Maine: Charting a New Course, 2004

Maine Department of Economic and Community Development

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MAINE
Charting A New Course
Imagine you're taking a vacation to Maine. And maybe along the way you discover Boothbay, a popular spot 35 miles south of Augusta, the kind of place travelers envision when they dream of this state. You might have driven down narrow Route 96 to East Boothbay, past archetypal saltbox houses and others with bunting hung from wraparound porches. And perhaps you ate a lobster roll on the sunny deck of Lobsterman’s Wharf restaurant, overlooking the boat-filled, pine-lined Damariscotta River—all while watching actual lobstermen tend their traps. A perfect afternoon in Maine.

But were you so contentedly enjoying the scenery that you missed the 40-foot-high building next door? It belongs to one of the world’s premier superyacht builders, Hodgdon Yachts, whose most recent launch was the highly praised 154-foot 7-inch Scheherazade (that’s eight inches shorter than a Boeing 757). The vessel is replete with not only 500 hand-carved black-walnut seashells on interior borders, but also six servers running 15 touch screens that control navigation, mechanical, entertainment, and other systems. Now, 188 years after its founding, Hodgdon is taking that “interesting blend of technology and old craftsmanship skills indigenous to the area,” says fifth-generation company leader Tim Hodgdon, and designing and building a special-operations coastal-patrol prototype for the U.S. Navy.

Cutting-edge Businesses

That’s how it seems to be throughout all of Maine: By preserving yet moving its traditional industries into the 21st century, it has quietly become the country’s 11th-fastest-growing state in exports. It also had greater personal income gains than the rest of the country last year and a 30-fold increase in research-and-development investment in the past ten. The hardworking Yankee ingenuity remains, and so do the world-famous parks and lighthouses, but the business community and economy are now cutting-edge. Or, in the words of Governor John Baldacci: “This is not only Vacationland”—in a nod to the state’s old lobster license plate tagline—“it’s Opportunityland.”

The governor should know: It has been the land of opportunity for his family. Baldacci’s grandfather came to Maine from Italy by way of Maryland and opened a popular restaurant in Bangor called the Baltimore (later Momma Baldacci’s). The family recognized areas in the state’s operations that they thought needed to be addressed, so John stepped up—first as a Bangor city councilman, then state senator (a part-time job, during which time he helped run the restaurant), U.S. congressman, and now governor.

One year after moving into the Augusta statehouse—a year in which he rectified a $1.2 billion deficit without raising taxes and passed a $60 million R&D bond package—Baldacci announced his economic development strategy. “We’re reorganizing Maine’s foundation for the 21st century,” he says of the plan, which was introduced in January 2004. “The state is in transition, to a global, knowledge-based, highly competitive economy.”

That translates into a plan that will create a fair and stable business environment to attract investment to Maine, invest in people (with education topping the list), focus on key sectors of the state’s economy (from mature industries like forest products to emerging sectors like biotechnology), and build infrastructure (such as telecommunications).

“In the increasingly competitive world of economic development, you have to be pretty aggressive because everybody else is,” says Charlie Colgan, professor of public policy at the University of Southern Maine. “Maine had one of the mildest recessions of any state, and the intention of this plan is to build on that as the national economy and business investment expand—to put Maine in a place to capture a share of that.”

Governor Baldacci agrees. “We’re planting seeds for growth,” he says. “I need to make sure businesses here are successful and that we’re giving them infrastructure for success. But the figures bear out that, as Robert Frost said, ‘I have promises to keep, and miles to go before I sleep.’”

Pine Tree Initiative

Businesses from MBNA—one of the state’s largest employers, with 4,000 workers—down to one-person firms like freshwater-pearl jewelry designer Portia Clark, will benefit from the new economic strategy. In a state where 96% of businesses have fewer than 50 employees, small companies are among the first to get assistance. In February, the governor announced his Pine Tree Development Zones initiative, which adds tax incentives to spur economic development in areas where unemployment is relatively high.
and wages low. The plan includes 80% employment-tax increment financing for 10 years; a 100% refund of corporate income taxes and insurance premium taxes for years one through five, and 50% for years six through ten; and, effective July 1, 2005, a 100% sales and use-tax exemption for zone-related construction materials and equipment purchases. More than 90 companies have expressed interest, and about one-third are certified.

