

The North Country:

TEARING AWAY FROM ITS PAPER PAST

BY ERIKA COHEN

This is the first in a two-part story. The second part will examine specific programs and development efforts aimed at helping the North Country economy.

Traveling on Route 3 through Groveton it's impossible to miss the faded sign over the closed offices at Groveton Paper Board: "We're Here to Stay." While ironic, the sign can also be viewed as a declaration of hope. In recent years, there are hundreds of new North Country jobs due to the reopening of the Gorham mill, a repurposing of the Berlin pulp mill into a biomass plant, the construction of a new federal prison, the growth of many smaller companies, and expanding broadband access.

And it's that hope community leaders latch onto. When asked over lunch whether significant employment and economic growth are in the region's future, Jim Tibbetts, former CEO of First Colebrook Bank and a longtime resident of Columbia (just south of Colebrook), pauses and says, "I'd say a soft yes."

His wary optimism is well grounded. Once defined primarily by paper, the North Country's economy is diversifying thanks to regional efforts to build infrastructure and brand the region for tourism. Leaders have also been touting successful local businesses, as well as those relocating from Canada and places south. But it will take

time for those gains to overcome the 4,000-plus jobs lost when the mills closed—jobs that often paid twice the average county wage.

Unemployment was at 7.7 percent in Coos County in 2011 and 2012 compared to 5.5 percent for the state. And the North Country Economic Index—a Plymouth State University measure of household employment, wages and other indicators—fell for the eighth quarter in a row in March. However, that decline was the lowest in a year, and wages and salaries rose slightly from the previous quarter.

Coos County Profile		
	Coos	NH
Population (2012)	32,096	1,320,718
% Population Change April 2010-July 2012	-2.9%	0.3%
% people under 18 years old (2011)	18.2%	21.2%
% people over 65 year old (2011)	20%	14%
Average weekly salary Q3 2012	\$604.48	\$879.10
Change in average salary Q3 2000-Q3 2012	28.4%	35.7%
Change in employment Q3 2000-Q3 2012	-16.2%	-0.04%
Unemployment rate	7.7%	5.5%
Change in unemployment rate 2010-2012	Down 3.7%	Down 9.8%
Percent population with a bachelor's degree or higher (2011)	16.4%	33.1%

Source: NH Employment Security

Infrastructure improvements could help. The Northern Community Investment Corporation (NCIC), an economic development group that invests \$2 million to \$3 million a year in the North Country, received a grant a few years ago to research industries that could succeed there. Among the North Country's advantages is low cost fuel provided by the natural gas pipeline running through the region (though there is a seven-figure connection cost). NCIC has brought some companies to visit, and Jon Freeman, president of NCIC, says the area will be more attractive once broadband access along the pipeline is complete.

However, such efforts are little comfort for those who lost high-paying manufacturing positions and are struggling to get by on lower wage jobs, Freeman says. "These people are in pain and we're not solving it right away," he says. "You have to work on the long term because otherwise you don't have one. You also have to

work in the short term, but [even] those goals seem so far away sometimes because the need is so strong."

It's Personal

What will it take to breathe new life into the North Country? The Carsey Institute at the University of NH identified four tenets of rural economic development: innovation, capital investment, protection of natural assets and dense networks of personal contacts. That last one plays a strong role in the North Country. Nearly 70 percent of Coos County residents are natives, the highest of any county. Many have ties to the paper or lumber industry, or work in family businesses, and those connections increase their commitment to the area, even when huge economic gains are unlikely.

David Presby is a perfect example. He was born at Littleton Regional Hospital and has been up north ever since. Presby owns Presby Environmental, Presby Steel, Presby Plastics and Presby Construction, which was started by his father and is now managed by his sons. Presby employs more than 100 people among the four businesses, which have an average annual revenue growth of

10 percent. Since he founded Presby Environmental in 1995, the firm has supplied materials for more than 200,000 waste water systems that have been installed worldwide. "Everybody wants us to move out. We get lots of offers, even from foreign countries. Some of the stuff they are offering is enticing, but this place is home. We keep growing and doing our thing. I have great [people] here and couldn't imagine our business anywhere else," Presby says.

