

abitibi
bowater 

AUGUSTA NEWSPRINT COMPANY



**Business Update for
Special council on Tax Reform and Fairness for Georgians**

August 30, 2010

Economic Impact



	2008	2009
Employees	356	323
Indirect Jobs	840	760
Days of Downtime	11	39
Production in Tonnes	420,000	368,000

	In Millions	
Net Sales	\$250	\$184
Wages & Benefits	\$35	\$32
Raw Materials & Services	\$106	\$85
Electricity (pre-tax)	\$54	\$40
State Taxes	\$2.4	\$1.7
Local Taxes:		
Sales	\$1.8	\$1.3
Municipal Franchise	\$1.4	\$1.2
Ad Valorem	\$1.1	\$1.1

2009 was negatively impacted because of 28 more days of downtime due to lack of orders.

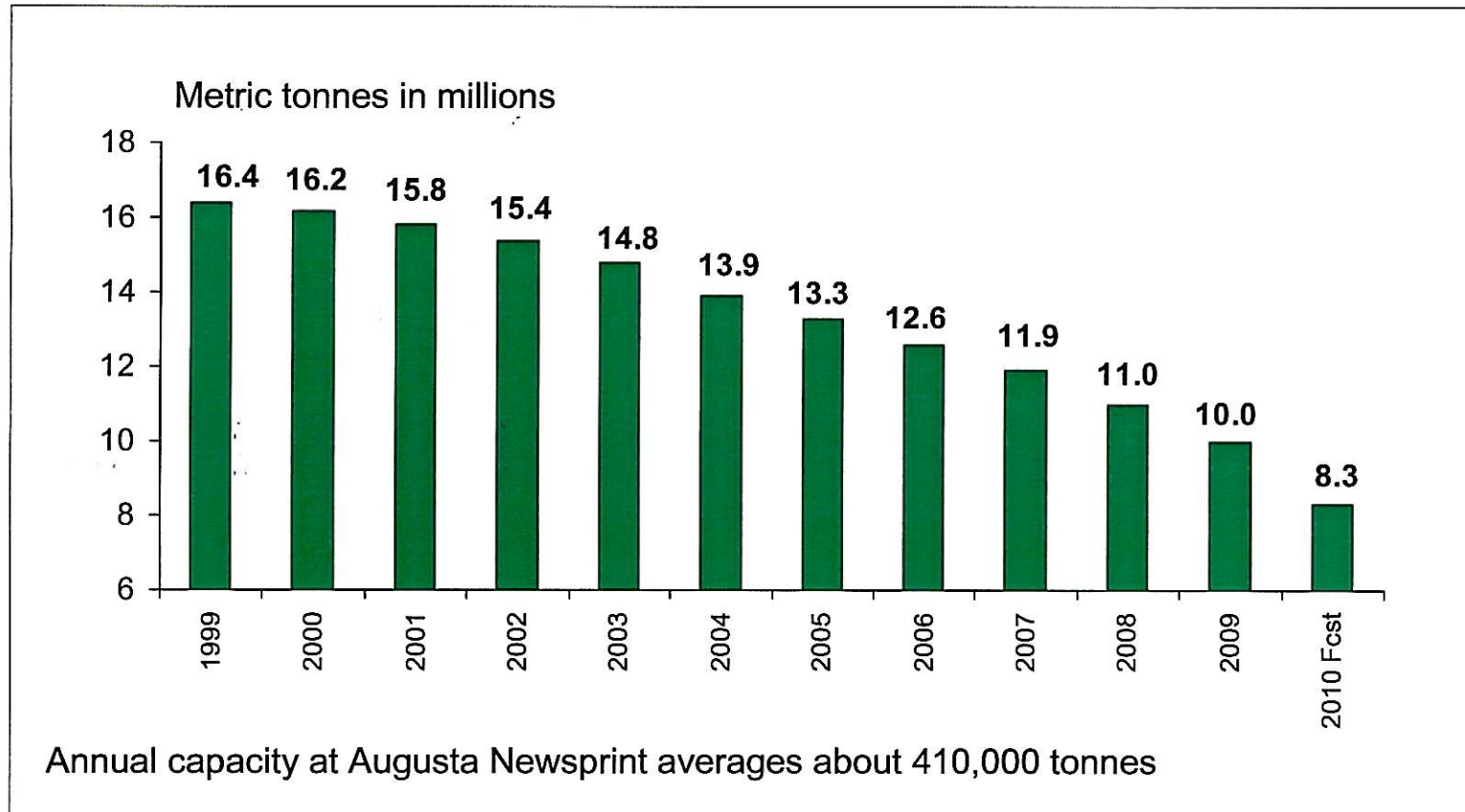


Newsprint Market



- **Between 2001 and 2009, North American newsprint production has declined 47.9%, or 6.8 million tonnes from 14.1 million.**
- **In 2009 alone, production was down 27.8% or 2.8 million tonnes from 2008.**
- **Declines of 4 to 5% are forecast year over year for the next three years.**
