

Fortress Paper buys Quebec mill from Fraser Papers

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A Vancouver-based paper producer announced Friday it plans to buy a pulp mill in Thurso, Que. from Fraser Papers Inc. for just \$3 million and convert it into a dissolving pulp manufacturer.

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Chadwick Wasilenkoff

Fortress Paper Ltd. (TSX:FTP) said it will spend \$153 million on the conversion and the construction of a 25 megawatt co-generation facility.

Fraser, a paper producer with operations in New Brunswick and Maine, had closed the Thurso mill in June 2009 before filing for bankruptcy protection, leaving about 300 people out of work.

Fortress said in a press release it's optimistic it will imminently finalize collective agreements with three unions linked to the mill, though it was not clear how many jobs will be maintained. The acquisition is expected to close near the end of April.

"We will be transforming an asset which was previously under-utilizing its potential and operating as a high-cost producer, and converting to a specialty product to become a low-cost, globally competitive producer," Chadwick Wasilenkoff, CEO of Fortress, said in a recorded presentation for investors.

News of the sale is the latest development surrounding Fraser's assets. The company recently overcame all roadblocks preventing its emergence from bankruptcy protection.

An Ontario court approved the sale of the firm's papermaking assets to a new operator, Twin Rivers Paper Company, controlled by Brookfield Asset Management Inc., a top Fraser creditor.

Had Fraser gone bankrupt, the company's mills currently operating in Edmundston, Plaster Rock and Madawaska would likely have shut down and the firm's assets would have been put up for sale.

Its shuttered Thurso mill is now set to undergo a major transformation under the ownership of Fortress, an international producer of wallpaper base products and papers used in bank notes, among other products.

A new cogeneration plant, expected to be online in the fourth quarter of 2012, will service a net 18.8 megawatt power supply agreement over 15 years with a client the company wouldn't disclose.

Fortress said the location of the plant provides it with access to on-site generation of biomass and an extensive local network of chip and other biomass suppliers.

Once converted, the pulp mill will produce dissolving grade cellulose for the textile industry, primarily targeting viscose fibre, or rayon, a major market that has grown by 10 per cent in China and seven per cent worldwide over the past five years, the company said.

The conversion is expected to be completed in mid-2011.

"This is a strong growth opportunity for Fortress in another specialty business," Wasilenkoff said. "This is a green project as well; it will offer geographical and market diversification, adding Canadian operations and now Asian sales."