

High stakes: Huge consequences for Fox Cities if Kimberly-Clark closes two plants

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Published 7:03 a.m. CT Sept. 21, 2018 | Updated 10:16 a.m. CT Sept. 21, 2018



(Photo: Dan Powers/USA TODAY NETWORK-Wisconsin)

The Fox Cities will lose one Kimberly-Clark Corp. plant — the Neenah Nonwovens Facility and its roughly 100 jobs — around mid-2019 if the company's original global restructuring plan timeline holds true.

That's the first blow.

The second blow is potentially much greater.

If legislative efforts in the coming days to save a second K-C plant slated for closure — Cold Spring in Fox Crossing — are unsuccessful, that mill could also be shuttered sometime in the near future, erasing up to 500 jobs with paychecks that are among the best in area manufacturing.

The third blow could be to the community itself.

Losses could run into the millions of dollars as mill suppliers, surrounding businesses and even charities take a hit if both mills go dark.

What happens next

An eleventh hour Hail Mary could save Cold Spring if the state Senate votes to put up to \$100 million in tax incentives in place — and K-C accepts the terms — before the company-imposed deadline of Sept. 30.

It could all come down to the wire in a dramatic cliffhanger in the coming week.

The Senate hasn't signaled so far if it will convene in an extraordinary session to take up a vote on Assembly Bill 963, the tax credit legislation already passed by the Assembly. That original bill included both the Neenah Nonwovens plant and the Cold Spring plant, which makes Depend and other hygiene products.

Some senators, including bill co-sponsor Roger Roth (R-Appleton), want to give K-C tax credits to keep the Cold Spring mill from closing. They don't want to see it go dark and watch its production capacity move south, to a mill in Conway, Arkansas, where 350 nonunion employees are holding their breath.

They know it's either us or them.

The bill has the support of Gov. Scott Walker. Both he and Roth are currently in re-election campaigns.

In a press conference Thursday in Appleton, Walker said he had encouraged senators to visit the mill before the vote.

"Obviously, our focus right now is getting to the 30th and getting a vote," he said. "If it doesn't happen, we're not going to give up. We're going to keep making a case. We think Kimberly-Clark is an important part in not just the Fox Cities. It's kind of like Harley-Davidson or Oshkosh Corp. These are iconic businesses that directly link to the state of Wisconsin."

On the other side, some say giving incentives to an existing business is an unsustainable precedent that will invite other companies to ask for the same treatment.

"That's the ultimate concern for most of us, the precedent that would set," Sen. Tom Tiffany (R-Hazelhurst) told reporters in a Madison news conference Thursday.

Kimberly-Clark has already secured concessions from United Steelworkers in a new collective bargaining agreement for Cold Spring, and some workers say the profitable company shouldn't ask for more.

"It saddens and sickens me that all this is brought on by sheer corporate greed on Kimberly-Clark's part," said Karmen Jones, a longtime Cold Spring employee. "The public and our elected officials need to know that Kimberly-Clark does not need the money from the state. The Neenah Cold Spring plant has continually made record profits for Kimberly-Clark. The employees have done everything that has been asked of them and more."

Locally, Peter Thillman is one of those rooting for the bill's passage. He's the vice president of economic development at the Fox Cities Regional Partnership and Fox Cities Chamber.

"One of the first rules of economic development is keep what ya got," he said. "There are only so many Foxconn's in the world. Do you know how hard it is to build a 140-year-old company in your community? Keep what ya got. Help your friends first."

On Thursday he publicly requested K-C to hold off its deadline until Nov. 30 because “we are in the midst of a very contentious campaign season.”

The extra time, he said, would allow the Senate to work in a bipartisan manner.

“Sixty extra days to preserve a 146-year manufacturing relationship is a reasonable request,” he said.

If K-C closes both plants

If both plants eventually close, workers will be the first to feel the pain. Some have been with the mill for its entire 25 years.

They’d be in demand, as the local unemployment rate is under 3 percent, but they might have to start new jobs without seniority-related perks, like higher pay and vacation allowances.

“Could they find another job if they wanted to stay in the Fox Cities? Sure. But would it be the same pay, the same level of benefits? I doubt it. Not for all 600,” said Thillman. “These are not McDonald’s jobs. These are not Walmart jobs. These are high-end production manufacturing positions and they’re compensated accordingly. These are some of the better paying jobs in our community.”

One potential Fox Valley employer, Green Bay Packaging, for example, will have its new paper mill open in two and a half years, around the time Cold Spring could conceivably wind down. Officials have said they will need about 200 more workers.

Cold Spring workers currently make \$45,000 to \$80,000, depending on position and seniority and before overtime, shift differentials and leadership bumps are figured in, according to employees. The new collective bargaining agreement would adjust hourly rates to \$16.63 through \$34.52 based on position and seniority.

Figuring a rough average of \$60,000 per person, those jobs generate income of about \$36 million per year for both plants.

But put it into perspective with the overall number of employees in the region, one analyst said, and does not make a huge ripple.

“I’m not trying to find the silver lining, but you do have to realize that while 600 jobs seems like a large amount, it’s less than one percent of Winnebago county’s 88,000 jobs. If there is a silver lining, it’s that this is looked at as a talent pool of good, talented hardworking people,” said Eric Fowle, executive director of the East Central Wisconsin Regional Planning Commission, a government entity that compiles economic data.

Kimberly experience

Kimberly’s experience a decade ago was not pretty. Longtime mill employees struggled to move on. The NewPage mill, at full strength, had about 600 employees. It closed in 2008 during the recession when unemployment soared from 5 percent to over 9 percent.