- **Major paper producers are in bankruptcy. (AbitibiBowater, White Birch, Blue Heron, Smurfit/Stone, Fraser)**
- **Major newspapers have ceased printing or are in bankruptcy as well. (Chicago Tribune, Minneapolis Star, Freedom, Journal Register, Morris Communications)**
- **Mills and/or machines are being closed or converted to other products. Since 2004, AB has closed 13 of 31 mills.**
- **1,155,000 tonnes have been removed from capacity in 2010.**
- **Only the most competitive mills will survive.**

North American Newsprint Capacity



Non-competitive mills are being closed every year

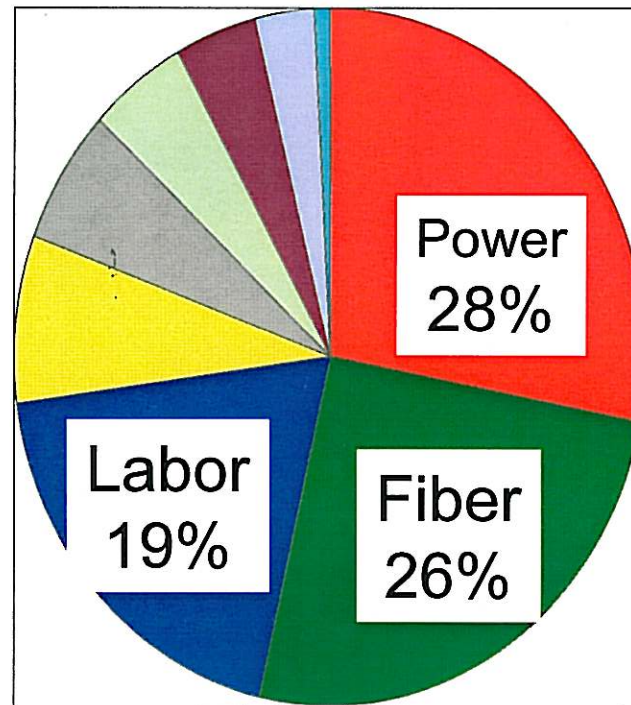


Cost Structure

Six Months Ended June 30, 2010

Power is the largest single component of our cost...28% of the total cost of manufacturing, followed by fiber & labor. The rest of the pie is a reflection of how well we operate and maintain the mill.

