

Pulp truth

Issue 21 • May 2009



Please copy Pulp Truth front and back and distribute it during non-work time using your Contract Action Teams, steward system or Rapid Response network. Be sure to leave copies in lunchrooms, break rooms, etc. We want to hear what's happening in your workplace. Send your news to lbaker@usw.org

Keep Alternative Fuel Mixture Tax Credit for Paper Industry to Save Jobs, Help the Environment

Workers at pulp mills, integrated pulp and paper mills and recycled mills gain from the paper industry's ability to qualify for the alternative fuel mixture tax credit.

This credit, which originated from a change in tax law in 2007, is given to companies that mix a small amount of fossil fuel like diesel into a biofuel like the "black liquor" byproduct from making pulp that mills burn to provide energy. For every gallon of this mixture, companies receive 50 cents. Since the tax credit is refundable, it can result in direct payments to companies with no tax liability.

Senate Finance Committee Chairman Max Baucus (D-Mont.), several committee members and some administration officials are thinking of introducing legislation to take away the tax break from the paper industry before the credit's Dec. 31 expiration date. They feel the tax credit is an unintended loophole that is costing the U.S. Treasury billions.

Canadian and Brazilian trade associations have also protested that the payments given to U.S. paper companies are an unfair trade advantage.

Pushback from Senators

Not everyone on the Senate Finance Committee is in favor of taking the tax break away from the paper industry. Baucus is getting pushback from Senate Finance Committee Democrats from paper-producing states and Republicans on the committee.

"Pulp and paper has been hammered; the workers are counting on Congress to come through, and we are going to make sure that this is kept until there's an alternative and it protects the workers," said Sen. Ron Wyden (D-Ore.).

Senator Debbie Stabenow (D-Mich.) said she opposes letting the credit expire.

"I'd like to find a way to actually extend it," she said. "Yes, it is something that wasn't previously used, but given what was happening to the pulp and paper industry and the economy, this has given an infusion of capital to them at an absolutely critical time."

Stabenow said the paper companies have suffered from the auto industry's problems because it is one of the largest customers for paper, particularly the glossy paper used in showrooms. Thus, with the auto industry slowdown, mills have been closing.

Leader in Using Renewable Energy

The intent of the alternative fuel mixture tax credit is to encourage the use of biofuel, and the paper industry has done

just that. Qualification for the credit has caused mills to increase their generation of biomass-based electricity, and the credit provides an incentive to use such energy more in the future—just as the law intended other industries to do.

The tax break helps the paper industry play an integral role in the transition to a clean-energy economy. Millions of dollars have been invested in recovery boilers and other technologies that use renewable fuel derived from biomass.

As the leader in the use of renewable energy, the paper industry produces almost 70 percent of its own power and even sells the excess energy generated back to the power grid. Every bit of energy generated this way takes the place of fossil fuels.

The industry's contribution toward greenhouse gas from the burning of fossil fuels is lessened by its sustainable forestry practice of planting trees and its use of biomass.

Critical Infrastructure Preserved

The tax break has come at a time when the paper industry is suffering from less demand for its products because of the deep recession.

"The timing of this credit is impeccable," said USW International Vice President Jon Geenen. "The paper industry is cash starved right now and in need of capital investment to maintain black liquor recovery systems and develop other biomass conversion. This credit maintains other critical infrastructure if there is to be a vibrant paper industry in the U.S."

Just the prospect of paper companies getting the credit has brought much needed investment into the industry. The stocks of paper companies have soared because of the money these firms could receive. Many of the companies receiving the tax break own recycled mills, and having this extra cash helps them to keep those mills operating as well.

Impact on Jobs

Survival of the US paper sector is critical because it represents about 5-6% of US manufacturing gross domestic product and is a top ten manufacturing industry in most states. The alternative fuel mixture tax credit has been a lifeline for an industry that has seen the loss of 190,000 jobs—15 percent of its workforce—since early 2006 and the closure of 25 mills in the last two years alone.

Many mills are located in rural areas where the local economy is dependent on them. Each pulp mill that remains open supplies from 200 to 500 family-supporting jobs that are the mainstay of many small and rural communities. About two to seven

additional jobs depend on each pulp mill job. Think of how local businesses would be affected if the mill shut down.

“If this tax credit is removed, thousands of good-paying jobs could be lost,” said USW member Fred Bailey, who works for AbitibiBowater in Coosa Pines, Ala.

“Jobs like the one me and my coworkers have aren’t readily available in our area. If our mill shuts down, we would have a difficult time finding a job that paid the same amount. So in a way, this tax credit is helping to keep small-town America alive.”

