

## **Short-Term Strategic Planning to Enhance Regional Recovery Following Rail Disaster and Major Industry-Targeted Layoffs – Diversifying Economic and Transportation Options**

### **Final Report**

#### Overview/Socio-Demographic Depiction of Region

Eastern Maine Development Corporation (EMDC) was awarded a grant from the U.S. Department of Commerce, Economic Development Administration (EDA) to support a short-term planning project that had a goal of developing a strategic plan focused on our region's assets to support economic growth and stability. The funding request was made in response to the 2013 Montreal, Maine & Atlantic Railway, Ltd. derailment that spurred job and revenue losses in a region still struggling to recover from the recent recession. This region included Brownville Junction of Piscataquis County to Searsport (Waldo County), impacting a region of more than 811 square miles. The project was expanded to address the massive lay-offs in the Katahdin region (includes many of same communities impacted by the MMA rail disaster) in the paper industry that will have a direct impact on labor markets in Millinocket, East Millinocket, Lincoln, Old Town, and Bucksport. In all, this represents a square mile region of approximately 11,310 miles. The cumulative impact totals more than 1,500 direct manufacturing value-added jobs lost in the EMDC service region. This number continues to grow as the indirect impacts of supply chain-related jobs throughout the larger Eastern Maine region are assessed.

At the onset of this planning project, the combined unemployment rate for Bangor, Lincoln, Millinocket, Belfast, and Dover-Foxcroft labor market areas was 6.1% (August 2014) compared to the statewide average of 5.2%. The rate for individual hard-hit communities included: East Millinocket 20%; Millinocket 13.4%; Lincoln 10%; Milo 8.8%; Bucksport 7.8%; and, Old Town 5.7%. The rates for Bucksport and Old Town spiked significantly higher in the months following those lay-offs being factored into the calculation. Appendix I provides a map that depict the impact of lost jobs; the affected areas extend well beyond the borders of the community bases of each mill or manufacturing firm.

At the time of this report, the combined unemployment rate for the five labor market areas as of November 2015 is 6.08%: Bangor (3.7%); Lincoln (7.6%); Millinocket (9.4%); Belfast (4.6%); and Dover-Foxcroft (5.1%). This compares to the Maine unemployment rate of 3.9%. Revisiting the same individual community unemployment rates, the economic distress is even more apparent:

- East Millinocket      9.5%
- Millinocket            10.1%
- Lincoln                7.5%
- Milo                    6.5%
- Bucksport             5.4%
- Old Town              3.1%

The unemployment rates for Lincoln and Old Town are much lower as many displaced workers were brought back when these mills reopened. Unfortunately, the reopening of the Lincoln Paper & Tissue paper mill and the Old Town Expera mill was short-lived, and both announced permanent closures in late November 2015. We expect that the unemployment rates will dramatically increase as the displaced workers begin to enter unemployment. Those communities and the rest still suffer from an extreme economic depression with the departure of historical industries that will not remerge as new economic drivers. In addition, EMDC career counselors who have been working with the displaced workers have observed that of those reemployed, many report that they are currently underemployed and/or employed at a significant reduction of overall salary and benefits.

Another factor to be considered is the number of displaced workers who opted for retirement rather than re-employment and/or re-training. The following graph depicts worker status from the major paper mill closures in the EMDC region:

Status	Verso (Bucksport)	GNP (East Millinocket & Millinocket)	Prior Lincoln	Lincoln 2015 Layoff	Old Town Expera	All Mills
In Job Search	90	17	16	130	123	376
Re-employed	327	113	111	30	44	625
In Training or interested in training	57	63	22	9	8	159
Retired	57	42	22	3	14	138
Medical	17	13	12	7	6	55
Don't Call	14	6	3			23
Deceased	2	1	0			3
Other	11	3	0			14
<b>Total</b>	<b>575</b>	<b>258</b>	<b>186</b>	<b>179</b>	<b>195</b>	<b>1393</b>

The need to identify new and growing opportunities is critical to revitalize this region and put able people back to work.

