

WEYERHAEUSER COMMENTS
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Speaker:

Robert W. Williams
Weyerhaeuser NR
Vice President/Mill Manager – Flint River Cellulose Fibers
2449 Stagecoach Road
Oglethorpe, Georgia 31068-8425

Introduction

Good Afternoon

I am Robert W. Williams, the VP and Mill Manager of Weyerhaeuser Flint River Cellulose Fibers Mill located in Oglethorpe, Georgia.

Local Economy Impact

The Flint River Mill is a cellulose fiber manufacturing facility that employs approximately 390 people (280 direct employees, 100 contractors) on an annual basis. These dedicated workers support the production of 1000 tons per day of softwood (pine fiber) dried pulp that is primarily exported. We have a payroll of over \$25 million per year and cash outlay into the local economy of over \$125 million per year. Our freight bill to the port of Savannah is over \$6.5 million per year, consisting of greater than 9,500 containers per year.

The mill has been part of the Oglethorpe community since 1980. Weyerhaeuser purchased the facility in 1992 from Procter & Gamble and it is a vibrant mill, continuing to attract investment by the company, with an excellent workforce in a highly competitive market. It remains a major private employer in Macon County Georgia providing high end family wage jobs.

Notice I said “highly competitive market.”

The Competitive Market

Flint River Cellulose is part of the “pulp and paper” market which traditionally has not returned the cost of capital. To heighten the problem, as computers, electronic media, and data storage has increased, pulp use has dropped forcing facilities producing traditional paper products to consolidate, close, or change products. I personally had to close a facility with over 700 employees that was technologically sound but possessed an uncompetitive cost structure – the impact on the local economy was significant. This industry is capital and energy intensive and many facilities across North America have closed their doors due to the inability to compete and many more face the decision yet to come. It is easy to search the internet for closures and the data is extensive.

However, Flint River, to date has been fortunate. Absorbent pulp (“fluff”) use is actually rising worldwide as feminine hygiene, diapers, and adult incontinence product usage increases in the emerging countries. On the other hand, just as the product use is increasing, so is the competition. Competitors in the states surrounding us are actually converting their old machines to “fluff” products so they can keep them in business. This represents severe competition as more supply comes into our present markets.

Georgia provides some significant advantages in this competitive market; the available (pine) fiber is very water absorbent, we enjoy close proximity to export facilities, and we employ a high performance - engaged workforce. However, our surrounding states have many of the same advantages as we do.

This means as we examine tax policy, we must realize any cost increase above direct manufacturing inputs only serves to decrease our competitiveness. They cannot be passed on to the customers as our prices are set by international forces not local structure. Therefore, any increase of costs, regardless of source, must be absorbed. This means do more with less such as employee numbers, employee benefits, and outside expenditures. At some point, it becomes unsustainable and facilities close.

Although unrelated to Georgia tax policy, industry in this state is also facing additional cost challenges from the regulatory community. If Council members read the guest column in today's Atlanta Journal on federal regulations, the current federal administration's "Regulatory Agenda," published on the Internet has identified almost 4000 regulations under development. Some of these proposed Rule changes in the areas of Air and Water come with a significant price tag; we are still working to understand the full implications to our operations but it looks to be in the millions.

A Thank You From The Past

After the 2008 Legislative Session, my colleague, Bob Grygotis at the Port Wentworth Weyerhaeuser Facility formally said "Thank You for your help!" to the legislature. Those actions taken in the 2008 legislative session provided some needed help to create a more level playing field as compared to other states in several areas:

- ◆ Integrated Plant theory sales tax exemption
- ◆ Made in Georgia Campaign to promote and educate manufacturing's contribution to the state.
- ◆ State sales tax cap on energy

These actions helped move us in the right direction to remain globally competitive while continuing to produce in Georgia but;

1. That sales tax cap on energy has now expired.
2. Energy is major cost component to facilities like ours. Georgia is the only state in the S.E. that fully tax the sale of energy in manufacturing and one of only 11 in the U.S.

Now?

We know we all have difficult decisions to make and there are more obstacles to overcome. We live in a competitive environment and I believe you will hear similar stories from all manufacturers in Georgia as we look at the world we compete in. It is my understanding that council chairman; A.D. Frazier made it clear that the purpose of the Council was not to raise revenue but to examine the tax code for fairness and to assure that it is pro-growth.

The answer is "Yes", we do compete with our neighbors for jobs and "Yes", we must maintain an environment at least equal to those states to survive, much less grow. If we want pro-growth, it is imperative to maintain competitive tax policy for current businesses.

Thank you for your time and attention

Are there questions?