



February 5, 2009

## Members of the Governors Panel on Optimizing Wood Harvesting

When we first met as part of my introduction I asked that you look at me as representing 1000 employees of the NewPage pulp and paper mill in Rumford.

Just a few weeks later only 860 people stand beside me. The economy has taken its toll, with NewPage announcing on January 9 the decision to take 150,000 tons of coated paper downtime across its 10 mill system during the first quarter of 2009.

Enough of that downtime has impacted Rumford for us to take necessary steps to reduce our cost of production. Rumford has higher costs than most of the other NewPage mills, especially driven by a significant increase in the cost of wood in 2008. We announced last week the elimination of approximately 130 salaried and hourly staff. This workforce reduction is just one of a number of initiatives to address the recent cost inflation in raw materials, wood, chemicals and energy.

I have participated in the Panel's deliberations and wish to share some specific actions NewPage believes the Panel could act upon.

First, we believe that opportunities to explore regulatory and legislative solutions should not be eliminated from consideration. The Legislature has clearly acted in the past and declared that it is;

- “the public policy of this State that the public interest would be best served by encouraging forest landowners to retain and improve their holdings of forest lands.....
- “to promote better forest management by appropriate tax measures in order to protect this unique economic and recreational resource.....
- “the State's forests are resources of great significance to the people of the State. These resources have great economic value, environmental value, scenic beauty and unique characteristics and unsurpassed recreational, cultural and historical values of present and future benefit to the citizens of the State.
- The well-being of communities of the State depends upon sustainable forest management.”

We feel strongly that regulatory solutions should be sought to ensure wood is utilized to satisfy value added manufacturing in the region. The Forest Practices Act, Tree Growth Tax Law or the Liquidation Harvesting law may offer the opportunities necessary.

Second, it has been frustrating to watch the siting of wood consuming facilities both in Maine and New Hampshire with seeming little consideration for the sustainability of wood supply in the immediate wood procurement region of those new facilities. There exists in the Site Location of Development law (Title 38 M.R.S.A Section 485-A (1-A)) the requirement that an applicant seeking the development of a wood consuming facility of greater than 150,000 tons submit a wood supply plan for informational purposes to the Maine Forest Service. Obviously this only impacts large developments of greater than 20 acres. We believe the Panel should support the expansion of this requirement to be a regulatory requirement subject to approval by the Director of the Maine Forest Service for all new or expanding wood consuming facilities anywhere in the State regardless of development acreage. A full permit review process would allow the public the

opportunity to understand the impact of all new developments in their communities. It is clearly in the public interest and the applicants interest that a sustainable wood supply exist to allow the applicants business and existing businesses to co-exist. It has been frustrating to observing the process in New Hampshire of non-regulatory studies completed in the Berlin area and subsequent incorrect consideration of regional consumption has encouraged development when in fact if accurate consumption data was used, the study should have concluded that the excess wood estimated did not exist. In one study, I did take the opportunity to comment on inaccurate wood consumption of 900,000 tons from just one consumer yet the study still concluded that 600,000 tons was available. Review of these studies also shows the clear representation of whole tree chipping and re-direction of pulpwood to biomass as solutions to wood supply.

Third, it seems that a request to review biomass harvesting guidelines has gone unheard despite their development at the University of Maine, a public institution. We believe another opportunity is to develop Biomass Harvesting Best Management Practices for all harvesting operations that include BMP's for the appropriate utilization of value added wood during harvest and merchandizing. Progress on conformance with these BMP's could be part of the ongoing Maine Forest Service Water Quality BMP review.

Fourth, it is incredible that biomass consuming facilities in this State appear unwilling to financially support sustainable forestry efforts yet willingly market their product as "green". A commitment to financial support of public and private initiatives to improve sustainable forest management and commitment to 3<sup>rd</sup> party verification of their wood procurement practices under a recognized certification scheme seems not to be an unreasonable expectation given the marketing of their products as coming from a "renewable" resource.

Fifth, having observed the whole tree chipping operations practice of producing two products, sawlogs and biomass, I only wonder just who is ensuring the State's landowners are receiving fair stumpage compensation when pulpwood and low grade logs are chipped into biomass. One can only wonder whether the increased stumpage value of that pulpwood stem is reflected in the "biomass" stumpage rate paid to landowners. We encourage the State to develop initiatives or even legislation to ensure Maine's landowners are being fairly compensated when a higher value forest product is merchandized into a lower value product.

I appreciate the opportunity to share NewPage's perspective and offer my company's support to further advance these suggestions into meaningful legislation.

Respectfully Submitted

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