

January 29, 2003

Commissioner Valerie Landry
Maine Department of Labor
Office of the Commissioner
54 State House Station
Augusta, Maine 04333-0054

Dear Commissioner Landry:

Please accept the attached documentation as the Tri-County Workforce Investment Board's National Emergency Grant request for additional funds to serve the workers directly and indirectly impacted by the recent bankruptcy petition by Great Northern Paper (GNP) resulting in the closure of both the Millinocket and East Millinocket mills. In September 2002 the Tri-County Workforce Investment Board received an NEG award for GNP funded at \$281,312 (this figure does not include the State administration portion of \$4,220) and for the project period commencing September 9, 2002 and ending December 31, 2004. This funding request that we are submitting today is for an additional \$22,914,056 (includes State administration funds) in NEG funds. The project period will run for 30 months commencing January 01, 2003 and ending June 30, 2005. We estimate serving a total of 2,420 workers; of which 550 will be GNP workers directly impacted and an additional 1,870 workers indirectly impacted should the mills stay closed indefinitely.

If ever there were an event that was truly "emergency" in nature and meritorious of the most urgent of responses, it is the result of the recent bankruptcy petition, which has resulted in a prolonged closure of the two Great Northern Paper (GNP) mills located in Millinocket and East Millinocket respectively. The impact of these mills not operating since December 27, 2002 in the region combined with the over \$100 million in unpaid bills will have a huge impact on workers and businesses both directly and indirectly affected that our region or state has not seen in years.

The impact of this event can be tracked through the vast amount of media exposure that is attached as part of this submission. Since January 10, 2003 when GNP filed for bankruptcy protection, the news stories about the mills, the workers and the impact on the regional economy has headlined the newspapers of the region as well as the television stations. Attached are all the articles from the Bangor Daily Newspaper regarding the bankruptcy and closure and the actual cover pages of the Bangor Daily News, which really drives home the concern of this event to the regional economy. Also attached are the last two weekly editions of the Katahdin Times, the regional newspaper in the Millinocket/East Millinocket region.

In addition; Governor Baldacci, Senator Snowe, Senator Collins, Congressman Michaud and many State and Federal agencies have all come to the region to pledge assistance and support in

securing the wide array of resources that will be necessary to assist with transitional assistance which will be necessary as a result of this emergency situation.

Per an analysis by Craig Holland of Maine Department of Labor's Division of Labor Market Information Services (see full analysis attached), Mr. Holland states that in using the U.S. Department of Commerce's Gross Output, Earnings and Employment Multipliers for Maine, the direct impact of the loss of 1,100 jobs will be \$47,842,300 per year in direct wages. The indirect wage loss will be \$71,285,027 per year for a total wage loss of \$119,127,327 in a region that offers dislocated workers few options but to out-migrate. These 1,100 direct jobs lost could also cause indirectly the layoff of an additional 3,740 workers that rely on the mill for their livelihood. And this effect will be far reaching as we have already seen local companies such as retail stores, trucking firms, and Montreal, Maine and Atlantic Railway (formerly Bangor and Aroostook railroad) within a short distance from the plant to other layoffs up to two to three hours away.

In addition other recent closures in the Millinocket region include the closure of the Ames store and Cormier equipment resulting is a direct loss of 60 workers and an estimated indirect impact of an additional 100 jobs. The closure of the mill has also resulted in a loss of 70 jobs from Montreal, Maine and Atlantic Railway in Milo.

Another substantial impact is on the towns in the region that rely on the mills for its taxes and the workers for their property tax payments. In Millinocket, the mill comprises 54% of the tax base and in East Millinocket; this figure rises to 71%. Forty-five miles north in the town of Patten, 100 families worked for the mill, which will impact their ability to meet their financial demands to the town.

As a result, this NEG request is based upon a collaborative approach to providing educational and training assistance to those directly and indirectly impacted. One needs to keep in mind the rural environment that we are dealing with. The Millinocket/East Millinocket region is approximately 70 miles north of Bangor in an isolated area in the north woods and nearly all the industries support the mill in some fashion or deal with tourism related industries. The CareerCenter in this region is located with the Technical College system at a satellite location called the Katahdin Region Higher Education Center. Other partners at the center include the University of Maine system and the Small Business Development Center.

