New England economy still reeling from the severe regional recession throw a wet blanket on any hopes of a heated recovery in the near future.

Despite its lack of vigor, recovery is underway and growth, albeit slow, is expected to continue over the upcoming few years. Maine real Gross State Product is projected to rise 2% to 3% annually from 1994 through '97, as Figure 1 illustrates. Though this rate of growth is less than half the pace of real GSP growth in the eighties, it does track very closely with the level of activity anticipated at the national level.

Following the projected anemic 0.4% showing in 1993, wage and salary employment growth is forecast to accelerate slightly through 1997, averaging 1.5% over the upcoming four years. As with the boom years, virtually all job growth will be in the nonmanufacturing sector (see Figure 2), which is forecast to add 35,000 jobs to our economy. Nearly half of the new opportunities will be in the services industries, such as health, business and legal services, and an additional one-third will come from retail and wholesale trade employment. Meanwhile, the steady erosion of Maine's manufacturing employment base will continue. While fairly small employment declines are anticipated in the paper, leather and lumber industries, manufacturing job losses will be driven by downsizing in the Transportation Equipment Sector due to defense cutbacks.

Real per capita income has been following a very uneven growth path, but, as Figure 3 illustrates, positive income growth is anticipated through the forecast period.



Below, we outline five issues which we believe will play major roles in Maine's near-term economic future.

The Telecommunications Wars

Portland will be the site of a battle for the information highway of the future. New England Telephone Company filed suit in U.S. District Court in Portland November 16, 1993 seeking the right to offer cable television services. The Portland Press Herald reported, "New England Telephone wants to build a communications system which would not only offer television, but potentially such services as movies on demand, home shopping, electronic news and college courses. The system could offer more than 500 channels. That would pit New England Telephone, a unit of the NYNEX Corporation against Public Cable Company which hopes to finish a similar system in the Portland area by the end of 1994. Public Cable is also owned by a corporate giant, Time Warner Incorporated." At the same time, according to the Press Herald, Public Cable Company wants to provide local telephone service to Portland. The paper noted that New England Telephone, while initially focusing on Portland, would eventually extend cable operations to all seven states served by NYNEX. A month earlier, The New York Times reported NYNEX had invested \$1.2 billion in Viacom Corporation to assist the latter in its attempt to merge with Paramount Corporation, a motion picture and entertainment company. This merger is being challenged by the QVC Corporation which hopes, itself, to merge with Paramount. The Times quoted the chairman of NYNEX as saying he is intent on building "a multi-media broadband interactive network in the Northeast." NYNEX already offers television cable services in Great Britain and the Times observed these operations provide NYNEX important experience in marketing cable services. Another article in The New York Times on November 28 quoted the vice chairman of NYNEX as saying the company could lose forty percent of its residential telephone business over the next decade if it does nothing to respond to the mergers now taking place between cable companies and other local telephone companies. U.S. West, Southwestern Bell and Atlantic Bell have all either bought or are trying to buy cable companies in NYNEX's market. The court order which broke up American Telephone and Telegraph in the early 1980's forbade local telephone companies from offering programming. New England Telephone will challenge this in court as an unconstitutional infringement of free speech.

Health Care Reform

Health care reform will have important consequences for the future of the State and national economies. Health expenditures comprise a sizeable portion of the nation's economy (\$666 billion or 12% of gross domestic product in 1990). Health insurance adds substantially to the labor costs of employers

who provide this benefit to their workers. And, workdays lost to illness and injury (an average 5.6 per worker in 1989) reduce economic output. However, while it's clear that reform will affect the economy in important ways, it is not clear yet what the effects will be. Insuring those people who have not hitherto been covered will increase the demand for health care services. But, controls on costs and procedures may, on the other hand, counter balance increased demand with improved efficiency and reduced expenditures. And, if an emphasis on preventive care improves the average health of workers, increased productivity will help offset the costs of reform. The State Planning Office's soon to be released long range economic forecast projects the medical services sector will add more workers than any other sector between 1992 and 2005, if the health care system is not significantly changed. The forecast, however, does not attempt to project what will happen if reforms are enacted, since no one knows yet what the new structure would look like.

