



Good afternoon.

I am David Carmon. I live here in Lowndes County and I serve as the Mill Manager of the Packaging Corporation of America paper mill located here in Lowndes County.

We are a manufacturer of linerboard, which is the primary ingredient in what you know as cardboard or corrugated boxes. This PCA mill employs 360 local people from Lowndes and surrounding counties. In addition, there are literally hundreds more local residents who substantially depend either directly or indirectly on this mill. Our annual employee cost, including benefits, is about \$40 million. My mill, and its employees, are a key part of the Valdosta and Lowndes County economy, and have been for over fifty years. We are the largest single taxpayer in Lowndes County - \$1.3 million.

We sell the linerboard that we produce here in Valdosta throughout the United States and the world. We are a primary exporter from Georgia ports. Because of increased costs, not the least of which is the cost of energy, several paper mills have closed in Georgia and surrounding states in recent years. My mill has survived to this point, and it continues to compete in a world-wide market.

As you can imagine, it is expensive to harvest trees and transport them to a mill. As a general rule, about seventy-five miles is the longest distance that pulp wood can be transported economically. Should this mill no longer be here, there will no longer be a market for the wood that is produced in this central area of South Georgia and numerous landowners, loggers and truckers will be directly and severely impacted.

Our business is very capital and energy intensive. We are among the top 20 consumers of electricity on the Georgia Power system, which is in addition to the electricity that we produce in the mill from recyclables and byproducts. We also use natural gas in our papermaking operation. This year we will pay over \$21 million for purchased energy, and the sales tax that we pay on the energy that we purchase is in excess of \$1.2 million. Coincidentally, we also pay indirectly for the sales tax that Georgia Power pays for the coal that it purchases to produce the electricity which we consume!

Not only does PCA's Valdosta Mill compete with other paper mills in neighboring states, in the nation and throughout the world to sell the paper that we make here, we compete within PCA for capital dollars to continually grow and improve our operations. While Georgia's sales tax on energy may not have been the sole reason, this mill, because of our higher costs, lost a major expansion within the recent past to a sister mill in Tennessee, which does not apply its sales tax to energy used in manufacturing. When PCA's corporate management looks at spending to improve or expand operations, this mill begins the internal competition at a disadvantage of over \$1.2 million. This is a disadvantage that is very hard to overcome!

Economists uniformly agree that it is bad policy to tax raw materials, machinery and equipment and other inputs to manufacturing. While Georgia does not presently tax other inputs such as raw materials and industrial machinery, Georgia continues to tax energy which is just as essential to the papermaking process as the wood which we buy to make the paper. By removing the sales tax on energy used in manufacturing, Georgia will take a significant step in leveling the playing field with our paper mill competitors in other states.

Ladies and gentleman, it appears to me that the State of Georgia has ignored the well-being of the very industries that built this state into an economic dynamo in recent years. I have read where Georgia lost several hundred thousand good-paying manufacturing jobs in recent years, a trend that is unfortunately continuing. Existing manufacturing businesses, like my company here in Lowndes County, comprise a key element in the Georgia economy, particularly in more rural areas, which is quickly fading. At the same time, our state pursues new company headquarters and service industries by offering incentives in the millions of dollars. If you, and the Legislature, do not give us this lifeline that we need to remain competitive, I feel that the future of manufacturing in Georgia is in serious jeopardy.

I urge you not only to continue the existing exemptions from sales and use taxes of inputs to manufacturing, but to expand the exemption to included energy used in manufacturing as well.

Thank you for coming to Valdosta and hearing me and the others who are sharing their thoughts with you today. Should the Council want any additional information, please feel free to contact me and it will be provided to you quickly.

I am glad to answer any question that you may have.



PCA's

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

August 31, 2010

KEY MILL STATISTICS

Annual Economic Impact

1. Annual Sales	\$260,000,000
2. Purchased Wood	\$ 51,500,000
3. Purchased Maintenance	\$ 14,200,000
4. Purchased Fuel	\$ 11,100,000
5. Chemicals	\$ 11,500,000
6. Purchased Electricity	\$ 10,500,000
7. Property Taxes	\$ 1,300,000
8. Annual Payroll	\$ 39,000,000
9. Annual Sales Tax	\$ 2,000,000
10. Employees	360
11. Annual Tons Linerboard	474,000