

February 1, 2018

## LD 1781 seeks to encourage major investments in shipbuilding facilities, has statewide economic benefit

## Tax committee hears bill to help sustain jobs and investment in Maine's shipbuilding industry

**EDITOR'S NOTE:** The following testimony was delivered by Bath Iron Works Corporation in support of LD 1781, An Act To Encourage New Major Investments In Shipbuilding Facilities And The Preservation Of Jobs, before the Joint Standing Committee on Taxation as delivered during a public hearing held on Tuesday, January 30, 2018. We have reprinted it here for your review.

Senator Dow, Representative Tipping, and members of the Joint Standing Committee on Taxation: My name is Jon Fitzgerald and I am the Vice President & General Counsel for Bath Iron Works Corporation (BIW) in Bath, Maine. Bath Iron Works hereby submits this testimony in support of LD 1781.

### An Economic Engine for Maine...

Bath Iron Works has constructed ships on the banks of the Kennebec River for more than 100 years. The skilled shipbuilders and engineers of BIW design and construct the world's most advanced surface combatants for the United States Navy, integral to the national security of the United

*Continued on Page 3...*



Jon Fitzgerald, vice president and general counsel for BIW, testified before the Taxation committee on Tuesday, discussing the importance of the shipbuilder's investments in Maine and its role in the global marketplace.

On Tuesday, January 30, the Joint Standing Committee on Taxation held a public hearing on **LD 1781, An Act to Encourage New Major Investment in Shipbuilding Facilities and the Preservation of Jobs**. Sponsored by Rep. Jennifer Deschant (D-Bath), the bill would provide a 3% income tax credit for investments in shipbuilding facilities made after January 1, 2018, as long as certain employment levels are maintained.

Dana Connors, president of the Maine State Chamber of Commerce testified in strong support of LD 1781, noting that this bill will ensure future jobs and investment in Maine's shipbuilding industry. Jon Fitzgerald, vice president and general counsel for BIW, testified as well, discussing the importance of having an owner, General Dynamics, that is willing to invest in BIW's Maine facility (see his comments beginning on page 1). That sort of thing was not the case with the previous owner. He stressed to the committee that Maine is not guaranteed to receive the next round of naval contracts. This bill will allow BIW to compete with

*Continued on Page 5...*

## Inside Impact...

<b>BIW Testimony</b> .....	<b>p. 1</b>
<b>Business Day</b> .....	<b>p. 6</b>
<b>Calendar of Events</b> .....	<b>p. 3</b>
<b>Internet Data Privacy</b> .....	<b>p. 8</b>
<b>LD 1781 Shipbuilding Credit</b>	<b>p. 1</b>
<b>Legislative Strictly Social</b> . . .	<b>p. 6</b>
<b>Legislative Week Ahead</b> . . . .	<b>p. 4</b>
<b>New Legislation</b> .....	<b>p. 2</b>
<b>Public Hearings</b> .....	<b>p. 2</b>

## **Vol. 52, No. 04 Impact** **(207) 623-4568**

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**About the Maine State Chamber of Commerce:** Since 1889, the Maine State Chamber has been fighting to lower your cost of doing business. Through our Grassroots Action Network and OneVoice program, we work with a network of approximately 5,000 companies statewide who see the value in such a service and provide the financial support that keeps our access, advocacy, and assistance efforts going strong. As Maine's Chamber, we make sure that the business environment of the state continues to thrive. The Maine State Chamber of Commerce advocates on behalf of their interests before the legislature and regulatory agencies and through conferences, seminars, and affiliated programs.

## **Public Hearings**

Public hearings are open to everyone. This public hearing schedule is subject to change. Questions may be directed to the Secretary of the Senate's Office at (207) 287-1540. For the most current schedule, please visit <http://legislature.maine.gov/lto/committee-membership/9089/> or contact the committee clerk.