“Until we can lower the overall tax burden, this initiative is giving tremendous breaks to start or expand companies,” says Jack Cashman, commissioner of the Department of Economic and Community Development. “Pine Tree Zones is also important because it offers companies the opportunity to take advantage of Maine's workforce—pretty well regarded as having a very strong work ethic.” One great example, he says, is Energy East, which bought Central Maine Power. When planning a consolidation, the company planned to move 80 jobs from Maine to New York; instead it moved 110 from New York to Maine. Another is Safe Handling Inc. of Auburn, a 14-year-old transportation coordinator for bulk products and raw materials that expects to double revenues in three years. A $3.5 million facility expansion, expected to be operational by December, will allow Safe Handling to increase on-site mixing and manufacturing of materials. Over the next 18 months, Pine Tree Zones is expected to create 1,400 new, good-paying jobs statewide.

Cashman and the governor are both focused on making sure Mainers have jobs—a fact reflected in recent unemployment figures of 4.1% for Maine, when the nation's total was 5.6%. That's the sixth year in a row the state has done better than the U.S. average. “The best social services program is a good job and benefits,” says Baldacci. “I've realized that my job is to make sure people have jobs.”

At about six a.m. on June 1, the governor greeted workers returning to a mill that had shut down in January after three years in Chapter 11. In the intervening five months, says Keith Van Scotter, president and co-owner of Lincoln Paper and Tissue (the mill's new name under new ownership), Baldacci allocated funds to keep the building warm—so pipes wouldn't freeze, which would have caused irreparable damage,
Today, Maine’s creative workforce not only includes people in visual and literary arts, but also technology innovators.

Reducing Health-Care Costs
To tackle the question of benefits, part two of Baldacci’s social services program, a universal health-care plan called DirigoChoice will begin next January. “Our state’s goal is to become the healthiest in the country,” says Trish Riley, director of the governor’s Office of Health Policy and Finance. (Dirigo, the state’s motto, is Latin for “I lead.”) Without increasing taxes or raising premiums, DirigoChoice aims to improve access for the uninsured, through subsidies or free coverage, and reduce health-care costs for the self-employed and small businesses (employers with fewer than 50 workers who opt for the plan pay 60% of monthly employee-only costs).

A modest but visible sector of small businesses in Maine is called the creative workforce. The state has been home to artists (from Winslow Homer to Jamie Wyeth), inventors (of the toothpick and power drill, among others), explorers (Admiral Robert Peary, who was top of his class at Maine’s Bowdoin College), writers (from Harriet Beecher Stowe to Stephen King), and entrepreneurs (like Tom Chappell, founder of Tom’s of Maine). The definition of a creative workforce now encompasses people in applied, visual, performing, and literary arts; the media; heritage, and advocacy and support. Maine’s arts-and-culture sector has as many employees as those in the wood-products industry, which means it’s a cluster of economic activity in its own right.

The definition has also expanded to include the technology industry—and in fact technology is one reason so many working people can live in Maine, whose entire population is less than half of Silicon Valley’s. Updates to infrastructure are another, and one of the largest current projects is Bangor Hydro-Electric Company’s construction of a proposed 345-kV transmission line that will run from Orrington, Maine, to New Brunswick, Canada. The line will improve the transmission reliability and market options (and therefore price) for Maine electric consumers. Maine also has the first statewide ATM (asynchronous transfer mode) fiber-optic based network and is one of the first states with a 100% digitally switched network.

“Because of the Internet and transportation and communication in particular, I was able to function out of Maine,” says Bob Metcalfe, general partner at Polaris Venture Partners in Waltham, Mass., who invented Ethernet and founded 3Com. He’s also a founder of Pop!Tech, which began as “as a bunch of us computer nerds who summer or live near Camden, gathering to enhance our intellectual lives.” The company is holding its ninth conference to discuss the impact of technology on people, in Camden, this month. “Technology makes it more and more possible for people not to crowd together in cities,” Metcalfe says. “Creative people are seeking quality of life.” Most people want to work where they want to live, and Maine is one of those places: The state of 1.2 million people ranks fourth in the country for in-migration. In addition to economic benefits for businesses and individuals, the outdoors helps account for the new growth. “It’s quiet, pretty, and the air smells fresh,” says Jose Azel, a freelance photojournalist for magazines like National Geographic and Sports Illustrated. Seventeen years ago he moved from New York City to Lovell, and later started a photo agency that’s now based in Portland.

