



Testimony of

DANA A. DORAN
Executive Director
Professional Logging Contractors of Maine

Before the Committee on Transportation regarding LD 410 – An Act to Provide Funding for the Reconstruction of Route 161 from Fort Kent to Caribou

Thursday, February 25, 2021

Senator Diamond, Representative Martin and members of the Committee on Transportation, my name is Dana Doran, and I am the Executive Director of the Professional Logging Contractors of Maine. The Professional Logging Contractors of Maine (PLC) is a trade association that represents logging and associated trucking contractors throughout the state of Maine. The PLC was formed in 1995 to give independent contractors a voice in a rapidly changing forest industry.

As of 2017, logging and trucking contractors in Maine employed over 3,900 people directly and were indirectly responsible for the creation of an additional 5,400 jobs. This employment and the investments that contractors make contributed \$620 million to the state's economy. The PLC membership, which includes 200 contractor members and an additional 100 associate members, employs over half of the individuals who work in this industry and is also responsible for 80% of Maine's annual timber harvest.

Thank you for providing me the opportunity to testify on behalf of our membership regarding LD 410 – An Act to Provide Funding for the Reconstruction of Route 161 from Fort Kent to Caribou. We would like to thank Representative Martin and Senator Jackson for bringing this legislation before the committee and while we understand that it is a longshot to legislate the improvement of one road over another in the state, we do feel that the importance of this route to the forest economy in Maine cannot be overstated.

As you know, the forest products industry in Maine was in the midst of a reinvention process until the onset of COVID 19 and the digester explosion at the Jay mill in April 2020. From 2011 to 2016, Maine experienced the closure of five pulp and paper mills and the periodic idling of two wood energy electric facilities. As a result, Maine lost 50 percent of its softwood pulp market and has also seen a two-million-ton reduction of biomass utilization. Between 2014 and 2016, the total economic impact of the forest products industry fell from \$9.8 billion to \$8.5 billion, and more than 5,000 jobs were lost.

Forest Products Industry

	2011	2014	2016
Total Economic Impact	\$8.5 billion	\$9.8 billion	\$8.5 billion
Total Jobs	38,789	38,956	33,538

However, the forest industry was in the midst of a comeback. From 2017-19, there was over \$1 billion of new investment in manufacturing upgrades. New markets were being announced from cross

laminated timber to wood insulation made out of wood.

The negative impacts of the pandemic on the forest products industry began here in the state one year ago as a result of reduced export capability and have steadily worsened. In mid-March 2020, COVID-19 crashed lumber markets as housing starts ground to a halt. In the months since, paper mills across the state shut down for periods of time or drastically cut output in response to reduced global paper consumption.

As a result of mill closures and curtailments due to COVID 19, it led to a 30% reduction in harvesting capacity and the layoff of nearly 1,000 people in harvesting and hauling. This means that over 11,000 truckloads of wood were not delivered to a Maine mill in 2020. Further, for an industry that is responsible for over \$620 million of direct economic impact each year, it will mean a direct loss of over \$186 million of economic activity as a result.

With this in mind, good things are on the horizon. As you heard from Governor Mills in her state of the budget address on Tuesday night, Maine's forest industry is part of our heritage and must be supported both now and in the future. Just in the last week, LP in New Limerick announced a \$140 million investment in their mill and GO Lab in Madison has received its shipment of new equipment from Germany.

These investments have come about because of a process that began five years ago. In the spring of 2016, members of Maine's Congressional delegation convened a working group of the forest products industry, affected communities, and other stakeholders to develop shared strategies to strengthen and diversify Maine's forest industry and rural economies. Together, this group, which is now called the Forest Opportunity Roadmap for Maine (FOR Maine), has prioritized a path forward to achieve prosperity for the state.

Goal 1 of the FOR Maine effort is to sustain and grow the forest products economy from \$8.5 billion to \$12.5 billion by 2025. Goal 1, Strategy 1G calls for, "improvements in transportation and logistics infrastructure for moving wood and value-added products to market". As chair of the FOR Maine transportation committee, I am proud to report that our industry is working very closely with Maine DOT to identify infrastructure priorities for capital investments, including existing highways, haul routes and transportation facilities. We have also made the statement that, "to ensure competitiveness, Maine needs a long-term funding strategy to make critical investments in the rail, road and port infrastructure necessary to cost-effectively move wood out of the forest to market and for value added products to reach their final destination".