This region is also facing a migration of people leaving to find employment elsewhere. A recent study performed by The Pew Charitable Trusts (2015) notes that one of the root causes for this migration trend can be based in economic distresses such as that seen in timber-dependent

counties hit hard by the decreased need for paper in an electronic, digital information age. This rural flight places strains on local government that are impacted by a reduced tax base.

Because it was clear that the region's historical industries would not regain a footing in our region to employ workers and retain populations, a strategic effort was needed to identify future growth opportunities and address inherent barriers.

### Overview of Project

EMDC proposed a strategic planning study to perform a comprehensive supply chain analysis in key industry sectors in the region. EMDC also planned to conduct a workforce skills analysis that identified transferable skills and skill gaps in the region to inform the planning for a more fine-tuned retraining and education strategy for the regions workers, businesses, and training institutions.

The overall objectives of this project were to:

- Develop a strategy to support economic growth and stability in a region severely impacted by shifting and disappearing economies
- Create a workforce plan that supports fine-tuned retraining and education to support growth strategies
- Develop a plan to mitigate the negative impact of future disasters

To achieve these objectives, various activities were proposed:

- Engage regional collaboration
- Establish an advisory committee of regional and industry stakeholders and experts to participate in strategic planning on a monthly basis
- Recruit consultants with expertise in forest products, economic forecasting, and supply chain distribution logistics
- Perform asset mapping and gaps analysis
- Outreach to communities, employers, educators, government and other stakeholders for input
- Produce and publish a strategic plan to:
  - Build an inventory of assets – available and work-in-process
  - Identify assets with potential for growth
  - Identify linked networks and businesses to support asset(s)
  - Inventory current businesses available to support asset(s)
  - Create plan for business shift or business attraction to meet new asset demands
  - Develop plan for marketing and building new and/or current asset(s) reuse
  - Develop workforce strategy to identify workforce needs for targeted occupations/industries, share labor market and career information with workforce/economic development community, and create plan to support employer needs to accommodate changing workforce demographics

### Summary of Activities & Accomplishments

Following the award of this grant, the first stage of our program was to convene a public community meeting of more than 100 attendees in October 2014 to introduce this planning project, inform community partners about the status of our economy, and to begin building a regional approach and investment to a recovery plan. This meeting was held on October 17, 2014.

Following this, a Request for Proposals was released to engage an economic consultant to lead the supply chain analysis. Camoin Associates, an independent consulting firm based in Saratoga Springs, New York with offices in Scarborough, Maine was selected to perform this analysis. Camoin Associates has extensive experience conducting economic and supply chain strategies to support targeted industries in communities around the country. The project leader, Jim Damicis, and his team have worked with multiple communities throughout Maine, and their experience has afforded them the familiarity and knowledge of the most effective economic and workforce development tools utilized today.

Over the last year, EMDC in conjunction with multiple private and public stakeholders, have accomplished many early steps to reaching our goal of revitalizing the economy in Eastern Maine. Our stakeholders have included business owners, municipal/state/county government representatives, economic development professionals, and senior leaders in the region. We have also successfully engaged various industry experts to help us frame the dynamics of our region, characterize barriers to growth, and identify opportunities that can trigger growth and a “Re-Engineering the Region.”

The primary actions performed to meet the goals and objectives of this project included:

- Supply chain analysis
- Workforce analysis
- Advisory committee meetings
- Business owner interviews across multiple sectors
- Roundtable sessions on selected sectors of impact
- Community/public participation events

Each activity has been summarized below.

### ***Supply Chain Analysis***

Camoin Associates performed an exhaustive supply chain analysis that complements the workforce analysis; the analysis was completed in July 2015. Based upon the outcomes of this analysis, a series of recommendations were developed that incorporate the findings from other project activities. Those are described in more detail on page 7 of this final report.