Outdoor-Industry Pioneer
Maine’s fresh air—and all of the activities you can do in it—is also a draw for those just passing through. The outdoor-recreation industry was practically invented here. In 1912, Leon Leonwood Bean launched a mail-order business that sold shoes he created to keep hunters’ feet dry. Today the brand identities of Maine and Freeport-based L.L. Bean (now at $1.2 billion in annual net sales) are so closely tied that the two often go hand in hand.

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average is 5%; the rest of New England, 6%). More than nine million overnight trips were made to Maine last year, half from July through September. Boothbay, with 2,600 year-round residents, triples in size in the summer. It’s the season when people take advantage of more than 5,000 miles of shoreline and some of the best cruising grounds in the world, and when kids do their thing at 150 residential summer camps. Lincolnville incorporates much of outdoor Maine: massive “ponds” for swimming and canoeing, plus more than 30 miles of hiking and cross-country-ski trails around 780-foot-high Mount Battie, which gives way to the rocky coast at Penobscot Bay. Is there any wonder it was just named a Best American Town by Outside magazine?

But the state doesn’t shut down in winter. Sugarloaf and Sunday River offer some of the best downhill skiing in the eastern U.S. The mission of the five-year-old Maine Winter Sports Center in Limestone is to “reestablish skiing as a lifestyle in Maine and leverage that new lifestyle to create a new economic model for rural, isolated communities of Maine.” The Center’s state-of-the-art 10th Mountain Ski Center in Fort Kent (bordering New Brunswick, Canada) hosted the 2004 World Cup biathlon competition.

Preserving Trees and Buildings
Maine’s lifestyle runs deeper than pine trees and lakes. But without its long-standing attention to environmental conservation, it might not have as many beautiful trees and clean lakes as it does today. Edmund Muskie, a former governor of Maine and U.S. Secretary of State who grew up in the mill town of Rumford, helped draft the 1963 Clean Air Act and the 1965 Water Quality Act during his stint as U.S. senator.

The latest conservation initiative, called “certified forest,” started about a decade ago. “The idea is that we’d be able to say to a national and international market that the products we’re giving you—not just paper, but pulp, furniture, even firewood—are from a sustainable forest, managed with the future in mind,” says Patrick

B Anknorth is the largest full-service financial services company headquartered in New England, and many believe that the secret to their success is that they’ve made Maine their homebase. CEO Bill Ryan believes that the success of any company begins with its people. “We are fortunate to have access to a highly productive workforce, because Maine attracts highly skilled workers with its exceptional quality of life,” said Ryan. “It’s also a state that makes it easy to get things done, because networking with key decision makers in Maine is so easy.”

Banknorth, with more than $29 billion in assets and almost 400 branch offices, is on the FORTUNE 1000 and has been sited as the best managed bank in America. For more information on financing your Maine business, visit Banknorth.com.
McGowan, commissioner of the Department of Conservation. That means not taking all trees in an area and being mindful of wildlife. Of Maine’s 20 million acres, about 17 million are forest. McGowan’s goal is to have 10 million of those acres certified by 2007.

Maine is also a leader in organic farming, now a $13 billion industry in the U.S. Even the lumber used for the hull and frames of Hodgdon’s Scheherazade was processed only from trees that fell from natural causes. And Mainers are mindful of saving buildings and the commerce they house, as evident in the Saco and Portland areas that have National Trust for Historic Preservation Main Street status.

