

Neenah Paper hands over Pictou pulp mill to U.S. private equity interests

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CP

654 words

15 May 2008

14:23

The Canadian Press

English

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HALIFAX _ Two American private equity firms and a management group are taking over a pulp mill that employs almost 300 people in northeastern Nova Scotia _ with the senior manager saying there's a plan to gradually reduce the workforce and other costs.

Northern Pulp Nova Scotia Corp. _ owned by Atlas Holdings LLC of Greenwich, Conn., and **Blue Wolf** Capital Management LLC of New York _ will assume all of the Pictou mill's assets and liabilities, including pension and environmental obligations, from Neenah Paper Ltd.

Neenah will pay the new owners between US\$15 million and US\$20 million ``to assist the new company in its transition to stand-alone status," and the Georgia-based paper maker will keep its 2,000 square kilometres of Nova Scotia woodlands.

Existing management of the mill will stay on as minority shareholders in the new venture.

Keith Johnson, the mill's general manager, said in an interview Thursday that the new owners will look for cost savings, including a reduction in the 280-person labour force.

``The bottom line is that unions have recognized across the country that in order to survive we have to be more efficient and more effective," he said.

``Over time we probably will continue to reduce our workforce. We have to _ we have to find ways to be more productive."

Johnson said headcount reductions have been going on for some time, and talks with the Communications, Energy and Paperworkers Union will continue.

CEP local president Harry Lewis said the transition is viewed by workers generally as ``good news," and the union accepts that there will be talks about how to reduce staff.

``We're dealing with a business climate in our industry, so we'll have to deal with it as it comes," Lewis said.

``Given today's business climate in the paper industry, there's closures all over the country. So this is a heck of a lot more welcome than that fate."

The Pictou plant has one machine with annual capacity of 270,000 tonnes, mostly northern bleached softwood kraft pulp, used in various products from tissue to fine paper.

Johnson expressed confidence in the mill's future.

``We believe long term that northern softwood craft will be a commodity that's in demand because demand continues to increase moderately, and there isn't a lot of new capacity coming on line," he said.

``We believe in this business."

Premier Rodney MacDonald said he was pleased the mill had found a way to survive, unlike some operations in New Brunswick and Newfoundland.

AbitibiBowater's mill in Liverpool, N.S., and the New Page Ltd. mill in Port Hawkesbury, N.S., recently survived cost-cutting reviews by their parent corporation.

``We've made investments in each one of the mills and because we have it's made them stronger and made it easier for them to survive through a difficult time," he said.

``Because of the management of our mills and the workers and employees, we've seen success."

Despite the payment to take the mill off the Neenah's hands, the publicly traded firm expects to be ``\$20 million cash positive as a result of tax benefits that result from the writeoff and sale of the mill."

``This sale is the last major step of our strategy over the past three years to transform ourselves from a commodity pulp and paper company to a performance-based specialty products and premium fine paper company," Neenah CEO Sean Erwin said in a release.

``Without pulp, Neenah Paper will be less capital-intensive and less volatile and we can focus on our core businesses and the sale of our remaining timberlands."

The mill in Pictou, in operation since 1967, was only recently purchased by Neenah after being owned by Scott Paper and corporate successor Kimberly-Clark.