

MAINE STATE LEGISLATURE

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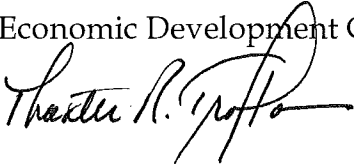
STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



JOHN ELIAS BALDACCI
GOVERNOR

THAXTER TRAFTON
ACTING COMMISSIONER

TO: Senator Elizabeth Schneider
Representative Nancy Smith
Members of the Business, Research and Economic Development Committee

FROM: Thaxter Trafton, Acting Commissioner 

DATE: November 20, 2009

RE: LD 1186 "Resolve, To Facilitate the Creation and Expansion of an Identified Business Sector"

In the first session of the 124th legislature, Senator Schneider introduced this resolve which directed our Department to identify regulatory barriers for a specific industry cluster in Maine. As described in the attached report, the Department chose to study the advanced materials and composites sector because of the extensive resources that have already been invested in the sector and the promise of new applications including renewable energy generation.

The methodology used for the study was to interview business owners in the sector. We learned that business owners in this sector are not able to identify specific regulatory issues, but continue to feel that it is difficult to do business in Maine. The results, in our opinion, are not conclusive. Rather, they illustrate the complexity of this issue.

At the request of the Regulatory Fairness Board, we shared our results with them in September.

Should you have any questions about this study, please contact Dr. Catherine Renault of the Office of Innovation at Catherine.s.renault@maine.gov or (207) 624-9801.

Report in Response
to
LD 1186 “Resolve, To Facilitate the Creation and Expansion of an Identified
Business Sector”

Introduction

During the 124th Legislature, Senator Elizabeth Schneider sponsored a resolve which directed the Department of Economic and Community Development to identify regulatory barriers for a specific industry cluster in Maine. The department first had to choose a sector and convene a working group of representatives of the selected sector. The working group must then identify the regulatory barriers that are impeding the development or expansion of the business sector. For the complete text of the resolve, see Appendix I.

Methodology

The department decided that the composite sector would be the best fit for this resolve. The composite industry is on the rise in the state of Maine and has broadened its manufacturing sector into items such as boats, pipes, pilings, wind turbines, bridges, and many more. Maine has a very rich history in boatbuilding, and with the transition of using composites for building boats, many of these companies have been given the chance to flourish.

Now that Maine is investing in the placement of many wind turbines throughout the state, there is a lot of room for Maine composite companies to manufacture parts for these massive structures. Wind turbines will have to be repaired and parts replaced throughout time, and this will create work and jobs for Maine people. We felt that assisting the composite industry in eliminating and/or modifying regulatory issues that are potentially hindering the industry from expanding and developing would be a timely and important effort.

Our first goal was to reach out to people who are in the forefront of the composite industry. We contacted Steve Von Vogt, Executive Director of the Maine Composites Alliance (MCA), and informed him about the resolve. After meeting and consulting with Steve Von Vogt and Paul Williamson, MCA, we put together a group of composite companies that we could converse with and find out what the regulatory barriers are that are hindering the composite industry from expanding and developing. Phone conversations and one on one meetings were held with composite companies such as, Harbor Technologies, Kenway Corporation, Lyman Morse, Custom Composites, and many more. Our contact list consisted of:

- Steve Von Vogt (Executive Director of the Maine Composite Alliance)

- Paul Williamson (Maine Composites Alliance)
- Susan Swanton (Executive Director Maine Marines Trades Assoc.)
- Brad Swanson (Maine Advanced Technology Center)
- William Peabody (Maine Department of Labor)
- JB Turner (President, Lyman Morse Boatbuilding)
- Ron Defoe (Lyman Morse Boatbuilding)
- Maureen Hassett (Founder of Custom Composites)
- Martin Grimnes (President, Harbor Technologies)
- Ken Priest (President, Kenway Corporation)
- Tammy Bernier (Financial Manager, Kenway Corporation)

*Notes from a few of the conversations are included in Appendix II.

