

**Rayonier Public Testimony
Special Council on Tax Reform and Fairness for Georgians
Tuesday, August 31, 2010
Coastal Georgia Center Auditorium, Savannah**

Mr. Chairman and Distinguished Members of the Council:

Thank you for providing this opportunity for public comment. My name is Mike Bell and I'm here representing Rayonier, a publicly-traded international forest products company. We operate four non-integrated businesses – Timber, Real Estate, Performance Fibers, and Lumber – all with operations in the State of Georgia. We have customers in nearly sixty countries, offices on five continents, and about 1,800 employees worldwide.

Of the 2.5 million acres of timberland we own, lease, or manage in the U.S. and New Zealand, roughly 800,000 acres are here in Georgia, making us the state's second largest private landowner. In addition, we operate four forest products manufacturing facilities in the State, employing more than 1,200 Georgians in Baxley, Eatonton, Jesup, and Swainsboro. We consistently rank as one of the top twenty exporters nationwide as measured by ocean container and are one of the largest exporters through Georgia's ports.

Rayonier operates in the agricultural and manufacturing sectors of Georgia's economy – two complimentary sectors that jointly account for more than 351,000 jobs, nearly \$65 billion in annual economic output [and these employment and economic output figures do not include non-agricultural manufacturing], and nearly all of the State's exports. While these sectors of our economy are vital to the State, they also play a disproportionate role in the economic well-being of Georgia's smaller communities and rural areas – many of which are critically-dependent upon these industries.

I'm here to share with you that Georgia's agricultural and manufacturing sales tax exemptions are absolutely critical to our State's competitiveness in these global industries and they provide a huge return on investment. This year at our Jesup, Georgia mill alone, we will be making \$69 million in capital investments in machinery and equipment and this annual level of investment is by no means unusual. That is what it takes for us to remain globally competitive with the mills we compete with in Brazil and South Africa. That capital investment protects existing jobs in rural Wayne County, GA and ensures new jobs in Southeast Georgia.

Manufacturing and agricultural sales tax exemptions help Georgia leverage the key economic advantages we have in our infrastructure – our rapidly growing ports, our good interstate highway system, and our extensive rail – to help grow a more global Georgia. Today, exports at the Port of Savannah outpace imports and in many cases, due to our competitiveness in agriculture and manufacturing, we don't have to send empty containers back to Asia. At a time when domestic consumers are tapped out, and governments at every level are maxed out, we need to look at where future growth will come from - that is, the roughly 90% of consumers that are overseas. Growing a more global Georgia is dependent upon strategic sales tax exemptions that keep us competitive with other countries and our neighboring states.

Today, Georgia remains one of less than ten states that levies a tax on energy used in the manufacturing process and is the only state in the Southeast U.S. that does so. Energy is a very significant cost to manufacturers and this tax represents a major competitive disadvantage for Georgia's manufacturers as they strive to retain and create jobs. We continue to stress the importance of phasing out this anticompetitive tax that drives away investment in our State.

I urge you to preserve sales tax exemptions for machinery and equipment as well as raw materials and inputs into manufacturing. Please phase out, as soon as possible, the sales tax on energy used in manufacturing.

These are sound tax policies that will make Georgia more globally competitive and help leverage the State's strategic infrastructure advantages. These are sound tax policies that protect existing high wage jobs, and will create many thousands more, broadening and diversifying our tax base. These are sound tax policies that protect and strengthen rural communities across Georgia. And these are sound tax policies that will provide our State a huge return on investment for many years to come.

Thank you.