

Forest Opportunity Roadmap/Maine

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.

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Operating Forest Product Companies

- Softwood Sawmills**
Chester Forest Products - Chester
Hammond Lumber - Belgrade
Hancock Lumber - Bethel
Hancock Lumber - Casco
Hancock Lumber - Pittsfield
J. D. Irving - Ashland
J. D. Irving - Dixfield
Katahdin Forest Products - Oakfield
Limington Lumber - East Baldwin
Lovell Lumber - Lovell
Lowell Lumber - Buckfield
Maibec Lumber - Masardis
N. C. Hunt - Jefferson
Parker Lumber - Charleston
Pleasant River Lumber - Dover-Foxcroft
Pleasant River Lumber - Hancock
Pleasant River Lumber - Jackman
Pleasant River Lumber - Sanford
Robbins Lumber - Searsmont
Stratton Lumber - Stratton

- Hardwood Sawmills**
Cousineau - North Anson
Hardwood Products - Guilford
Kennebec Lumber - Solon
Lumbr-Oscar & Rueben - Milo
Maine Wood - Portage
Pallet One/Isaacson Lumber - Livermore Falls

- Biomass Power Generators**
42 Railroad Avenue, LLC - Stacyville
Catalyst Paper Cogenerator - Rumford
Covanta - Jonesboro
Covanta - West Enfield
ReEnergy Ashland - Ashland
ReEnergy Fort Fairfield - Fort Fairfield
ReEnergy Livermore - Livermore Falls
ReEnergy Stratton - Stratton
Sappi Somerset - Hinckley
Sappi Westbrook - Westbrook
Verso Paper Cogenerator - Jay
Woodland Pulp Biomass - Baileyville

- Chip Mills**
Carrier Chipping - Hinckley
Costigan Chipping - Costigan
Farmington Chipping Enterprises - Farmington
Gardner Chipping - Chester
Gardner Chipping - Houlton
Gardner Chipping - Millinocket
Midwest Price - West Paris
Milo Chipping - Milo
RenTech - Baileyville
Seven Islands - Portage

- Manufactured Wood Mills**
Columbia Forest Products - Presque Isle
Huber OSB - Easton
LP OSB - Houlton

- Pellet Mills**
Corinth Wood Pellets - East Corinth
Lignetics, LLC - Strong
Maine Wood Pellets - Athens
Northeast Pellets, LLC - Ashland

- Pulp and Paper Mills**
Catalyst - Rumford
Sappi Somerset - Hinckley
Sappi Westbrook - Westbrook
Twin Rivers - Madawaska
Verso - Jay
Woodland Pulp - Baileyville



Priority 1, 2 and 3 Corridors
with a Customer Service Level
score of "D"

Priority 1, 2 and 3 Corridors
with a Customer Service Level
score of "F"

Wood Product Facilities

- SOFTW** Softwood Sawmill
HARDW Hardwood Sawmill
POWER Biomass Power Generator
CHIP Chip Mill
PELLET Pellet Mill
P&PM Pulp and Paper Mill
MFG Manufactured Wood Mill

Operating Rail Companies

- BML** Belfast & Moosehead Lake Railway
CMQR Central Maine and Québec Railway
DSRX Downeast Scenic Railroad Company
EMRY Eastern Maine Railway
MNR Maine Northern Railway Company
NBSR New Brunswick Southern Railway
NHN New Hampshire Northcoast Corp.
PARI Pan Am Railways
SLR St. Lawrence & Atlantic Railroad Co.

0 5 10 20 30 40 50 Miles

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