

MAINE STATE LEGISLATURE

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Partnership to Maintain and Diversify Forest Markets in Maine

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Note

It would be naïve to interpret the references to a partnership herein as meaning that Maine state agencies and representatives of Maine's forest products industry always agree on issues that arise. Quite to the contrary – debate over various issues has been spirited, and at times, heated. What is meant is that on the topics referenced in this report, Maine state government has been able to come together with representatives of the forest products industry to work as partners to achieve a common goal.

This report was circulated to the Maine Forest Products Council, the Maine Pulp and Paper Association and others for review of the factual accuracy of the statements made.

“The proactive efforts Maine’s pulp and paper mills and state government have taken together have been critical to the health of the industry.”
(John Williams, Executive Director, Maine Pulp & Paper Association)

“Communications between the forest industry and state government is imperative for the future of Maine’s natural resource industries.”
(Patrick Strauch, Executive Director, Maine Forest Products Council)

Summary

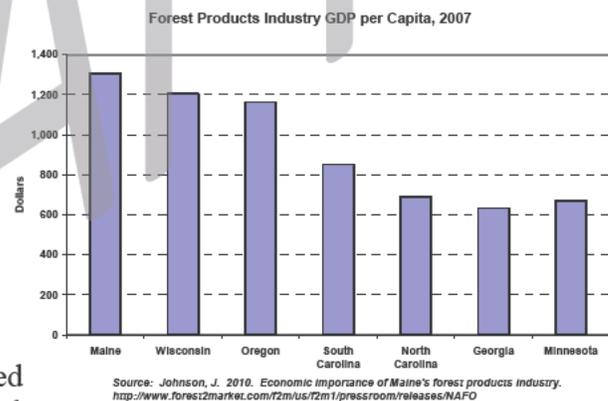
As attested to by the letters attached to this report, the concerted efforts of a partnership between Maine State Government and the forest products industry has resulted in:

- **Maintaining 5 mills in operation** that otherwise would have been shutdown;
- **Maintaining 1,935 jobs** in Maine mills and **indirect employment of 5,800 jobs**;
- **Maintaining the over \$500 million contribution of these mills to the Maine economy;** and
- **Improving the financial competitiveness** of Maine mills by reducing both taxes and energy costs.

As stated again later, this report should not be read as claiming that Maine State Government is responsible for the success of the forest products industry –government can and has helped – but it is the people and the businesses of Maine that have made the fundamental difference.

The efforts of this partnership have proved **important to:**

- **Rural economies.** Based on the facts outlined above, the importance of these efforts for rural economies speaks for itself.
- **Keeping Maine’s forests.** Without robust markets, landowners lose the major reason for owning timberland; and hence, keeping forests as forests – losing the markets for wood cited above would have reduced returns to Maine forest landowners significantly.
- **Allowing management which maintains the quality of Maine’s stands of timber over time.** While it does not guarantee such management, diverse markets allow forest managers to avoid high grading (harvesting only the most valuable trees). Over time, high grading both reduces the quality of the stock of trees left after harvest and eventually the genetic quality of the trees themselves because poorer quality trees are left to parent future generations. A visual comparison of the results of these two forms of management is shown below:



The existence of diverse and robust markets (for all species and qualities of trees) encourages active management for high value stands in the future:

Uneven Aged Management



Source: John Brissette

Even Aged Management



Source: Maine Forest Service

High grading results in low value stands like this:



Source: Ralph Nyland



Source: John Brissette

Thus, having diverse and robust markets is important for rural economies, keeping forest as forests, and allowing management which fosters high quality stands in the future.

Essential ingredients for a successful partnership include:

- Broad social agreement on the importance of active forest management and the forest products industry;
- Political and industry leaders who understand that while they will not agree on all issues, are committed to working together where they do agree;
- Key staff that are highly experienced, creative, trusted and have access to leaders in both industry and government at the highest levels;
- Caring more about results than who gets credit;
- A proactive and long-term approach; and
- Adequate resources to secure reliable data and conduct a productive dialogue.