Presby Steel, which employs about 15, is the rechristened warehouse arm of Isaacson Steel in Berlin. Presby purchased it when it filed for bankruptcy in 2012 to keep jobs in the North Country, but says the bankruptcy was unfortunate as valuable equipment from the fabrication plant, which he also owns, was sold before his purchase. He is developing plans to turn the fabrication plant "into something valuable for the people of Berlin."

5,000

The number tires White Mountain Tire retreads each year for U.S. Postal Service mail trucks. The Berlin company has the exclusive contract for New England.

100

The truckloads of wood that will be needed each day to operate the 75-megawatt Burgess Biomass plant in Berlin when it opens next month.

\$10 Million

The total investment the Neil and Louise Tillotson Fund pledged to invest in entrepreneurship and early childhood development in the North Country between 2009-2014.

0.25 miles

The length of a paper machine at Fraser Paper that produces specialty grease-resistant paper for the fast-food industry.

\$1 million

Money raised to open the Littleton Coop grocery store in Littleton.

400-650

The number of boxes a week shipped from Kheops in Colebrook to its 3,000-plus customers worldwide.



David and Patti Fuller, owners of Fuller's Sugarhouse in Lancaster.

Business is equally personal for David and Patti Fuller, who started Fuller's Sugarhouse in 1972 in their Lancaster backyard, buying used equipment and 500 taps for \$300. They now tap more than 9,500 trees, producing 4,000 gallons of maple syrup and hundreds of pounds of maple candy each year. A few years ago, the Fullers added equipment sales and set up services for sugaring operations. That part of the business now accounts for half of the \$1.5 million in revenue the business generates annually.

Fuller calls the business a "passion gone wild." Its seven employees, who include Fuller's brother, work full tilt to meet demand. Fuller, who just started taking weekends off a few years ago, is wary to hire, even though business grew 35 percent in the last year, as he is uncertain about the future. He has added storage, sales and production space, and says turnover is nonexistent.

When Fuller talks to other Lancaster businesses, he says they are surprised most of his sales are outside the region. "They tell me, 'We're just turning the same dollars around and around and around,'" a situation he calls dangerous because it is stunting growth as local dollars are fewer and farther between. "People that have been gone 30 years say things have really changed here, but it hasn't really changed a lot, and I don't think it's changed for the better," he says. Fuller's assessment is grim, but unfortunately accurate. The number of private-sector jobs dropped 2.8 percent between the third quarters of 2000 and 2012 in Lancaster. Dur-



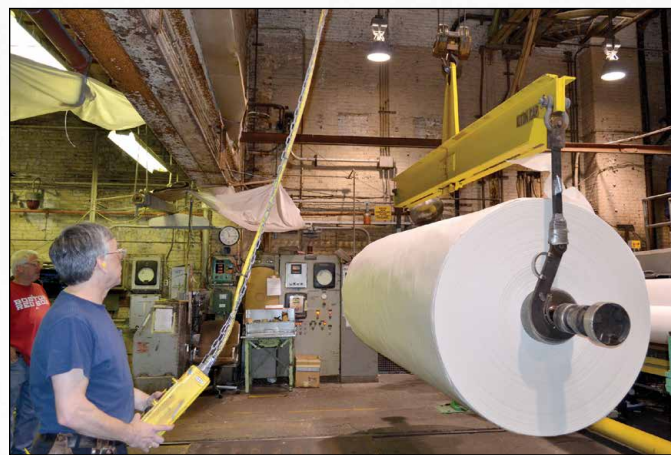
Mike Currier, general manager of Rotobec in Littleton

ing that same period Berlin employment plummeted 27.4 percent and Colebrook dropped by 11.4 percent. With the closure of the Balsams in Dixville, employment there dropped to zero. By contrast, private sector jobs statewide fell less than half a percent for the same period.

