

Pulp truth

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We Face Challenges, Opportunities in Paper Industry

By Jon Geenen, International Vice President

There is no doubt that the paper industry is facing the most difficult challenges in modern history. On any given day, up to 30 percent of the entire capacity in the industry is offline. There is not a day that has gone by since late last year when dozens of machines haven't been shut down. Indeed, over the last two years over 100 paper locals have been closed out. This includes over 30 paper mills and scores of converters, wood operations and other related businesses.

In the midst of this challenging time the progress that we have made in the USW in paper bargaining efforts is even more obvious than it was before. Hundreds of our paper contracts have a firewall built around them as a result of the innovative frameworks and master agreements that we have reached. This has caused the industry to take a longer view of the problems associated with the economy instead of the traditional and more reactionary approach of trying to save the industry by slashing wages and benefits. Indeed, the right solutions deal with effectiveness and efficiency, not slashing wages and further compounding the slumping economy.

In addition to implementing our collective bargaining strategy we have to play a significant role in saving this industry for the next generation as well. Our success too will require a longer view and more comprehensive approach and deep engagement by our members.

DUMPING AND UNFAIR TRADE

It is a fact that some paper mills and converting operations are shutdown **ONLY** because we tolerate unfair trade and allow paper to be dumped into our economy. As a part of every meeting and every effort we engage in, we must attack this issue head on. Contrary to what the idealists say, there ultimately will not be a single segment of our industry untouched and unharmed by paper being dumped into our country.

ILLEGAL LOGGING

Our forest products industry, our jobs and our environment are absolutely threatened by illegal logging. Not only does illegally logged timber in effect amount to an unfair subsidy, it undermines wages for workers in Indonesia, Africa and South America. It strips continents of both the health and environmental benefits that rainforests provide, destroys pricing in the wood market, endangers workers and sets back the quarter century of progress on sustainability that has been made in developed economies.

ORGANIZATION

For too long, too many have said that organizing workers is something that should occur at a national level. It has never worked like that and never will. With the probable passage of legislation that will begin to limit employer interference with a worker's decision to join a union, new opportunity will present

itself—but only if we make this a priority project of our councils or locals. For every warehouse, box shop, converting plant, sawmill or paper mill we allow to remain unorganized, we subject our membership to pay cuts and job loss because of whip-sawing and an inevitable race to the bottom. Think about this: Do anti-union companies like Home Depot and McDonalds really care about democracy? Of course not. They care about remaining UNDEMOCRATIC, leaving workers helpless in dealing with industrial relations policies. Together with our councils and locals we have to develop an industry organizing strategy—not only to help the unorganized, but to help ourselves. This is a real win-win scenario.

CLIMATE CHANGE OPPORTUNITES

Many will attempt to portray climate initiatives as the enemy of the paper and forestry industries—it is not. It is our ally. Inefficient use of fossil fuel as a primary source of energy for the industry will ultimately mean higher costs, more price volatility from one of the largest input costs in the process, more pressure from the sustainability community and eventual failure.

Here is an alternate scenario: One paper company in Michigan added a biogas operation to its plants. The expenditure was \$25 million and it saves \$10 million in fuel cost per year. This plant just added a new level of insurance to the security of our members. The plants that don't will be less cost competitive on the fuel component alone. In addition, this plant shrunk its carbon footprint.

We have an opportunity to tout paper as a renewable industry when the industry adheres to sustainable forestry practices, uses recyclable fiber and invests in new technology that ultimately improves overall efficiency.

We have an opportunity to encourage development and investment in new black liquor recovery systems that help solve a myriad of problems for the industry and by lobbying for tax breaks for usage of black liquor as essentially a biofuel, along with other similar initiatives.

We are formulating a work plan around these issues, engaging our natural allies from the Blue- Green Alliance, and will engage your help with these efforts as well.

These times, while challenging, also provide us with a new level of focus and urgency to become more proactive and to continue to build on the tremendous successes that we have created for ourselves through the activism, support and resolve of our locals. There is no doubt that if we zero in on the projects we have identified above, that our industry and our job security will be stronger for it.

We have accomplished much in a short period of time, and with everyone's commitment we will accomplish even more.

AbitibiBowater Files for Bankruptcy Protection

After failing to restructure its massive US debts, AbitibiBowater filed April 16 for Chapter 11 bankruptcy protection in the U.S. and on April 17 for creditor protection in Canada. The Canadian firm produces 40 percent of the newsprint sold in North America and is the largest newsprint producer in the continent.

