

Mirimachi Community Report:

A media analysis of recent events associated with forest industry mill closures

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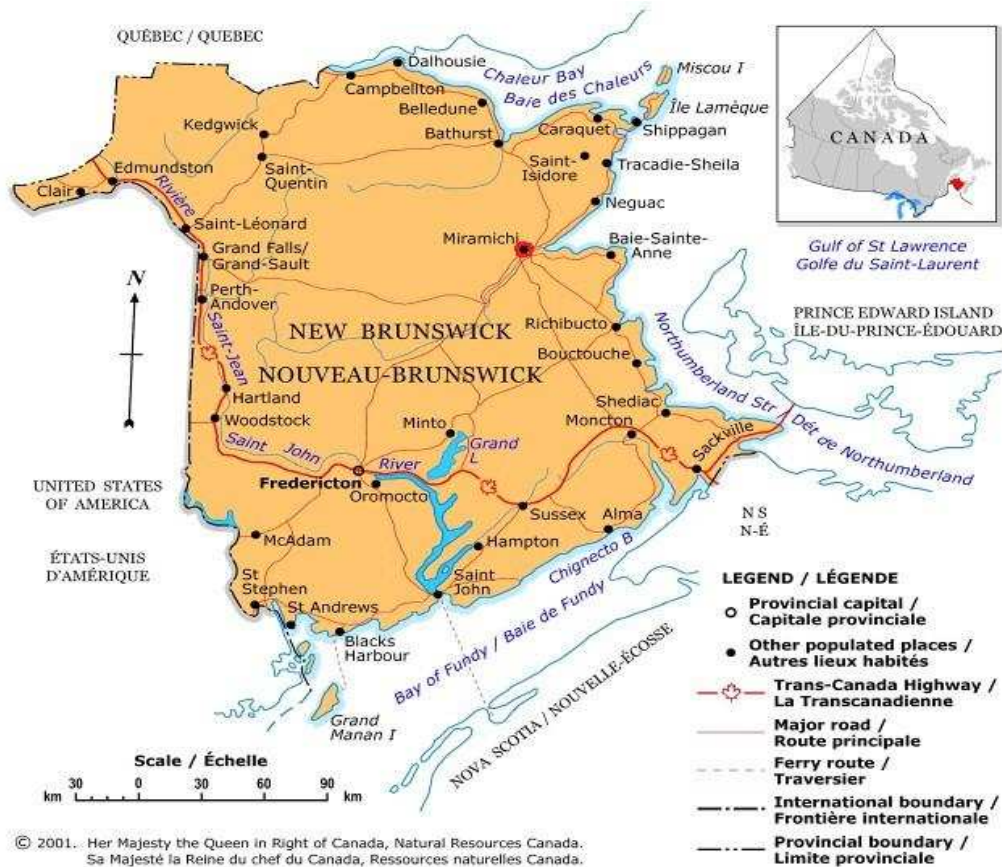
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Miramichi Community Report

Overview

Between 2004 and 2009, Miramichi endured an almost total collapse of its forest industry. The closure of pulp, paper, OSB, and lumber mills resulted in the loss of hundreds of well-paying jobs that previously formed the backbone of the economy. This series of events has presented a significant challenge to Miramichi's economic sustainability and vitality. Utilizing media reports and other secondary sources, this report focuses on the timeline of events leading up to and following the mill closures, with a focus on community responses. A brief description and history of the City of Miramichi is also presented.

A selection of quotations from community residents, officials, and interested parties illustrative of community responses to the mill closures is included in the appendix. The 2001 and 2006 Community Profile Statistical data for Miramichi are also included.





Community Description

Prior to 1995, the city of Miramichi did not exist. In fact, it was created through the forced amalgamation of five smaller incorporated communities and six unincorporated communities concentrated around the mouth of the Miramichi river in North Eastern New Brunswick. The amalgamation saw the rival towns of Newcastle and Chatham, and the villages of Nelson, Loggieville, and Douglastown, brought together under a single municipal government.

The dominant industries in the region and the largest contributors to the local economy have traditionally been forestry related. In the Miramichi region's early days shipbuilding, masting, and lumbering were the primary economic activities. Following those industries' decline, pulp and paper production came to the fore. Additionally, productive copper, lead, and zinc mines and a large air force based helped to diversify the Miramichi's economic prospects. Yet by 1999 the mines had become depleted and the airforce base had closed, leaving pulp and paper production as the main driver of the region's economy once again.