Yankee ingenuity and the old New England work ethic have been preserved as well. No matter the size of the company, employers want Mainers to work for them. John Marr Jr. is one: In August he was named president and chief executive of Tyler Technologies, which five years ago bought his Falmouth, Maine, company Munis, a maker of financial software for municipal governments and schools. Tyler had been headquartered in Dallas with operations in multiple states, but Marr said he’ll keep a home base in Maine. Reason: The ease of finding skilled workers and low job turnover. “This may sound corny, but the biggest advantage we have here is the people,” he told the Portland Press Herald. Adds Dana F. Connors, president of the Maine State Chamber of Commerce: “I doubt if any state can stand up to the quality of our people.”

One-to-One Laptops
To make Mainers even more valuable, Governor Baldacci has set goals for a “first-rate educational infrastructure” within his economic development strategy. Statewide K-12 education
expenditures have increased from $339 million in 1978-79 to $1.686 billion in 2002-03. Some of the funds have been allocated to the One-to-One Laptop Program, which provides all seventh and eighth graders and their teachers in Maine public schools with an Apple iBook during the school year. About 35 high schools are doing the same for ninth graders. The goal is to give teachers and students the tools they need to work in the 21st century, and to change classroom practice. The majority of teachers report that students are more engaged in their learning, and most students say the laptops help them to be better organized and get their work done with higher quality.

The University of Maine system has six campuses, and there’s the University of Southern Maine in Portland. A great synergy exists between universities and businesses in the state. Hodgdon Yachts, for example, is working with the Advanced Engineered Wood Composites Center at the University of Maine in Orono to help develop its Navy prototype. Maine Employers’ Mutual Insurance Co. has offered University of Southern Maine undergraduate business classes at its headquarters in Portland. And the Jackson Laboratory in Bar Harbor—the world’s largest mammalian genetics research facility—is part of a $17.8 million, five-year collabora-

tive grant given in July to the Mount Desert Island Biological Laboratory that will also include seven undergraduate institutions. The lab participates with other research institutes and has training programs for schoolteachers, doctoral candidates, and underemployed adults.

Seven seems to be a lucky number in Maine: Biotechnology is one of seven relatively new incubators collectively known as Maine’s Applied Technology Development Centers. Most are helping businesses in areas where the state has a clear competitive advantage, but with a fresh tech twist: environmental technology, biotechnology, aquaculture and marine sciences, forestry and agriculture technologies, precision manufacturing, and composite materials.

The member with the least traditional theme is Target Technology Center at the University of Maine in Orono, which focuses on information technologies. From mass spectrometry instruments to production of music videos, the research projects here—and at all seven incubators—are synergistic with one another, with universities, and with outside businesses. And when an entrepreneur is finished with R&D, it can apply for venture capital from the state-sponsored Small Enterprise Growth Fund or a private fund company like CEI/Coastal Ventures of Portland, which seeds socially responsible businesses and those that create jobs for people with low incomes.

Road to Success
“One great thing that’s happening in Maine that doesn’t happen everywhere is how well programs and organizations like the Maine Patent Program, Small Business Development Centers, and the Maine Technology Institute partner and work together,” says Debbie Newman, director of Target. “None of us operates in a vacuum. If I’m going to have a successful company, it’s because everyone else helped.”

The person charged with increasing innovation in the state through these partnerships is Maine’s so-called tech czar, Dr. Janet Yancey-Wrona. As director of the state’s brand-new Office of Innovation, she is focused on the upward slope of lines on R&D charts, including the state’s own investment in R&D, which is up from about $2 million in 1991 to more than $60 million in 2004. “R&D is a long pipeline, and we don’t get to see the absolute economic impact for many years,” she says. “But you can see that we’re making progress, so it’s not time to stop.” Federal financing is up too: In the last fiscal year the Small Business Innovation Research Program awarded 17 Maine companies $5.9 million, the most ever for the state.

MEMIC
Specialists in workers’ compensation insurance, MEMIC has earned a national reputation by leading landmark change in Maine’s workers’ compensation climate. With CEO John Leonard at the helm (below), the company’s focus on workplace safety and injury prevention has driven a 30% reduction in both injury rates and insurance costs since the early 1990s. MEMIC is rated A (Excellent) by A.M. Best and has been named among the nation’s top 2% of insurers for three years running. With 22,000 customers and their estimated 200,000 employees, MEMIC is the leading workers’ compensation insurer in its home state and is growing throughout the Northeast through its Manchester, N.H.-based subsidiary, MEMIC Indemnity Company.
There’s Something in the Water, or So They Say

Governor John Baldacci, on publicizing Maine and creating economic initiatives: “My job is promoting good things—like the people, who are the strength of the state—while recognizing challenges. This is a big ship; I’m pointing it in the right direction.”

