

**FOR IMMEDIATE RELEASE**

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## **B.C.'s pulp and paper sector in need of renewal – Study**

- *B.C.'s pulp and paper industry is facing increased global competition, growing concerns about fibre availability and affordability, and pressures from the rising Canadian dollar*
- *Poor market conditions have resulted in a return on capital employed of only four percent over the past 15 years; far below the 12 per cent minimum for a healthy industry*
- *Global markets offer significant opportunities*
- *Policies are required that can enable the pulp and paper sector to benefit from opportunities in the growing demand for biomass-based energy*

VANCOUVER – A new report released today by the B.C. Pulp and Paper Task Force warns that B.C.'s pulp and paper industry is falling behind its competitors in other regions and requires strategic reinvestments and sound public policy if it is to be renewed.

The task force, which includes representatives from all 20 pulp and paper mills in B.C., commissioned Poyry Forest Industry Consulting to conduct an assessment of the industry's competitive position and its future economic prospects.

The Poyry report found the industry's major challenges include increased global competition, growing concerns about fibre availability and affordability — particularly with the pine beetle epidemic — and rising pressures from the strong Canadian dollar.

"The pulp and paper sector has suffered from poor returns on investment for a prolonged period of time due to poor market conditions," said David Gandossi, chair of the B.C. Pulp and Paper Task Force. "The result is that the industry has not made the kinds of capital investments required for a sustainable industry; clearly, this has to change."

According to the report, due to poor market conditions, 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. In addition, the industry has achieved only a four per cent return on capital employed over the past 15 years, which is far below the minimum 12 per cent return expected for a healthy industry.

On the positive side, B.C.'s pulp and paper sector is well established, it has experienced personnel and global markets continue to offer significant opportunity for companies in B.C. In addition, the industry benefits from a large and high quality fibre basket that can continue to supply a viable pulp and paper sector; particularly if policies are developed that enable the pulp and paper industry to benefit from opportunities in the growing demand for biomass-based energy.

"Competing jurisdictions have transitioned to a green economy by developing new policies that recognize pulp and paper operations for their renewable electricity, carbon credits, liquid bio-fuels and green specialty chemicals," said Gandossi. "Government policies in these jurisdictions recognized pulp and paper for its green economy strengths, which resulted in significant industry reinvestment."

According to the Poyry report, 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.

The report, *Future Development of BC's Pulp and Paper Industry*, is available online at [www.PulpandPaperBC.ca](http://www.PulpandPaperBC.ca).

Today's report is the second in a series of competitiveness studies conducted for the Task Force. Last month, an economic impact study conducted by PricewaterhouseCoopers LLP found that B.C.'s pulp and paper industry contributes \$4 billion in economic benefits to B.C. and provides jobs for 30,000 British Columbians. The PwC report also found that, since 1990, the industry has reduced its greenhouse gas emissions by 62 per cent, which is equivalent to removing 600,000 vehicles from our roads.

-30-

### **About the BC Pulp and Paper Task Force**

The Pulp and Paper Task Force is a co-operative made up of representatives of industry, labour and government. Its members include all 20 pulp and paper mills located across B.C. As a group, the task force works to present an understanding of the value of this sector to the province of British Columbia. As one of B.C.'s largest industrial employers and single largest consumer of electricity, the sector is the backbone of many communities and contributes extensively to the provincial economy.

Task Force member companies include: Abitibi Consolidated; Canfor Corporation; Canfor Pulp Limited Partnership; Catalyst Paper; Cariboo Pulp; Communications, Energy and Paperworkers Union of Canada; Domtar; Government of British Columbia; Howe Sound Pulp and Paper; Mercer International; Neucel Specialty Cellulose; Pope and Talbot; Pulp, Paper and Woodworkers of Canada; Tembec; and West Fraser.

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