Introduction

First, it is important to recognize that, as demonstrated by the photographs in the Summary, diverse and robust markets for timber allow forest management which does not degrade forests. Where such markets are absent, high grading takes place – cutting only the best trees. Thus, maintaining markets is important to conserving forests. With this understanding, Maine officials have long recognized that forests define the state of Maine and are critical to the state's economy. Now this awareness is spreading and there is a growing recognition that forests are a strategic national resource, and are likely to become more – rather than less – important in these regards in the future. As we enter into an era where life cycle analyses demonstrate the advantages of using wood over other materials, increased reliance on renewable fuels, efforts to reduce atmospheric greenhouse gases, and the role large contiguous areas of forests can play in allowing adaptation to climate change, we believe that the role of forest and the forest products industry are certain to grow in importance.

In these regards, Maine has retained, largely intact, a diverse and robust forest products industry. The conventional wisdom is that every stick of wood harvested in Maine has a market. This diversity and strength of markets stands in stark contrast to the situation in other areas of the Northeast, including not only the northeastern portions of the US but also eastern Canada, where the forest products industry has suffered from very significant declines. This does not mean that the forest products industry in Maine has not reduced employment, it does not mean that all Maine's mills remain open – but rather, in order to remain competitive in global markets, that production has been shifted to newer, more modern facilities that, of necessity, require less labor.

This report demonstrates the success of a partnership between state government and the forest products industry, explains how Maine's forest products industry fits into its regional context and what actions were initiated to retain the bulk of its forest products industry.

As shown in the tables attached, the forest products industry makes sizeable contribution to the state's economy when compared to other surrounding jurisdictions.

To put this in context from a national perspective, Maine is the second largest paper producing state in the nation (only Wisconsin produces more paper than Maine), and also has very robust traditional markets for products such as sawtimber, as well as growth in new and emerging technologies; for example, the production of biofuels, including the plans for the production of jet fuel at a revitalized pulp mill in Old Town, Maine.

This accomplishment is as a result of a partnership between the forest products industry and state government, including the proactive involvement of Maine's Governor and an unprecedented level of coordination among state agencies – including the Departments of Environmental Protection, Labor, Conservation, Economic and Community Development, and Transportation – which all contributed to the coordinated effort to maintain and grow Maine's forest products industry.

Maine has also taken the lead nationally on efforts to revitalize federal efforts to maintain and diversify markets. In part because of this visibility, and its demonstrated interest and competence on this subject, Maine has been able to secure significant federal funding to pursue portions of this agenda.

However, this report should not be read as implying that Maine state government or the federal government are responsible for the success of the Maine forest products industry – government can and has helped, but it is the people and business of Maine that have made the difference.

How Did Maine Arrive at this Envable Position?

As outlined earlier, Maine is in an enviable position as regards the forest products industry around the region. Maine has not always been in such a fortunate position. While the forest products industry has been a dominant force in the state's economy, stretching back to the mid 19th century when Bangor was the largest lumber port in the world. The late 1980's and 1990's witnessed a period of chaos as regards Maine's relationship with the forest products industry. The vertically integrated paper companies that had dominated Maine's rural economies and forest ownership in Maine had fallen on hard times and were being systematically dismantled into their pieces to realize value from "under performing" assets – and companies were under pressure to reduce production costs, and hence, labor. Communities were concerned with maintaining services or even their very viability, conflict was common over these issues, and everyone – businesses, government, labor, and environmentalists – were blamed. Various constituencies that cared about Maine's forests openly battled over the future of Maine's forests and Maine's forest products industry. Word on the street was that Maine was simply "not open for business."

Perhaps as a result of the problems created by that history of chaos, Maine has adopted a new approach to both forestry and to the forest products industry – an approach which stresses collaboration – collaboration not only within state government, but between state government and the various constituencies that care about our forests and the forest products industry. Maine has made great strides in increasing the understanding of these issues on the part of all parties and bringing people together to embrace productive solutions to the problems that we confront. Maine has been both proactive and reactive as regards forestry issues and issues related to the forest products industry.

For the last several years, efforts within state government to assist the forest products industry have been spearheaded by Rosaire Pelletier, a former executive of a large pulp and paper firm, who works directly for the Governor and whose work is supported by a variety of state agencies, many of whom would not be seen as "normal" supporters. For example, the Departments of Environmental Protection and Labor would not typically contribute to supporting this kind of enterprise – but they have.