Augusta Newsprint is Georgia Power's largest customer

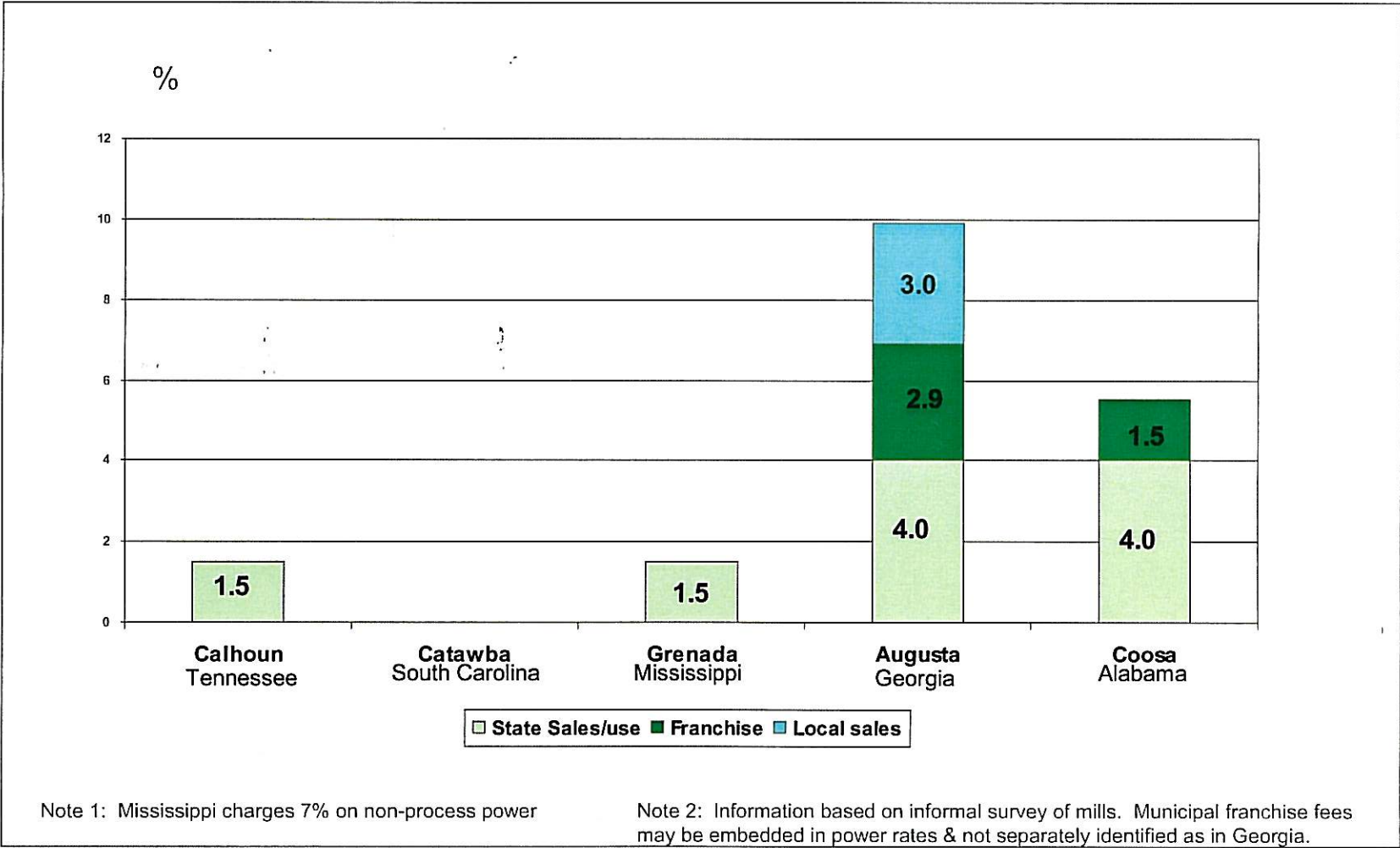


4% state and 3% local sales tax currently paid on power

AbitibiBowater Paper Mills

Southeastern US

Tax Rates on Power Used in Manufacturing





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FRIDAY FACTS

July 9, 2010

Applying a sales tax to business inputs is “the most egregious flaw embedded in the state tax system. Everyone who has ever studied the issue will tell you that the sales tax should not be imposed on business purchases. That is, when a business purchases a product or service, it should not pay tax on the purchase. There is near unanimity among public finance scholars on the issue.”

David Brunori
Contributing Editor
State Tax Notes

Request for Action:

Preserve existing sales tax exemptions for raw materials used by manufacturers

Exempt energy used in manufacturing from sales tax

Make manufacturing in Georgia competitive with manufacturing in the other Southeastern states

Help Augusta Newsprint survive

