

COMPETITIVENESS PROGRAMPULP SECTORA. Sector Status

- The pulp sector consists of 52 mills owned by 41 companies and has a capacity of 11.5 million tonnes. Of this 49 per cent is located in British Columbia, 19 per cent in Quebec, 15 per cent in Ontario, 9 per cent in New Brunswick, 6 per cent in Alberta and Saskatchewan and 2 per cent in Nova Scotia.
- In 1984 the sector produced 20 million tonnes of pulp. Of this 7 million tonnes were exported for a value of \$3.9 billion the remainder was used domestically.
- The total direct employment of the sector is 22,300.
- It is estimated that the sector is 82 percent Canadian owned.
- The 5 largest companies are:
 1. MacMillan Bloedel Limited, B.C.
 2. B.C. Forest Products Ltd., B.C.
 3. Westar Timber Limited, B.C.
 4. Great Lakes Forest Products Ltd., Ontario
 5. Norchwood Pulp and Timber Ltd., B.C.
- The Management/Labour relations are characterized by high wage demands and relatively long strikes.

B. Markets

- The United States is Canada's largest customer for market pulp. Although the U.S. is largely self sufficient, 3,605,402 tonnes were imported from Canada in 1984 or 84 per cent of its import requirements.
- Western Europe uses annually less than half the amount of pulp used in the U.S. but is much less self sufficient and purchases nearly three times as much market pulp mostly from Scandinavian countries. Canada supplied 1,725,938 tonnes in 1984 or 20 per cent of the total Western European import requirement. The European market is mature and will provide few opportunities for increased market share.
- Competition from Scandinavian pulp producers has increased significantly since their currency devaluations in 1982.
- Asia is the only other major market for market pulp importing nearly 2.5 million tonnes in some years with Japan accounting for about half of this. In 1984 Canada supplied 1,250,364 tonnes to this market or about 50 per cent of Asia's total import requirement.

C. Investment and Competitive Position

- The financial position of the major forest products companies, especially the pulp producers in western Canada has been precarious since the recent recession. Their dependency on lumber revenue has been a major contributing factor. Very little capital will be available for new investment in the near future.
- Canadian producers are competitive with respect to size and age of facilities. With respect to production costs, Western Canadian mills are competitive on the U.S. market, but some Eastern mills are losing money at 1984 selling prices.
- Pulp enters most countries, including the U.S. free of duty.
- Although pulp enters the EEC duty-free there has been a constant harassment in the form of dumping and price fixing investigations to discourage North American pulp producers from competing for market share.