The company tried to restructure US subsidiary Bowater's debt of \$1.8 billion by negotiating with a group of creditors led by Bank of America, Citigroup and Wachovia, but the financial institutions held out for better terms. The banks hold debt secured against several US mills and notes due in late 2009.

A successful agreement with the creditors was necessary if Canadian subsidiary Abitibi-Consolidated Inc. was going to recapitalize the company.

AbitibiBowater president David Paterson said in a statement that the company's actions will "ensure business continuity" and were "made only after all other viable options to recapitalize our long-term debt were exhausted."

The company said its day-to-day operations would continue during the restructuring process. AbitibiBowater employs 16,000 people in 24 pulp and paper mills and 30 wood products facilities in Canada, the U.S., Britain and South Korea. It has four mills in the U.S. and about 10 in Canada. Its subsidiaries located outside the U.S. and Canada are not included in the filing.

How Our Union Will Respond to Bankruptcy

In a bankruptcy the union becomes an unsecured creditor. Labor contracts can be voided, but the company still has to negotiate with the union over any changes. As a part of the bankruptcy the union will negotiate the terms and conditions of employment after the reorganization is complete.

The International held an emergency AbitibiBowater Council meeting April 10 in Atlanta to brief the locals and develop a strategy regarding bankruptcy. There will be increased communication with the locals concerning the bankruptcy.



Congressman Michaud Organizes Paper Caucus

At our last paper conference held in 2008 at Pittsburgh, International President Gerard began to advance the idea of creating a pulp and paper caucus in Congress as a platform for advancing the interests of our paper sector. Through the USW's work with the office of USW member and Congressman Michael Michaud (D-Maine), a paper caucus has been formed. Michaud said it would be a bipartisan caucus composed of congressional members who represent states or districts that have paper mills.

The caucus will focus on issues confronting the paper industry that are important to the sector, including failed policies, and on educating members of Congress, reported the *Sun Journal*.

A Competitive Disadvantage

Michaud is particularly concerned with the lack of value-added taxes since companies are encouraged to move abroad because 150 countries have the tax and the U.S. does not. A value-added tax (VAT) is a consumption tax that is placed on a product whenever value is added at a stage of production

and at the final sale. The amount of VAT that the user pays is the cost of the product less any of the costs of materials used in the product that have already been taxed. This makes the product cheaper for the buyer.

"This caucus couldn't have come at a more critical time as the threat of illegal logging, dumped paper, short-sighted national industrial policy and the like have created serious threats for the hundreds of thousands of workers attached to these industries," International Vice President Jon Geenen said.

He said Michaud, who worked at the Great Northern Paper Co. in Millinocket, Maine, has a distinct perspective about the challenges the paper industry faces and the value the industry brings to workers, their families and the community. Michaud has working knowledge of what it will take to help secure the future of this sector.

"We are excited that this idea that was advanced at our own paper conference is now moving its way to the Capitol in Washington, D.C.," Geenen said.



Obama Administration to Enforce Trade Rules

During a Senate Finance Committee hearing on his nomination for US Trade Representative, Ron Kirk said the Obama administration's priority would be ensuring countries obey trade rules, reported *BBC News*.

This is a marked change from the Bush administration which focused on negotiating trade deals without strong labor and environmental protections.

It is good news for paper workers whose jobs are threat-

ened by unfair trade.

Kirk said he would focus on ensuring that trade partners play by existing trade rules in areas such as labor rights. He said he wants to use trade as a force to improve worker rights and environmental standards around the world. He also said the administration will increase the transparency of current and future trade agreements.

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Congress May Jeopardize Black Liquor Tax Credits

The paper industry's application of the \$0.50/gallon alternative fuel mixture tax credit is attracting scrutiny from Congress. Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Charles Grassley (R-IA) have indicated they might introduce legislation to eliminate the paper industry's ability to qualify for the credit.

A number of paper companies had announced plans to qualify for the credit by adding small amounts of diesel fuel to the black liquor burned in their recovery boilers.

Deutsche Bank (DB) estimated the 2009 excise tax credit for a number of paper companies. For example, IP could get a credit worth \$1.27 billion and MeadWestvaco could obtain \$439 million.

DB said an intense lobbying effort for retaining the credit is likely but that some owners of recycled mills, who are not eligible for the incentive, are less supportive. The recycled-content mills require purchased fossil fuels while the black-liquor based virgin fiber mills are largely energy self-sufficient.

DB said the tax credits provide a financial cushion in a difficult economic and financial environment for the paper

industry. International Vice President Jon Geenen echoed this point in a paper he wrote about the tax.

"The paper industry is cash starved and in need of capital investment to maintain black liquor recovery systems and develop other biomass conversion," he wrote.

