

The Franklin Mill Closure

ECONOMIC IMPACT ANALYSIS



Presented to the Hampton Roads Planning District Commission
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Background

- Camp Manufacturing – Founded the Mill in 1887
- Mill began making paper in 1938
- Camp Manufacturing merged with Union Bag Company in 1956 to become the Union Camp Corp.
- International Paper executed a takeover of Union Camp in 1999
- IP shed \$5B in assets between 2001 and 2003 to pay down debt
- IP has been undergoing significant restructuring since 2005, selling off significant forestland holdings as well as several product lines and subsidiaries.

CURRENT CAPACITY

- Uncoated Freesheet- 3 machines which produced 19% of IP's Capacity
- Coated Paperboard- 1 machine which produces 7% of IP's Capacity
- A total of 740,000 Tons of Capacity

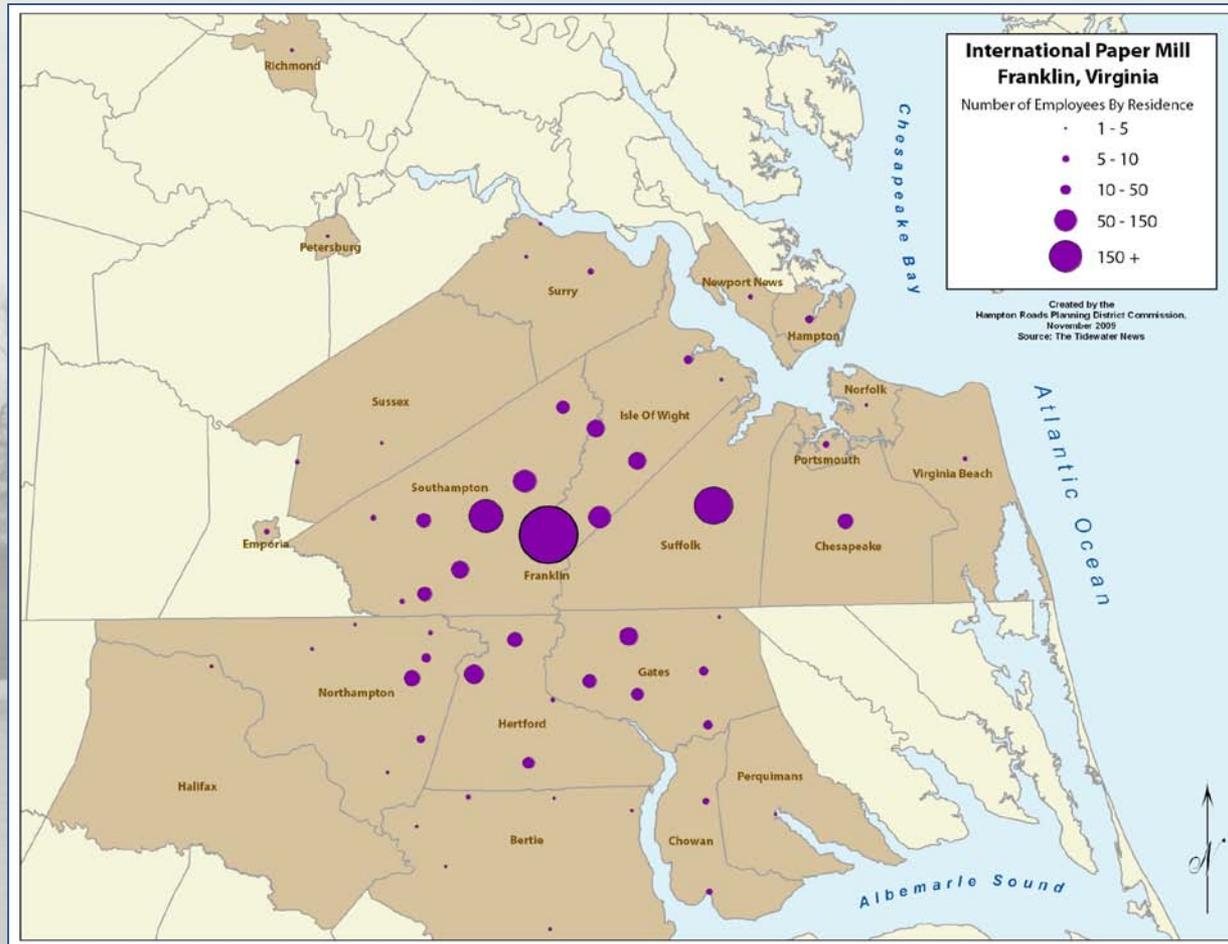
The Franklin Mill . . .

