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Pulp and Paper Industry More Productive If Pollution Abatement Efforts Counted

Edmonton . . . Using an environmentally adjusted productivity analysis of Canada's pulp and paper sector from 1959 to 1994, SFM Network principal investigator, Dr. Terry Veeman and Post-Doctoral Fellow, Dr. Atakelty Hailu suggest productivity growth in the industry was considerably higher than suggested by conventional measures. Environmentally adjusted productivity growth is an important economic indicator and determinant of long run forest management sustainability, yet the Canadian Council of Forest Ministers is not yet considering it as an indicator, say the authors of the study.

Says Veeman, "Conventional productivity measures typically concentrate on marketed inputs and outputs, but do not consider the improved environmental quality associated with pollution abatement. We see this as a major shortcoming of conventional approaches."

Hailu added, "Continually understating the industry's productivity growth has a major impact on the industry's research and development efforts and on both federal and provincial environmental policies. An appropriate assessment of the productivity performance of this industry is important because it is a major manufacturing industry in terms of its contributions to direct employment and the nation's net foreign exchange earnings."

While the Canadian pulp and paper industry has been a significant source of water pollution, the industry has also spent large sums of money to reduce its pollution output. However, conventional measures of productivity have totally ignored these environmental benefits and thus do not provide an accurate picture of the performance of the industry over the last four decades.

Says Hailu, "The industry, between 1959 and 1994, has been reducing its biological oxygen demand and total suspended solid outputs at average annual rates of 3.3 and 5.9 percent, respectively. Using conventional analysis, industry productivity increased by only 7 percent from 1959 to 1994. However, when its pollution abatement efforts are included in the analysis, the industry's productivity was 41.8 percent more productive in 1994 than it was in 1959." The industry's record is stronger than previously believed, although concerns remain about its overall research and development and productivity performance.

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For more information contact:

Dr. Terry Veeman
SFMN Principal Investigator
Professor, Rural Economy
University of Alberta
(780) 492-0818

Marvin Abugov
Communications Manager
SFM Network, University of Alberta
(780) 492-2492

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