This effort has, in part, grown out of the personal interest of Governor John Baldacci in rural economies and the forest products industry. So, for example, one of the things which has improved relationships and opened up the government process has been that the Governor has invited the CEO's of most of the major forest products companies in Maine to one-on-one dinners and knows them on a first-name basis. This gives government unprecedented access to information from the industry and the industry unprecedented access to government.

Beyond this, Maine's experience indicates that a solid partnership for maintaining and diversifying markets includes:

- An ongoing formal and informal dialogue among industry and government participants that builds mutual understanding and trust;
- A high level problem solver to work with CEO's of the forest products industry and high-ranking officials of state government on issues before a mill shuts down – a troubleshooter who helps the forest products industry cope with major challenges or take advantage of major opportunities (e.g., replacing an oil boiler with biomass, finding buyers for mills to be closed).
- A “boots on the ground” problem solver making resource connections at the mill level. Technical assistance to mills – an on-the-ground person who helps mills solve technical problems and helps them market their products, steers consumers to mills that can provide them what they need.
- An ongoing relationship with forest economists to build analytical tools and conduct analyses needed to understand and strengthen the industry.
- An ongoing relationship with forest product research specialists to identify emerging technology which is applicable to Maine.
- An ongoing relationship with forest industry private consultants who assist industry in investigating business opportunities to provide a critical link with the industry and insure that the industries needs are recognized in state policy and programs.
- Access to current specific data and analyses related to market conditions and cost curves for production costs for each sector of the industry.

This multi-faceted approach has involved planning and policy work, mill-specific activities, the maintenance and development of infrastructure, tending to difficult labor issues, promoting new technologies, defining a special market niche for Maine's forest products, forward integration, and research. These topics and examples of the activities undertaken in each are explored below. The data presented in this report is a compiled from reports from the Maine State Planning Office, Maine Forest Service, and Rosaire Pelletier.

Planning and Policy

- **Planning for action – the Future Forest Economy report.** With funding from the US Forest Service and the Maine Technology Institute, in 2005 Maine completed the most comprehensive report even undertaken on Maine's forest products industry – the manufacturing side. The report included datasets and information never previously publicly available on the competitive position of Maine mills. The report involved a broad spectrum of advisors from the forest products industry who contributed to the effort and resulted in 19 recommendations for actions that state government and the industry itself should take to increase the competitive position of Maine's forest products industry. First among these was the elimination of the personal property tax on business equipment. Another key recommendation was hiring a coordinator / liaison to work with the Governor's office in the full variety of activities that are described here – from planning and policy to mill-specific interventions, assistance with labor and infrastructure issues, etc. A number of the recommendations including those two have been implemented through a coordinated effort with state government and industry. One of the outcomes of the project was to clarify the

comparative competitive position of each of Maine's industry sectors; for example, Maine has 11 pulp and paper mills producing a wide variety of different products and all with different cost curves by comparison to their competitors and different needs. It is worth noting that about half of the pulp and paper mills have received one-on-one assistance over the last several years.

- **Refining state policy on taxation of business equipment.** In 2006, the Baldacci administration undertook efforts to refine state policy on the taxation of business equipment. An existing program, known as BETR, provided repayment to municipal governments for personal property taxes paid by capital-intensive industries. This program had proved somewhat problematic because reimbursement levels depended on appropriations by the legislature. Funding levels varied over time creating uncertainty on the part of potential investors as to whether or not they would receive the tax credit that they were expecting. In addition, the property tax rebate was by law scheduled to terminate 12 years after a capital asset came into service. The first step in the process of refining state government's approach was to try and stabilize the appropriations to BETR so that they were predictable; secondly, to extend the 12-year termination date of tax benefits to extend for as long as the capital asset was in service; and finally to eliminate the personal property taxes on this equipment for new assets placed into service after April 1, 2007. This was a major refinement of tax policy, as the equipment in some Maine mills runs into hundreds of millions and hence the reduction in taxes was very significant. It is important to recognize that these changes were undertaken not merely to increase the competitiveness of the existing forest products industry but also to attract additional capital investment based upon enhancing Maine's competitive position.
- **Support for the logging industry.** In 2000, with funding from the USFS, Maine undertook an effort to assist in the development of the **Master Logger program**. The Master Logger program was created in Maine and has been effective in improving forest management and assisting in creating a special niche for Maine's forest products in the global marketplace. Currently, the Master Loggers program includes approximately 130 firms and produces approximately 40% of the wood harvested in Maine. The program has now spread to a number of other states and is seen as a model for how to improve logging performance and instill confidence in the market that logging is being done sustainably.