State Economist Laurie Lachance, on Maine’s efforts to preserve its heritage while modernizing its industries: “The entire economy is negotiating through these waters like everyone else.”

Jack Cashman, commissioner of the Department of Economic and Community Development, on the governor’s economic activities: “I think he’s the right person for the right time. Before the past few years we were normally riding the crest of a wave, but now we’re ahead of the curve regionally."

President of the Maine State Chamber of Commerce Dana F. Connors, on government actions that would prepare the state for even more investment, revenue flow and job opportunities: “All ships will rise at their rising time.”

Debbie Neuman, director of Target Technology Incubator at the University of Maine, on the synergy and support systems her center can cultivate for an entrepreneur: “You throw a stone in the pond and the ripple effect is far-reaching. We’re starting to see companies refer other companies here.”

Governor Baldacci, on his Pine Tree Zones program: “It galvanizes support for industry in areas that haven’t seen the economic tide rise as high.”

As Maine’s incubators are applying new technologies to traditional industries, so are many existing businesses. Says state economist Lachance: “We’re trying to take our heritage and transition to a more modern version of a natural-resources-based economy.” Doing their bit to increase the state’s roughly $40 billion gross product are companies like 100-year-old fabric-maker Tex Tech of North Monmouth, which first created Major League Baseball uniforms but now makes 90% of the world’s tennis ball felt and supplies high-end textiles for bulletproof equipment in military Humvees and helicopters; Seabait Maine, which farms sandworms; and Endless Energy Corp., a wind-farm developer that operates one turbine for a blueberry processor and is planning another in Redington Township.

Another innovator: Wright Express of South Portland, a high-tech information-services company that offers a Master Card–branded corporate card for T&E and purchasing. The company has more than 4.7 million commercial cards in its markets, and its Universal Fleet charge card is accepted at more than 160,000 vehicle fueling and service sites nationwide, with 99.9% electronic data capture of fuel transactions. Even Maine’s summer camps are pushing the envelope. In the woods of Otisfield, internationally known Seeds of Peace brings together children from warring countries for a month of recreation and workshops to “dispel the fear in their hearts and minds and prepare them for the arduous task of peacemaking.”

Water from Maine

One operation that has been around since 1845—and is still turning out the same successful product, Poland Spring drinking water—was a trendsetter in promoting the state, right on its label. Now other industries have been following suit, from tourism to manufacturing. Betsey-Ann Golon and her husband, Dale, have been making specialty teas and other foods with herbs from their Common Folk Farm in Naples since 1985. She also manages the herb gardens at Sabbathday Lake, the country’s only remaining active Shaker community. The Internet was a boon for sourcing suppliers and supplies; it also opened new doors when the Golons were among the first businesses to join the state’s Made in Maine program, which started in 1990 as a collective effort to market Maine’s quality and craftsmanship to the world.

Boat builders are doing the same with their nascent Maine Built Boats organization. “We’re building some of the best boats in

MBNA

MBNA came to Maine in June 1993, with 65 people in a handful of business areas.

Eleven years later, 4,000 MBNA people are based in Maine in nearly a dozen operations, including Credit Acquisition, Customer Assistance, Customer Marketing, and Telesales.

The primary reason for this outstanding growth, according to senior executive vice president Shelley Waite, who heads MBNA operations in the state, is the people of Maine. “From the beginning, we were all impressed by the tremendous energy, enthusiasm, and commitment the people of Maine brought to the workplace in support of MBNA’s customers,” Waite said. “The results they have achieved are exceptional, and Maine will continue to play a pivotal role in the success of MBNA.”

Governor Baldacci, on his Pine Tree Zones program: “It galvanizes support for industry in areas that haven’t seen the economic tide rise as high.”

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