As you will note in the attached For Maine Transportation Committee Recommendations document, Rte. 161 from Fort Fairfield to Allagash was listed as a priority haul route for the forest products community. With this in mind, we were very pleased to see Maine DOT included almost \$11 million in its latest three-year plan for improvements to Rte. 161 between 2021 and 2023. We know that resources are very limited for highway improvements in Maine, and we would like to commend Maine DOT for prioritizing Rte. 161 in very challenging circumstances.

Again, we know that this legislation is unlikely to go anywhere because of the constraints of our highway budget, but we are thankful to the sponsors for raising the importance of Rte. 161 in Aroostook County and to the Department for their work to improve it.

Thank you for your time and attention to this legislation and I would be happy to answer any questions you might have.

Maine Forest Economy Growth Initiative

Transportation Committee Recommendations

April 23, 2018

Part 1 – Capital Investment Plan

In our effort to improve the competitive position of Maine’s forest products industry, the Maine Forest Economic Growth Initiative (MFEGI) supports targeted capital investments in transportation infrastructure to improve the competitive position of Maine’s Forest Products sector.

Existing Highway Improvement Priorities - The first set of improvements sought are on “D” and “F” rated highway segments on specific Priority 1, 2 and 3 corridors including Route 2 from Gilead to Bangor and Route 1 from Bucksport to Calais and points north of these two highways. Maine statute sets priorities for capital investment on Maine highways and bridges. That statute (Title 23, Section 73, subsection 7) establishes the goal that by 2022 MaineDOT shall improve all Priority 1 and 2 corridors (primarily major and minor arterials) so that their safety, condition and serviceability “customer service levels” are fair or better. Further, the statute states that by 2027, the Department shall improve all Priority 3 corridors (primarily major collectors) so that their safety, condition and serviceability is fair or better. MFEGI supports highway and bridge improvements consistent with this statute. However, since it is doubtful that MaineDOT will meet the improvement timelines prescribed in statute, MFEGI is recommending improvement priorities for “D” and “F” segments on Priority 1, 2 and 3 corridors.

The condition of Priority 1, 2 and 3 highways important to the forest economy and south of Route 2 from Gilead to Bangor is relatively superior to the rest of Maine. Furthermore, the economic hardships resulting from mill closures occurred elsewhere in the State where Maine’s forest resource is predominant. These factors, plus the results of a forest products industry survey conducted by the MFEGI Transportation Committee, support prioritizing highway and bridge improvements on these corridors:

- a. Route 2, Gilead-Bangor (1)
- b. Route 1, Bucksport-Fort Fairfield (1,2 & 3)
- c. Route 17, Oquossic-Rumford/Mexico (3)
- d. Route 4, Oquossic-Farmington (2)
- e. Route 27, Coburn Gore(Canadian Border)-Farmington (2 & 3)
- f. Route 201, Sandy Bay (Canadian Border)-Skowhegan (2)
- g. Route 16, Rangeley-Eustis (3)
- h. Route 6, Jackman-Vanceboro (Canadian Border) (2 & 3)
- i. Route 150, Guilford-Skowhegan (3)
- j. Route 23, Canaan-Hinckley (3)
- k. Route 9, Brewer-Baileyville (1)

- l. Route 15, Dover-Foxcroft-East Corinth (2)
- m. Route 16, Milo-I-95 (2)
- n. Route 11, Milo-Fort Kent (2, 3 & 4)
- o. Route 212, Knowles Corner-I-95 (3)
- p. Route 161, Fort Fairfield-Allagash (2 & 3)
- q. Route 1, Calais – Fort Kent (1, 2 & 3)

Bridge sufficiency and functionality improvements to improve safety and reliability are considered to be essential companions to the route improvements sought herein(see MaineDOT "Keeping Our Bridges Safe" report) .

Haul Route Upgrade Projects - A relatively new state law (Title 29-A, Section 2354-D) grants discretion to MaineDOT to provide waivers for over-dimension and over-weight truck loads moving on public ways for limited distances. If MaineDOT determines that a waiver would require road improvements, then the law envisions a 50-50 public-private partnership in financing such improvements.