The full reports for the supply chain and workforce analyses are attached as Appendix II and III, respectively.

### ***Workforce Analysis***

The workforce analysis, completed in November 2015, can help us identify the jobs needed to support business/industry growth as well as a strategy to enhance skills and education to fill these jobs. As a result of this analysis, we have identified that a shift in opportunities in jobs is occurring, with wood products dropping significance while healthcare, tourism and hospitality,

and retail are on the up-swing. Also gleaned from the analysis is a distinct skills gap between current and future workforce that is creating significant mismatches which is resulting in barriers to re-employment. Further findings are described on page 10.

***Advisory Committee Meetings***

To complement the intelligent data mining and analyses for economic and workforce development, we hosted a series of advisory meetings comprised of a diverse group of regional stakeholders including town officials and business owners from communities of impact, economic development professionals, regional and state economists, representatives from Maine’s legislative offices, and various community stakeholders representing education, legal, healthcare, logistics, tourism, manufacturing, wood products, innovation/entrepreneurs, and more. Chaired by Andy Hamilton, a partner of the Bangor-based law firm Eaton Peabody, these meetings focused on community-specific issues as well as discussions of emerging industry trends, barriers to economic growth, weak signals (potentially growing companies/industries that are too new to label a trend), and opportunities.

Seven (7) advisory committee meetings were hosted in communities throughout our region to focus on priority topics including:

- Logistics (Broadband, Rail, Air, Road, Water)
- Tourism
- Bioscience & Healthcare
- Innovation & Entrepreneurship
- Agriculture & Food Production
- Forest Products
- Community/Region Focus (Millinocket, Bucksport)

A synopsis of each session is provided in Appendix IV.

***Business Interviews***

Another component of this effort was a series of regional business interviews across multiple industries to learn more about successes, challenges, and plans for growth. Between EMDC staff, Camoin Associates and other selected stakeholders, a total of 104 interviews were performed to gather sufficient information to reach informed conclusions. Businesses were selected across the 4-county region of Hancock, Penobscot, Piscataquis, and Waldo counties. The interview questions were broad in an effort to assess perceptions of opportunities, gaps and barriers to business growth.

Of those interviewed, industries/sectors were represented as follows:

<u>Industry</u>	<u># Companies</u>
Agriculture/Food Industry	14
Boat Building	5
Bioscience/Healthcare	11
Construction	4
Forestry/Wood Products	6

Hospitality/Tourism	17
Manufacturing	4
Transportation/Logistics	11

Respondents to the question “What is advantageous about do business in our region”, the majority named the location/scenic beauty, the Maine lifestyle, emerging growth opportunities in Maine, and high quality workforce as the biggest advantages to doing business in Eastern Maine. Converse to that, disadvantages to doing business in this region included energy costs, remote location, low populations of customers and workers, and poor roads and transportation infrastructure. The full complement of questions ranged from questions about locational aspects and regional assets, value chain (markets, competitors, suppliers), labor market and workforce, innovation, and networks/linkages. Appendix V provides a summary of the findings.

Of note, EMDC used the questions developed by the state-wide Mobilize Maine as the basis for questions specific to the region of Eastern Maine. This was done in order to align our EDA-funded short-term planning project with work performed by the Maine Chamber of Commerce, the Maine Development Foundation, and other regional economic development districts. As a result, our efforts will align the regional planning with a state-wide economic development strategy for growth and success.

#### ***Roundtable Sessions***

In early July, a series of round tables were held over a two-day period to dig deeper into those emerging sectors with potential for impact in our region. The seven sessions were facilitated by an independent consultant; Good Group Decisions led by Craig Freshley, and resulted in a series of observations and recommendations for each of the seven sectors of impact. These sectors included: Boat Building/Composites, Wood Products, Healthcare/Bioscience, Tourism, Emerging Tech Companies, Agriculture, and Construction/Skilled Workforce. A total of 64 business owners attended the two-day event. A report summarizing the roundtable discussions is attached as Appendix VI.