Secondly, we met with the Maine Wind Industry Initiative (MWII) to gather additional information from the composite industry. We reached out to regulatory agencies such as the Department of Labor to see if there were labor issues specific to the composite industry.

Findings

Based on our interviews, we could not identify any major regulatory issues in the state of Maine for the composite industry. Many composite companies work very well with the regulatory agencies. No problems for the composite industry were found when dealing with the Department of Environmental Protection (DEP). Several companies stated that DEP cooperates very well with the composites industry. Companies such as Lyman Morse are members of the Environmental Leaders of Maine, which presents a blueprint for other Maine companies to follow to exceed environmental compliance standards and act as a mentor to other businesses in Maine.

One issue that came up in some of the meetings was the paperwork that needs to be filled out for all the regulatory agencies. Some of our contacts said that a lot of the forms are very repetitive and ask for the same information. But other companies informed us that technology and computers have helped greatly to solve this issue

A few of the composite companies did mention that Maine's website can be challenging when one is trying to find information on regulatory laws and/or rules. Information is hard to find and not written in a reader-friendly format. Many web pages simply refer to the underlying statute. Other New England states government websites were reviewed and we concluded that some were easier to navigate and locate.

Recommendations

One recommendation is that the state should maintain a single database that all agencies could use to gather the regulatory information needed. The database would contain the common information that all agencies ask for on every form. Each Maine company would have their own username and password for the database so they would be able to

log in and fill out the regulatory agency forms. All the regulatory forms would be offered in this database and printable if one should choose. Company information would remain private and accessible only by the regulatory agencies. The regulatory agencies would be the administrators of the database and would get their monthly, quarterly, and/or yearly information by logging into the database. Both Maine companies and agencies would benefit because both would save time and the information would be always available and current.

This concept is similar to the Common Application that students use when applying to college. Students only have to fill out the Common Application once. It is then saved and dispersed to all the schools the student is applying to. A few colleges or universities may require an additional essay or recommendation but they all accept the same general information. This online application saves large amounts of time and eliminates tedious and repetitive work. If Maine were to incorporate this database, we believe many companies throughout Maine would be able to focus more on their business and less on rules and regulations.

A second recommendation is that Maine.gov include a single, easy to navigate and interpret website for all permitting, licensing, and regulatory information. The current website may be full of quality information, but it is difficult to find what one is looking for. Other New England states government pages are simple and easy to navigate. An example of this sort of site for the state of Massachusetts, under the "For Business" heading on the home page, <http://www.mass.gov/?pageID=mg2constituent&L=2&L0=Home&L1=Business&sid=massgov2>.

Appendix I: LD 1186

PLEASE NOTE: Legislative Information *cannot* perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

Resolve, To Facilitate the Creation and Expansion of Certain Business Sectors

Sec. 1 Removal of regulatory barriers for identified business sectors.

Resolved: That the Department of Economic and Community Development shall identify 3 business sectors in this State, such as wind power development and aquaculture, and convene a working group of representatives of those identified sectors. The working group shall identify problems in the regulatory process that impede the development or expansion of those business sectors. Following identification of the impediments, the working group shall consult with the agencies in charge of regulation of those industries and coordinate feedback from the Executive Department, State Planning Office, Maine Regulatory Fairness Board to determine solutions, including streamlining the regulatory process, to those identified impediments.

The department shall submit a report of its findings and recommendations, along with legislation necessary to overcome the identified impediments, no later than December 15, 2009 to the Joint Standing Committee on Business, Research and Economic Development. The joint standing committee may submit legislation to the Second Regular Session of the 124th Legislature based on the recommendations of the department's report.

SUMMARY

This resolve requires the Department of Economic and Community Development to identify 3 business sectors and convene a working group of representatives of those sectors to identify barriers in the development or expansion of those sectors and solutions for the removal of those barriers.