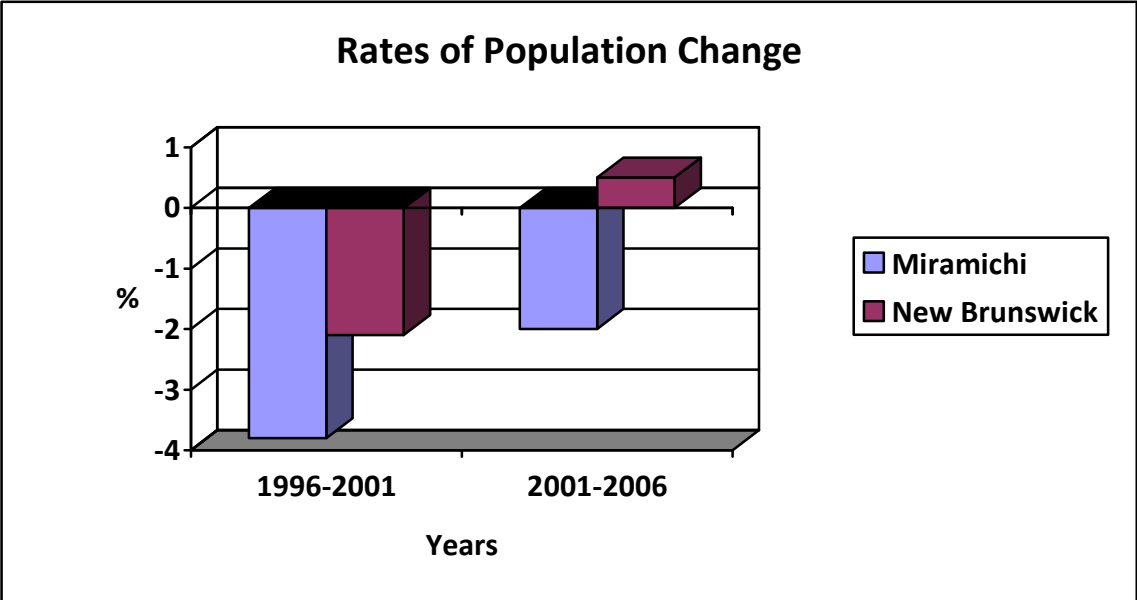
Today, the city of Miramichi acts as the business and industrial hub for the Miramichi region. Tourism plays a key role in the area's economy, and knowledge based industries such as multimedia production and customer service provision have made inroads as well. Until recently, the area was home to several pulp and paper and lumber mills operated by companies like Weyerhaeuser and UPM-Kymmene. These mills employed a significant percentage of the available labour force in the Miramichi region both directly (as much as 14.2% in 1996) and indirectly. Between 2004 and 2009, the combination of a strong Canadian dollar, the housing

construction sector downturn in the United States, stiff competition, and other factors resulted in the closure of every pulp and paper production facility in the Miramichi region.

