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## **Economies of Scale in two Finnish Forest Industry Mergers**

There has been some argumentation about the economies of scale between the owners and managers before and after the latest restructuring of Finnish forest industries. In the current paper, cost advantages attained by the forest industry mergers are discussed and two possible measures to quantify the effects of economies of scale in situations like that are presented.

Two economies of scale measures were developed, which were based on relative changes in the firms' net sales and costs. The idea was to estimate these things before and after restructuring. The calculations were made in the years 1994 and 1997, and they were based on public annual review information. The calculations included materials, external service, personnel, capital and other costs. The main interest was in total costs and their changes, but also changes in main asset groups were considered.

The results show that UPM-Kymmene has achieved economies of scale in total costs due to the merger. Enso and Metsä-Serla have expanded their operations with nearly constant returns on scale. The sources of economies or diseconomies of scale vary in different companies. Naturally this kind of evaluation is always rough, but it may offer some insights into the significance and contents of scale economies.