EFFECTIVE EXECUTION
The ability to consistently deliver on an asset’s full potential.

COATED FREESHEET
CFS regained traction in 2010, but cooled a bit in 2011. What gives?
Is ABB committed to pulp and paper?

Absolutely.

Maximizing the performance of your mill by adding cutting edge technology or simply fixing what’s broken is what you should expect from your automation and electrification partner. As an industry pioneer and leader in pulp and paper, ABB will always meet or exceed your expectations regardless of the age or history of your system. We did it yesterday and we will do it tomorrow. That is our pledge.

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For the first time in over 130 years, Paper2011 made a move out of New York to another city — Chicago — and the new host didn’t disappoint.

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Coated freesheet markets regained a lot of lost ground in 2010 as demand, buoyed by stock rebuilding, rebounded strongly. In turn, operating rates rose and drove major price gains. However, demand cooled in early 2011 demonstrating that while markets are much improved they continue to face challenges derived from shifts in underlying demand and a sluggish economy.

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Sustainability, much like recycling, is a very popular term these days and rightly so. Every person, business and the planet needs to sustain itself. In the case of the latter, we’re all going to be in a lot of trouble if it doesn’t. But the ongoing and challenging aspect of sustainability is: Who should pay for it?

At the Paper2011 convention in Chicago, the Luncheon General Session took a shot at the subject and featured a group of “millennials.” The participants’ ages ranged from 16 to 28, each with a different background and each holding varying views on life and how things in the world should be. The ensuing discussion then slanted towards their “life with paper.”

I have to give AF&PA and NPTA (Paper2011 organizers) credit because it was a bold move to put what I’ll term a group of “kids” on a stage in front of a tough and somewhat traditional audience. But the gamble worked out great and the discussion was enlightening to say the least.

Each millennial started by introducing himself or herself and provided a little background about themselves. Some were students in high school or college and others worked. The moderator, Michael Wood, senior vice president of TRU, posed a series of questions that allowed the audience to gain a very good understanding of the millennials’ attitudes, needs, and very honest feelings towards government, big business and the environment.

As the theme turned to paper, recycling and sustainability, all within the group said they were concerned about the environmental impact related to the production of paper and paper’s reuse or disposal.

As the moderator got deeper into the sustainability theme, he asked if there was something specific that triggered the millennials to buy a product, i.e. price, eco-friendly packaging, the product’s recyclability, etc. Although all in the group again expressed their strong concern for the environment, each and every one of them said price ultimately played the pivotal role in their purchasing decision.

And there it is; the million dollar dilemma. Even if a manufacturer produces a recyclable product and puts it in eco-friendly packaging, if the cost of the product is higher than its environmentally-unfriendly, but less expensive, counterpart, the environment along with the eco-friendly manufacturer loses to the bargain brand.

I’ll admit, listening to the group that day surprised me. I thought for sure they would say all the right things: yes we recycle; yes we buy green products; yes our purchasing is influenced by eco-labeling on packages. But they were painfully honest and simply said it all boils down to money.

So, what are we supposed to do? And when I say “we” I mean everybody — the producers, the retailers and the consumers.

The moderator did ask the group if they thought government should step in and create sustainability-related mandates for all producers to adhere to. But that was met with a less than enthusiastic response, with a number of panelists saying they just didn’t trust government enough to handle the situation properly.

Although the millennials’ answers didn’t blow anyone off their chairs that day, they certainly provoked a lot of thought, as was evident by the increasing flow of questions from the audience as the session moved along.

And although a tactical solution to the issues surrounding sustainability did not materialize during the session (someone would be up for the Nobel Peace Prize if it did), the session made me realize that the problem isn’t just someone else’s to deal with.
If you had to choose a kaolin supplier based on one quality, which would you choose?

- TAILORED SOLUTIONS
- SERVICE
- STABILITY
- LONGEVITY
- GLOBAL REACH
- PRODUCT DEVELOPMENT

The good news is you can have them all with Thiele, a privately held company serving papermakers worldwide since January 1, 1947.
NORTH AMERICA
IP to Produce Fluff Pulp at Shuttered Franklin, Virginia Mill

International Paper said that it will invest $83 million to repurpose a portion of its closed Franklin, Virginia mill as a fluff pulp mill capable of annually producing up to 270,000 metric tons of high quality fluff pulp for the global market.

About 200 jobs will be created at the mill. “IP is currently the third largest global supplier of fluff pulp and this investment gives us greater participation in a growing market,” said Mark Sutton, senior vice president Printing and Communications Papers the Americas.

“The Franklin fluff pulp facility will be 89% energy self-sufficient, utilizing power generated from carbon-neutral biomass on-site. The capability of producing energy from renewable biomass resources makes the remaining portions of the Franklin Mill site an ideal location for other partners looking for on-site green energy options.”

IP said that it continues to actively evaluate additional repurposing options for the Franklin site with third party partners. However, IP’s decision to permanently shut down the Franklin Mill for uncoated freesheet (UFS) production remains unchanged.

Repurposing of the Franklin Mill for the production of fluff pulp will begin immediately, with start-up targeted for mid-year 2012.

Prior to its closure in 2010, the Franklin Mill employed 1,100 people and had the capacity to produce 600,000 tpy of uncoated freesheet on three machines, and 140,000 tpy of coated paperboard on one machine.

Wausau Paper to Invest $220 Million to Expand Tissue Production

Wausau Paper announced that its Board of Directors has approved plans to expand the company’s towel and tissue production capabilities.

The project includes a 220-inch Voith ATMOS technology paper machine capable of producing 75,000 tons per year of premium towel and tissue products from 100 percent recycled fiber.

The new machine will be located at the company’s converting facility in Harrodsburg, Kentucky, with construction scheduled to begin this summer and startup expected in the first quarter of 2013.

Total costs associated with the project approximate $220 million and include building construction, the new paper machine, converting line enhancements and project-related expenses.

The project received incentive commitments of approximately $7 million from the Kentucky Economic Development Finance Authority. The company expects to fund the project primarily from future cash flow from operations and available credit from its established $300 million borrowing base.

Once operational, employment at the Harrodsburg site is expected to increase by up to 76 full-time positions. “Our Tissue segment has been our best performing business over the last decade and this investment will serve to accelerate its growth and profitability,” said Thomas Howatt, Wausau’s president and CEO.
Total Roll Management: A Complete Solution for Smurfit-Stone

Following the successful Total Roll Management (TRM) pilot at Smurfit-Stone’s Hodge, Louisiana, mill last year, the program was expanded to all 12 Smurfit-Stone paper mills throughout the U.S. and Canada.

Voith’s proven knowledge, quality and service allows customers to focus on the business of papermaking, while leaving the responsibility of roll maintenance to Voith.

“Voith’s TRM program is a critical piece of our Mill division’s ability to reach our world-class manufacturing goals. We are seeing real improvements in roll utilization, as well as uptime and reliability.”

Mike Exner, Senior Vice President and General Manager, Containerboard Mill Division

www.voithpaper.com

Voith Paper
**Cosmo Specialty Fibers Officially Opens Pulp Mill**

Cosmo Specialty Fibers held the official opening of its mill in Cosmopolis, Washington on Saturday, May 21. The mill, formerly owned by Weyerhaeuser, was purchased in September of 2010 by the Beverly Hills-based private equity firm The Gores Group.

Pulp production began on May 1, 2011. The company anticipates a yearly production of 140,000 tons of high-purity cellulose for acetate tow, viscose filament and viscose staple fiber.

