

Incentives for New Forest Products Facilities Will Have Long-Term, Adverse Effects

S.F. 1163 and H.F. 1486 were recently introduced to provide wood fiber production incentives. As an integral member of Minnesota's forest product industry, Packaging Corporation of America (PCA) opposes the legislation.

PCA employees proudly manufacture America's Top Selling Brand of Boise® multi-use copy and recycled papers. The Company has a solid business plan, produces great products and supports a wonderful community. PCA is confident in our process, products, and employees; the only request of Legislators is to compete on a level playing field to safeguard our rural economy, mill, and current/future employees.

As is, S.F. 1163 and H.F. 1486 will:

- **Create an unfair competitive advantage unless given to the entire industry.** Ongoing incentives for new markets, including wood pellet production, create a lop-sided environment when new facilities are directly competing alongside existing facilities for raw materials.
- **Go against a recent statement to the Mining & Forest Policy Committee by DNR Forestry Director Forrest Boe.** Director Boe said to do no harm to existing industries when it comes to forest resource opportunities. The proposed on-going incentives for wood pellet production will absolutely harm existing industries.
- **Disregard the recommendations of the American Forest & Paper Association** to avoid incentives that distort the market and policies that divert biomass supply to subsidized energy use.
- **Support renewable energy outside of the U.S. and not provide the financial benefit to Xcel Energy's electric ratepayers** required by Renewable Development Account guidelines.

Other considerations:

- **The passage of S.F. 1163 and H.F. 1486 will greatly add to an already difficult business environment.** The International Falls paper market was strongly impacted by the COVID-19 crisis that caused schools, offices, and businesses across North America to close or idle last year. Employees quickly qualified to produce new paper grades in response to the poor market. We can adapt to changes in the market but an unfair competitive advantage would be difficult to overcome.
- **Wood pellet plants cannot succeed in Minnesota without foreign and domestic incentives.** Approximately 45 non-union jobs will likely disappear when subsidies cease.
- **Wood pellet jobs will be expensive jobs.** Xcel Energy ratepayers will fund ~45 jobs in northern Minnesota from the RDA - **\$83,000 per job/year or \$833,000 per job/10 years**. In addition, the project will not benefit ratepayers by advancing renewable energy in the Xcel service area.

PCA agrees the forest industry needs additional facilities to better utilize Minnesota's forest and provide additional markets for wood suppliers. However, legislation needs to be specifically directed toward creating opportunity for under-utilized species and residuals. This approach would address the "loss of markets due to the Verso closure" and "forest and wood mill residue" issues and not harm existing industries. Example: Species and wood mill residuals currently purchased for existing and secondary manufacturing use should not be included within the scope of incentives intended to expand the forest product industry.

Questions can be directed to:

Lori Lyman, PCA Public Affairs Manager
Cell – (218) 290-6786
lorilyman@packagingcorp.com

or Tom Hanson, Winthrop & Weinstine
Cell – (612) 616-5981
thanson@winthrop.com





More about the International Falls Paper Mill:

The Packaging Corporation of America - International Falls paper mill is an integrated pulp and paper facility with a **110-year operating history**. The mill is the economic engine of Koochiching County providing **605 family-supporting jobs** and 2,420* outside jobs (including 360 in the logging community). Seven separate unions represent over 490 employees. The world-class paper mill sustainably produces 500,000 tons of paper / year.

PCA has invested over \$155 million to increase competitiveness and help secure the future of the International Falls mill since the acquisition in 2013. With the added investment, employees have worked hard to cut cost and vastly improve efficiencies - increasing competitiveness and achieving maximum performance.

Economic Stewardship:

➤ Payroll - \$70M / year	➤ \$1.2 million in property tax annually
-General Laborer - \$23.28 / hr.	➤ \$151M+ spend annually in Minnesota alone
-Papermaker - \$41.49 / hr.	- \$68 - \$73M in wood
-Craftsperson - \$34.09 / hr.	- Every dollar spent to purchase timber generates
-Engineer I - \$75,200 - \$86,000 / yr.	\$41 of economic activity**

Social Stewardship:

➤ ~\$200,000/year donated to community	➤ \$104,000 Endowment to Mesabi Range Community College
- Fund Buddy Backpacks, food shelf, SA, etc.	- Iron Range Engineering students scholarships
- Sponsor school initiatives & activities	- Demonstrated full support of IRRRB IRE funding
- Provide paper to local schools	- IRE Co-op opportunities for IRE students
- Sponsor RRCC Foundation Scholarships	- STEM Showcase participant to grow workforce
- United Way and much more	

Environmental Stewardship:

- Wood - Third-party certified for SFI® and Chain-of-Custody certified for SFI, FSC®, and PEFC™.
- Water – Routinely receive the MPCA Certificate of Commendation for operations of the wastewater treatment system (one of the largest industrial plants in state).
- Air – Successfully operate within close proximity to Voyageur National Park and Boundary Waters.

PCA’s Footprint in Minnesota:

In addition to the economic impact of the International Falls mill, container facilities in Minneapolis and Golden Valley meet the carton requirements of the International Falls mill. The facilities have a payroll of \$12.1 million/year, employ 152 employees including 59 members of the United Steelworkers, and pay \$327,246 in property taxes.

*Sources: UMD Labovitz School of Business - one paper mill job provides 3.5 to 4.5 additional outside jobs

**Minnesota Forest Industries/DNR

