

# Pulp truth

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## Help Unemployed Members

If you know of any plants that are hiring, please let Jon Geenen, [jgeenen@usw.org](mailto:jgeenen@usw.org), or Leeann Anderson, [lander-son@usw.org](mailto:lander-son@usw.org), know so they can pass on this information to our unemployed brothers and sisters in the paper industry.

## Hold the Date

The National Paper Bargaining conference will be held the week of August 16 in Pittsburgh. Details are still being worked out. The councils will also be meeting that week.

An International Paper health and safety conference is being organized in September for paper mill workers.

## Framework Agreements Protected Us in 2009

The black liquor tax credit—which our Union has been given wide recognition in for saving, kept the paper industry alive in 2009 during the worst demand for US paper and board in more than 20 years. The tax credits were a direct result of the work of the USW and came at a pivotal time in the industry's history. A number of companies escaped bankruptcy as a result of the credit, and those in bankruptcy were able to shore up their finances to avoid more serious problems like liquidation. Furthermore, as the market tanked and pension funds were decimated, the tax credit provided urgent relief and saved a number of pension plans.

Here are the top 10 black liquor funding recipients for 2009, as reported in *Pulp & Paper Week*: International Paper, Georgia-Pacific, Smurfit-Stone; Domtar; MeadWestvaco; Weyerhaeuser; NewPage; AbitibiBowater; Verso Paper; and Temple-Inland.

The worst recession since the Great Depression combined with ongoing structural demand decline saw US paper/board production drop by about 8.1 million tons or nearly 12 percent in 2009 compared to 2008. US paper and board production was at its lowest level since 1988. Paper companies responded by turning off machines, laying off workers and devising strategies to increase demand.

Unlike previous downturns, our members are protected by having framework agreements we negotiated that locked in wages, benefits and working conditions before the economic crisis started. Worker solidarity made those agreements happen.

### Trends within the Industry

Online technology is driving lower demand for paper and on-paper advertising and decreasing the need for books, newspapers and print advertising. For the first time, Amazon sold more books on Kindles on Christmas Day than regular paper books. Offices are trying to use less paper and send material electronically. Companies are encouraging their customers to receive and pay their bills electronically. All of this has a cumulative effect on reducing the demand for pulp and paper. Paper and board

production is being driven down by mandates for packaging weight reductions from retailers like Wal-Mart.

Large debt loads and decreased demand caused Smurfit-Stone Container and AbitibiBowater to file for bankruptcy. Smaller producers Blue Heron Paper, Carastar, Fraser Papers, Marathon Pulp and Terrace Bay Pulp also filed for protection from creditors.

Continuing a trend that began in 2001, US producers permanently shut paper and board machines. The US West Coast, Northeast and Upper Midwest were hardest hit. International Paper shut 2.1 million tons/yr. of containerboard and uncoated freesheet capacity in the US.

Despite the decline in paper/board demand, global market pulp did well because of Chinese demand and producer downtime early in 2009.

China drives the demand for market pulp and recovered paper. US mills now directly or indirectly compete against Chinese mills for these items. In 2008, China became the largest paper and board producing country in the world ahead of the U.S. The world recession did not stop China from adding capacity. Its paper/board output in 2009 increased about 8 percent.

Thanks to the swine flu virus and an advertising campaign for paper towels, the demand for tissue did not experience a double-digit decline. US tissue output and pricing both held up. Production was flat in 2009 compared to 2008. Yet, this was better than the rest of the paper and board sectors which saw at least 10% demand declines. In 2009, two new tissue paper machines started up in the U.S. and four others were rebuilt and restarted.

Newsprint consumption continued its decline as some US daily newspapers shut down or cut the number of issues and pages they publish. Since 2000, North American newsprint demand has plunged 55 percent. Compared to 2008, such demand was down 25 percent.

## Successorship Clause Protects Our Jobs

Local 12-1189 members at the Cascade Pacific Pulp LLC mill in Halsey, Oregon, understand why it is important to have a successorship (job protection) clause.

At the beginning of February their mill was sold to a group of investors from Hong Kong-based International Grand Investment Corp. Since Local 12-1189 members negotiated a successorship clause into their agreement they didn't have to worry about losing their jobs and their union contract when their company was sold. Nothing changed.

That wasn't the case when Pope & Talbot sold the mill to Cascade Pacific Pulp LLC, an affiliate of Wayzata Investment Partners, a pri-

vate equity firm. Wayzata recognized the union, but wanted to negotiate the contract from scratch and pay lower wages. There wasn't a successorship clause in the local union contract to prevent that.

Local 12-1189 members pressured Wayzata for a fair agreement through the media and by holding a protest at the company's headquarters in Minnesota. Their solidarity and persistence paid off. They got all their contract language back and virtually the same provisions they had under Pope & Talbot. Now, their wages are higher than at a lot of the mills in their area. Most importantly, they negotiated a successorship clause so they wouldn't have to renegotiate the contract again when their mill was sold.

## Rock-Tenn Council Delegates Raise Questions at Shareholder Meeting

Rock-Tenn council members attended the Rock-Tenn shareholder meeting on Jan. 29 in Norcross, Ga., to raise ideas and concerns that could benefit their company.