### **Wednesday, February 7, 2018**

#### **Education and Cultural Affairs**

##### **9:00 a.m.; Cross Building, Room 202**

**LD 1666**, An Act To Ensure the Successful Implementation of Proficiency-based Diplomas by Extending the Timeline for Phasing in Their Implementation (Rep. Kornfield of Bangor)

**LD 1697**, An Act To Establish Alternative Pathways to the Completion of Secondary School Mathematics Requirements (Rep. Kornfield of Bangor)

#### **Labor, Commerce, Research and Economic Development**

##### **10:00 a.m.; Cross Building, Room 208**

**LD 1587**, An Act To Provide Economic Security to Maine Families through the Creation of a Paid Family Medical Leave System (Rep. Herbig of Belfast)

#### **Veterans and Legal Affairs**

##### **9:00 a.m.; State House, Room 437**

**LD 1786**, An Act Regarding Maine's Liquor Laws (Rep. Luchini of Ellsworth)

### **Tuesday, February 13, 2018**

#### **Taxation**

##### **1:00 p.m.; State House, Room 127**

**LD 1796**, An Act To Improve the Effectiveness of the New Markets Capital Investment Credit (Rep. Tipping of Orono)

**LD 1805**, An Act To Amend the Maine Tax Laws (Sen. Dow of Lincoln)

#### **Transportation**

##### **1:00 p.m.; State House, Room 126**

**LD 1806**, An Act To Ensure Equity in the Funding of Maine's Transportation Infrastructure by Imposing an Annual Fee on Hybrid and Electric Vehicles (Rep. Parry of Arundel) □

## **Digest of New Legislation**

Maine Chamber staff have studied each of these recently printed bills to assess potential impact on business trends. If you have concerns regarding any bill, please communicate those concerns to a member of our governmental services staff at (207) 623-4568.

### **ENERGY, UTILITIES, AND TECHNOLOGY**

**LD 1810**, An Act To Amend the Laws Governing Expedited Permitting for Wind Energy Development. **Emergency** (Rep. Stetkis, R-Canaan) *Joint Standing Committee on Energy, Utilities, and Technology*. This bill amends the laws governing expedited permitting for wind energy development by changing the definition of "expedited permitting area" to mean specified places that are identified by rule and the eastern portion of Aroostook County, specifically described as the Town of St. Francis, St. John Plantation, the Town of Fort Kent, the Town of Wallgrass, the Town of Eagle Lake, Winterville Plantation, T14 R6 W.E.L.S., the Town of Portage Lake, Nashville Plantation, Garfield Plantation, T10 R6 W.E.L.S., Oxbow Plantation, the portion of Aroostook County east of those municipalities and also all municipalities in Aroostook County that are wholly located south of the northernmost extent of Penobscot County, excluding Cary Plantation and Molunkus Township. The bill changes from 8 miles to 40 miles the farthest distance from a proposed expedited wind energy development for which a visual impact assessment for potentially affected scenic resources of state or national significance may be required.

### **TAXATION**

**LD 1796**, An Act to Improve the Effectiveness of the New Markets Capital Investment Credit. (Rep. Tipping, D-Orono) *Joint Standing Committee on Taxation*. The bill would implement both the Taxation Committee's and OPEGA recommendations with regards to the New Markets Tax Credit. It clarifies language found in current law and excludes from the New Markets Tax Credit investments that are used to cover payments referred to as "same day loans." □

## **BIW Testimony...** **(Continued from Page 1...)**

States and its allies. BIW also provides economic security for more than 5,600 Maine citizens and their families, and our employees come from ALL of Maine's 16 counties.

BIW is a significant economic engine for the State of Maine. With a payroll of more than \$350 million a year and \$45 million (\$30 million to small businesses) in payments annually to 300 Maine companies for goods and services, BIW's impact is felt throughout the state.

Shipbuilding on the scale occurring at BIW is a capital intensive business which requires significant ongoing investment to maintain its Land Level Transfer Facility, production facilities, cranes, and dry-dock while preparing for the challenges of competing for new work. Maine's Legislature previously recognized that fact and enacted the Shipbuilding Facility Credit Act to provide incentives to modernize and recapitalize the shipyard in Bath. P.L. 1997, ch. 449, *codified as*, 36 M.R.S. § 6850 *et seq.*

## **Promises Kept...**

The legislation met its objectives and BIW delivered on its promises. *BIW invested more than \$500 million in its facility since 1996, significantly more than the \$200 million that triggered eligibility for the Shipbuilding Tax Credit of \$3 million a year over 20 years.* There are few companies in Maine that have committed comparable levels of investment over a similar period.

