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Pulp mill loses vital chip supply, customers

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Abstract (summary)

Worthington Properties, an Edmonton development company specializing in distress sales, has signed a purchase agreement with the receiver to buy the mill -- the last remnant of bankrupt Pope & Talbot's forest products empire -- by Sept. 22.

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The buyer of the Mackenzie pulp mill has lost his chip supply and many of the mill's old customers. But Dan White, chairman of Worthington Properties, says he is still on track to reopen the plant this fall.

White's pledge to restart the mill despite obstacles is the one ray of light keeping former workers from moving out of the resource town of 4,000 people. Mackenzie has been crippled by a string of closures that has left more than a quarter of the population unemployed.

A side deal between receiver PricewaterhouseCoopers and forest giant Canfor Corp. that ends Canfor's obligation to provide wood chips for the mill is the latest hurdle.

"There are serious issues we have to deal with, and we are more than prepared to deal with them," White said in an interview.

Worthington Properties, an Edmonton development company specializing in distress sales, has signed a purchase agreement with the receiver to buy the mill -- the last remnant of bankrupt Pope & Talbot's forest products empire -- by Sept. 22. The mill's boiler crew has already been notified to show up for work Sept. 25.

"They are calling the steam plant people back, they are calling the production people back. I am optimistic I am going to have my job back," said millworker Rick Berry, who has stuck it out in Mackenzie since the pulp operation closed in June.

"There's a lot riding on this for me. A lot of people are in the same boat," Berry said.

Mackenzie Mayor Stephanie Killam said people are excited that some of the workers have been recalled, but she is not taking anything for granted. The town is still pursuing plans to diversify its economy.

"I had heard that some of the guys had been called back to start the steam plant. But does that mean they are going to restart the machines or simply mothball it for winter? Nobody knows.

"Once the sale goes through, everybody will be looking for Worthington to perform."

Startup has been complicated by the loss of the chip supply, she said, but she noted there are other sources of wood in the area, where forests dominated by spruce have been spared much of the impact of the mountain pine beetle infestation.

The receiver reached a deal Wednesday to buy Canfor out of its chip-supply agreement, valued at between \$12.5 million and \$13.5 million to Worthington, about twice the \$6.5 million it will be paying for a mill with no chips. How much Canfor paid to get out of the deal is not being released.

White also said many of the customers for the mill's pulp are now gone.

"Part of the problem is because the mill has closed down, we have lost a lot of our customers. We are now in discussion with marketing companies. We are going back to the original customers and we are looking for new markets in Asia.

Even without a fibre supply, he believes the mill is a good buy.

"The only caveat on the whole issue is that we have to make this a viable investment over the long term. We are not interested in a short-term investment. That will include rejigging the whole operation including the cost of feed-stock and incorporating new technologies to reduce costs in the plant," White said.

He said Worthington and the province are in talks to find an alternative fibre supply and on Thursday, Forest Minister Pat Bell told a regional radio station that he is working with Worthington "to make sure they can achieve their goal of reopening that mill."

White acknowledged it appears odd for a property developer with no previous experience to buy a pulp mill, but he said Mackenzie is not that big a leap from the projects he has been involved in previously.

In Edmonton he has restored and redeveloped old heritage sites and is currently redeveloping an industrial site. In Vancouver, Worthington Properties has redeveloped the landmark Koret building at Columbia and Gore and is currently restoring the Pantages Theatre on Hastings as part of a larger development.

"It's what I like to do: Buy distress sales properties that were primarily court sales and tax sales, properties in difficulty, and then turn them around into successful ventures. That's our model."

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Credit: Gordon Hamilton; Vancouver Sun

Illustration

Photo: Canwest News Service, Files / Dan White, buyer of the Mackenzie pulp mill, says he believes the mill is still a good buy despite loss of a fibre supply. ;; Caption:

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