

Shutdown of Madison mill is state's fifth in two years

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MADISON — The Madison Paper Industries mill is closing in May, putting more than 200 employees out of work and adding to the decline of Maine's paper industry.

Madison Paper will be the fifth Maine mill to shut down in a little over two years, and its closure will leave just six mills operating in the state. Once employing more than 18,000 workers at its height in the 1960s, the state's paper-making industry has lost more than 1,500 jobs in the past two years and 2,300 since 2011.

The shrinking paper industry

Maine's paper companies employed more than 5,700 people in 2011. With Madison's impending closure, the industry will have lost more than 2,300 jobs in five years.



1 **Twin Rivers Paper Co.**
Madawaska
Employees: 635

2 **Great Northern Paper Co.**
East Millinocket
Employees: 200

3 **Lincoln Paper & Tissue LLC**
Lincoln
Employees: 170

4 **Woodland Pulp LLC**
Baileyville
Employees: 308

5 **Old Town Fuel & Fiber**
Old Town
Employees: 200

6 **Catalyst Paper**
Rumford
Employees: 500

7 **Verso Paper Corp.**
Jay
Employees: 600

8 Bucksport
Employees: 500

9 **UPM Madison** (to close in May)
Madison
Employees: 214

10 **Sappi Fine Paper North America**
Skowhegan/
Employees: 770

11 Westbrook
Employees: 320

SOURCE: Maine Department of Labor,
Center for Workforce Research
and Information 2011

STAFF GRAPHIC | MICHAEL FISHER



The shutdown of the paper mill in Madison is expected to reverberate throughout the Somerset County town of about 4,800 people. Michael Seaman/2015 Morning Sentinel file

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Although some mills continue to operate profitably, such as Sappi Fine Paper in Skowhegan and Woodland Pulp in Baileyville, the domestic paper industry has been grappling with the declining demand and cheaper imports, leading in recent years to mill closures, bankruptcies and layoffs.

The Madison mill's parent company, UPM-Kymmene Inc. and Northern SC Paper Corp., announced the closure in a statement Monday morning, citing a declining demand for supercalendered paper, the glossy magazine paper made at the Somerset County mill.

"Despite everyone's best efforts, the difficult decision has been made to cease paper production at Madison," Ruud van den Berg, senior vice president of UPM Paper Europe and North America, said in the statement. "Demand for supercalendered papers declined significantly in 2015 and the decline is expected to continue. The Madison mill is not cost-competitive and has lost a significant amount of sales in the recent past."

The closure of the mill will reduce the company's production by 195,000 tons of paper.

Kelsey Goldsmith, a spokeswoman for the Maine Pulp and Paper Association, said in a statement Monday that despite the announcement from Madison Paper, the industry remains one of the most important in the state and still employs thousands of people.

"We owe it to the 214 employees deeply affected by today's announcement, and the remaining papermakers employed in mills across the state, to take action," Goldsmith said. "We must ensure that the remaining Maine mills keep their doors open, thereby empowering those mills' management teams to continue the innovation and investment that have been key to the industry's success and survival in Maine during these globally challenging times."

In the past 16 years, demand for newsprint has declined 15 percent, and for glossy paper, between 30 percent and 50 percent, an industry analyst said. Some Madison Paper employees will remain beyond May to maintain buildings, operate a 27-megawatt hydropower generation facility there and support activities related to the closing. The hydropower assets at the site eventually will be sold.

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"It's another sad, sad day in the state of Maine," Mike Croteau, president of the United Steelworkers Local 36, one of two unions at Madison Paper, said in an interview Monday. "It's another paper mill that we've lost in the last few years."

Sens. Susan Collins and Angus King of Maine have been working with the Madison mill and the federal government to put tariffs on Canadian paper and told WCSH-TV they were somewhat surprised by mill's closing.

Both believe the decline of state's mills is a crisis that needs a solution.

"This is the economic effect of a hurricane," King said. "I believe it is a crisis and it's happened, in one sense, in slow motion but really not. It's been just a few years where we've seen this dramatic impact on our industry in Maine and across the country."

COMMUNITY IMPACT

After working at Madison Paper for 35 years, Lori Christopher, a Madison resident and secretary in the mill's engineering department, already is thinking beyond the mill's closure to what will happen afterward.

“Everything is going to have a domino effect,” Christopher, 55, said as she stood outside the plant Monday afternoon. “It’s going to be kind of a ghost town. It will affect the schools because taxes are going to go up and they’re going to stop the programs they don’t need.”

On a nearly deserted Main Street, some residents and a town official said Monday afternoon that they weren’t surprised by the mill’s closing.

“We’ve seen the nature of the paper industry declining for several years,” Town Manager Tim Curtis said. “Every time there’s a change in ownership, anytime the property values are affected or the worldwide market of paper is affected, people have these conversations. That’s why we say it’s not a surprise, although it’s going to have its ramifications, for sure.”

About 60 of the mill’s more than 200 employees live in Madison, Curtis said. The mill is also the town’s largest taxpayer, even after a \$150 million drop in value in 2014.

The state Department of Labor said in a statement that its rapid response team planned to meet with company officials soon to set up a plan of action, including filing for trade assistance and working with other partners.

MARKET OUTLOOK

For several years, mill officials have griped about the high cost of energy in New England, declining demand for paper and foreign competition as barriers to sustainability, but in November the federal trade commission decision Collins and King lobbied for seemed primed to help secure the future of the Madison mill.

The U.S. Department of Commerce ruled then to permanently impose duties on supercalendered paper being imported from Canada after Madison and Verso Corp. alleged that the Nova Scotia government was providing illegal subsidies to the Port Hawkesbury Paper Mill in Canada. But the action wasn’t enough to offset other industry headwinds.

“They haven’t really solved any of the structural problems,” said Jesse Marzouk, an industry analyst with Hilco Global Cos. “The transportation network is still high compared to other places. Energy costs are still high compared to other places and that hasn’t changed, so Maine will probably continue to be disproportionately hurt.”

Tony Buxton, an attorney who lobbies on behalf of the Industrial Energy Consumers Group, a public interest group of which Madison Paper is a member, called the mill’s closure a “man-made tragedy that could have been avoided” if natural gas were more readily available to keep Maine’s electricity rates lower.

Collins, meanwhile, said the pattern of mills being bought by private equity firms that liquidate them for profit has done a lot of damage to Maine’s communities in a short period.

“They’re focused totally on quarterly profits and they just don’t have the kind of long-term horizon that the paper mills used to have,” she said.

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