Selected Characteristics

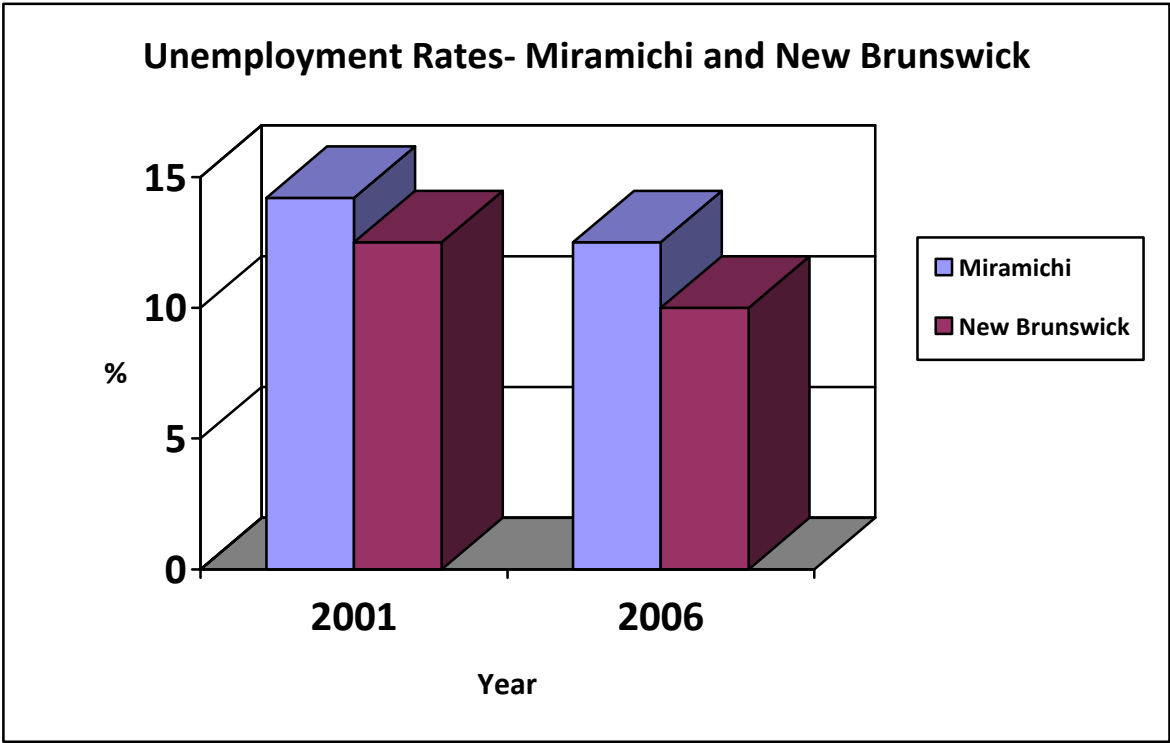
Population Decline

Miramichi has experienced significant population decline in recent years. Between 1996 and 2001, the population declined by %3.8. Between 2001 and 2006, a further %2.1 decline was reported. While population decline is a province wide issue in New Brunswick, Miramichi has experienced higher than average losses. It is unclear how mill closures have affected population numbers, though, as many of the permanent closures occurred after the 2006 census.



Unemployment

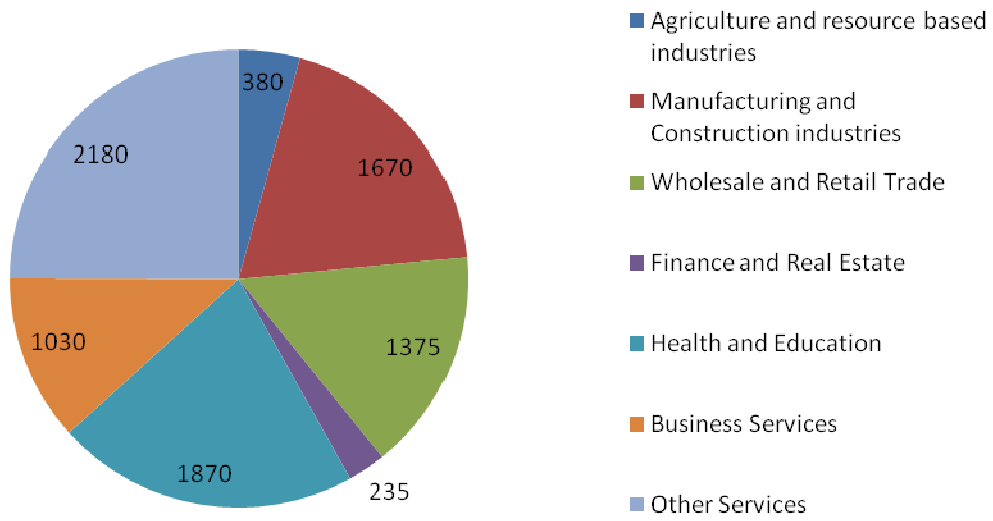
Rates of unemployment, as well, have consistently been higher in Miramichi than the provincial average. Over time, the city has struggled to replace jobs lost due to the closures of mills, mines, and CFB Chatham. Again, the census data do not, perhaps, reveal the current extent of the problem as almost 945 jobs were cut from the forestry sector after the 2006 census had been conducted.



