

Now is the time for reason.

The industrial tax burden
in our community is not viable.
A fair and equitable solution
must be reached.



Catalyst 
Fresh thinking on paper

An unsustainable situation.

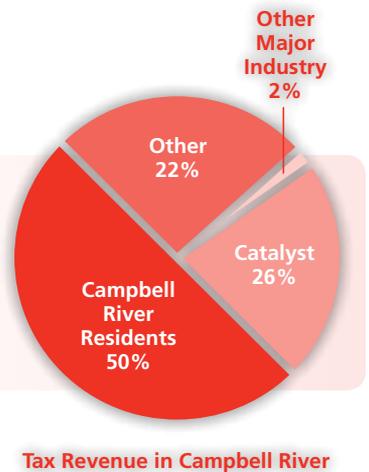
Catalyst Paper, owner of the Elk Falls mill, currently pays \$5.1 million in major industry property taxes to the municipality of Campbell River. This amount is disproportionate compared with the value of municipal services provided to the mill, which the Municipal Sustainability analysis just completed for this city showed to be less than \$1.2 million.

This huge discrepancy between the cost of services received and the tax levied is not reasonable, and most critically, cannot be sustained, particularly in these difficult economic times. The consequences of not reaching a fair and equitable solution with the municipality of Campbell River would be harmful to the community, and the mill. We need your support to help reach a solution that works for everyone.

Consider what's reasonable.

Examples that illustrate the inequity:

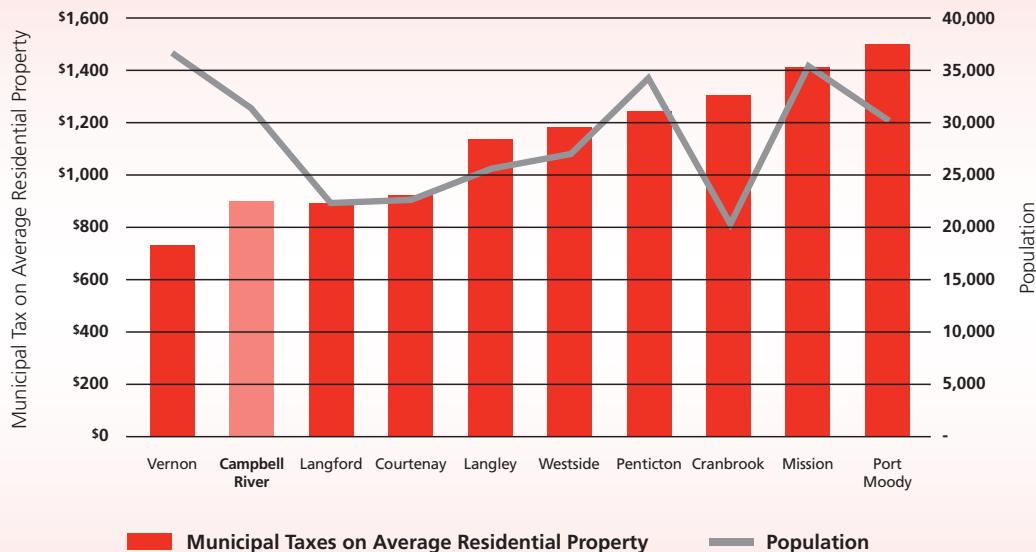
- » The Elk Falls mill consumes approximately 4.6% of municipal services, and yet we pay over 24% of municipal property taxes. One-quarter of Campbell River's total property tax revenues and 10% of the City's total budget have been paid by just one taxpayer, the Catalyst Elk Falls mill.
- » The Campbell River tax rate for industry is 13 times that of residents.
- » If you, as a resident, owned a home with an assessment of \$262,000, and were being charged property taxes at the same rate as our Elk Falls mill, you would owe about \$12,000 in property taxes every year.
- » In 2008, the residential property tax rate in Campbell River was \$3.45 per \$1000 of assessment; the rate paid by the Elk Falls mill was \$45.83 per \$1000 of assessment.



