MARKETING — AND THE PULP AND PAPER INDUSTRY

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Between 1965 and 1975 the various sections of the pulp and paper industry in New Zealand expanded as follows:

- Mechanical pulping doubled in production.
- Chemical pulping increased production two and a half times.
- Newsprint — no change.
- Paper and paper board other than newsprint — trebled production.

We have now reached a plateau, with only minor developments planned before 1990. After 1990 a tremendous potential for further development will exist in the pulp and paper industry. After 10 years of effectively nil development, the massive injection required in many forms to get the industry back on the road to expansion will be difficult to administer. We must market the products, provide the capital for construction, and provide the technical knowledge and manpower, etc. The timing of all these functions will, within a short time span, have to fit the resource availability.

Pulp and paper production of the future can be directed to almost any pulp and paper product, because of the tremendous potential of radiata pine fibre. Pulp and paper production will give us the highest dollars per tonne of export compared with the other options available in future. Hopefully through the 1990s, mechanical and chemical pulps, newsprint and a wide range of other paper and paper board products will be required, by a wide range of countries around the world, at a price that we can meet.

I am confident we can produce the quality; the biggest criterion will be the cost of production, and this will depend on what happens in several key areas. These key areas include the cost of wood and its location, energy costs, capital and investment costs, labour costs, and finally the environmental costs. We have already seen in this current year unprecedented increases in many of these areas — increases which are challenging the ability of existing established pulp and paper companies to compete on world markets.

I should like to comment individually on these key areas.

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1. Wood supply and its location

Location of wood in suitable volumes for manufacturing processes, and in the right areas for distribution to markets, is essential. In addition, during the 10- to 15-year period when the demand is likely to exceed supply, it is imperative that royalty costs do not go up at a rate faster than the market can cope with.

2. Energy costs

Mechanical pulping requires high electrical energy inputs but produces a high yield of pulp. Chemical pulps which are low yielding also have a high energy input, although much of this is generated from the process. Fifty-percent-yield chemical pulps get much of their energy from the other 50% of the wood.

3. Capital and investment

Much of the huge investment required for future development will have to come from off shore, and therefore we must ensure that conditions within New Zealand continue to be attractive enough for this investment to be warranted. Chemical pulp mills and major paper production units have a higher capital requirement than mechanical pulp mills.

4. Labour costs

Wages and salaries in the future must return to a productivity basis and not continue on a cost-plus basis.

5. Environmental costs

Chemical pulping processes have a higher environmental cost factor than mechanical pulp or paper production.

Finally, development through pulp and paper production of the large wood resources available from 1990 onwards will take place only if we can avoid sudden increases in energy costs, wood costs and labour costs. In addition, we must plan for and control the capital and environmental side of our industry. Nearly all the additional wood production will have to go into exports and be produced at the right costs so that the markets are made available. It will then be up to industry in New Zealand to produce quality products that will compete with those of any other country. I am more confident of the quality of our future production than the cost of it, compared with other countries of the world.