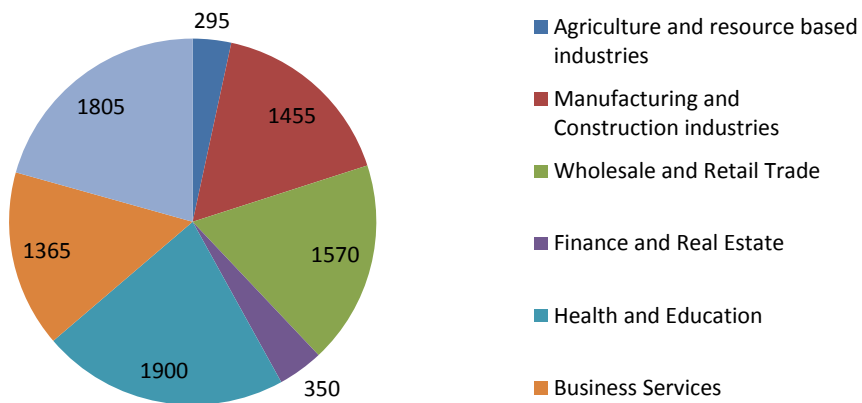
Employment by Industry

A comparison of the employment statistics for Miramichi in 2001 and 2006 reveals that the majority of job losses have come in the agriculture, resource based, manufacturing, and construction industries. These statistics also show that Miramichi has experienced significant job gains in the business, retail, and financial services sectors. The total labour force population for 2001 was 8740, and for 2006 the total labour force population was 8750.

Employment by Industry 2001



Employment by Industry 2006



Media Analysis: Mill Closures and Community Responses, 2004-2009

UPM-Kymmene Delivers “Body Blow”

The first major mill closure in Miramichi was announced on Sept. 29, 2004 by UPM-Kymmene’s president of North American operations Heikki Malinen. Malinen stated in the announcement that the UPM-Miramichi kraft pulp mill would close on Jan. 31, 2005 eliminating 400 union and non-union jobs as the company attempted to restructure its operations in New Brunswick. Increased global competition, the plant’s age, and inadequate production levels were the main reasons provided for the closure. According to Malinen, expansion of production to keep the mill viable was not an option due to New Brunswick’s inadequate wood supply.



UPM Paper Mill

Many sources reported that the announcement came as a shock to the community, and that the economic outlook was, for the most part, grim. One source described UPM-Kymmene as having “deliver[ed] a body blow to the Miramichi valley” that could take up to \$16-million in wages and another \$3.5-million in private woodlot sales out of the local economy. Communications, Energy and Paper Workers Union Local 689 president A. J. Dowling was quoted in an article entitled *Workers contemplate bleak future* as saying that the mill closure was “unexpected, it was a bombshell” and that workers were trying to gauge the impact the closure would have on themselves and their families. The same article quoted several workers who seemed resigned to the fact that they would likely be forced to leave Miramichi. Another article focused on the concern of local businesspeople as to how the mill closure would impact their bottom lines with many of their customers facing layoffs. A document prepared by Miramichi city officials estimated the mill closure would result in a loss of nearly \$100-million from the local economy.

The Community Responds

The Miramichi community, especially members of the CEP Local 689, was quite active in responding to the announced mill closure. In Oct. 2004, premier Bernard Lord met with community leaders to discuss the effects of the mill closure and CEP Local 689 members

organized a second meeting aimed at drumming up public support to keep the mill open. A large number of people marched in the streets prior to the meeting. Over five hundred people attended including 2 MPs, the CEP national president, and numerous community leaders. Several speakers demanded that the government revoke one of UPM-Kymmene's Crown forest licenses if the company did not reverse its decision to close the kraft pulp mill. In Nov. 2004, a "Save the Miramichi" committee was formed, including members of the CEP Local 689, city councillors, and local businesspeople, in an attempt to further rally community support against the mill closure. Posters and signs in support of the cause were distributed to businesspeople and others to display, and a petition was circulated. A protest at the provincial legislature grounds was also planned. Additionally, in December 2004 workers from both the kraft pulp mill and UPM-Kymenne's groundwood pulp and paper mills began a strike in hopes of addressing the mill closure and negotiating a new collective agreement.



"We want to know, where is our future?"

Despite these efforts, the kraft pulp mill was closed and later demolished, beginning in Feb. 2005. A tentative collective agreement between workers and UPM-Kymenne was not achieved until Aug. of that year, by which time media reports suggested that business owners were pushing for workers to sign the contract, saying that "the community must learn to cope with lost jobs". Aside from Miramichi city council conducting a business impact survey and several hundred mill workers briefly protesting the demolition of the kraft pulp mill, community responses to the actual mill closure, if they occurred, were not well reported in the months following.