Appendix II: Notes from Meetings

Steve Von Vogt & Paul Williamson- International Trade Center

6/10/09

Obvious- old school, workers, neighbors, exposed to gas.

- Environmentally getting better, workers getting educated but capital is no there to more forward.

Process- negative, repetitive, and tedious

- Ex. For the Depart of Tax Revenue, companies every month they had to fill out a form to let them know that no one retired that month.

- Things need to be easier, a better relationship.

Systemic Bias, workers union not focused on the employer. The workers union (WU) comes in and says the employer doesn't care about their workers, not the case.

- Problem: WU is training public jobs that are not available.

- Maine needs private sector jobs, for the public to survive.

- Feeling they are not working together constructively.

Maine Department of Labor (DOL) & Maine Revenue Services

- Will work with them but very time consuming.

- Lack of predictability & consistency (Tax Fluctuating)

- Ends up being time consuming.

- Feeling that Maine Department of Revenue very sneaky.

- Major problem is not the \$, they don't care as much about that. They feel that there is an attitude problem, doesn't feel right.

- *In and out of state companies don't believe Maine is open for business because of the taxes and "attitude" they receive.

- Maine needs a philosophical clean up & cultural change.

Issues when Wind Turbines are brought into port (Taxes??)

Paperwork

- The agencies are collecting too much information that isn't worth anything. They all ask for the same information over and over again. Starting to become a pain. Using up way too much personal time and energy.

- State and Fed work together with the information.

Maine Department of Environmental Protection (DEP)

- Feel DEP works very well with the composite industry.

6/19/09 Phone Conversation with Susan Swanton

- Feels regulation is needed, can't let everything unregulated.
 - Most people in Maine are honest and do the right thing but there is always a few people who ruin it for the rest.

- For the ones in the state and ones out, looking to start up in Maine get turned off because of all the long and tedious permits they must pass to become established.
- Permitting- Has to be approved by multiple agencies with different forms that include the same questions/information. (Have one universal form)

- Businesses and people in Maine do not know how to access this information and all Maine agencies have to offer= Need to find ways to inform people (Internet?)
 - Ex.- who, where, costs, time, when...etc.
 - They don't know where to get help and if things are holding them up, they do not know that Maine provides services to help them.
 - How do we help people?
 - Susan liked scenarios- If you do this, you must need this...etc.

Ways to make work in Maine easier and more desirable.

- Make regulations open to the public and provide places where this information can be found.
- Information understandable for all people, especially the laborers.

- Position of state relative to regulation
 - The Maine businesses are complied to do something; the regulators should be knowledgeable of the regulation and how to fulfill it.
 - Regulators need to understand that the public will not know all the laws and regulations.
 - One of the worst things is when the regulator tells you to do something, and you ask them for more details about the law/regulation and they give you another number to call and talk to them about it.

DEP- Good relationship, always some bad experience but overall good.

Boat Builder Marina

- Big Agencies= Depart of Safety, DEP, etc.
 - Work well with them but occasional mishap.

Policy painful

- sales tax and/or youth tax on all watercrafts (bill in appropriation to end)
 - Bad for out of staters= bad image for Maine and makes people not want to come to Maine.

“Yachts Insider Guide” – Blog for all yuppies who do a lot of boat cruising in Yachts.

-Flowers

Submerge Land Leases

- Ex. BRW
- Needs to become a Flat rate, not by land value.
- Level playing field and consistency.

SIMPLIFY- Everything from permits and regulations are too complex for public.
Appendix II

6/23/09 Phone Conversation with Brad Swanson

- Maine Advanced Technology Center
- Maine Small Business Technology Development Center

-Brad works with Composite/Boat building companies on sustainability and helping them with a strategy, marketing. Making sure they know customers needs and work efficiently.

-Regulatory Barriers

-Sm. Companies= owners/managers spending too much time running the company. They do too much paper work and often say they didn't get into this to push papers but they need to realize that that is part of the administrative part of owning/running your own company.

