

**Vol. VIII, No. 6****September 29, 2008**

## **Your Company and CPBIS**

Companies in the pulp and paper and allied industries can benefit by joining with CPBIS as we continue to develop programs for the creation and dissemination of business-related knowledge that industry leaders can use. We cordially invite your company to avail itself of the opportunities that CPBIS sponsorship presents.

Researchers associated with the Center combine specialized knowledge of pulp and paper with broad, comparative perspectives on management and business practices. Informed but independent, Center research offers objective, authoritative analyses of the industry's best practices and most pressing problems. Center-sponsored projects attract and educate graduate students from a variety of disciplines, funneling new talent and expertise into the paper industry.

CPBIS sponsors have access to research reports as soon as they are available, without having to wait for formal journal publication of research findings, a process that can take 12-18 months. Sponsors can influence the choice of research topics, for example by collaborating with CPBIS faculty to identify topics for student research that are relevant to industry problems. Sponsorship of CPBIS, an Alfred P. Sloan Foundation Industry Center, facilitates access to knowledge generated at other Sloan Foundation Industry Centers, members of a powerful network of 26 industry studies centers at 19 top-ranked universities across the country.

Depending on sponsorship level, benefits include up to three complimentary registrations in the Center's highly regarded management short course, "Management Development for Enhanced Performance" and up to three complimentary registrations for the annual "TechnoBusiness Forum."

For more information on how to become a sponsor e-mail the CPBIS director, Patrick McCarthy, at [patrick.mccarthy@econ.gatech.edu](mailto:patrick.mccarthy@econ.gatech.edu), or the executive director, Jacquie McNutt, at the following address: [Jacquelyn.McNutt@cpbis.gatech.edu](mailto:Jacquelyn.McNutt@cpbis.gatech.edu).

## **CPBIS Sessions Draw Appreciative Audiences**

The 2008 TAPPI Engineering, Pulping and Environmental Conference, held in Portland, Oregon, August 24-27, comprised 43 sessions of presentations and roundtables, three of which were sponsored by CPBIS. The conference overlapped the International Bioenergy and Bioproducts Conference (IBBC), with three sessions common to both meetings.

The first of the CPBIS-sponsored sessions was the annual "State of the Industry" presentation coauthored by CPBIS executive director Jacquie McNutt and Dan Cenatempo of FairValue Advisors, LLC, and presented by Dr. McNutt. As usual, this insightful overview of the industry's present condition, based on up-to-the-minute data, drew a large audience. The presentation was briefly described in the last issue of this newsletter and is available in its entirety on the CPBIS Web site at the following URL:

[http://www.cpbis.gatech.edu/news/080815\\_state\\_of\\_industry.pdf](http://www.cpbis.gatech.edu/news/080815_state_of_industry.pdf)

"Investment, Maintenance and Enterprise Transformation," the second CPBIS session, began with a presentation by V.R. Parthasarathy (Weyerhaeuser) entitled "Equilibrium with Time-to-Build in a Competitive Investment Environment," in which the author dealt with the problem of formulating strategies for capital investment decisions in the face of two realities: capital projects take time to build and they take place in a competitive environment. The second paper, "Beyond RCM," by Robert Borycki of Georgia-Pacific, proposed an improvement to the current best practice of reliability centered maintenance. It would monitor operator inputs to obtain early indications of the need for restoration of full process equipment capability. In the final paper of the session, "Value Destruction, Creation and Capture," authors Jacquie McNutt and Colleen Walker (CPBIS) put forth the thesis that our industry must break with the past record of poor

returns and rising debt by literally transforming itself. They presented a case study as evidence that this is indeed possible. The third CPBIS-sponsored session was a joint session with the IBBC and, as such, dealt with biorefinery-related business issues. “Technical and Economic Analysis of Repurposing a Kraft Pulp and Paper mill to the Production of Ethanol,” a joint effort by Richard Phillips and Hasan Jameel of North Carolina State University and Calvin Clark of BE&K Engineering, was a detailed analysis of the likely profitability of the title investment scenario. The end result was that such an investment appears sufficiently promising to warrant additional work aimed at process simplification and demonstration. A paper presented by J.D. McNutt was co-authored with Virginie Chambost and Paul Stuart of Montreal’s Ecole Polytechnique. Entitled “Guided Tour: Implementing the Forest Biorefinery at a Pulp and Paper Mill,” it examined the biorefinery movement in enterprise transformation terms and gave details of a stepwise approach consisting of product portfolio identification, process design and phased implementation. Finally, “Betting on Biorefinery and Positioning the Pulp and Paper Industry for Biorefinery Success” by V.R. Parthasarathy made the case for “betting” on the likely success of investments in the forest biorefinery by investing now, rather than waiting to enter under the classical “investment under uncertainty” rules.