“We are incredibly proud of what our team has been able to accomplish at this mill in just nine months. We have moved from construction to operation and are currently producing a premium pulp product that will be shipped internationally,” said Mike Entz, CEO of Cosmo Specialty Fibers.

The Cosmopolis mill was built in 1957.

**Lignin Demonstration Plant in Operation at AbitibiBowater Thunder Bay Mill**

FPInnovations in partnership with the Centre for Research and Innovation in the Bio Economy (CRIBE), Natural Resources Canada (NRCAN) and AbitibiBowater is now producing its first batches of operational lignin for Canadian researchers.

The partners plan to develop a world-class black liquor and lignin evaluation center in Thunder Bay, Ontario. At the core is the lignin demonstration plant, a state-of-the-art piece of equipment that ties directly into the black liquor stream of AbitibiBowater’s Thunder Bay kraft pulp mill. When fully operational, the demonstration plant will produce up to 100 kg of lignin per day, which will be shipped to a network of R&D labs across Canada that are developing novel uses for wood products.

Also on site is a lignin characterization lab, which currently employs three people, and will be increased up to six people as capacity grows. Lakehead University and its Biorefining Research Initiative will be closely linked to the ongoing research and will be training students and postdoctoral fellows at the facility.

According to FPInnovations, the potential market for lignin-based products is massive. Lignin can be used as a green alternative to many petroleum-derived substances, such as fuels, resins, rubber additives, thermoplastic blends, nutraceuticals, etc.

“The lignin evaluation plant provides us an opportunity to move wood-based products beyond traditional markets,” said Doug Murray, general manager of AbitibiBowater’s Thunder Bay Operations. “We feel very fortunate to be part of this initiative.”

**Tak Investments Proposes Recycled Tissue Operation in Franklin, Virginia**

Tak Investments announced a proposal to operate a recycled tissue plant in Franklin, Virginia and has entered into a Letter of Intent to complete the evaluation, including due diligence and feasibility analysis of this project.

Tak Investments currently owns and operates a 70,000 ton per year recycled tissue mill (ST Paper) in Oconto Falls, Wisconsin.

The proposed project in Franklin would include operating an existing recycled fiber plant in Franklin and processing post-consumer recycled fiber into tissue, towel and napkin products for converters.

The project calls for the modification of a paper machine into a tissue machine which would produce up to 70,000 tons per year of recycled tissue.

Tak said the proposed operation would create about 80 permanent jobs initially.

In a statement, Tak said, “We think the regional market is in need of a cost-competitive, world class recycled tissue machine and Franklin offers a great location for this facility. We are looking forward to being a part of economic development and job growth in the Franklin community.”

The facility is targeted to be operational in the third quarter of 2012.
Envision a world that doesn’t just turn. It flies.

Whether you build, produce, manufacture, run or generate, one fact is clear: Better lubricants and better lubricant suppliers correlate to productivity. Just one reason why more than 5000 equipment builders worldwide recognize Mobil Industrial Lubricants. With a standard-setting product range, and unmatched industry expertise, Mobil Industrial Lubricants don’t just elevate productivity. We unleash it. Visit www.mobilindustrial.com for more.
EUROPE
M-real Seeks to Divest or Close 500,000 Tonnes of Papermaking Capacity

M-real said that it plans to rid itself of 500,000 tonnes of papermaking capacity by either selling certain mill assets or closing them.

The plan includes the potential sale of the entire Gohrsmühle mill in Germany or, alternatively, parts of the mill separately based on a Paper Park concept. If a buyer does not materialize, M-real will begin the process of shutting down the uncoated fine paper and the unprofitable parts of the specialty paper operations at the mill. The mill would then only produce cast coated label and packaging products (Chromolux).

M-real is also planning to discontinue its remaining carbonless paper converting operations at the Reflex mill in Germany.

In addition, M-real said that it has tried unsuccessfully for several years to divest its Alizay paper mill in France. If a buyer is not found by the end of September 2011, M-real said it will close the mill.

The result of the planned measures would reduce M-real’s annual paper production capacity by about 500,000 tonnes of which about 430,000 tonnes would be uncoated fine paper and 70,000 tonnes coated specialty papers.

M-real noted that Gohrsmühle, Reflex and Alizay mills have been heavily loss-making for a long time.

“M-real has implemented extensive restructuring and development actions at Alizay and Gohrsmühle mills during recent years. Despite these actions M-real is not able to improve the mills’ profitability to satisfactory level due to the European overcapacity situation and the increased production costs,” said Mikko Helander, M-real’s CEO.

Kari Jordan, M-real’s chairman, added, “The planned measures are a major step in M-real’s transformation to a packaging board focused company.”

Metsa Tissue to Install Two New Paper Machines in Poland

Metsa Tissue will launch a three-year, EUR 55 million investment program that will focus on modernizing the company’s Krapkowice mill in southern Poland.

In a written statement, Metsa Tissue said its development plan published in May 2010 aims to strengthen the company’s market position in Continental Europe, increase its production capacity and enhance its brand, product and service offering.

“The program includes two new paper machines, related assets and infrastructure, as well as a smaller rebuild of paper machine 6 in Krapkowice. Two old machines — paper machine 11 in Konstancin-Jeziorna close to Warsaw and paper machine 5 in Krapkowice — will be closed,” said Lars Warvne, senior vice president, Technology and Operations.

“The investment program in Krapkowice will enable a net tissue base paper capacity increase of approximately 35,000 tonnes in Poland,” Warvne said. “Additionally, a new Away-from-Home converting line will be installed and a new rental converting and warehousing building will be constructed.”

Paper machines and related infrastructure will be supplied by Voith Paper.

Sappi to End Production of Coated Graphic Paper at Biberist Paper Mill

Sappi Fine Paper Europe announced that it will cease production of coated graphic paper at its Biberist paper mill in Switzerland.

In a written statement Sappi said, “After due and thorough consideration during the consultation process with local employees ending on 16 May 2011 the definitive decision to discontinue the coated graphic paper production was taken. It is anticipated that production will cease by the end of July.”

The Biberist Mill employs around 550 employees in total.

Sappi said that it will continue to investigate possibilities for the sale and alternative industrial use of the site.

Berry Wiersum, CEO of Sappi Fine Paper Europe, said, “We recognize this is a very difficult and unfortunate outcome for those employees concerned, their families and the communities surrounding the mill. Unfortunately this action was unavoidable and essential given the continued overcapacity and sustained increases in input costs.”

Sappi said volumes produced at the mill will be transferred to other Sappi sites. Production of the uncoated Cento brand will continue unless a suitable new owner for the mill is not found by the end of July.

With the cessation of coated graphic paper production at Biberist mill, Sappi will reduce its coated graphic paper capacity by 500,000 tons per year.
SWEDEN
Sodra to Begin Commercial Production of DuraPulp

Sodra Cell announced plans to begin producing and selling DuraPulp — a biodegradable composite material made of 100% renewable fibers — at its Varo pulp mill in Sweden. Production is scheduled to start after the summer.

“DuraPulp is a material that is making a very timely appearance. It can replace plastics in many applications but it has the distinct advantage of being biodegradable,” said Henrik Wettergren, business area manager for Printing Paper and Specialties.

Initially, sales of DuraPulp will focus on the business areas of specialty paper, design and board. “We will begin with small-scale production but we’re prepared to increase production to match demand,” Wettergren added.

According to Sodra, DuraPulp is the result of many years of research and was produced by Sodra together with the research and development company Innventia. The composite material is made of specially selected pulp from Sodra Cell combined with a renewable biopolymer. Following additional processing, these two components take on special properties such as humidity resistance, tensile strength and rigidity.

