

Lake States TAPPI Conference

Wisconsin Paper Council
February 22, 2007



Patrick J. Schillinger

President, Wisconsin Paper Council

250 N. Green Bay Road

Neenah, WI 54956

(920) 722-1500

schillinger@wipapercouncil.org



Background

- #1 papermaking state in nation
- Over 5 million tons of paper produced
- Over 1.1 million tons of paperboard produced
- Over 2.5 million tons of wastepaper consumed



Background

- 25 companies
- 38 mills
- Major production grades
 - Printing & writing
 - Tissue
- Value of shipments
 - \$12.4 billion
 - Mostly sold outside of Wisconsin



Background

- 36,000 employees
- Average annual wage - \$59,000
 - Highest paid manufacturing workers
- \$2.1 billion in total wages
 - \$3.6 billion economic impact
- Industry supports many companies
 - 63 paper converters
 - 1141 printers
 - Machine manufacturers and other suppliers
- Active community support



The New Millennium

- Fundamental change
 - Globalization
 - Supply-demand imbalance
- Tough decisions
 - New competitive dynamics
 - Cost cutting



Change Agents

- Globalization
 - North America v. The World
 - Regional v. global markets
 - China
 - South America
 - High v. low cost structure
 - Technology
 - Fuel, fiber, folks



Change Agents

- Supply and Demand
 - Paper industry
 - Commodity
 - Capital intensive
 - Cyclical
 - Bad timing
 - Capacity expansion
 - Economic slowdown
 - Global competition



Changes

- Supply & Demand
 - Remove excess capacity
 - Machine shutdowns
 - Mill closures
 - Employment reductions
 - Develop new markets
 - Cut costs

Challenges

- Manufacturing cost increases
 - Energy
 - Fiber
 - Chemicals
 - Transportation
 - Health care
- Slow demand growth
 - Varies by grade



Where Are We Now?

- OK
 - Pricing better as supply-demand addressed
 - Investments being made
 - Cost reduction projects
 - New markets being developed
 - Employment stabilizing
 - Cost reduction still #1



What's to Come?

- Forecast – Cloudy, Chance of Rain
 - Economic slowdown
 - Continued global pressure
 - China, South America
 - Continued cost pressure
 - Supply-demand being managed in N.A.
 - Industry in better competitive position
 - Cost-cutting and investment pay-off



The New Legislature

- Governor Doyle Re-elected
- Democrats gain control of State Senate 18-15
- Republicans retain control of State Assembly 52-47



Issues

- Energy
 - Escalating costs
 - Growing regional control
 - Biofuels
- Health Care
- Transportation
 - Rail (federal)
 - Truck weight limits
- Taxation
 - Newark
 - Computer software



Issues

- Environment/Regulation
 - Great Lakes Resources Compact
 - Climate change
 - Regulatory reform
- Investment Incentives
 - Labor training grants