The complete manuscripts (and, in most cases, the slides) for all papers presented in the second and third CPBIS sessions are included on the conference CD, which is available from TAPPI, 15 Technology Parkway South., Norcross GA 30092.

### **Economic Recession?**

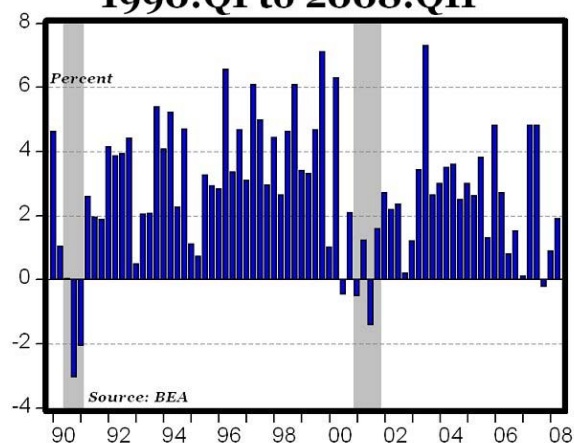
With all of the economic turmoil in the financial markets and the looming \$700 billion bailout package that Congress is set to pass, many now believe the economy to be in the midst of an economic downturn, a recession, the “r” word. But who decides this? Is there an individual who determines whether the economy is ‘officially’ in a recession? No. In fact, the Business Cycle Dating Committee, a committee of the National Bureau of Economic Analysis (the nation’s leading nonprofit, nonpartisan economic research organization ([www.nber.org](http://www.nber.org))) maintains a chronology of the U.S. business cycle, dating its expansions and contractions, its peaks and troughs.

An economic recession is a ‘significant decline in economic activity spread across the economy, lasting

more than a few months’. The slowdown will of course be seen in the economy’s experiencing negative growth in real GDP. Indeed, an often cited definition of a recession is negative growth in real GDP for two consecutive quarters. But the committee considers more than real GDP in dating economic activity and identifying turning points. The committee also considers four other measures of economic activity: 1) real personal income less transfer payments; 2) employment; 3) industrial production; and 4) sales of manufacturing and wholesale-retail sectors, adjusted for inflation. The first two measures are economy-wide whereas the latter two focus on manufacturing and goods.

So, are we in a recession? The graph below depicts real GDP growth rates through the second quarter of 2008. The gray areas are recession periods. The figure shows positive real GDP growth through June 2008, suggesting the economy was not in a recession. Focusing solely upon changes in real GDP

**Real GDP Growth Rate  
1990:Q1 to 2008:QII**



highlights the limitations of a narrow focus on one measure of economic activity. Employment continues to trend downwards, as do personal income and industrial production. But opinions vary. Dr. Martin Feldstein, a member of the committee, has been saying for months that the economy is slipping into recession and the most recent expansion likely peaked in December 2007/January 2008. Yet another member, Dr. Jeff Frankel, citing the GDP numbers, is less sure. Time will ultimately tell but it is difficult to imagine that continuing difficulties in the financial sector will not increasingly spill over to other sectors

of the economy with implications for real GDP, income, employment, production, and sales.

For an interesting perspective on dating recessions, see Leamer's recent NBER paper, available at <http://www.nber.org/papers/w14221>.

### ***Call for Papers***

Authors are invited to submit abstracts of pulp and paper business-related papers for presentation in CPBIS-sponsored sessions at next year's TAPPI Engineering, Pulping and Environmental (EPE) Conference, October 11-14, 2009 in Memphis, TN. Authors interested in presenting a paper should submit an abstract by e-mail to [techpapers@tappi.org](mailto:techpapers@tappi.org) noting the EPE Conference as the intended venue. Please also send a copy of the e-mail to [tom.mcdonough@cpbis.gatech.edu](mailto:tom.mcdonough@cpbis.gatech.edu). Requests for further information can also be sent to the latter address.

Abstracts are due by January 15, 2009, with notifications regarding acceptance by mid-February. Complete manuscripts will be due May 30, 2009. ■