The use of DuraPulp was first demonstrated at the Milan Furniture Fair in 2009 through the children’s chair, Parupu.

Sodra Cell’s Varo Mill produces 400,000 tons per year of high quality totally chlorine-free softwood pulp.

Powerflute Sells Papierfabrik Scheufelen to Paper Excellence

Finnish packaging producer Powerflute has agreed to sell Papierfabrik Scheufelen GmbH & Co. to Paper Excellence BV for a total consideration of EUR 38.5 million.

The deal calls for Paper Excellence to make two cash installments — EUR 25 million upon completion of the deal and EUR 7.5 million on October 31, 2011. Paper Excellence will also assume EUR 6 million of debt.

Papierfabrik Scheufelen, which was acquired by Powerflute on January 1, 2009, operates a paper mill in Lenningen, Germany with a production capacity of 300,000 tonnes per year of coated woodfree papers from mixed hardwood and softwood pulps, sourced principally from South America and Northern Europe.

In a written statement Powerflute said the divestment of Scheufelen was based the rising cost of pulp. “The business was heavily impacted by developments in worldwide pulp markets during 2009 and 2010 and we currently expect these challenging conditions to prevail for the foreseeable future.

continued on page 12

Stora Enso Fine Paper to Restructure Operations

Stora Enso said that it is re-evaluating its Fine Paper Business Area working methods and building a new business model to increase cost competitiveness.

According to its plans, Stora Enso would restructure operations at Nymolla Mill in Sweden; restructure operations at Uetersen Mill in Germany more towards specialty papers; and at Oulu Mill in Finland, together with the sheeting plants in Belgium and the United Kingdom, find the most efficient way to utilize the converting capacity and streamline operations.

“The plans announced [in May] would make Stora Enso Fine Paper more flexible and cost efficient, and so better able to meet customer and market expectations,” said Hannu Alalauri, executive vice president, Fine Paper Business Area.

“Fine paper demand is still clearly below pre-crisis levels, and there are no signs of sustained recovery. We have been successfully remodeling our operations during the past few years, and now we plan to continue on the chosen path of improving our existing businesses. We are comparing the best practices at all our mills so we can continuously adopt the most efficient ways of working. Similarly, we need to question our way of running the operations. These plans are part of rethinking in Stora Enso, but of course rethink means much more for us, such as new products and services, new solutions with our customers — better solutions for the future,” Alalauri said.

Stora Enso Fine Paper plans to reduce annual costs by approximately EUR 20 million, starting during 2011 with all actions to be completed by the end of the second quarter of 2012.

The proposed restructuring measures would affect, altogether, up to 285 employees in Finland, Sweden, Germany, Belgium and the UK.

The plans would not affect the Business Area’s paper production capacities, Stora Enso said.
Eka Chemicals recently celebrated the start-up of its new production plant for colloidal silica at the company’s Guangzhou site in Guangdong province, southern China.

"Eka Chemicals is fully committed to China, which is one of our most important growth markets," said Johnny Boey, SBU Director, Pulp and Paper Chemicals Asia Pacific. "This latest investment will help to meet growing demand and will contribute to AkzoNobel’s ambition to double its revenue in China to $3 billion by 2015."

Eka pointed out that China is the fastest growing paper production country in the world and the company’s Compozil colloidal silica nano-particle systems provide customers with a range of sustainability benefits, decreasing consumption of wood fiber and energy.

"Building this facility in China — our second colloidal silica plant in Asia — underlines our business ambition to stay close to our customers," added Ross Howat, general manager of Pulp and Paper Chemicals China.

Eka said the plant will incorporate the latest process control system and leading-edge technology designed to meet future market demand for the next generation of colloidal silica products. The Guangzhou site is strategically located close to several future large paper mill projects in southern China.

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**Russia**

**Ilim Reports Pulp and Paper Production Up in 1Q**

Ilim Group said that during the first quarter of 2011 its Ilim East units (Bratsk and Ust-Ilimsk branches) produced 367,000 tons of pulp and paper products — a 2.5% increase compared to January-March of 2010. The figure includes 309,000 tons of market pulp, which is a 2% increase from the first quarter of 2010.

Ilim East’s market containerboard production has reached 58,000 tons, a 7% gain, the company said.

**Ilim West 1Q Production**

At Ilim West (Koryazhma Branch), the segment has manufactured 268,000 tons of pulp and paper products — a 9% increase over the first quarter of 2010. This includes 90,000 tons of market pulp, which is a 19% jump over the same period in 2010. Market containerboard production gained 4%, amounting to 127,000 tons.

Paper production reached 51,000 tons, an 8% increase over the first quarter of 2010. The amount includes 16,000 tons of sack paper, 25,000 tons of offset paper and 10,000 tons of paper for wallpaper.

Pulp production was 280,000 tons, a 9% compared with the first quarter of 2010.

Total production output of OAO Ilim Gofra (corrugated board and boxes) in the first three months of 2011 reached 28,198,000 m2, a 54% hike over 2010 figures.

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**FOEX: PIX BENCHMARK INDEXES**

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NBSK: long-fiber northern bleached softwood kraft pulp.
LWC: Light-weight coated magazine paper (60-gram offset reels).
Coated WF: Coated woodfree paper (100-gram reels).
A4 B-copy paper: A4-sized sheeted standard-grade copy paper (80 grams per sheet).

ABOUT PIX PRICES: FOEX (www.foex.fi) PIX indexes are benchmark price indexes for various qualities of pulp and paper. They measure weekly the market price of the pulp or paper in question. FOEX receives real trade information from parties in the pulp and paper industry, from buyers, sellers as well as from agents. The highest 10% and the lowest 10% of the prices are eliminated, and the PIX value is calculated as an average price from the remaining prices.
AbitibiBowater has named Andre Bernier as general manager at the company’s Fort Frances mill in Ontario. He replaces Derrick Lindgren, who has been appointed general manager of AbitibiBowater’s Ponderay operation in Usk, Washington. Most recently, Bernier was the general manager for Catalyst Paper’s Crofton pulp and paper mill in British Columbia.

Cascades announced that Luc Langevin has been named president and chief operating officer of the Cascades Specialty Products Group (SPG). Langevin has held the position of general manager of Cascades SPG for the past fourteen years.

Cosmo Specialty Fibers has named Jim Smith as the new mill manager. Prior to joining CSF, Smith served general manager for Smurfit-Stone at the company’s Jacksonville, FL, and Los Angeles, CA mills.

Finch Paper has appointed Ken Chartier as Director, Quality and Continuous Improvement. Chartier formerly held various positions at Newpage Corp., including, product development engineer, senior process engineer, technical manager and professional services manager.

International Paper has named Cecilia Ho as president, IP Asia. Ho joined IP in 2004 and held roles in strategic planning and general management in IP Asia. Most recently, Ho served as vice president and general manager, Pulp. She replaces Paul Brown, who has been named president, IP India.

International Paper has also named Glenn Landau as vice president of Investor Relations. He replaces Tom Cleves, who has been appointed vice president and general manager, Containerboard & Recycling.

NewPage recently named Ronald J. Arling as controller and chief accounting officer. Arling joined NewPage in November 2006 as internal audit director, in April 2009 advanced to assistant controller, and in November 2010 was promoted to controller.

Sonoco has elected Barry L. Saunders as vice president and chief financial officer. He also joins the company’s executive committee. Saunders formerly served as Sonoco’s vice president, corporate controller and chief accounting officer, and replaces Charles J. Hupfer, senior vice president, who has served as chief financial officer since May 2002. Hupfer retires after reaching the age of 65 in May 2011, capping a 35-year finance career with the company.

