



Mid-Size Company

Turnaround of the Year

Canadian Kraft Paper Industries Ltd.

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After 45 years in operation, the pulp and paper mill in The Pas, Manitoba, was scheduled to close. The adjacent sawmill had been shuttered 10 years previously and the small, isolated town of 5,000 (located 400 miles north of Winnipeg) was now bracing for the final economic shock. The closure announcement by the mill's owner, Tolko Industries, led to the immediate loss of 300 jobs with suppliers to the mill, such as woodlands contractors—loggers, chippers, and truck drivers who sold off their equipment and hunkered down to survive a long, lean winter.

The mill's 330 union employees prepared for their own unemployment when the mill would cease operations in December 2016. Customers had stopped ordering and moved their purchasing commitments to other mills. Fiber, fuel, and chemical stocks were depleted and a new security fence to protect the abandoned mill was nearing completion. Residential real estate values in The Pas dropped 25 percent in four months. The total economic hit to Northern Manitoba was estimated to be \$200 million.

In this crisis, American Industrial Acquisition Corporation saw an opportunity. They assessed the viability of the mill, discovering a sincere, knowledgeable workforce seeking a solution, a superior product line, a global customer base of large packaging companies, and 22 million acres of harvestable and sustainable prime forest land. However, they also saw years of financial losses and massive paper manufacturing facilities and equipment that would require updating. While the town actively welcomed the new owner, the 12 First Nation's tribes who inhabited the land were initially skeptical. Weeks of meetings and collaboration among a number of constituencies resulted in:

- Three labor unions and the non-union employees agreeing to three years of concessions on wages and salaries.
- Twelve First Nations bands and chiefs agreeing to a forestry management joint venture.
- The Town of The Pas agreeing to a five-year, 50 percent property tax reduction.
- The Province of Manitoba passing a law that extended the timing of pension contributions.

An AIAC affiliated company, Canadian Kraft Paper Industries, successfully purchased the mill three weeks before the planned shutdown. Employees accepted the challenge to create a new and better company. Under the guidance of an excellent management team and advisors, the team immediately went to work rebuilding supply chains and bringing back customers—setting new, all-time production records including both its highest production day and month. Meanwhile scrap rates, equipment failures, and other operational challenges have plummeted thanks to investments in state-of-the-art equipment designed to speed production, increase productive capacity, enhance product quality, promote safety, and extend useful plant life. Simultaneously, the company culture has shifted toward greater inclusion, transparency, and accountability within CKPI and throughout its community.

In 18 months, the mill went from multi-million-dollar losses in 2016 to a profitable 2017 to record profitability in 2018. CKPI's financial position is now solid and its kraft paper is again the envy of the industry, with satisfied customers on five continents and a bright, sustainable future.