This NEG request has been assembled working with the following partners: the Tri-County Workforce Investment Board, the Training and Development Corporation, the Maine Department of Labor, the AFL-CIO, Eastern Maine Technical College and the Eastern Maine Development Corporation.

A majority of this NEG request is to pay for Direct Training subsidies and customer support. With every mill job loss resulting in an indirect loss of 3.4 positions many of these dollars will go to assist workers who are indirectly impacted and/or those not covered by TAA or needing services not covered by TAA. In addition, we will make needs based payments to participants who are not eligible to receive or have exhausted their Unemployment Compensation benefits and are still enrolled and participating in supervised retraining activities. These needs based

payments will prove vital to the success for those enrolled in retraining programs. Sixty-four percent of this request will be used for these subsidies.

Many of the remaining dollars will be utilized to cover salary, fringe benefits and operating costs that will be required to serve up to 550 direct GNP workers and up to 1,870 indirectly impacted workers or a total of 2,420 workers from a wide geographic region. The original Katahdin Region Higher Education Center was never designed to provide information services, career counseling and classes for the amount of workers that we are estimating to serve. Additionally, other CareerCenters may need assistance as demand dictates. As a result, we will need to expand to other space and be prepared to answer phones, provide information center services, clean the facilities and provide one-on-one career counseling services and a wide array of workshops. These dollars will fund approximately 39 positions to assist in this endeavor including: 10 union and 2 non-union peer support workers, a project manager, site manager, plan managers, plan manager supervisor, learning center and resource center specialists, labor exchange workers and outreach and recruitment specialists. We are in hopes of employing as many people from the region in these positions as possible to help stimulate the local economy.

Out of the administration funds, we are planning to RFP to complete a workforce development/economic development strategy for the region that is impacted by this closure. Much like the closing of the Loring Air Force Base and its impact to the region, this closure has a similar impact on a geographic area much wider than the Millinocket/East Millinocket region where both mills are physically located. We will gather all stakeholders for the region in this study to develop a strategy for the future that will lead to an economic revitalization for the region. This will truly be an opportunity to bring leaders from the community, education sector, business sector, workforce development and economic development sectors and the public together to address some very difficult issues and design a strategy for the future of this region.

As a result, we have prepared an additional Great Northern Paper National Emergency Grant request that will address the needs of those individuals that will be directly affected by the closure as well as those that may be indirectly impacted. This submission is above and beyond the original request that addressed the 200 workers that were dislocated from the mills back in September 2002.

With this submission, we are preparing for a worst-case scenario as the bankruptcy proceedings are still on going and we just don't know with any assurance what will happen in the immediate future. What we do know, is that approximately 1,100 workers have not worked since December 27, 2002; both mills have not been operating and have accrued a substantial amount of debt which has impacted the cash flow and operations of many regional businesses, and that we are already seeing an indirect impact of other companies laying off staff during these uncertain times. Even if a buyer is eventually found for the mill, it is highly likely that it will employ only half of the 1,100 based on projections offered by analyst as stated in the media documents attached.

Thus, we are submitting this NEG request as a response to the emergency need that exists in this region now. The workers and people living in this region never expected two of the greatest paper mills in the nation with some of the worlds greatest paper makers would ever come to this

point in its history. While shocked and devastated the workers being impacted are flooding the Katahdin Region Higher Education Center's facility daily to plan their paths for the future. So with this request we are asking for the most rapid of responses to this urgent need as each person that comes to our center is now looking to us for assistance to plan their future.

Should you have any further questions or concerns regarding this request, do not hesitate to contact me at 942-6389. Your immediate attention to this request is appreciated.

