



**American
Forest & Paper
Association**
www.afandpa.org

Economic Stimulus: Manufacturing & Green Jobs

The American Forest & Paper Association (AF&PA) is the national trade association of the forest products industry and advances public policies that promote a strong and sustainable U.S. forest products industry in the global marketplace. The industry is an integral part of our nation's green job base and generates approximately 6 percent of the total annual U.S. manufacturing GDP.

AF&PA's member companies make pulp, paper, packaging and wood products, and own forest land. Our companies make essential products from renewable and recyclable resources that sustain the environment. Nationwide, the U.S. forest products industry:

- Employs approximately one million workers — on par with the nation's automotive and plastics industries.
- Provides green jobs that reduce greenhouse gases by sustaining the forests that absorb carbon dioxide; making the paper and wood products that store it indefinitely; generating and using more renewable energy than anyone else—28.5 million megawatt hours annually, enough to power 2.7 million homes; and recycling paper to avoid methane emissions and reduce waste.
- Is among the top ten manufacturing sector employers in 48 states.
- Is a significant taxpayer, paying approximately \$7 billion annually in federal, state, and local taxes.



IMPACT OF THE ECONOMIC CRISIS

The forest products industry has suffered a severe and disproportionate blow in the recent economic crisis. Just a few numbers illustrate the problems that our industry is facing:

- **Severe Job Losses:** Since 2006, the industry has lost more than 300,000 jobs—almost one quarter of our workforce. These jobs are critical for the survival of the rural communities where our facilities are often located.
- **The Economy and Paper:** The declining economy has reduced the demand for consumer goods and advertising products, and therefore their associated packaging and paper products. Production of paper and paperboard packaging plunged 15 percent from November 2007 to November 2008—one of the sharpest declines on record. Recycled paper's use in new paper fell 8 percent during October-November 2008 compared to the previous year.
- **Record-low Housing Starts:** Housing starts slumped to a seasonally-adjusted annual rate of 625,000 units in November, which was down 47 percent relative to November 2007 starts and which marked the lowest level since the government began collecting data back in 1959. The deepening recession and large unsold home inventory do not bode well for a quick housing recovery.
- **Threats to Natural Resources:** The inseparable link between the industry and the forest means that the economy's impact extends beyond product demand and jobs to the environment itself. Together, the decline in paper and wood products sectors threatens the sustainable forestry practices that the industry makes possible, as well as raises the risk of unproductive forestland being sold for development and lost forever.

ECONOMIC STIMULUS RECOMMENDATIONS

Support Manufacturing & Green Jobs

- **Support Existing Renewable Energy Investments Under Section 45:** The forest products industry generates approximately 80 percent of all renewable biomass energy, making it the nation's largest industrial renewable energy producer. The BTU equivalent of more than 200 million barrels of oil is prevented annually because AF&PA member paper and wood products mills generate, on average, 66 percent of their energy needs from carbon-neutral renewable biomass. The Section 45 tax credit for biomass facilities should be strengthened by expanding the credit to include on-site use of electricity produced from biomass. Credit for on-site usage would preserve green jobs and recognize the existing use of biomass as a renewable and stable energy source.
- **Renewable Portfolio Standard (RPS):** As the largest producer of renewable biomass power in the country, the forest products industry opposes a national renewable portfolio standard (RPS). If a federal RPS is enacted, it should recognize the industry's existing renewable electricity and promote sustainable forest management. Under many federal RPS proposals, renewable electricity produced at existing forest products facilities would not qualify for renewable energy credits, while the same energy produced by others generators would. Such a policy would not recognize the industry's renewable energy contributions nor preserve and promote green jobs in the wood and paper industry.
- **Encourage the Use of Wood in Green Building:** Wood is the ideal green building material. The federal government should encourage green building without granting an exclusive monopoly to any one green building rating system.



Improve Transportation Efficiency

- Increasing truck weight limits meets Congressional and Obama Administration goals of improving highway safety, decreasing carbon emissions, reducing use of and dependence on fossil fuels, easing road congestion, increasing manufacturing and agriculture efficiency, improving global competitiveness, and increasing capital investment in vehicle upgrades. The gross vehicle weight limit should be increased from 80,000 pounds to 97,000 pounds on federal interstate highways for vehicles equipped with an additional axle. Shippers across the nation are willing to pay a fee for this benefit and see these additional funds provide for bridge repair. The efficiencies produced from this policy improvement would help save countless manufacturing and agriculture sector jobs.

Revitalize Housing

- Congress should provide immediate relief to the ailing housing industry by enhancing the Home Buyer Tax Credit to stimulate purchases of new and existing homes and providing low-rate mortgages for future home purchases. Arresting the decline in home values and easing the foreclosure crisis are critical to restoring consumer confidence and beginning the economic recovery.

Provide Tax Relief

- Corporate AMT/NOL (Net Operating Loss) Reform: Help industries that have incurred losses in recent years by enacting provisions similar to those in 2002's Job Creation and Worker Assistance Act and extend from two to five years the carry-back period for NOL's incurred in 2008 and 2009, as well as suspend the 90 percent limitation on the utilization of AMT NOL's for losses generated or taken as carry forwards for 2008 and 2009. This would help alleviate financial burdens on companies struggling from cash flow and tight credit problems, help prevent further layoffs, and retain jobs.
- TREE Act Provisions: Make permanent the expiring TREE Act provisions of last year's Food, Conservation, and Energy Act of 2008 (P.L. 110-234) to continue the 15 percent tax rate on the sale of timber for "C" corporations and modernize the rules under which timber REIT's operate. Letting this credit expire equates to a tax increase on a weakened industry at a time when it is least able to cope with it.
- International Tax--Section 956 Modification: Easing restrictions on certain, short-term international loans to help capital intensive industries, like the forest products industry, that are especially harmed from the current lack of available capital.

Protect Pensions and the Companies That Pay Them

- The drop in value of pension plan assets combined with the credit crunch has placed defined benefit plan sponsors and their employees in a difficult position. Congress took a good first step by enacting the Worker, Retiree and Employer Recovery Act of 2008, which made important changes to the Pension Protection Act of 2006 to help companies address the current unprecedented financial crises. More reforms are necessary to ensure a healthy private pension system for American workers.

Invest in Public Resources: the Nation's Forests

- As part of efforts to invest in publicly-owned resources like highways and schools, Congress and the Administration should invest needed resources to better manage the nation's public forests through hazardous fuels reduction, burned area reforestation and rehabilitation, and road repair and maintenance. Further, the Congress and Administration should develop and enact reliable dedicated funding sources to fight the most catastrophic fires so that public lands may continue to be managed for public access, fish, wildlife, recreation, forestry and other multiple uses.