Tembec announced that Linda Coates has joined the company as corporate vice president, Communications and Public Affairs. Ms. Coates has a long-standing career of over 25 years in the field of Communications and Public Relations, having held various executive positions in Canada as well as in Europe.

Temple-Inland has named Larry C. Norton as Group Vice President-Corrugated Packaging. Norton replaces Dennis J. Vesci, who retired on June 1. Vesci worked for Temple-Inland for 36 years. Additionally, George D. Obernesser has been promoted to Group Vice President-Paperboard.

David J. Prystash, chief financial officer of NewPage, in April resigned to pursue other opportunities. Curtis H. Short, currently controller and chief accounting officer, has been elected as senior vice president and chief financial officer on an interim basis. Short will serve in the interim role until a permanent replacement is named.

OASIS Alignment Services, Inc. (OASIS) has appointed Brian J. Hiltunen to the position of vice president and general manager. Prior to joining OASIS, Hiltunen held the position of general manager, paper machines and mill site services at Metso in Appleton, WI. He will be based in the OASIS Midwest Regional Service Center in Appleton.

Thiele Kaolin Company has named Andy Crabb as Vice President of Technical Resources. Crabb joined Thiele in 1988 and has held various positions in Research and Development, Quality Assurance, Process Improvement, Operations Management and Technical Resources.

The Association of Suppliers to the Paper Industry (ASPI) has named William M. “Chip” Shew as its 2011 ASPI Excellence in Leadership recipient. Shew serves as Mill Manager – Paper, Packaging and Services for Greif Inc.’s Massillon, Ohio mill.
Coated freesheet markets regained a lot of lost ground in 2010 as demand, buoyed by stock rebuilding, rebounded strongly. In turn, operating rates rose strongly and drove major price gains. Demand cooled in early 2011 demonstrating that while markets are much improved they continue to face challenges derived from shifts in underlying demand and a sluggish economy.

By Harold M. Cody

In step with a surging recovery last year in almost all major pulp, paper and paperboard markets, coated freesheet papers staged a solid rebound from the precipitous downturn that the industry endured for almost two years that ended in 2009. For most of last year coated freesheet volumes rose significantly as did prices, and these gains resulted in much improved mill economics.

However, economic growth continues to be erratic which makes it difficult to gauge the strength of the recovery in paper demand this year and its sustainability. Modest overall growth in key areas such as retail spending continues, but it’s offset by extremely slow recoveries in housing and employment. Cost input pressures — energy, fiber — also continue to pressure mill margins.

Nevertheless, while improvements may be sporadic better economic conditions clearly resulted in a rebound in advertising and other promotional activity. And advertising is the underlying driving force to demand for high quality printing papers. Magazine advertising posted the first year-over-year gains since early 2007, albeit it is important to note that they have a long way to go to get back to where it all started before the crash. Similarly, catalog mailings have risen for three straight quarters. These gains should continue, although the pace of growth may slow.

These improvements resulted in a significant recovery in shipments and demand for coated papers, including coated freesheet grades, aided by the need to rebuild inventories of stocks depleted when demand simply fell off a cliff. A widespread recovery in the overall printing and writing papers market actually began in the latter part of 2009. Demand, which declined steadily and at times precipitously beginning in mid-2007, bottomed out in the first half of 2009. Following this, coated fine paper shipments rose fairly steadily from mid-2009 to third quarter 2010.

U.S. coated paper shipments for full year 2010 posted a solid 12.8% gain over weak 2009 levels. Coated freesheet shipments posted the strongest gains of any major printing and writing grade, with shipments rising by 15% to 4.2 million tons, vs. 3.6 million tons in 2009. Coated groundwood shipments by U.S. mills rose about 10% to 3.7 million tons.

Overall, North American printing and writing paper shipments posted a 3% gain in 2010, according to the Pulp and Paper Products Council. Coated groundwood and freesheet shipments rose while shipments of both uncoated freesheet and uncoated groundwood slipped. Total North American apparent consumption of coated papers grew by about 11% in 2010.

Perhaps of even greater importance to coated paper producers is that mill operating rates posted significant improvements as well, rising from the 80% range in 2009 to 96% in 2010 for both coated freesheet and coated groundwood. In turn, this set the stage for a turnaround in prices which rose from a low in January 2010 when prices for coated freesheet bottomed out at a little under $900/ton according to various sources. Successive increases raised prices to about the $975/ton range for No. 3 web grades by the end of the year.

Can Recovery Continue?

Unfortunately, coated fine paper markets have recently showed signs of weakness that raise concerns about the direction of the recovery. Coated freesheet shipments in
March jumped nearly 20% above February levels and were 2.3% above March 2010. However, through March coated freesheet shipments were only about 1% above prior year levels, according to AF&PA. Year-to-year comparisons were also weak in the latter part of 2010. Other grades are showing similar weakness.

Shipments and consumption have stabilized at levels that are about 85% and 90%, respectively, of 2007 levels for coated freesheet. It’s a fairly widely held view that the prior levels of consumption will not be reached again, and that the gap between demand as measured prior to the collapse in demand, and the current level, may be permanently lost.

So, if demand has reached an inflection point, where is the market headed? In the past if demand growth slowed, supply would exceed demand and prices would inevitably fall — at times rapidly. However, it appears there’s a good chance that not only won’t this occur, but prices may trend up a bit more.

First of all producers have been monitoring demand skillfully and have shown little hesitance in matching supply to demand. Notable capacity reductions made in recent years have been a major factor in sustaining operating rates. For example, an estimated 3 million tons of coated capacity were shut down in North America in the 2006-2010 period. In Europe, the situation was even more pronounced, with about 3.6 million tons shuttered. In 2009 alone it’s estimated that over 900,000 tons of coated freesheet capacity was removed as European demand contracted and exports shrank.

Trade trends also seem to be supporting the case that the market may remain in balance.

One reason, unfortunately, is that a natural disaster has again had an impact on the industry. Similar to when the Chilean earthquake hit market pulp, the earthquake and tsunami disaster in Japan have shut down a large portion of Japan’s coated paper industry. This will at least impact the market in the short term since last year the U.S. imported about 75,000 tons of coated free from mills in Japan, making them one of the major off-shore suppliers. The impact is likely to be somewhat more limited than it was in the pulp market because most Japanese paper is sheeted and is more of a localized issue in the western U.S.

**Price Pressures Continue**

Market pulp prices remain a key factor in the direction of coated freesheet prices, since many mills buy pulp. Pulp prices have remained high in early 2011, which has been a surprise to many observers. Global softwood demand continued to grow, with record shipments posted in March 2011, buoyed by strong demand from China. In turn, NBSK prices began the year around $950 - $960/ton, and at the time of writing this column, NBSK in North America is hovering around $1020/ton (Europe is looking at $1040/ton, June 1). The large jump in energy prices has also added pressure on mill costs.

Printers suffered through three price increases in 2010, and endured an additional attempted increase during the second quarter of 2011. They are certainly hoping for some relief. But while demand won’t post anywhere near the double digit gains seen in 2010, it’s expected to remain solid enough that coated freesheet operating rates will likely remain above 90%. And if producers closely monitor supply in case demand falters, that coupled with costs pressures mean producers might be in the drivers seat into next year. ■

Harold Cody is a contributing writer for PaperAge. He can be reached by email at: HCody@paperage.com.
At Last, Europeans are Biting the Bullet

The reluctance of European forest products companies to recognize that survival meant cutting or closing capacity for good and pursuing mergers is melting away. The lessons of North America are now being applied in Europe.