In response to their question about capital investment, they were told management has plans to invest nearly \$100 million in the company's facilities.

The second question concerned our union's efforts to maintain the black liquor tax credit, which gave Rock-Tenn close to \$70 million last year. The company had refused to support our efforts. When asked whether that money would be used to reinvest in the company's facilities, management said most of it would go toward pension funds.

Council members let management know that we are working to advance expanded tax credits for virgin and recycling mills in future legis-

lation and that Rock-Tenn would likely benefit from our efforts.

Management was also told that through the efforts of the USW membership in St. Paul, Minn., the company was able to reduce its energy costs. Rock-Tenn CEO James A. Rubright acknowledged that these efforts saved the St. Paul jobs and commended the workers. He was asked to join any national efforts to do similar work in the future.

Rock-Tenn was asked about the Southern Container acquisition, and the company responded that it had strengthened the firm.

Council members told the shareholders that Rock-Tenn's current stance toward its organized workplaces could create long term issues and instability.

Prior to the shareholder meeting, the Rock-Tenn council met for two days to discuss strategy and share information.

## News Briefs from around the Paper Industry

**USW Locals 291, 365 and 1247** voted in favor of a three-year contract at **Fraser Papers Inc.'s Madawaska, Maine, mill** that will allow the company to emerge from bankruptcy protection. The pact includes an 8.5% wage reduction that will happen when the company's assets are transferred to a new firm, temporarily called Newco. Wages will increase 1% in 2011 and 2% in 2012.

**Unite** members at Georgia-Pacific voted overwhelmingly for a 2% wage increase that was retroactive to Jan. 1.

**Georgia-Pacific** is taking a "blame the employee" approach at its Stubbs site in the U.K., said **Unite**. Over the past 18 months company management has repeatedly used disciplinary action against workers for breaches and alleged breaches of health and safety rules. Unite union reps. are stressing the need for a safe workplace, thorough risk assessments, good housekeeping, strong leadership, effective safe systems of work and effective training. They are urging members to take action including working strictly to the safe system of work and reporting all near misses as soon as they are witnessed.

Three **NewPage Corp.** retirees and the USW filed a class-action lawsuit Dec. 31 against NewPage for its decision to cut retiree health benefits. The lawsuit states that NewPage's decision to phase out the subsidies it pays for retiree health insurance premiums violates previous union contracts and federal benefits laws. The lawsuit also alleges that unlawful changes were made to the retiree benefits program under the direction of Stora Enso North America, which owned some of the affected mills from 2000 through 2007. By 2012, NewPage will pay no health insurance premiums for its former employees who retired after 1985 and are older than 65.

**Rock-Tenn's** fiscal quarter one earnings rose 84 percent to \$56.3 million. The company's first quarter ended Dec. 31, 2009. For the same period a year ago, the company reported earnings of \$30.6 million. The company received \$20.7 million from the black liquor tax credit that quarter. Although the December quarter is seasonally weak, the company's cash flow from operations was \$96 million, an increase of 84 percent over the

prior year quarter. Rock-Tenn Chairman and CEO James A. Rubright attributed the strong earnings and cash flow generation to cost savings, operational improvement programs and higher paperboard shipments that largely offset higher input costs.

**Kimberly-Clark's (KC)** fourth-quarter profit for 2009 rose 17 percent, but fell short of analyst predictions. It finished fiscal 2009 with earnings per share of \$4.52, an 11 percent rise, but it expects to earn between \$4.80 to \$5 per share in 2010. Analysts are expecting \$5.14 a share for fiscal 2010, which ends in December. Promotions to get shoppers to buy KC products cut into profits last year, but such marketing will be needed this year too, said one analyst.

**Cellu Tissue Holdings, Inc.** is planning a new converting operation in Oklahoma City that should be open by the end of the third quarter. Virgin and recycled content bath tissue, kitchen towels and napkins will be made there. In November, the company started up a converting line at its Long Island, NY, plant and plans additional converting equipment at its Thomaston, GA, plant.

**Cellu Tissue's initial public offering** of 8,300,000 shares of common stock at \$13.00 per share began trading on Jan. 22 on the New York Stock Exchange under the ticker symbol "CLU."

**Glatfelter** is moving into a new specialty sector by purchasing airlaid fabrics producer Concert Industries. Concert supplies highly absorbent cellulose-based airlaid nonwoven materials, with about 80% of its sales in feminine hygiene products and the rest in adult incontinence products, specialty wipes, food pads, table top napkins and tablecloths, filters, insulation, food packaging and cosmetic pads. This purchase places Glatfelter second, behind Buckeye, in global airlaid manufacturing.

**Georgia-Pacific** is buying four oriented strand board plants in Allendale and Clarendon, S.C., and Englehart and Earlton, Ontario, from bankrupt Grant Forest Products. The \$400 million deal is expected to close in the first half of this year. Ontario's former Minister of Natural Resources David Ramsay wants the Canadian government to ensure the sale to GP protects jobs and investment in the Englehart facility.