Ontario’s Response to the Challenges Facing the Forest Products Industry

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Snap Shot of Ontario Industry in 2004

- 35 major sawmills
  - 3.0 bbft sw .5 bbft hwd
- 19 pulp and paper mills
  - 3.0 M tons (newsprint, UFS, pulp)
- 5 OSB mills
- 5 particleboard and MDF
- 6 veneer/plywood
- 25-28 million m3 roundwood
- 32,000 primary mill workers (42,000 secondary)
- 60% export to U.S.
Ontario Industry in 2008

- 70% of lumber mills closed
  - Indefinite/ permanent
- 9 (45%) of pulp and paper mills closed
  - 3 re-starts new owners
- 4 OSB mills shutdown – 2 re-starts
- 3 MDF/particleboard closed
- 4 plywood/veneer mills closed
- Round-wood consumption down 50%
- Upwards of 10,000 primary forest jobs lost
  - Lots more in secondary sector
Four Major Factors at Work

- $ cdn appreciated 60% against $ U.S.

- Electricity costs rose 40% - 7.5 cents kwh

- Newsprint and UFS demand and prices

- U.S. housing market crash
Ontario Pulp and Paper Industry Sales (Billion CN$)
Ontario Pulp and Paper Industry Capital Investment (Million CN$)
Ontario Pulp and Paper Industry Employees (,000)
Province’s Response

■ Minister’s Council formed late 2004
  • Industry CEO’s
  • Communities
  • Labor
  • First Nations
  • ENGO’s
  • Financial community
Province’s Response

- Council released report in June 2005
- 24 recommendations

- Key recommendations
  - promote new investment
  - Reduce power costs
  - Reduce wood costs
  - Encourage shift to higher value products
Overview of Programs

- $150M Forest Sector Prosperity Fund
- $140M Northern Pulp and Paper Electricity Transition
- Annual forest road funding
- $350M Loan Guarantee Program
- Annual forest resource inventory funding
- Stumpage measures
- Wood Promotion Program -$1 M per year
Electricity Program

- All northern pulp and paper mills enrolled
- 10 facilities currently
- TBFP re-start in review
- Provides $9 million a quarter
- Slated to end Sept. 30th, 2009
Prosperity Fund

- 30 project applications approved for $1.1 B in new investment
- 5 projects valued at $581 M have been cancelled
- 20 projects valued at $650 M are in the review/approval process
- 9 other projects worth $410 M in the pre-application phase
- Applications close on or before Oct. 5th, 2008.
Loan Guarantee Program

- 8 guarantees approved for $60 M
- 15 loan guarantee applications in review/approval
- Aware of 4 new projects seeking LG support
- Applications close on or before June 2010
Current Status Of Programs

- $370 million advanced to May 31, 2008

- About $500 million flowed by Dec. 31/08