In addition to supporting the development of Master Loggers, in 2007 Maine instituted a **Direct Link Loan program**, which funds the purchase of machinery that will reduce the impacts of harvests. The funding for these loan guarantees comes from the US Environmental Protection Agency through the Maine Department of Environmental Protection. To date, over 35 pieces of equipment with a total value of \$9.5 million have been funded as a result of the Direct Link Loan program. To participate, loggers must commit to becoming Master Loggers – if they're not already – and to implementing best management practices to protect water quality.

In 2009, the Maine Forest Service, in conjunction with the Professional Logging Contractors of Maine and other interests, initiated a series of **Logger Congresses** around the state to determine what state government and, again, the industry itself could do to increase the competitiveness of Maine's logging industry. This effort grew out of a logger shortage in 2008 when what has been called a "perfect storm" of adverse conditions reduced Maine's logging capacity and resulted in shortages of wood delivered to mills and historically high prices. The Logger Congress effort has resulted in a report calling for a number of actions to improve the competitive position of Maine's logging industry.

- **Voluntary Response Action Program.** This is a program instituted by the Maine Department of Environmental Protection (DEP) which allows cooperating mills to have DEP assist them in identifying any environmental hazards which may exist in their mills and activities that they could undertake to reduce those hazards. As a result of cooperating, the mills receive amnesty on any problems detected provided that they are remedied. This program has resulted in significant improvements in relationship between mills and Maine's environmental regulators.
- **Increasing the use of renewables and improving energy efficiency.** Through the Efficiency Maine program, Maine mills have participated in efforts to identify where their most cost-effective opportunities to reduce energy use are, and what technologies might be employed to accomplish this purpose. In addition, the conversion of Maine mills from oil-fired energy production facilities to biomass – while in place in Maine's largest mills for some time – has now been undertaken on a broader scale. Maine state government has been a key player in some of these transitions by providing financial and technical assistance to mills that are interested in such conversions. For example, in Millinocket, Maine a world-class supercalendered paper machine sits idle because it is dependent upon an oil-fired boiler which renders it uneconomic. Work is actively underway to find investors for a biomass boiler which could make the mill profitable again by using the low pressure steam from an electrical generator to run the paper mill. This would result in approximately 200 jobs in a portion of the state which very much needs additional employment opportunities. In addition, 100 jobs (including loggers and truckers) will be created by the biomass facility itself – so that the total job creation will be 300 jobs.
- **Keeping Maine's Forests.** Keeping Maine's Forests is an effort to maintain Maine's forest land base as forest – not only because of its environmental importance, but also its importance to the wood products industry, communities and tribes, sportsmen and women, recreationists, and rural economies. It seeks to keep Maine's forests and the full spectrum of values they provide - from wood to wildlife - by helping landowners find practical solutions for keeping their lands undeveloped, open, and productive. The proposal would accomplish this by providing financial incentives for landscape-scale conservation to maintain productive forest lands, limited fee acquisition for the most essential ecological, cultural, and recreational important areas, and exemplary forest stewardship. The largest unfragmented forest in the East, Maine's traditional working forest is a national treasure uniquely maintained predominantly by private landowners. This Initiative seeks to take advantage of a unique opportunity offered by U.S. Secretary of Agriculture Vilsack and U.S. Secretary of Interior Salazar to work with their agencies to find ways to maintain forest landscapes through coordinated action and make their federal programs more responsive to the needs of Maine's forest landowners.