Reasonable solutions are on the table.

There are 9 property-use classifications in this region – Residential, Utilities, Supportive Housing, Major Industry, Light Industry, Business and Other, Managed Forest, Recreational Property/Non-Profit Organization, and Farm. The Municipality sets a different tax rate for each class, as is common practice.

With this in mind, Catalyst has tabled an innovative proposal with each of the four BC communities in which we operate mills. The proposal is based on a 'cost of service' model for major industry taxpayers based on paying for the consumption of services used.



Our proposal is fair and puts affordability at the top of the list of considerations. From this year forward, Catalyst would pay for the municipal services its mills use, plus 30%. This approach makes efficiency and competitiveness an ongoing commitment for all of us in Campbell River.

Under our proposal, you will still enjoy one of the lowest residential tax rates in BC.

It is true that if our proposal is adopted, residential taxes could increase. However, the residential tax rate would still remain lower than in most communities across our province. If residents were to be taxed as heavily as industry is being taxed, you'd be asking yourself if you can afford to remain in the area. The reality is, what is unfair to business will eventually be unfair to you, especially if the mill can no longer afford to operate in your community.

Working together with municipalities.

Over the past several years, Campbell River, as part of its Sustainability Policy, has taken small steps to decrease the tax burden on industry. Council must be credited for recognizing the problem, but the reductions have been too little in the face of the changes in the world markets, and the current tax burden is not sustainable.

To date, Campbell River Council has been working with us and has acknowledged the need to find an equitable and sustainable solution. Catalyst believes it must be based on everyone paying taxes reflecting municipal services consumed.

Catalyst wants to keep all of its mills operating through this very difficult time, but we must have community support to succeed.

The global economic crisis has hit our industry hard.

This is not a good time for the forest products industry. There is a worldwide decline in paper demand, and a worldwide credit crunch severely affecting businesses. To survive, Catalyst needs a fair municipal tax system that gives our mills the ability to compete with other jurisdictions in Canada, the United States, Latin America and Asia. As recent announcements have shown, uncompetitive mills face closure.

Catalyst's current situation.

Catalyst has suffered financial losses for five consecutive years, and challenges are expected to intensify as the worldwide economic recession affects us all. Currently, we carry over \$900 million in debt. In the past 18 months, our workforce has been reduced by over 1100 people. Last November, the Elk Falls pulp mill was shut. This February, all three paper machines at the mill were down indefinitely and 468 local jobs have been directly affected. Today, Catalyst is simply not in a position to borrow more money to pay unreasonable and unjustifiable property taxes. It is true that in considering the challenges that lie ahead, we advised the City of Campbell River in October 2008 that we would pay only for the cost of municipal services consumed by the Elk Falls mill, plus 30% in an after-tax adjustment. We served notice well in advance of the municipality's annual budget cycle because we want to do everything possible so that our mill survives this downturn to become profitable again in the future and in doing so, we believe jobs can be saved.

What is at stake?

Every resident of Campbell River needs to understand the seriousness of this issue. Failure by Campbell River Council to adopt a new, reasonable property tax policy will affect the future of Catalyst and the community. With an industrial tax rate that is 13 times that of residents, no new industry can afford to come to Campbell River, and existing ones are in danger of moving away or closing with certain job losses.

Our plan is to maintain operations at our Elk Falls mill, however if we are forced to close, the consequences will be felt by everyone, not only the 468 men and women who work here, but every business and family in the area. Under these circumstances, property taxes paid by the average homeowner would increase far more than under the proposed 'cost of service' approach, and housing values would decrease. What the City and other mill stakeholders do next will influence what the future holds for Elk Falls and the Community.

**Action is needed now.
Please voice your concerns.**

If this issue is important to you, please contact Campbell River Council members.

**For more information or
to voice your support:**

Please contact us at 604-247-4400 or visit
www.catalystpaper.com/propertytaxsolutions.

**Contact your Campbell River
Council Members:**

Charlie Cornfield, Mayor

Andrew Adams

Roy Grant

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