He emphasized that the American paper industry derives almost 70 percent of its power from renewable biomass and that it sequesters carbon through sustainable forestry practices and the use of biomass.

"In fact, if every energy producer followed this model and sequestered as much carbon as it released we would be moving toward energy independence AND halting climate change caused by greenhouse gas (GHG)," he wrote.

Geenen wrote that the tax credit recognizes the paper industry's contribution toward a solution to the GHG problem and encourages the right kind of behavior.

"To be sure, the elimination of this credit at this time will result in the loss of more jobs in the paper industry and remove the only stimulus that is sustaining a number of high paying manufacturing jobs," he wrote.



Can My Boss Do That?

CanMyBossDoThat.com lets you know what your boss can and cannot do legally when it comes to closing down without notice, firing you and your co-workers and more. Interfaith

Worker Justice, a national organization that mobilizes the religious community to support the struggles of workers, created the new website.



Smart Papers Sale Causes Layoffs

The *Cincinnati Enquirer* reported that Smart Papers is cutting about 200 jobs over the next couple months with the sale of its uncoated paper business to Mohawk Fine Papers, Inc. About two-thirds of the cuts will be from the hourly production work force that USW Local 1967 represents.

Mohawk said the acquisition will enable it to restart one idle paper-making machine and recall some of the 40 employees now laid off.

When the transition is completed, Smart will employ about

250 producing its coated paper lines and marketing them. The company's chairman said the sale will not affect its startup this spring of a 40-megawatt co-generation plant that will burn wood waste and be the first carbon-neutral paper facility in North America.

Smart is looking at developing new specialty paper products, and is evaluating a wood pellet plant in the future to support the co-generation plant which could mean some additional jobs.



Sappi Workers Benefit from Stimulus Package

Beginning April 1, 190 Sappi Fine Paper workers at the Muskegon, Mich., mill began a temporary six-month layoff. But thanks to the federal stimulus package Congress passed, these workers will receive extended unemployment compensation benefits and additional weekly dollars. Since the company gave workers short notice of the layoff, they will receive full pay and benefits for the first 60 days under the WARN act,

Local 1015 President Howard Ross told the *Muskegon Chronicle*.

Michigan workers receive an additional 33 weeks of unemployment benefits because of the state's high unemployment rate. State officials told the newspaper that the federal stimulus package will increase weekly jobless benefits by \$25 through 2009.



Canadian Government Expands Unemployment Program

The Canadian federal government expanded a work-share program that provides unemployment benefits for sawmill workers on reduced workweeks. Companies that have completed their eligibility under the program can reapply for a full 52-week program.

The USW applauded the move because its forest workers have suffered under an unprecedented downturn in the forest

sector that has been caused by the collapse in U.S. housing and the economic slowdown in the global economy. Thousands of forest workers in northern British Columbia have lost their jobs in the past two years as mills have shut down indefinitely, cut shifts and moved to reduced workweeks.

Even if sawmills shut down, they can take advantage of the program when they come back.

Republican Governors Spurn Jobless Aid

Republican Governors Bobby Jindal (Louisiana), Sarah Palin (Alaska), Mark Sanford (South Carolina), Bob Riley (Alabama), Haley Barbour (Mississippi) and Rick Perry (Texas) spurned some unemployment aid that was part of President Barack Obama's \$787 billion federal stimulus package.

The governors have cited fiscal responsibility, concerns about sustaining the spending after federal help ends, and a belief that the funds will not create jobs and add to the national deficit.

The five Republicans joined the rest of the nation's governors in accepting funds to boost unemployment payments by \$25 a week, add as many as 33 weeks of benefits, subsidize private health insurance for the unemployed and eliminate federal taxes on the first \$2,400 in jobless pay.

They rejected jobless aid benefits that were offered to states under the Unemployment Insurance Modernization Act, which is meant to update the nation's Depression-era unemployment system that was designed around male, full-time workers.

To get the funds, states have to adopt two of three requirements: provide jobless benefits for part-time workers who did not want full-time work; extend payments to domestic violence victims or people with sick relatives who are forced to quit work; increase aid to those with dependents; or pay the permanently jobless to attend training.

The USW and AFL-CIO have held rallies in Louisiana and Texas to demand that legislators override Jindal's and Perry's decisions.

In Louisiana, Jindal rejected about \$98 million in unemployment aid. Clarence Hawkins, the democratic mayor of Bastrop, La., questioned Jindal's decision. The IP mill in the town, which was one of the biggest employers, shut down last November when pulp demand plunged worldwide.

"Give me something now," he told *Bloomberg News*. "Help me right now. I need to survive today."