Mill Specific Undertakings

- **Lincoln Pulp and Tissue.** In the fall of 2002, Eastern Fine Paper announced bankruptcy. This includes two mills – one of which was in Brewer, Maine and the other was in Lincoln, Maine. The mill in Lincoln produced pulp as well as paper. The Governor intervened in the early winter of 2003 and arranged for the mill to be heated such that the machinery was not ruined by freezing. Later in 2003, an investor was found, the mill was reopened, and now employs approximately 450 people. The mill's equipment has upgraded and a new machine was installed as a result, in part, of an investment by the Finance Authority of Maine, guaranteeing the loan for that equipment. The upgrade of the equipment at the Lincoln Pulp

and Paper mill cost approximately \$37 million. These activities not only maintain the jobs in the mill, but also provide an important market for wood in that portion of the state.

- **Great Northern Paper Company, East Millinocket mill.** At about the same time, the mill in East Millinocket owned by Great Northern Paper went bankrupt and ceased operation. Again, the administration worked to find an investor for the mill – Brookfield, the parent of Fraser Paper Company – who reopened the mill and now runs it profitably to produce directory paper and newsprint, employing approximately 450 people; and again, maintaining an important market for wood in central Maine.
- **The Domtar mill in Baileyville.** In 2008, Domtar made a decision to close its pulp mill in Baileyville, in far downeast Maine. The mill had produced bleached hardwood kraft pulp and was not taking advantage of some opportunities available through the federal government to enhance their revenues. As a result of intervention by state government, they were made aware of these opportunities and reopened the mill which is now running profitably and employing 300 people. This is a very important market for wood in downeast Maine because the distance of these lands from other mills. This mill has historically paid a premium for certified pulpwood, creating a market incentive for certification and enhancing the prospects for the sustainability of Maine’s forests.
- **Louisiana-Pacific.** In 2008, the Louisiana-Pacific waferboard mill in Houlton, Maine was facing financial difficulties. State government intervened to assist the mill in determining a path to profitability, and the mill continues to operate and currently employs approximately 80 people. Louisiana-Pacific invested nearly \$100 million in a new product line using oriented strand lumber technology. Employment is expected to grow to approximately 270 over time as the plant increases production. Louisiana-Pacific was also given financing for training with their employees.
- **Fraser Paper Company.** Fraser Paper Company in Madawaska, Maine faced difficulties when the company went through bankruptcy and restructuring. State government assisted the mill reopen by providing a significant amount of funding for retraining the workers and also in developing a new product (wet strength paper) which enabled the mill to remain competitive. The total funding for this enterprise was close to \$1 million. The Fraser mill remains open today and employs approximately 550 people.

Infrastructure

- **Montreal, Maine and Atlantic Railway, Inc.** In 2010, Montreal, Maine and Atlantic Railway, Inc. (MMA) proposed to abandon the 233 miles of track which services northern Maine. Forest products companies are a major user of this line for the shipment of chips, pulp, paper, and logs. The state intervened in the abandonment process and is proposing to purchase the line and maintain it in operation. To accomplish this, an \$8 million bond issue is proposed that will be considered by the people of the state of Maine in June 2010, and an additional several million are likely to be made available from the state’s Rainy Day fund. The hope is to match this state funding with federal funding, as well as funding from private parties who use the line to maintain it in operation.
- **Interstate truck weights.** The Maine’s Interstate Highway system north of Augusta has traditionally been off limits to trucks in excess of 80,000 pounds. Thus, trucks which are up to the legal road weight in Maine of 100,000 pounds are required to travel on state roads rather than the Interstate. This has increased transportation costs, costs for road maintenance,

and also increased safety risks as these trucks travel down roads which are not as well suited to the transportation of wood products as the Interstate. This issue has been resolved – at least temporarily – through the efforts of Congresswoman Susan Collins, Congressman Michael Michaud and the support of the administration for increasing truck weights on the Interstate system north of Augusta to the 100,000 pound limit. This is considered part of an experimental pilot program at this time, but the hope is to make it permanent once it proves successful.