Sincerely,

Barry Martin,
Executive Director
Tri-County Workforce Investment Board

Cc: Jim Nicholson, Chair – Tri-County Workforce Investment Board
David Cole – President, Eastern Maine Development Corporation
Tim McLellan – Acting Director, Bureau of Employment Services, MDOL
Jon Farley and David Klein, Training and Development Corporation
The Office of Governor John Baldacci
The Office of Senator Olympia Snowe
The Office of Senator Susan Collins
The Office of Congressman Michael Michaud

**Great Northern Paper Company NEG Project - Modification to EM-11650-01-60
Quarterly Implementation Schedule-PY 2002**

PERFORMANCE FACTOR	PROGRAM YEAR QUARTER				PROJECT TOTAL
	1 st Q July 1 - September 30, 02	2 nd Q October 1 – December 31, 02	3 rd Q January 1 – March 31, 03	4 th Q April 1 – June 30, 03	
Registrations - Total			250	500	500
Training Enrollments - Total			50	100	100
Classroom			50	97	97
OJT			0	3	3
Receiving NRP's			0	0	0
Exits			0	10	10
Entered Employments					84%
Expenditures					
Total Local Area			1,885,140	3,771,282	3,771,282
Administration			50,467	101,935	101,935
Program			1,834,673	3,669,347	3,669,347
Total State Level					

- **PY 2002 Quarterly Implementation Schedule, PY Ending June 30, 2003**
- **1st Quarter is July 1 – September 30, 2002-not applicable to this Grant Schedule**
- **2nd Q is October 1 - December 31, 2002-not applicable to this Grant Schedule**
- **3rd Q is January 1 - March 31, 2003**
- **4th Q is April 1 - June 30, 2003**

**Great Northern Paper Company NEG Project - Modification to EM-11650-01-60
Quarterly Implementation Schedule-PY 2003**

PERFORMANCE FACTOR	PROGRAM YEAR QUARTER				PROJECT TOTAL
	1 st Q July 1 - September 30, 03	2 nd Q October 1 – December 31, 03	3 rd Q January 1 – March 31, 04	4 th Q April 1 – June 30, 04	
Registrations - Total	750	1250	1500	1800	1800
Training Enrollments - Total	500	750	1000	1250	1250
Classroom	485	725	950	1175	1175
OJT	15	25	50	75	75
Receiving NRP's	0	0	0	50	50
Exits	15	150	250	300	300
Entered Employments					84%
Expenditures					
Total Local Area	5,673,422	7,584,563	9,495,704	11,409,844	11,409,844
Administration	172,402	245,869	322,337	401,804	401,804
Program	5,504,020	7,338,694	9,173,367	11,008,040	11,008,040
Total State Level					

- **PY 2003 Quarterly Implementation Schedule, PY Ending June 30, 2004**
- **1st Quarter is July 1 – September 30, 2003**
- **2nd Q is October 1 - December 31, 2003**
- **3rd Q is January 1 - March 31, 2004**
- **4th Q is April 1 - June 30, 2004**

**Great Northern Paper Company NEG Project - Modification to EM-11650-01-60
Quarterly Implementation Schedule-PY 2004**

PERFORMANCE FACTOR	PROGRAM YEAR QUARTER				PROJECT TOTAL
	1 st Q July 1 - September 30, 04	2 nd Q October 1 – December 31, 04	3 rd Q January 1 – March 31, 05	4 th Q April 1 – June 30, 05	
Registrations - Total	2000	2200	2420	2420	2420
Training Enrollments - Total	1500	1750	1800	2000	2000
Classroom	1400	1625	1650	1800	1800
OJT	100	125	150	200	200
Receiving NRP's	125	200	250	300	300
Exits	500	800	1000	1500	1500
Entered Employments					84%
Expenditures					
Total Local Area	13,319,985	15,236,126	17,170,267	19,079,407	19,079,407
Administration	477,271	558,739	658,206	732,673	732,673
Program	12,842,714	14,677,387	16,512,061	18,346,734	18,346,734
Total State Level					

- **PY 2004 Quarterly Implementation Schedule, PY Ending June 30, 2005**
- **1st Quarter is July 1 – September 30, 2004**
- **2nd Q is October 1 - December 31, 2004**
- **3rd Q is January 1 - March 31, 2005**
- **4th Q is April 1 - June 30, 2005**

