



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

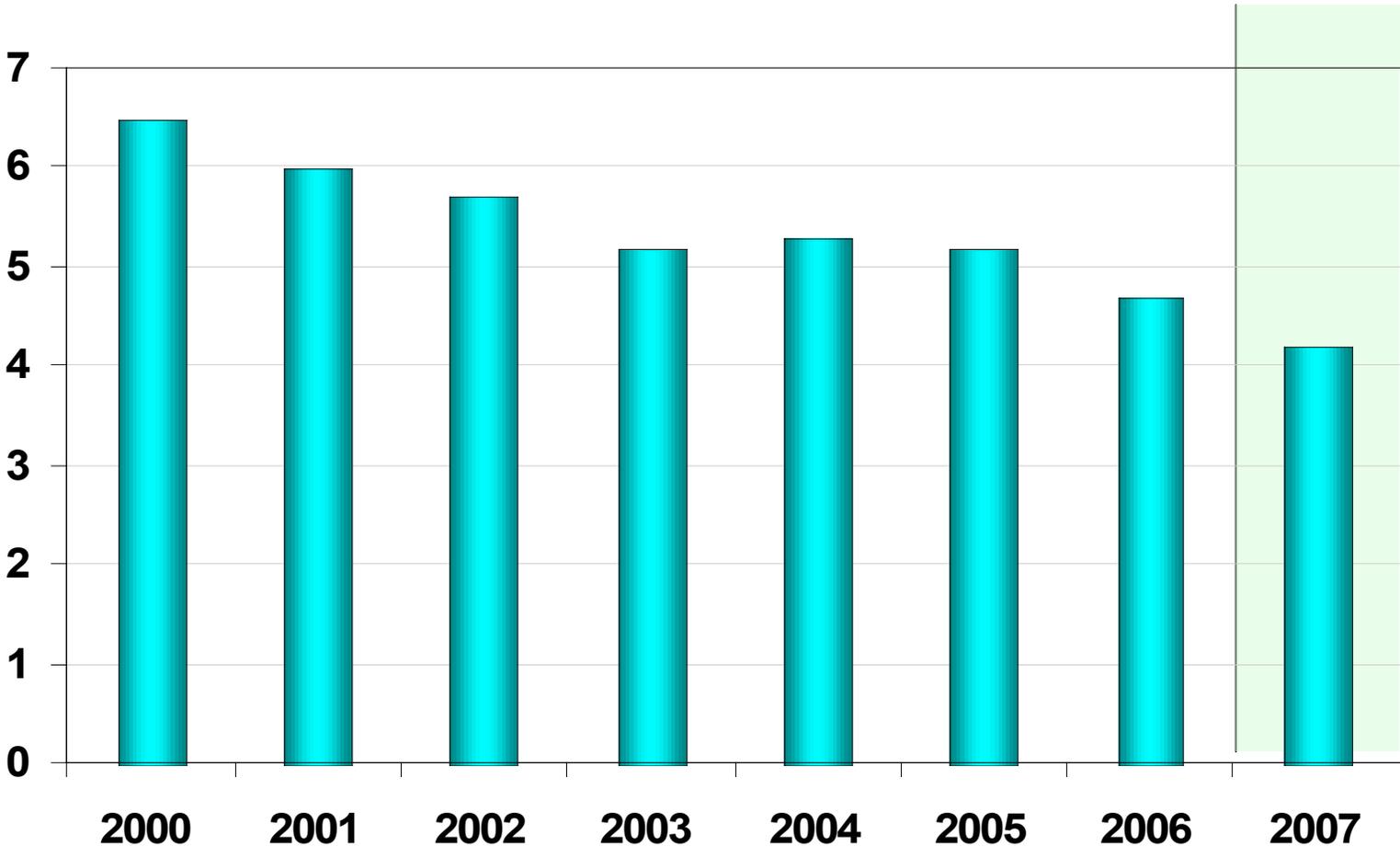


Four Major Factors at Work

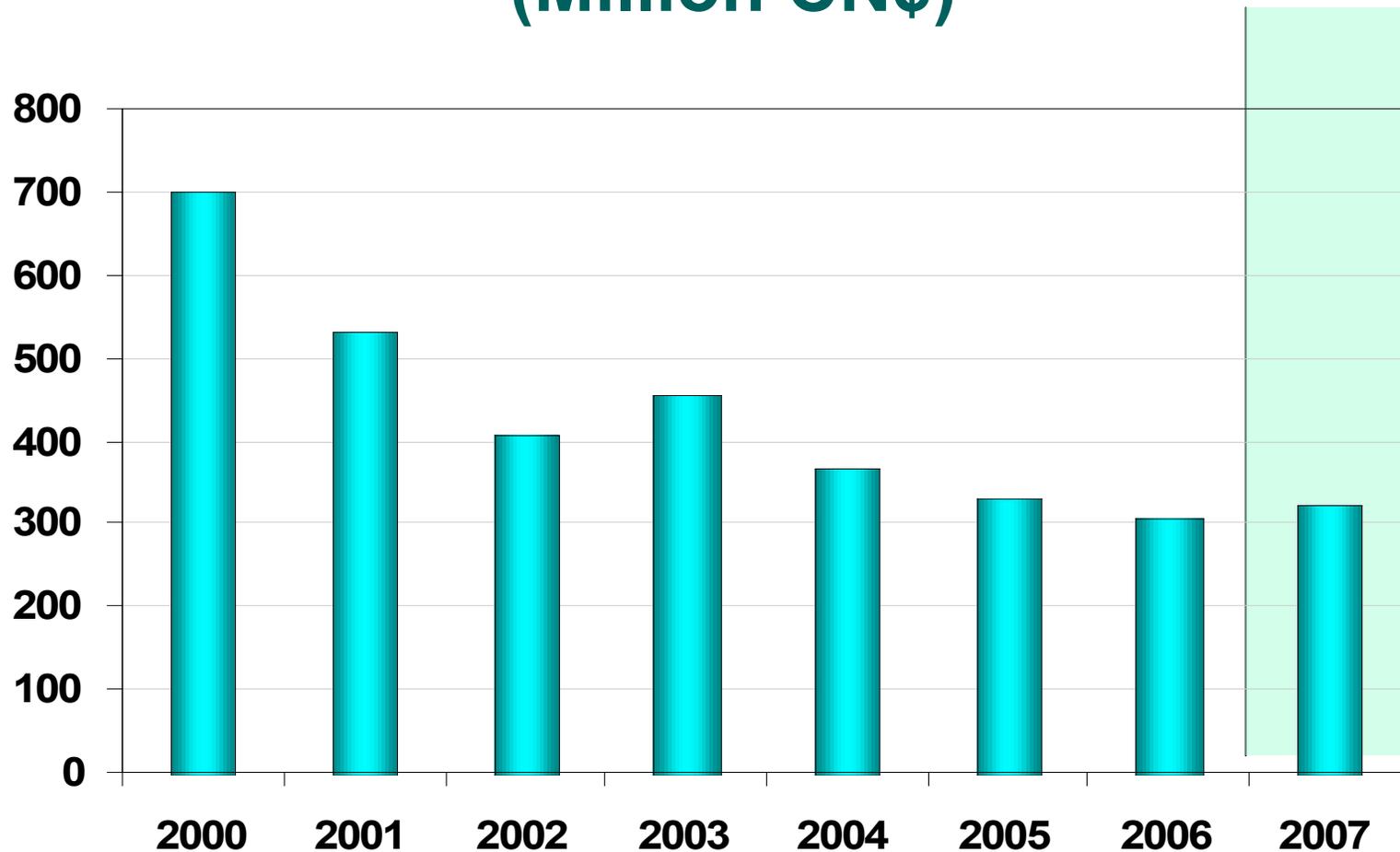
- **\$ cdn appreciated 60% against \$ U.S.**
- **Electricity costs rose 40% - 7.5 cents kwh**
- **Newsprint and UFS demand and prices**
- **U.S. housing market crash**