BIW today employs more than 5,600 people and has consistently maintained a workforce of more than 5,000 men and women, the other qualification for receiving the tax credit. BIW has hired more than 2,000 employees since 2014 as manufacturing jobs have declined in other Maine industries. Moreover, BIW plans to hire up to 2,000 more employees during the next five years in skilled trades, such as welding, electrical and pipefitting, as well as engineering disciplines and many others who apply their unique skills to the collective effort of shipbuilding.

At a time when Maine's young people are leaving a state they love because jobs are hard to find, BIW is preserving many

**Continued on Page 4...**

## **Now Hiring!**



## **Chief Executive Officer of Maine Center Ventures**

The University of Maine System (UMS) seeks an innovative, entrepreneurial and collaborative leader to become the founding Chief Executive Office of Maine Center Ventures (MCV). The purpose of MCV is to build the Maine Center brand of active engagement and effective partnership with the business, non-profit, government, and professional communities. The Maine Center for Graduate and Professional Studies (the Maine Center) is a priority UMS initiative to increase graduate and professional opportunities for students and advance economic and work force development in Maine. It will comprise a consortium of graduate and professional programs working with one another and with the private and public sectors. MCV is a tax exempt organization through which funding for programs of the Maine Center may flow from external sources.

UMS offers competitive compensation and a strong benefits program. The position will be based in Portland, Maine. For full detail and to apply go to: <https://maine.hiretouch.com> and search Keyword: Chief Executive Officer. The University of Maine System is an EEO/AA Employer.

## **2018 Calendar of Events**

**Thursday, February 15, 2018**  
**Cyber Security / Internet Privacy**  
7:30 to 9:00 a.m.  
Bangor Savings Bank, Augusta

**Wednesday, February 28, 2018**  
**Legislative Strictly Social  
& Networking Reception**  
5:00 p.m. to 7:00 p.m.  
The Senator Inn & Spa, Augusta

**Thursday, March 8, 2018**  
**Business Day at the State House**  
8:30 a.m. to 12:00 p.m.  
Hall of Flags, Augusta

**April / May 2018 (TBD)**  
**Washington D.C. Fly-in**  
(Board event | space limited | by invitation only)

**May / June 2018**  
**Regional Breakfast Meetings**  
7:30 a.m. to 9:00 a.m.  
Portland Region;  
Lewiston / Auburn Region;  
Bangor Region; Northern Maine  
Region

**June 2018**  
**Issues & Answers: Gubernatorial  
Candidate Forum, Location TBD**

**Friday, September 7, 2018**  
**23rd Annual Scramble for Scholars  
Golf Tournament**  
Samoset Resort, Rockport

**Wed., October 17, 2018**  
**2018 Annual Dinner and  
Televised Gubernatorial Debate**  
with WCSH-6 and WLBZ-2;  
Augusta Civic Center

**Monday, November 26, 2018**  
**Board Orientation and  
Appreciation Dinner**  
Harraseeket Inn, Freeport  
(Board event | space limited | by invitation only)



## **BIW Testimony...** **(Continued from Page 3...)**

job options. And, these are good jobs that pay well. The Bureau of Labor Statistics reported overall average annual Maine wages for 2016 (most recent available) at just over \$44,000. In Maine, production occupations averaged almost \$38,000 annually. In comparison, the average annual wage at BIW, company-wide, is \$60,820. Similarly, the production workforce average annual base wage of \$53,000 stacks up favorably, particularly when adding benefits including healthcare, pension, 401k with company match, compensated time off and disability insurance benefits.

### **Continued Investment is Critical to Winning New Work...**

BIW, regardless of its ownership structure, must be a competitive and competent shipbuilder, able to win new work. A review of BIW's history of ownership and operations illustrate the merits of corporate ownership with capital. Beginning in 1967, BIW was involved in a series of corporate

mergers, acquisitions and multiple leveraged buy-outs that culminated in BIW being owned by an insurance company and an investment firm until the sale to General Dynamics in 1995. That period of ownership is marked by either unwillingness or an inability to maintain the shipyard facility and invest in the future of the business.

As a result, BIW was in dire need of funding to stay viable in shipbuilding at the time it was purchased by General Dynamics in 1995. The sharp contrast in having an owner with capital and expertise to deploy in BIW's business is evident in the aerial photographs; BIW under the prior owners' deferral of capital investment was dramatically different from the BIW of today.

