Governor’s Economic Recovery Sub-committee
Infrastructure (Transportation, construction, broadband, and banking)

NOTES
Wednesday, 8/19/20

Guest Speakers:
- Chris Gardner, Eastport Port Authority
- Twain Braden, Thompson Bowie & Hatch LLC
- David Gelinas, Penobscot Bay & River Pilots Association
- Nate Moulton, Maine Dept. of Transportation

Chris Gardner
- Ports have not escaped the downturn.
- From the ports perspective, they are seeing the downturn on two ends in terms of losing revenue. On the cargo side, the Baileyville plant has been the staple user of the port. The other side has been the cruise ship and tourism industry.
  - Cargo
    - They were already facing a downturn heading out of 2019 and had been hoping things would turn around in 2020.
    - Baileyville mostly serves European and Far East markets. COVID has significantly altered the Far East market. Frayed relations with China have made things a struggle.
    - Need to move 20,000 tons of cargo per month to break even. They have been averaging 7,500 tons in these months.
- Cruise
  - On the front side of the island, they had the unique opportunity to host the cruise ship Riviera. Eastport was the only place north of Norfolk that was able to open up and let a ship stay there. The ship would still be here today if they could have solved regulatory issues.
  - Having them docked there brought in $200,000 in revenue over six weeks.
- "Normal" on the other side won't be the same. The port, and Maine in general, can use these times to find new opportunities. Taking in the Riviera helped ingratiate themselves with that industry. They're now part of a working group including ports in Anchorage, Miami, etc., that work with the cruise industry
- The question is what can we do going forward. In general terms, we have to be ready to adapt and do things a little bit differently than previously. The cruise ship side could be one piece of the puzzle. Hopefully there will be new opportunities on the cargo side as well. What can we be doing now for what's coming ahead? They’re worried that some of their base businesses won't look the same on the other side. E.g., they’re very dependent on forest products industry, which is going through a transformation.

Twain Braden
- Representing Portland Pilots
- The pilots group is requesting a grant of $500,000 to prevent the port shutting down over the next six months. Then seeking an additional $250,000-400,000 to ensure stabilization.
There are two pilot commissions: Maine Pilotage Commission and Casco Bay Commission. The pilots need to periodically renew their license. They pilot vessels with draft larger than 9 ft and foreign travel into port.

They navigate all of these vessels in and out of the ports. Without them, the vessels cannot come into the port.

The closure of the Portland Pipeline in 2016 had a big effect. They used to see 12-24 vessels per month and need 5-6 full-time pilots working around the clock. That situation went away, and the Pilots needed to make layoffs and cut services. They needed to reposition. Part of that was a pivot to cruise ships, which had started to come in higher volumes.

But without the pipeline work, they went from handling a large-volume of large vessels to a small volume of small vessels. Cruise ships only offered a band-aid for their situation. They provide a great deal of traffic between July and October. But it meant the two pilots left were working all the time just during these two months, which was exhausting. The money earned during the summer would have to bring them through the winter.

It’s no secret that cruise ships have gone away this year. That $1m in annual revenue evaporated. They also lost considerable income with the loss of fuel deliveries because of the drop in travel.

That’s why the ask is what it is. The group had to restructure its debt when it was restructuring after the end of the pipeline traffic. Payments on that debt, over $1m, kick back in in October. The loss of the ability to pay those debts means they could no longer serve the port of Portland.

Cpt. David Gelinas

Organization comprised of 5 pilots covering Searsport, Bucksport, Rockland, and Bar Harbor
Pilotage involves going out on small boats, boarding the larger vessels via rope ladder, and guiding them into port.
They provide service to 100 ships annually in Searsport and Bucksport.
There were 170 cruise ships scheduled to arrive in Bar Harbor this year, but the final count will be 0.
  • Loss of 65% of gross revenue for the year. That loss is made more severe due to the debt service maintaining pilotage vessels, which is often personally guaranteed by the pilots.
Vessels average over 18 years old. Their most recent purchase cost $500,000, which was a vessel 23 years old.
Selling the vessels might seem like a simple solution to their current budget crunch, but that would be detrimental to safety and their work in a long term. Losing their safer vessels now means it will be much harder to come back to operations after the current crisis.
2 Sandy Hook pilots died boarding ships approaching New York Harbor this year—it can be a dangerous profession.
Work lost will return. Even if not 100% next year, it will come back. They need to weather this crisis to be able to do that.
They have three asks:
  • Support the Senate’s passage of S4395. It will authorize MARAD to issue grants to port organizations. The House already passed it and it now sits in the Senate (see below for more info)
  • The state needs to work with cruise industry to ensure they can restart effectively. They should work to build up the shoreside infrastructure in communities best suited (and interested) in being destinations for these visitors.
    • Maine should be ready to reopen to the cruise industry when science allows.
The administration should work with CP railway and the port of Searsport to see what new cargo can come through there. Port of St. John, New Brunswick, is already reporting an increase in shipments.

