



The days of the forest industry being gouged are gone

By Jim Stirling

Senior governments are proven experts at burying their heads in the bureaucratic sand and outwitting those with ticklish viewpoints to lose interest in frustration and go away. The strategy has been largely effective.

But try as they might--and they have for years--the taxation rates municipalities levy on industry operating within their borders is an issue that just won't go away. It will require some imaginative legislative balancing by the provincial Liberal government in British Columbia to forge an equitable long term solution.

Every time there's a pronounced economic downturn afflicting the province, the grumbles resurface from the big industrial operators--which in the hinterlands is traditionally forestry and other natural resource based industries.

Forest companies, especially those operating in mid-size and small communities, complain the industrial tax rates imposed on them by the municipalities in which they operate, and where they have processing facilities, is way out of proportion with the use they actually make of municipally-provided services.

Gore the big fat cats, they can afford it, was the unspoken mantra for municipalities--and the province has let them get away with it.

Well, it seems those days are gone. The cats are nowhere near as big or fat as they were perceived to be. In their place are lean, mean alley fighters bent on survival. And their fangs are bared against what they believe is municipal tax gouging as they forage for ways to shave costs.

Catalyst Paper has been championing the revolt in British Columbia, watched closely by a growing cluster of other forest companies, including sawmill operators. This past January, Catalyst served notice that come tax paying time in July, that Port Alberni, North Cowichan, Campbell River and Powell River on the B.C. coast could expect a combined total of \$6 million in annual taxes instead of the \$23 million the municipalities were expecting.

Catalyst followed through on its ultimatum, delivering about 25 per cent of what the municipalities were expecting.

Catalyst funded a study to indicate the perceived unfairness of municipal tax formulas. It showed that in North Cowichan, for example, Catalyst was paying 44 per cent of the municipal services bill--while consuming less than seven per cent. Residents picked up the tab for 40 per cent of the bill despite consuming 68 per cent of the services. In Campbell River, the study said Catalyst paid 26 per cent of the tax bill while consuming five per cent of the services, compared to residents who paid 50 per cent of taxes while consuming 68 per cent of services.

Industry's point is well illustrated by the figures, even making allowances they come from a Catalyst-funded study.

Other forest companies also used the July municipal tax deadline to demonstrate their dissatisfaction with the status quo. Mercer International withheld payment of its taxes, instead filing a petition in B.C. Supreme Court challenging the community of Castlegar's municipal tax bylaw. TimberWest Forest is similarly challenging its tax bill in Campbell River.



Industry can be accused of being heavy-handed in their attitude toward their municipal partners. But it's a function of the unprecedented times the forest industry is enduring coupled with this being a long-term irritant. And industry has the leverage. Catalyst warned their municipalities and the provincial government that if the status quo is maintained, its alternative action could be the closure of a pulp mill.

That could mean the loss of more than 800 jobs. It doesn't take long at all for that impact to negatively impact the local housing market, retail, commercial and service sectors of small and medium size communities--as well as further hindering the financial ability of the municipality to function efficiently.

It's not difficult to have some sympathy for the municipalities in all this. They're being called to task for allegedly gouging industry but there are legislative constraints about how municipalities can function.

They can't run deficits, per se, like a provincial government. And the province is not beyond off-loading services to municipalities just as the federal government will fob off services to the provinces. And municipal taxpayers, quite rightly, insist on certain service levels in their communities and upgrades and improvements to civic infrastructure and services. It should be noted, some municipalities have taken some grudgingly small steps toward lowering their industrial tax levies.

The courts might establish a signpost to the complicated issue, but given that system's structure and appeal processes, nothing is likely to be soon resolved.

The provincial government protesting and searching for loopholes as it undoubtedly will do--will have to face the issue head-on. And that means dealing with the root of the problem. If the government tries to assuage the grieved parties taking action like Catalyst, Mercer and TimberWest, it will produce an outcry from the rest of the industry and others. It would create an unfair advantage.

Whatever course of action the government adopts needs to be fair and equitable across the board. A way to accomplish that is establishing a workable and more equitable formula based on the actual use made of municipal services by all taxpayers. It would take time to implement a balancing act. And that wouldn't please industry but other taxpayers couldn't bear the cost burden and services would be severely compromised without some form of temporary financial bridging from the provincial government.

It's the penalty to pay for system neglect.