

The Road to Renewal for B.C.'s Pulp and Paper Industry

- B.C.'s pulp and paper industry is at a crossroads with respect to its future economic prospects. The industry is facing increased global competition, growing concerns about fibre availability and affordability, and pressures from the strong Canadian dollar.
- The B.C. pulp and paper industry has fallen behind competitors in other regions in areas such as R&D, new technologies, government support and the formation of global companies. Strategic reinvestment encouraged by sound public policy could facilitate and accelerate the revitalization of the sector in B.C.
- B.C.'s Northern Bleached Softwood Kraft (NBSK) mills are high cost in terms of delivered cost to natural markets — especially those on the Coast. Newsprint producers in B.C. are also high cost. The recent rise in the value of the Canadian dollar has made the situation more urgent by reducing margins substantially.
- The capital assets in B.C.'s pulp and paper sector are older than in competing jurisdictions and the reinvestment rate is below the level required to sustain their already weak competitive position. The 4% return on capital employed achieved by the industry over the past 15 years has severely constrained the industry's access to capital.
- B.C.'s large supply of high quality fibre remains its core competitive advantage. However, it is at risk. The ongoing pine beetle infestation will reduce interior harvest volumes by more than 25% over the next 10 years.
- There is potentially a growing use for biomass. Policies are required that can enable the pulp and paper sector to benefit from opportunities in demand for biomass-based energy. Done properly, there should be room for both the pulp and paper sector and an independent power industry to benefit from biomass.
- The road to renewal is clear — consolidation, restructuring and subsequent reinvestment in world-class assets. The industry needs fewer, larger companies in order to benefit from competitive advantages in cost of capital, investment capacity, supply chain leverage and innovation. Restructuring will ensure that only economically viable assets are supported.
- Significant capital investments in B.C.'s pulp and paper sector can be encouraged by:
 - ⇒ developing and supporting energy policies that provide revenue incentives for biomass-based energy produced by the pulp and paper sector;
 - ⇒ establishing a tax structure—particularly municipal property tax rates—that is more in line with competing jurisdictions;
 - ⇒ supporting employee training and development at all levels, including apprenticeships, technical training, and management training; and
 - ⇒ funding research that encourages knowledge-creation and innovation, while supporting the sawmill sector in making the transition to post-pine beetle forest conditions.

- Abitibi Consolidated
- Catalyst Paper
- Neucel Specialty Cellulose

- Canfor Corp.
- Domtar
- Pope and Talbot

- Canfor Pulp Limited Partnership
- Howe Sound Pulp and Paper
- Tembec

- Cariboo Pulp
- Mercer International
- West Fraser