Common themes across all sectors included:

- Identified need for collaboration and partnerships among businesses and private, public and education sectors
- Promotion of the Maine brand (quality workmanship and strong work ethic)
- Promotion of the region’s opportunities (home for highly skilled and innovative work, exemplar quality of life)
- Need for a skilled and educated workforce
- Need for high-speed internet access
- Expanded public transportation options between Bangor and larger hubs
- Need for business mentorship for entrepreneurs

#### ***Community/Public Participation Events***

It was recognized early on that, in order for the short-term strategic planning to have real impact, an engagement of communities and business leaders was needed. Toward that end, EMDC hosted a variety of public events starting with the kick-off public participation meeting in

October 2014. In addition to this event, additional events were hosted to continuing the public awareness and investment in Re-Engineering the Region:

- A May 19, 2015 meetings of business leaders to share the preliminary findings of the supply chain analysis and perform an exercise of public engagement through the use of the software program Poll Everywhere. This program asked a series of questions, with “real time” postings of responses. Results of this activity provided input to the strategic planning team as to next steps and the identification of priority projects. The results from the Poll Everywhere exercise are provided in Appendix VII.
- July 15, 2015 meeting to present the Camoin Associates final report, outcomes of the short-term planning project, recommendations, and an identification of next steps. The invitations for this meeting will be circulated to members of the Re-Engineering the Region Advisory Group, presenters from the sector-based meetings, business owners/experts who attended the roundtable sessions, and members of regional economic development groups including Mobilize Eastern Maine, Bangor Region Development Alliance (BRDA), and BizAction (Chamber of Commerce). One of the primary purposes of this meeting will be continue the sense of engagement from a broad representation of this region.
- July 15, 2015 – meeting with congressional staff to update on the status of the Re-Engineering the Region project, and plans for the implementation phase. Individuals from Sen. Collins, Sen. King, and Rep. Poliquin have been actively engaged, attending many of the advisory committee and public community meetings. The goal of this meeting was to discuss strategies to identify federal funding streams for the implementation phase.
- A series of meetings with regional economic development leadership to identify how economic development organizations can best support the sectors and strategies through the next steps including the implementation phase. As we re-engineer the region, we will be re-engineering economic development to assure that duplication of effort is reduced and energies are focused on how best to move the strategies forward to reality.

#### Findings – Strategic Plan for Eastern Maine

The results of the various activities employed to develop a realistic strategic plan with attainable goals has resulted in a “road map” for regional, community, business, government (municipal, county), and economic development stakeholders.

#### ***Supply Chain Analysis***

The Summary and Recommendations provided on pages i-xi of the Supply Chain Analysis provides a detailed summary of our findings. Critical to our strategy’s success will be the development of a ***new vision to think big, coupled with a new culture to build capacity for regional transformation into a new systems approach that will leverage emerging opportunities***. Characteristics that this region needs to emulate include:

- Diversity – of people, ideas, networks, initiatives, and economic base
- Adaptability – continual learning, innovation, and re-engineering
- Sustainability – steady commitment continued over the long-term

The outcomes of the supply chain analysis recommend that we build a framework for action in order to Re-Engineer the Region. In other words, we need to reset our thinking and approach to spur economic revitalization, moving away from the historical drivers and looking to the new emerging opportunities.

### Identification of Leading Sectors

At the heart of this planning was the identification of seven (7) strategies that have the potential to emerge as the sectors of impact for our region. These sectors include:

1. Forestry & Wood Products
2. Emerging Technology
3. Boat Building & Composites
4. Tourism & Hospitality
5. Bioscience & Healthcare
6. Agriculture & Food Production
7. Construction & Skilled Trades

Within these 7 sectors, multiple projects were proposed by meeting participants and advisors. The Project Matrix (Appendix VIII) outlines those proposed projects and are categorized by sector and the three cross-cutting strategies (see below). While it is understood that many of these projects will not make it beyond the planning phase, it is important to demonstrate the creativity and active engagement of the community and regional partners in the strategic planning phase.