- The more they are worrying about regulating, the less they get done.
- In the end, they don't have enough hrs. In the day to sustain cash flow

-There should be a database of core information that all agencies can access so these companies do not have to enter it every time.

- But each agency needs different specifics, and companies must deal with that.

The Real Issue

-The companies are told to do it, but not told why they have to do it.

- Adults don't like to be told what to do.
- They are told to do it, never explained how/why.
- They are not told the benefits of doing it and how they gain.
- WHY IS IT IMPORTANT!
- Streamlining

-Language at times too technical for the public.

-Regulation about doing things a certain way but its hard to do it when you don't understand it.

-Government spends so much time expanding laws and not enough time explaining the ones already in place.

-In Maine, tax burden seen as excessive because the rural areas are hurt. The majority of Maine is rural, the largest portion of Maine companies employ less than 19 people. Maine does not have a lot of big companies anymore.

-Brad does not believe the problem is really regulatory, only a little.

Maybe Solution

-Single document that has the core requirements that any agency would acquire.

-What is common information they all seek.

-Make this a file that anyone can access with a click of a button.

-He believes these needs to be updated, and if this is the solution it needs to be continually updated.

7/21/09 Martin Grimnes- Harbor Technologies

Obvious negatives that all Maine people complain about

-Working compensation

-Maine #1 in taxes

Maine's positives over shadow the negatives!

◦ Unique state – blessed that we are small.

◦ Unique access to those that affect life and opportunity in Maine.

◦ Family Feeling

-Everyone knows everyone, with that brings along trust.

Three entities that describe Maine

1. Commercial

2. Academia- qualify and train employees

3. Legislature- creating opportunities for commercial entities, this is much harder in a larger and more populated state such as Texas or California.

Business to mkt. – negative

-Maine's international market lost shipping port. Everything now has to be shipped to Boston/NY. Maine needs a direct path to Halifax.

Maine needs to attract new and more businesses

-Feels Maine at times does a poor job.

-Since Maine has low numbers, this makes many of the markets highly competitive.

When one is looking to come to Maine, they should look at the assets of Maine, not the dollars and cents (long term benefits). The new comers need to realize the great relationship they will gain from the three entities. Long Run they will gain!

7/21/09 – Notes from Meeting with Ken Priest @ Kenway Corp.

-Paperwork not an issue, computer and technology make things easier.

1. Trade with Canada – Field Services

-Kenway sells composite materials to Canadian companies and then the Canadian company might want to hire Kenway to come up and install it. There are many barriers to that because the Canadian company must go through the Canadian government. They must prove to the Gov't that there are no other companies in Canada that can perform the same duties as Kenway would.

-There anyway to ease up on these regulations?

-Trade with Canada is very important and Maine should be able to utilize it much more than we do.

-Canada has an abundance of alternative energy (Hydro Power), what ways can Maine utilize this?

2. Legislature- They have a lot of great ideas and proposals right now with alternative energy. They have some great ideas for Maine composite companies in the future to incorporate them in producing wind turbines (on and offshore), current, etc. Another example is AEW; we need to continue to fund them to help Maine companies. Ken feels that we must stay on top of them because they have the tendency to ease up on these proposals a year down the road when politics have been altered and new people are in office. (For example – New governor in year and half or so.)

-Very happy with MTI and MTAF

-Believes this is great way to provide businesses in Maine with money. They do not give money to anybody, if a company is producing jobs and helping municipalities than they are rewarded.

3. Once the Maine is off of oil, it will cost a large amount of money to change the regulations to the new energy source. The state must be ready for this. Maine will have an over abundance of energy in the near future when the on and off-shore wind turbines will be up and running, and Ken hopes that Maine companies will be able to benefit from this and receive lower prices. Hopes that Maine will get lower prices than places outside of Maine.

-It is tough right now because it doesn't look like all these alterative energy sources are worth it because they are less cost efficient right now. The price of oil is too low for this to be evident.