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M E M O R A N D U M

TO: Chairman Botzow, House Committee on Commerce and Economic Development

FROM: Sam Lincoln

DATE: January 24, 2017

SUBJECT: Vermont's Forest Economy

Dear Chairman Botzow,

Thank you for the opportunity to meet with your committee last Thursday. I am following up with a brief overview of the market situation and a list of specific items that are impacting the forest economy in Vermont for your consideration. I look forward to working with you in the future and if I can offer more information on these or other topics, please do not hesitate to contact me.

Regards,  
Sam Lincoln

Markets for low grade forest products have declined regionally by 4,500,000 tons (140,000 tractor trailer loads of lost annual market). The loss of markets for both pulpwood and sawmill waste (sawdust and mill chips that historically went to pulp mills) is impacting our ability to properly manage forestland and also reducing the price of low grade wood that is sold locally, such as firewood. With this market disruption, the higher cost of doing business in Vermont compared to surrounding states is rapidly emerging as a factor in the survival of the harvesting and trucking capacity part of the supply chain, which in turn affects related businesses and the rest of Vermont's economy.

Sales Tax

- Vermont is currently the only state in the region that charges sales tax on forestry equipment and parts. There are caps on some machines but interpretation of others is unclear.

### Workers Compensation Insurance

- Rates have increased nearly 60% in four years.
- Vermont has the highest rates in the region.
- Low number of policy holders – As the number of policy holders decreases, rates will continue upward regardless of actual losses (log hauling in Vermont is a perfect example of this). Could Vermont and NCCI combine low policy number, high risk class codes to spread the risk and bring the rates down to sustainable levels for multiple working landscape enterprises?
- There is a lack of voluntary insurance markets that recognize and reduce rates for certified loggers and truckers through current voluntary safety certifications (LEAP, Game of Logging, Master Logger).
- Independent contractor definitions may play a part in the solution of this problem.

### Independent Contractors

- Current definitions/determinations are making it very hard for small businesses to do business with slightly smaller operations and emerging entrepreneurs.
- Examples include: custom farm work, hired contractors on logging operations that serve multiple other logging contractors, excavating contractors hired to meet water quality standards.
- Working Landscape workers comp rates are very high and when applied to entire invoices it takes a tremendous amount of money out of a business's cash flow

### Uniform Truck Weights

- New York allows trucks with the same number of axles that most log trucks in Vermont are configured with to register for and carry 8% more weight and by adding an additional axle they can haul 15% more than Vermont allows.
- International Paper and Finch Paper, just to our West in New York, are bright spots in the markets. Increasing the legal load carried by trucks to these nearby mills would result in a reduction in trips, fuel burned etc.

### Workforce Development

- Finding, attracting and retaining qualified employees is a large challenge for forest based businesses.
- New uses for low grade wood and emerging technology will need well prepared employees in all aspects of engineering and "the trades".
- Ensuring that Vermont's public education institutions place value upon not just the working landscape but also the culture, lifestyle and career opportunities that are available because of it.