- **Cargo Port Development on Sears Island.** While no cargo port has been built on Sears Island, the issue of whether or not to allow the construction of a cargo port has been a long-standing issue in Maine. Many organizations have been vehemently opposed, while others are clearly supportive and believe that an expanded port in Searsport could be critically important to reducing transportation costs; and hence, improving the competitive position of not only Maine's forest products industries, but other industries that require bulk shipments as well. A historic agreement was reached among a variety of parties with regards to the future of port development on Sears Island in 2007. The parties to the agreement include the full range of constituencies that care about the future of Sears Island. The agreement would permanently conserve most of the island while allowing the expansion of port facilities to Sears Island at a time when the capacity at Mack Point – just across from Searsport Harbor – are fully utilized. Resolving this dispute collaboratively was a major breakthrough in transportation policy.

Labor

- **State policy as regards foreign labor.** Currently approximately 25% of the wood harvested in Maine is harvested by bonded labor from Canada. This is particularly true – but not limited to – the northwestern portion of the state, particularly the areas west of the Allagash River. This labor is critically important to the capacity of the logging industry to supply Maine's mills. This became very evident in 2008 when bonded labor was not available due to the provisions of the federal H2B program; and this shortage, along with high diesel costs, bad weather and other employment opportunities that were available for loggers, contributed to a dramatic reduction in the supply of timber available to Maine mills and to the approximate doubling of pulpwood prices. The issue of Canadian labor in Maine has been a long-standing one, and has created deep divisions within the logging community. In 2010, the Maine Legislature proposed to essentially eliminate bonded Canadian labor in Maine. A compromise was reached between the Baldacci Administration and the Legislature which increased the level of surveillance of activities under the Bonded Labor program, insured that the law would be adhered to by, among other provisions, increasing fine levels, and set up a clearance house to make sure that domestic workers were given the first opportunity for logging jobs. This effort has proved successful in maintaining the availability of labor needed from Canada while Maine transitions to a situation where more of the wood harvested in Maine is produced by Maine workers.

Promoting New Technologies

- **Old Town Fuel & Fiber.** A pulp and paper mill previously used to produce tissue products is being converted to the production of biofuels, as well as pulp. The plan is to apply a process developed by the University of Maine in their research facilities for pre-treating pulpwood chips to provide hemicellulosic feedstock for fermentation into liquid fuels and acetic acid. The owner intends that eventually this liquid fuel will be used as a portion of jet fuel. This mill, which employs approximately 200 people, is now back in operation

producing bleached kraft market pulp with plans to undertake liquid fuel production by the end of the year.

- **Increasing the use of biomass fuels.** Maine has supported a number of efforts to increase the use of domestic biomass as a renewable fuel. The state has supported the development of pellet fuel producers at three locations currently, with more planned in the near future.

In addition the state received approximately \$11 million in American Recovery and Reinvestment Act (ARRA) funding, which is being used to convert public buildings to biomass fuels. The program has selected five facilities to receive funding and a second request for proposals is active currently. When completed the program is intended to provide 200 full-time equivalent jobs and to save millions of dollars in expenditures for oil. This will have very important affects on the local economy, as it will avoid payments for oil – 85% of which are exported out of the state of Maine – thus, this will result in millions of dollars being recirculated in the local economy as a result switch to biomass fuels.

- **Investing in reducing energy costs.** Over \$4.2 million has been invested in improving energy efficiency in Maine mills. These include 8 pulp and paper mills, and 1 sawmill. While most of Maine's larger mills (particularly pulp and paper mills) generate a large portion of their own power hydropower and from burning bark and other biomass, the high cost of purchased power or producing power from oil has put Maine mills at a competitive disadvantage. The cost of uninterruptable power in Maine averages significantly higher than national average than the national average. These investments were funded through the Efficiency Maine program with proceeds from the sale of carbon allowances through the Regional Greenhouse Gas Initiative (a regional cap and trade program for carbon emissions in northeastern states).

Defining a Market Niche

- Maine has approximately 7.5 million acres of certified land. This is the largest amount of privately owned certified land in the nation, and at 40+% of Maine's timberland, this land base provides a large supply of certified timber for manufacturers looking to satisfy the demand for products from certified material. This is of particular interest to Maine paper companies because customers such as Time Warner, Hearst Corp., and a variety of catalog companies require certified paper. Because their businesses place a considerable importance on demonstrating their commitment to stability. This certified land base, in combination with the Master Logger program covered earlier and cited briefly below has been very important in maintaining the market for some of Maine's papers.
- Maine is the birthplace of the **Master Logger program**, a third-party certification program which requires loggers to adhere to specific standards for protecting the environment when cutting wood. The Master Logger program now has 130 participants and is responsible for harvests on a high proportion of Maine land. In combination with forest certification, Maine paper mills are able to acquire 50+% of their raw material from sources accepted by the marketplace as certified. This, as highlighted above, gives Maine paper producers a competitive edge by comparison with their world-wide competition.