If a free-standing pulp mill shuts down, the energy it sells back to the power grid would be replaced by fossil fuel power. If it is attached to a paper mill, the paper mill would have to replace the biofuel power it gets from the pulp mill with fossil fuel power from the grid. That defeats the government’s intent to have industry use less fossil fuel.

Furthermore, if a US pulp mill is shut down the virgin pulp it once produced from sustainable-managed forests in the U.S. would end up coming from nations where pulp is sourced from plantation forests or forests that are illegally logged.

What our Union is Doing

Our union is responsible for getting the Senate Finance Committee to take another look at how the alternative fuel mixture tax credit impacts the paper industry, and we are actively working to make sure the credit stays in place through the end of this year as originally scheduled. The activism of paper workers and President Gerard’s calls to key committee members have caused the committee to seek input from senators that come from states with a high paper concentration.

Discussion of this issue has given us the opportunity to discuss with lawmakers the paper industry and its future. Letting these elected officials know about how sustainable the industry is will help when legislation is crafted to deal with global warming and renewable energy. It also is opening up dialogue with our employers over

re-investment in our mills.

While we are not advocating the extension of this particular tax break, we plan to ask the government to provide recognition and some continuing incentive to encourage investment in mills that have black liquor operations. We are also going to request credits for mills without a black liquor recovery operation that add other renewable fuels and recycling to their energy portfolios. This would increase the paper industry’s use of renewable fuels and recycled feedstock in ways that would make mills more productive, increase American jobs, and improve our environment.

For three weeks this month USW members are in Washington, D.C. contacting members of the Senate Finance Committee and House Ways and Means Committee, as well as their senators and representatives about the alternative fuel mixture tax credit.

What You Can Do

You can help with this effort by calling your senators and making them aware of how the alternative fuel mixture tax credit is necessary to improve the environment, increase the paper sector’s use of renewable fuel, maintain a viable paper industry in this country and retain family-supporting jobs that make small town and rural communities strong. Be sure to also call the following senators on the Senate Finance Committee:

Senate Finance Committee Members

Democrats:

Max Baucus, Montana
John D. Rockefeller IV, West Virginia
Kent Conrad, North Dakota
Jeff Bingaman, New Mexico
John F. Kerry, Massachusetts
Blanche L. Lincoln, Arkansas
Ron Wyden, Oregon
Charles E. Schumer, New York
Debbie Stabenow, Michigan
Maria Cantwell, Washington
Bill Nelson, Florida
Robert Menendez, New Jersey
Thomas Carper, Delaware

Republicans:

Chuck Grassley, Iowa
Orrin G. Hatch, Utah
Olympia J. Snowe, Maine
Jon Kyl, Arizona
Jim Bunning, Kentucky
Mike Crapo, Idaho
Pat Roberts, Kansas
John Ensign, Nevada
Mike Enzi, Wyoming
John Cornyn, Texas

Contracts that Reopen in May

If the re-opener date for your local contract is not listed here, please contact PT editor Lynne Baker at lbaker@usw.org to have your contract listed. (The re-opener date is not the expiration date.)

Georgia-Pacific, Duluth, MN, 05/01/2009
Temple-Inland, Middlesex, NJ, 05/01/2009
Commercial Envelope, Deer Park, NY, 05/01/2009
Middlesex Container, Milltown, NJ, 05/01/2009
Caraustar Industries, Versailles, CT, 05/01/2009
Appleton Coated, Combined Locks, WI, 05/01/2009
Menasha Corp., Neenah, WI, 05/01/2009
Neenah Paper, Neenah, WI, 05/01/2009
International Paper, Cantonment, FL, 05/01/2009
International Paper, Fort Wayne, IN, 05/01/2009

Wausau Paper, Mosinee, WI, 05/01/2009
Hub Folding Box Co., Mansfield, MA, 05/02/2009
International Paper, Richmond, VA, 05/02/2009
Green Bay Packaging, Cincinnati, OH, 05/02/2009
Graphic Packaging (closing 3Q 2009), Morris, IL, 05/02/2009
Barger Packaging, Inc., Elkhart, IN, 05/02/2009
Green Bay Packaging, Wausau, WI, 05/02/2009
SCA Tissue, Menasha, WI, 05/02/2009
SCA Tissue, Neenah, WI, 05/02/2009
KapStone Paper & Packaging, N. Charleston, SC, 05/03/2009
Tinicum Research, Frenchtown, NJ, 05/15/2009
Neenah Paper, Munising, MI, 05/15/2009
Corrugated Supplies, Bedford Park, IL, 05/16/2009