By David Price

In my November/December 2010 comment I described how bad things were for the Europeans. I said that more permanent capacity closures were needed and that more cost-effective mergers were necessary to restore the industry’s profitability. I am now astonished at what’s happened in the last six months. There has been a massive and rapid change in activity.

Seven companies have cut or closed nearly 2 million tonnes of capacity, sadly with job losses. There has been an ice-breaking consolidation deal and huge investments have been made in Eastern Europe, Russia and South America by European companies.

For the last three years, rising input costs and a recession have forced companies to focus on cash flow management and defer any type of expansion. However, this gave paper producers time to rethink their situation and make future plans. Accordingly, they have chosen to cut high cost capacity and look for ways to consolidate, merge or expand.

Cuts

The year began with Arctic Paper’s (Sweden) decision in February to cut 45 jobs at its Munkedals mill. The group makes 810,000 tpy of bulky book paper and graphic fine paper at four mills in Poland, Sweden and Germany.

Also in February, Holmen Paper (Sweden) announced plans to shut down PM 61 — the smaller of its two PMs — at its mill in Madrid, Spain. PM 61 has a capacity of 170,000 tpy and produces LWC and improved newsprint.

The capacity reduction is nearly 10% of the group’s production. Around 170 jobs will go. Holmen acquired the mill in 2000, by which time PM 61 had been operating for two years. In 2005, PM 62 was installed for the large scale production of newsprint. After PM 61’s closure, PM 62 will give the mill a capacity of 330,000 tpy.

At the time of writing (early May), Stora Enso restructured (code language for cuts and job losses) at its fine paper business in Nymolla, Sweden; Oulu, Finland; Uetersen, Germany, and sheeting plants in the UK and Belgium.

Then came a startling decision by M-real (Finland) to divest the entire Gohrsmuhle mill in Germany, which produces 240,000 tpy of uncoated fine and specialty papers. M-real also plans to discontinue its carbonless paper converting operations at its Reflex mill, also in Germany. About 480 jobs will go.

M-real has, in recent years, tried to sell its Alizay mill in France. If it cannot be sold by September, it will be closed with the loss of 330 jobs and 310,00 tpy of fine paper. M-real’s long-term plan is to focus on packaging board.

Consolidation

A lot was said about consolidation last year, mainly rumors that Stora Enso and Holmen were in talks with Norske Skog (Norway) for its newsprint business. They were denied. But Norske Skog managed to generate some cash by selling 22,000 hectares of Brazilian forests for $64 million and used some or all of the proceeds to reduce debt.
But the benchmark deal at the end of 2010 was UPM Kymmene’s $1.1 billion acquisition of debt-laden Myllykoski (Finland) and Rhein Papier (Germany). Clive Suckling, Global Leader - Forest, Paper & Packaging for PwC, described it as “…a watershed in the evolution of Europe’s pulp and paper sector.” For Myllykoski, the deal marks the end of a long era of Finnish family ownership going back to 1892. The deal will lead to a greater concentration in magazine grade paper and newsprint in Western Europe.

But there were other deals in Europe, the largest being the $1.5 billion sale of Ontex by Candover to other private equity firms TPG and Goldman Sachs. Ontex is Europe’s leader in private label hygienic disposable products. Candover was hit by the credit crisis and forced to unwind its assets last fall.

The third largest deal in the region was by another private equity firm Carlyle Group, which sold its French corrugated maker, Otor, for $311 million to UK firm DS Smith.

**Expansion**

The usual suspects (in this case, global regions) for European expansion were South America, Central and Eastern Europe, and Russia.

Stora Enso and Arauco (Chile) agreed to build a $1.9 billion hardwood pulp mill in Uruguay with a planned capacity of 1.3 million tpy. The project includes a new port and a biomass energy source. Start-up is planned for end of first quarter 2013.

Also in Uruguay, UPM has acquired 25,000 ha. of land from a forest owner to supply pulp to its Fray Bentos mill. This will increase UPM’s forest ownership in the state to 225,000 ha. UPM has been in Uruguay since 1990.

Rising living standards in Eastern Europe have persuaded Stora Enso to install a new 455,000 tpy containerboard machine at its Ostroleka Mill in Poland. Similarly, Metsa Tissue and SCA will build four tissue machines (two each) in East Germany, Poland and Russia.

And last, but certainly not least, International Paper’s 50:50 joint venture partner in Russia, Ilim Group, will spend USD 700 million to build a 720,000 tpy bleached softwood pulp mill in Bratsk to supply the Chinese market. Start up is expected in the second half of 2012.

When you think what hasn’t happened in the last three years, this current phase is breathtaking in scope, and appears set to continue.

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David Price is a contributing writer for PaperAge. He can be reached by email at: DPrice1439@aol.com.

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Effective Execution – Your Distinctive Competency

After years of improvement initiatives — Kaizen, TQM, Six Sigma, Lean Manufacturing, etc. — why is there still so much opportunity left on the table?

By Bob Chown and David Jesseau,
Pöyry Management Consulting

Pöyry Management Consulting has worked with hundreds of clients to solve business issues and capture opportunities. While the scope of our involvement ranges from strategic initiatives, to market services, to asset evaluations, all companies face their own unique set of issues. The one factor that is consistently under appreciated nor fully captured, however, is the “execution gap” — the ability to consistently deliver on an asset’s full potential. This continues in spite of all the good initiatives we see from internal improvement programs.

Here are four key steps to make sure your organization achieves its potential:

STEP 1: PUT EXECUTION ON THE EXECUTIVE AGENDA

At the highest level, there are three items that manufacturing companies need to get right to be successful in the long-term: strategy, assets, and execution. Strategy is the basis on which companies compete and typically, executives are very comfortable spending time developing the company vision and leading the change. Decisions regarding assets, or capital equipment, are also critically important to success, and they need to fit into whatever strategy has been developed. Senior managers and operations groups have a lot of experience in delivering the capital plan, and building, buying or upgrading assets is usually very rewarding and directly addressed. The third item, execution, is the ability for the whole organization to deliver and this is where many organizations fall short.
Given the critical nature of effective execution, why is performance management often a huge area of opportunity for companies, and yet given so little time by senior executives?

Conventional wisdom suggests several reasons:

1. “Performance management is important, but the gains are incremental and I have higher impact items on my agenda.”
2. “It’s not my job to execute. I delegate the execution, that’s what the operations managers are supposed to be doing.”
3. “I’m not going to force performance management on my team; they will decide how to get the results.”
4. “We’re on it; we have a Six Sigma program.”

If you share these views, you may be missing out on an opportunity to improve your organization’s performance, profits and shareholder value. Intuitively everyone understands there is room to improve performance — better quality, decreased downtime, increased throughput, less waste, energy savings, etc., but how big are the opportunities and how much is it worth to the bottom line?

Pöyry’s experience in conducting over 150 performance management assessments in manufacturing sites across the global forest sector, tells us that the bottom-line opportunity is worth much more that managers think - typically 5% - 10% of revenue annually (see Figures 1 and 2).

Given the magnitude of this opportunity, the fundamental first step is to understand the issues in detail, and have everyone sign off. You can then move to closing the gap and holding people accountable for generating results. Doing this will require attention from the most senior group of executives.

**STEP 2: DEFINE THE PRIZE**

The initial step in working towards more effective execution and improved performance is getting a brutally honest assessment of an organization’s current realities. Larry Bossidy, in the bestseller Execution: The Discipline of Getting Things Done, puts it well, “Realism is the heart of execution.”