The investment in BIW's facility was critical in capturing virtually all the construction work on the DDG 1000 USS Zumwalt class of ships, work that continues today on a class of ships that had previously been awarded to Huntington Ingalls Industries (HII or Ingalls). Securing this work in 2008 would not have been possible without the modernized BIW facility. That work was what kept BIW in business even as the number of ships being purchased by the Navy continued to decline, as it had since 1991.

Consideration of this legislation is informed by additional facts regarding the nature of the Navy competitions for ship construction contracts and BIW's competition for that work, Ingalls in Mississippi. The contracts are competitively awarded, fixed-price contracts. To secure the work, BIW must submit bids now for delivery of ships years into the future. There is risk and no guarantee of profit. A contract award earns BIW the obligation to turn plates of steel and thousands of components into a technologically advanced integrated surface combatant that meets the exacting specifications and scheduling needs of the United States Navy.

### **Competitors in South Receive Significant State Support...**

BIW is competing for work against shipyards in the South and other regions where energy costs are lower and states are eager to support the pursuit of this work by their in-state companies. In 2013, the State of Mississippi provided \$20 million in funding to construct a 70,000-sq. ft. training facility at Ingalls, BIW's competitor in building DDG 51 class destroy-

ers. In 2010, the State of Alabama opened its \$12 million Industrial Development Training center at the Austal USA shipyard (a BIW competitor for the next generation FFG(X) Frigate Program).

Ingalls and the State of Mississippi are formidable competitors for shipbuilding jobs. Ingalls entire shipyard was built in 1967 with state funds. Ingalls leases the land from the state for far less than BIW pays in property taxes. Ingalls receives significant state bond money: \$217 million since 2005: \$45 million in 2016; \$20 million in 2015; \$56 million in 2008; \$56 million in 2006; and \$40 million in 2005. Ingalls is big. It is an 800-acre shipyard, compared to BIW's 65 acres. It has 11,500 employees versus BIW's 5,600+. It is a sole-source provider for multiple ship programs - NSC, LPD, LHA, LHD LXR - and only competes with BIW for Navy destroyers, BIW's single line of business.

### **Every Dollar Matters to BIW...**

BIW builds complex surface combatant ships for the United States. Entrusted with providing the defense of our nation using an appropriation of tax-payer dollars, the Navy seeks to purchase the highest quality ships delivered at the lowest possible cost.

As one of the largest employers and most energy intensive businesses in the State of Maine, BIW works very hard to reduce the total cost of building ships across all areas of its business. For BIW to win new work in a competitive bid environment, every dollar matters. The ability to win work has a direct correlation to jobs. BIW cannot do it alone.

BIW requires significant ongoing investment to maintain a facility and a workforce capable of producing the world's most complex and advanced surface ships for the US Navy. Mississippi understands how the competitive bidding process works and the value of having part of the shipbuilding industrial base and a large employer in their state.

At a time when the Company is preparing bids for ships that will be built well into the future, BIW needs Maine's support. This Shipbuilding Facility Tax Credit is a recognition of BIW's value to the people and the economy of Maine.

BIW respectfully requests support for LD 1781. Thank you, and I will be glad to answer questions now or at the work session. □



## **Legislative Week Ahead**

Check it out at  
[www.mainechamber.org/legweekahead.php](http://www.mainechamber.org/legweekahead.php)



*Dana Connors, president of the Maine State Chamber, testified before the Taxation committee on Tuesday, noting the shipbuilder's direct economic impact on its 5,600 employees and its indirect impact of nearly \$45 million that it spends at 300 Maine companies.*

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## **LD 1781 Shipbuilding...** **(Continued from Page 1...)**

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facilities around the country whose states support their shipbuilding facilities. BIW currently has 5,600 employees with an average salary of \$60,820.

Approximately a dozen individuals showed up to testify in opposition to the bill, citing corporate welfare as their main arguments. A work session is Thursday, February 8 at 1:00 p.m. If you have any questions, please contact Linda Caprara by calling or (207) 623-4568, ext. 106, or emailing [lcaprara@mainechamber.org](mailto:lcaprara@mainechamber.org).

Good Afternoon Sen. Dow, Rep. Tipping and members of the Joint Standing Committee on Taxation: My name is Dana Connors. I am the President of the Maine State Chamber of Commerce. I am here to speak in strong support of **LD 1781, *An Act to Encourage New Major Investment in Shipbuilding Facilities and the Preservation of Jobs.*** LD 1781 will help secure jobs and investment in one of the largest and most important industries here in the state, the shipbuilding industry.