“There was bitterness, anxiety and uncertainty,” said Chuck Kuen, village president.

“The economic impact was not horrible because the building was still a taxable property. But the impact to the people was the big thing. Lots of workers got retraining. Many of them went back to work, but at a lesser rate.”

“It was really, really tough on those folks. I seem to recall several taking over a year to find new employment. Some were underemployed,” said Tom Nelson, now Outagamie County executive who was a state representative at the time. “The trades were doing OK; welders and electricians were still in demand, so the millwrights did well.”

Extended loss

When a factory closes, job losses are not limited to those within its walls. Outsiders whose livelihoods are tied to the mill are also at risk.

“This isn’t just about us,” said Barry Hall, a worker in maintenance at Cold Spring. “There are so many other people who are affected. The laundry workers, contractors, service providers, truck drivers that come in and out of our facility. If this place closes, you’ll have a trickle-down effect in the valley.”

“That includes vendors that produce products, retail establishments that serve employees and other jobs associated with keeping that plant alive,” said ECWRPC’s Fowle.

His agency paints a worst-case scenario of more job losses outside of the mill plus tax losses should the plant close.

Fowle uses Emsi economic modeling software that multiplies the mill’s job losses by 1.65 to account for extended job losses. Beyond the mill, those losses are in categories like sales, transportation, administrative support, production, maintenance and repair, food service, waste management and other professional, technical and scientific services.

Neenah Nonwoven’s 110 job losses, for example, would cause an additional 157 jobs to be lost. The total in lost income is calculated to be \$18.5 million.

If Cold Spring also closes and loses 500 jobs, collateral job losses could add 834 to that total. Lost earnings would total \$104 million.

Emsi software uses data from the Census Bureau and various community surveys including state data from the Department of Workforce Development and Bureau of Workforce Information.

Emsi also calculates lost local, state and federal taxes on sales and property. Those total \$1.6 million in lost taxes for the Neenah Nonwovens facility to \$7.6 million for both plants.

At the Fox Cities Regional Partnership, Thillman used Emsi estimates to compare tax losses with incentives floated by the Assembly bill. He said the numbers were in the same ballpark.

“At a tax rate rounded to 7 percent over 15 years, Wisconsin will lose \$111 million in state income taxes,” he said. “The bill is asking for \$115 million. You either give them the incentives or you lose that money regardless.”

Kimberly-Clark’s Cold Spring mill supply chain, which is the group of suppliers, vendors, service businesses and others who help the company go from raw materials to retailers, would disappear.

"They do \$56 million dollars locally in their supply chain annually," said Thillman, using K-C supplied numbers. "They do business with 230 local businesses."

"Our plant spends around \$30 million dollars within the state on operational infrastructure alone," said Cold Spring employee Barry Hall, who was authorized to give numbers by plant manager Paul Lombardi. "That include raw materials from companies like International Paper."

An International Paper spokesman did not return a call asking what impact Cold Spring's departure might have on that business.

"I believe we are WE Energy's biggest customer at around \$7 million a year," said Hall.

WE Energies spokesman Brian Manthey said he won't confirm a customer's billing information. The loss of a large user, however, means the customer base has to absorb the difference.

"Our costs to provide electricity and maintaining the system are spread throughout our 1.1 million customers in the Fox Valley and southeast Wisconsin," he said.

In Combined Locks, the temporary shutdown of the Appleton Coated Mill caused a different energy company, Kaukauna Utilities, to impose an 8.2 percent rate hike on its 15,000 area customers.

Related losses

When mills close, workers cut back on expenses and conserve resources until they are again employed. Bars, supper clubs and other businesses could take a hit.

"They buy cars from Bergstrom, they send children to private schools, they buy groceries with this money," said Brian Nussbaum, a worker at Cold Spring.

In the 2008 case of Kimberly's NewPage mill closure, the loss of the mill was the start of the slide for several neighboring businesses that eventually closed, said Kimberly's Kuen. Paper industry declines and other economic factors contributed to those closures as well.

"I can't help but believe it may have been the instigating force for the closure of Pick 'n Save," said Kuen. "ECC is a calcium carbonate plant by the bridge that was a supplier to the mill. As the paper industry diminished, the call for their services has diminished. They have since closed."

He said companies that lost business included firms supplying rollers, trucking, machine repairs and warehousing.

"Anything that had to do with that mill felt an impact," Kuen said.

Charities take a hit

Cold Spring's workers are engaged in numerous community causes, according to several employees.

"This plant that they want to shut down is the most generous with United Way and Salvation Army," said employee Karmen Jones. "It's sad we won't be able to do that anymore."

“We ring bells for Salvation Army, we’ve raised thousands of dollars for Warrior Princess Mud Run. We’ve done coat drives, mitten drives and diaper drives,” said machine operator Jessica Schiessl. “We’ve done school supply drives for every school that our members belong to.”

“Cold Spring was the largest union donor in the United Way campaign last year,” said Peter Kelly, CEO of United Way Fox Valley.

Cold Spring employees gave \$67,334 in 2017, plus they volunteer annually in United Way’s diaper bank and homeless counts.

“Overall, Kimberly-Clark was the No. 1 contributor to United Way last year at \$2.65 million between the employee contributions and the dollar-for-dollar corporate match,” Kelly said.

Patrick Marley, state capitol reporter for the Milwaukee Journal Sentinel, and reporter Mica Soellner, USA TODAY NETWORK-Wisconsin, contributed to this story.