Obtaining a brutally honest assessment is extremely difficult to get from internal resources for several understandable reasons. By the very nature of an internal team’s composition, it is difficult to be 100% objective. Human nature dictates that insiders will have a skewed view of reality because they likely know some of the players involved (and don’t want to hurt feelings), personal pride may be on the line (they may have been part of the problem in the past), internal hierarchy gets in the way, and finally they may lack a broader perspective.

Using practical experience as a guide, the following is Pöyry’s perspective on what reality often looks like in organizations:

1. Current management and supervisory teams are fairly strong groups with lots of technical knowledge. They have good skills and great attitudes, many are the right people to lead change.
2. Existing management processes and systems rely too heavily on result indicators, and do not provide enough focus on the controllable elements on the operation. The list of key performance indicators used to manage the business is incomplete, important information is not being reported, and no formal action planning processes are in place to ensure that performance variances are being addressed.
3. There is no silver bullet — gains will be the result of a disciplined effort in capturing many small opportunities throughout the operation, not any one big change. However, areas of opportunity exist in almost all key business drivers: production, quality and cost.

<table>
<thead>
<tr>
<th>Client Description</th>
<th>Annual execution opportunity* ($MM/yr)</th>
<th>Increased shareholder value (@5 x multiple)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North American Integrated Paper &amp; Packaging Producer (single site)</td>
<td>$18</td>
<td>$90</td>
</tr>
<tr>
<td>US Market Pulp Producer (single site)</td>
<td>$13</td>
<td>$65</td>
</tr>
<tr>
<td>North American Pulp &amp; Paper Producer (multiple sites)</td>
<td>$52</td>
<td>$260</td>
</tr>
<tr>
<td>North American Market Pulp Producer\ (single site)</td>
<td>$8</td>
<td>$40</td>
</tr>
<tr>
<td>North American Wood Products Manufacturer (multiple sites)</td>
<td>$20</td>
<td>$100</td>
</tr>
</tbody>
</table>

* with no changes to strategy or assets

![Figure 1. Typical improvement opportunities at forest product manufacturing facilities with no new capital.](image1)

![Figure 2. Opportunities identified at forest product manufacturing companies.](image2)
Opportunities represent financial gains that are greater than management anticipated. Typically, several million dollars for a small to mid-sized operation and tens of millions for a large site (annually).

Capturing the opportunity is 100% achievable through more effective management process and execution. In addition to providing details on the specific issues impacting operational and financial results, a performance management assessment conducted by an external group can also generate mill-level support for doing something about it. A Chief Operating Officer from a recent client explains, “Everyone on site knew that there were opportunities to improve performance, but we didn’t have a handle on the specifics. Once the prize is laid out there in front of you, you really have something specific to shoot for. It is very important to have specific performance improvement goals for the management team, which they are accountable for achieving.”

**STEP 3: INSTALL EFFECTIVE MANAGEMENT SYSTEMS**

The opportunity has been laid out there, now what? Status quo is usually not an option. Leaving a multi-million dollar opportunity unaddressed is not acceptable.

The decision comes down to tackling it with an internal team or partnering with external resources to help you get there (see Figure 3 for some benefits of each approach).

<table>
<thead>
<tr>
<th>INTERNAL</th>
<th>EXTERNAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>less cash cost in the short term</td>
<td>performance management experts</td>
</tr>
<tr>
<td>understanding of internal process</td>
<td>quicker - luxury of focus</td>
</tr>
<tr>
<td>on-site technical knowledge</td>
<td>objective, fact based</td>
</tr>
<tr>
<td>less perceived risk</td>
<td>broader perspective</td>
</tr>
</tbody>
</table>

Figure 3. Benefits of using internal and external resources to address performance management.

Coming to a decision on which approach to use can be difficult, one that should not be taken lightly and should be focused on results, not simply cost. Investing in a culture of performance management is just like any other capital project, many factors need to be considered.

Whichever route is taken, any organization that wants execution to become a distinctive competency must do the following key things:

*Provide the leadership* - ensuring excellence in execution is the CEOs responsibility and requires direct oversight. It...
cannot be entirely delegated. This is a big part of what separates companies that can call execution a distinctive competency from those who cannot.

**Dedicate the resources** – under-resourced performance management efforts will not deliver successful, sustainable results. Decide on the mandate, identify the right resources and provide principles of performance management training.

**Develop management process** - design management systems, practices and operating disciplines that focus on the controllable elements of the business.

**Invest in people** - equally important to processes, is the development of people. Enhancing the execution related skills throughout the supervisory and management ranks will make the management processes come alive and will enable the organization to deliver results.

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**Internal Groups Cannot Do It All...**

When well applied, Six Sigma, Lean Manufacturing, Kaizen, 5 S or similar programs can all deliver value. However, these tools are typically used with laser-like focus on specific issues for a relatively short period of time.

How does the agenda for an internal improvement program get established? Often times by a manager’s gut feel or worse, reaction to who is yelling the loudest.

Why does it take so long to see results? Typically, internal teams are under-resourced.

What happens once all the black belts have left? Performance usually slides back to historical levels.

Chances are that your internal improvement group could use some support.

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**Implement effectively** - fully implement management systems throughout the entire organization (shop floor to CEO) until it becomes they way you do business. Typically, behavior does not change quickly, this is a long term effort

**STEP 4: RELENTLESSLY MANAGE PROGRESS**

Relentlessly holding people accountable for delivering specific results in a specific period of time is critical to long-term success. A key part of this, is having the right management processes that facilitate executive oversight and easily identify weak performance. Redefining performance improvement goals on a regular basis will create the expectation within the organization that the job is never done.

Jim Collins, author of several classic business books summarizes the situation very well his bestseller Build To Last, “The critical question asked by a visionary company is not, ‘How well are we doing?’ or ‘How can we do well?’ or ‘How well do we have to perform to meet the competition?’ For these companies, the critical question is ‘How can we do better tomorrow than we did today?’ They institutionalize this question as a way of life — a habit of mind and action. Superb execution and performance naturally come to the visionary companies not so much as an end goal, but as the residual result of a never-ending cycle of self-stimulated improvement.”

**PUT EXECUTION ON YOUR AGENDA**

Execution, the ability to deliver; whether that is delivering on the strategy, delivering on the capital investments, and at the end of the day, delivering results, is what separates the top performing companies from everyone else. Effective execution is truly a distinctive competency, available to any organization that chooses to make it a priority.

So, what’s on your agenda?

Bob Chown and David Jesseau are with Pöyry Management Consulting North America in Toronto, Ontario, Canada. Bob and David can be reached by email at: bob.chown@poyry.com and david.jesseau@poyry.com.
coating technology

First Curtain Coater in Board Production

Ideal coverage and outstanding print characteristics — no more and no less is required for the coat application.

By Helena Pirttilahti-Feichtinger

At the Austrian location of Frohnleiten, an air knife had previously been used in the BM 3 for the middle coat. The unit led to some limitations. The maximum machine speed was 550 m/min and the maximum solids content was 42%. In addition, coverage of the board by the air knife was only moderate and the running characteristics were impaired by breaks and frequent cleaning intervals.

In order to eliminate all these limitations, a Curtain Coater was installed with the aim of replacing the air knife over the medium term. The main delivery consisted of the DF Coat with precision nozzle, which is essential for uniform profiles in CD and MD direction. Also, a very effective air boundary layer remover was ordered along with a modification of the web guiding system, a climate hood and an optimization of the infrared drying to facilitate further speed increases and energy savings.

An important component was the complete working station including a high-power vacuum deaerator. With curtain coating, it is essential to remove even the very smallest air bubbles from the coating color because where there is air, there cannot be any color.

