

## **Blame Government for the Fallout from the Weyerhaeuser Mill Closure**

Last week Weyerhaeuser announced that “as a result of poor market conditions, the Prince Albert pulp and paper mill in Saskatchewan faces indefinite closure.” Their media release went on to state, in part, that “the uncoated free-sheet paper and pulp markets face fundamental challenges, including excess capacity, declining demand, mounting inventories and weak prices.” Chairman, President and CEO, Steven R. Roth, is quoted as saying, “As part of a strategic review of our business operating in structurally challenged segments of the industry, we have determined the Prince Albert mill is no longer a strategic fit for Weyerhaeuser.

No where in the release does it suggest that the government had anything to do with their decision. Nevertheless, you can be sure that government policy did play a major role.

As most business analysts will tell you, Saskatchewan can be a costly and challenging place to do business. You have a corporate tax load that discourages investment and job creation; you have labour policy that is heavily weighted towards unions; you have utility monopolies; and, you have government enterprise that dominates the economy. These factors are beyond the control of the business operator and add significantly to the cost of doing business without adding value to the product. That’s why they are called burden costs.

When the Canadian dollar was valued well below its American counterpart, value-added manufacturers like Weyerhaeuser were able to absorb these burden costs without adversely affecting their competitiveness. But, with the dollar steadily rising, these costs have become more significant and companies are seeing their profit margins shrink.

Faced with weak market conditions for the Prince Albert mill’s product, Weyerhaeuser could no longer overcome the high cost of doing business in Saskatchewan - despite being recognized as an efficient, low-cost producer. Add a change in the corporation’s strategic direction and the decision to close the plant becomes understandable.

Weyerhaeuser Company recently renamed its pulp business Weyerhaeuser Cellulose Fibers to better reflect their strategic focus on developing unique fibers to meet specific customer needs. These specialty, or non-papergrade products, account for approximately 60 percent of the company’s fiber sales. They include such products as paper towels, bathroom tissue, household wipes, baby diapers and other absorbent personal care products, textiles, construction materials, pharmaceuticals and photographic-based papers

The papergrade fiber produced at the Prince Albert plant is not used for specialty products. The Saskatchewan facility produces hardwood and softwood pulps, most of which are converted into fine paper at the site's paper mill.

In addition to pulp and fine paper, Weyerhaeuser's Saskatchewan operations also produce dimension softwood lumber, oriented strand board, and plywood. The company currently employs about 1600 people in Saskatchewan – 700 of which will lose their well-paying jobs when the Prince Albert mill closes.

Weyerhaeuser is also one of the world's largest timberlands managers. It owns, licenses, or leases 38 million acres of forest in North America, Australia, New Zealand and Uruguay. Approximately one-third, or 12.2 million of those acres are in Saskatchewan (almost twice the 6.5 million acres of forest they manage in the entire USA). Here we are with one company controlling over twelve million acres of timberland (owned by the people of this province – which leads to the real problem with this province's forest industry.

Government policy, which goes all the way back to the Thatcher Liberals, has created what can best be described as a two-horse operation with government at the reins. So, what happens when one horse dies and the other is left on life support? There's nothing left to pull the wagon.

That's what happens when there is no competition. If the government is serious about creating a viable future for the forest industry in the Prince Albert area, it must remove the barriers to investment. The value of the Canadian dollar is out of their control, but they can look at taxation and labour rules with a view to reducing the high cost of doing business. And they can open up our Timberlands to entrepreneurs willing to invest in Saskatchewan. That's how you build an industry rather than prop up one plant.

It would be absolute madness for the province to get involved by using tax dollars to keep the mill open and save 700 jobs. If the plant can be made economically viable, a private operator will take it over. If not, move on. There are plenty of opportunities in Saskatchewan.

Besides, how do you tell a person who makes \$7.05 an hour that you want them to pay more tax to save someone else's \$24 an hour entry-level job?

***Allan J. Evans***

*Al Evans is Executive Director of the Prairie Centre Policy Institute. "Where Do We Go From Here?" is a feature service of the Prairie Centre. **The Prairie Centre Policy Institute** is an independent public policy think tank whose mission is "to advance ideas on wealth creation in order to enhance the economic and social well being of the prairie region. The opinions expressed in this forum are those of the writer and do not necessarily represent the views of the Prairie Centre.*