ISSUES FOR THE FUTURE

Canadian Rail Service in Maine

The status of rail service across northern Maine on the Canadian Atlantic Railway has been uncertain for some time. Passenger service across northern Maine linking Quebec, Toronto and the Atlantic Provinces was discontinued a decade ago and has since been available only sporadically. The 200+ miles of line through Maine carried over 30,000 freight cars last year and passenger service between Quebec and New Brunswick operated three times a week.

The CP rail line across northern Maine was vital to the economy of central Canada because it linked the region with the nation's major eastern shipping port at St. John, N.B. Today, Canadian exports are shipped down the Delaware and Hudson rail to ports in Philadelphia and New York. This shift away from the St. John port caused the company to lose \$32 million over the past three years on the Atlantic section.

This summer, CP Ltd. applied to the ICC for permission to discontinue all freight and passenger service across Maine and to salvage the equipment and materials. The rail serves nine Maine communities in remote rural regions. In addition to providing maintenance and repair service jobs to many in the towns along the track, the rail line is important to the transport of wood to pulp and lumber mills in Maine, especially the Georgia-Pacific mill in Woodland. The Bangor & Aroostook RR relies on the CP rail for freight switching at Brownville Junction. Northern Maine mills use this service to export products to Europe and North American markets though Eastport.

Hearings on the proposed closure were held this fall in Bangor, and discussions are underway regarding the sale of a portion of

(ISSUES FOR THE FUTURE)

the line serving the Woodland area. Abandonment is opposed by the Atlantic Provinces because the rail offers the shortest route to Quebec and Toronto for maritime residents. Final decisions are a year away. Both the ICC and Canada's National Transportation Agency must approve the application.

FREE TRADE AND MAINE:

Approximately 70% of all imports to Mexico now come from the United States. Although Mexico's economy is small, it is a country of about 90 million people. If the citizens of Mexico can significantly increase their per capita income, it is reasonable to assume they will also significantly increase their demand for U.S. consumer products. The passing of NAFTA and reducing of tariffs will make U.S. products more competitive in the Mexican marketplace, thereby increasing both U.S. and Maine exports to Mexico.

On the other side of the issue are those who believe it is not merely the Mexican marketplace that is the objective of American firms supporting NAFTA, but the Mexican workforce. Wage rates are the single largest component of variable costs in most manufacturing firms. Thus, the opponents fear that with a minimum working age of 14 and an average manufacturing wage that is about one-seventh that paid by U.S. firms, Mexico will attract many American businesses looking to take advantage of lower variable costs in Mexico.

One recent regional analysis of the U.S. economy, prepared by a Tufts University economist, predicted that New England and Maine will be overall net beneficiaries of whatever shifts in production occur as a result of NAFTA. However, other studies suggest a net negative effect. In any case, there is the potential for major disruptions to certain sectors of the U.S. Economy during the 25 year period before NAFTA is fully implemented.

The Future of Public Utilities

In Maine and across the country, spiralling electricity rates are causing a backlash which may ultimately cause a redefinition of the electrical utility business. In Maine attention has been focused this year on the Central Maine Power Company's rate case. Contracts signed years ago with cogeneration plants seemed to offer many benefits. In these arrangements, waste wood is converted into electricity at small independent plants and sold to CMP and other public utilities, thus reducing dependence on foreign oil. However, since oil prices did not increase nearly as much as expected, these agreements now bind the utilities to buying energy at relatively high prices. Ultimately, CMP was allowed a rate increase of only about 1/ 3 of its request. As a result, CMP has announced layoffs, and will obviously have to put an added emphasis on efficiency throughout the business. Ultimately, there may be a payoff down the road if CMP is able to improve its competitiveness.

We are refering here to recent developments such as the energy bill passed by the U.S. Congress in 1992 which allows small utilities to use the lines of large utilities for transporting electricity purchased from third party producers. This development and other changes in utility regulations predicted by some experts threaten to remove electric utilities from the monopoly umbrella. The concept, called "retail wheeling", could see small utilities, manufacturers, and other large energy users buying power from utilities located anywhere in the country. This would force all the larger electricity producers into a competition for customers. While some analysts say there will be agressive competition in electricity generation and transmission just like there is now in telecommunications, still others say it will simply never happen. In any case, utility regulation is likely to see significant change over the next few years.

THE MAINE ECONOMY: Year-End Review and Outlook 1993

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