Miramichi Forestry Sector Takes Another Hit

In Feb. 06, less than a year later, UPM-Kymenne announced it would shut down its groundwood pulp and coated paper mills for three months in a cost-saving measure. Media reports from this time period document significant community responses to the city's now

increasingly uncertain future. Union workers, who had fought for a wage increase in the collective agreement negotiated only seven months earlier, now voted to roll-back their own wages in an effort to keep the mills afloat. Miramichi city council voted to enact a two-year property tax freeze to help reduce the costs of operating the mills. A delegation of Miramichi councillors, union members, and Miramichi Chamber of Commerce representatives travelled to UPM-Kymenne headquarters in Helsinki, Finland in order to discuss ways to keep the mills operating over the long term.

Their efforts proved to be in vain, however, as UPM-Kymenne announced a nine to twelve month shutdown of both its groundwood and coated paper mills in Jun. 07, followed by a permanent closure announcement in Dec. of the same year. Combined with the indefinite closure of OSB Weyerhaeuser in Feb. 07, a total of 745 jobs were eliminated from the Miramichi economy directly, in addition to the hundreds of jobs in industries dependent on the mills. In the media, reporters, city officials, workers, and residents variously described the mill closures as “severe, big, and very dramatic”, “a major crisis”, “the downfall of the Miramichi”, and “a crushing blow to the community”. One reporter described the job losses, quite dramatically, as the fall of the Sword of Damocles that had been hanging over Miramichi.

Miramichi Searches for Solution to Forestry Crisis

In addressing the mill closures, community members and officials employed a number of strategies, some more successful than others. The Miramichi Diversification Initiative was a joint project of the federal and provincial governments, the City of Miramichi, Enterprise Miramichi, and the Community Business Development Corporation Northumberland aimed at helping businesses affected by the mill closures in diversifying their products and markets. City council, businesses, and neighbouring communities sent delegations to the provincial government in Fredericton seeking funds and assistance to deal with the crisis. With some of the funding received, a Community Action Committee was created to plan and assist the recovery and continued development of the Miramichi regional economy through community driven initiatives. Efforts to have the UPM-Kymenne mills sold to another company were stymied by UPM-Kymenne officials decision to irreparably disable their machinery.

In the early months of 2008, several articles in local papers—with titles such as *Residents of a Battered Mill Region Learn to Move on* and *Time to Move On*—seemed to encourage community members to put the mill closures behind them and to look toward the future. Enterprise Miramichi, the local economic development agency, began to channel funds towards three strategic sectors: the knowledge based economy, value-added manufacturing, and tourism. Miramichi city council, in conjunction with the local business community, local MLA's, and provincial government officials, was able to attract a Norwegian solar firm to purchase the UPM-Kymenne paper mill site for a future solar cell production facility.

More Bad News

The forestry sector, however, continued to suffer. In Apr. 08, the Atcon plywood mill was shut down indefinitely, throwing 100 employees out of work. In May, following five months of public rallies, petitions, and calls for action by Miramichi community members supporting the sale of the idled OSB Weyerhaeuser plant, a potential buyer—Arbec Forest Products— withdrew at the last minute. And on May 23. 08, it was reported that the last remaining mill on the Miramichi, Newcastle Lumber Co., had gone into receivership, with 100 more mill workers joining the ranks of the unemployed. One media report suggested that the Newcastle Lumber Co. Mill closure represented “the final nail driven into the coffin of Miramichi’s forestry sector”. Media reports described massive unemployment and an exodus of workers—especially young workers—headed for Alberta’s oil sands developments. While more recent statistics would undoubtedly paint a more accurate picture, Miramichi was ranked 16th in a Statistics Canada national comparison of mid-sized urban centres with the fastest declining population between 2001 and 2006.

Miramichi Undeterred: Residents Confident That Miramichi “Will Rise Again”

Despite these setbacks, recent media reports suggest that community residents and officials are optimistic that diversification efforts will pay significant dividends resulting in a more prosperous Miramichi in years to come. Indeed, it seems the fruits of these efforts are already burgeoning. New Brunswick Community College Miramichi Campus has expanded its trades program, increasing opportunities for unemployed workers to retrain in areas such as crane operation or carpentry. Additionally, the college is working to develop a local animation industry by providing animation and gaming programs, helped along by the efforts of Gene Fowler, who relocated his Fatkat Animation company to his hometown Miramichi in 2003. The tourism industry has expanded, with Miramichi playing host to world class salmon fishing, several festivals, and various cultural and historical attractions. Moreover, with growth in the Information and Communications Technology (ICT) and manufacturing (highlighted by the Umcoe solar project) sectors, it seems Miramichi is poised to weather and overcome the adversity presented by the decline of its forest industry.