Recycling the Paper Industry

Both the Gorham paper mill (closed in 2010) and the Berlin pulp mill (closed in 2006) now have a new lease on life thanks to capital investment. New York-based Patriarch Partners purchased Fraser Paper in Gorham in 2011 and now employs 215. "I told Patriarch Partners if you're not going to connect to natural gas and put in a new paper machine, don't buy it," says General Manager Willis Blevins. So they did, purchasing a \$35 million tissue paper machine and paying a seven-figure fee to connect to a nearby natural gas line that slashed energy bills by 75 percent.

Blevins says 350 paper machines were shut down in the U.S. alone this year as outsourcing has made it cheaper overseas. The mill has invested in product development and focused on



Workers pull a roll of paper off a machine at Fraser Paper.

specialty markets, including grease-resistant paper for the fast food market, a move that has contributed to the mill's expected 60 percent sales growth in Q2 2013 over the same time in 2012.

The mill also produces toilet paper—a product with qualities that make it more economical to produce in the United States than overseas.

"Tissue is very light so it doesn't make sense to ship," says Gary White, a paper machine superintendent who has spent his career in North Country mills. "It's in big rolls so it doesn't fit well in shipping containers and the cost per ton to the shipper goes up. It's unlikely you will buy it from China." Plus, he says, as more third-world countries develop, there is an increased demand overseas, making it less likely those countries will ship toilet paper to the more distant U.S. market.

While the mill's reopening is a success, challenges remain. The average age of workers is 58 and, unlike the past when people fought for paper mill jobs, Blevins wonders where the next generation will come from. Apprenticeships in electrical, welding and millwrighting are no longer common and young people are leaving the

area for other types of work. White cites his son, who left for college, became a CPA and didn't come back. "I make more money than if I'd gone to college," White says. "I can't tell you what it is, but it's a lot. This is the best show in town, I'll tell you that. And right now, we're on the upswing." The problem is convincing young people to stay.

Many North Country kids witnessed the mills going through multiple bankruptcies and ownership changes. "Close, reopen, close, reopen—kids now say I don't want to go there," says Dick Huot, a member and former chairman of the Berlin Industrial Development and Park Authority and a lifelong Berlin resident. "Now every graduation is an exodus... When I was a kid, you had opportunities," he says. Paula Kinney, office manager of the Androscoggin Valley Chamber of Commerce, says her brother started working in the mills after graduating from high school but left after being laid off twice in search of more secure employment. She ticks off companies that closed including Isaacson Structural Steel, Car-Freshner and Wassau Paper in Groveton. Still, some locals do stay. Huot's son-in-law, a White Mountains Community College graduate and a top welder in the country, according to Blevins, was recently hired by the Gorham mill.

Up the road in Berlin, the former Burgess pulp mill is nearing the end of its \$275 million conversion into a biomass plant. Kinney says the construction, which brings about 500 people to the site a day, reminds her of the traffic jams when the mills were both running at full capacity. "You didn't go downtown at 5 then," she says. Those 500 workers will quickly dwindle to about 40 in September when the plant is in operation, but they will be replaced by loggers bringing in 100 truckloads of wood chips a day.

The biomass plant is expected to infuse \$25 million annually into the region for at least 20 years through its power purchase agreement with Public Service of NH. Cate Street Capital, the Portsmouth investment firm developing the site, is only using 30 of the 60 acres and is looking into colocation opportunities, says Alexandra Ritchie, managing director of government and community relations for the firm. While most of the 200-plus buildings were demolished, a few remain, offering prime manufacturing space with rail access. Carl Belanger, construction coordinator for



