

Georgia House Rural Development Caucus Meeting

Georgia Paper and Forest Products Association

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Industry Overview - Georgia

- ▶ Substantial history - dating to early 20th century
- ▶ 12 Manufacturing members include
 - ▶ Pulp and Paper
 - ▶ Consumer and Corrugated packaging
 - ▶ Building products
 - ▶ Lumber and sawmills
 - ▶ Real estate investment trusts
 - ▶ Fiber-based consumer products
- ▶ Sustainability - Georgia offers abundant resources when forests are responsibly managed
- ▶ Many members are highly integrated
- ▶ Capital and energy intensive, trade-exposed
- ▶ Industry manufacturing is largely located in rural Georgia

Economic Impacts

2015 industry data

- ▶ \$19.2 billion revenue
- ▶ Directly employ 50,385 people
- ▶ \$3.55 billion in wages and salaries
 - ▶ Forest products industry ranks #1 across all manufacturing industries for total compensation

Multiplier effects

- ▶ \$32.2 billion in total revenue
- ▶ Support 133,256 jobs
- ▶ \$7.9 billion in wages and salaries

Total output, employment, and compensation have all seen gains over the last five years

Pulp and Paper Sector Impacts

22 pulp and paperboard mills support Georgia's consumer and corrugated packaging, performance fiber, tissue production, and other converted paper manufacturers

- ▶ 65% of total output across forest products industry
 - ▶ \$12.5 billion in revenue
 - ▶ 18,919 direct employment
- ▶ 51% of total compensation - \$1.8 billion annually
- ▶ 38% of total employment

In 2015, pulp and paper products **increased output by 14.1%**, its **employment by 2.1%**, and its **compensation by 14%**, year-over-year

Industry Challenges

Direct

- ▶ Hiring
- ▶ Turnover
- ▶ Aging workforce
- ▶ Skills and training gaps

Indirect

- ▶ Access to federal, state, local employment resources
- ▶ Program applications and compliance
- ▶ Logistics - moving products for further processing and to customers
- ▶ Fully leveraging incentives available for capital investments

Workforce Barriers

Desire for efficient and effective access to programs for members with multiple locations around the state

- ▶ Multiple layers of ownership for programs administered through GDEcD, DCA, and local Boards
 - ▶ Standardize rules and process for incumbent working training funds to provide consistency for large, multi-site businesses
- ▶ Simplify marketing messages from multiple programs
 - ▶ Ensure application and compliance requirements are clearly communicated
- ▶ Prioritize incumbent worker training programs
 - ▶ The ability to upskill incumbent employees has a greater upside than recruiting new hires
- ▶ Apprenticeship opportunities and programs

Logistics and Transportation

The forest products industry is a significant user of transportation services across all modes

- ▶ Nationwide shortage of transportation capacity and inefficiencies
- ▶ Truck driver shortages
 - ▶ Aging workforce
 - ▶ Public perception
 - ▶ Turnover

Tax Policy

Integrated Plant Theory

- ▶ Georgia historically recognizes that inputs to the manufacturing process should not be taxed

Investment Tax Credits (ITCs)

- ▶ Applicability - up to 50% of state income taxes
- ▶ Limitation - manufacturers who export more goods have less eligible tax liability

Recommendations

- ▶ Allow manufacturers to apply remaining credit to payroll taxes
- ▶ Allow manufacturers to elect whether to apply ITCs against income or payroll taxes