This tax credit will help to keep Maine's Bath Iron Works competitive in the global markets in which they operate. We absolutely need to do this. BIW's 5,600 employees and their families depend on it. BIW has employees that come from towns across Maine. With a payroll of \$350 million, there is no question as to the impact BIW has on the state. The average salary at BIW is \$60,820, which is more than \$10,000 above the average in Maine, along with a benefits suite that includes health insurance, pension, 401k with company match, paid time off, paid non-disability leave, and other available voluntary benefits.

As significant as it is, those folks are not the only ones that benefit from the company's presence and investment here in the state. BIW also has a significant indirect impact on the multitude of vendors and suppliers with whom they do business – an impact that encompasses 300 Maine companies and \$45 million.

Shipbuilding is a very competitive industry. Bath Iron Works competes with shipbuilders all over the world, specifically with Ingalls Shipyard located in the state of Mississippi. Ingalls is a company

much larger than BIW. It is also backed by a state that generously supports its shipbuilding industry and provides a multitude of lucrative incentives designed to ensure that the facility is the best positioned to compete vigorously for contracts with the U.S. Navy. If BIW is to compete on a level playing field with its competitors, we have to offer incentives that attract capital here. It's imperative that we offer a competitive package. How else can we ensure our future?

The shipbuilding tax credit Maine originally had in statute has now expired. This credit before you today is very similar to that one. The enactment of that credit in 1996 helped to secure more than 5,000 jobs at BIW and resulted in the company spending more than \$500 million in investment, which might not have come here otherwise. As a result, BIW ended up investing more than 2.5 times what was expected – only \$200 million was required in the original bill.

This credit will help to secure our shipbuilding future, which is so vital to both the people who work directly for BIW and those who indirectly benefit from having investment and jobs that flow from this facility. In fact, it serves the economy of our entire state.

The closing comment in the summary of the bill sums it up very well. The purpose of this bill is to encourage major investments in shipbuilding facilities in this state, to ensure the long-term survival of the shipbuilding industry, to preserve numerous opportunities for jobs for the people of this state, and to make the state more competitive in the shipbuilding industry, therefore ensuring the preservation and betterment of the economy of the state for the benefit of its people.

Again, we urge this committee to support our shipbuilding facilities and the jobs in that industry by voting "ought to pass" on LD 1781. Thank you. □

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# Legislative Strictly Social

This Networking Reception  
is brought to you by:

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Wed., February 28, 2018 ♦ 5:00 to 7:00 p.m.  
The Senator Inn & Spa (Western Avenue, Augusta)

COMPLIMENTARY HORS D'OEUVRES  
& CASH BAR

The Maine State Chamber invites you to its **FREE Legislative Strictly Social** networking reception. Our annual Legislative Strictly Social is an ideal way for you, the Maine business leader, to interact with legislators, business associates, new and prospective Maine State Chamber members, and government representatives in a relaxed setting. **Please register by emailing your complete contact information to [kmorrell@mainechamber.org](mailto:kmorrell@mainechamber.org).**

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# Business Day at the Statehouse

Thursday, March 8 ♦ 8:00 a.m. to Noon  
Statehouse Hall of Flags

The Maine State Chamber of Commerce is hosting its annual Business Day at the Statehouse on Thursday, March 8, 2018, from 8:00 a.m. to 12:00 p.m. in the Hall of Flags (Statehouse, Second Floor).

For more information or to RSVP, please contact Linda Caprara, director of grassroots advocacy, by calling (207) 623-4568, ext. 106, or by emailing [lcaprara@mainechamber.org](mailto:lcaprara@mainechamber.org). With your participation, the "Voice of Maine Business" will resonate throughout Augusta!





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*Save yourself a seat at this special (free) event!*

## ***Internet Data Privacy and Net Neutrality:***

***What Does Internet Data Mean for Maine Businesses and Maine Consumers?***

***Thursday, February 15 | 7:30 to 9:30 a.m. | The Senator Inn & Spa, Augusta***

With legislative action at the federal and state levels under considered this year, learn more about what this issue means for the Maine business community. This is a free event but seating is limited so pre-registration is a must. To register or for more information, please visit [www.MaineChamber.org](http://www.MaineChamber.org). □