**Great Northern Paper Company NEG Project - Modification to EM-11650-01-60
Quarterly Implementation Schedule-PY 2005**

PERFORMANCE FACTOR	PROGRAM YEAR QUARTER				PROJECT TOTAL
	1 st Q July 1 - September 30, 05	2 nd Q October 1 – December 31, 05			
Registrations - Total	2420	2420			2420
Training Enrollments - Total	2000	2000			2000
Classroom	1800	1800			1800
OJT	200	200			200
Receiving NRP's	400	500			500
Exits	1800	2420			2420
Entered Employments					84%
Expenditures					
Total Local Area	20,986,549	22,889,056			22,889,056
Administration	805,141	872,975			872,975
Program	20,181,408	22,016,081			22,016,081
Total State Level					

- **PY 2005 Quarterly Implementation Schedule, PY Ending June 30, 2006**
- **1st Quarter is July 1 – September 30, 2005**
- **2nd Q is October 1 - December 31, 2005**
- **3rd Q is January 1 - March 31, 2006 – Quarter is Not Applicable to this Grant Schedule**
- **4th Q is April 1 - June 30, 2006 – Quarter is Not Applicable to this Grant Schedule**

Friday, February 07, 2003

Project Operator Line Item Budget

PROJECT: Great Northern Paper

ADMINISTRATIVE ENTITY: Maine Department of Labor/Bureau of Employment Services

PROJECT OPERATOR: Tri-County WIB/Training & Development Corporation

LINE ITEM	ADMIN	PROGRAM	TOTAL
Staff Compensation	210,000	4,265,071	4,475,071
Staff Travel Total	18,000	167,010	185,010
Local Travel			
Non-Local Travel	18000	167,010	
Facilities & Supplies	35,000		35,000
Communications	5,500	96,563	102,063
Non-Expendable Equipment			
Other Operating Costs *	500,000	323,580	823,580
Administration of NRPs			
TOTAL OPERATING COSTS	768,500	4,852,224	5,620,724
Tuition, Books, Fees (ITAs)		7,400,000	7,400,000
OJT Payments to Employers		1,500,000	1,500,000
Support Services		2,100,000	2,100,000
Needs Related Payments		3,600,000	3,600,000
Other (e.g. instructional, assessment materials) **		140,000	140,000
TOTAL PARTICIPANT SERVICES		14,740,000	14,740,000
Indirect Costs ***	104,475	2,423,857	2,528,332
TOTAL PROJECT LEVEL COSTS	872,975	22,016,081	22,889,056
State Administration			
TOTAL STATE COSTS			
TOTAL FOR ALL COSTS	872,975	22,016,081	22,889,056

- other operating = lease, utilities, maintenance, communications 30 months,
- other operating = regional workforce/economic development strategy study
- total funds to cover costs of readjustment and training costs for direct impact participants
- total estimated participants =550 GNP Workers and 1,870 Secondary Impact Workers
- NEG funds will compliment TAA resources for GNP workers
- Staff compensation includes 27 FTE positions and 12 Peer Support Worker Positions.

Great Northern Paper Company NEG Project Synopsis - Project Number:

Project Applicant: Eastern Maine Development Corporation (EMDC) - Tri-County Workforce Investment Board

Amount of Funding Requested: \$22, 914, 056

Project Name: Great Northern Paper Company National Emergency Grant Project

Grant Type: Regular Disaster Supplemental

Funding Type: Full Initial Emergency

Project Operator: EMDC
Address: One Cumberland Place
 Bangor, Maine 04401
Telephone: 207-942-6389

Project Locations: Maine CareerCenter & Training and Development Corporation
Address: 45 Oak Street, Bangor ME 04401 & One Cumberland Place, Bangor Maine
Telephone: 207-945-9431/207-561-4650

Contact: Barry Martin, Executive Director, LWIB
Applicant Contact: David Cole
Title: Executive Director, EMDC
Telephone: 207-942-6389

Contact: David Klein
County (ies) of Residence of Affected Workers: Penobscot, Piscataquis, Greater Northern, Central and Eastern Maine Region

<u>Company</u>	<u>Address of Facility</u>	<u>Layoff Date (s)</u>	<u>Number of Workers Being Affected</u>
Great Northern Paper Co. One Katahdin Ave. Millinocket, Maine 04462-1398		January 10, 2003	550
Secondary Impact		01/03-12/04	1870

