

February 9, 2018

Re: **\$15/HR MINIMUM WAGE**

Dear Vermont State Legislators,

Columbia Forest Products is a 100% employee owned company with fifteen locations throughout the United States and Canada. The company has two primary divisions: hardwood veneer and hardwood plywood. The Newport, Vermont mill is part of the hardwood veneer operations with its division headquarters office also located in Newport.

Our division has three other identical operations; located in Maine, Wisconsin, and Ontario Canada. All have, at one time or another, run three shifts. For much of the last decade, the Newport mill has run two shifts. Currently, only our Wisconsin mill is running three shifts.

When our Newport mill has attempted to expand to three shifts, one of the significant roadblocks has been recruiting enough qualified employees. Significant turnover and the resulting inexperience has been one of the reasons for abandoning expansions.

Our wage rates vary from \$13.35/hr to \$30.01/hr depending on the specific job and shift. In addition to these wages, employees enjoy full medical, dental, and vision benefits, Gainshare bonuses, 401k, and annual stock grants via the ESOP (Employee Stock Ownership Plan), among numerous other fringe benefits. When rolled up, these benefits add approximately 40% to our current hourly base rate.

To attract people for entry-level, unskilled positions (which generally pay up to \$16/hr), we are competing against other employers that pay several dollars per hour less than our rates. The nature of our work in a fast-paced, manufacturing environment is understandably not for all workers. However, even among capable (and normally younger) workers, many choose to work for a lower wage in exchange for jobs that may be less demanding with a less rigid work schedule. (Regular attendance to work is the top reason for parting ways with employees.)

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Therefore, to attract qualified employee/owners, we must pay several dollars above local prevailing rates. For the Newport area, those prevailing wages for entry level workers with limited experience hovers near the minimum wage. If the minimum wage were to accelerate to \$15/hr (or accelerate to any wage faster than the cost of living), it will severely impact our ability to attract and retain workers for our *current* operations, let alone any expansion of our workforce. This is particularly concerning for us, as our average workforce tenure is high and many are near retirement age. Replacing these workers is a real concern in the current environment, and would only get worse in an environment with an inflated prevailing wage.

With our four veneer mills essentially performing the same function and all but one operating at less than full capacity, decisions regarding future operations and expansions hinge largely on our ability to hire and retain qualified employee/owners. If Vermont accelerates the minimum wage rate as proposed, it will place our Vermont operations at a significant disadvantage compared to our Canadian, Maine, and Wisconsin operations.

Additionally, as we've learned through the recent International Trade Commission and U.S. Department of Commerce investigations, our business faces significant and often unfair competition from overseas. We have operated at near zero margins for years as a result. While we have taken steps to significantly reduce our operating costs and improve efficiencies in order to survive (the ITC ruling provides temporary relief for unfair competition), we will be at significant risk if our labor costs are forced to increase as a result of accelerated minimum wage increases. Not only could employment suffer at our Vermont mill, but the stake that these employees hold, as owners of the company, will also suffer.

Columbia Forest Products and our Newport, Vermont operations remain competitive in an environment with fair and market-based prices and labor costs. Our Newport mill will be placed at a significant disadvantage if costs are raised above those of our competition and Columbia mills operating in other states. The headwinds related to attracting and retaining employee/owners here in the NEK are very strong already. I urge the legislature to retain the current law regarding minimum wage; allowing it to rise in future years with the cost of living.



Glenn Foster
Engineering Manager, Veneer Operations