Forward Integration

- A major effort is now underway to attract industries which can convert Maine's primary products into secondary products within the state. So, for example, in the case of paper, 90% of the paper that Maine produces leaves the state in large rolls as primary products, when it

could be converted into such things as envelopes, business forms, etc. and add value and jobs here in the state of Maine. This program is in the early stages of its implementation.

Research and Development

- State government in Maine and the industry have a close working relationship with the **University of Maine**, which has for a long period of time been a leader in research and development for the pulp and paper industry. That has been expanded recently with the establishment of the Advanced Engineered Wood Composite Center, which has engineered everything from wooden bridges to shelters for combat troops that can withstand mortar explosions. In addition, the University has added a significant research capability on the production of biofuels. Research at the University invented technology proposed to be implemented at the Old Town Fuel & Fiber facility in Old Town referred to earlier. The technology, which is patented, involves the extraction of hemicellulose from wood chips, leaving them available to be processed into pulp while producing a feedstock which can be fermented to product ethanol or converted to a variety of other products.

Responding Effectively to Forest Health Issues while Maintaining the Viability of the Forest Products Industry

- Maine has, on a number of occasions, developed effective solutions to forest health issues while still allowing the forest products industry to secure its source of raw material. One example of this is the pine shoot beetle quarantined which was proposed in 2003, which would have severely curtailed the supply of white pine to white pine sawmills in Maine. Maine's forest health professionals and the administration work closely with Maine's Congressional Delegation and the USDA Animal and Plant Health Inspection Service (APHIS) to develop a specific response to the quarantine which would allow logs to continue to be shipped into Maine for sawn products while not endangering the pine resource. This was critical to Maine's white pine sawmills.

Providing accurate up-to-date information on resource availability

- The Maine Forest Service (MFS) maintains forest inventory data second to none. Maine regularly supplements the baseline information needed for the federal Forest Inventory and Analysis program with additional field data. MFS also maintains an active analytical program to use this information for monitoring forest conditions and responding to requests from the industry and others regarding resource availability. MFS responds routinely to requests for the amount of x material (quality logs of a given species to biomass) within y miles of a location. This information is critically important to existing and prospective manufacturing facilities.

Conclusion

As outlined above, Maine has a multi-faceted and coordinated approach to maintaining the viability of the forest products industry. The effort is a partnership between the industry and state government. These efforts have proven successful and are, in addition to the determination and creativity of Maine businesses, the reason why Maine has a diverse and robust forest products industry. Maine's success is particularly striking when Maine's forest products industry is compared to the forest products industry in the political jurisdictions that surround Maine. In general, these other jurisdictions have suffered much more extensively, particularly during the recent economic downturn in terms of the loss of their forest manufacturing jobs. The continued existence of Maine's diverse and robust forest products industry is not a chance

occurrence – it is a result of a carefully considered choice to create a dynamic partnership between government and industry, and to invest scarce state resources in an enterprise which has proven very important to maintaining Maine’s forest and to the well-being of rural economies in Maine.

Gross Domestic Product (\$million)	Forest Products GDP ^1	Share of State GDP	Population (year of GDP est.)	Forest GDP / Capita
2003** New Brunswick	1,351.1	5.7%	750,594	\$1,800
2007 Maine	1,719.1	3.6%	1,317,308	\$1,305
2006** Quebec	8,773.4	3.3%	7,651,531	\$1,147
2007* Vermont	424.8	1.7%	620,460	\$685
2007* Pennsylvania	7,132.4	1.3%	12,522,531	\$570
2007 New Hampshire	457.3	0.8%	1,317,343	\$347
2007 New Jersey	2,094.5	0.5%	8,636,043	\$243
2007 Massachusetts	1,547.7	0.4%	6,499,275	\$238
2007 Connecticut	902.8	0.4%	3,488,633	\$259
2007* Rhode Island	190.6	0.4%	1,055,009	\$181
2007 New York	3,514.5	0.3%	19,422,777	\$181