Labor Organization Representation: Yes, 14 Labor Organizations

Major Occupations from Which Individuals are Being Dislocated: All facets of paper production, trades, vendors and suppliers to paper making industry

Principal Occupations in Which Reemployment is Targeted: Health, Business, Retail and Service Industries

Number of Participants: 2420 **Planned Entered Employment Rate:** 84%
Costs Per Participant: \$ 9,469 **Planned Wage Replacement Rate:** 100%
Cost Per Entered Employment: \$ 11,271 **Project Operations**
Start Date: 01/01/03 **End Date:** 06/30/05

Notes:

Great Northern Paper Rapid Response Activities to Date:

- **Friday, January 10, 2003** – Notified of GNP filing for Ch. 11 Bankruptcy – Rapid Response Coordinator went up to E. Millinocket CC to find out more information and to be on hand to answer questions
- **Friday, January 10, 2003** – Rapid Response Coordinator attends meeting with Union leadership, state representatives, U.S. Congressman, Governor Baldacci and DOL directors. Many questions from unions around UI process and paperwork. RR Coordinator volunteers to set up UI information meetings and assist workers with paperwork in the CareerCenter.
- **Monday, January 13, 2003** – RR Coordinator sets up UI meetings and notifies press and union leadership of schedule.
- **Tuesday – Friday January 14, 15, 16 and 17, 2003** – UI informational meetings held in Millinocket and East Millinocket. Total attendance for all 4 meetings was 600 to 700.
- **Friday, January 17, 2003** – Conference call with president of Eastern Maine Technical College, college staff and TDC staff to discuss working together to assist workers with training needs.
- **Friday, January 17, 2003** – RR Coordinator arranges for DHS to have space and times to meet with workers interested in assistance.
- **Tuesday, January 21, 2003** – RR Coordinator arranges space and time for FAME representatives to be at the center to meet with local businesses.
- **Wednesday, Friday, Tuesday, Thursday, Jan 22, 24, 28 and 30, 2003** – Department of Human Services on site to explain programs and do applications for emergency food stamps and heating assistance.
- **Thursday, Friday, Monday and Tuesday, January 23, 24, 27 and 28, 2003** – TAA/TRA and WIA information and application sessions for all affected workers. With two days completed, over 300 workers have completed TAA and WIA applications.

**MILLINOCKET-EAST MILLINOCKET
LABOR MARKET AREA
DIRECT AND INDIRECT
JOB AND WAGE LOSS ANALYSIS**

**Prepared By:
Craig Holland, Manager
North/East Region
Maine Department of Labor
Labor Market Information Services**

Millinocket-East Millinocket LMA

The Millinocket-East Millinocket Labor Market Area (LMA) encompasses Northern Penobscot County and the community of Patten. This area is known as the Katahdin Region. North Central Piscataquis County which is adjacent to the Town of Millinocket on the west is home to Baxter State Park which abuts the community and is a 202,064 acre forested tract that is and by law will never be economically undeveloped. The region is bisected by Interstate Highway 95, the primary north/south access route linking Southern Maine to Aroostook County and the Canadian Maritime Provinces. The region is served by two major Railroads which move freight both north and south (Rail World) and east and west (Canadian American RR). The closest Metropolitan area is the Bangor Metropolitan Statistical Area (MSA) which is approximately 70 miles due south. The 2000 Census of Population records a total population in this region of 17,494 persons.

At the turn of the twentieth century due to the abundant natural resources, two paper mills were built, one in Millinocket and the other in East Millinocket. The region and local communities as they exist today grew around these mills and papermaking has been the lifeblood that sustains this area.

