

“INVESTMENT NEW ZEALAND HAS GREATLY ASSISTED NORSKE SKOG TASMAN TO DELIVER ON LONG TERM STRATEGY.”

Peter Chrisp, *General Manager, Norske Skog Tasman*

Norske Skog, Norway's US\$3.5 billion newsprint manufacturer, understands well how timely help from the New Zealand government can assist with major problems and save a key investment. In 2004, support from Investment New Zealand for Norske Skog Tasman's Kawerau operations turned a potential plant closure into a NZ\$33 million investment.

This is how it happened.

Norske Skog is the world's second largest producer of publication paper, with 23 wholly- and partly-owned mills in 15 countries on five continents. It first invested in New Zealand in 1990, when it bought the paper operations of well-established New Zealand company Fletcher Challenge. At the time, New Zealand had relatively efficient plant, plentiful wood supplies, and some of the cheapest power in the world.

But by 2003 the scenario had changed. New Zealand still had a reliable, sustainable wood supply, but Norske Skog Tasman's mills were older and needed upgrading. Most importantly, New Zealand energy price increases reduced a key competitive advantage. As a result, Norske Skog's international board started to consider closing the New Zealand operations.

However, local management believed it could make a case for keeping the Kawerau plant, which employs 600 people and produces 380,000 tonnes per year of newsprint and publishing paper, open. In February 2003, it turned to the New Zealand government for help.

The first step was for Investment New Zealand staff to provide Norske Skog Tasman management with support and assistance to make a business case to the international board. Then, after energy

costs were identified as the main problem affecting long-term profitability, Investment New Zealand contributed NZ\$100,000 to assist the company in assessing energy options.

Finally, Investment New Zealand facilitated discussions between various government agencies and local groups over development of a geothermal energy field to help improve Norske Skog Tasman's energy outlook. These discussions are progressing well.

“It is important for investors to see they are not on their own if they come to New Zealand, and they can feel confident about dealing with government in an open and frank manner,” says Investment New Zealand's Koustubh Gadgil. “They don't have to knock on doors and be shunted from one place to another if they have problems. Investment New Zealand will work alongside them to find a solution.”

In June 2004, Norske Skog agreed a plan to invest NZ\$33 million in renovating and upgrading two of the Kawerau paper machines, and closing the 50 year old machine, to be implemented over 2005 and 2006. This will help deliver a long term internationally competitive business.

“Investment New Zealand has greatly assisted Norske Skog Tasman to deliver on long term strategy for the business,” says General Manager Peter Chrisp. “As a Norwegian-owned business, the assistance and guidance provided to Norske Skog Tasman by Investment New Zealand was an influencing factor in the recent board decision to invest NZ\$33 million in the Tasman site, and to pursue the geothermal power option.”

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