- One of four IP mill closings announced Oct 22nd
- Have allocated \$60M to potential severance costs
- 45 Customer service jobs will remain in the region
- 1100 workers will lose jobs with an average wage of ~\$74K (average wages in VA \$48K, HR \$39K)

Worker Impacts

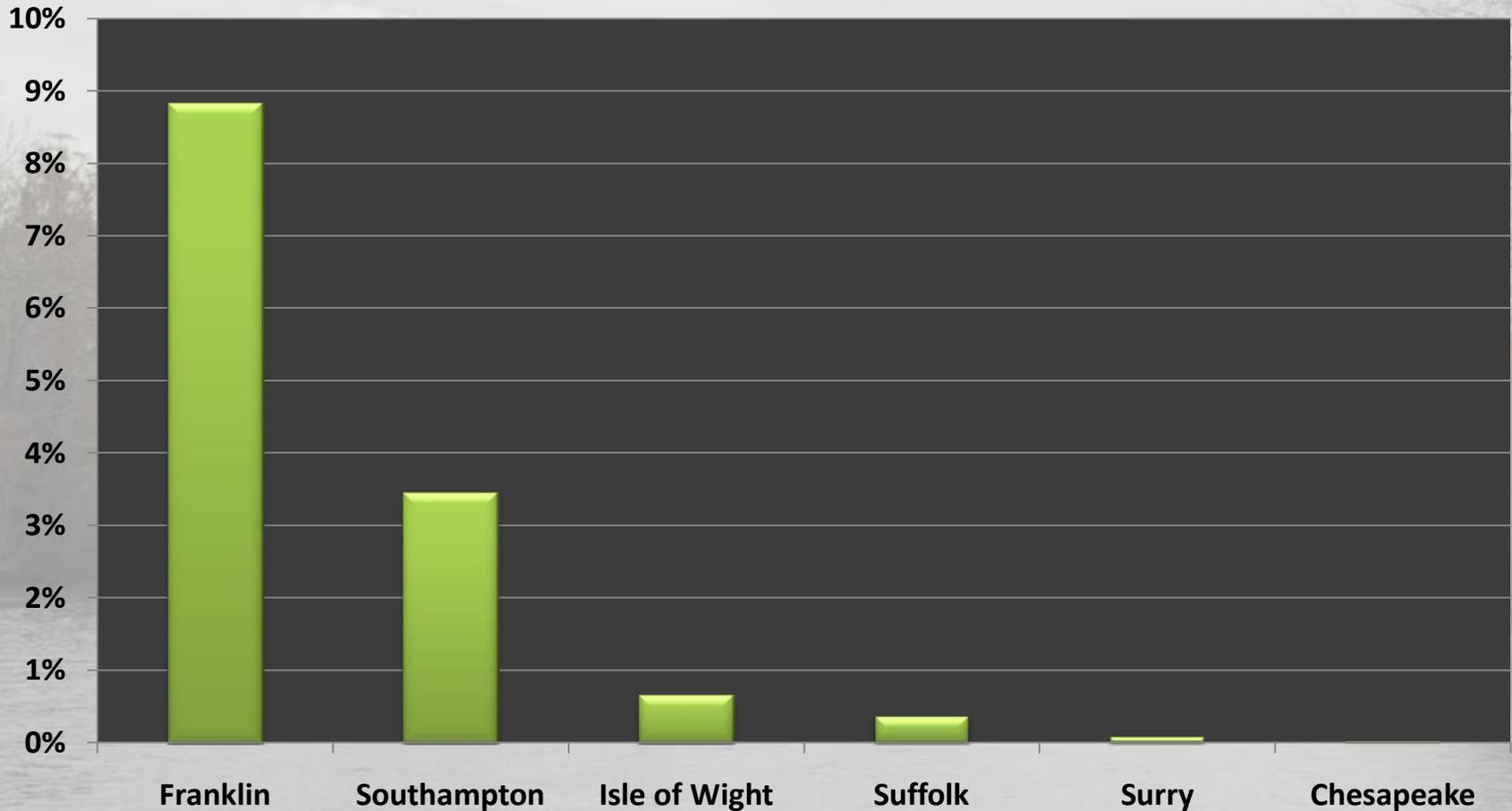
- 321 eligible for early pension (those over 50 years old with 20+ years of service)
- 166 hourly employees will be released Dec 31st
- An additional 770 hourly, and 187 salaried employees will be released in the first quarter of 2010
- Severance Package (Hourly Rate * 42 hours of work * 1.5 weeks per yos)
- Employees will be eligible for unemployment insurance

