



Center for Paper Business and Industry Studies

Newsletter of the Center for Paper Business and Industry Studies
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Eight Questions for Rainer Häggblom by Tom McDonough

In our last issue, we announced that Mr. Rainer Häggblom, principal of Häggblom&Partners and formerly Chairman and CEO of Pöyry Forest Industry Consulting Oy recently joined the Board. I recently spoke with Mr. Häggblom to solicit his views on issues of critical interest to CPBIS and the industry. Here are the questions I asked him and his responses:

What do you see as the main challenge facing the pulp and paper industry today?

The challenge is twofold and can be summarized in two words – polarization and globalization.

Global supply and demand relationships are becoming increasingly polarized. Market growth is dominated by two markets: Asia and Eastern Europe. At the same time, consumption is stagnating in North America and Western Europe. These changes are reflected in changes on the supply side. Fully 50% of new capacity additions since 2000 have been in China while the traditional players in North America and Western Europe have been forced to take capacity reductions. The challenge is for the traditional players to figure out how to adapt to this tough, new competitive environment.

The other part of this twofold challenge is globalization. International trade in pulp is global, while paper trade is more localized. The demand for pulp by China's burgeoning paper industry is being satisfied by new supply originating in South America, with North American and European pulp suppliers playing a less important role. Pulp production is increasingly in the hands of nontraditional players.

What key questions need to be answered to effectively meet this challenge?

How can pulp and paper producers participate effectively in the global pulp and local paper markets? What are the most effective capacity adjustment strategies? How can companies most effectively introduce new products in these new market environments?

What policies or other factors have a bearing on the issues involved?

Climate change and land use planning. Policies aimed at controlling emissions linked to climate change vary drastically from one region to another. Western Europe encourages emission trading, while China takes no responsibility for controlling emissions. In such an environment, a European mill could, for example, improve its competitiveness by relocating to China where emission controls are not in force. Land use for fast growing eucalyptus plantations, for example, competes with use for food agriculture or such conservation-related objectives as rainforest preservation. The rights of landless people must also be respected.

What needs to be done to meet the challenge?

More research is needed to address the relevant issues, which are becoming increasingly complex, and the research must be more thorough than in the past. Also needed is better business planning that gives due consideration to the needs of people and which is based on a global vision.

What other challenges to the industry are of similar importance?

The industry must capitalize on its favorable position with respect to climate change issues. It controls a huge carbon sink – the forests, and fast-growing forests are an even more effective carbon sink. Even the industry's products sequester carbon.

An assumption underlying the founding of CPBIS is that creating an academic community that understands the pulp and paper industry will ultimately benefit the industry. It will do this by causing academics in fields as diverse as management science, industrial engineering, and sociology to direct some of their research efforts towards understanding business and related issues that must be understood to solve problems facing the industry now and in the future. Do you have suggestions for CPBIS that will help make this happen?

The Center will benefit from developing a global vision and a global network. The fact that I have been invited to join the Board is a good sign.

What business-related research areas do you think would be most likely to yield results of value to the industry in the short term? In the longer term?

In the short term, research targeted at improved energy and identifying optimal investment strategies. In the longer term, adapting to and capitalizing on climate change issues and business issues surrounding the introduction of such new products as RFID and intelligent systems.

Another potential benefit of creating an academic community that understands the industry is that it would result in the recruitment of students, including students in nontechnical, business related programs, to do paper industry related research. This would increase the likelihood that such students would eventually join the industry's workforce. What comments do you have on this aspect of the Center's mission?

This is a very important part of the Center's mission. It is important to communicate the virtues of this industry to prospective students: that it is a dynamic industry based on a renewable resource, with recyclable products, with potential to operate sustainably and in

harmony with the environment, and with potential to develop products that will benefit society.

Updates to MillsOnline

MillsOnline is a CPBIS database that allows the user to determine which pulp and paper mills are in operation today and where they are located, together with mill-specific information. This includes mill owner, status (operating or not), product type, tonnage, recovery boiler characteristics, whether an operation makes both pulp and paper at the site, and mill location. To facilitate transportation, labor or cross-industry studies, plant information is linked directly to US Census 2000 information on the community where a pulp or paper mill now operates, its people, and its economy.

To ensure currency, the database is updated at frequent intervals to reflect mergers, acquisitions and mill closures. Among recent updates to the database are the following mill closures:

- Blue Heron Paper, Pomona, California
- Deerfield Specialty Paper, Augusta, Georgia
- Dirigo Paper, Gilman, Vermont
- Georgia-Pacific, North Little Rock, Arkansas
- International Paper, Terre Haute, Indiana
- Neenah Paper, Urbana, Ohio
- Tembec, St. Francisville, Louisiana
- Wausau-Mosinee Paper, Groveton, New Hampshire
- Weyerhaeuser, North Bend, Oregon

To access MillsOnline, just click on the map at <http://www.cpbis.gatech.edu/millsonline>. Locations of mills in that state will appear, with quick links to information about the mill and the community in which the mill operates. The data cover more than 600 U.S. mills.

Upcoming Events

CPBIS Board of Executives Meeting, Institute of Paper Science and Technology at Georgia Tech, September 25, 2008, 10:00 a.m. – 3:00 p.m.

TechnoBusiness Forum Reprise. "Enterprise Transformation, College of Environmental Science and Forestry at the State University of New York, Syracuse, October 22, 2008.

CPBIS-PIMA Management Development Program, "Management Development for Enhanced Performance," Global Learning Center, Georgia Tech, October 13-17, 2008.■