Given the concentration in the greater Ashland region of forest product mills, biomass generation and pellet production, the intersection of major private haul roads with Route 11 and the proximity to rail yards, the designation of a Route 11 haul road from the intersection of Grand Lake/St. Croix Roads to the south in T8 R5 WELS to Beaver Brook Road to the north in Nashville Plantation is worthy of consideration. Additional highway segments to consider include 10 to 11 miles of Route 161 in the vicinity of Allagash as a means to move otherwise stranded fiber from points north and east of Allagash south on private roads to connect with Route 11 and rail service. Other segments of state highway offering the potential to utilize the over-weight waiver provision include a roughly one mile section of Route 1 in Van Buren to connect the Sullivan Road to a rail yard, Route 11/157 from Golden Road in Millinocket to a rail yard at Dolby and/or other nearby rail locations, Route 11 in Brownville from Katahdin Iron Works Road to CMQ and EMR rail yards and a northern section of Route 201 from Kelly Dam Road south to Lower Enchanted Road to connect these private roads to rail and area forest product companies.

In addition to the statutory 50-50 financing proposition, consideration should be given to the use of MaineDOT's Business Partnership Initiative (BPI) involving one third shares from MaineDOT, the private sector and municipal/county government. A county role is a potential where highways are within unorganized townships and/or the benefit is to landowners in the adjacent unorganized townships. A variation on the above mentioned 50-50 partnership is to fund the non-MaineDOT share with a combination of private, local or other funding sources.

Forest Transportation Facilities and Equipment - MaineDOT's Industrial Rail Access Program (IRAP) is designed to encourage economic development and increased use of rail transportation. It requires a minimum 50% private sector financial contribution with the balance provided by MaineDOT through a combination of general fund bond proceeds and state appropriations. The State typically provides funding of \$1.25 million per year. Grant award decisions are made on a competitive basis. The partnership aspect of IRAP, with the requirement of private sector participation, lends credibility to award decisions and with positive operational experience dating back to the late 1990's the program enjoys Executive and Legislative support. The IRAP grant application and award process is well suited for sifting through the many

competing opportunities that are out there but it is neither exclusively for the use of the forest products sector nor is it suited to support forest product truck transport.

MFEGI recommends modifying IRAP to support a broader set of freight transport investment partnerships that meet facility and equipment needs in the forest products sector. Eligible activities would include: yard development for truck, rail and marine forest product handling, loading and off loading equipment, haul route upgrade projects (see above) and all other activities previously covered under IRAP for what might become a new Industrial Freight Access Program (IFAP).

This program expansion proposal should also incorporate use of the Maine Port Authority to expand capital financing potential. The statute governing the Maine Port Authority allows for both port and rail financing and the Authority is experienced with port projects. The Authority has used state funds to build a pier, buy a crane and erect storage buildings with the expectation that a portion of wharfage fees would be retained over an extended term for the Authority to recover its investment and allow for further loans. MFEGI recommends the use of the Maine Port Authority when rail equipment and facility needs can be financed through it with the assurance that rental fees would be returned to the Authority over an extended term to recover the investment and capitalize a revolving loan fund to finance further investments.

Financing

To act on the previous recommendations, public –private financing is needed. On the public side, there exist a number of financing options but given the relatively competitive ranking of Maine’s motor fuel tax rates nationally and the need to fulfill Maine’s statutory highway investment goals, MFEGI recommends passage of an increase in motor fuel taxes (gas and diesel) dedicated solely for the purpose of funding the previously noted Priority 1, 2 and 3 highway improvements, the state share of haul route upgrade projects and the highway share of future IFAP projects. Furthermore, this motor fuel tax increase should be applied to pay principal and interest on a new Highway Fund bond that will expedite completion of the proposed capital investments. Maine’s debt burden associated with the Highway Fund is low and decreasing rapidly in the next three years. Capacity exists for new Highway Fund debt to be issued.

For port and rail related capital investments, it will be necessary to continue with the issuance of general fund bonds and direct appropriations from MaineDOT’s Multi Modal Fund.

MFEGI recognizes that it will need to collaborate with many interests to shape and revise this proposal to insure public support and the necessary State Executive and Legislative approval. MFEGI will work with private and non-profit interests focused on transportation investment and with MaineDOT to arrive at a consensus for financing the recommendations herein. To assure success, MFEGI will need to champion these recommendations over an extended period of time to assure a public policy success.