



There are some significant differences between the pulp and paper industries in Canada and the United States, particularly the Southeast, that can affect the marketability of some Canadian equipment and services in the study area. For instance, the largest segment of the Canadian industry is dedicated to newsprint and market pulp, whereas in the southeastern United States the emphasis is more on fine and coated papers and converted kraft products. Equipment selection criteria is different because the availability of widespread, inexpensive hydroelectric power is missing in the Southeast where most electrical power is generated from fossil fuel or nuclear power. It is common to find mill purchased electrical costs of \$0.05 (US)<sup>1</sup>/kWh as compared to average Canadian costs of \$0.025 (US)/kWh. Various forecasts have predicted that electrical costs in the Southeast will increase to \$0.10 to 0.15/kWh by 1990. Natural gas costs in the United States have been deregulated for several years. Current natural gas costs at southeastern pulp and paper mills average \$4.00/MCF, with predictions of price increases to \$9-10/MCF by 1990. The size and integration of southeastern paper mills is also significant. The U.S. mills in the study area have an average production capacity of 1000 to 1500 TPD, which is generally larger than Canadian mills. The manufacturing facilities in the Southeast tend to be integrated pulp and paper mills rather than stand-alone pulp mills. Fiber furnish to the mills generally is based on a higher percentage of roundwood than chips as compared to Canadian mills. The dominant wood species is southern pine, mainly loblolly pine, which is more resinous and knotty than the Canadian species - hemlock, spruce, and balsam fir - and therefore requires different pulping and bleaching processes. Labor costs are lower in the southeastern U.S. because of a lesser degree of unionization. The result of these collective differences is that Canadian manufacturers must carefully analyze their products and services before attempting to penetrate the U.S. markets.

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<sup>1</sup> All costs in this report are in terms of U.S. Dollars.