Distribution of Employment



Mill Employment as a Percent of Total Employment

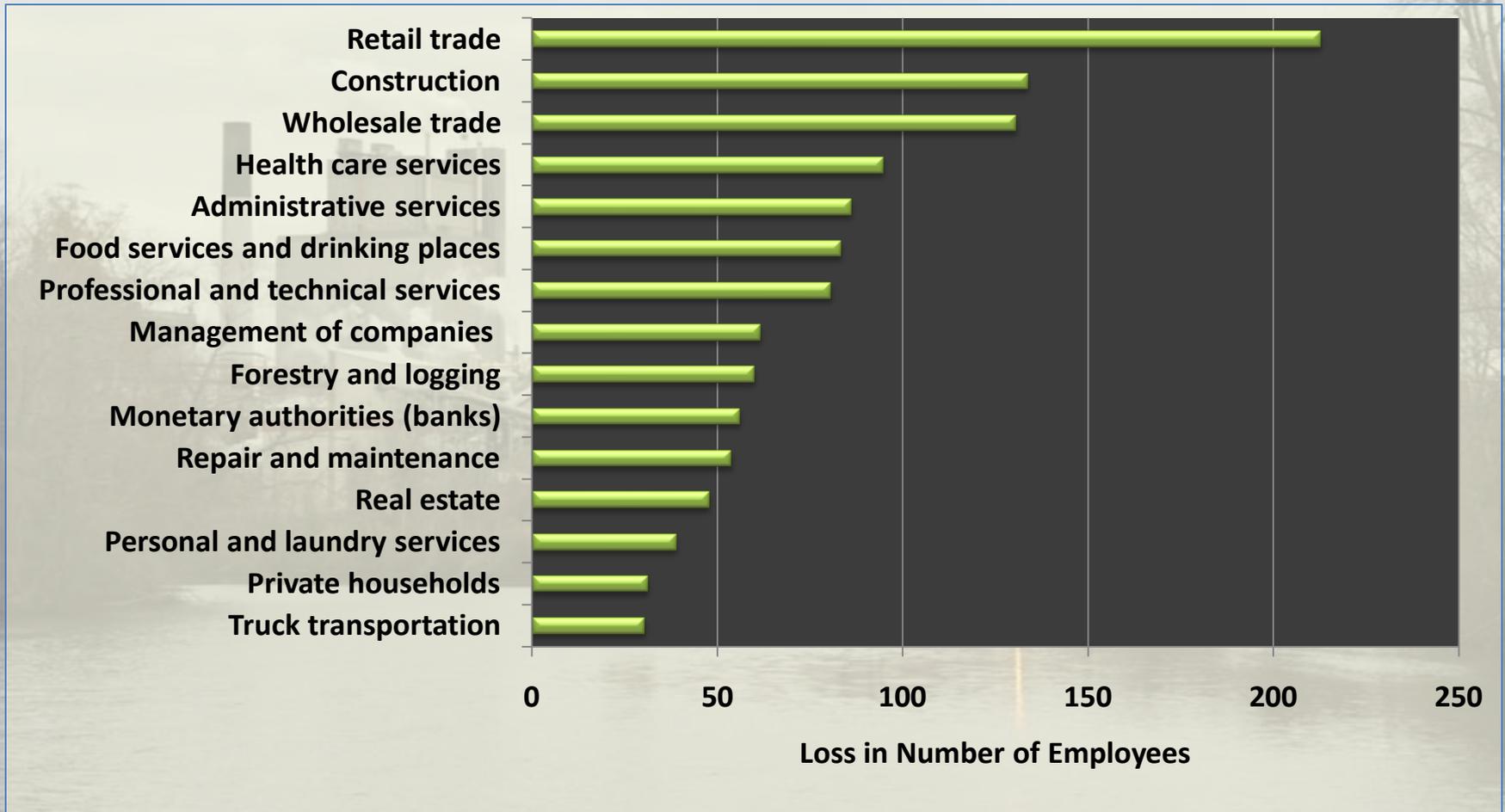
By Place of Residence



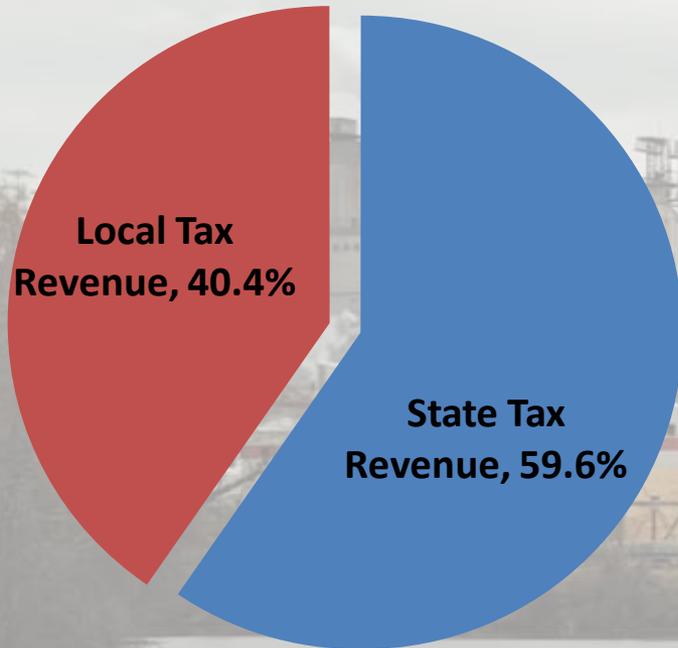
Estimate of Regional Economic Impact

- Total Employment Loss- 2,850 Jobs
(1,100 Direct + 1,750 Indirect & Induced)
- Private Non-Farm Employment Loss- 2,550
- Loss in Gross Regional Product- \$310M
- Loss in Regional Personal Income- \$180M
- Decline in Regional Population- 600+ persons

Other Industries Impacted



Annual Tax Implications of Closure



\$29.2 Tax Revenue – Statewide

- Corporate Income Taxes
- Individual Income Taxes
- Machinery and Tools Tax
- Real Property Taxes
- Other Taxes

Source: *Virginia Economic Development Partnership*

Potential Reuses of Plant

- New paper factory- IP indicates this is highly unlikely
- Biomass- Already has supply chain in place
- Logistics- Access to two rail lines & port
- Precision Manufacturing- Access to skilled workers
- Food Manufacturing/Processing- H2O resources
- Information Technology

National / State / Regional / Local Responders

- Congressional Delegation (VA & NC)
- State and Local Elected Officials
- Governor's Office
- Secretary of Commerce and Trade
- State Agencies
 - Department of Economic Development
 - Department of Forestry
 - Department of Mines, Minerals and Energy
 - Department of Environmental Quality
 - Department of Agriculture and Consumer Services
 - Department of Housing and Community Development
- Workforce Development Boards
- I.O.W. Department of Economic Development
- Franklin & Southampton Department of Economic Development
- Chamber of Commerce
- HREDA
- HRPDC
- Others

HRPDC will continue to evaluate economic development impacts as requested.

QUESTIONS?