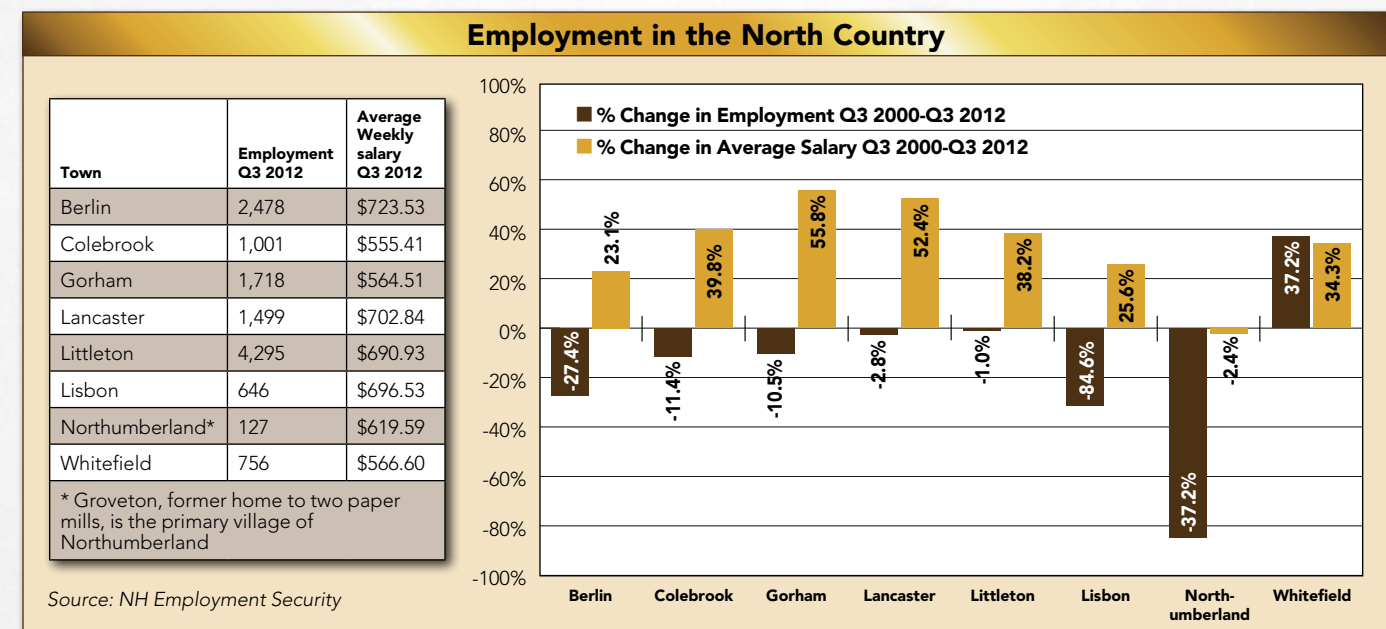
Alexandra Ritchie of Cate Street Capital and Site Manager Carl Belanger at the Burgess Biomass plant in Berlin.

the site, says the water filter house has the capacity to process 40 million gallons a day, and is currently processing 7 million. Once operational, the 75-megawatt plant also will be among the three largest biomass plants in the country, Ritchie says. For locals, the project means jobs, both at the plant and in the woods.

"When this was shut down, you couldn't drive through town without seeing empty wood trucks on the side of the road out of operation and for sale," says Belanger, who used to work at the pulp mill and will run the biomass plant a few years until retirement. While the new plant only replaces half of the wood business lost—Belanger says there were 200 truckloads of woodchips coming into the pulp mill at its height—it is a huge improvement. "I get calls every day about when can they start bringing wood," he says.

Importing Companies

In addition to homegrown success stories, the North Country has also attracted new businesses. One of those transplants is Kevin Low, owner of Secured Network Services Inc., which has 22 employees in Norwood, Mass., and was recruited to Littleton by state officials. Low opened a second office in the Littleton Industrial Park about two years ago and now has seven employees, four of them locals and three who relocated from Massachusetts.



Littleton offers a reliable power source, four highway exits, good broadband infrastructure and a location more than 150 miles from his other office, a key factor in locating a second data center to serve as backup storage and provide space to bring on new clients. His IT company, which offers a range of services, added 12 new accounts in the last year. "I've had to turn away big [data center] businesses in the past," Low says. "Now I can say yes." Low's local clients include Littleton Water and Light and NCIC.

And while business brought him to Littleton, the community is the reason he plans to stay. Low and his family live in Easton, where he serves as a volunteer firefighter. He originally intended to commute back to Rhode Island on weekends, but school officials personally called to invite his kids to attend school and his family, which now includes a dog, chickens and two goats, have moved in full time.

