

# Pacific West wins bid to buy idled NewPage paper mill

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## B.C. company intends to reopen operation



Workers leave the NewPage paper mill at shift change last August. (TED PRITCHARD / Staff / File)

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THE IDLED NewPage Port Hawkesbury paper mill is one step closer to being restarted after a British Columbia company was selected by a court-appointed monitor as a suitable purchaser.

The monitor, Ernst & Young Inc., and New York investment bank Sanabe & Associates LLC announced Wednesday that they will negotiate exclusively with Pacific West Commercial Corp., an affiliate of Stern Partners Inc. of Vancouver.

Billy Joe MacLean, mayor of Port Hawkesbury, said he was elated with the announcement.

"Pacific West Commercial Corp. has a solid reputation and this is a good day for our communities, businesses and families," he said in a statement.

"Every reasonable effort should be made ... to keep our mill viable for decades."

Stern Partners beat out Paper Excellence Canada Holdings Corp., along with two unknown bidders, for the right to purchase the Point Tupper mill, which was shut down in September after its parent company, NewPage Corp. of Miamisburg, Ohio, filed for bankruptcy protection.

"We're obviously pleased and we've recognized that there's an enormous amount of work that's going to be required by us and a significant number of other parties to achieve a successful restructuring of the mill, so we're just starting, really," company president Ron Stern said in a phone interview from Vancouver.

Stern said there were several things the company found attractive about the mill.

"One, the physical assets are outstanding," he said.

"It's really a world-class paper machine and all the other assets are absolutely top-notch. Secondly, the technical skills at the mill are high, and the reputation the mill had for its product is also very good.

"What was obviously unattractive is the level of losses the mill was suffering and the very competitive environment we're going into

Parent company NewPage had been looking for a buyer for the Point Tupper operation since April. The mill was reportedly losing \$ million a month due to industry overcapacity, lower global prices and a strong Canadian dollar.

NewPage Port Hawkesbury will now appear in court Jan. 18 to seek a stay of proceedings until March 30. The provincial government announced a \$5-million investment, coming from the sale of harvested wood, to keep the mill in a ready "hot idle" state until that date.

In the interim, Stern Partners will enter into negotiations with several other groups, through the monitor, to satisfy several conditions before the sale is finalized and brought before court for approval.

"(The conditions) are centred on the main raw materials for the business," said Mathew Harris, managing partner of Ernst & Young Halifax.

"So it's a labour agreement that's satisfactory to the purchaser, it's a fibre supply agreement with the province dealing with the timber licences and, of course, there are energy agreements with Nova Scotia Power."

Harris declined to disclose the price Pacific West offered to pay for the mill.

"The offer was fully evaluated by the monitor and by Sanabe and we looked at the ability to potentially restart the mill if the conditions can be satisfied, and we looked at the consideration that was being offered," he said.

"And when we put it all together in a package, it was the best available to the company."

Stern said he has had discussions of a "preliminary nature" with Local 972 of the Communications, Energy and Paperworkers Union of Canada.

"We've been concentrating on some other areas," he said.

"We've been spending a lot of time focused on how we might operate the mill differently to lower our power costs. That's our biggest single cost so we're focused there, and we will shortly be having discussions with the union as well."

Should the company buy the mill, Stern said he wants to run it as a one-machine operation, shuttering its newsprint capabilities, and utilizing the new glossy paper machine already in place "with an objective of producing 400,000 short tonnes of supercalendared paper and higher grades. That's our focus."

Natural Resources Minister Charlie Parker said he was "encouraged" by Wednesday's selection and pledged to work with Stern to find cost-cutting solutions for the mill.

"Now we'll sit down and have discussions with them through the monitor and see what might be appropriate as far as government assistance," he said in a phone interview.

That doesn't, however, mean the mill will get a similar deal to what was negotiated with Resolute Forest Products Inc., which owns the Bowater Mersey paper mill in Brooklyn, Queens County.

Last month, the provincial government announced a \$50-million package that included investments in energy-efficient equipment and the sale of large swaths of land to the province.

"We're going to enter into good faith negotiations with them and there might be several aspects of an agreement, it's a little early yet to say that, but there could be some similar aspects as in the deal with (Resolute)," Parker said.

"But, again, we have to sit down and discuss and see what their business plan looks like and what their needs may be."

MacLean, who heads a 30-member municipal action committee that worked to reopen the mill, said he was "cautiously optimistic" about an eventual positive outcome.

"What we also have to recognize is that there are intense negotiations to continue and that the Stern company could walk at the end of that time or conclude an agreement," the mayor said.

"I am hopeful and I believe that there will be an agreement with Stern."

Last year, Paper Excellence bought Northern Resources, which controls Northern Pulp Nova Scotia and Northern Timber in Pictou County.

"Northern Resources followed the bidding process in good faith and believe we submitted a fair, realistic and competitive bid," said

Ed Roste, vice-president of operations, in an email.

“We respect the court-appointed monitor’s decision and will continue to focus our efforts on our business in Pictou County.”

***With The Canadian Press***

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