### Supporting Sectors

In order to support the seven sectors of impact, our commitment to provide the appropriate platform to move opportunities forward within each sector is critical. Toward that end, we have determined that our efforts should center on the following three supporting sectors or strategies:

1. *Education* – expansion of reach, intensity and impact of learning assets through a learning system for the region that is responsive to changing economies
2. *Infrastructure* – utilize energy, water, and wastewater infrastructure as well as supporting logistics (rail, water, air, broadband)
3. *Workforce Development* – provide continuous learning, skills development, training, and education that is responsive to all of the labor force all of the time

Those projects moving forward will be carefully assessed to assure that the necessary supporting logistics are in place for each project.

### Cross-Cutting Strategies

As a result of the supply chain analysis, several frameworks, key questions/decision points, strategies, and initiatives were identified to re-engineer and transform this region.

1. Advance the learning economy for the region

Integrate education, workforce, learning, and entrepreneurial development to build an educated, skilled, and innovative workforce poised to meet employment demands. Develop a life-long, continuous learning strategy for an adaptive region. Appendix IX details the education platforms/institutions of higher education and learning that exist within the 45 mile radius of Bangor. A current analysis (2014/2015 academic year) depicts nearly 24,000 students and an average of 30 students/square mile, our region can be identified and branded as an education hub for the state of Maine.

2. Push innovation and entrepreneurship in the region

Use an economic “gardening” and asset-based development approach, engaging and leveraging existing regional assets to transform the region’s economy. Recognize that **Small is the New Big**, and emerging opportunities will likely consist of entrepreneurs, start-ups, and small businesses. With the University of Maine/Innovation Center and numerous incubators in the region, we are poised to provide the needed infrastructure to move these entrepreneurs from planning to productivity.

3. Fund and advance broadband connectivity

Digital infrastructure and culture are needed to be competitive in the existing and new economies. Expand fiber infrastructure beyond the state-wide Three Ring Binder to impact the “last mile” of rural businesses and communities.

4. Regional Resources Council

Form a council populated by business leaders to leverage local and global opportunities, and provide advice and support to identify projects moving to implementation.

Central to these cross-cutting strategies is an **Extreme Makeover** of economic development for this region. Through discussions among the economic development leadership, we realized that a re-design of how we do business is necessary to build on this project’s momentum and leverage capacities for the future. As noted on page 6 of this report, planning has begun to increase collaboration and reduce duplication of the many economic development entities in the region. We are actively working to a goal of increasing resources and capacity to identify, assess, and service emerging industries and economic opportunities while, at the same time, increase efficiencies and maximize technical assistance dollars. It was agreed that the partnership of economic development and workforce resources under one roof is an asset unique to Maine and nationally, and efforts to sustain this collaboration will continue. Along with business/economic and workforce development technical assistance, fundamental functions of this “new” economic development platform are:

- 1) Access to credit /equity fund
- 2) Economic development planning (EDA/USDA-related planning functions that are already in place would support this function)
- 3) Advocacy for business environment (taxes, education policy, etc.)

- 4) Startups – providing workspace, mentorship, venture capital, and hand off to the next step of development.
- 5) Business recruitment

This extreme makeover is in process, and we anticipate that the new economic development model will be in place by the end of Spring 2016.

### ***Workforce Analysis***

The completed analysis has led to a number of strategies to begin aligning our workforce (both unemployed and new to the labor market) with opportunities for livable wage jobs. Of note, a new vision coupled with a new culture to build our region’s capacity for a transformation into a new systems approach to leverage growing and emerging opportunities is key. Notable trends identified include the decline in historical manufacturing and wood products (paper mills), and a rise in job/career opportunities in healthcare, professional/business services, leisure and hospitality, and retail. Additional “weak signals” (growing opportunities that are not quite ready for the label of trends) include business and financial operations, computer and mathematical, science, and legal occupations as well as food preparation and service, personal care, and buildings/grounds maintenance occupations.

