

Now is the time for reason.

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



Catalyst 
Fresh thinking on paper

An unsustainable situation.

Catalyst Paper, owner of the Crofton mill, currently pays \$6.5 million in major industry property taxes to the municipality of North Cowichan. This amount is disproportionate compared with the value of municipal services provided to the mill, estimated to be less than \$1.5 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 North Cowichan 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.

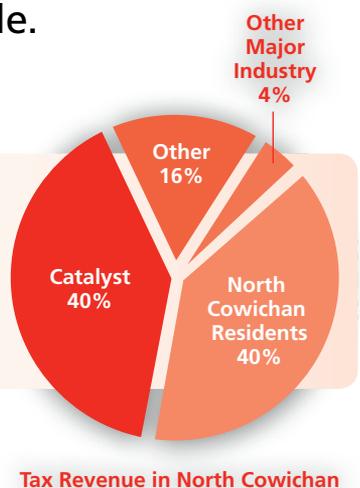
Examples that illustrate the inequity:

» The Crofton mill employs about 5% of all workers in the community and consumes approximately 6% of municipal services, and yet we pay over 40% of municipal property taxes.

» The North Cowichan tax rate for industry is 26 times that of residents.

» If you, as a resident, owned a home with an assessment of \$292,000, and were being charged property taxes at the same rate as our Crofton mill, you would owe about \$14,000 in property taxes every year.

» In 2008, the residential property tax rate in North Cowichan was \$1.84 per \$1000 of assessment; the rate paid by the Crofton mill was \$48.58 per \$1000 of assessment.



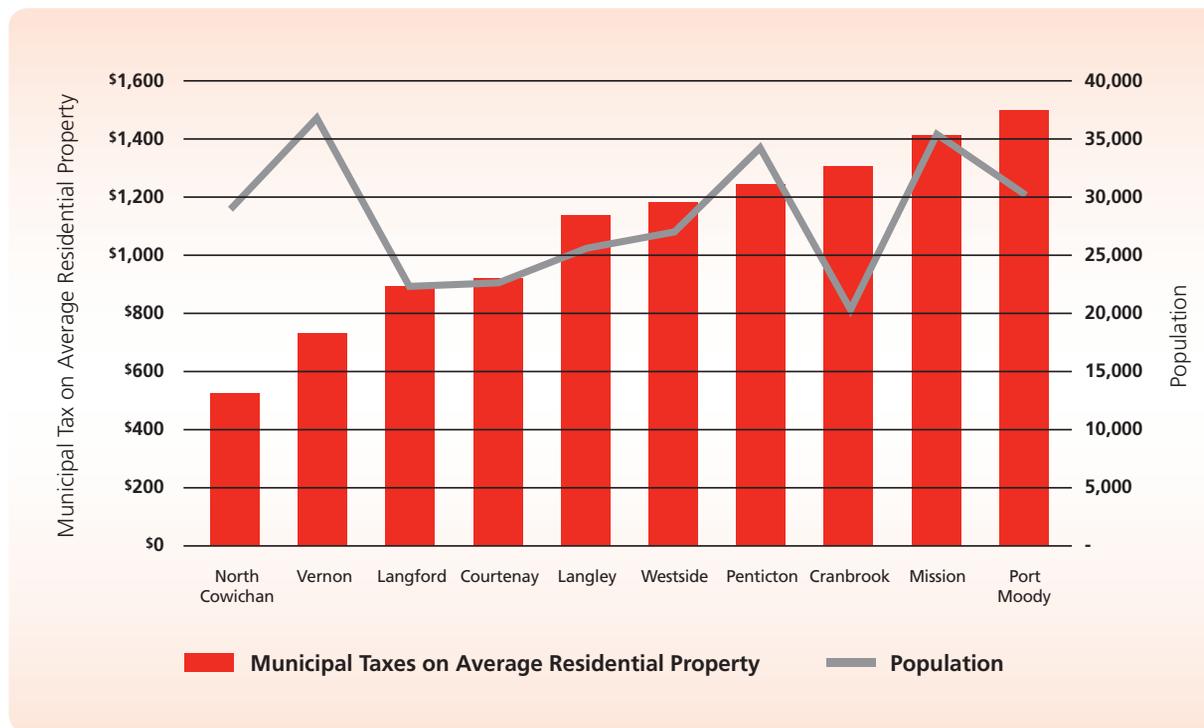
Reasonable solutions are on the table.

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.

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 would increase. However, the residential tax rate would still remain lower than in most communities across our province and one-third of what Catalyst pays. Bear in mind, that if you as 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.



Other municipalities are working with us.

Over the past several years, other Catalyst mill municipalities have taken steps to decrease the tax burden. These municipalities have indicated a willingness to work with us toward a sustainable model, based on cost of service going forward. So far, North Cowichan Council has declined to help solve what has become an acute problem. Catalyst wants to keep all of its mills operating through this very difficult time, but we must have Council and community support to succeed.

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 North Cowichan.

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 – almost a third of our employees. Several short-term plant closures have taken place. Today, Catalyst is simply not in a position to borrow more money to pay unreasonable and unjustifiable property taxes.

What is at stake?

Every resident of North Cowichan needs to understand the seriousness of this issue. Failure by North Cowichan 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 26 times that of residents, no new industry can afford to come to North Cowichan, and existing ones are in danger of moving away or closing with certain job losses.

Our plan is to maintain operations at our Crofton mill, however if we are forced to close, the consequences will be felt by everyone, not only the 769 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' proposal, and housing values would decrease.

Action is needed now. Please voice your concerns.

If this issue is important to you, please contact North Cowichan 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 North
Cowichan Council Members:**

Municipality of North Cowichan

Tom Walker, Mayor

Garrett Elliott

Dave Haywood

Ruth Hartmann

John Koury

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