**HIGHER QUALITY AND SPEED**

After the first few months in operation, the results achieved are quite impressive. First of all, the increase in quality is remarkable. Applying the middle coat with the DF Coat visibly improves coverage and cloudiness. This can be seen quite well, for example, with dyed samples of triple-coated board.

In addition to the enormous increase in visual characteristics, there is also an unchanged end roughness as compared to the air knife. Furthermore, the flatness of the board has improved, since less moisture gets into the board through the coating color.

(l-r) Stefan Reich and Andreas Hosemann from Voith Paper, along with Johann Eggenreich and Josef Gomboz from Mayr-Melnhof, inspect the newly installed Curtain Coater. The nozzle needs only a few seconds to move into its working position.
As far as runnability is concerned, the previous speed limitation due to the air knife no longer applies. An attempt is being made to increase the machine speed of BM 3 to 1,000 m/ min. The general performance is very good. There have been neither any breaks on the DF Coat nor have there been any plugging of the nozzle so far. Even threading through the coating unit worked very well.

REDUCED COSTS

The DF Coat is operated in its total speed range with a coating color of approximately 60% solids content, which is a clear increase, leading to a substantial reduction in energy costs of over 40% for the middle coat line.

With the higher solids content in the coating color, the amount of latex used could be reduced by 2% in the first step. Further savings are possible with changes in the pigment composition. In the area of raw material, input savings are also possible.

After only a short time in operation, the high expectations for the first installation of a DF Coat in a board machine were met and even exceeded. Thanks to further optimizations achieved by the customer together with Voith Paper, it is possible to increase the quality of the product while increasing the machine output at the same time. These advantages are supplemented by cost savings and an improvement of the global footprint.

"WHEN THE DF COAT RUNS, IT RUNS."

The fact that Mayr-Melnhof in Frohnleiten ordered the first DF Coat is no coincidence. The company’s innovative spirit has been well known for a long time — the first shoe press ever used in board production is running in the company’s BM 3.

"Nobody wants to be the first, but everybody wants to be the second, and that applies especially to curtain coating," says Josef Gombocz, Director of Coating Technology at MM Karton.

"The DF Coat in itself, however, is a simple piece of equipment. What makes it somewhat more elaborate is all around it. In particular, it needs a constant temperature, reduced air drafts and only a small amount of air in the color," Gombocz notes about the coater’s special features.

All these things are relatively easy to provide. The DF Coat has its own hood for creating the optimal climate. Therefore, the ambient temperature remains constant, and disturbing air drafts are a thing of the past. The air boundary layer remover eliminates the air that comes with the paper web, and the deaerator removes the air in the coating color. It has taken its place in the former forklift room alongside the BM 3.

"When the DF Coat runs, it runs — simply and without any adjustments. You don’t have to go into the hood at all. We installed two cameras for monitoring so that in the control room they always know what’s going on," says Helmut Huss, Mill Manager in Frohnleiten. Maintenance of the DF
Coat is utterly simple. Spare parts are rarely required, and during operation the maintenance effort is extremely minimal.

DEVELOPING THE PERFECT COLOR

It was a big challenge to develop a suitable coating color, since the ultrathin curtain must not tear if there is a draft of air. Voith worked with Gombocz to develop the perfect color composition for this. The amount of color in circulation is much lower than that in a conventional coating unit. The difference can be seen in the smaller dimensions of the pumps, among other things.

Of course, there are also doubts when you tread new paths, in this case, especially regarding the amount of air in the coating color. In operation, it turned out that these concerns were unfounded. “Even though all pipes were full of air after a shutdown, we still didn’t have any air in the color,” Gombocz exclaimed.

The first results reinforced Mayr-Melnhof’s pioneering decision: using the unit is easy, threading at the DF Coat works fine, the end quality is excellent, and the energy savings are remarkable.

“The whole team is delighted with the new unit,” Huss added.

“Helena Pirtilahti-Feichtinger works in Marketing & Communication for Voith Paper. Please contact Stefan Reich, who is the technical contact person at Voith Paper regarding this topic. He can be reached at: Stefan.reich@voith.com.
June 7-9, 2011
**PPC Financial Executives Institute & Human Resources Forum**
Paperboard Packaging Council (PPC)
Paperboard Packaging Council Headquarters
Springfield, Massachusetts, USA
Contact: Emily Rae
Phone: 413-686-9185
Email: emily@ppcnet.org
Web site: www.ppcnet.org

June 8-11, 2011
**PACWEST Conference**
PAPTAC – Pacific Coast and Western Branches
Delta Sun Peaks Resort
Kamloops, British Columbia, Canada
Contact: Mary Barnes
Phone: 604-988-9829
Email: barnesmm@shaw.ca
Web site: www.pacwestcon.net

June 19-22, 2011
**68th Annual Pulp & Paper Safety Association**
Safety & Health Conference
Pulp & Paper Safety Association
Hyatt Regency
San Antonio, Texas, USA
Contact: Marty Barfield
Email: marty.barfield@domtar.com
Web site: www.ppsa.org

June 28-29, 2011
**PPC Technical and Production Forum**
Paperboard Packaging Council (PPC)
Paperboard Packaging Council Headquarters
Springfield, Massachusetts, USA
Contact: Kim Guarinacci
Phone: 413-686-9193
Email: kim@ppcnet.org
Web site: www.ppcnet.org

August 29-31, 2011
**Latin American Pulp & Paper Outlook Conference**
RISI
Intercontinental Sao Paulo
Sao Paulo, Brazil
Contact: Misty Belser
Phone: (+1) 919-285-2800
Email: mbelser@risi.com
Web site: www.risiinfo.com/events/la_conf/index.html

September 13-15, 2011
**SFI Annual Conference**
Sustainable Forestry Initiative (SFI)
Hilton Burlington
Burlington, Vermont, USA
Contact: Amy Doty
Phone: 202-596-3458
Email: amy.doty@sfiprogram.org
Web site: www.sfiprogram.org

October 2-4, 2011
**ASPI Fall 2011 Customer Alignment Meeting**
Association of Suppliers to the Paper Industry
Austin, Texas, USA
Contact: Colleen Walker
Phone: 770-209-7521
e-mail: cwalker@aspinet.org
Web site: www.aspinet.org

October 3-5, 2011
**ABTCP 2011 (Congress and Exhibition)**
Brazilian Technical Association of the Pulp and Paper Industry
Transamerica Expo Center
Sao Paulo, Brazil
Web site: www.abtcp2011.org.br

October 23-25, 2011
**Paper Recycling Conference & Trade Show**
GIE Media
Downtown Chicago
Chicago, Illinois, USA
Phone: 800-456-0707
Web site: www.paperrecyclingconference.com

2012
March 25-27, 2012
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New York, New York, USA

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Paper2011: Where the Industry Meets

Chicago played host for the first time to the premier event for the paper industry and didn’t disappoint.

By John O’Brien, Managing Editor

For the first time in its 134-year history, Paper2011 (formerly Paper Week) did not take place in New York City. Chicago was the new destination, and after so many years of making the four-hour drive from Boston to the Waldorf=Astoria (mid-town section of NYC), the weeks leading up to the event had a very different feeling. Even though I’ve been to Chicago a few times, moving away the familiarity of the Waldorf and the surrounding area had me a little apprehensive.

I’m sure the event organizers, the American Forest and Paper Association and NPTA experienced some similar feelings. It could not have been an easy decision to move such a popular event – probably downright scary at times. But the change proved to be a winner, vouched for by the substantial spike in attendance.