Bastrop, which has a population of 12,500, lost more than 400 jobs when IP closed.



Paper Workers Remember Maine USW Activist Bruce Roy

Many paper workers are mourning the passing of USW activist Bruce D. Roy who unexpectedly died April 7 at his home in Jay, Maine. He was 52.

He worked for more than 29 years at the James River, Otis Mill (presently Wausau Paper Co.) in Jay, and was a back tender on the No. 11 paper machine.

Roy's name was synonymous with the labor movement in Maine. He was an active member of USW Local 11 and a USW Communications Action Team member. He served as treasurer/recording secretary and president of the USW's Maine Labor Council and as secretary/treasurer for the Maine AFL-CIO. He also was a charter member and officer of the Western Maine Labor Council.

He spent much of his time lobbying for laws to aid and protect working families and working tirelessly to elect pro-working family candidates. A devoted campaign supporter of Rep. Michael Michaud (D-Maine), he accompanied him on the campaign trail.

In August 2008 Roy was appointed the Emergency Response Team coordinator for USW District 4, and supported families affected by a workplace fatality or critical injury.

USW District 4 honored him December 2008 for his activism and advocacy for USW members and their families. He was recently appointed and confirmed to the Maine Workers' Compensation Board.

Roy served his community as a former selectman, assessor and overseer of the poor for the town of Jay, and was currently a member of the board of assessment review for Jay and the Tri-Town Ministerial Fuel Fund of Livermore Falls, Maine.

He is survived by his wife, Nancy; two daughters, Jessica Dolloff and her husband, Brian, and Joanne Grundy and her husband, Keith; five grandchildren, Courtney and Britney Grundy and Logan, Isabell and Cooper Dolloff; and a sister, Jane Pulver.

Contributions may be made to the education fund for the grandchildren of Bruce Roy, c/o Finley Funeral Home, 15 Church St., Livermore Falls, ME 04254.

Messages of condolence can be sent to www.finleyfuneral-

home.com

The Union Man

As a member of the working class
Many ups and downs I've had
The good times come, the bad times pass
And the good outweighs the bad

I've been on strikes, in picket lines
When the times were hard as hell
For what was fair and rightly mine
Just to raise my family well

A truth I've learned in all the years
If the working man survives
In spite of hunger, hardship, fears
The Union must be kept alive

But who will know I've come this way
When I have reached life's span
If nothing else just let them say

He sure was a Union Man.

Anonymous

IP Reduces Dividend to Repay Debt

International Paper Co.'s Board of Directors reduced its second quarter dividend on common stock from twenty-five cents (\$0.25) per share to two and one-half cents (\$0.025) per share, effective for the dividend payable June 15, 2009, to shareholders of record on May 18, 2009.

This move will give the company about \$100 million in cash on a quarterly basis to reduce debt more quickly and maintain its credit rating, according to an IP press

release.

Chairman and CEO John Faraci said the decision would maximize the company's financial flexibility, along with earlier decisions to reduce capital investment, decrease overhead spending and headcount, and freeze salaries.

IP also declared a regular quarterly dividend of \$1 per share for the second quarter on the cumulative \$4 preferred stock of the company.



Proctor & Gamble Workers in Turkey Win Strike

The ICEM newsletter reported that 190 Turkish paper workers at Proctor & Gamble's Gebze plant outside of Istanbul ended their 37-day strike and made wage gains.

The workers, who are members of ICEM affiliate Tmka-İp, ended their strike March 30 when they voted in front of the plant gates for a two-year contract. They beat back Proctor & Gamble's proposed wage freeze in the first year of the agreement and 2 percent offer made 11 days into the strike. Instead, they will receive a 3.9 percent increase and a lump-

sum payment upon returning to work.

Proctor & Gamble offered a wage increase for the second year that was two-thirds the inflation rate. Workers negotiated a wage equal to the rate of Turkish inflation that will be given Sept. 1, 2009. Tmka-İp retained all work rights already in the contract, and won increases in other compensation areas, including night-shift premium pay.

Tmka-İp General President Kemal Yilmaz credited international solidarity and workers' decisiveness for the victory.



Your Input is Needed

Pulp Truth covers news across the entire pulp and paper industry. Please help the newsletter improve its coverage by sending in a write-up about the issues, mobilization activities and contract negotiations involving your local.

You can email these stories to *Pulp Truth* editor Lynne Baker at lbaker@usw.org or you can mail them to Lynne Baker, USW, 3340 Perimeter Hill Drive, Nashville, TN 37211.

Your Article Could Be HERE!

Submit one today to PulpTruth

Editor, Lynne Baker, at lbaker@usw.org

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