^1: Forest Products GDP for US states is the sum of "Forestry and Logging", "Wood product manufacturing", "Paper manufacturing", and "Furniture and related product manufacturing" as reported by BEA in GDP by State 2007. GDP for "Forestry and Logging" is not published by BEA and was calculated using the ratio of "Forestry and Logging" earnings over "Forestry, fishing, and related activities" earnings as reported in BEA Regional Personal Income table SA5.

*: Ratio of "Forestry and Logging" over "Forestry, fishing, and related activities" based on 2007 QCEW # of establishments due to nondisclosed income data in BEA table SA5.

** : Most recent Canadian data available from: National Economic Accounts - CANSIM table 379-0025, GDP by NAICS. Sum of NAICS: 113, 321, 3221, 3222 and 337. **Furniture and related product mfg. (NAICS 337) data was not disclosed for New Brunswick and not included in this calculation.**

Employment	Forest Products Empl. ^1	Share of Total Empl.
2003** New Brunswick	17,620	5.1%
2008 Maine	21,475	3.0%
2008** Quebec	103,340	2.7%
2000 Vermont	10,294	3.0%
2008 Pennsylvania	82,057	1.3%
2008 New Hampshire	7,224	1.0%
2001 Rhode Island	4,841	1.0%
2008 New Jersey	25,866	0.6%
2008 Massachusetts	21,473	0.6%
2008 New York	51,577	0.5%
2008 Connecticut	10,696	0.5%

^1: Forest Products Employment is the sum of "Forestry and logging", "Wood product manufacturing", "Paper manufacturing", "Furniture and related product manufacturing" private employment data as published by BEA regional personal income and employment table SA25. The Share is the Forest Products Employment divided by total Private Employment for the state.

*: Year 2000 data shown due to unavailability of select 2001 data.

** : Canadian data from: National Economic Accounts - CANSIM table 383-0010. Sum of NAICS 113, 321, 322, and 337. ***Furniture and related product mfg. data (NAICS 337) was not disclosed for New Brunswick and not included in this calculation.***



June 23, 2010

To Whom It May Concern:

I am writing on behalf of Domtar, a North American pulp and paper manufacturer with a northern hardwood kraft pulp mill operating in Baileyville, Maine. This letter is an expression of support from Domtar for the continuation of a “forest products industry liaison position” within Maine State Government.

For the past five or so years, those companies with operations in Maine have been greatly benefitted by having an Augusta based position that has served as an “ombudsman” to Maine government. There are few weeks that go by without our Company making contact with this office to ask a question, share a concern, or otherwise seek advice.

In addition to ensuring a direct communication avenue to Maine’s chief executive, Domtar has benefitted by having a person who can quickly discern the nature of a particular problem, and especially important, identify the proper resource within government that can address the issue.

Maine’s pulp and paper industry has needed such a position and we praise Governor Baldacci for the foresight to make it happen. We hope the Governor will be able to continue the position for the remainder of his term. Very importantly, we hope his successor will continue this important role, a role made all the more important as gubernatorial administrations will be transitioning later this year.

On behalf of my more than 320 Maine colleagues, I write to encourage the continuation of this important position.

With best regards, I am

Sincerely,

Thomas S. Howard
Vice President, Government Relations

From: John Wissmann [mailto:jwissmann@lpandt.com]
Sent: Wednesday, June 30, 2010 10:24 AM
To: Governor
Subject: Lincoln Paper and Tissue

John,

I just want to let you know that Lincoln will repay all FAME and EMDC loans before the close of business today. Your assistance was critical to us receiving these loans, which in turn were critical to getting the Lincoln mill restarted on May 28th, 2004.

Thanks to your efforts, thousands of jobs have been created or maintained in the Lincoln region and a foundation has been laid to ensure that they are here for years to come.

THANK YOU!

With Best Regards,

John
John Wissmann
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Lincoln, ME 04457
207-249-8191 (mobile)
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