Many displaced workers find that their years of accumulated experience are no longer in demand; concurrent to that realization is the fact that many businesses are challenged to find workers with the education, experience or skills needed to perform functions critical to their operations.

Moving forward, the analysis recommends that an education platform be supported that will rapidly retrain skilled and experienced displaced workers to adapt to the needs of new careers, and a platform that will bond institutions of education (K-12 and higher education) with regional businesses to identify education and skills needs to train the next generation of workers. Critical to any revitalization plan is the ability to keep new college graduates in the region to support population and business growth. Efforts to get both sides (business and education) to the table will be a key activity for the Re-Engineering the Region effort. A complete review of the findings and recommendations from the workforce analysis can be read in Appendix III.

### **Next Steps**

Critical to the successful implementation of the strategic plan will be our efforts to bridge outcomes to action. Over the next 6 months, efforts will shift from strategic planning to building the economic development infrastructure and project implementation. Paramount to the bridge effort will be the identification of funding streams for specific projects.

Rather than attempting to address all the potential projects, the focus will be narrowed to one or two primary projects that have been identified as “low hanging fruit”— projects with potential for rapid implementation and high impact for a large number of stakeholders. The stakeholders (advisory group members and economic development leadership) will continue to evaluate and identify those projects that will be selected for initial focus. Our early assessment has identified the expansion of digital literacy and infrastructure as one logistical piece that is uniformly needed across all sectors. Expanding capacity to remote rural communities currently having

limited or no access is critical, and identify the current capacity and needs community-by-community will be the first step. We have also identified that the recruitment of full-time staff to support business development and expansion within specific sectors is a critical first step; working one-on-one with current businesses to help with growth/scalability as well as supporting the new businesses (including entrepreneurs and innovators) poised for launch is a role for the re-engineered economic development platform/organization for the region. Enhancing this would be the launch of a data center to provide access to “deep” data that will serve as the rationale and evidence for business growth/opportunities, as well as the engagement of an education broker who will work to bring educators and business owners /industry experts to the table to enhance efforts for workforce development.

### **Implementation**

During the implementation phase, EMDC and community partners will work to develop project-specific plans to move projects to reality. This will include a critical search to identify possible funding streams for start-up/operational dollars. EMDC planning, technical assistance, and grants development staff will work closely with the primary lead stakeholder (which could be a community, business or partnership) to perform the appropriate steps and work needed to secure funding and eventual sustainability. EMDC staff is well-versed in the preparation and submission of fundable grant proposals, marketing of new projects/program, and taking appropriate logistical steps to reach success.

Also critical to the implementation phase is the continued outreach and engagement of the many business and community stakeholders. A common criticism is that strategic plans come and go, and usually disappear once the funding ends and the final report is published. We are committed to following through with the strategic plan road map, and various activities are planned to encourage ongoing participation:

1. An interactive web presence that will host data sets, video vignettes related to the sectors of impact, supporting sectors and cross-cutting strategies, sharing of success stories, projects in development, and a variety of resources with the intent of providing a high-level of technical assistance to this region.
2. Production of a “final report” that summarizes many of the findings reported in this report. One of the criticisms of past projects has been the loss of activity and follow-through once project funds have been depleted. EMDC is committed to providing continuous marketing and a sharing of information/status reports to keep business owners and community/county leadership invested in the strategic plan.
3. Marketing of the Re-Engineering the Region effort to increase visibility and buy-in by regional stakeholders using multiple media and outreach venues (i.e., radio, periodicals, television, sponsorships). Every effort will be made to promote local and regional wins and project implementation. An active outreach campaign will be supported, with staff traveling to communities, businesses, and membership organizations to share the strategic plan.