The natural resource base continues to be the engine that drives the local economy with the Paper and Allied Products sector having been the largest employer in the Katahdin Region. Also in manufacturing, the Lumber and Wood Product sector provides raw materials for these paper mills along with sawmills and furniture manufacturers of area. More than 40 percent of the region's employment is in the manufacturing sector compared to a 15 percent statewide. In the 4th Quarter of 2001, the average annual wage in the Millinocket-East Millinocket LMA for employees in the Paper and Allied Products sector was \$950 per week. Employees in Lumber and Wood Products earned \$563 per week. The balance of workers in the LMA averaged \$358 per week. Clearly with the areas geographic isolation and exclusive dependence on these mills and their suppliers there is little or no reemployment possibilities within reasonable commuting distance or any likelihood that displaced workers can approximate their current wage levels. Relocation will also prove difficult as many of these dislocated workers own their own homes and are unlikely with current local economic conditions to be able to find a buyer at a price which will allow them to satisfy their mortgages. Over the past 20 years employment in this LMA has steadily declined. Prior to the shutdown, capital investments in plant and equipment has resulted in a steady erosion of employment levels in the Paper and Allied Product industry just as mechanization in logging has cut employment in the Lumber and Wood Products sector. Due to the distance from major employment centers, trade and service sector growth which in many labor markets has offset manufacturing job losses has not occurred. The needed skill sets for those service sector jobs that are present in the LMA do not match those of these dislocated workers making retraining and relocation assistance critical to any successful transition for these workers and their families.

Direct and Indirect Impact of Area Layoffs

As per the United States Department of Commerce's Gross Output, Earnings and Employment Multipliers for Maine provided January 2001, the direct impact to the region of the loss of 1,100 papermaking jobs at the Great Northern Paper Company will be \$47,842,300 per year in direct wages. The indirect wage loss will be \$71,285,027 per year for a total wage loss of \$119,127,327. These 1,100 direct jobs lost will also cause indirectly the layoff of an additional 3,740 workers. While the indirect wage and employment loss will be spread far beyond the LMA borders, the direct loss will fall almost exclusively in a labor market which in November 2002 had a civilian labor force of 5,160. Additionally the recent closure of the Ames Department Store in Millinocket in October 2002 and the layoff of 50 workers has resulted in an annual direct wage loss of \$410,800 with an indirect loss of an additional 35 area jobs and \$201,292 in wages for a total of 85 laid off workers and \$612,092 per year in lost wages. A wholesale trade firm, Cormier Equipment Company recent closed and laid off 10 workers who earned \$200,720 annually in wages with the indirect loss of 5 jobs and \$120,432 in wages.

While these numbers might be deemed small in a Metropolitan Statistical Area or larger Labor Market Area, the direct job loss accounts for 26 percent of all employment in the Millinocket-East Millinocket LMA and as such will have a massive impact on the area economy. This region has grown around and because of the mills and there are no other large firms to provide alternative employment for dislocated workers. This remote locale offers dislocated workers few options but to out migrate.

Should Great Northern Paper be reopened or sold and 650 workers re employed, as per the United States Department of Commerce's Gross Output, Earnings and Employment Multipliers for Maine, the direct impact of the loss of 550 papermaking jobs will still be \$23,921,150 per year in direct wages. The indirect wage loss will be \$59,802,875 per year for a total wage loss of \$35,642,514. These 550 direct jobs lost will also cause indirectly the layoff of an additional 1,870 workers.

Direct and Indirect Job Loss

Total Closure

Firm	Direct Job Loss	Indirect Job Loss	Total Job Loss
Great Northern Paper	1,100	3,740	4,840
Ames Depart. Stores	50	35	85
Cormier Equipment	10	5	15
Total	1,160	3,780	4,940

550 Layoffs

Firm	Direct Job Loss	Indirect Job Loss	Total Job Loss
Great Northern Paper	550	1,870	2,420
Ames Dept. Store	50	35	85
Cormier Equipment	10	5	15
Total	610	1,910	2,520

Direct and Indirect Wage Loss

Total Closure

Firm	Direct Wage Loss	Indirect Wage Loss	Total Wage Loss
Great Northern Paper	\$47,842,300	\$71,285,027	\$119,127,327
Ames Dept. Store	\$410,800	\$201,292	\$612,092
Cormier Equipment	\$200,720	\$120,432	\$321,152
Total	\$48,453,820	\$71,606,751	\$120,060,571

550 Layoffs

Firm	Direct Wage Loss	Indirect Wage Loss	Total Wage Loss
Great Northern Paper	\$23,921,150	\$35,642,514	\$59,563,664
Ames Dept. Store	\$410,800	\$201,292	\$612,092
Cormier Equipment	\$200,720	\$120,432	\$321,152
Total	\$24,532,670	\$35,964,238	\$60,496,908