



September 2, 2009

Travis Turner, Plant Manager  
LP Houlton LSL  
PO Box 396  
Houlton, ME 04730

Mr. David Cole, Commissioner  
Maine Department of Transportation  
16 State House Station  
Augusta, ME 04333

Dear Commissioner Cole,

I am the plant manager at Louisiana-Pacific's Houlton facility, which as you may know manufactures laminated strand lumber (LSL), a modern, sustainable engineered wood structural framing product used primarily in new residential construction. We believe this is the future of building products, and proudly ship this Maine-made product to customers across North America.

The mill was recently converted from an older OSB mill to a brand new LSL facility with an investment of more than \$150 million. In addition to the excellent employee base and availability of wood, a key part of the business case for investing in Maine was the availability of rail service.

LP is extremely concerned about the possible abandonment of the Madawaska subdivision (and branch lines) of the MM&A which now serves the mill.

Put simply, loss of rail service to LP Houlton now could be devastating to our business, our employees, and our community.

Work is currently underway to secure federal financial assistance to take over ownership of the property, fund rehabilitation of the property, and continue freight rail services. *We strongly support this effort, and ask for your support in the endeavor.*

### **Why Rail Service is Critical to LP Houlton**

At our facility in New Limerick, Maine (which we call LP Houlton), rail service is a key determinant in whether we can be competitive in the marketplace.

Even at current very reduced production levels due to depressed markets, we use rail to ship 50% of our product. We believe that as housing markets improve, LSL sales should grow. To accommodate production growth as demand increases, we will need to use rail to ship 80-90% of production. At increased volumes, trucks alone simply cannot handle our shipping needs. We believe that without rail LP Houlton will be unable to grow production to anywhere near planned capacity.

At full mill capacity of about 8 million cubic feet per year, and 80-90% of product shipped by rail, we would need 1500-2,000 full rail cars per year. Our business case requires that our product be shipped competitively to markets across North America. We estimate that loss of rail service would require LP to truck and trans-ship product at an approximate increased cost to our customers of at least 10%.

In addition, some of our longer-length product simply cannot be shipped by truck through certain states, and loss of rail would mean we would no longer have access to those markets. As well, because raw materials are also shipped in to the mill by rail, our manufacturing costs will rise.

Rail service is crucial not only for future growth and employment at the mill; it is critical right now as we introduce LSL into the market. We began shipping our new LSL product out of the converted mill in the second quarter of 2008. Unfortunately, the timing could not have been worse to start up a new mill and introduce a new product into the market. LP is accustomed to and plans for market cycles, but the current market downturn is simply the worst the industry has seen in at least 60 years. It is important to understand that even in good times, building industry customers often operate on very thin margins. In the current depressed market, customers are operating on a 2-3% margin. In this environment, if rail is discontinued and we must increase freight charges 10%, customers *will* find a cheaper alternative –either using

LVL , sawn lumber or a competitive product with cheaper shipping costs that does not come from Maine. This would make the market conversion important to the success of LP Houlton's LSL product extremely difficult at a key time. The drastic competitive disadvantage would affect our ability to keep jobs, or grow them back – both for our direct employees and the loggers and suppliers who depend on our business.

As the housing market rebounds and demand for building materials picks up, builders' margins may improve somewhat and there may be room for some increase in shipping costs. But it's going to be a tough mountain to climb: to take LP Houlton to maximum planned capacity (enough LSL for about 100,000 homes) and increase jobs will require both a large increase in housing starts and a competitive cost structure. Loss of rail service just makes this hill steeper and longer, with a risk of running out of time.

### **The Numbers: Community Impact of Loss of Rail Service**

LP Houlton employed about 150 people during 2008, receiving a payroll of \$8,311,242. Payroll in 2007 was \$6,808,426. Because of severely depressed housing market conditions, employee counts are down at the moment. As the market picks up, we hope to return employment closer to planned levels. Lack of rail availability severely impacts LP's ability to deliver our products at competitive rates and puts these family-wage jobs, and the payroll spent in this community, at risk.

Our property taxes for 2009 totaled \$343, 054. Loss of rail service puts the value of this property, and the taxes provided for public services and schools, at risk.

### **In Summary: We Need Your Support**

As LP introduces LSL to new markets at a very difficult time, the next few years are critical to the success of our Maine mill, which is essentially still in a start-up mode. We need every possible advantage to secure the future of our plant and our workforce, especially the transportation infrastructure that rail service provides. We

ask for your support in securing federal financial assistance for continued rail service, with the confidence that any federal investment will be returned in benefits to the people and economy of Maine.

Sincerely,

Travis W. Turner