Selected Quotations

"Maybe we will look back in five years and go 'well, we've actually started to diversify our economy a little bit and we were able to figure out how to bring more youth back to our economy'," Brian Donovan, director of Miramichi Economic Development, on the kraft mill closure's potential to force Miramichi's economy to diversify. 10/08/04 Barry, A. *The Times-Transcript*. Moncton, N.B.

"Well, your career is gone and your future is up in the air. You just have to evaluate your future on the Miramichi," Millworker and former city councillor John Foley, on the UPM kraft mill closure. 09/30/04 Gowan, D. *Telegraph-Journal*. Saint John, N.B.

"I think we need to ask the federal government what it is going to do to help us. We have a community to save here, and we can't carry this load by ourselves." Former city mayor John Mckay, on the forestry crisis. 06/06/07 Klinkenberg, M. *Daily Gleaner*. Fredericton, N.B.

"We demand, we demand some help -- immediate help...This is a crisis." City Councillor Lisa Harris, at a city council meeting where she moved for a public meeting to be called to attract the provincial and federal governments' attention to Miramichi's plight. 07/27/07 Barry, M. *The Times-Transcript*. Moncton, N.B.

"We lost the railroads, we lost the mines, and we lost the airport. I think we'll survive this mill thing. You just roll with the punches. It's all you can do." Paul Boudreau, Miramichi resident, on the UPM-Kymmene mill closures. 08/15/07 Cumby, M. *Telegraph Journal*. Saint John, N.B.

"We're always creative on the Miramichi," Chris Allison, former CEP Local 689 President on the union's creation of a youtube video to attract potential buyers for idled mills. 09/27/07 Shipley, D. *Telegraph-Journal*. Saint John, N.B.

"This community is going to move on, there are new opportunities...But the Miramichi alone can't reinvent itself." Former Miramichi mayor John Mckay, on the need for assistance from the provincial government for Miramichi's diversification efforts. 10/25/07 Casey, Q. *Telegraph-Journal*. Saint John, N.B.

"Unfortunately, we let a multinational corporation come here and destroy a community. They are bad people." Chris Allison, former CEP Local 689 President on the closure of UPM-Kymenne's pulp and paper mill. 12/22/07 Klinkenberg, M. *Daily Gleaner*. Fredericton, N.B.

"This is a community that's resilient. The day the mill closed, we didn't give up," NBCC principal Marie-Paule Theriault on the challenges facing Miramichi. 04/25/08 Shepard, E. *Miramichi Leader*. Miramichi, N.B.

"We're not all lumberjacks and fishermen," Gene Fowler, owner of Fatkat Studios animation company located in Miramichi, (jokingly) on the diversification efforts. 04/25/08 Shepard, E. *Miramichi Leader*. Miramichi, N.B.

"The city had the misfortune of learning first-hand that one-industry towns are an anachronism. Rather than cry 'Why us?', its citizens have already started to claw their way back...With resilience, optimism and ingenuity, Miramichi will be back - sooner rather than later." 08/18/08 Anonymous. *Telegraph-Journal*. Saint John, N.B.

"We've done a lot of work on this site over the years, it's sad to see it go, but we're very excited and looking forward to the future," Local owner of Delway Enterprises David Matchett on his company's contract to demolish the UPM-pulp and paper mill. 01/05/09 Anonymous. *Miramichi Leader*. Miramichi, N.B.

"It would be nice to get our men back working on the river – it's the first thing that's on my mind when I wake up in the morning." Conservative MP Tilley O'Neill-Gordon on the Miramichi's struggles. 01/19/09 McDavid, K. *The Times-Transcript*. Moncton, N.B.

"We are very serious here in the Miramichi area. We want these jobs back." Dawn MacDonald, community resident, one of the leaders in the effort to bring Arbec Forest Products in to take over the idled Weyerhaeuser OSB mill. 02/11/09 Anonymous. *Miramichi Leader*. Miramichi, N.B.

