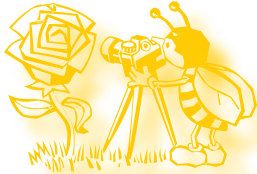


The Circuit



The Paper Crisis

For more than a year now the pulp and paper industry in Canada has been in a long and not so slow decline. Mills across the country, from British Columbia to Newfoundland, have either closed or have seen production decreased. The industry has lost over 7,300 jobs and five million tonnes of capacity. These numbers do not include jobs lost in sawmills or in the forestry industry. Mills in Port Alberni and Squamish, British Columbia, Cornwall, Ontario and Prince Albert, Saskatchewan, to name but a few, have shut down or reduced production.

The downturn for the industry is being blamed on the rising value of the Canadian dollar, increased energy costs (oil anyone?) and wood costs. Government regulations are also a factor in the difficulties the industry is facing.

Canada is the most successful forest product producing nation, however, this position is now being challenged by South American producers who are fast becoming the lowest cost pulp producers due mainly to the fast growing eucalyptus tree. Once the production facilities come on-line, the market will be flooded with low cost pulp.

Although the challenges appear to be huge, hope springs eternal! The industry accounts for 3% of the GDP and employs 361,000 people. New technologies are being developed to increase productivity and extract the maximum out of each piece of wood. Paper companies are also become bio-refineries producing by-products such as ethanol and bio-diesel.

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Feedback - we would like to hear from you about The Circuit. Do you find it informative? Useful? Is it suitable for framing or wrapping fish? Are there subjects you would like to read about? Let us know!



The Circuit

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Brain Teaser

The December Teaser seemed to have stumped a few of you. The decrease in correct answers is noticeable and our prize drawer is once again safe.



The correct answer is F (34)

The winners are:

West: Greg Menzies, NCS Burnaby; Derek Muirhead, Texcan Saskatoon

Central: No correct answers. Hmmmm.....

East: Derek Kilian, Michel Pion from Nedco St-Laurent; Michel Bégin, NCS Montreal; JC Hébert, Ron Sutherland, Guy Lemoine, Philippe Lamoureux, Anixter Montreal; Bill Lahey, Anixter St. John's; Brian Arsenault, Anixter Dartmouth; Daniel Guay, ECS Montreal

Thanks to all for participating

V	V	B	N	60
H	H	N	B	32
V	B	N	B	
N	H	V	V	66
	40	?		

New Challenge

Each of these symbols has a defined value. Which number replaces the question mark?

- | | | | | | |
|----|---|----|---|----|---|
| 40 | A | 35 | B | 49 | C |
| 38 | D | 52 | E | 50 | F |



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News Across the Country

Western Droppings

Record copper pricing, higher resins and now aluminum in getting into the game - cable costs just keep escalating. Lead times have been added to the mix with continued project announcements such that current demand is stretching supply. Just what will end up happening over the next five years?

Chevron Canada Limited has become the latest player in the thermal in situ oil sands game. Chevron acquired more than 180,000 acres of Athabasca oil sands leases with an estimated 7.5 billion bbls of oil in place. Bulletin records show the company paid a combined bonus of \$52.82 million for leases acquired since last summer.

With 7.5 billion bbls of oil in place, "it's an impact opportunity for us," Sharon Murphy, manager of policy, government and public affairs for Chevron Canada said this morning. "It fills well with the company's upstream and downstream expertise."

Chevron is currently preparing its appraisal program to help define its ultimate recovery potential. It likely will be a SAGD (steam assisted gravity drainage) project. Pending regulatory approvals, the company hopes to begin seismic and appraisal drilling next winter.

bknutson@shawflex.shawcor.com

Central Crumbs

Arcelor of Luxembourg, the largest steel company in the world, has agreed to purchase 98 % of Hamilton's Dofasco for \$5.6 billion. They are the leader in many markets including automotive and construction in both Europe and South America with sales of 32.6 billion euros in 2005. This deal includes all of Dofasco's facilities in Canada, the United States, and Mexico.

Dofasco makes many different steel products but mainly sells to the US auto makers.

Dofasco produces roughly 5 million tones of flat steel per year. This deal will change the company's Canadian ownership ties, Dofasco will now fly under the Luxembourg flag.

jerrrie@shawflex.shawcor.com



Eastern Tidbits

Once again, Hydro Quebec is demonstrating that they are the major economic driving force in the province. There are several major projects underway such as Eastmain (the continuation), Peribonka, Chutes Allard, Waskaganish, Nemiscau, to name a few. HQ have been adding capacity over the past couple of years as consumption increases and they have, at times, been forced to import electricity from other provinces/states to meet demand which, of course, does not sit well with the powers that be. The utility is facing the end result of slow investment and political interference.

The industrial projects are slowly gathering momentum with projects at the Petro Canada, Shell and Ultramar refineries. Everyone is pushing to add to their processing capacity as demand for oil products increases in spite of the related costs.

The Montreal Metro expansion and renovation has entered the second phase of the project. The extension of the Orange Line onto the island of Laval and the renovation of most of the stations is proceeding.

kpaul@shawflex.shawcor.com