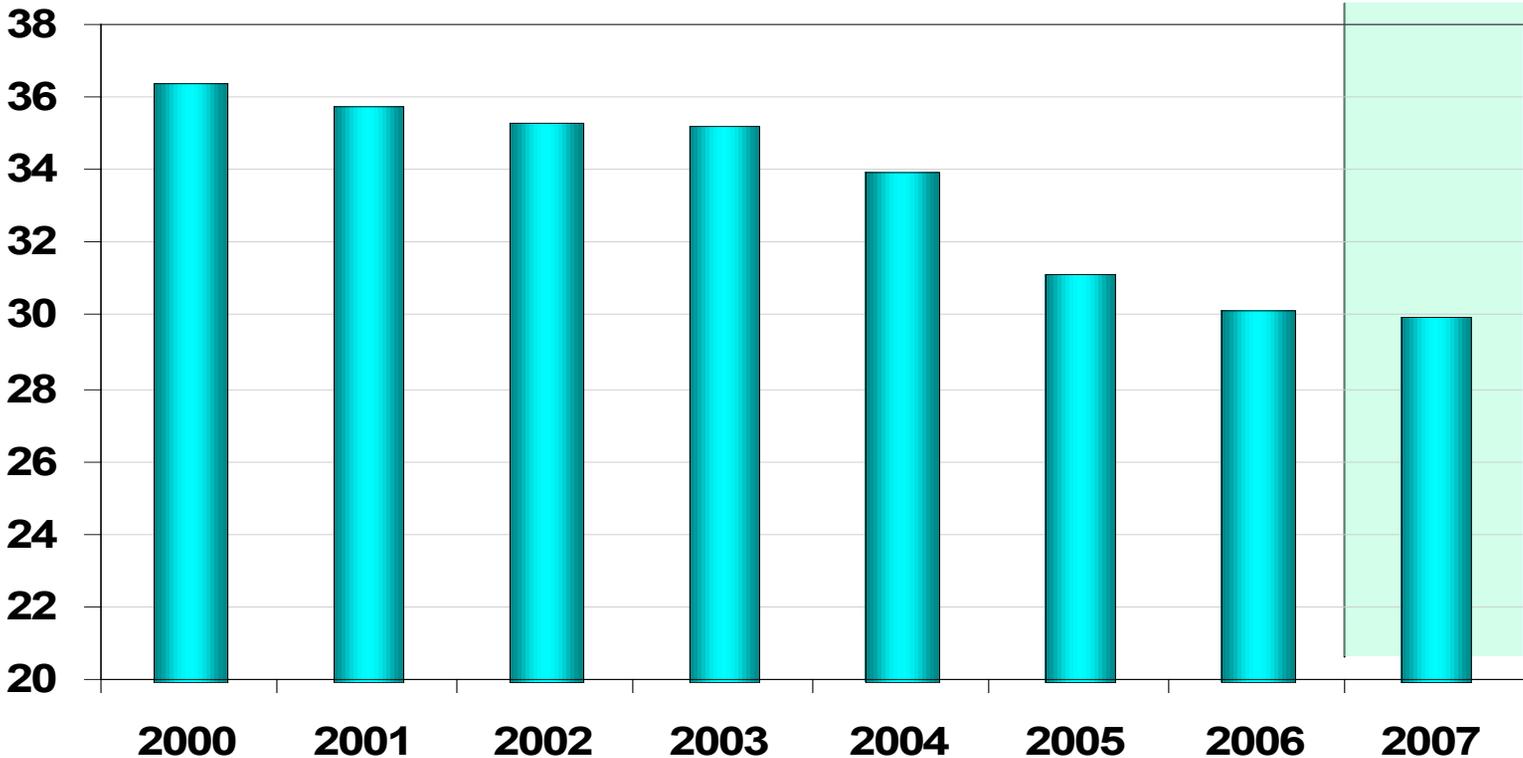
Ontario Pulp and Paper Industry Sales (Billion CN\$)



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**

