



# NewPage is done — get over it.

**A**s a young TV reporter in Halifax in the early 1970s, I remember being sent to Prince Edward Island to cover a Maritime premier's conference. After filing my story for the day, I was hanging around in the hotel lobby with a bunch of other reporters when Nova Scotia Premier Gerald Regan wandered through. He was in a chatty mood.

Over the course of an off-the-record half an hour, he discussed many subjects of great and no import, but what still sticks in my memory was what he said when someone asked him about the future of Sydney Steel.

In late 1967, the former Conservative government had nationalized Hawker Siddeley's foundering Cape Breton steel plant. The initial plan was for the government to operate the mill for a year until a more engaged private sector buyer could be found. That didn't happen, and SYSCO, as it became known, soon ended up a tax-guzzling drain on the provincial treasury — too far gone to be set right but too important to the local economy to be completely shut down.

Regan (whose own government had recently announced its latest new investment in the mill, the one that would save SYSCO once and forever) was open, thoughtful and articulate as he walked us through the dilemma his government faced. He knew the considerable amount of money his government was investing in the antiquated SYSCO plant would not be enough to save it. He wasn't convinced any amount of money could. But what was the alternative?

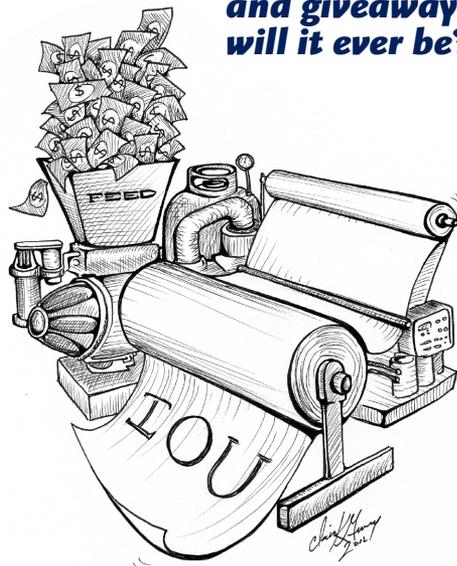
It seemed to me Regan had succinctly summed up the conundrum we, as Nova Scotians, needed to come to terms with.

The next morning, I approached Regan to ask if he'd be prepared to put his off-the-record comments on the record. Regan didn't hesitate. No, was all he said.

SYSCO continued to vacuum up tax dollars to no good purpose until 2001 when John Hamm, the fifth premier to inherit the SYSCO file since Regan, announced his government had sold the plant to an Indian company that would dismantle it and ship the scrap overseas. Gone but not forgotten. Nova Scotians continue to drag the burden of SYSCO's debt to this day.

I couldn't help being reminded of that incident in late September as I watched Nova Scotia's current NDP government smack up against its own SYSCO moment — and opt, like Regan, to play the Pollyanna card.

***If the mill isn't sustainable today without so many grants and giveaways, will it ever be?***



In September 2011, Ohio-based NewPage Corp. filed for bankruptcy protection for its Port Hawkesbury, Nova Scotia, paper mill. The mill, which employed 600 workers and bought raw material from 400 independent forestry contractors, anchored the region's economy.

The government's first scrambled response was to announce it would spend what turned out to be \$30 million to keep the plant in a "hot-idle" and forestry contractors working while it searched for a new buyer.

But the mill had lost \$50 million the year before and, worse, the worldwide paper industry is in a continuing long-term decline.

In the end, there was only one wannabe buyer — Pacific West, a subsidiary of Stern Partners, a Vancouver-based investment company with interests in everything from publishing to retailing—and it only wanted the mill if the price was very, very right.

Pacific West agreed to pay \$33 million for the mill but...

Before the deal could get done, the mill's unionized workers had to agree the work force would be cut in half, accept pay cuts and wave goodbye to their previous pension plan.

The county had to agree to chop its tax bill in half.

Nova Scotia Power had to say yes to a sweetheart deal on power rates.

And the government had to pony up \$66.5 million in government loans (\$40 million forgivable), not to forget spend another \$58 million to help pay off the plant's creditors and support "sustainable practices."

Remember... Pacific West's commitment was just \$33 million.

In late September 2012, after a wild final weekend of on, off and then on-again negotiations, the deal was done.

Premier Darrell Dexter announced (shades of Gerald Regan) Port Hawkesbury's future had been secured "for the long term."

But if the mill isn't sustainable today without so many grants and giveaways, will it ever be?

And if it won't, shouldn't we be investing in alternatives now instead of failure tomorrow? | ABM

The views expressed in this column are those of the author and not necessarily those of Atlantic Business Magazine. Feedback: dchafe@atlanticbusinessmagazine.com