Donna Harman, President & CEO of AF&PA welcomed attendees to the opening session on Monday morning.

Paper2011 took place Monday, March 27 through Tuesday, the 29th. The Fairmont Hotel played headquarters for Paper2011 and home for all convention events, while the Swissotel and Hyatt Regency (both next-door to the Fairmont) played supporting roles with suites and rooms.

A welcome reception in the Gold Room at the Fairmont kicked things off on Sunday evening, offering convention-goers drinks and hors d’oeuvres and a chance to meet new people and catch up with long-time friends.

On Monday morning, the registration area at the Fairmont was bustling as was the Paper2011 Convention Daily distribution desk. As some readers may know, we publish the Convention Dailies, and this is one of my opportunities to shamelessly plug them. All three editions were spectacular, by the way.

Monday’s Opening Session, which was held in the Fairmont’s International Ballroom, focused on “Extended Producer Responsibility.” The central focus of the session addressed the increased interest in the responsibility producers of consumer goods do or do not have in the cost of disposal of products at the end of their useful life. Tom Kadien, Senior Vice President Consumer Packaging and IP Asia, International Paper was moderator over the lively session.

On Monday afternoon, a new twist was introduced to Paper2011 – speed networking. It worked like this: Any Paper2011 suite holder or sponsor (Bronze level or higher), in advance of the convention, had the opportunity to reserve and host a speed networking table in the Fairmont’s Gold Room. About 16 or 17 companies did so. Also in advance of the convention, any registered Paper2011 attendee could make appointments to meet a host company during the speed networking event. To keep things moving, appointments had

A team from Poyry had a display set up in the Fairmont’s Moulin Rouge room (Paper2011 registration area). From the left: David Jesseau, Director, Business Development; Sanna Kallioranta, Senior Consultant; and Soile Kilpi, Principal.
10-minute time limits. Although most of the time slots were booked in advance, many of the host companies did a great job of accommodating “walk-ins”.

I’ve been to a lot of the former Paper Week conventions and the most challenging aspect for new attendees and sometimes the smaller brokers, exporters, converters, etc. is a lack of access to some of the bigger guns. The great thing about the speed networking is that it met that challenge and opened the door for any Paper2011 registrant to make an appointment and meet with a host company. And from talking to a few of the table hosts after the event, all felt that without the speed networking they would have never had the chance to meet the people who sat down with them, and more importantly, that those people presented them with the potential to expand their business.

Good job by AF&PA and NPTA on the speed networking deal. Everyone I talked to got a lot out of it.

The final day of the convention, Tuesday, featured two seminars in the morning – one, a regulatory seminar about the Lacey Act and its implications for the paper industry; and the other, RISI’s seminar on the world markets for printing-writing paper and paperboard.

Adam Grant of World Resources Institute was the speaker for the Lacey Act seminar, and he took the audience through possible changes in their business practices regarding supply chain and other compliance-related issues the Lacey Act may present for pulp and paper producers in their fiber sourcing.

The second seminar was conducted by John Maine, Vice President, World Graphic Paper and Ken Waghorne, Vice President, Packaging Products, from RISI. These two guys, as always, put on a great presentation. They both have the ability to take mountains of raw data and turn it into a story that even I can understand, and that’s nothing short of miraculous. They also offered to send their Power Point slide presentation to attendees.

At mid-day, Jim Hanaan, Georgia-Pacific’s CEO and President delivered the keynote address at the Luncheon Session. Jim is also serving this year as Chairman of the Board for AF&PA. The keynote address was followed by NPTA’s presentation of its Stanley O. Styles Award for Excellence, the Association’s highest honor. James W. Barrett, executive vice president of Central National-Gottesman was the 2011 recipient and he got a well-deserved standing ovation from the crowd for the exemplary leadership roles he played during his distinguished career.

A group of millennials were the panelists for Paper2011’s thought-provoking Luncheon Session, Generation Shift: Meet the Millennials. Michael Wood, Senior Vice President, TRU, was moderator for the session. TRU is youth research firm focusing on tweens, teens and twenty-somethings.
The session portion of the Luncheon was Generation Shift: Meet the Millennials. It was an interesting panel to say the least. I covered this part of the Luncheon in my editorial on page 4, so please take a look at that for all the details.

Last, but certainly not least, there were many, many companies who purchased hospitality suites for client meetings at the three hotels.

A number of other meetings that took place during Paper2011, which were exclusively for AF&PA and NPTA committee members.

All in all, Paper2011 was, again, an invaluable gathering of people from all walks of the life in the paper industry. Chicago was a great place for the event and contributed to its success. But the long-standing success of Paper2011 can be attributed mostly to the strength of the event itself and the people who attend year after year.
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Packaging and the Environment:
Shoppers Say “It’s Not My Problem”

In latest trend data, shoppers demonstrate little willingness to make the effort; looking for Business and Government to take the lead.

In the just completed wave of shopper research on environmentally friendly packaging conducted by Perception Research Services (PRS), fewer shoppers agreed that consumers should be responsible for recycling packaging than in 2009 (38% vs. 42%), with Midwest shoppers showing the least inclination (only 30%).

And while more shoppers expect environmentally friendly packaging to cost more (36% vs. 15% in 2008), fewer report a willingness to pay for it (51% vs. 57% in 2008), and a majority (59%) say that environmentally friendly packaging should be at no additional cost to the consumer.

Ironically, while few indicate they would like to choose more environmentally friendly packaging (28%), nearly half (48%) think manufacturers should produce more of it; and fully one third (35%) think government should mandate stricter environmental standards for packaging.

Their reliance on manufacturers’ efforts may derive from an awareness of the steps that have been taken, as half of the shoppers polled have noticed companies’ claims about environmentally friendly packaging. And of those, half noticed more of these claims in the past six months.

Fortunately for manufacturers, these shoppers feel their motives are primarily virtuous as over half say companies are making these efforts for reasons having to do with helping the environment (e.g., reduce waste, save resources, make the world a better place, etc), while very few attribute these actions to self-serving interests, such as, selling more product or increasing profits. And few think companies overstate the environmental benefits of their packaging.

Shoppers’ reported behavior patterns also suggest that they want someone else to do the work in this area, as nearly half say that seeing a “made from recycled materials” claim makes them more interested in buying the product, a significant increase from 2009 (48% vs. 39%). This more passive activity contrasts with the fact that very few (only 17%) say they check to see if a package is recyclable before buying a product. And, fully one-third report that they generally do not recycle packaging, consistent with the 2008 level.

“It’s becoming clear that while consumers may voice concern for the environment, most appear unwilling – at the moment – to make any major sacrifices to make a difference,” according to Jonathan Asher, Senior Vice President of PRS.

“They’d rather rely on manufacturers to provide products and packaging that they can feel good about, without changing their behavior, giving up performance, or paying more.

“Manufacturers have had the impression that they needed to be in sync with consumers’ environmental concerns and fit with the emerging lifestyle of ‘going green,’” Asher continues. “Our findings suggest that rather than follow consumers’ lead, manufacturers must be at the forefront, making it easier for shoppers to buy the products they prefer while also feeling good about the environmental impact, and making as little sacrifice as possible. It’s a tall order, but if delivered, will be highly rewarded.” ■

Perception Research Services, Inc., based in Ft. Lee, NJ, has been helping marketers “Win At Retail” for nearly forty years. The company conducts over 800 studies annually with shoppers worldwide, in every consumer goods category. The three waves of this research were conducted in 2008, 2009, and 2010, across the U.S., among over 1,000 primary household grocery shoppers aged 18-64 per wave.
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