- Searsport can handle vessels up to 35 ft. in draft. The railway is now class 1 going coast to coast, but they have not yet seen any new cargo. There must be opportunities. Just 2 extra ships per month could make a positive difference.
- You generally don't hear a lot about pilots, and they like to keep it that way. But the equipment they depend on is every bit as much a part of port infrastructure as conveyors and cranes.

Nate Moulton
- DOT is looking at all opportunities about how to put the state in a better position to create competition for Maine to move its goods and people.
- The rail industry within the state, not just with CP acquisition, is in transition. We are better off than we were 10 years ago in that e have some well-funded operators who can weather the storm and make investments.
- The downturn has created opportunity for railroads to do capital work. They get longer stretches to do work while traffic is down. Work is being done on the State-owned lines in Aroostook, as well as the lines Irving owns, for example. They are getting federal funds and matching those investments. CP is investing $95m in the lines they recently acquired over next 3 years. Not all of that investment is in Maine, but a good portion of it will be. Tracks, crossings, bridge upgrades.
- CP has only been here officially since June. Searsport cargo will see improvement over time.
- The improvement allowing overnight rail to Montreal and 3 days to Chicago will put the state in a much more competitive place once it’s running in a couple years.
- They are looking into how Maine products can get on those intermodal trains. Looking into how to add containers in Maine to the traffic originating in St. John.
- Pan Am is currently for sale, which is the biggest operator in Maine. Seems they’re serious about selling. Likely the sale will happen, maybe with an announcement later this year. It might be multiple carriers who buy it. There are opportunities for improvement there, connecting with mid-Atlantic corridor. Competing traffic could help lower costs.
- With the bond issue and other things, MDOT has been able to keep their foot on the gas. They are positioning infrastructure to be more competitive on the other side of the downturn.
- They don’t focus on only one mode of transportation. They look at all of them together to improve things across the board. Trucks can do better with increased opportunity. Poland Spring water’s intermodal work is a good example.

Q&A
- Info about S4395: The House equivalent has been included in the NDAA. That bill is currently in conference with the Senate. They hoping that will be included in the final conference report. If it is, it will pass. The separate bill was introduced in the Senate in case it's not included in the conference. But it will still need an appropriation. The problem then is that it's unclear if they will pass appropriation until lame duck session.
- What's the state's strategy to maximize the CP connection to Searsport? What kind of infrastructure improvements to improve access? Read about trade corridor to Greenland and Iceland. What other niche opportunities might there be?
  - First step is to listen to railroad and port operator. State has some assets in Searsport but it's primarily private. They don't want to go ahead and build something and hope that people
will come. Going to ask what they need. Do they need warehousing, etc. Know they need dredging, so working on that.

- Line to Searsport had a significant amount of work through the Tiger grant that ended last year. Line went from 10mph to 25mph.
- All the CP line will be 60mph by the time the upgrades are done.
- Opportunities for shipping to Greenland/Iceland have been very successful. The State invested a lot when Eimskip came. They are just wrapping up a program leveraging federal funds to help the port improve maintenance down there, being able to hold higher weights, things like that. They’ve seen a blip like everyone has from the downturn, but they expect that to come back. Real opportunities with all of the ports with Europe.
- From the Port Authority perspective, it has to start with the business side of the house. Can't take a “build it and they will come” approach.
- MDOT is probably the best economic development tool the state has. One of the reasons Maine was hit so hard with this downturn was because of the focus on tourism. MDOT has been very responsive when they show them the investment opportunity and make the business case. Going forward, the need will be funding for MDOT to make sure these investments can happen. The recovery will be based in investments MDOT can make. We need to leverage our unique position as a state on the ocean.
- As an example of how things take time, they’ve been working on getting fiber exports out of Eastport for a decade. Looking at the big picture, you'd think it's no problem since the port has a conveyor, Maine has the trees, Europe has demand. But you don't see that it can come down to specific hold-ups like international regulations on how to kill nematodes.

○ Cruise industry has grown, but there seems to be a disconnect with the municipalities. Do they embrace growing the cruise industry?
  - There is some friction. That's why state needs to think about where dollars should actually go to improve shoreside infrastructure. Looking for opportunities to support that industry, the State should focus on communities that will welcome that investment.
  - Portland has been very cooperative with the cruise ship industry. The Harbor Commission has been supportive as well on the rate side. But the rates themselves are as high as can be at this point. Can't raise them further without losing competitiveness. The previous rate structure didn't make sense once the pipeline work went away. Portland Pilots’ primary boat was built in 1969. The current crisis now is a personnel funding, debt service problem. The loss of the cruise ship revenue even for only a year causes the bottom to drop out.
  - The Downeast community has been very welcoming and supportive of the cruise ship industry. Recent experience hosting the Riviera has opened doors. Hopeful there will be a recovery.
  - We can talk about infrastructure and rates, but over the last several months, the whole world has changed. The industry has paid attention to where they found help and where they didn’t find help, nationally and globally. Relationships will be key in terms of what vibe a port puts out there. Some towns love them, some hate them. The hope is that the state can take the policy direction acknowledging that this won't be an easy restart and the industry is going to gravitate where they find support. Eastport is the smallest port by far that's part of the cruise ship group, and they are only there because they provided the help of letting a cruise ship dock there.