"They're going to be on the cutting edge of technology, and world leaders in this industry, and there's nothing but greatness that I can see for Miramichi," Public Safety Minister and Miramichi Centre MLA John Foran on the Umcoe solar firm's purchase of the old UPM site. 02/12/09 McDavid, K. *The Times-Transcript*. Moncton, N.B.

Community Statistical Profile 2006

<u>Selected Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2006	18129		
Population in 2001	18508		
2001 to 2006 population change (%)	-2		
Median age of the population	43.1	42.2	43.9
% of the population aged 15 and over	84.5	83.6	85.4
Total private dwellings occupied by usual residents	7345		
Number of owned dwellings	5505		
Number of rented dwellings	1835		
Average value of owned dwelling (\$)	107992		
Persons 15 years and over with income (counts)	14335	6840	7490
Median income – Persons 15 years and over (\$)	20993	28492	16701
Median income in 2005 – All census families (\$)	51567		
Median income in 2005 – All private households (\$)	43872		
Median monthly payments for rented dwellings (\$)	536		
Median monthly payments for owner-occupied dwellings (\$)	530		
Immigrants	520	280	235
Non-permanent residents	10	10	0
Aboriginal identity population	310	130	175
Total population 15 years and over	15050	7155	7895
High school certificate or equivalent	4165	1985	2175
University certificate; diploma or degree	1915	850	1065
Labour Participation rate	59.5	64.1	55.3
Employment rate	52.1	54.1	50.3
Unemployment rate	12.5	15.6	9.2

Community Statistical Profile 2001

<u>Selected Characteristics</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
Population in 2001	18508		
Population in 1996	19241		
1996 to 2001 population change (%)	-3.8		

Median age of the population	39.9	38.9	40.8
% of the population ages 15 and over	83.1	81.9	84.2
Total number of dwellings	7195		
Number of owned dwellings	5340		
Number of rented dwellings	1855		
Average value of dwelling (\$)	81724		
Persons 15 years and over with income	14285		
Median income- persons 15 years and over (\$)	16923		
Median family income; 2000 (\$) – All census families	45482		
Median household income; 2000 (\$) – All households	40586		
Average monthly payments for rented dwellings (\$)	521		
Average monthly payments for owner-occupied dwellings (\$)	565		
Immigrants	435	200	235
Non-permanent residents	10	10	0
Aboriginal identity population	240	135	105
Total population aged 20-34	3440	1585	1855
% of the population aged 20-34 with high school graduation certificate and/or some postsecondary	31	35	27.5
% of the population aged 20-34 with a university certificate; diploma or degree	18.2	12.6	23.2
Total population aged 35-44	2820	1315	1505
% of the population aged 35-44 with a high school graduation certificate and/or some postsecondary	29.4	28.1	30.2
% of the population aged 35-44 with a university certificate; diploma or degree	14.4	15.6	13.6
Total population aged 45-64	4825	2370	2450
% of the population aged 45-64 with a high school graduation certificate and/or some postsecondary	22.6	20.7	24.5
% of the population aged 45-64 with a university certificate; diploma or degree	16.9	16	17.8
Labour Participation rate	59.4	64.7	54.6
Employment rate	51	53.5	48.8
Unemployment rate	14.2	17.5	10.8

Miramichi Mill Closures

Company	Mill or Machine & Product	Date Announced	Effective Date	Duration	Closure Type	Layoffs	Capacity Reduced	Unit
UPM-Kymmene	UPM Miramichi, Kraft Pulp	06/06/2007	24/08/2007	Permanent	Full Mill	600	130000	Tonnes
UPM-Kymmene	UPM Miramichi, General Pulp and Paper	08/12/2005	01/02/2006	Permanent	Full Mill	15	NA	NA
UPM-Kymmene	UPM Miramichi, Kraft Pulp	29/09/2004	01/01/2005	Permanent	Partial	400	240000	Tonnes
UPM-Kymmene	UPM Miramichi, Newsprint	05/06/2007	24/08/2007	Permanent	Full Mill	600	450000	Tonnes
Weyerhaeuser	Eagle Forest Products, Panels	21/12/2006	19/02/2007	Permanent	Full Mill	145	414	MMSF
Newcastle Lumber Co.	Newcastle Lumber Co., Lumber	22/05/2009	NA	Indefinite	Full Mill	100	NA	NA
Atcon	Atcon Plywood Inc., Panel	14/03/2008	NA	Temporary	Full Mill	100	NA	NA

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