Another transplant, this one from New Jersey, is also making his mark. Bill Rutherford owns Northwoods Manufacturing in Lancaster, a furniture shop that employs 14 and specializes in CNC machining of custom cabinet parts, millwork and other parts. Rutherford started the company in 2005 and has been growing ever since, averaging 10 percent revenue growth annually. Rutherford attributes his success to innovation.

Furniture manufacturing used to be a major industry in the North Country, but it has suffered one closure after another. Ethan Allen in Beecher Falls, Vermont, just over the NH border, once employed hundreds (and now has fewer than 100), as did Brown Street down the road in Whitefield. Ethan Allen moved most of its production overseas while Brown Street shut down last year. Brown Street's property and machinery were auctioned off in June.

Both businesses focused on mass produced furniture and fell victim to cheaper manufacturing overseas. "We have a totally different business model. You can't import it; it's very custom. It's all architect specs," Rutherford explains of his firm's cabinets, shelves and countertops. "We're building on an as-needed basis where other companies build it and stock it."

Rutherford's strategy means the company generates \$1.5 million in revenue a year, is looking to expand the second shift, and is quickly outgrowing its 7,000-square-foot facility.

O Canada

But transplants don't only come from southern states. In fact, Canadian companies are relocating and expanding in the North Country to take advantage of lower taxes, while remaining close

to their Canadian headquarters and accessing coveted contracts requiring that products be Made in America.

The Littleton Industrial park is home to a few of those companies, due in large part to easy access to Interstate 93 and its proximity to the border. Rotobec, a manufacturer of grapples and loaders for logging, construction, scrap and other heavy handling industry machinery, has a distribution plant in Littleton and added two CNC machines so it could move some manufacturing to the plant. Rotobec's products sell for \$8,000 to \$120,000 to 700 dealers in the United States, and it now employs 18 in Littleton and recently added 40,000 square feet for storage and additional machines. General Manager Mike Currier says while it's hard to find CNC operators in Littleton, it's even harder in Canada, which prompted its decision to expand in NH.

Kheops International in Colebrook has an even shorter commute to Canada, a mere 20 minutes. The company sells spiritual products and "meaningful gifts," including Buddhas, wind chimes and tarot cards. Since arriving in Colebrook in 2003, Kheops has grown from 20 to 40 employees and generates \$5 million in annual sales. The company has more than 3,000 customers.

President Marie-Josée Vaillant finds the tax climate in NH appealing but so is the support Kheops has received from the state. Vaillant says Kheops has taken advantage of NH Job Training Funds to train people for sales and customer service positions, and also the Coos County Tax Credit, a program offering tax credits to employers adding high paying jobs. Vaillant is an ambassador for NH in its efforts to recruit Canadian firms and travels with Lamontagne on recruiting trips. "I'm glad to do it. I'm proud to do it. Anytime they need me for a tour of Kheops we tell our story," she says.

Canadian Public Broadcasting recently filmed a five-minute piece on Canadian companies in Northern NH, which thrilled Lamontagne as he sees great potential to attract even more Canadian companies. In his job, he says he speaks French about 30 percent of the time.

Many job gains in the North Country have been small, with fewer than five jobs at any one firm, but that doesn't diminish their value. "We are trying to fill a gap of 4,000 jobs going away," says Kathy Eneguess, president of White Mountains Community College. "Every single job matters."

Each job brings hope, and that hope may convince young people to stay—an essential change for Coos County, where the median age in 2011 was 46.6 years old, compared to 42 statewide.

But a changing economic climate may pay off. Paula Kinney of the Androscoggin Valley Chamber says her daughter recently said, "If you guys do all this and make Berlin a better place, I could see myself coming back in 10 years." That's a sentiment sure to make many in the area very happy. ■



Greg Eastman, left, from the Littleton Industrial Development Corp. and Kevin Low of Secured Network Services.



Marie-Josée Vaillant, president of Kheops International in Colebrook.