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City Reaffirms Major Industry Tax Strategy

The City of Campbell River intends to continue its approach to reducing dependence on major industry taxation, after receiving a proposal by its largest major industry tax contributor that outlines its intention to pay according to a “consumptive” taxation model.

Catalyst Paper has asked the Province to implement a consumptive tax model as a pilot project and first step toward industrial property tax changes in the Province. Under a consumptive tax model, Catalyst would only pay for the services it deems to consume.

The company’s proposal would amount to a reduction of \$4.5 million in their municipal taxes. This reduces Catalyst’s contribution to the total municipal levy, previously at about 26 per cent, to about five per cent.

“We certainly understand Catalyst’s situation,” says Mayor Charlie Cornfield. “Council is not prepared to support the consumptive model for taxation that Catalyst is proposing. We support the current taxation structure that benefits the entire community,” he emphasizes.

Mayor Cornfield confirms the City will continue to reduce our reliance on major industry’s contributions to the tax levy. *“The City’s efforts so far have saved Catalyst and other major industry millions over the years. As well, we’re looking at every opportunity to reduce the impact of Catalyst’s proposal on our taxpayers,” the Mayor confirms. “If the Province intends to reduce the tax load for major industry, then we require financial assistance for our community over a negotiated time period. Such financial assistance would allow the community to adapt. For residential taxpayers to fully absorb the impact of this proposal without financial assistance, on average would mean a 30 per cent increase in residential property taxes – with no increase in service levels.”*

Councils over the years have worked to reduce the community’s reliance on major industry taxation. In 2002, a five-point plan to reduce major industry taxation was adopted. Plan highlights:

- No additional taxation on new capital investment in the major industry classification unless the major industry tax rate multiple is less than four times the residential rate;
- Target percentage of taxes from major industry to be less than 25 per cent of the total levy by or before 2010 (In 2006, Council directed the target be achieved by 2009);
- Where production capacity is removed from major industry (Class 4) recognition will be given to lowering the amount of the property taxation levy from the major industry class based on the taxable assessment reduction provided by the British Columbia Assessment Authority;
- Any additional taxes received from new investment in Class 2 (Utilities) will be used to reduce major industry share of tax levy until the share of the major industry tax levy is less than 25 per cent of the total tax levy or the major industry tax multiple is less than four times the residential rate, whichever comes first;

- That Council works with other local governments and major industry partners to engage in discussions with the provincial government on providing local governments with other sources of revenue in order to lower local government dependence on property taxation.

In addition to the City's continued effort to reduce taxation for major industry, a 2008 announcement by the Province granted a 50 per cent rebate on school taxes to major industry, reducing the Catalyst Paper Elk Falls operation 2009 property tax bill by more than \$542,000.

The City's major industry property tax stabilization program as outlined above has saved this tax class a total of \$7.6 million since the program began, and the tax burden of major industry has been reduced to 26 per cent of the levy in 2008 from over 35 per cent in 2002.

The cost of major industry property tax reduction had been primarily shared by residential and business taxpayers. A Council policy that caps the tax levy for the business class at no more than 20 per cent of the total levy means that any new shortfall in major industry taxes will be borne primarily by the residential taxpayers.

Mayor Cornfield acknowledges other factors from currency to fuel prices and changes in the wider forest industry play significant roles. *"In the case of TimberWest sawmill at Elk Falls, reduced taxation didn't save that operation,"* he points out.

"We're in this together, and we have had meetings with Catalyst representatives to find ways to help," affirms Mayor Cornfield. *"The long-term economic health of our community and local industry are linked. Property taxes fund infrastructure, facilities, services and recreational opportunities that make the community attractive to the high-calibre employees major industry wants to attract and retain. Catalyst is challenged by global market driven forces, and property taxes represent a very small portion of their overall operating costs,"* he adds.

"This is an extremely important issue for our community and other small communities that benefit from major industry tax revenues. While we cannot control factors like world markets and currency fluctuations, we continue to implement our policy of lowering major industry taxation. We also continue to work with the Province to diversify our economy and further reduce our dependence on major industry property taxes," says the Mayor.

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